

INTEGRATED SAFEGUARDS DATA SHEET

IDENTIFICATION / CONCEPT STAGE

Report No.: ISDSC16091

Date ISDS Prepared/Updated: 15-Dec-2015

I. BASIC INFORMATION

A. Basic Project Data

Country:	Ukraine	Project ID:	P158379
Project Name:	SUPPORT TO EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE COMPLIANCE PROCESS PROJECT		
Team Leader(s):	Ilhem Salamon		
Estimated Date of Approval:	15-Dec-2015		
Managing Unit:	GEEDR	Lending Instrument:	Lending Instrument
Sector(s):	Oil and gas (100%)		
Theme(s):	Other accountability/anti-corruption (50%), Participation and civic engagement (30%), Other environment and natural resources management (20%)		
Financing (in USD Million)			
Total Project Cost:	0.4	Total Bank Financing:	0
Financing Gap:	0		
Financing Source			Amount
Extractives Global Programmatic Support			0.4
Environment Category:	C - Not Required		

B. Project Development Objective(s)

The project development objective is to assist the Government of Ukraine in implementing the EITI agenda

C. Project Description

Following an extensive advocacy effort led by local civil society organizations, the Cabinet of Ministers of Ukraine passed a resolution "on Ukraine's accession to the EITI" on September 9, 2009. Ukraine was admitted as an EITI candidate on 17 October 2013 after successfully completing the four "sign-up" steps including the development of a work plan, which was validated by the EITI Board. Ukraine as required to publish its first EITI report by October 17, 2015 with the objective to become compliant by October 2016.

Given that enhancing transparency and accountability represents a substantial challenge in the country, the MSG that was formed in 2012 decided to be carefully optimistic about what it could

realistically achieve and limited the coverage of the first EITI report to the oil and gas sector, while the second EITI Report would be extended to mining. The publication of EITI Reports that “include contextual information about the [overall] extractive industries” (requirement 3) and are “comprehensive [and] include full government disclosure of extractive industry revenues, and disclosure of all material payments to government by oil, gas and mining companies” (requirement 4) are requirements for EITI compliance. Ukraine will, therefore, have to publish its second EITI report before the validation period starts on October 17, 2016.

Soon after its admission as a candidate country, however, Ukraine experienced a prolonged political and economic crisis. The EITI process was understandably delayed but kept moving forward. The MSG continued to meet reasonably regularly throughout the crisis and instead of seeking a voluntary suspension, opted to move ahead with preparations for EITI Reporting, in the hope that the reporting process could begin quickly once the political situation stabilized.

Despite the challenging geopolitical context, substantial progress has been made with the EITI process in Ukraine. On 16 June 2015, the Parliament of Ukraine adopted Law No. 521-VIII “On Amending Certain Laws of Ukraine with Respect to Strengthening Transparency in Extractive Industries in Ukraine” (the “Law”) mandating the participation of all relevant parties in EITI reporting. The Law was approved by the President and came into force on 12 July 2015. The Ministry of Energy and Coal Industry has also developed bylaws specifying the scope of EITI reporting, entities required to participate, and the implications of non-participation. These bylaws are expected to be adopted by the Cabinet of Ministers by the new calendar year. The laws were prepared to enable the disclosure of financial information and business activities of Ukrainian extractive companies ahead of the submission of the EITI report due by 17 October 2016. As a result of the bylaws still not being adopted, the Independent Administrator in charge of developing the first EITI Report for Ukraine experienced difficulties in collecting data from several major players such as the State Fiscal Service and Ukrnafta. The Ukraine MSG, therefore, decided to request a deadline extension for the publication of the first EITI Report to ensure that it would be as comprehensive and meaningful as possible. The request for extension was granted by the EITI Board on December 4 2015.

While the preparation of the first EITI report necessitated substantial effort and demonstrated a strong leadership and commitment from the Ukraine MSG, the challenges ahead are significant. The first EITI report was published on December 4, 2015. To ensure the publication of a second EITI report, covering all extractive industries by October 2016, much effort will be needed to allow the Ukraine MSG to (i) communicate extensively and effectively on the EITI requirements and process, (ii) engage all relevant stakeholders in the EITI process by providing them with enhanced capacity, and (iii) build the analytical and legal work needed to underpin the reform agenda associated with the EITI compliance process. The proposed grant is meant to support these critical efforts, the publication of the next EITI reports and other key activities needed to ensure the sustainability and mainstreaming of EITI in Ukraine.

Project Components

The proposed grant would be a follow-on grant to an EITI MDTF grant (Ukraine EITI Implementation Support Project, P128405) which financed the establishment of Ukraine’s national EITI Secretariat and the first EITI report’s preparation and dissemination. The proposed grant is meant to push EITI implementation in Ukraine forward and support critical efforts needed to help the country reach EITI compliance. A follow-up grant is needed to ensure the sustainability and

mainstreaming of EITI in Ukraine. The signing of key contracts under the proposed project will be needed to trigger access to a follow-on grant.

Component A: EITI Implementation Support (US\$ 175,000). This component will support the activities essential to EITI implementation and meeting Ukraine's obligations as an EITI candidate country to reach compliance. These activities include:

- Annual EITI reports for Ukraine (US\$ 150,000). Recruitment of an Independent Administrator (IA) in charge of the preparation of one EITI report covering all extractive industries for the calendar years 2014 and 2015.
- Sub-committees and regional MSG meetings (US\$ 25,000). Costs of meetings of the sub-national coordination units recently created by the MSG to broaden involvement in the EITI process and regional MSG meetings for the first year of implementation.

When additional Extractives Global Programmatic Support (EGPS) financing becomes available to Ukraine, a follow-on project will be prepared with the objectives to use the funds to finance: (i) sub-committee and regional MSG meetings for the second year of implementation (US\$25,000); (ii) a review of the legal and regulatory framework of the extractive industries including a needs assessment for additional policy, reform or investment. The review and needs assessment, and any underpinning work would be prepared in compliance with and taking into account the Bank's safeguards and related operational policies. (US\$ 400,000); and (iii) a feasibility study for setting up an integrated government system for generating EITI data more efficiently (US\$300,000).

Component B: Capacity Building Activities (US\$ 75,000). Building on lessons learnt from the preparation of the first report, it will be important to help operators and state agencies better understand the EITI requirements. Under this Component, the project will thus support advisory services for state agencies and companies operating in the extractives industries to comply with EITI requirements.

When additional EGPS financing becomes available to Ukraine, the funds will finance: (i) additional training to deepen Ukraine EITI MSG and National Secretariat knowledge of issues associated with resource management (US\$ 75,000); (ii) core training on EITI and natural resources management tailored for all relevant stakeholders government officials, parliamentarians, companies operating in the Extractives Industries (EI), civil society (including NGOs, the media, and youth) on matters related to the extractive industries, EITI Standard, and overall transparency in the sector (US\$ 50,000); and (iii) tailored training to investigative journalists on reporting on EI and EITI (US\$ 50,000).

Component C: Communication and Outreach (US\$ 60,000). This component will support the implementation of the Ukraine EITI Communication Strategy for the first year of project implementation and will include the following activities:

- Print and visual media outreach campaigns (US\$ 25,000). Support for the EITI National Secretariat to publish and disseminate crucial information on EITI implementation through radio, TV, and print media outreach campaigns, in order to inform the public on the overall extractives industry, EITI implementation and related events;
- Organization of awareness raising events (US\$ 30,000). Round tables, press conferences,

conferences, workshops will be organized to increase the overall understanding of the key issues in the management of the extractives sectors.

- Internet and social media activities (US\$ 5,000). Support for the management of a Ukraine EITI website and social media accounts that contains information specifically related to the EITI implementation in Ukraine as well as wider information on activities related to transparency of extractive industries in Ukraine, as well as global news and trends on EITI implementation experiences from other countries.

When additional EGPS financing becomes available to Ukraine, the funds will be used to finance a second year of implementation.

Component D: Project Management (USD\$ 90,000). This component will support the costs of the EITI National Secretariat staff (National Coordinator of the Secretariat, Financial, Procurement and Public Relations Consultants) and provide support for the operating costs of day to day activities carried out by the EITI Secretariat, under the oversight of the MSG. GoU covers the costs of office space and associated utility costs, while the grant will cover the operation costs associated including office supply, travel costs related to the work of the Secretariat and of MSG members, office maintenance, internet, phone, banking charges.

While the cost described above will be covered for one year of project implementation, another year of implementation could be financed when additional EGPS financing becomes available to Ukraine. Triggers will be added to the project paper for the completion of specific actions during this phase before financing for the next phase kicks in.

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

The project is a technical assistance for Ukraine. It is meant at enhancing transparency and accountability in extractive industries' revenue management. It involves no physical investment or recommendation that would be relevant for safeguard analysis.

E. Borrower's Institutional Capacity for Safeguard Policies

Not relevant for the project.

F. Environmental and Social Safeguards Specialists on the Team

Alexei Slenzak (GENDR)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/ BP 4.01	No	This operation does not trigger any particular safeguards policies as the activities are essentially training in nature.
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/ BP 4.11	No	

Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

III. SAFEGUARD PREPARATION PLAN

Appraisal stage ISDS required?: No

IV. APPROVALS

Team Leader(s):	Name: Ilhem Salamon	
<i>Approved By:</i>		
Safeguards Advisor:	Name: Brandon Enrique Carter (SA)	Date: 25-Nov-2015
Practice Manager/ Manager:	Name: Paulo De Sa (PMGR)	Date: 25-Nov-2015

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