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Report No: PADHI00671

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT  
ON A  
PROPOSED TRUST FUND (TF) GRANT  
IN THE AMOUNT OF US\$ 10 MILLION

TO UKRAINE

FOR A  
STRENGTHENING GOVERNMENT CAPACITY FOR FISCAL REFORM IMPLEMENTATION PROJECT  
(P506476)

November 4, 2024

Governance  
Europe And Central Asia

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective September 30, 2024)

Currency Unit = Ukrainian Hryvnia (UAH)

US\$1 = UAH 41.22

SDR1 = US\$1.36

## FISCAL YEAR

January 1 - December 31

Regional Vice President: Antonella Bassani

Regional Director: Asad Alam

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## ABBREVIATIONS AND ACRONYMS

APA	Alternative Procurement Arrangements
CERC	Contingent Emergency Response Component
ACU	Accounting Chamber of Ukraine
AM	Accountability Mechanism
CE	Citizen Engagement
DA	Designated Account
DFIL	Disbursement and Financial Information Letter
DLR	Disbursement-Linked Results
DREAM	Digital Restoration Ecosystem for Accountable Management
EC	European Commission
EFF	Extended Fund Facility
ESCP	Environmental and Social Commitment Plan
ESS	Environmental and social standards
EU	European Union
FCDO	Foreign, Commonwealth, and Development Office
GHG	Greenhouse Gas
GIZ	Gesellschaft für Internationale Zusammenarbeit
GoU	Government of Ukraine
GRS	Grievance Redress Service
HEIS	Hands-on Expanded Implementation Support
HRMMU	Human Rights Monitoring Mission in Ukraine
IOM	International Organization for Migration
IMF	International Monetary Fund
IPF	Investment Project Financing
LMP	Labor Management Procedures
LULUCF	Land Use, Land-Use Change and Forestry
MFD	Maximizing Finance for Development
MCTD	Ministry for Communities and Territories Development
MoE	Ministry of Economy
MoF	Ministry of Finance
NDC	Nationally Determined Contributions
NRS	National Revenue Strategy
PCE	Private Capital Enabling
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PforR	Program for Results
PIM	Public Investment Management
PIU	Project Implementation Unit
POM	Project Operational Manual
RA	Reconstruction Agency
RDNA3	Third Rapid Damage and Needs Assessment
SECO	State Secretariat for Economic Affairs
SEP	Stakeholder Engagement Plan
SOP	Series of Projects
STS	State Tax Service
SURGE	Supporting Reconstruction through Smart Fiscal Governance
TF	Trust Fund
TOR	Terms of Reference
USAID	United States Agency for International Development



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**DATASHEET**

**BASIC INFORMATION**

Project Beneficiary(ies) Ukraine	Operation Name Strengthening Government Capacity for Fiscal Reform Implementation		
Operation ID P506476	Financing Instrument Investment Project Financing (IPF)	Environmental and Social Risk Classification Moderate	Process Urgent Need or Capacity Constraints(FCC)

**Financing & Implementation Modalities**

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input checked="" type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input checked="" type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input checked="" type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternative Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Expanded Implementation Support (HEIS)

Expected Approval Date 25-Oct-2024	Expected Closing Date 31-Dec-2028
Bank/IFC Collaboration No	

**Proposed Development Objective(s)**

To enhance the Government's capacity to plan and finance recovery and reconstruction.

**Components**

Component Name	Cost (US\$)
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Component 1: Public Investment Management for Reconstruction	2,500,000.00
Component 2: Local Urban Planning	2,500,000.00
Component 3: Local Government Fiscal Governance for Recovery	1,000,000.00
Component 4: Integrity and Compliance in Revenue Administration	500,000.00
Component 5: Public Procurement Management for Recovery	500,000.00
Component 6: Project Management, Stakeholder Engagement, and Policy Analysis	3,000,000.00

**Organizations**

Borrower:	Ministry of Finance		
Contact	Title	Telephone No.	Email
Implementing Agency:	Ministry of Finance		
Contact	Title	Telephone No.	Email
Olga Zykova	Deputy Minister of Finance	00380442775627	zykova@minfin.gov.ua

**PROJECT FINANCING DATA (US\$, Millions)****Maximizing Finance for Development**

Is this an MFD-Enabling Project (MFD-EP)? No

Is this project Private Capital Enabling (PCE)? No

**SUMMARY**

<b>Total Operation Cost</b>	<b>10.00</b>
<b>Total Financing</b>	<b>10.00</b>
<b>Financing Gap</b>	<b>0.00</b>

**DETAILS****Non-World Bank Group Financing**

Trust Funds	10.00
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Ukraine Relief, Recovery, Reconstruction, and Reform TF

10.00

**Expected Disbursements (US\$, Millions)**

WB Fiscal Year	2025	2026	2027	2028	2029
Annual	1.78	2.00	2.00	2.00	2.00
Cumulative	1.78	3.78	5.78	7.78	9.78

**PRACTICE AREA(S)**

**Practice Area (Lead)**

Governance

**Contributing Practice Areas**

Urban, Resilience and Land

**SYSTEMATIC OPERATIONS RISK- RATING TOOL (SORT)**

Risk Category	Rating
1. Political and Governance	● High
2. Macroeconomic	● High
3. Sector Strategies and Policies	● Substantial
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● High
6. Fiduciary	● Substantial
7. Environment and Social	● Moderate
8. Stakeholders	● High
9. Overall	● High

**POLICY COMPLIANCE**

**Policy**

Does the project depart from the CPF in content or in other significant respects?



Yes  No

Does the project require any waivers of Bank policies?

Yes  No

**ENVIRONMENTAL AND SOCIAL**

**Environmental and Social Standards Relevance Given its Context at the Time of Appraisal**

E & S Standards	Relevance
ESS 1: Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10: Stakeholder Engagement and Information Disclosure	Relevant
ESS 2: Labor and Working Conditions	Relevant
ESS 3: Resource Efficiency and Pollution Prevention and Management	Relevant
ESS 4: Community Health and Safety	Relevant
ESS 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
ESS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
ESS 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
ESS 8: Cultural Heritage	Not Currently Relevant
ESS 9: Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank’s due diligence assessment of the Project’s potential environmental and social risks and impacts, please refer to the Project’s Appraisal Environmental and Social Review Summary (ESRS).

**LEGAL**

**Legal Covenants**

**Sections and Description**

The Recipient shall, through MoF, establish by no later than two (2) months after the Effective Date, and thereafter maintain, throughout Project implementation, a steering committee (“Steering Committee”) with terms of reference agreed with the Bank: (i) with composition, mandate and resources satisfactory to the Bank; (ii) to be chaired by MoF; (iii) to be comprised of, inter alia, representatives of the Implementing Partners, and other Recipient’s relevant ministries, and government agencies; and (iv) to be responsible for, inter alia, high-level interinstitutional coordination and strategic implementation overview function, as further described in the POM.





The Recipient shall, through MoF, establish, not later than one (1) month after the Effective Date, and thereafter maintain, throughout Project implementation, a Project implementation unit (“PIU”), with staff in numbers, qualifications and under terms of reference acceptable to the Bank and as further detailed in the POM. The PIU director shall report to the Project Coordinator.

The Recipient shall, through MoF, not later than one (1) month after the Effective Date, prepare, adopt and thereafter maintain a manual satisfactory to the Bank (“Project Operational Manual” or “POM” containing, inter alia: (a) specific provisions on detailed arrangements for carrying out the Project; (b) composition and responsibilities of the PIU; (c) selection criteria for Selected Hromadas under Part 2(b) of the Project; (d) procurement, financial management and disbursement requirements; (e) procurement communication protocols; (f) monitoring and evaluation arrangements; (g) intermediate results indicators; (h) verification protocols; (i) grievance mechanism for the Project; and (f) such other technical, administrative, fiduciary or coordination arrangements as may be necessary to ensure effective implementation of the Project.

**Conditions**

Type	Citation	Description	Financing Source
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## I. STRATEGIC CONTEXT

### A. Country Context

1. **Russia's invasion of Ukraine has imposed a severe humanitarian toll on Ukraine.** In November 2023, the United Nations Human Rights Monitoring Mission in Ukraine (HRMMU) reported that at least 10,582 civilians, including more than 587 children, have been killed, and over 19,875 have been injured since February 24, 2022. The International Organization for Migration (IOM) reports that, as of September 2023, 3.67 million people are displaced within Ukraine, 70 percent of them women,<sup>1</sup> and over 6.3 million are displaced abroad (according to the UNHCR). The poverty rate increased from 5.5 percent in 2021 to 24.2 percent in 2022, with 7.1 million additional people pushed into poverty, erasing fifteen years of progress. This trend persisted in 2023. Poverty rates in the territories temporarily not under government control and among those most affected have likely increased even more.

2. **Ukraine has suffered disruptions in economic activity and destruction to civilian infrastructure.** Following a contraction in 2022, Ukraine's economy has started to stabilize, with growth projected at 5.3 percent for 2023. The recent Rapid Damage and Needs Assessment (RDNA3)<sup>2</sup> quantified damage to infrastructure and buildings at US\$152 billion. In the last two months, missiles and drones have destroyed over half of Ukraine's energy generation capacity, damaging power plants and substations. This has cut electricity and heat in many cities, forced factories in some areas to close temporarily, left over 12 million people with limited or no electricity, and disrupted water supplies and heating.<sup>5</sup>

3. **Ukraine's public finances are under severe pressure.** The overall decline in economic activity and the inability to collect taxes in some regions led to a sharp decline in revenues. General government expenditure increased to 70 percent of GDP in 2022 and stayed above 60 percent of GDP in 2023, almost one-third more than in 2021, due to spending to meet security needs and mitigate humanitarian impacts. The authorities enacted an amended budget for 2023 in October with a general government fiscal deficit (excluding grants) of 36.9 percent of GDP. While Ukraine managed to collect 43.5 percent of GDP in revenues, financing needs reached 35.1 percent of GDP in 2022 and 36.9 percent in 2023. Financing needs are projected to remain high in 2025 and beyond. Ukraine has met its financing needs through assistance from its international partners, domestic borrowing, and the monetization of the residual financing gap.

4. **Remarkably, Ukraine's public sector has managed to sustain public services.** In 2022, the public administration lost over 12,000 civil servants, 4,700 remained in territories temporarily not under Government's control, 4,300 moved abroad, and 3,600 were drafted into the military. The pace of mobilization has accelerated since then. The administration struggles to find and retain qualified managers, largely due to work pressures and uncompetitive pay. Nonetheless, the Listening to Ukraine survey carried out by the Bank<sup>3</sup> shows around 90 percent of social assistance is paid without disruptions, nearly all enrolled school-age children continue to receive education, and over 90 percent of healthcare facilities are open and treating patients. A recent OECD SIGMA review concludes that public administration performance has remained at about the same level in 2023 as before 2021, albeit with some variation across functions<sup>4</sup>. The review argues that leadership and co-ordination of public administration reform improved with the approval of an updated Public Administration Reform Strategy. Ukraine has also made significant progress in the simplification of administrative procedures and rollout of digital services. Transparency and openness have been curtailed on security grounds, but civil society organizations note that the critical information needed to hold the authorities to account is usually available.

<sup>1</sup> <https://dtm.iom.int/reports/ukraine-conditions-return-assessment-factsheet-round-4-july-august-2023?close=true>

<sup>2</sup> <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099021324115085807/p1801741bea12c012189ca16d95d8c2556a>

<sup>3</sup> <https://www.worldbank.org/en/news/speech/2023/06/21/bjerde-remarks-at-the-2023-ukraine-recovery-conference#:~:text=The%20monthly%20Listening%20to%20Ukraine,in%20receiving%20payment%20on%20time.>

<sup>4</sup> SIGMA OECD Public administration in Ukraine Assessment against the Principles of Public Administration, December 2023, [https://read.oecd-ilibrary.org/governance/public-administration-in-ukraine\\_078d08d4-en#page1](https://read.oecd-ilibrary.org/governance/public-administration-in-ukraine_078d08d4-en#page1)



5. **Ukraine is highly vulnerable to the impacts of climate change and has committed to reducing GHG emissions in the long-term.** The country is vulnerable to natural disasters, including droughts, heat, wildfires, soil erosion, mudflows, extreme precipitation, and flooding. Ukraine has experienced increased frequency and severity of droughts and floods due to climate change, causing fatalities and leading to significant economic losses. Annual average temperatures and variability in precipitation are projected to increase further and heat waves will similarly become more frequent. This may increase the risk of wildfires in certain oblasts. Ukraine’s Strategy for Environmental Security and Adaptation to Climate Change to 2030<sup>5</sup> lays out policy measures addressing climate vulnerabilities and increasing climate resilience. Following up on the 2050 Low Emission Development Strategy<sup>6</sup> from 2017, in the updated Nationally Determined Contribution (NDC)<sup>7</sup> submitted in 2021, Ukraine committed to the economy-wide reduction of GHG emissions by 65% (compared to the 1990 levels) by 2030.

## B. Sectoral and Institutional Context

6. **While the authorities have so far focused on national security, stabilizing the economy, and sustaining core government services, there is growing recognition that Ukraine needs to start building capacity for reconstruction, long-term development, EU accession, and income convergence.** The National Government will need to increase domestic resource mobilization to finance recovery and strengthen Public Investment Management (PIM) to ensure that domestic resources and external financing are allocated to priority areas. Local governments will have to strengthen their capacity to undertake reconstruction planning, prioritize investment needs, manage budgets, and implement projects.

7. **Reconstruction of the extensive damage to infrastructure presents a huge challenge for Ukraine’s fragile public investment management system.** The recent RDNA3<sup>5</sup> identified total recovery and reconstruction needs of approximately US\$486 billion. Implementation of the investment program to address these needs would require a significant increase in PIM capacity. The reconstruction challenge is compounded by the need to improve the quality of investment, building back better and greener to modernize and restructure the infrastructure stock. The government recently developed a new Digital Restoration Ecosystem for Accountable Management (DREAM), which collects, organizes, and publishes open data across all stages of reconstruction projects. However, this system is not reflected in public investment management routines and is not integrated with other Public Financial Management (PFM) and procurement information systems in real-time. Reconstruction and recovery efforts will require a comprehensive approach that addresses both the immediate relief needs and medium to long-term reconstruction and resilience-building priorities. Reconstruction will have to make much greater use of the private sector through a range of procurement and financing modalities, reserving scarce public resources for those investments that are unable to attract private capital.

8. **Local governments in Ukraine will bear significant responsibility for reconstruction efforts, following a decade of ambitious political, administrative, and fiscal decentralization reforms.** These reforms, aimed at enhancing local self-governance, public service delivery, and regional development, consolidated approximately 10,000 local communities into 1,470 amalgamated units termed Hromadas. Hromadas comprise one or more settlements (villages, towns, or cities) that collaboratively manage local public services and development. Hromadas have elected councils and heads, adhering to the principles of the European Charter of Local Self-Government. They have budgetary autonomy and provide essential services including education, healthcare, public utilities, transportation, social services, emergency response, and local administration. However, they depend heavily on shared taxes and transfers from the central government, a system disrupted since 2022. This disruption has severely impacted local governments’ fiscal capacity, with revenue losses estimated at \$3.2 billion due to infrastructure destruction and population displacement.<sup>6</sup> Consequently, the fiscal resources of affected local governments, which were already largely allocated to recurrent expenditures, are under

<sup>5</sup> <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099021324115085807/p1801741bea12c012189ca16d95d8c2556a>

<sup>6</sup> <https://www.kmu.gov.ua/en/news/uhvaleno-strategiyu-ekologichnoyi-bezpeki-ta-adaptaciyi-do-zmini-klimatu-do-2030-roku>



immense strain, complicating the reconstruction of vital local infrastructure and services.

9. **Despite progress in public financial management at the local level in Ukraine, challenges in strategic planning and budgeting persist, exacerbated since 2022.** Public Expenditure and Financial Accountability (PEFA) assessments from 2019 showed gradual progress in PFM at the local level in Ukraine, highlighting strengths in compliance with payment rules, expenditure commitment controls, and cash balance consolidation.<sup>7</sup> However, challenges remain in strategic planning and budgeting, exacerbated since 2022. These challenges include delays in budget preparation, lack of clear guidance, insufficient budget comprehensiveness and transparency, and weak financial management capacity due to inadequate human resources and technical expertise. Most local governments also struggle with effective long-term planning and resource allocation, often influenced by political factors, lacking standardized performance indicators and systematic training. Medium-term budgeting was suspended in 2022 and resumed in 2024. Local governments medium-term budgeting is planned to resume in 2025.

10. **Ukraine must address inefficiencies in tax administration to mobilize domestic resources for reconstruction.** Ukraine's tax-to-GDP ratio increased from 13 percent in 2001 to just over 20 percent in 2016 but then declined to 17 percent after 2022. Challenges include a narrow tax base due to the informal economy, simplified tax regimes, multiple exemptions. The State Tax Service (STS) is still in the process of implementing compliance risk management and data analytics for administering taxes. Although Ukraine uses IT extensively in tax administration, fragmented systems and lack of strategic data use hinder efficiency, leading to high compliance costs. Integrity in tax collection is important. In 2019, 36 percent of surveyed taxpayers reported that they are expected to give gifts to tax officials, a significantly higher proportion than regional averages. STS recently launched an Anti-Corruption Program and a taxpayer feedback survey.

11. **Ukraine has embarked on an ambitious program of structural reforms to support reconstruction, EU accession and sustainable growth, requiring enhanced analytical capacity to assess reform options and impacts.** The implementation of targeted policies for promoting such growth necessitates strong ownership and improved implementation capacity. Policies must be grounded in robust evidence and address critical growth drivers unique to Ukraine, such as security, market access, energy, labor, and logistics. The Government of Ukraine has demonstrated commitment to advancing reforms outlined in the Reforms Matrix<sup>8</sup>, a tool for monitoring reform progress, and the Ukraine Facility Plan<sup>9</sup>, which sets forth the country's vision for medium-term socio-economic development and aims to accelerate its EU accession. However, Ukraine's capacity to assess policy options, evaluate impacts, and undertake growth diagnostics remains limited.

### C. Relevance to Higher Level Objectives

12. **The proposed Investment Project Finance (IPF) operation is part of the response under the strategic framework for the WB on the Global Impacts of Russia's invasion of Ukraine, supporting the priority themes under the WBG Strategy for Fragility, Conflict, and Violence 2020-2025.**<sup>10</sup> The operation addresses short, medium, and long-term considerations outlined in the Proposed Roadmap presented by Bank management to the Bank's Board on April 12, 2022. The Roadmap seeks to increase support to Ukraine, financing sizeable non-military expenditure needs. The operation will be financed by the Ukraine Relief, Recovery, Reconstruction, and Reform Trust Fund (URTF).<sup>11</sup> The STRONG Project supports the outcomes of the TF, which are to provide a coordinated financing and support mechanism to assist the GoU in planning and implementing Ukraine's recovery, resilient reconstruction, and reform agenda.

<sup>7</sup> <https://www.pefa.org/country/ukraine>

<sup>8</sup> <https://reformmatrix.mof.gov.ua/en/index/>

<sup>9</sup> [https://neighbourhood-enlargement.ec.europa.eu/european-neighbourhood-policy/countries-region/ukraine\\_en#ukraine-facility](https://neighbourhood-enlargement.ec.europa.eu/european-neighbourhood-policy/countries-region/ukraine_en#ukraine-facility).

<sup>10</sup> [https://mof.gov.ua/storage/files/PIM%20roadmap\\_final.pdf](https://mof.gov.ua/storage/files/PIM%20roadmap_final.pdf)

<sup>11</sup> The URTF was established by the World Bank in 2022 to provide a coordinated financing and support mechanism to assist the Government of Ukraine (GoU) in sustaining its administrative and service delivery capacity, conducting relief efforts, and planning and implementing Ukraine's recovery, resilient reconstruction, and reform agenda. More information is available here: <https://www.worldbank.org/en/programs/urtf>.



13. **The STRONG Project supports implementation of the SURGE Program for Results operation.** The Supporting Reconstruction through Smart Fiscal Governance (SURGE) (P504773, US\$ 700 million) provides result-based financing to strengthen the institutional foundations for recovery and reconstruction. SURGE supports institutional reforms across four results areas: Public Investment Management, Local Public Financial Management, Local Fiscal Governance, and Revenue Administration. The STRONG Project addresses skills gaps in the Ukrainian public administration, ensuring that Ukrainian authorities have access to technical assistance to support the design and implementation of institutional reforms supported by the SURGE operation. The STRONG Project also includes some standalone activities, independent of SURGE, that provide long term capacity building support for public investment management at local government level.

14. **The STRONG Project is aligned with the country’s climate action strategies.** The Strategy for Environmental Security and Adaptation to Climate Change<sup>8</sup> lays out policies addressing climate vulnerabilities and increasing climate resilience. The Strategy calls for the integration of climate adaptation in local economic and social development strategies, an environmental assessment process, and an environmental impact assessment. Adaptation planning should become an integral part of planning for local governments. Ukraine’s NDCs foresee climate-smart interventions in priority sectors, including energy, transport, and land use, and building climate resilience knowledge and capacity for climate adaptation. The STRONG Project supports the country’s efforts on mitigation and adaptation through integrating and implementing a climate-sensitive PIM process for appraisal and selection of investments to enable the planning and building of climate-resilient and low-emissions public infrastructure at the national and local levels.

15. **The IPF tool is appropriate because the operation finances the procurement of technical assistance that will address skills gaps and capacity building needs of the key institutions responsible for recovery and reconstruction planning.** The World Bank is a trusted partner for fiscal governance reform in Ukraine, contributing to the design of the PIM Reform Roadmap, PFM Reform Program, and National Revenue Strategy. The Strategy for Public Finance Management System Reform in 2022–2025 and related Action Plan seek to strengthen the capacity of local governments and improve planning, budgeting, financing, and service delivery<sup>12</sup>. The PIM Reform Roadmap approved in December 2023 seeks to consolidate public investment management around a single project pipeline using streamlined and standardized procedures.<sup>13</sup> The National Revenue Strategy 2030 seeks the strengthen integrity, trust, and compliance with tax legislation by taxpayers and regulatory authorities<sup>14</sup>. The STRONG Project finances technical assistance that addresses capacity gaps and supports the implementation of these reform programs, focusing on priority reforms that build capacity for reconstruction and recovery.

## II. PROJECT DESCRIPTION

### A. Project Development Objective

#### PDO Statement

To enhance the Government’s capacity to plan and finance recovery and reconstruction.

#### PDO Level Indicators

- PDO Indicator 1 (Planning capacity): Percentage of investment projects appraised using the climate-smart PIM methodology.
- PDO Indicator 2 (Planning capacity): Number of hromadas with recovery and development plans.

<sup>12</sup> [https://mof.gov.ua/storage/files/PFM\\_Strategy\\_210x2973mm\\_text\\_eng.pdf](https://mof.gov.ua/storage/files/PFM_Strategy_210x2973mm_text_eng.pdf)

<sup>13</sup> [https://mof.gov.ua/storage/files/PIM%20roadmap\\_final.pdf](https://mof.gov.ua/storage/files/PIM%20roadmap_final.pdf)

<sup>14</sup> <https://www.kmu.gov.ua/en/news/uriad-zatverdyv-natsionalnu-stratehiu-dokhodiv-20242030>



- PDO Indicator 3 (Financing capacity): Allocations of intergovernmental transfers reflect updated service delivery needs.

## B. Project Components

16. **Component 1: Public Investment Management for Reconstruction (\$2.5 million).** This component will finance advisory services and training to strengthen public investment management for reconstruction. This component will be implemented by the Ministry of Finance (MoF) in coordination with the Ministry of Economy (MoE) and Ministry for Communities and Territories Development (MCTD). There are three sub-components:

- **Institution Building.** This subcomponent supports: identification of good international practices and technical assistance on processes for public investment project preparation, prioritization, and monitoring; establishment of mechanisms for knowledge sharing and capacity development across sectors involved in PIM; analytical support and identification of good international practices for PIM methodologies required for sector-specific investment projects; and capacity building of newly created PIM units within MoF and MoE, and existing MCTD structures performing PIM-related functions.
- **Systems Integration for PIM.** This sub-component supports: the assessment of functional gaps in IT systems; assessment of technical compatibility; identification of required middleware and data standards; and assessment of governance processes required to oversee information exchange. The Project will not finance the procurement or implementation of IT hardware or software.
- **Integration of Climate in PIM.** This sub-component supports: identification of good international practices to determine climate adaptation and mitigation criteria for planning and PIM in Ukraine, which encompasses climate change considerations in project appraisal and selection, assessment of climate risks, estimation of the shadow price of carbon; and training on green investment good practices and principles.

17. **Component 2: Local Urban Planning (US\$2.5 million).** This component will finance advisory services and capacity building to support the strengthening of urban planning systems at the local levels and the development of comprehensive spatial development plans in cities. The component will be implemented by MCTD in coordination with MoF. There are two subcomponents:

- **Strengthening of the Data Collection System for Urban Planning.** This subcomponent supports: analysis of the spatial data collection systems for urban planning and development; development and implementation of digital data collection tools that can be used at the central government level to integrate climate change considerations into urban planning, while aligning with ISO standards for spatial development data collection methodologies; and review of legislation to support the reform of the data collection and urban planning system, including defining institutional mandates, powers, and responsibilities of devolved entities, and resolving any issues related to duplication of these roles.
- **Development of Comprehensive Plans for the Spatial Development for Selected Hromadas.** This subcomponent supports: damage and impact assessments; spatial, economic, infrastructure and demographic analyses; development of climate-informed comprehensive plans for spatial development; and identification of financing resources for investment to support these plans in select hromadas. Support will focus on medium- to large urban hromadas with complex infrastructure which will be selected based on criteria prepared by MCTD (including capacity constraints, population size, and security considerations).

18. **Component 3: Local Government Fiscal Governance for Recovery (\$1 million).** This component will finance advisory services and capacity building to strengthen financial management, resource allocation, and budget transparency. The component will be implemented by MoF. There are two subcomponents:



- **Population and Service Estimates.** This subcomponent supports: improvements in data analysis techniques and processing for population and service user assessments; development of a methodology for determining the cost of services; and strengthening the capacity of local self-government personnel in data management and analysis, all in accordance with good practices in the governance of such data, including with regard to the collection, processing, and storage of personal and sensitive personal data.
- **Performance Budgeting Guidelines.** This subcomponent supports: development of performance indicators, including those related to climate and gender issues, according to local priorities; development of mechanisms for the distribution of budget funds with the use of target indicators; training of officials of local authorities on the program-target method of budgeting, in particular aimed at climate change measures and gender equality.

19. **Component 4: Integrity and Compliance in Revenue Administration (\$0.5 million).** This component will finance advisory services and capacity building to enhance integrity and compliance in revenue administration processes. The component will be implemented by MoF in coordination with the STS. There are two subcomponents:

- **STS System Integration for Revenue Administration.** This subcomponent supports: diagnostics of technical and functional gaps for the integration of the tax administration information system with government registries and databases; and capacity development and technical assistance, including development, testing, and implementation support for systems integration.
- **Compliance Risk Management.** This subcomponent supports: analytical support and the identification of international good practices for the development of segment-based risk profiling and risk-based treatments; and training of tax officials on risk assessment techniques and risk-based treatments.

20. **Component 5: Public Procurement Management for Recovery (\$0.5 million).** This component supports the review of procurement and budgeting systems, policy preparation for advance contracting, and addressing implementation bottlenecks for national and IFI-funded projects. It includes training procurement staff from the MoF, MoE, and MCTD, and other implementing agencies on World Bank-funded project processes, use of standard procurement documents, and contract conditions. It strengthens contracting authorities' use of framework agreements, enhances the State Audit Service of Ukraine (SASU)'s application of risk-based procurement indicators, supports the professionalization of procurement, promotes civil society organizations (CSO) engagement in procurement monitoring, and advocates for sustainable and green procurement.

21. **Component 6: Project Management, Stakeholder Engagement, and Policy Analysis (\$3 million).** This component will finance advisory services and capacity building to support implementation of both the STRONG IPF and the SURGE Program for Results (PforR; P504773), project management, oversight, stakeholder engagement to ensure the successful implementation and monitoring of the program, and growth diagnostics and policy analysis to support the implementation of structural reforms. The subcomponent will be implemented by MoF. There are four subcomponents:

- **Project Management.** This subcomponent supports: staff, operational costs, and capacity building for project management staff within MoF, MoE, and MCTD; capacity building initiatives to enhance PforR management and implementation capabilities.
- **Communications and Stakeholder Engagement.** This subcomponent supports: development and implementation of a communications strategy to disseminate project achievements and engage stakeholders; stakeholder surveys, workshops, and forums to solicit feedback and foster dialogue; production of communication materials and outreach campaigns to raise awareness about project objectives and outcomes.
- **Independent Verification Agent.** This subcomponent supports the contracting of an Independent Verification Agent to verify the achievement of Disbursement-Linked Results (DLRs) under the SURGE PforR.
- **Growth Diagnostics and Policy Assessment.** This subcomponent supports the implementation of structural reforms by providing a strong analytical foundation on economic growth drivers, conducting comprehensive growth diagnostics, and offering tools and methods for assessing policy options and impacts.



### C. Project Beneficiaries

22. **The direct project beneficiaries are the staff of the government ministries and agencies responsible for public investment management, fiscal governance, revenue administration, and project oversight.** These include the staff of MoF, MoE, and MCTD and staff of selected local government entities. Direct beneficiaries will benefit from capacity-building support, operational resources, and technical assistance aimed at enhancing their technical capacity. Ukrainian citizens and businesses will indirectly benefit from improvements in the quality of public investment management, territorial development planning, fiscal risk assessment, and green investment initiatives. Stakeholders at the local level, including service users and community representatives, will benefit from enhanced engagement processes and transparent communication channels established under the project.

### D. Results Chain

23. **The Theory of Change addresses critical challenges in the development of the institutional framework for supporting reconstruction in Ukraine across four areas.** First, the project supports improvements in PIM for reconstruction by developing systems integration, incorporating green criteria, and building staff capacity, leading to better data flows, environmental sustainability, and the more efficient management of public investments. Second, it will strengthen national and local planning systems and support reconstruction activities, resulting in high-quality territorial plans, enhanced local government capabilities, and improved coordination of reconstruction efforts. Third, the project will enhance fiscal governance at the local level by improving methodologies for the population estimates used for the allocation of resources, developing fiscal risk assessment frameworks, and integrating performance budgeting guidelines. This will ensure more equitable resource distribution, fiscal stability, and accountability in budgeting processes. Fourth, it will bolster integrity and compliance in revenue administration through better data sharing and risk management strategies, leading to improved compliance enforcement. Robust project management and operational support will ensure efficient implementation and strong stakeholder engagement.

23. **The Theory of Change is based on several key assumptions.** These include: the Ukrainian government remains committed to institutional reforms and the necessary political support is sustained throughout the project period; there is adequate collaboration among different government ministries and agencies, international partners and external stakeholders; the government and local authorities have sufficient human and financial resources to implement and maintain the project activities; and the security situation in affected areas remains stable enough to allow for uninterrupted project implementation and access to required regions.

### E. Rationale for Bank Involvement and Role of Partners

24. **The World Bank is in a unique position to support Ukraine's recovery and reconstruction efforts given its prior and ongoing engagement on public investment management and fiscal governance issues.** The project builds on an ongoing Public Sector Reform Support Program for Ukraine (P172441) which provides technical assistance to support public investment management reforms in MoF and MoE, financed with Bank and Recipient-Executed Trust Funds. The STRONG Project will support the pipeline Program for Results operation Supporting Reconstruction through Smart Fiscal Governance (SURGE) (P504773, US\$ 700 million) which provides result-based financing for reforms across four results areas: Public Investment Management; Local Public Financial Management; Local Fiscal Governance; and Revenue Administration. The STRONG Project is designed to ensure that the Ukrainian authorities have access to technical assistance to support the design of institutional reforms supported by the SURGE operation, drawing on international experience and technical specialists to overcome skills gaps.

25. **The World Bank will coordinate closely with other development partners to promote a consistent approach and efficient allocation of technical assistance resources for reconstruction planning and public investment management.** Key partners providing technical assistance include: the European Commission, supporting the PIM process and sectoral,





regional and local development planning; United States Agency for International Development (USAID) supporting local government planning; the United Kingdom's Foreign, Commonwealth, and Development office (FCDO) supporting PIM and the development of the DREAM information system; the International Monetary Fund (IMF) supporting expenditure planning and PIM reforms; and Global Affairs Canada, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), and Swiss' State Secretariat for Economic Affairs (SECO) supporting fiscal decentralization and PFM reforms at the local level. The Government recognizes the risk that teams from different planning and PIM traditions will advocate different approaches, leading to fragmentation of the national systems and hindering coordination and capacity building efforts.

26. **To address this concern, MoF has convened development partners to participate in a Working Group to coordinate the development of the PIM system.** MCTD plays a similar role in coordinating the development of regional and local government planning systems. The Bank will work particularly closely with all development and external partners who will finance reconstruction plans. This coordinated approach ensures a comprehensive and cohesive strategy for effective implementation and maximizes the impact of reconstruction and development efforts.

#### F. Lessons Learned and Reflected in the Project Design

27. **Importance of Institutional Capacity Building.** The "Conflict Response and Recovery Pilot and Capacity Building Project" (P158091) highlights the critical role of institutional capacity building for successful reform implementation in fragile and affected settings. The project significantly enhanced the Ministry for Temporarily Occupied Territories and Internally Displaced Persons' capabilities through comprehensive training programs, the development of a Management Information System (MIS), and strategic communications support. These initiatives enabled the ministry to effectively coordinate recovery efforts, manage public investments, and improve institutional effectiveness, which were critical in addressing the challenges in affected areas. The STRONG Project provides for significant investments in capacity building and technical assistance to address critical skills gaps building on this experience.<sup>15</sup>

28. **Effective Stakeholder Engagement.** The IEG Evaluation of World Bank support to Ukraine in the period 2012 to 2022 argued that engaging directly and frequently with civil society was an effective way to foster public understanding for reforms and build demand for better governance<sup>16</sup>. The "Conflict Response and Recovery Pilot and Capacity Building Project" (P158091) facilitated extensive consultations with local authorities and communities through a Coordination Platform and Leadership Series. These initiatives brought together various stakeholders, fostered collaboration and ownership of recovery initiatives, ensuring that recovery plans were community-driven thereby enhancing the legitimacy and effectiveness of the interventions. The World Bank has consulted with civil society during preparation of the SURGE PforR and the STRONG Project to seek guidance on the prioritization institutional reforms. Informed by Bank experience and these consultations, the STRONG project supports the engagement of hromadas in planning and monitoring of reconstruction, fostering transparency, accountability, and local ownership.

<sup>15</sup> ICR Ukraine: Conflict Response and Recovery Pilot and Capacity Building Project - P158091 (2021). <https://documentsinternal.worldbank.org/search/33147397>

<sup>16</sup> IEG The World Bank Group in Ukraine, 2012–20. Country Program Evaluation. [https://ieg.worldbankgroup.org/sites/default/files/Data/Evaluation/files/Ukraine\\_CPE.pdf](https://ieg.worldbankgroup.org/sites/default/files/Data/Evaluation/files/Ukraine_CPE.pdf)



	DEVELOPMENT CHALLENGES	PROGRAM INTERVENTIONS	OUTPUTS	INTERMEDIATE OUTCOMES	DEVELOPMENT OUTCOMES
Public investment management for reconstruction	Fragmented IT systems hindering efficient public investment management.	Assess and integrate functional gaps in IT systems.	Integrated IT systems for public investment management.	Improved efficiency and coordination in public investment management.	Enhanced capacity for effective implementation of fiscal reforms
	Public investments do not adequately consider climate risks.	Design criteria for climate adaptation and mitigation in PIM.	Established climate criteria for public investment projects.	Enhanced resilience of public investments to climate risks.	
	Insufficient capacity in newly created PIM units.	Capacity building for PIM units and process design.	Trained staff and established processes in PIM units.	Improved capacity and effectiveness of PIM units.	
Local urban planning	Outdated data systems hinder urban planning and climate integration.	Upgrade data systems, implement digital tools, and reform legislation.	Modernized, standardized data system with clear roles.	Improved, climate-smart urban planning with better coordination.	
	Need for structured recovery plans in affected areas.	Develop recovery and development plans for targeted hromadas.	Comprehensive recovery plans for selected hromadas.	Accelerated recovery and development in affected hromadas.	
Local government fiscal governance for recovery	Inaccurate population and service data affecting resource allocation.	Improve data collection and analysis techniques.	Enhanced population and service data methodologies.	More accurate resource allocation based on reliable data.	
	Lack of performance-based budgeting practices at the local level.	Develop performance indicators and budgeting mechanisms.	Performance budgeting guidelines and trained local officials.	Increased budget transparency and alignment with local priorities.	
Integrity and compliance in revenue administration	Disjointed tax administration systems limiting revenue collection efficiency.	Integrate tax administration information system with government databases.	Integrated tax administration system.	Enhanced revenue collection efficiency.	
	Inadequate compliance risk management in tax administration.	Design risk profiling and treatment methods.	Risk profiles and trained tax officials on risk management.	Reduced tax non-compliance through effective risk management.	
Public procurement for recovery	Insufficient procurement capacity due to lack of skilled personnel, insufficient institutional frameworks, and inadequate resources.	Capacity building, review of procurement and budgeting systems, policy preparation for advance contracting.	Trained procurement staff on relevant processes, framework agreements, application of risk-based procurement indicators.	Professionalization of the procurement apparatus.	
Project management, stakeholder engagement, and policy analysis		Provision of staff, financing for operational costs, and capacity building to MoF, MoE, MCTD.	Project management staff recruited and trained, operational costs covered, capacity building conducted.		
		Provision of support on communications and stakeholder engagement	Communications strategy, stakeholder consultation meetings, communication materials	Successful implementation and monitoring of the STRONG and SURGE programs.	
		Contracting of Independent Verification Agent to verify achievement of DLRs under SURGE	Successful procurement, verification exercises, verification reports		



29. **Integration of IT Systems.** Effective digital systems integration is critical for effective management. The STRONG project integrates the DREAM, Prozorro, and Treasury systems for better data management and transparency in public investment management. This approach was exemplified by the "Economic Growth and Fiscally Sustainable Services Policy Based Guarantee" (P164414) in Ukraine, which developed a modern online platform for monitoring projects. This platform consolidated humanitarian and development data, enabling the Ministry to respond promptly to challenges, facilitate the delivery of assistance, and monitor socioeconomic aspects and recovery progress. The system improved data accuracy, transparency, and coordination among various stakeholders involved in recovery efforts.<sup>17</sup>

30. **Leveraging Development Partnerships.** Effective development partnerships leverage each partner's comparative advantage and help build effective national institutions. This is particularly important where the scale of the recovery and reconstruction efforts demands the simultaneous intervention of multiple development partners. Partnerships can help mobilize and channel resources. They can also help harmonize donors' policies and procedures, aligning them with those of the government to empower national institutions.<sup>18</sup> The STRONG project collaborates closely with development entities to provide support seeking to harmonize the institutional framework for Ukraine's recovery and reconstruction planning and public investment management. The Bank has brought the IMF, the European Commission, and European Investment Bank to work with the Ministries of Finance, Economy, and Infrastructure on the design of the public investment planning system. STRONG will build on the United Kingdom's FCDO investment in the development of DREAM. STRONG will work with USAID and other bilateral agencies on the design and development of local level reconstruction plans.

### III. IMPLEMENTATION ARRANGEMENTS

#### A. Institutional and Implementation Arrangements

31. **The Ministry of Finance will be the Project Implementing Agency.** The First Deputy Minister of Finance will be the Project Coordinator and primary contact point for the World Bank on Program-related issues. The Project Coordinator will oversee project implementation, monitor progress, and ensure prompt delivery and reporting on project indicators. The Project Coordinator will act as a focal point for communication with the World Bank team on project-related issues.

32. **The MoE, MCTD, and the STS will be Implementing Partners.** The Implementing Partners will be responsible for: identifying and managing technical assistance needed to support project implementation; participating as needed in selection processes for technical assistance procurement under their respective components; and reporting on the implementation progress to MoF as the Implementing Agency. The Interagency Working Group on PIM established in May 2024 will provide the venue for coordination of across ministries during project implementation. The Working Group comprises deputy ministers from MoF, MoE, and MCTD.

33. **MoF will establish a Project Implementation Unit (PIU).** The PIU Director will report to the Project Coordinator. The PIU will be shared with the SURGE Program (P504773). The PIU will provide administrative support to MoF in fulfilling its functions as Implementing Agency. The PIU will: serve as secretariat to the Program Steering Committee; assist Program Implementing Partners; prepare Program implementation and results reports based on information provided by the Implementing Partner; identify, procure, and manage of technical assistance; and support other actions established under the SURGE program.

34. **The project will be implemented based on a Project Operational Manual (POM).** The POM will lay out the project's overall operating, fiduciary, decision-making procedures, and results monitoring arrangements. The POM will

<sup>17</sup> ICR Ukraine - Economic Growth and Fiscally Sustainable Services Policy Based Guarantee. 2021  
<https://documentsinternal.worldbank.org/search/33289942>

<sup>18</sup> IEG 2021. World Bank Engagement in Situations of Conflict: An Evaluation of FY10–20 Experience.  
<https://ieg.worldbankgroup.org/sites/default/files/Data/Evaluation/files/SituationsofConflict.pdf>



be adopted within one month from effectiveness.

## B. Results Monitoring and Evaluation Arrangements

35. **The Monitoring and Evaluation (M&E) framework for the STRONG Project will assess progress in implementation and progress toward the achievement of the PDO.** The PIU will be responsible for gathering data for the purposes of monitoring progress in the STRONG Project and providing evidence to support the verification of Disbursement-Linked Results under the SURGE program (P504773). The PIU will prepare a progress report every six months, documenting progress in the implementation of STRONG Project activities and progress against the STRONG Project and SURGE Program results frameworks.

36. **The PDO will be measured by three indicators.** Public investment planning capacity will be measured by the number of investment projects appraised using the new climate-smart PIM methodology, indicating the efficiency and sustainability of project planning and appraisal. Planning capacity will also be assessed by the number of investment projects with recovery and development plans. The development of these key planning instruments will provide a strategic framework to attract and guide investment towards Ukraine's recovery. This process will also enhance the Government's capacity by equipping it with the necessary tools and methodologies to effectively plan, coordinate, and finance long-term recovery and reconstruction efforts. The development of key planning instruments, such as a robust planning system and comprehensive recovery and development plans, will provide a strategic framework to attract and guide investment towards Ukraine's recovery. This process will also enhance the Government's capacity by equipping it with the necessary tools and methodologies to effectively plan, coordinate, and finance long-term recovery and reconstruction efforts. Financing capacity will be gauged by the allocations of intergovernmental transfers to local governments that are transparent and aligned with their service delivery needs, demonstrating the Government's ability to allocate resources transparently and effectively.

## C. Sustainability

37. **This project will lay the groundwork for sustainable long-term reconstruction and capacity building in Ukraine, focusing on public investment management, planning capacity, local government fiscal governance, and integrity and compliance in revenue administration.** To ensure the sustainability of these interventions, the project emphasizes institutional capacity building by providing extensive training programs and technical assistance to enhance the skills and capabilities of government staff at both central and local levels. This approach ensures that improvements are sustained beyond the project's lifespan. Additionally, the project supports the integration and modernization of IT systems, such as DREAM, Prozorro, and Treasury, streamlining data management and enhancing transparency in public financial operations. The project promotes resilient infrastructure development by integrating climate adaptation and mitigation criteria into public investment planning and aligning reconstruction plans with long-term environmental goals and reducing vulnerability to climate change.

38. **The project promotes a culture of transparency and accountability in fiscal governance.** This will be achieved through measures such as the publication of budget and service delivery information by local governments and the enhancement of compliance risk management in tax administration. These measures foster a culture of accountability and transparency, essential for the continued integrity and efficiency of public financial management beyond the life of the project. Ensuring active participation and engagement of local governments, communities, and other stakeholders in the planning and implementation processes builds local ownership and commitment to the project's objectives, supporting the sustainability of the interventions. Moreover, the project leverages partnerships with international entities such as the US, the EU, and Canada, providing additional resources and expertise, and aligning interventions with broader international support frameworks to enhance sustainability.



## IV. PROJECT APPRAISAL SUMMARY

### A. Technical, Economic, and Financial Analysis

39. **The STRONG Project aligns with the GoU reform program, builds on previous PFM reform efforts, and addresses the immediate and longer-term consequences of the ongoing situation.** The PFM Reform Strategy Action Plan, the PIM Reform Roadmap, and the National Revenue Strategy 2030 provide a robust operational framework to advance key reform priorities for strengthening institutions and systems. The PFM Action Plan builds on the lessons from the latest World Bank PEFA Assessments for the central and local governments. The MoF prepared the PFM Reform Strategy Action Plan through a consultative process with the development partners. The PIM Reform Roadmap was developed based on recommendations from the World Bank and the IMF and good European practices, considering the need for rapid recovery and reconstruction. The National Revenue Strategy (NRS) 2030 includes steps that Ukraine should take towards EU integration for the adaptation of tax and customs legislation to EU standards, one of the structural measures stipulated by the IMF's Extended Fund Facility (EFF) program.

40. **While the STRONG Project is not subject to a quantitative financial and economic appraisal, the justification for investment in reforms to planning, public investment, and budgeting systems in Ukraine is compelling given the enormous scale of the country's reconstruction needs.** The RDNA3 estimates that as of December 31, 2023, the total cost of reconstruction and recovery over the next decade will amount to \$486 billion. In 2024 alone, Ukrainian authorities anticipate requiring around \$15 billion for immediate reconstruction and recovery priorities at both the national and community levels.<sup>19</sup> This substantial figure underscores the benefits arising from even marginal improvements in efficiency and effectiveness in the allocation and application of public funds.

41. **Strengthening the capacity of government entities at various levels to plan, prioritize, and implement public investments will increase the country's ability to absorb aid and ensure that the substantial funds allocated for reconstruction are used effectively.** Even marginal improvements in the selection and execution of projects can generate economic benefits that far exceed the costs involved. Efficient public investment management also fosters transparency and accountability, which are crucial for maintaining international and domestic support. By investing in robust planning systems and capacity building, Ukraine can significantly enhance its ability to manage the massive influx of reconstruction funding, ensuring sustainable and impactful development outcomes. The total cost of the operation may increase after-market consultations given the high operating costs in affected areas. If necessary, cost adjustments will be addressed through additional financing from grant sources.

42. **Strengthening urban data-collection systems and creating climate-informed spatial development plans for key cities will boost efficiency, coordination, and resilience in urban development, recovery, and reconstruction efforts.** The Project addresses weaknesses in data systems and processes, streamlines local governments' institutional frameworks for planning, and resolves fragmented planning processes and unclear devolution of responsibilities. These improvements will attract investment and enhance the Ukrainian government's ability to plan, coordinate, and finance long-term urban development and reconstruction more effectively. A stronger planning framework will also support efficient infrastructure investment in key cities. These interventions are essential for leveraging external funding and ensuring that reconstruction efforts contribute to Ukraine's long-term economic recovery and growth.

43. **Strengthening local government fiscal governance will improve the efficiency and effectiveness of resource allocation at the local level.** Improvements in the accuracy of population and service user estimates through better data collection and analysis methodologies will enable a more equitable distribution of resources. Integration of performance information on gender into local budgeting processes will improve accountability and help local governments respond to the needs of those affected. Integration of climate change will help local governments identify and address climate

<sup>19</sup> <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099021324115085807/p1801741bea12c012189ca16d95d8c2556a>



change risks, allocate resources more effectively to mitigate environmental risks, and promote sustainable development. These reforms measures will improve the quality of public spending and ensure that fiscal governance is responsive to the diverse needs of the community.

44. **Strengthening integrity and compliance in tax administration will improve efficiency, fairness, and transparency in tax collection.** Improvements in integration with government registries and databases will facilitate the implementation of a proactive compliance risk management strategy. Compliance risk management with segment-based risk profiling and risk-based treatments, allows revenue authorities to identify high-risk taxpayers and allocate resources effectively to enhance compliance outcomes. By focusing on high-risk areas, tax authorities can maximize their efforts to reduce tax evasion and increase revenue collection. These interventions not only improve the overall integrity of the tax system but also contribute to building taxpayer trust.

45. **The operation is aligned with the goals of the Paris Agreement on mitigation and adaptation.** The STRONG project seeks to enhance Ukraine's capacity to address its climate vulnerabilities by incorporating climate change adaptation and mitigation strategies into the PIM, planning and performance management processes. This will be achieved by implementing climate-sensitive project appraisal and selection of investment to promote investments in climate-resilient and low-emissions public infrastructure at the national and local levels. The project will also incorporate climate change (adaptation and mitigation) considerations in strategic planning methodologies for reconstruction and apply climate-aligned performance indicators in local government planning and budgeting. The project supports capacity building on climate change in all components. Ultimately, the STRONG project will support mitigation and adaptation efforts in Ukraine, contribute to the long-term reduction of GHG emissions, and increase climate resilience.

## B. Fiduciary

### (i) Financial Management

46. **The FM arrangements and existing capacities of the MoF have been reviewed in accordance with the Financial Management Manual for World Bank Investment Project Financing Operations.** Adequate FM arrangements are in place. The Directorate has good track record in implementing World Bank financed operations. MoF, with the support of the PIU to be established after effectiveness, will assume overall FM responsibilities for the project. These functions include planning and budgeting, keeping project records, internal control, managing the flow of funds, preparing regular project financial reports, and arranging annual audits. Further details on FM arrangements and the flow of funds mechanism will be developed and provided in the POM.

47. **Project quarterly reports and annual audits will be required.** MoF will apply cash basis for the project accounting and will produce quarterly interim financial reports according to the template agreed with the World Bank and will submit them to the World Bank within 45 days after the end of each calendar quarter. The Accounting Chamber of Ukraine (ACU) will conduct annual audits based on the Terms of Reference (ToRs) agreed with the World Bank. If the ACU is not available to perform them due to limited capacities, the MoF will consider selecting a private audit firm acceptable to the World Bank. MoF will submit audited project financial statements to the World Bank within six months after the end of each calendar year throughout the project timeline and will publicly disclose them. Following the formal receipt of these reports from the borrower, the World Bank will make them publicly available according to the World Bank Policy on Access to Information.

48. **Disbursements.** MoF will execute project disbursements, including submission of withdrawal applications and reporting to the Bank on use of advances. MoF will open and maintain a Designated Account (DA), denominated in loan currency and Transit accounts in local currency (if necessary). Regular disbursement mechanisms will be available during project implementation, including: direct payments; reimbursement; advance; and special commitments. The minimum application size for direct payment, reimbursement, and special commitment as well as other details will be specified in the Disbursement and Financial Information Letter (DFIL).



**(ii) Procurement**

49. **Procurement for the operation will be carried out in accordance with The World Bank Procurement Regulations for IPF Borrowers:** Procurement in Investment Project Financing for Goods, Works, Non-Consulting and Consulting Services, fifth edition, dated September 2023 (hereinafter Procurement Regulations). Due to the ongoing situation and emergency nature of operation, specific procurement flexibilities for Ukraine approved by the Chief Procurement Officer in July 2022 will apply. The Project will be subject to the World Bank's Guidelines on Preventing and Combatting Fraud and Corruption in Projects financed by IBRD Loans and IDA Credits and Grants (Anti-Corruption Guidelines), dated October 15, 2006, and revised in January 2011, and July 1, 2016, and other provisions stipulated in the Financing Agreements.

50. **The Systematic Tracking of Exchanges in Procurement (STEP) tool will be used to plan, record and track procurement transactions and monitor milestones for contract implementation.** In view of the countrywide lack of stable electrical power supply and internet connection resulting from the ongoing events, the World Bank may agree on alternative available secure communication channels with the PIU, contact persons for such communications, safe custody of documents for audit/review and Procurement Plan as control document for procurement activities. These communication protocols will be defined in the POM, but the use of STEP will still be needed to regularize all procurement-related actions after the power supply and internet connection are restored.

51. **A simplified Project Procurement Strategy for Development (PPSD) and initial Procurement Plan sufficient for negotiations is currently being developed by the MoF with support from the World Bank.** As part of the initial simplified PPSD, a market assessment will be carried out to conclude market readiness and willingness to participate in tenders under the Project. Preparation of a detailed PPSD is deferred to the implementation stage. All the selection methods and approaches defined in the Procurement Regulations can be used, but priority will be given to streamlined and simple procedures and to those that ensure expedited delivery, such as Direct Selection; Request for Quotations with increased threshold limit for this method as appropriate; and Framework Agreements, including tapping into existing ones, provided the call-offs under the Project incorporate the requirement for compliance with the World Bank's Anti-Corruption Guidelines and its prevailing sanctions policies and procedures as set forth in the WBG's Sanctions Framework. Tender commissions of the implementing agency shall be streamlined with composition limited to three to five essential people to speed up project procurement-related decisions.

52. **The use of Ukraine's national e-procurement system ProZorro or e-catalogues system approved by the World Bank will be used under the Project.** ProZorro may be used for procurement of goods, works and non-consulting services using national and international market approach. Irrespective of the use of ProZorro as a tool for procurement of goods, works and non-consultancy services or World Bank standard procedures for consultancy services, all procurement-related notices will be published in ProZorro and UNDB website to enhance competition and transparency. The World Bank will not finance any contracts that do not include the World Bank's fraud- and corruption-related clauses while following national procurement law, where agreed.

53. **MoF, MoE and MCTD are experienced agencies in overseeing and implementing the WB-financed projects.** However, in view of the unforeseen risks, the Project task team will continuously support the implementation agencies and will monitor the Project to flexibly adjust the mitigation actions to reduce additional or unforeseen risks.

**C. Legal Operational Policies**



Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Area OP 7.60	No

**D. Environmental and Social**

54. **The STRONG Project’s environmental and social risk assessment identifies a moderate environmental risk due to the potential increase in e-waste and the need for adherence to fair labor practices and safety measures in affected regions.** The project will incorporate safety measures in line with national legislation and develop an E-Waste Management Plan to handle the disposal of IT equipment. Social risks are considered moderate due to the potential exclusion of vulnerable groups and socio-economic inequities. Measures to address these include targeted capacity-building activities, outreach programs, and a comprehensive Grievance Redress Mechanism (GRM) to ensure inclusivity and address grievances effectively.

55. **The Environmental and Social Standards (ESS) applicable to the project include ESS1, ESS2, ESS3, ESS4, and ESS10, focusing on assessing and managing risks, labor and working conditions, resource efficiency, and stakeholder engagement.** The project will prepare an Environmental and Social Commitment Plan (ESCP), Labor Management Procedures (LMP), and Stakeholder Engagement Plan (SEP). These documents will outline measures to ensure compliance with ESS requirements, including worker health and safety, emergency preparedness, and effective stakeholder communication.

56. **Environmental risks are considered manageable given the project's focus on technical assistance and capacity building rather than physical works or land allocation.** Nonetheless, health and safety risks remain a concern, particularly for trainers and participants in the affected region. Preventive measures, such as emergency preparedness and response plans, will be crucial in mitigating these risks. The project will also address community health and safety by promoting awareness and incorporating guidelines for safe operations under emergency conditions.

57. **The Implementing Agency, the Ministry of Finance, has experience managing World Bank-financed projects.** Given the Department's limited capacity in managing environmental and social risks, additional staff and support will be hired to strengthen its capabilities. The World Bank will conduct due diligence to ensure the project's adherence to environmental and social standards, emphasizing the need for continuous stakeholder engagement and robust management practices throughout the project's lifecycle.

58. **Gender.** The project integrates gender considerations by addressing the differentiated impact of the events on women, children and men. Women make up 70 percent of the internally displaced population in Ukraine. Men make up the majority of those directly affected, but there are many thousands of women, children, and elderly persons who are victims. Key measures include implementing gender-responsive budgeting (GRB), with local governments receiving technical assistance to develop gender-specific performance indicators and ensure equitable budget allocations. The current practice of gender-blind budgeting fails to recognize and address the unique needs and challenges faced by different gender groups, thereby exacerbating existing gender gaps. The project will promote the preparation of budgets that are equitable and responsive to the specific needs of women and other vulnerable groups. Comprehensive training programs will enhance the capacity of government officials to implement gender-responsive policies. Additionally, gender-disaggregated data will be collected to monitor the project's impact, and women’s organizations will be actively involved to ensure their needs are addressed throughout the planning and implementation phases.





59. **Climate change.** The project incorporates climate-smart principles into public investment management and planning systems to enhance Ukraine's resilience to climate change. This includes designing criteria for climate adaptation and mitigation in project appraisal, integrating green investment practices, and training government officials on climate strategies. Monitoring and evaluation frameworks will track the effectiveness of these measures through specific climate-related indicators, ensuring that reconstruction efforts support long-term sustainability and environmental resilience.

60. **Citizen engagement.** Citizen engagement is central to the project, ensuring transparency, accountability, and community ownership in recovery efforts. A comprehensive communications strategy will disseminate project achievements and engage citizens through outreach campaigns and regular updates. Stakeholder surveys, workshops and forums will gather community feedback and foster inclusive dialogue. Regular public reporting on project activities and expenditures will maintain transparency. These measures will build public trust and ensure that community voices are integral to the decision-making process.

## V. GRIEVANCE REDRESS SERVICES

61. **Grievance redress.** Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may submit complaints to project-level grievance mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Additionally, a Grievance Redress Mechanism (GRM) will be developed and implemented to facilitate the resolution of grievances at the project level. Project affected communities and individuals may submit their complaint to the Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the AM at any time after concerns have been brought directly to the attention of Bank Management and after Management has been given an opportunity to respond.<sup>20</sup>

## VI. KEY RISKS

62. **The overall risk to achieving the PDO is High.** This reflects the unpredictable security situation, macro-economic instability and the loss of skilled staff in key institutions. These cannot be fully mitigated. The ratings for the risk categories outlined below are based on the assessment of residual risk after considering robust mitigation measures.

63. **Political and Governance Risks are High.** Government policy is anchored in the EU accession process and Ukraine Facility Plan. The Project will mitigate political risks by aligning reforms with governmental recovery priorities and the Facility Plan. Nonetheless, the residual political risk that expansion of the events and a deterioration in the security situation may cause delays in reforms and shifts in policy remains high. Governance risks are also high. Corruption has been a longstanding concern: Ukraine scored 36/100 on Transparency International's Corruption Perception Index, ranking 104/180 countries in 2023, up from a score of 26/100 and a ranking of 146/174 in 2013. Transparency and openness have been curtailed on security grounds, increasing corruption risks. The Project will mitigate governance risks by promoting transparency and citizen engagement in the planning process at regional and local level and through the PIM process.

64. **Macroeconomic risk is High.** Macro-economic risks may impact the project by reducing the fiscal space for public investment and transfers to local governments, thereby hindering implementation of the institutional reforms that the project supports. GDP growth in 2023 was 5.3 percent but the macroeconomic situation remains fragile due to fiscal

<sup>20</sup> For information on how to submit complaints to the Bank's GRS, visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the Bank's Accountability Mechanism, visit <https://accountability.worldbank.org>.



pressures and the destruction of key economic infrastructure. The fiscal deficit, excluding grants, widened to an estimated 27 percent of GDP in 2023 and is expected to remain high at 20.4 percent of GDP in 2024. Consequently, the residual risk that macroeconomic conditions undermine project implementation thus remains High.

65. **Sector strategy and policy risk is Substantial.** The program builds on the PFM Reform Strategy Action Plan, the PIM Reform Roadmap, and the NRS 2030 to strengthen institutions and systems. These were developed through a consultative process with development partners. These strategies and policies are unlikely to change during project implementation. However, the project will have an impact on the relationship between the center of government and line ministries, notably through the implementation of standardized procedures and a single investment pipeline. This could lead to reform resistance. The project will mitigate this risk by focusing on reforms which have strong political leadership and providing for stakeholder engagement and change management activities. Nevertheless, the residual risk that there may be resistance to sector strategies and policies remains substantial.

66. **Technical design risk is Substantial.** The technical risk is that the authorities may be unable to implement the proposed institutional reforms owing to the technical complexity of the reforms and difficulties in integrating new processes into existing systems. The project will mitigate these risks by adapting planning, public investment, compliance risk management and other methodologies and procedures to Ukraine's specific requirements and institutional context assistance. The project provides substantial funding for training and change management activities. Despite these measures, the residual risk remains substantial due to the challenging operational environment and the necessity for sustained capacity development efforts.

67. **Institutional capacity for implementation and sustainability risks are High.** The institutional capacity for implementation and sustainability has been significantly weakened, leading to a loss of key personnel and operational disruptions in MoF, MoE and MCTD and in local government. Private sector contractors also face capacity constraints owing to the loss of staff, limited exposure to the technical requirements of the systems support by the project, and difficulties mobilizing teams to work in Ukraine, particularly in the most affected areas. The Project will mitigate these risks by financing a PIU to support project operations, including the preparation of procurement documentation and contract management, and by financing a proactive capacity-building strategy that includes recruitment of staff for key operational functions and systematic training programs. The project will mitigate contractor capacity constraints by facilitating consortia of global and local firms to facilitate mobilization of the requisite technical skills. The Bank will provide support on resolving emerging implementation issues and monitoring the adequacy of contractor performance. The residual institutional capacity risk nevertheless remains High.

68. **Fiduciary risk is assessed as Substantial.** The security situation exacerbates the risk that Program implementing agencies may not be able to carry out fiduciary functions effectively. Contributing factors include the inability of Bank staff to perform on-site supervision at the local government level and the limited capacity of implementing agencies and partners. To mitigate these risks, the Project will finance qualified fiduciary staff and provide periodic training in financial management, procurement, and disbursement for fiduciary staff. The Bank will undertake frequent and comprehensive fiduciary support missions. Despite these measures, the residual risk remains Substantial.

69. **Environment and social risk is Moderate.** The project's focus on technical assistance and capacity building rather than physical works mitigates significant environmental risks. Potential issues include the generation of e-waste from IT solutions, requiring a robust E-Waste Management Plan to ensure proper disposal and resource efficiency. Social risks arise from the potential exclusion of vulnerable groups and socio-economic disparities exacerbated since 2022. The social risks are managed through inclusive capacity-building activities, comprehensive outreach programs, and a robust GRM to address and mitigate perceptions of exclusion and ensure equitable participation. Additionally, health and safety risks, particularly in the context of ongoing situation, necessitate stringent safety measures and emergency preparedness plans to protect project workers and participants.

70. **Stakeholder risk is High.** The operation involves national and local agencies, requiring effective interinstitutional



coordination to achieve the PDO. Government processes – especially as they relate to PIM – have been markedly fragmented thus far. The project will mitigate these risks by housing the project coordinator within the Ministry of Finance, the designated lead agency, which has demonstrated its capacity to manage complex operations over the last two years. The Project will use the existing interagency PIM Working Group to facilitate coordination across implementing agencies. It will also build on relevant coordinating bodies, such as the government’s Strategic Investment Council. However, the residual risk remains High.



**VII. RESULTS FRAMEWORK AND MONITORING**

Indicator Name	Unit of Measure	Comments on how this indicator relates to operation design	Baseline/Date	Target/Date
<b>PDO Indicators by PDO Outcomes</b>				
Percentage of investment projects appraised using the new climate-smart PIM methodology.	Percent	This indicator measures the project's success in incorporating climate-smart principles into public investment management. It verifies that the newly designed climate adaptation and mitigation criteria are applied in project appraisal and selection processes. This indicator allows the project to assess the effectiveness of training and advisory services provided to enhance the climate responsiveness of public investments, leading to more sustainable and environmentally resilient infrastructure projects.	0% (2024)	25% (2028)
Number of hromadas with comprehensive plans for spatial development	Number	This indicator measures the project's effectiveness in enhancing urban planning capacities and strategic investment prioritization in key cities. This verifies that technical assistance and capacity-building efforts result in comprehensive, actionable spatial plans that integrate good practices in climate resilience and sustainability. This indicator allows the project to assess the impact of the implementation of robust planning frameworks, ultimately contributing to sustainable and resilient urban development.	0 (2024)	3 (2028)
Allocations of intergovernmental transfers reflect updated service delivery needs.	Percentage	This indicator measures the project's impact on the alignment of financial resources with the needs for service delivery. It verifies that the allocations of intergovernmental transfers are based on accurate and current population and service delivery data. This indicator allows the project to demonstrate improvements in budget transparency and resource allocation efficiency, thereby supporting equitable and effective service delivery across local governments.	0% (2024)	100% (2028)
<b>Intermediate Indicators by Components</b>				
<b>Component 1: Public Investment Management (PIM) for Reconstruction</b>				



Indicator Name	Unit of Measure	Comments on how this indicator relates to operation design	Baseline/Date	Target/Date
1.1 Number of integrated IT systems.	Number of integrated systems	This indicator measures the integration of DREAM, Prozorro and Treasury systems to ensure data interoperability and enhance efficiency in public investment management.	0	3 integrated systems
1.2 Number of trained government officials.	Number	This indicator measures the number of government officials trained in the new PIM procedures, including climate-smart investment planning.	0	250 officials trained
<b>Component 2: Local Urban Planning</b>				
2.1 Data collection system for urban planning strengthened	Yes/No	This indicator tracks progress in strengthening the data collection system for urban planning, including the development and maintenance of the urban cadaster. It measures the project's effectiveness in clarifying local urban planning mandates, addressing overlapping responsibilities, and consolidating key elements of the urban planning framework in legislation. By monitoring these areas, the indicator helps assess the establishment of a modern, cohesive data collection system that supports efficient urban planning.	No	Yes
2.2 Comprehensive plans for the spatial development of hromadas developed.	Number	This indicator tracks the number of comprehensive plans for the spatial development of hromadas developed. It measures the effectiveness of the project's efforts in developing comprehensive spatial urban development plans and identifying related investment resources. The indicator allows the project to demonstrate its impact on the planning of climate-informed urban development in key Ukraine cities.	0	3
<b>Component 3: Local Government Fiscal Governance for Recovery</b>				
3.1 Percentage of local government budgets that include specific allocations for gender and climate initiatives.	Percentage	The indicator measures the adoption of gender and climate considerations in budgeting processes, promoting sustainable and equitable fiscal practices.	0	25%
<b>Component 4: Integrity and Compliance in Revenue Administration</b>				



Indicator Name	Unit of Measure	Comments on how this indicator relates to operation design	Baseline/Date	Target/Date
4.1 Enhanced tax compliance outcomes through more effective allocation of resources and proactive risk management.	Percentage of large taxpayers selected for checks based on the tax risks management system (compliance risks)	This indicator tracks improvements in compliance outcomes due to better resource allocation and risk management strategies, critical for efficient revenue administration.	0	60
<b>Component 5: Public Procurement Management for Recovery</b>				
5.1 Percentage of procurement staff trained on updated procurement policies and procedures.	Percentage	This indicator reflects the component’s focus on strengthening the capacity of procurement staff in key ministries (e.g., MoF, MoE, MCTD) and other implementing agencies. By training staff on updated procurement policies and procedures, the operation aims to reduce bottlenecks in the procurement process, improve adherence to national regulations and international best practices, and enhance the efficiency of public procurement. The training also promotes sustainable procurement and the professionalization of procurement staff, ensuring better implementation of national and IFI-funded projects.	0	50
<b>Component 6: Project Management, Stakeholder Engagement, and Policy Analysis</b>				
6.1 Improved efficiency and effectiveness in project management and implementation.	Percentage of timely project deliverables	This indicator measures the efficiency and effectiveness of project management practices, reflecting the project's ability to meet its goals and timelines.	0	80
6.2 Strengthened support for reforms across all	Percentage (increase in	This indicator assesses the level of support and engagement from stakeholders, crucial for the successful implementation of reforms.	0	25



Indicator Name	Unit of Measure	Comments on how this indicator relates to operation design	Baseline/Date	Target/Date
results areas from internal and external stakeholders.	stakeholder engagement)			

**PDO Indicators by PDO Outcomes**

Baseline	Closing Period
<b>To enhance the Government's capacity for effective implementation of fiscal reforms through technical assistance and knowledge-sharing.</b>	
<b>Percentage of investment projects appraised using the new climate-smart PIM methodology. (Percentage)</b>	
May/2024	Sep/2028
0	25
<b>Number of hromadas with comprehensive plans for spatial development (Number)</b>	
Jul/2024	Sep/2028
0	3
<b>Allocations of intergovernmental transfers reflect updated service delivery needs. (Percentage)</b>	
Jun/2024	Sep/2028
0	100

**Intermediate Indicators by Components**

Baseline	Closing Period
<b>Component 1: Public Investment Management for Reconstruction</b>	
<b>Number of integrated IT systems. (Number)</b>	
Jul/2024	Apr/2028
0	3
<b>Number of trained government officials. (Number)</b>	



Jul/2024	Sep/2028
0	250
<b>Component 2: Local Urban Planning</b>	
<b>Data collection system for urban planning strengthened (Yes/No)</b>	
Jul/2024	Sep/2028
No	Yes
<b>Comprehensive plans for the spatial development of hromadas developed. (Number)</b>	
Jul/2024	Sep/2028
0	3
<b>Component 3: Local Government Fiscal Governance for Recovery</b>	
<b>Increased integration of gender and climate considerations into local government performance budgeting. (Percentage)</b>	
Jul/2024	Sep/2028
0	25
<b>Component 4: Integrity and Compliance in Revenue Administration</b>	
<b>Enhanced compliance outcomes through more effective allocation of resources and proactive risk management. (Percentage)</b>	
Jul/2024	Sep/2028
0	60
<b>Component 5: Public Procurement Management for Recovery</b>	
<b>Percentage of procurement staff trained on updated procurement policies and procedures (Percentage)</b>	
Jun/2024	Sep/2028
0	50
<b>Component 6: Project Management, Stakeholder Engagement, and Policy Analysis</b>	
<b>Improved efficiency and effectiveness in project management and implementation. (Percentage)</b>	
Jul/2024	Sep/2028
0	80
<b>Strengthened support for reforms across all results areas from internal and external stakeholders. (Percentage)</b>	
Jul/2024	Sep/2028
0	25





**Monitoring & Evaluation Plan: PDO Indicators by PDO Outcomes**

<b>PDO Indicator 1</b>	
<b>Percentage of investment projects appraised using the new climate-smart PIM methodology.</b>	
Description	Counts the number of investment projects appraised using the newly developed climate-smart PIM methodology.
Frequency	Semi-Annual
Data source	Reports from Ministry of Economy (MoE) and Ministry of Finance (MoF)
Methodology for Data Collection	Review of appraisal reports and project documentation.
Responsibility for Data Collection	MoE and MoF

<b>PDO Indicator 2</b>	
<b>Number of hromadas with recovery and development plans.</b>	
Description	This indicator will measure the number of hromadas with developed and approved recovery and development plans
Frequency	Annual
Data source	Reports from Ministry for Communities and Territories Development (MCTD)
Methodology for Data Collection	Compilation and review of hromada reports and plan approvals
Responsibility for Data Collection	MoF in coordination with MCTD

<b>PDO Indicator 3</b>	
<b>Allocations of intergovernmental transfers reflect updated service delivery needs.</b>	
Description	Measures the extent to which intergovernmental transfer allocations reflect updated service delivery needs.
Frequency	Annual
Data source	Budget reports and allocation data from Ministry of Finance (MoF) and selected Hromadas
Methodology for Data Collection	Analysis of budget documents and allocation formulas.
Responsibility for Data Collection	MoF and Hromadas

**Monitoring & Evaluation Plan: Intermediate Results Indicators by Components**

<b>Component 1: Public Investment Management for Reconstruction</b>	
<b>IRI 1.1 Number of integrated IT systems.</b>	
Description	This indicator measures the integration of IT systems, specifically the successful integration of DREAM Prozorro and Treasury systems, to ensure data interoperability and enhance efficiency in public investment management.
Frequency	Annual
Data source	Project reports



Methodology for Data Collection	System integration test reports, data flow analytics
Responsibility for Data Collection	Ministry of Finance

<b>Component 1: Public Investment Management for Reconstruction</b>	
<b>IRI 1.2 Number of trained government officials.</b>	
Description	Measures the reduction in time taken for project approval and implementation due to improved efficiency and coordination in public investment management.
Frequency	Bi-annual
Data source	Reports from Ministry of Finance (MoF) and relevant implementing agencies
Methodology for Data Collection	Collection and analysis of project timelines from approval to implementation stages.
Responsibility for Data Collection	MoF and relevant implementing agencies

<b>Component 2: Local Urban Planning</b>	
<b>IRI 2.1 Data collection system for urban planning strengthened</b>	
Description	This indicator tracks progress in strengthening the data collection system for urban planning, including the development and maintenance of the urban cadastre.
Frequency	Annual
Data source	Reports and legal documents from the Ministry for Community Territorial and Infrastructure Development (MCTD); records and databases from urban cadastre systems.
Methodology for Data Collection	Compilation of legal documents, administrative data from cadastres.
Responsibility for Data Collection	MCTD and local government authorities

<b>Component 2: Local Urban Planning</b>	
<b>IRI 2.2 Comprehensive spatial development plans developed for hromadas.</b>	
Description	Tracks the number of comprehensive spatial development plans of hromadas developed.
Frequency	Annual
Data source	Reports from MCTD and local government authorities
Methodology for Data Collection	Compilation and analysis of recovery plans, damage assessments, and implementation reports
Responsibility for Data Collection	MCTD and local government authorities

<b>Component 3: Local Government Fiscal Governance for Recovery</b>	
<b>IRI 3.1 Increased integration of gender and climate considerations into local government performance budgeting.</b>	
Description	Measures the adoption of gender and climate considerations in budgeting processes
Frequency	Annual
Data source	Local government budgets
Methodology for Data Collection	Review of budget documents and performance indicators



Responsibility for Data Collection	Ministry of Finance
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<b>Component 4: Integrity and Compliance in Revenue Administration</b>	
<b>IRI 4.1 Enhanced compliance outcomes through more effective allocation of resources and proactive risk management.</b>	
Description	Enhanced compliance outcomes through more effective allocation of resources and proactive risk management
Frequency	Annual
Data source	Compliance reports
Methodology for Data Collection	Review of compliance reports
Responsibility for Data Collection	State Tax Service

<b>Component 5: Public Procurement Management for Recovery</b>	
<b>IRI 5.1 Percentage of procurement staff trained on updated procurement policies and procedures.</b>	
Description	Measures the percentage of procurement staff that have been trained on updated procurement policies and procedures.
Frequency	Annual
Data source	Training and workshop reports and surveys
Methodology for Data Collection	Compilation and review of workshop and training plans, reports, and post-training surveys
Responsibility for Data Collection	Ministry of Finance

<b>Component 6: Project Management, Stakeholder Engagement, and Policy Analysis</b>	
<b>IRI 6.1 Improved efficiency and effectiveness in project management and implementation.</b>	
Description	Measures the overall efficiency and effectiveness of project management practices
Frequency	Quarterly
Data source	Project deliverables
Methodology for Data Collection	Review of project deliverables
Responsibility for Data Collection	Ministry of Finance

<b>Component 6: Project Management, Stakeholder Engagement, and Policy Analysis</b>	
<b>IRI 6.2 Strengthened support for reforms across all results areas from internal and external stakeholders.</b>	
Description	Assesses the level of support and engagement from stakeholders
Frequency	Annual
Data source	Stakeholder survey
Methodology for Data Collection	Analysis of survey data
Responsibility for Data Collection	Ministry of Finance



**ANNEX 1: Implementation Support Plan**

**COUNTRY: Ukraine**

**Strengthening Government Capacity for Fiscal Reform Implementation**

1. **Monitoring and Evaluation.** The Bank project team will closely review implementation progress toward program results, which are a requirement for DLI disbursements. The Bank team will carry out monthly virtual and quarterly in-person missions, the security situation permitting. The Bank project team will support the completion of a Mid-Term Review (MTR) one year into implementation to assess progress and challenges. An additional Independent Verification Agent will be engaged to carry out monitoring, oversight, and reporting. The Bank will work closely with the First Deputy Minister of Finance in their role as the Project Coordinator.
2. **Technical Assistance.** The Bank project team will facilitate technical assistance to achieve program results. It will provide technical support to the MoF, MoE, and MCTD to build institutional capacity for improved PIM, PFM, and tax administration. The Bank team will support the client in integrating climate and gender aspects into planning and public investment systems, developing and implementing local government strategic planning functions, integrating IT solutions (PIM functions across DREAM, Prozorro, and the Treasury system), and establishing and capacity-building for the Project Preparation Facility, which will develop higher-risk projects.
3. **Fiduciary and E&S Aspects.** The Bank project team will provide guidance on fiduciary and E&S aspects, continuously assess compliance with legal agreements, and monitor changes in risks to the program. The Bank project team will review project IFRs and audit reports and follow up on issues raised. It will also facilitate training on procurement processes that are compliant with applicable procurement regulations and anticorruption guidelines. It will support control system assessments.
4. **Implementation Support Plan.** The following implementation support plan estimates skill, timing, and resource requirements. The skill requirements may be subject to change over time. These plans will be regularly reviewed and revised as necessary to respond to evolving risks, challenges, and the needs of the Government of Ukraine and other stakeholders.

**Table A1.1: Main Focus of Implementation Support**

Focus	Skills Needed	Staff Weeks
<b>First 12 months</b>		
Development of the PIM regulatory framework	PIM	8
Establishing of PIM institutions	Governance, public administration, PFM	8
Building capacity for territorial development planning	Urban planning	6
Implementation of the compliance risk management and institutionalizing cost of tax compliance survey	Tax administration, taxpayer surveys	2
Updating environmental and social safeguards in national PIM	Environmental and social safeguards	3
Assistance in developing requirements for the upgrade of IT system DREAM, and interoperability between DREAM and other PFM systems	Governance Specialist	7
Integrating climate considerations into PIM	PFM and climate change	6
Integrating gender consideration into local budgeting	Gender budgeting	2



Focus	Skills Needed	Staff Weeks
<b>12—24 months</b>		
Implementation of new PIM processes	PIM	16
Integration of climate considerations into local budgeting	Climate change, PFM	4
ESF oversight	Social and environmental safeguards	4
Procurement oversight	Procurement	2
Implementation of compliance risk management pilot by the STS	Tax administration	2
IT implementation for DREAM	IT, PFM	6
Implementation of a new approach to territorial development planning	Urban development	2
<b>24—48 months</b>		
Scaling up of new PIM processes	PIM	16
Continuous integration of climate considerations	Climate change, PFM	4
Long-term ESF oversight	Social and environmental safeguards	4
Advanced procurement strategies	Procurement	2
Expansion of compliance risk management	Tax administration	2
Full IT implementation and integration	IT, PFM	6
Comprehensive territorial development planning	Urban development	4

**Table A2.1: Task Team Skills Mix Requirements for Implementation Support**

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Task Team Leaders	32	8	N/A
FM Specialist	8	0	Country-based
Social Development Specialist	8	0	Country-based
Procurement	4	0	Country-based
Environmental Specialist	4	0	Country-based
Governance Specialists	24	8	N/A
Urban Specialist	12	8	N/A
Gender	4	2	N/A
Legal	2	0	N/A