

INTEGRATED SAFEGUARDS DATA SHEET
CONCEPT STAGE

Report No.: 89642

Date ISDS Prepared/Updated: July 15, 2014

I. BASIC INFORMATION

A. Basic Project Data

Country:	Ukraine	Project ID:	P151927
Project Name:	Advisory Services and Technical Assistance to NJSC "Naftogaz of Ukraine" and the Government of Ukraine on the Reform of the Natural Gas Sector		
Task Team Leader:	Yadviga Semikolenova		
Estimated Appraisal Date:	July, 25 2014	Estimated Board Date:	
Managing Unit:	GEEDR	Lending Instrument:	
Sector(s):	Oil and Gas		
Theme(s):	Corporate Governance; State-Owned Enterprise Restructuring and Privatization; Regulation and Competition Policy		
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)?			No
Financing (in USD Million)			
Total Project Cost:	EURO 2,035,000	Total Bank Financing:	
Total Cofinancing:		Financing Gap:	
Financing Source			Amount
BORROWER/RECIPIENT			0
Single Donor (EC) Trust Fund			EURO 2,035,000
Total			EURO 2,035,000
Environmental Category	C		
Is this a Repeater project?	No		
Is this a Transferred project?	No		

B. Project Objectives

The objective of the project is to provide advisory services and technical assistance to NJSC "Naftogaz of Ukraine" and the Government of Ukraine on the reform and restructuring of the natural gas sector through:

- providing support the Government of Ukraine to develop and implement the outstanding key

reforms in the gas sector that are necessary for Ukraine to fulfill the legal commitments undertaken in the framework of membership of the Energy Community; and

- providing advisory services, in the form of a Project Implementation Unit (PIU), to NJSC "Naftogaz of Ukraine" to prepare bankable projects and to oversee their implementation together with the IFIs (EBRD and EIB).

C. Project Description

The proposed activity would be implemented over two years, through a hybrid trust fund, financed by the European Union, represented by the Commission of the European Communities, in the total amount of EURO 2,035,000. The implementing agency for the recipient-executed component will be NJSC "Naftogaz of Ukraine".

The proposed project will consist of the following components (costs are net of the Central and Managing Unit fees):

Component 1 (Recipient-Executed; EURO 850,000): The purpose of this Component is to support the staffing of the Project Implementation Unit of NJSC "Naftogaz of Ukraine," which will be responsible for implementation of the Gas Transit System (GTS) modernization project being financed by EBRD and EIB. The objectives of strengthening the PIU are to ensure:

- Timely and effective preparation and implementation of the EBRD/EIB-financed Gas Transit System (GTS) modernization project, including design and all issues related to environment, procurement, financial and accounting management and disbursement according to the applicable EBRD and EIB rules for project implementation;
- Preparation of the broader GTS modernization project by supporting NJSC "Naftogaz of Ukraine" in finalizing the design and preparing the project including all issues related to technical design, environment, preparation of project documentation and loan negotiations etc.

For this purpose, this Component of the Advisory Services and Technical Assistance project will finance the staff in the PIU who will be responsible for the following tasks:

- Finalization of technical designs and technical project support;
- Procurement according to applicable IFIs standards;
- Finalization of Environmental and Social Impact Assessments (ESIA) for the Emergency Project and development of ESIA and other relevant safeguard documents for the broader GTS modernization project according to applicable IFIs standards;
- Setting up a project financial management system;
- Setting up a project control and quality system;
- Contract and claim management including final acceptance/testing;
- Legal advice and support in compliance with documentary requirements from the IFIs; and
- Training.

Component 2 (Bank-Executed; EURO 1,185,000): The purpose of this Component is to provide advisory services to the Ministry of Energy and Coal Industries of Ukraine and National Electricity Regulatory Commission (NERC) in the implementation of outstanding conditionalities related to the gas sector reforms and the corporate restructuring and financial transparency of NJSC "Naftogaz of Ukraine".

The implementation of key reforms in Ukrainian gas sector would allow to the IFI's (EBRD, EIB) to be in a position to consider the financial support for the modernisation of Ukraine's Gas Transit System.

For this purpose, under this Component the Bank will assist the Government of Ukraine with the

following tasks:

- (a) Preparing the set of legislation and regulations which aligns the structure of Ukrainian gas market with the provision of the EU 3rd Energy Package; and
- (b) developing comprehensive corporate and financial restructuring concept, together with the short-and medium term implementation plan to restructure transmission, storage and distribution businesses of NJSC "Naftogaz of Ukraine" including their financial transparency based on International Financial Reporting Standards (IFRS) requirements.

Specifically, the Component support the following activities:

- assisting NJSC "Naftogaz of Ukraine" with refining their restructuring concept and helping them to develop a feasible and realistic implementation plan;
- financial audit and projection for the upcoming 5 years for transit and storage parts of NJSC "Naftogaz of Ukraine" business;
- preparing the set of legislations which aligns the structure of Ukrainian gas market with the provision of the EU 3rd Energy Package;
- developing methodologies to calculate appropriate transit and storage tariffs; and (with the availability of additional funds)
- developing methodology of determining and allocating transmission capacity.

D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The project will be located in Kiev.

E. Borrowers Institutional Capacity for Safeguard Policies

Component 1 (Recipient-Executed): The PIU of NJSC "Naftogaz of Ukraine", supported through Component 1, will have the environmental and social safeguards specialists. It will be the responsibility of EBRD and EIB to monitor environmental and social issues related to their project. EBRD and EIB's safeguards policies are substantively consistent with the World Bank's policies. As the EBRD/EIB-financed project is considered to be an associated activity to this component of the Advisory Services and Technical Assistant project, the Bank team will be doing its due diligence during implementation of the Component through confirming that the environmental and social aspects are being appropriately addressed by EBRD and EIB. More details on how EBRD and EIB propose to manage these aspects will become available by the end of 2014 as they complete preparation of their associated project.

Component 2 (Bank-Executed): There may be potential financial implications of environmental or social issues to NJSC "Naftogaz of Ukraine". The environmental/social aspects that could have financial implications include: compliance to safety standards; possible environmental or social liabilities associated with past or current pollution (e.g. from storage facilities); etc. The team will follow up whether environmental aspects are included in calculating financial projections and if not, will recommend to include those.

F. Environmental and Social Safeguards Specialists on the Team

Alexei Slenzak, Senior Environmental Specialist, GENDR

Klavdiya Maksymenko, Social Development Specialist, GURDR

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered ?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	NO	
Natural Habitats OP/BP 4.04	NO	
Forests OP/BP 4.36	NO	
Pest Management OP 4.09	NO	
Physical Cultural Resources OP/BP 4.11	NO	
Indigenous Peoples OP/BP 4.10	NO	
Involuntary Resettlement OP/BP 4.12	NO	
Safety of Dams OP/BP 4.37	NO	
Projects on International Waterways OP/BP 7.50	NO	
Projects in Disputed Areas OP/BP 7.60	NO	

III. SAFEGUARD PREPARATION PLAN

Tentative target date for preparing the PAD Stage ISDS:

A. N/A

Time frame for launching and completing the safeguard-related studies that may be needed.

B. The specific studies and their timing should be specified in the PAD-stage ISDS.

N/A

IV. APPROVALS

Task Team Leader:	Name: Yadviga Semikolenova	
<i>Approved By:</i>		
Regional Safeguards Coordinator:	Name: Agi Kiss	Date: July 10, 2014
Acting Practice Manager:	Name: Jas Singh	Date: July 16, 2014

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.