

**PROJECT INFORMATION DOCUMENT (PID)
IDENTIFICATION/CONCEPT STAGE**

Report No.: PIDC41134

Project Name	Ukraine: Conflict Response and Recovery Pilot and Capacity Building
Region	EUROPE AND CENTRAL ASIA
Country	Ukraine
Sector(s)	Information technology (10%), Other social services (90%)
Theme(s)	Social Safety Nets/Social Assistance & Social Care Services (10%), Conflict prevention and post-conflict reconstruction (60%), Other social development (10%), Social Inclusion (20%)
Lending Instrument	Lending Instrument
Project ID	P158091
Borrower Name	Government of Ukraine
Implementing Agency	State Agency of Ukraine for Donbas Recovery
Environment Category	B - Partial Assessment
Date PID Prepared	18-Dec-2015
Estimated Date of Approval	02-May-2016
Initiation Note Review Decision	The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Ukraine is currently experiencing an acute period of political transition, instability and insecurity. Last year witnessed several momentous events: the “Maidan” uprising that led to the ousting of the previous President, Presidential elections in May, Parliamentary elections in October, and conflict in the east. In March 2014, the Autonomous Republic of Crimea and City of Sevastopol held referenda to join the Russian Federation, which were widely criticized and declared as “having no validity” in the UN General Assembly resolution 68/262. These recent developments have exacerbated underlying sources of fragility and conflict, including severe economic downturn, endemic corruption and ineffective governance, regional divides and long-held distrust between citizens and the state. Despite the signing of a fragile ceasefire in February 2015, fighting in eastern Ukraine continues.

The onset of political crises and conflict in Ukraine has compounded the country’s existing economic challenges and prospects for economic growth and poverty reduction. It is estimated that the conflict has accounted for a 3-5 percent decline in GDP in 2014, and a drop of nearly 18 percent year-on-year in the first quarter of 2015. The conflict has had drastic implications for economic activity in eastern Donetsk and Luhansk regions, Ukraine’s industrial heartland, and on human security and prospects for shared prosperity.

Over 4 million people in the Donbas region have been directly affected by the conflict and nearly

2.5 million people have been displaced both internally (1.5 million) and outside of Ukraine (900,000). This represents approximately 5 percent of Ukraine's population. Nearly 60 percent of IDPs are pensioners, 60 percent are women, 13 percent are children and 4 percent are disabled. More than half of IDPs have stayed in Donetsk and Luhansk regions near the conflict zone, but IDPs have also settled throughout the country in search of jobs and opportunity. While the GoU has taken steps to protect and support internally displaced by adopting relevant legislation and allocating available resources, the overall economic situation and the increasingly protracted nature of the challenge means IDPs are becoming increasingly vulnerable.

As the conflict continues, both humanitarian and development impacts are felt—service delivery deficits, overburdened social welfare services, joblessness, increasing social tensions, and deteriorating debt and credit relations. The majority of IDPs recently surveyed had been displaced for between 10-15 months and only a very small portion (6.2%) reported their intention to move in the coming three months (UNCHR; Shelter Cluster Ukraine, 'Shelter and NFI Needs Assessment Report for Ukraine, August 2015). As increasing numbers of Ukrainian men (enlisted, conscripted, volunteers) return home from military service in eastern Ukraine, there has been limited attention to their reintegration back into communities, and challenges of joblessness, lack of psychosocial support, alcoholism and other health issues. As socio-economic pressures mount, and no end in sight to the conflict, there is a need to increasingly focus on a development-oriented program that can build the resilience of both households and communities to cope in the mid- to longer-term.

Sectoral and Institutional Context

At the request of the Government of Ukraine, the UN, World Bank, and EU finalized the Recovery and Peacebuilding Assessment (RPA) for Eastern Ukraine in April 2015. Since that time, UNDP and the World Bank have been working with GoU counterparts to support RPA implementation. This has led to the design of institutional arrangements for oversight and coordination of recovery and peacebuilding activities in Ukraine, including an overarching governance structure. Despite initial delays due to Ukraine's economic crisis and competing political priorities, there has been recent momentum behind this GoU-led process. The GoU has established the 'State Agency of Ukraine for Donbas Recovery (SADR)' and will soon establish a high-level policy-making body, the 'National Council on Recovery of Eastern Regions of Ukraine.' This new institutional architecture has been charged with advancing the GoU, 'State Target Programme for Recovery of the Eastern Regions of Ukraine (State Programme)' that will take RPA findings as a foundation for developing a Government-led strategy and financing approach for recovery and peacebuilding activities. However, while SADR has a mandate for inter-agency coordination and leadership in preparing the State Programme, the Agency faces severe budget constraints and deficits in technical experience and capacity to manage the response effort.

The proposed project aims to enhance recovery and peacebuilding in Ukraine by supporting the role and effectiveness of the State Agency of Ukraine for Donbas Recovery, including through capacity building, analytic work and pilot programming for displacement response. As the focal point Agency for recovery efforts, support to the SADR will help build a stronger foundation and national system to coordinate current and future national and international responses.

Pilot activities and analytic work will build the knowledge base and support efforts to respond to the socio-economic impacts of internal displacement on both host communities and displaced populations. In October 2014, Ukraine's parliament passed legislation ensuring the legal basis for

the determination of the status of internally displaced and validating provision of assistance. This legislation establishes a central state registry for IDPs, and outlines support for IDPs including special allowances and employment services. However, implementation of the new IDP legislation and capacity building of coordination and support structures is lagging. Moreover, the GoU has focused on immediate crisis issues and has paid little attention to the mid- to longer-term developmental impacts of the displacement challenge and to IDP-host-community relations.

Some of the main developmental impacts of the displacement crisis are highlighted below. These are adapted from the preliminary findings of WBG-commissioned research conducted by The Centre of Social Expertise – Sociology Institute – NAS Ukraine, ‘Consolidation and analysis of qualitative and quantitative research on internally displaced persons.’ October 2015, forthcoming. This Report also identifies significant knowledge gaps and a lack of robust data on the range of jobs/livelihoods, municipal services, housing/land, education, health, and social cohesion dynamics resulting from protracted displacement. More data is needed in order to design effective policies appropriately targeted programming to support both host communities and displaced – a gap this project will also contribute to redressing.

--Access to Land, Housing, Property: High rents/overcrowding in host communities; deficits in housing availability; concerns about looting and confiscation of property and assets left behind; lack of affordable housing, unwillingness of landlords and real estate agents to rent to IDPs and requirement to pay rent several months in advance; tariffs are making utility payments unaffordable for IDPs.

--Jobs and Livelihoods: Employment in mining/heavy industry in the east largely lost; – IDPs mismatch of skills with jobs in hosting communities; IDPs reaching retirement age (e.g. aged 45-60) face difficulties finding work; challenging for women, single-parent families to find childcare and flexible work arrangements; IDPs face discrimination in workplace/from prospective employers.

--Social services: Increases in IDPs registering for GoU social services – pressures on already overstretched pension system.

--Education: insufficient space in schools in hosting communities (preschool availability particularly acute); lack of psycho-social support for children; lack of assimilation of Russian-speaking students.

--Health: High prices and access challenges for medication; lack of planning/budgeting for treatment of chronic diseases – e.g. diabetes, HIV/AIDS and TB in IDP population; lack of psychosocial support; limited information flows on available health services for displaced.

--Inclusion and Social cohesion: IDPs feel ‘segregated’ as citizens – increasing east vs. west rhetoric; IDP children reference cases of bullying and name calling in schools; perceived lack of GoU outreach to displaced communities. Many host communities, meanwhile, feel resentment toward IDPs for their assumed political affiliations and the additional stresses their presence has placed on already over-burdened services and job markets. Social cohesion increasingly challenged by return of combatants from front line areas to home communities where displaced from the east are present.

--Governance: Conflict-affected areas viewed as “lawless” – no rule-of-law; lack of trust in local gov in hosting areas; IDPs can’t vote in local elections in hosting areas – political marginalization; increasing cleavages between west and east.

Relationship to CAS/CPS/CPF

This SPF grant will be situated within a wider program of support from the World Bank to the

Government of Ukraine for peacebuilding and recovery – the Programmatic Approach – Ukraine: Recovery and Peacebuilding Support – that is funded through both bank budget and trust fund resources. The PA objective is to support the GoU’s development priorities by promoting peacebuilding, conflict sensitivity and resilience to conflict in development interventions. The PA includes activities to mainstream conflict and displacement sensitivity in the WBG’s strategy and portfolio and technical assistance to the GoU to more effectively design, implement and monitor peacebuilding and recovery activities.

The results of PA activities are informing, and will continue to inform, the WBG’s SCD and CPF exercises for FY17-19 which are under development in FY16. The PA team is a part of the core team for the SCD development process, where conflict and its drivers has been identified as an underlying constraint to achievement of poverty reduction and shared prosperity. Results of the analytic work and pilot programming envisioned in the SPF grant will also inform the design and implementation of the pipeline Community Social Support Project (CSSP), US\$ 200 million, which includes components focused on IDP/host community support. The project also includes a joint analytic products with IFC that could inform future advisory services and investment opportunities.

Moreover, this project will build on the successful engagement of the World Bank and its EU and UN partners with the GoU on the RPA. The GoU looks to the Bank as a key partner for accompaniment not just in recovery planning but in addressing some of the core drivers of the conflict and ongoing fragility in Ukraine (e.g. macro-instability, employment, regional disparities, governance). Recognizing the World Bank’s significant 2.5 billion dollar portfolio in Ukraine, the proposed activities are designed to fill key knowledge gaps and pilot approaches with the aim of leveraging and influencing the targeting and design of the WBG’s broader strategy and investments.

II. Project Development Objective(s)

Proposed Development Objective(s)

The goal of the project is to build Government capacity for recovery planning and oversight and to pilot knowledge building, recovery and peacebuilding activities in response to the ongoing conflict and displacement crisis in Ukraine.

Key Results

Component 1– Building capacity of the State Agency for Donbas Recovery to plan, coordinate and monitor/evaluate recovery efforts

- SADR has improved capacity to lead and coordinate national recovery planning and programming.
- Fiduciary oversight, procurement, safeguards and M&E expertise developed in State Agency for Donbas Recovery (SADR).
- Successful workshops/knowledge exchanges held to build SADR and broader GoU capacity for recovery and peacebuilding planning, project design and implementation.
- Robust monitoring and evaluation plan designed and executed for Component 3 activities.
- National coordination structure is established for recovery and peacebuilding stakeholders and actors.

Component 2: Building knowledge on the socio-economic impacts of forced displacement and combatant return

- Design/implementation of a comprehensive assessment of the socio-economic impacts of displacement on IDPs and host communities is completed and disseminated.
- Design/implementation of a comprehensive assessment of psychosocial and socioeconomic integration needs of former combatants is completed and disseminated
- Government of Ukraine and other stakeholders are trained in design/implementation of survey approaches for conflict-affected populations.
- Government of Ukraine and international policymakers are utilizing information from the surveys for strategy and policy development

Component 3: Piloting activities to respond to the development challenges of displacement

- Innovative pilots for meeting IDP socioeconomic needs and supporting social cohesion between IDP and host communities are designed and implemented in priority communities hosting large IDP populations.
- SPF financing utilized to fill key financing gaps in responding to the developmental needs of Ukraine’s internally displaced and host communities.
- Lessons from pilot support to IDPs and host communities is informing larger investments.
- Additional funds are leveraged to support IDP/conflict response and incorporating lessons from grant analytic work and pilot activities.

III. Preliminary Description

Concept Description

The proposed project is organized in three inter-related components to support knowledge generation, pilot displacement response activities and capacity building.

Component 1– SADR Capacity Building, Project Management, and Monitoring and Evaluation (Recipient Executed US\$ 900,000)

This component will build the capacity of the State Agency for Donbas Recovery to fulfill its strategy, planning and coordination mandate as well as to effectively manage, monitor and evaluate proposed RE activities. As a new State Agency, and with the GoU’s continuing budget crisis and competing reform process, SADR faces challenges in establishing itself as the focal point for recovery activities. Component 1 would include the following types of activities designed to both enable SADR to manage Component 3 activities and to more broadly build the capacity of SADR to coordinate future national and international programming and financing for peacebuilding and recovery. Capacity building will also include attention to building SADR presence and reach in eastern Ukraine and support for municipal/local level capacity building for recovery and

peacebuilding planning and program implementation. The grant will also support SADR in establishing coordination and consultation mechanisms that engage donors and other national/international partners to lay the groundwork for future investments and recovery programming. Capacity building activities would include:

- Establishment and training of a Project Implementation Unit (PIU) with fiduciary, procurement and safeguard capacity.
- Basic computing and office equipment to enable SADR functioning at national level and in eastern Ukraine.
- Incremental operating costs for SADR agency staff and facilitators as required.
- Support for development of a monitoring and evaluation system for component 3 activities and funds for an independent evaluation at the close of activities to gather evidence and lessons to inform future programming.
- Training program/workshops for SADR and local partners in eastern Ukraine in project planning, design, management and implementation of sub-projects and a range of sectoral/thematic issues based on demand – e.g. displacement response, gender sensitivity, combatant re-integration, monitoring and evaluation.
- Support for the development of a national and international stakeholder coordination and information-sharing mechanism and donor dialogues.
- Knowledge exchanges with other countries/regions to share relevant experiences and approaches.
- Strategic communication support, including information management systems and dissemination of SADR products and information on services.

Component 2 – Building knowledge on the socio-economic impacts of displacement and combatant return (Bank executed, US\$ 400,000)

This component will support the design and implementation of new research and analysis to assess the socio-economic impacts of displacement and combatant return in order to provide robust data to underpin future planning and programming. The overall goal is to identify policy and program responses that mitigate the potential negative socio-economic impact of conflict-affected population presence on host communities and maximize the social-economic benefits of conflict-affected population presence for host communities and the Ukrainian economy as a whole. Two main analytic products are envisioned:

- A representative household survey of IDPs and host communities to assess the impact of displacement on issues such as labor markets/livelihoods, housing, municipal services, education, healthcare, welfare, and social cohesion. This may be accompanied by a complementary qualitative assessment focused on perceptions and experiences of the informants, their priorities as well as exploration of factors contributing to the trends identified through the quantitative work.
- A survey to assess psychosocial and economic reintegration needs of former combatants to include a baseline assessment of the population of returning combatants from eastern Ukraine to identify potential areas for psychosocial and economic reintegration support. The assessment would cover both combatant needs, family/community needs and potential opportunities for socioeconomic integration based on needs, skills, available support services and structures, labor market, and private sector investment opportunities.

This analytic activities will directly inform the design and implementation activities outlined in Component 3.

This component would also include capacity building and technical assistance to the relevant GoU agencies in survey design, implementation, and data analysis in order to facilitate future GoU ownership of survey efforts. This component would be carried out in close cooperation with IFC

who are considering options for generating private sector development and employment generation programming in communities hosting large numbers of conflict-affected persons. The surveys would also be developed in close cooperation with the Poverty and Social Protection and Labor GPs with experience in survey design in conflict setting and in the case of SPL, with existing skills and labor market surveys for Ukraine that could complement SPF data. The data generated from this component would be utilized as part of the Conflict and Recovery Monitoring System that is being financed through the Programmatic Approach on Peacebuilding and Recovery and for use by the SADR in later targeting of pilot activities. This system (supported by the WB and the UN) aims to provide an information platform of relevant and timely data on conflict and displacement, impacts on poverty and shared prosperity and progress of peacebuilding and recovery activities.

Component 3: Piloting activities to respond to the development challenges of displacement (Recipient executed, US\$ 2.3 million)

Based on the results of the analytic work described above, Component 3 would include pilot activities to respond to the developmental needs of the internally displaced persons (IDPs), former combatants and host communities as a complement to ongoing humanitarian response efforts. The goal of Component 3 is to build GoU capacity to implement innovative development-oriented programming that could be brought to scale through future national and international financing. This component would target select communities with high concentrations of combatants or IDPs to pilot an integrated set of activities to respond to the unique needs of Ukraine's displaced (e.g. large numbers of pensioners; repeat returns; availability of high-skilled labor force), former combatants and host communities. The specific set of interventions to be delivered would be tailored based on assessment results but would likely include livelihood opportunities, housing support, municipal services and social assistance, health and psychosocial support as well as activities to promote social cohesion and community revitalization. The pilot would also explore possible joint programming with the IFC to promote private sector development and job creation in areas with high IDP or former combatant populations.

Lessons from the pilot activities and capacity building would then be utilized to inform a more comprehensive GoU strategy and budgeting as well as to help in the better targeting and design of investments by the Bank and other development partners. For the Bank, these pilots will directly inform the Community Social Support project under preparation as well as projects focused on health, urban development, and district heating that operate in communities with IDP populations.

IV. Safeguard Policies that Might Apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	x		
Natural Habitats OP/BP 4.04		x	
Forests OP/BP 4.36		x	
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11		x	
Indigenous Peoples OP/BP 4.10		x	
Involuntary Resettlement OP/BP 4.12		x	
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

V. Financing (in USD Million)

Total Project Cost:	3.6	Total Bank Financing:	0
Financing Gap:	0		
Financing Source			Amount
State and Peace Building Fund			3.6

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