



Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

Date Prepared/Updated: 12/02/2022 | Report No: ESRSC03169



BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Ukraine	EUROPE AND CENTRAL ASIA	P180242	
Project Name	Strengthening the Partial Credit Guarantee (PCG) Fund for small farmers in Ukraine		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Finance, Competitiveness and Innovation	Investment Project Financing	12/15/2022	1/20/2023
Borrower(s)	Implementing Agency(ies)		
Ministry of Agrarian Policy and Food	Partial Credit Guarantee Fund		

Proposed Development Objective

The Project development objective (PDO) is to operationalize the partial credit guarantee fund (PCGF) to help improve access to financing for small farmers.

Financing (in USD Million)	Amount
Total Project Cost	11.30

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

The project will contribute to the capitalization of the new PCGF, with a sound independent governance framework, which will support credit-constrained farmers and significantly improve sustainability of the current credit guarantees, thereby providing the long-term benefits for agricultural development and food security. Moreover, technical assistance is foreseen aimed at operationalizing the PCGF, increasing awareness of Ukrainian small farms of opportunities for agricultural and farmland-related investments and access to financial products offered by the banks participating in the PCGF, as well as incrementally improving the Ukrainian investment environment that approximates EU standards and enables successful access to banking products by non-bankable small farms. The project includes three components:



Component one: Partial Credit Guarantees (EUR 10.5 million) – Recipient executed trust fund (TF). This component will contribute to the capitalization of the PCGF, through EU-funded TF disbursed in two tranches (EUR 6 million upon effectiveness, second tranche once PCGF is fully operational with institutional, legal and operational framework acceptable to WB).

Component two: Technical Assistance (EUR .95 million) – Bank executed TF that will be implemented in parallel with IFC and Swedish Govt TA. This component will cover the following areas:

a) operationalizing the PCGF by: recruiting and training staff for an independent advisory board, professional management and internal operational and control policies and procedures, independent semi-annual performance monitoring, an e-platform for documentation flows, identification of and negotiations with participating Banks, training, capacity building and coordination;

b) increasing awareness for small farm access to financial products by developing lending products; training bank sales staff to work with small farm clients; PCGF information and promotional materials; multi-audience campaigns through conventional and online media; training events for farmers and local associations, CSOs and others; farmer needs assessments and loan application assistance; and

c) improving Ukraine investment environment to approximate EU standards and enable access for non-bankable small farmers to banking products by populating the State Agrarian Registry (SAR); providing participating banks with access to information from SAR; contributing to establishment of public disaggregated reporting on land prices; conduct a survey-based impact evaluation of the PCGF; identify and eliminate regulatory bottlenecks that prevent use of land as collateral for credit; support elimination of notarization of unregistered sales transactions (fraud prevention); develop and legalize mass valuation of agricultural land (and buildings); evaluate productivity and welfare impacts of providing small and medium farmers with credit access; establish out-of-court mechanisms for foreclosure on agricultural collateral.

Component three: Project Supervision and Administration (EUR 0.4 million) - Bank executed TF that will cover the following activities:

a) project implementation support and supervision (EUR 0.34 million). This sub-component will finance the World Bank Group implementation support activities for the project over 4 years, which will include overall project implementation support, payments processing, disbursement monitoring, preparation of financial reports, and other project management functions. Monitoring, evaluation review, reporting, technical assistance activities to ascertain the client is carrying out the project with due diligence to achieve objectives in conformity with legal agreements, identifying problems and recommend resolution, undertake midterm review, recommend changes to concept or design as the project evolves, identify risks and management strategies, prepare the implementation completion report.

b) project management and administration (EUR 0.06 million): stakeholder meetings, project planning and execution, communications and outreach, soliciting and evaluating activities proposals, resource planning and budgeting; management tools and systems, monitoring and evaluation.

Relationship to Country Partnership Framework (CPF): The ongoing war has fundamentally impacted the context for the current CPF FY17-FY21 (Report 114516-UA). However, by supporting small farmers, the project contributes to achieving the Objective 3, which supports agricultural development and land reforms, within Focus Area 1, Make markets work, which is aimed at unlocking the potential of the private sector through institutional reform and key investments. Strengthening government/PCGF's capacity to exercise its functions in supporting agriculture also limits



the war's negative impact on achievement of the Twin Goals, eliminating extreme poverty and boosting shared prosperity, thereby achievement of all pillars of the CPF.

D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

The project will disburse for initial capitalization of the PCGF through the EU funded TF (a first tranche to reach legally mandated capitalization amount and a second tranche once the PCGF institutional, legal and operational framework is in place). The initial capitalization is expected to encourage funding by other donors. Guarantees will be provided wholesale through participating banks on a portfolio basis according to clearly defined eligibility criteria. The PCGF aims to facilitate access to finance for small farmers by providing credit guarantees for primary producers of agricultural products cultivating no more than 500 hectares of land. The guaranteed loans can be used for purchase of land, equipment and materials, covering operational expenses. The project will also involve Bank-executed technical assistance to align the PCGF with good practice sustainable governance principles.

Since 2019, the World Bank has supported the Government of Ukraine in advancing its land reform agenda through the Economic Growth and Development Policy Loans (DPL) I and II (P172597 and P177931) and the Accelerating Private Investment in Agriculture (P166941) projects. The land reform agenda promoted ending the historical moratorium of agricultural land sales to improve the security of land tenure and enable the use of land as collateral to access credit for agricultural development. The moratorium on agricultural land sales undermined: security of land tenure; incentives to undertake productivity enhancing investments and manage the land in a sustainable manner; and access to financing for small and medium producers since land could not be used as collateral. An estimated 2 million households had to rent out their land at below market prices under the moratorium. The moratorium on land sales was lifted in July 2021. The land market has remained functional in large parts of the country despite the invasion and national emergency. Between February and October 2022, 21,192 agreements were concluded on the newly established land market in Ukraine, covering an area of 37,463 hectares.

The war has disrupted the ability of the government and the private sector to direct financial support to farmers, communicate opportunities and provide legal and technical support particularly in Eastern and Southern Ukraine. While populations of Western and Central Ukraine have largely been able to continue their lives, war risks and impacts play out across many levels: loss of life; loss of assets and capital; destruction of public infrastructure such as roads and power lines; contamination of agricultural land by military debris; contamination of land by mines; destruction of records; destruction of public offices; incapacitation of local public institutions and their functions. The war has created new categories of vulnerable groups. About 7.4 million Ukrainian refugees currently reside outside the country and about 6.4 million are internally displaced within Ukraine. Refugees and internally displaced persons will have left behind land, assets, and documents. It is also possible that due to need and expediency, internally displaced people may have settled on other people's land, or any land perceived as not claimed or used. The war has rendered some land plots environmentally toxic or otherwise unusable. Large swaths of land in the Eastern and Southern Ukraine may be affected by mines, environmental contamination by various debris of the war, or physical decimation. Water resources, roads, power structures or other ancillary facilities may also be affected, rendering previously fertile agricultural land unusable in the short term.



D. 2. Borrower’s Institutional Capacity

Responsibility for project implementation, coordination and day-to-day management will be with the PCGF and the Ministry of Agrarian Policy and Food (MAPF). PCGF/ MAPF will set up a Project Implementation Team (PIT), which will include staff experienced with donor projects and with adequate technical knowledge, including environmental and social specialists. The PCGF will provide credit guarantees to participating financial institutions (PFIs -- a number of domestic commercial banks that already provide loans for small agricultural business) who would act as intermediaries for extending financing and be required to maintain Environmental and Social Management Systems (ESMS) to screen for and address risks associated with the financing of any loans backed by the credit guarantees. Some PFIs in Ukraine have worked previously with international financial institutions that have similar requirements regarding environmental and social instruction into their credit decision-making processes, especially those that have worked with the IFC or EBRD and any affiliated European commercial banks. However, adherence to international systems is likely to vary considerably and most PFIs will require some capacity building. The private sector banking system in Ukraine is likely only at the beginning of efforts to incorporate environmental and social taxonomy (substantial contributions through the provision of customized financial products addressing vulnerability and exclusion risks). The project TA component provide an avenue to hire specialized ESMS consultants to work with these financial institutions to undertake due diligence review of their systems and identify resourcing required as a condition of participation in the PCGF and additional capacity building opportunities during project implementation.

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Substantial

Environmental Risk Rating

Substantial

The environmental risk of the project is Substantial. The project will provide support to small farmers through state Partial Credit Guarantee Fund that could be used by PFIs. The PFIs, and beneficiary farmers have not been identified so the proposed investment activities for the project are unknown beyond the general purpose of the PCGF - providing support for primary producers of agricultural products. The PCGF through guaranteed loans will support purchase of land, equipment and materials, covering operational expenses. Potential environmental impacts are connected to purchase of land, purchase and use of agrochemicals (pesticides, fertilizers), establishment of irrigation systems and include impact on biodiversity, surface and ground water sources, soil quality, OHS and community health and safety impacts, as well as war-related hazards such as land contamination and explosive remnants of war (ERW). Environmental risks are expected to be site-specific, temporary and can be readily addressed through standard mitigation measures and compliance with national laws, however, these risks may be exasperated by ongoing war and war-related hazards and threats (such as aerial attacks). To manage these risks, the PIT for PCGF will establish fund-level ESMS prior to the start of guarantees approval process. The PIT will require PFIs to develop and implement an Environmental and Social Management System (ESMS), acceptable to the PIT and the World Bank, to classify and manage the environmental and social risks of their financing activities. In addition to the ESMS, PFIs will conduct screening of eligible beneficiaries. Only those beneficiaries whose business activities are judged to be of substantial, moderate or low environmental and social risks will be eligible for project support. At the beneficiaries level, simple streamlined environment and social due diligence procedures that includes screening against the prescribed eligibility criteria and compliance with national laws can serve as underlying framework for addressing environmental and social risks and impacts. The PIT will submit an evaluation report of a proposed PFI and its ESMS to the Bank for no objection before it can be included in the Project. The PIT will also maintain a list of activities that

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cannot be financed by project funds that include major civil works or other activities that would increase the overall environmental risk of the project. The project is being prepared rapidly and involves implementing agency and financial intermediation with a number of commercial banks – neither of these parties having track record of engaging with or implementing the requirements of WB ESF. Furthermore, safety issues undermine the Borrower’s and Bank’s ability to supervise the project activities. Thus the project will have to strongly rely on developed ES instrumental base (i.e. ESMS and any ES instruments required for specific subprojects) and ES capacity of implementing parties (PCGF will have overall responsibility for ES compliance and PFIs will carry ES compliance responsibility for subprojects they finance and guarantee under PCGF). It will be important that a trained environmental specialist is engaged to develop, set up and operationalize PCGF Environmental and Social Management System (ESMS) to screen, assess and manage impacts associated with the matching grants and loans backed by credit guarantees, as well as support PFIs in set up of their respective ESMSs.

Social Risk Rating

Substantial

Project activities associated with the provision of credit guarantees for land purchase, working capital, equipment and construction works for small-scale agricultural activities (less than 500 ha) are likely to involve some site-specific adverse risks and impacts on workers and communities which in most situations will be easily manageable but are rendered unpredictable by the contextual risks associated with the national emergency. Workforces participating in activities enabled by the credit guarantees are typically small due to high mechanization in the sector. Community and worker health and safety risks common to the activities being supported include risk of interaction with nearby communities during transport of equipment and machinery or during localized construction activities. The PCGF will support loans intended for the purchase of land and it will be important to ensure that any land acquisition occurs on a willing seller-willing buyer basis documented by legal transaction records on fully registered and notarized private land where the absence of dispute over ownership or use is confirmed. Commercial banks participating in the PCGF will require transparent external communications about the potential opportunities and the rights of stakeholders, and a transparent process for the resolution of disputes about land ownership prior to loan approval. Activities associated with private land purchase, equipment purchase, working capital and small-scale construction works are generally easily manageable through screening and site management plans. The invasion and ongoing war in Ukraine pose significant contextual risks that are beyond the control of the project such as risks associated with aerial bombardment, war fighting or further displacement of refugees. Sexual exploitation and abuse and sexual harassment (SEA/SH) risks are estimated to be low but preventative measures will be put in place. Fair labor conditions and worker health and safety need to be addressed by the PFIs’ screening to identify labor-related risks associated with activities to be financed prior to approval of subsequent loans. There is a risk that provision of credit financing may benefit those enterprises with existing financial capacity, and not reach rural new starters, those with insolvency records, cultural minorities and/or the elderly without access to information or awareness of the program. Small entrepreneurs may be more reluctant to apply and take on debt during the current crisis. Financial products and training tailored to smallholders is required, for example, for women-led businesses, community enterprises, borrowers lacking a credit history or lacking financial skills. The quality of management systems deployed by PFIs is likely to vary and a capacity building approach will need to be integrated into the Bank TA activities to ensure that these systems are subject to due diligence review and updated for consistency with ESS9. The PIU should hire a social specialist providing overall coordination and support on assessment and management of social risks and development of socially inclusive financial products.

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B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered



B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

The PCGF through guaranteed loans will support purchase of land, equipment and materials, covering operational expenses. Potential environmental impacts are connected to purchase of land, purchase and use of agrochemicals (pesticides, fertilizers), establishment of irrigation systems and include impact on biodiversity, surface and ground water sources, soil quality, OHS and community health and safety impacts, as well as war-related hazards such as land contamination and explosive remnants of war (ERW). On the social side, fair labor conditions and worker health and safety need to be addressed by the PFIs' screening to identify labor-related risks associated with activities to be financed prior to approval of subsequent loans. There is a risk that provision of credit financing may benefit those enterprises with existing financial capacity, and not reach rural new starters, those with insolvency records, cultural minorities and/or the elderly without access to information or awareness of the program.

To address potential adverse environmental and social impacts, the Borrower will develop and adopt a fund-level Environmental and Social Management Systems (ESMS) to inform due diligence on PFIs. The fund-level ESMS will establish eligible and ineligible activities for Project financing in accordance with national law, regulations and procedures and the World Bank Group Environmental, Health and Safety Guidelines. The ESMS will specify the roles and responsibilities of the E&S specialists in PCGF for environmental and social screening; monitoring and reporting procedures; and measures aimed at inclusion and non-discrimination in the delivery of benefits. The PIT for PCGF will undertake a review of the PFIs' ESMS for consistency with fund-level ESMS; the PFIs will be required to adopt PCGF's terms as a condition of the credit guarantee approval procedure. The Borrower will include all necessary provisions into guarantee agreements with PFIs/beneficiaries to comply with national legislation, WB ESF requirements, subproject-specific Environmental and Social Assessment (ESA) instruments (i.e. Environmental and Social Impact Assessments/Environmental and Social Management Plans (ESIAs/ESMPs), ESMP Checklists, Pest Management Plan etc., as applicable), including having designated and trained E&S staff to supervise project implementation and provide reports and feedback to the Borrower during the lifetime of the subproject.

Eligibility criteria and an exclusion list will be determined in consistency with the ESS9 requirements and will apply to all forms of Project financial support. All PFIs will categorize any loans guaranteed by the PCGF activity that involves adverse irreversible risks and impacts on the environment, community health and safety, land taking and livelihoods, labor and working conditions, biodiversity or cultural heritage as High Risk, and thus ineligible for project financing. The project will prepare, disclose and consult on an Environmental and Social Commitment Plan (ESCP) and a Stakeholder Engagement Plan (SEP) including a project Grievance Mechanism (GM) by Appraisal to guide review and adoption of the PCGF and PFI ESMSs during implementation.

A fund-level Environmental and Social Management System (ESMS) will be established no later than 90 days after the project effective date and adopted before the start of guarantees approvals. PFI ESMS will be reviewed, updated, and adopted as a condition of participation in the PCGF.

Consultations prior to Appraisal will be limited due to the restrictions associated with the emergency context.

Areas where "Use of Borrower Framework" is being considered:

The Borrower's framework will not be used for the project. However, the proposed operation will comply with relevant national legal and regulatory requirements.

ESS10 Stakeholder Engagement and Information Disclosure



Key institutional stakeholders include MAPF, participating commercial banks, regional and local administrations, local extension offices and their workers. Key project-affected stakeholders are expected to include small and medium sized farm businesses consisting of primary producers of agricultural products cultivating no more than 500 hectares of land. These farmers would be beneficiaries of loans backed by the PCGF and those that choose to sell their land to loan recipients. Those small businesses and land users who are more vulnerable and less likely to participate in benefits include farmers with poor credit history, those dissuaded from borrowing due to the crisis, those from cultural minorities, the elderly and others who lack access to financial knowledge. Other interested parties may include local and national level NGOs, local governments, universities and other associations and cooperatives concerned with agricultural development, land issues and the rights of specific interest groups such as refugees. The project should promote engagement of female-led businesses, and businesses led by entrepreneurs from disadvantaged groups or regions. Those stakeholders from more remote areas and from vulnerable backgrounds (elderly, female smallholder farmers for example) are more likely to perceive land reform and associated access to credit as being a benefit for the wealthy. Lack of engagement and consultation would result in delays and non-participation, threatening the achievement of development objectives. Communications and transparency will minimize levels of concern, help to identify landowners and users and minimize disputes. Without adequate stakeholder engagement, particularly at the level of PFI external communications about financial products on offer, the project risks reinforcing perceptions of inequity in receipt of benefits tied to trust in governance and reform legitimacy.

The PCGF will prepare a draft SEP prior to approval of the operation which will identify potential project-affected and other interested parties and will outline measures for engagement with these stakeholders. This will include establishment of a project-level Grievance Mechanism (GM) to be maintained throughout project implementation. The GM will be revised to update provisions for appropriate procedures and capacity to handle complaints associated with SEA/SH including referral to specialist national service providers. The PIU will be publicly disclosed and compile an annual report summarizing public consultation issues, grievances received and progress of resolution. The PFI ESMS will be reviewed, updated, adopted prior to provision of credit guarantees to include external communications procedures consistent with ESS10 to ensure effective consultation on the implementation of the credit guarantees and loan activities. PFIs that select and provide credit loans backed by the partial guarantees may be required to engage in additional outreach and engagement with their prospective beneficiaries. PFIs will be made aware of the project SEP and GM and their responsibilities for receipt, response and reporting on complaints and should have the capacity, staff, and resources to comply.

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B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

The PCGF will engage a small number of desk-based staff and consultants in the process of building its institutional systems. These workers will be involved in negotiating PCGF participation with commercial banks and monitoring implementation of grant-financed activities and will not be transferred directly to the operation but will remain subject to their existing government contractual terms and conditions.

Agricultural workforces in Ukraine are small scale given the high degree of mechanization. There is no intent to use voluntary community labor for implementation of activities. Civil works contractors hired by agricultural businesses and cooperatives may be involved in small scale construction activities and for transport and installation of



equipment procured. Entrepreneurs benefitting from support under the project will commit to adhere to national legislation and be subject to the requirements of the PFI ESMS under which loans are being provided to them. In cases where loans are being given to smallholder farmers, associated investments may require additional labor and heighten risk of incidents of child labor, particularly on family farms. Agricultural activities which include risk of chemical pollution (pesticides, fertilizers) due to improper use or spills from machinery may expose children on family farms to hazardous activities. Subprojects screened as involving significant risks to labor rights, health and safety of employees, and child or forced labor will be excluded from financing.

Key OHS issues associated with PCGF activities include accidents during construction works, traffic accidents, lack of workers' awareness on occupational health and safety requirements such as the use of Personal Protective Equipment (PPE) and safe workplace practices. Additional threats to workers are posed by explosive remnants of war (ERW) and indiscriminate or targeted aerial attacks. These risks are unable to be entirely mitigated by the project. OHS risks and associated screening measures will be identified in the ESMS and respective site-specific action plans as required.

PFI ESMSs will be reviewed, updated, adopted prior to provision of credit guarantees and include labor management procedures and OHS measures for PFIs consistent with ESS2.

ESS3 Resource Efficiency and Pollution Prevention and Management

This standard is relevant to the project. The project will facilitate agricultural activities which include land cultivation, irrigation, use of agricultural chemicals (pesticides, fertilizers). Potential impacts include land/water pollution due to improper storage or use of chemicals and spills from machinery; extensive use of water resources, vegetation clearance (on land plots designated as agricultural but not cultivated for a while), erosion (in case of cultivation of previously undisturbed land designated as agricultural), and agriculture waste.

The ESMS will include provisions for screening for such future implications and, based on screening results, an appropriate ES instrument will be developed (such as Pest Management Plan etc.) for such subprojects. The ESMS will also screen for, promote and provide guidance on appropriate agricultural practices consistent with requirements of ESS3 on effective use of natural resources, climate resilience and adaptation (climate-smart agriculture), as well as pollution prevention and management. Guidance on assessment of associated activities with civil works (such as construction/repairs to agricultural facilities) risks and impacts and proposed mitigation measures related to relevant requirements of ESS3, including raw materials and water use, air pollution, hazardous materials, and hazardous waste will also be provided, as relevant.

ESS4 Community Health and Safety

The potential risks and adverse impacts on community health and safety are associated with civil works for enhancements to agricultural production. Local communities are expected to benefit through provision of local jobs and income from services. Potential risks and impacts include location specific and moderate amounts of emissions of dust, noise, odor, and vehicle exhausts; traffic jams and traffic and road safety risks due to increased traffic volume and movements of heavy-duty vehicles; temporary road blockades and closures; increased waste and wastewater generation, underground water pollution by fertilizers and other agrochemicals. Community exposure to waste (including hazardous waste), particulate matters, may lead to increased risks of health issues, resulting from poor site management, communicable diseases relating to poor animal welfare and sanitation, and the presence of labor (i.e., COVID-19 virus). Any SEA/SH risks will be screened for by PFIs and relevant measures included in E&S plans where



necessary. Corresponding PFI ESMS will be reviewed, updated, adopted and implemented to screen for activities and community health and safety risks. Community hazards associated with war fighting and aerial bombardment are widespread and beyond the control of the project to manage. However, where appropriate the external communications of PFI ESMS will incorporate guidance to promote responsiveness to emergencies in line with current national emergency laws. This includes tool free contacts for emergency rescue, mental health support, chance finds of the explosive remnants of war, shelter and evacuation procedures, among others.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

Activities proposed under the project are not expected to cause any temporary or permanent physical or economic displacement, loss of assets or access restrictions. While the PCGF will back loans provided by commercial banks to farmers for the purchase of land, this will occur on a willing buyer-willing seller basis as demonstrated by legal transaction records on fully registered and notarized private land where the absence of dispute over ownership or use has been confirmed through screening of loan applications by PFIs in accordance with their ESMS. The PCGF will exclude any investments which may require involuntary resettlement, restrictions on land use, or negative impacts on assets or livelihoods of land users.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

This standard is relevant to the project. The project will facilitate agricultural activity which includes land cultivation, irrigation, use of agricultural chemicals (pesticides, fertilizers). Potential impacts include habitat pollution by agricultural runoff due to improper storage or use of chemicals; impact of water habitats due to extensive use of water resources; fragmentation/destruction of natural habitats due to vegetation clearance on land plots designated as agricultural but not cultivated for a while (restored habitats).

The ESMS will include provisions for screening for potential adverse impacts on biodiversity and those having such impacts on critical habitats or ecosystems will be excluded from consideration under this project. The project will not support activities that envisage agricultural development of land plots that represent natural habitats and weren't previously utilized even if such land plots are designated as agricultural at the time for loan application.

The ESMS will also provide guidance on appropriate agricultural practices consistent with requirements of ESS6 on effective use of natural resources, pollution prevention and vegetation clearance timing (ensure that cutting of trees and vegetation is limited to a minimum and done during non-breeding period). The ESMS will provide guidance to mark the subproject area's intersection with Emerald Network and agricultural activity will be allowed in adherence to the requirements of Emerald Site Management Plan (or similar management document, as applicable and if available).

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

This standard is not relevant. No indigenous peoples who meet the criteria described under this standard reside in the territory of Ukraine.

ESS8 Cultural Heritage



This standard is not relevant. Damage to cultural or archaeological heritage as a result of small-scale agricultural developments financed by loans supported by the PCGF is unlikely. Activities supported by loans should be screened by PFIs for potential impacts on known heritage sites and practices and those having impacts on cultural heritage will not be eligible for the Project support. Cultural and archaeological heritage that have been damaged or destroyed by war fighting should not also be eligible for application of loans (for purchase or agricultural development).

ESS9 Financial Intermediaries

The entity managing the PCGF and the Participating Financial Institutions providing on-lending backed by the PCGF would be considered FIs for the purposes of the project. The PCGF and PFIs will require mutually supportive environmental and social management systems. The PCGF manager will establish a fund-level ESMS, satisfactory to the Bank, no later than 90 days after the Effective Date of the Project and before the start of guarantee approvals. Each PFI will establish or update their ESMS as a condition of participation in the PCGF. The PCGF fund manager will be required to undertake due diligence review of the existing ESMS of PFIs and support them to update and implement these with adequate capacity to manage the E&S risks associated with financing small and medium sized agricultural enterprises. The fund-level and PFI ESMS will include: (i) an environmental and social policy; (ii) clearly defined procedures for the identification, assessment and management of the environmental and social risks and impacts of participating portfolios (including screening loan activities against the exclusion list and ensuring compliance with national environmental, social, labor and OHS laws of Ukraine; screening, reviewing and categorizing loan activities according to their environmental and social risks and impacts according to the pre-set criteria; applying relevant requirements of the ESF through the use of appropriate E&S assessments and plans, where necessary); (iii) organizational capacity and competency (including designating a senior management official with oversight responsibility and sufficient number of competent technical staff to implement the ESMS; building capacity and receiving training on E&S assessment and management; (iv) monitoring and review of environmental and social risks of loan activities (including implementation of any corrective actions proposed for loan activities); and (v) an external communications mechanism (ECM). The ECM will enable beneficiaries as well as those who believe they are adversely impacted by the PCGF or PFI financing of beneficiaries' activities to submit complaints and feedback on issues such as child labor, health and safety of workers, workplace harassment.

The PCGF will include all necessary provisions into guarantee agreements with PFIs and require them to include the respective requirements into loan agreements to comply with national legislation and WB ESF requirements, including having a designated E&S staff (at PFI level) to supervise project implementation and provide reports and feedback to the PCGF during lifetime of the project. The PCGF will report to the World Bank semi-annually on the environmental and social performance of the Project. The content of semi-annual reports will be detailed in the Project Operations Manual (POM). The PFI will also be required to promptly notify the Bank of any significant accidents or incidents associated with PFI subprojects. The PCGF will review and adjust, in a manner acceptable to the Bank, its fund-level ESMS from time to time, including when the environmental and social risk profile of its portfolio changes significantly. The PCGF may be required to adopt and implement additional or alternative environmental and social requirements, depending on the nature of its activities and the environmental and social risks and impacts of the potential subprojects.

B.3 Other Relevant Project Risks

All risks are addressed under the relevant standards.



C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways No

OP 7.60 Projects in Disputed Areas No

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered? No

Financing Partners

A common approach is not being considered. However, requirements under ESS9 and IFC ES standards for financial intermediation of MSMEs are overall consistent and advice in this area should be harmonized.

B. Proposed Measures, Actions and Timing (Borrower’s commitments)

Actions to be completed prior to Bank Board Approval:

Prior to Appraisal, the Borrower will prepare and disclose:

- Environmental and Social Commitment Plan (ESCP);
- Draft Stakeholder Engagement Plan (SEP) and Grievance Mechanism (GM).

Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):

- A fund-level Environmental and Social Management System (ESMS) established no later than 90 days after the project effective date and adopted before the start of guarantees approvals.
- PFI ESMS reviewed, updated, and adopted as a condition of participation in the PCGF.

IV. CONTACT POINTS

World Bank

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Borrower/Client/Recipient

Borrower: Ministry of Agrarian Policy and Food

Public Disclosure



Implementing Agency(ies)

Implementing Agency: Partial Credit Guarantee Fund

V. FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

VI. APPROVAL

Task Team Leader(s):	Johanna Jaeger, Yevhen Hrebeniuk
Practice Manager (ENR/Social)	Anne Olufunke Asaolu Recommended on 01-Dec-2022 at 15:48:20 GMT-05:00
Safeguards Advisor ESSA	Abdoulaye Gadiere (SAESSA) Cleared on 02-Dec-2022 at 13:59:8 GMT-05:00