



Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

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I. BASIC INFORMATION

A. Basic Operation Data

Operation ID	Product	Operation Acronym	Approval Fiscal Year
P504773	Program-for-Results Financing (PforR)	Ukraine SURGE	2025
Operation Name	Supporting Reconstruction through Smart Fiscal Governance (SURGE)		
Country/Region Code	Beneficiary country/countries (borrower, recipient)	Region	Practice Area (Lead)
Ukraine	Ukraine	EUROPE AND CENTRAL ASIA	Governance
Borrower(s)	Implementing Agency(ies)	Estimated Appraisal Date	Estimated Board Date
Ukraine	Ministry of Finance	22-Aug-2024	07-Nov-2024
Estimated Concept Review Date	Total Project Cost		
05-Mar-2024	2,787,539,369.00		

Public Disclosure

Proposed Development Objective

To establish the institutional foundations for implementation and financing of climate-smart recovery and reconstruction.

B. Is the operation 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 Activities

The Program addresses critical challenges in the development of the institutional framework to support post-war reconstruction in Ukraine across three key result areas. Targeted interventions across all result areas will strengthen Ukraine's capability to finance and implement post-war recovery and reconstruction efforts, fostering sustainable development and resilience in the aftermath of conflict. The first result area focuses on strengthening public investment management. This results area supports the implementation of the PIM Reform Roadmap. Key interventions include developing a comprehensive action plan, establishing centralized coordination mechanisms, introducing and implementing appraisal, selection, and prioritization processes for infrastructure projects that consider climate change,



and integrating standalone digital solutions. The Program outcomes will be strengthened inter-institutional coordination, improvements in the quality of investment projects, and the systematic consideration of climate risks and policies in project design and prioritization. The Program focuses on preparation for the urgent reconstruction in 2024-2025 whilst putting in place the institutional framework for large-scale reconstruction activities when the conflict ends. The development outcome is improved alignment of resource allocations with strategic priorities and improved efficiency in public investment. The second result area focuses on improvements in fiscal governance at the local level. This results area supports PFM Strategy reforms that seek to restore local governments' fiscal management capacity. Interventions include a review of intergovernmental transfer mechanisms, reintroduction of medium-term budgeting, and enhancements to program budgeting. The Program seeks to improve the alignment of intergovernmental transfers with updated population data so that SNGs can deliver administrative services, provide emergency response, manage reconstruction, and attend to the needs of vulnerable groups. Program outcomes include systematic consideration of the needs of post-conflict vulnerable groups in budgeting. The development outcome is improved alignment and more efficient application of resources for service delivery and reconstruction. The third result focuses on improvements in the integrity of revenue administration. This results area supports the National Revenue Strategy (NRS) reforms that seek to tackle inefficiencies in tax administration and compliance. Interventions include improving the integrity of tax administration, implementing competency-based HR management, and enhancing information exchange protocols. The Program focuses on NRS reforms that the Government considers to be feasible during the conflict and prepares for further reforms once the conflict has ended. Program outcomes include improved operational efficiency, enhanced transparency, and increased taxpayer satisfaction and trust. The development outcome is improved tax compliance through increased integrity and taxpayer service quality.

D. Environmental and Social Overview

D.1 Overview of Environmental and Social Project Settings

This IPF project is a component of the Fiscal PforR (SURGE), and supports the (financial) reform incentives under the PForR, with technical assistance to enable the Government to achieve sustainable change, and to have timely access to emerging regional and global experience. To this end, the Project comprises capacity building activities aimed at assisting with the implementation of the Program, namely: (a) the provision of technical assistance, training and operating costs to the Ministry of Finance (MoF), Ministry of Economy (MoE), and Ministry of Infrastructure (MoI) for the Operation's management, implementation, monitoring and evaluation; (b) targeted capacity building activities to enable the implementation of activities; (c) change management, outreach, and awareness-raising activities; (d) building capacity in MoF and MoE on Public Investment Management (PIM); (e) consulting support in PIM IT development; (f) capacity building for local government and sector staff, training delivery; (g) support the establishment of Project Preparation Facility (PPF) (staff, operational costs, capacity development and technical assistance on project appraisal methodologies. The IPF does not directly support physical works, or the preparation of feasibility studies or future investment projects. Opportunities to further improve the Borrower's environmental and social due diligence processes for appraising public investment management (e.g. environmental and social screening processes) will be assessed, and potential gap-filling measures recommended, under the Environmental and Social Systems Assessment for the PforR Operation, and the enhancements in methodologies and capacity could be explored with technical assistance under this IPF.

D.2 Overview of Borrower's Institutional Capacity for Managing Environmental and Social Risks and Impacts

The MoF's Department for International Cooperation will be the main Implementing Agency. The Department has prior experience implementing P4R (Agriculture P4R, 2019-2024 with Satisfactory E&S Performance. This Department of



International Cooperation also serves as the implementing agency for the World Bank-supported PEACE Project and has-in-house staff that: have been trained on the ESF; have developed some of the required instruments and procedures under ESS2 (labor and working conditions), ESS4 (emergency preparedness and response procedures) and ESS10 (stakeholder engagement and grievance mechanisms, with GM focal point assigned). However, capacity for E&S risk management is still considered limited in term of number of staff and would need to be strengthened, to facilitate both the Fiscal PforR (SURGE) and IPF activities, by appointing/hiring additional E&S staff/focal point.

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Moderate

A.1 Environmental Risk Rating

Moderate

The Environmental Risk Rating for the IPF component is considered Moderate . The IPF Component is dedicated to capacity building on project implementation procedures on national and local government levels by means of trainings and awareness-raising activities, as well as supporting different associated IT solutions (Type 3 TA Activity). The potential project-related risks and impacts on the environment are not likely to be significant and can be easily mitigated in a predictable manner. At this stage, it is not envisaged that IPF financing will be used to procure any services or products directly resulting in development of investment project designs or implementation of such projects. Thus, the main environmental risks of the Project are related to capacity building activities (offline, in-person) and include OHS and community health and safety issues stemming from war hazards (Explosive Remnants of War , aerial strikes etc.). The Program will ensure incorporation of proper safety measures in line with national legislation and War-Hazard Emergency Preparedness and Response Guidance into all envisaged activities requiring physical presence of people on site, in groups or individually. The risk rating will be reassessed during Appraisal and revised accordingly, if needed.

A.2 Social Risk Rating

Moderate

The Social Risk Rating for the IPF component is considered Moderate. The IPF Component is dedicated to capacity building on project implementation procedures at the national and local government levels by means of trainings and awareness-raising activities, as well as supporting different associated IT solutions (Type 3 TA Activity). At this stage, it is not envisaged that IPF financing will be used to procure any services or products directly resulting in development of investment project designs or implementation of such projects, nor finance any civil works. There are potential health and safety risks for trainers and participants of training activities stemming from war hazards. The capacity building activities themselves will carry minimal or no social risks or impacts and will support improved E&S capacity for government entities that will in the future be responsible for carrying out activities such as public investment management and related environmental and social due diligence processes. Other social risks relate to ensuring that outreach and accessibility of capacity building activities are inclusive across geographically and socioeconomically dispersed local governments and stakeholders experiencing varying effects of the war.

B. Relevance of Standards and Policies at Concept Stage

B.1 Relevance of Environmental and Social Standards

Public Disclosure



ESS1 - Assessment and Management of Environmental and Social Risks and Impacts

Relevant

The Project is dedicated to capacity building to support PForR implementation. The direct potential environmental and social risks of Project activities are related to OHS and community health and safety of in-person capacity building activities and from war-hazards. The project will prepare Emergency Preparedness and Response Plan that will be applicable to all such activities. The IPF does not directly support physical works, or the preparation of feasibility studies or future investment projects. The capacity building activities themselves do not pose social or environmental risks. The ESCP will be prepared and disclosed before Appraisal specifying that the terms of reference and outputs of Technical Assistance shall be consistent with the ESF, and that contracts with service providers shall incorporate ESF requirements (e.g. SEA/SH Code of Conduct, war-hazard emergency and preparedness plans) as well as for managing procurement, use and disposal of digital equipment.

ESS10 - Stakeholder Engagement and Information Disclosure

Relevant

The TA activities include change management, outreach and awareness activities to support implementation of the Program. Social risks relate to ensuring that outreach and accessibility of capacity building activities are inclusive across geographically and socioeconomically dispersed local governments and stakeholders experiencing varying effects of the war. As the project activities solely relate to training and consultancies, the ESCP will sufficiently set out the requirements for designing such activities to ensure transparency and accessibility, through stakeholder participation and public information disclosure, consistent with ESS10. No stand alone SEP will be prepared. Due to the implications of martial law, limited in person consultations are possible. As such, virtual consultations will be the consultation modality. The ESCP will make reference to the grievance mechanism for the PforR program as a whole.

ESS2 - Labor and Working Conditions

Relevant

The Program will have a limited number of direct and contracted workers delivering professional technical assistance activities. Workers may include seconded government staff to conduct the trainings who will be considered direct workers under their existing employment arrangements. Ukraine's Labor Code is relatively advanced with measures covering equal opportunity and non-discrimination, regulates hiring and firing procedures, allows for collective bargaining and forbids forced and child labor. Absent is a requirement for a worker grievance mechanism. MoF has already developed a worker GM for another World Bank project that will be expanded for workers under this Project. Given the limited number of workers operating in professional, supervised environments, no stand-alone LMP will be prepared. The ESCP will specify requirements for labor & working conditions consistent with ESS2 including worker health & safety in emergency situations and SEA/SH Code of Conduct.

ESS3 - Resource Efficiency and Pollution Prevention and Management

Not Currently Relevant

ESS4 - Community Health and Safety

Relevant

Missile attacks continue to be a threat across the entire country. There is potential for security incidents due to aerial attacks during the delivery of the trainings supported by the Program. A War-Hazard Emergency Preparedness and Response Plan will be prepared outlining measures in response to community health and safety risks associated with the operating context, including measures to promote community awareness. This commitment will be outlined in the ESCP.



ESS5 - Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
ESS6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
ESS7 - Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
ESS8 - Cultural Heritage	Not Currently Relevant
ESS9 - Financial Intermediaries	Not Currently Relevant

B.2 Legal Operational Policies that Apply

- OP 7.50 Operations on International Waterways
- OP 7.60 Operations in Disputed Areas

B.3 Other Salient Features

Use of Borrower Framework	No
Use of Common Approach	No

C. Overview of Required Environmental and Social Risk Management Activities

C.1 What Borrower environmental and social analyses, instruments, plans and/or frameworks are planned or required by Appraisal?

Draft Environmental and Social Commitment Plan (including requirement for preparation of War-Hazard Emergency Preparedness and Response Plans) by Appraisal

III. CONTACT POINT

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V. APPROVAL

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