

Document of  
**The World Bank**

**FOR OFFICIAL USE ONLY**

Report No: PAD5581

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT PAPER

ON A RESTRUCTURING AND PROPOSED ADDITIONAL LOAN

IN THE AMOUNT OF US\$1.086 BILLION

TO

UKRAINE

FOR A

SIXTH ADDITIONAL FINANCING FOR PUBLIC EXPENDITURES FOR ADMINISTRATIVE  
CAPACITY ENDURANCE (PEACE) IN UKRAINE

November 29, 2023

Governance Global Practice  
Europe and Central Asia Region

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

## CURRENCY EQUIVALENTS

(Exchange Rate Effective Oct 31, 2023)

Currency Unit = Ukraine Hrivnya (UAH)

---

US\$1 = UAH 36.25

---

SDR 1 = US\$1.31

## FISCAL YEAR

January 1 - December 31

Regional Vice President: Antonella Bassani

Country Director: Arup Banerji

Regional Director: Asad Alam

Practice Manager: Adrian Fozzard

Task Team Leader(s): Oleksii Balabushko, Ana Bellver Vazquez-Dodero, Karlis Smits

## ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
AM	Accountability Mechanism
ATMs	Automated Telling Machines
AUP	Additional Agreed Upon Procedures
DPO	Development Policy Operation
EEF	Extended Fund Facility
ESCP	Environmental and Social Commitment Plan
ESS	Environment and Social Standards
EU	European Union
GDP	Gross Domestic Product
GMI	Guaranteed Minimum Income
GoU	Government of Ukraine
GRM	Grievance Redress Mechanism
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDPs	Internally Displaced Persons
IMF	International Monetary Fund
IOM	International Organization for Migration
IP	Implementation Progress
IPF	Investment Financing Project
MDTF	Multi-Donor Trust Funds
MFA+	Macro-financial assistance
MoES	Ministry of Education and Science
MoF	Ministry of Finance
MoH	Ministry of Health
MoSP	Ministry of Social Policy
NACS	National Agency of Civil Service
NBU	National Bank of Ukraine
NHSU	National Health Service of Ukraine
PDO	Project Development Objective
PEACE	Public Expenditures for Administrative Capacity Endurance
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFU	Pension Fund of Ukraine
PMG	Program of Medical Guarantees
POM	Project Operations Manual
POS	Point of Sale
RDNA2	Rapid Damage and Needs Assessment
SEP	Stakeholder Engagement Plan
SES	State Emergency Service
SSN	Social Safety Nets
STS	State Treasury System
UAH	Ukraine Hrivnya
UK	United Kingdom
UNHCR	United Nation's High Commissioner for Human Rights
US	United States
WBG	World Bank Group

UKRAINE

SIXTH ADDITIONAL FINANCING FOR PUBLIC EXPENDITURES FOR ADMINISTRATIVE  
CAPACITY ENDURANCE (PEACE) IN UKRAINE

TABLE OF CONTENTS

<b>I. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING .....</b>	<b>8</b>
<b>II. DESCRIPTION OF ADDITIONAL FINANCING .....</b>	<b>13</b>
<b>III. KEY RISKS .....</b>	<b>14</b>
<b>IV. APPRAISAL SUMMARY .....</b>	<b>16</b>
<b>V. WORLD BANK GRIEVANCE REDRESS .....</b>	<b>24</b>
<b>VI SUMMARY TABLE OF CHANGES.....</b>	<b>25</b>
<b>VII DETAILED CHANGE(S).....</b>	<b>25</b>
<b>VIII. RESULTS FRAMEWORK AND MONITORING .....</b>	<b>29</b>

**BASIC INFORMATION – PARENT (Public Expenditures for Administrative Capacity Endurance (PEACE) in Ukraine - P178946)**

Country	Product Line	Team Leader(s)		
Ukraine	IBRD/IDA	Oleksii Balabushko		
Project ID	Financing Instrument	Resp CC	Req CC	Practice Area (Lead)
P178946	Investment Project Financing	EECG1 (9750)	ECCEE (1607)	Governance

Implementing Agency: Ministry of Finance

Is this a regionally tagged project?	
No	

Bank/IFC Collaboration	
No	

Approval Date	Closing Date	Expected Guarantee Expiration Date	Environmental and Social Risk Classification
07-Jun-2022	30-Jun-2024		Substantial

**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"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Expanded Implementation Support (HEIS)

### Development Objective(s)

To contribute to sustaining the government administrative and service delivery capacity to exercise core government functions at the national and regional levels

### Ratings (from Parent ISR)

	Implementation					Latest ISR
	13-Jun-2022	06-Jul-2022	05-Sep-2022	13-Nov-2022	08-Mar-2023	11-Sep-2023
Progress towards achievement of PDO	S	S	S	S	S	S
Overall Implementation Progress (IP)	S	S	S	S	S	S
Overall ESS Performance	S	S	S	S	S	S
Overall Risk	H	H	H	H	H	H
Financial Management	S	S	S	S	S	S
Project Management	S	S	S	S	S	S
Procurement	S	S	S	S	S	S
Monitoring and Evaluation	S	S	S	S	S	S

### BASIC INFORMATION – ADDITIONAL FINANCING (Sixth Additional Financing for Public Expenditures for Administrative Capacity Endurance (PEACE) in Ukraine - P181514)




Project ID	Project Name	Additional Financing Type	Urgent Need or Capacity Constraints
P181514	Sixth Additional Financing for Public Expenditures for	Cost Overrun/Financing Gap, Restructuring, Scale Up	Yes

	Administrative Capacity Endurance (PEACE) in Ukraine		
Financing instrument	Product line	Approval Date	
Investment Project Financing	IBRD/IDA	14-Dec-2023	
Projected Date of Full Disbursement	Bank/IFC Collaboration		
30-Jun-2025	No		
Is this a regionally tagged project?			
No			

#### Financing & Implementation Modalities

<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"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Expanded Implementation Support (HEIS)
<input type="checkbox"/> Contingent Emergency Response Component (CERC)	

#### Disbursement Summary (from Parent ISR)

Source of Funds	Net Commitments	Total Disbursed	Remaining Balance	Disbursed	
IBRD	2,021.90	2,021.89			100 %
IDA	1,000.00	1,010.31	1.03		100 %
Grants	20,374.00	20,374.00			100 %

#### PROJECT FINANCING DATA – ADDITIONAL FINANCING (Sixth Additional Financing for Public Expenditures for Administrative Capacity Endurance (PEACE) in Ukraine - P181514)

**FINANCING DATA (US\$, Millions)**

**SUMMARY (Total Financing)**

	Current Financing	Proposed Additional Financing	Total Proposed Financing
<b>Total Project Cost</b>	23,395.90	11,363.24	34,759.14
<b>Total Financing</b>	23,395.90	1,346.00	24,741.90
<b>of which IBRD/IDA</b>	3,021.90	1,086.00	4,107.90
<b>Financing Gap</b>	0.00	10,017.24	10,017.24

**DETAILS - Additional Financing**

**World Bank Group Financing**

International Bank for Reconstruction and Development (IBRD)	1,086.00
--	----------

**Non-World Bank Group Financing**

Trust Funds	260.00
Trust Funds	70.00
Ukraine Relief, Recovery, Reconstruction, and Reform TF	190.00

**COMPLIANCE**

**Policy**

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

Yes  No

Does the project require any other Policy waiver(s)?

Yes  No



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

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Not Currently Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Not Currently Relevant
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).

**INSTITUTIONAL DATA**

**Practice Area (Lead)**

Governance

**Contributing Practice Areas**

**Climate Change and Disaster Screening**

This operation has been screened for short and long-term climate change and disaster risks

## PROJECT TEAM

### Bank Staff

Name	Role	Specialization	Unit
Oleksii Balabushko	Team Leader (ADM Responsible)		EECG1
Ana Bellver Vazquez-Dodero	Team Leader		EECG2
Karlis Smits	Team Leader		EECDR
Dmytro Donets	Procurement Specialist (ADM Responsible)		EECRU
Iryna Babich	Financial Management Specialist (ADM Responsible)		EECG1
Mariia Nikitova	Social Specialist (ADM Responsible)		SCASO
Oksana Rakovych	Environmental Specialist (ADM Responsible)		SCAEN
Anastasiia Golovach	Team Member		EECM2
Andrianirina Michel Eric Ranjeva	Team Member	WFA	WFACS
Anjani Kumar	Procurement Team		EECRU
Anna Baranova	Team Member		HECSP
Caryn Bredenkamp	Team Member		HECDR
Daria Gulei	Team Member		EECF1
Iryna Shcherbyna	Team Member		EECG1
James Gresham	Team Member		HECED
James P. Newman	Team Member		ECCEE
Jose Simon Rezk	Team Member	FM Coordinator	EECG1
Juliana Chinyeaka Victor	Team Member	ECADE	ECADE
Kateryna Petryna	Team Member		HECSP
Marina Mijatovic	Team Member	WFA	WFACS
Maya Abi Karam	Team Member	Legal	LEGLE
Oleksiy A. Sluchynskyy	Team Member		HMNSP



---

Olena Doroshenko	Team Member		HECHN
Olga Klymenko	Procurement Team		EECRU
Rahmoune Essalhi	Procurement Team		EECRU
Ruth Adetola Adeleru	Team Member		EECG1
Sidet Kim	Team Member	Operations	EECG1
Youri Parshukov	Procurement Team		EECRU
<b>Extended Team</b>			
<b>Name</b>	<b>Title</b>	<b>Organization</b>	<b>Location</b>

---



## I. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

### A. Introduction

1. **This Project Paper seeks the World Bank Executive Directors' approval for a Sixth Additional Financing (Sixth AF) in the amount of US\$1.086 billion for the Public Expenditures for Administrative Capacity Endurance (PEACE) Project and a Level 2 restructuring for the Project to extend the closing date, update project costs and environmental and social safeguards arrangements.** The proposed Sixth AF responds to the Government of Ukraine (GoU) request of October 25, 2023, for additional financing to sustain core government functions at the national and regional levels. The proposed Sixth AF will be financed by a loan in the amount of US\$1.086 billion (credit enhanced through the Advancing Needed Credit Enhancement for Ukraine (ADVANCE Ukraine) Trust Fund, supported by the Government of Japan), a US\$20 million grant from the Swiss government, a US\$50 million grant from the investment income accumulated by the World Bank on US government contributions during periods between the transfer of funds to the World Bank and actual disbursements (both grant financed out of PEACE MDTFs), and US\$190 million grant from the Ukraine Relief, Recovery, Reconstruction, and Reform Trust Fund.<sup>1</sup> The Sixth AF is an integral part of the international support package to enable Ukraine to meet its financing needs in 2023.

2. **The Parent Project is a US\$1.492 billion Investment Project Financing (IPF), financed by a EUR 946.6 million (US\$1 billion equivalent) non-concessional IDA credit and EUR 465.96 million (US\$492 million equivalent) IBRD loan, guaranteed by the governments of Netherlands, Latvia, Lithuania, and the United Kingdom (UK).** The Parent Project was approved by the Executive Directors on June 7, 2022, with a closing date of March 31, 2023. The Parent Project became effective on June 18, 2022. The Project Development Objective (PDO) is to contribute to sustaining government administrative and service delivery capacity to exercise core government functions at the national and regional levels. The Parent Project reimbursed government expenditures for salaries of government and school employees. Under the Parent Project, US\$491.57 million has been disbursed from the IBRD loan and US\$999 million disbursed from the IDA credit. Progress towards achievement of the PDO and Implementation Progress (IP) and other ratings are rated Satisfactory in the latest Implementation Status Report dated September 11, 2023.

3. **Five AF grants and loans have been approved.** The First AF and Second AF funded through grants of US\$1.3 billion and US\$4.5 billion respectively are fully disbursed. The Third AF funded by a US\$529.9 million IBRD loan guaranteed by the UK is also fully disbursed. Under the Fourth AF, an IBRD loan of US\$500 million and grants of US\$2.659 billion have been disbursed. Under the Fifth AF, an IBRD loan of US\$500 million has been partially disbursed with the full disbursement expected by end of November 2023. Grants closed financing gaps under the Third AF (US\$4.5 billion in grants), Fourth AF (US\$5.159 billion) and Fifth AF (US\$3.65 billion). The Second AF covered additional types of expenditures incurred by the government to pay pensions, social assistance, wages of first responders and healthcare employees. The Third AF extended the closing date of the Project to June 30, 2023. The Fourth AF introduced expenditures incurred by the government to pay child and family benefits and salaries of employees of public tertiary education institutions. The Fifth AF extended the closing date of the Project to June 30, 2024. Project performance is satisfactory. The Project complies with environmental, social, audit and financial management reporting requirements. As of October 20, 2023, the PEACE Parent Project and subsequent Additional Financing have disbursed a total of US\$23

<sup>1</sup> Ukraine Relief, Recovery, Reconstruction, and Reform Trust Fund donors include Austria, Belgium, Canada, Iceland, Japan, Latvia, Lithuania, Netherlands, Norway, Republic of Korea, Sweden, and Switzerland. For more information: <https://www.worldbank.org/en/programs/urtrf>



billion equivalent (US\$1.6 billion from the IBRD loans, US\$1 billion from the IDA credit and US\$20.4 billion from various grants).

4. **PEACE AF6 will use add-up capitalization to lower Ukraine’s debt service burden through to the Project closing date.** Add-up capitalization reserves an estimated amount of interest and commitment charges over the project implementation period from the overall loan amount. Ukraine’s Ministry of Finance requested use of add-up capitalization for the Project (interest accruing and fees due under the terms of the loans) supported under the Japan’s credit enhancement by letter of October 27, 2023. As such, the capitalized interest and charges will be paid out of the proceeds of the Loan. Should the actual charges and interest accrued as up to the closing date exceed the reserved amount indicated in the legal agreement, Ukraine will be responsible for paying such additional charges and interest.

5. **The proposed Sixth AF will extend the closing date to June 30, 2025, and enable continuation of support for the existing types of eligible expenditures from the Fourth AF with the exception of health workers.** Eligible expenditures include the wage bill of non-security sector government employees, pensions, social payments, education employees’ salaries, and first responders’ salaries that ensure continuity of core government functions and mitigate the social and economic impact of Russia’s invasion of Ukraine. A Level 2 restructuring is proposed to extend the project closing date, update the project costs and environmental and social safeguard arrangements. No further changes are envisaged to the expenditure categories supported through the Project. The project closing date will be extended by 12 months to June 30, 2025, to allow PEACE to continue channeling donor grant funds beyond the current closing date.

## B. Rationale

6. **Russia’s invasion of Ukraine continues to impose a severe humanitarian and economic toll.** As a result of the invasion, Ukraine’s economy contracted by 29.2 percent in 2022. Since then, the economy has started to stabilize, with growth projected at 3.5 percent for 2023. Between February 24, 2022 and April 9, 2023, there were 26,015 civilian casualties (killed and injured) as a result of the invasion according to the Office of the United Nation’s High Commissioner for Human Rights (UNHCR).<sup>2</sup> Russia’s invasion of Ukraine has triggered a large human displacement crisis: the International Organization for Migration (IOM) reports that, as of September 2023, 3.67 million people are displaced within Ukraine and over 8.1 million are displaced abroad.<sup>3</sup> Poverty in Ukraine has 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 in poverty reduction. Poverty rates in the territories temporarily not under government control and among those most affected by Russia’s invasion have likely increased even more.

7. **Ukraine’s public finances are under severe pressure because the disbursement of external donor financing only partially covers financing needs.** General government expenditure in 2022 accounted for 70 percent of GDP, 30 percentage points more than in 2021, due to a significant decline in GDP and higher public spending to meet security needs and mitigate the humanitarian impacts of the invasion. While Ukraine managed to collect 43.5 percent of GDP in revenues, financing needs reached 35.1 percent of GDP in 2022 (equivalent to US\$53.3 billion), comprising 26.5 percent of GDP to finance the deficit and 8.6 percent of GDP for debt repayment. Financing needs are projected to remain similarly high in 2023 and 2024. Ukraine met its financing needs through assistance from its international partners, domestic borrowing, and the monetization

<sup>2</sup> <https://www.ohchr.org/en/news/2023/09/ukraine-civilian-casualty-update-24-september-2023>

<sup>3</sup> <https://dtm.iom.int/reports/ukraine-conditions-return-assessment-factsheet-round-4-july-august-2023?close=true>



of the residual financing gap. Ukraine will continue to require budgetary financing from donors to ensure provision of key public services and will continue to rely on internal sources to cover military expenditures.

**8. Attacks on energy and other civilian infrastructure have further impacted the economic and fiscal situation.** Missiles and drones have damaged power plants and substations, cutting electricity, heat, and hot water in many cities, and forcing factories in some areas to temporarily close. These attacks left over 12 million people with limited or no electricity and disrupted supplies of water and heating<sup>5</sup> increasing fiscal pressures. The recent Rapid Damage and Needs Assessment (RDNA2) estimates that the cost infrastructure damage sustained by Ukraine amounts to US\$135 billion during the first year after the invasion and that needs for recovery and reconstruction amount to US\$411 billion over a ten-year period.<sup>4</sup>

**9. The PEACE Project has provided support to the Government in sustaining its core services and social payments from March 2022 to August 2023.** Overall, the number of beneficiaries is estimated to be over 13 million people, including 10 million pensioners, 500,000 education employees, over 140,000 government employees, 56,000 first responders, and over 3 million social assistance beneficiaries and Internally Displaced Persons (IDPs). The Project has allowed 99 percent of pensioners to receive pensions on time. Those pensioners not receiving pensions on time (around 100,000 pensioners) have experienced delays due to security and logistical challenges of the postal service to deliver pension payments in war-affected areas. Over 95 percent of social assistance beneficiaries received their benefit payments on time from July 2022 through September 2023. Education services continue to be delivered, with the Ministry of Education and Science (MoES) reporting on September 1, 2023, that 12,930 schools remain open – operating both in person and remotely. A total of 2,306 health service providers remained operational in August 2023. As of October 30, 2023, the salaries of eligible education, government, and school employees have been paid almost in full. Wage arrears remain less than 2 percent of wage bill and are concentrated in territories which are either temporarily not under the Government control or experienced active fighting and where payment systems are down. Salaries of eligible government, school, healthcare employees, first responders, pensions and social assistance have been reimbursed in the amount of US\$23 billion equivalent, as presented in Table 1. Eligible expenditures have been fully covered (100 percent) by the PEACE in Ukraine Project or other development partners from March 2022 to December 2022, and partially covered from January to August 2023. Estimates for government expenditures not yet covered by PEACE and other development partners' financing are presented in Table 2. These estimates are USD equivalent based on historical data and government estimates. Expenditures fluctuate and could be lower if the local currency is devalued.

**10. The Sixth AF will scale up support to the Government to sustain service provision over longer period of time.** The Sixth AF will cover government expenditures from March 2023 to August 2023. Up to 100 percent of financing under the Sixth AF will be retroactive. The Project is part of the financial support to Ukraine from development partners. The support package for 2023 includes contributions from the European Union (EU) through a Macro-Financial Assistance (MFA+) instrument, the United States (US) through budget support grants, and the International Monetary Fund (IMF) through an Extended Fund Facility (EFF) program. World Bank support includes a stand-alone Relief and Recovery DPO (P181023) for US\$1.5 billion using IBRD resources (credit enhanced through the ADVANCE Ukraine Trust Fund, supported by the Government of Japan), the PEACE project including the Sixth AF, and projects using a framework approach in health (HEAL Project, P180245), energy (RE-POWER Project, P180332), transport (RELINC Project, P180318), and housing (HOPE Project, P181200).

<sup>4</sup> <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099184503212328877>



**Table 1. Government Expenses Covered under the Project as of October 20, 2023, US\$ million equivalent.**

Eligible Expenditure Categories	03/22	04/22	05/22	06/22	07/22	08/22	09/22	10/22	11/22	12/22	01/23	02/23	03/23	04/23	05/23	06/23	07/23	08/23	Total
Government employees' wages	104	101	105	98	95	103	51	96	99	95	72	70	124	74	92	91	-	-	1,470
School employees' wages	414	412	-	373	205	101	<sup>a</sup> 200	220	306	230	200	172	150	150	150	459	-	-	3,542
University staff wages	68	66	0	101	49	31	52	52	38	72	8	8	-	-	-	-	-	-	545
Budget transfer for pensions (MOF projection)	571	572	486	713	571	597	584	604	604	619	619	619	619	619	619	619	619	430	10,684
IDPs payments	-	-	-	231	145	144	146	149	<sup>b</sup> 145	<sup>b</sup> 152	16	172	166	-	-	-	-	-	1,264
GMI +HUS +Disabilities	229	153	93	101	81	79	81	114	155	159	143	154	157	-	-	-	-	-	1,699
Family and child allowances	37	38	36	37	30	30	30	30	32	-	-	-	-	-	-	-	-	-	300
PMG	0	0	0	0	0	230	236	235	240	265	323	323	242	-	-	-	-	-	2,094
First responders' wages	104	105	97	110	44	95	95	87	100	137	70	71	82	76	73	75	-	-	1,421
<b>TOTAL</b>	<b>1,527</b>	<b>1,447</b>	<b>817</b>	<b>1,764</b>	<b>1,220</b>	<b>1,410</b>	<b>1,275</b>	<b>1,587</b>	<b>1,618</b>	<b>1,628</b>	<b>1,451</b>	<b>1,589</b>	<b>1,540</b>	<b>919</b>	<b>934</b>	<b>1,244</b>	<b>619</b>	<b>430</b>	<b>23,019</b>

a Parallel financing Italy

b Parallel financing KfW and Lithuania US\$101.5 million in both November and December 2022



**Table 2. Eligible Government Expenses Not Covered under the Project as of October 20, 2023, US\$ million equivalent.**

Eligible Expenditure Categories	01/23	02/23	03/23	04/23	05/23	06/23	07/23	08/23	09/23	10/23	11/23	12/23	01/24	02/24	03/24	Total
Government employees' wages	-	-	-	24	6	7	98	98	98	98	98	98	98	98	98	919
School employees' wages	-	50	80	80	80	-	230	230	230	230	230	230	230	230	230	2,360
University staff wages	42	42	50	50	50	50	50	50	50	50	50	50	50	50	50	734
Budget transfer for pensions (MOF projection)	-	-	-	-	-	-	-	190	600	600	600	600	600	600	600	4,390
IDPs payments	80	-	-	100	100	100	100	100	100	100	100	100	100	100	100	1,280
GMI +HUS +Disabilities	-	-	-	80	80	80	80	80	80	80	100	150	150	150	100	1,210
Family and child allowances	-	-	-	30	30	30	30	30	30	30	30	30	30	30	30	360
First responders' wages	-	-	-	-	-	-	70	70	70	70	70	70	70	70	70	630
<b>TOTAL</b>	<b>122</b>	<b>92</b>	<b>130</b>	<b>364</b>	<b>346</b>	<b>267</b>	<b>658</b>	<b>848</b>	<b>1,258</b>	<b>1,258</b>	<b>1,278</b>	<b>1,328</b>	<b>1,328</b>	<b>1,328</b>	<b>1,278</b>	<b>11,883</b>
<b>To be funded from:</b>																
AF6 IBRD		-	100	200	180	-	500	40	-	-	-	-				<b>1,000</b>
AF6 Grants	-	-	-	-	-	170	80	10	-	-	-	-				<b>260</b>
Undisbursed AF5 IBRD		-	-	160	150	90	-	-	-	-	-	-				<b>400</b>
<b>TOTAL</b>					-	-	-	-	-	-	-	-				<b>1,670</b>





11. **Government spending on core public services for the duration of the PEACE Project is considerably larger than the amount of financing available.** The Parent Project was designed to provide funding to partially cover the wages of a subset of public sector workers – government and school employees – from March to November 2022 and had identified additional expenditures of US\$550 million. The First AF scaled up funding up to 100 percent of the government and school employees wage bill in March to November 2022. Given the difficult fiscal situation and potential future contributions of development partners to the MDTF, the Second AF identified a financing gap of US\$1.65 billion in eligible expenditures. The Third AF and Fourth AF identified additional categories of expenditures and estimated the financing gap to be US\$6.2 billion and US\$5 billion, respectively. These financing gaps were partially covered by US grants and grants from other countries. The Sixth AF will cover the remaining gap of US\$1.35 billion. However, given the persistent needs, the Sixth AF envisages the new financing gap of US\$10 billion, which may be covered by future contributions of development partners.

12. **The Sixth AF, consistent with the parent project, is a core element of the fast-track response under the strategic framework for the WB on Global Impacts of Russia’s invasion of Ukraine and supports the priority themes under the WBG Strategy for Fragility, Conflict, and Violence 2020-2025 (Report No. 146551).** It supports both 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 first dimension of which is increased support to Ukraine, including through financing sizeable non-military expenditure needs. The Project also supports the outcomes of the Ukraine Relief, Recovery, Reconstruction, and Reform Trust Fund, which are to provide a coordinated financing and support mechanism to assist the GoU to sustain its administrative and service delivery capacity and conduct relief efforts; and plan and implement Ukraine’s recovery, resilient reconstruction, and reform agenda.

## II. DESCRIPTION OF ADDITIONAL FINANCING

13. **The PDO will remain the same as for the Parent Project: to contribute to sustaining the government administrative and service delivery capacity to exercise core government functions at the national and regional levels.** The achievement of the PDO supports the Ministry of Finance’s (MoF) objective of stable implementation of the State budget policy. The results framework of the AF will remain the same as for the Parent Project.

14. **The Sixth AF will use the design of the Parent Project, reimbursing 100 percent of eligible expenditures, relying on country systems and strengthened social, environmental, and fiduciary arrangements as needed and operable under the prevailing circumstances.** The Sixth AF will cover US\$1.06 billion of eligible expenditures incurred by the government from March 2023 to August 2023, including: under Component 1, government employees’ salaries, school employees’ salaries and tertiary education institutions employees’ salaries; under Component 2, pensions, social assistance payments, IDP payments, and child and family benefits; and under Component 3, ‘first responders’ salaries. The Sixth AF will finance eligible government expenditures based on government delivery systems as detailed in the Project Operational Manual (POM) of the parent project, revised to reflect changes for each AF. For the sixth AF, the POM will be updated within one month of effectiveness of the Sixth AF loan agreement. Table 3 outlines the nature, approximate monthly expenditures for eligible expenditures, and the days required for verification of expenditures after the end of the reporting month.

**Table 3. Eligible Government Expenditures**



Line Item	Nature of expenditure	Approximate monthly cost US\$ mn	Days for verification after end of reporting month
<b>Component 1</b>			
<b>Government employees' salaries</b>	Salaries of non-security sector government employees	98	15
<b>School employees' salaries</b>	Salaries of school employees at the local level in the portion funded through education subvention from the central budget	230	15
<b>Higher education institutions personnel salaries</b>	Salaries of public higher education institutions funded through the central budget	50	60
<b>Component 2</b>			
<b>Pensions</b>	Finances pensions up to an amount subsidized from the Central Government Budget	600	15
<b>GMI Payments</b>	Social assistance for low-income individuals and low-income families	45	30
<b>HUS Payments</b>	Social assistance to compensate payment of utility bills	80	30
<b>Transfers to persons with disabilities</b>	Social assistance for persons with disabilities, except for payments to individuals who live in social institution	25	30
<b>IDP Payments</b>	Grants to internally displaced persons	100	45
<b>Child and family benefits</b>	Benefits to families with children (birth grants, adoption grants, social assistance to single parent, maternity benefit) financed by the central budget	30	30
<b>Component 3</b>			
<b>First responders' wages</b>	Wages of State Emergency Service staff	70	15

*Note: The exact figures could change depending on exchange rate fluctuations and seasonal variations related to specific government programs.*

### III. KEY RISKS

15. **The Sixth AF does not change the overall risk rating of the Parent Project, which remains High due to the ongoing war, with widespread and unpredictable security, combined with political, social, and macroeconomic instability.** The Environmental and Social risk, Sector Strategies and Policies risk, the Institutional Capacity for Implementation and Sustainability risk, and the Stakeholders' risk remain Substantial for this Sixth AF. Political and Governance, Macroeconomic and Fiduciary risks remain High as discussed below.

16. **Political and Governance risk is High.** The ongoing war and the state of emergency pose a major risk to the political and governance landscape. At the time of preparing this operation, the war is concentrated in and around the eastern part of the country but its evolution and the potential impact on the ability of the Government to perform core functions remains uncertain as Russia's invasion of Ukraine continues.

17. **Macroeconomic risk is High.** Russia's invasion has led to a severe deterioration of the macroeconomic situation in Ukraine. Disruptions to economic activity and the resulting decline in tax revenue constrain fiscal space at a time of increasing pressure on the government to provide essential services and repair damaged infrastructure. Following Russia's invasion, Ukraine's trade deficit has increased, exerting pressure on external accounts. While external financial assistance has provided a critical lifeline – allowing Ukraine to meet basic social expenditure obligations while balancing external accounts and keeping inflation in check – risks of aid



dependence have started to rise. These entail risks to public finances and the financial sector from an unexpected decrease in aid inflows, risks of inflation arising from limited absorption of external aid into the current accounts, and risks arising from an increasing external debt burden. The proposed Sixth AF mitigates macroeconomic risks by helping the GoU to mobilize financial resources to honor social expenditures, limit irrevocable damage to Ukrainians' living standards, sustaining the purchasing power of families for their basic needs, and providing foreign exchange resources to manage inflation risks. However, even with significant World Bank financing and the development partners' pledge to continue supporting Ukraine, the country's financial needs are enormous and will remain so in the foreseeable future. The risk of aid dependency is not mitigated but is considered acceptable for the time being given the broader context and the development objective of the operation. The World Bank will work with the IMF and other development partners on strengthening domestic revenue mobilization in Ukraine over the medium-term.

**18. Sector Strategies and Policies risk is Substantial.** The Government has implemented public financial management and civil service reforms with support from the World Bank and other development partners since 2017. World Bank analytical work has contributed to reforms with Education Review of 2019, Public Expenditure and Financial Accountability (PEFA) Assessment of 2019 and subnational PEFA assessment of 2020. The Government's commitment to the reform agenda is strong and sector policies are not likely to change during the duration of the project. However, without continuing external support, the war creates Substantial risks for maintaining the progress on PFM and civil service that has been achieved over the years.

**19. Institutional Capacity for Implementation and Sustainability risks are Substantial.** The war could undermine the effectiveness of the country financial management, payment and banking systems used for disbursement of project funds. To mitigate this risk, these systems will continue to be monitored closely and, if needed, procedures will be amended to facilitate the processing of salary payments in emergency circumstances. The inclusion of expenditures in the Second AF and further in the Fourth AF in support of government social programs increases the technical and institutional capacity risks. MoF remains as the implementing agency and budget holder, but it must continue to coordinate with the State Emergency Service (SES), Pension Fund of Ukraine (PFU) and Ministry of Social Policy (MoSP) for verification and reporting, in addition to the Ministry of Education and Science (MoES) for the parent project. The Bank provides enhanced implementation support to the MoF, including through short term experts that work directly with the MoF on verification and coordination.

**20. Fiduciary risk is High due to financial management risks.** There is no procurement in the project (other than for the project audit). The project entails few disbursements, mostly as reimbursements to the government's treasury based on monthly reports of eligible expenditures already made. However, Russia's invasion of Ukraine could affect PFM systems, and the frequency of payroll data reconciliation. Monthly disbursements are expected to remain viable even if some delays are experienced because the State Treasury Service reconciles the Treasury Single Account with the Government's commercial bank accounts daily. Risks related to the financing of wages of regional public sector workers that are displaced, or those located in territories that are not under control of the Government of Ukraine due to the war, are mitigated by making payments directly into the bank accounts of workers – and only to workers who are Ukrainians. In a situation where the GoU loses complete control of a part of the territory, the Government will stop making payments to that region (as was done in 2014-2015 in Crimea and certain regions of Luhansk and Donetsk). The continuation of the additional agreed upon procedures (AUP) reviews (see Box 1 below) will continue to provide further assurance and allow the Bank team to work with the government to address any of the issues with expenditure controls that may arise during implementation.



21. **Social and Environmental risks are rated Substantial.** Project activities are not expected to have any direct adverse environmental and social risks or impacts. The social and environmental risk is Substantial given potential for community and worker health and safety incidents associated with exposure to fighting, and aerial bombardment during the delivery of the social services supported by the Sixth AF and other associated risks. Some services will require participants to attend in person activities and essential workers to staff their places of employment and conduct outreach activities, potentially increasing their risk of exposure to attack especially in eastern parts of the country. These risks increase the likelihood that vulnerable groups and individuals who may be eligible to receive services do not seek them out for fear of exposure to war related harm. These risks are beyond the control of the project and not caused by the activities supported by the Bank financing. Preventative measures are described in the project’s Environmental and Social Commitment Plan (ESCP) and Project Operations Manual (POM). These include principles for information disclosure and consultation, and grievance redress mechanism (GRM). The Stakeholder Engagement Plan (SEP) will be updated to cover activities under the Sixth AF and to define principles for information disclosure and opportunity for feedback and access to redress for complaints and concerns.

22. **Stakeholders’ risk associated with the implementation of the Project is rated as Substantial.** Project implementation success depends on personnel management by line ministries and agencies, and commercial banks remaining in operation for the foreseeable future. . The Ukrainian banking system and the electronic payment system remain functional. Large retail networks and gas stations still accept cards and cash back operations through Point of Sale (POS) terminals serve as an alternative to automated telling machines (ATMs) in case they are damaged (with a limit of UAH 6000 per withdrawal). The MoF and the Bank will continue to closely monitor any disruption caused to commercial banks and/or related payment systems. The grievance redress mechanisms and the information disclosure policy of the Government, strengthened through the Environmental and Social Commitment Plan (ESCP), have been used to address disputes related to payments and payroll in the parent project and the previous AFs, and will continue to be used for AF6. Project implementation also depends on financial intermediaries – the PFU manages payment of pensions through its account in Oshchadbank – a state owned bank (the Treasury transfers money from the Single Treasury Account to the PFU’s account in Oshchadbank, while the PFU finances pensions from that account to individual accounts of beneficiaries). While the Ukrainian banking system entered the war on solid ground, loss of assets, collateral, and revenues will severely affect banks’ profitability and solvency. The government introduced a blanket guarantee for retail deposits and brought Oschadbank under the deposit guarantee system.

#### IV. APPRAISAL SUMMARY

##### A. Economic and Financial (if applicable) Analysis

23. **The Sixth AF will sustain the project’s benefits in mitigating the humanitarian crisis and its impact on human capital through June 30, 2025.** The toll of destruction, damage, and dislocation in Ukraine from the war continues to grow. As of September 2023, close to 12 million people (about half of whom are children) had been displaced and double that number were estimated to be need of life-saving humanitarian assistance, with food and essential services severely constrained in the areas affected by the fighting and a third of displaced households reporting no income.<sup>6</sup> In addition to loss of life and human suffering, the war has crippled Ukraine’s economy with large adverse social and poverty impacts. Latest World Bank estimates suggest that the poverty rate in Ukraine, based on the new upper middle-income poverty line of US\$6.85 per person per day (2017 PPP), has increased from 5.5 percent in 2021 to 24.2 percent in 2022. Poverty rates in regions most affected by the war are expected to increase much more. Additional funding for pensions, social



payments and healthcare will help the government support the most vulnerable groups, such as the elderly, families with kids, and persons with disabilities.

**24. The Sixth AF will also support the project's indirect benefits of preserving human capital, reduce the risk that Ukraine will fall into the fragility trap and maintain trust in the Government's capacity to deliver basic services during the war.** Russia's invasion of Ukraine resulted in a significant decline in fiscal revenues despite stable share of revenues to gross domestic product (GDP). Non-military expenditures were cut significantly (including capital expenditures by almost 90 percent) and reduced only to the most critical social items, nonetheless Ukraine's general government fiscal deficit (without grants) is projected to increase to 28.2 percent of GDP in 2023 (equivalent to US\$42 billion) to meet extraordinary expenditure needs. Tax and non-tax revenues will remain depressed while critical public social expenditures continue to rise due to the war. Support government in ensuring that public service functions and social programs that meet the basic needs of the population are maintained.

## B. Technical

**25. The governance and institutional arrangements of the PEACE project use government processes where possible and minimize the additional administrative burden on the Government.** The Parent Project and five AF operations have performed well during their short duration. The Sixth AF will extend the Project closing date until June 30, 2025, for eligible expenditures using the same verification and funds flow arrangements. The Sixth AF will use the implementation arrangements for project management, financial management, and audits established under the parent project, and the enhanced implementation arrangements described in Box 1. Verification reports for March 2022-February 2023 were submitted by the MoF under the parent project and the first, second, third and fourth AF. These reports were found satisfactory by the Bank. One of the lessons learned during implementation is that the absorption of project financing was a challenge for an already overstretched government during wartime due to the extensive verification required. Short-term experts provided capacity enhancement support to the government for coordination, reporting and verification for the parent project and subsequent AFs, and will continue to do so for AF6.

**26. The two Agreed Upon Procedures review conducted so far by the Bank under the Enhanced Implementation Arrangements (Box 1) found no significant deviations in expenditures and confirmed that controls for projects funds adequate.** The first review focused on eligible expenditures on pensions, government and school employees' salaries, and support to IDPs reimbursed from June to November 2022. The second review covered expenditures reimbursed from November 2022 to April 2023 on additional categories including social assistance programs, and healthcare employees and first responders' salaries. These reviews confirmed that expenditure controls were overall functional and identified minor discrepancies and areas where strengthening of controls and implementation support would be required once the war is over, such as completion of automation of Pension Fund system.



**Box 1. Enhanced Implementation Arrangements for PEACE in Ukraine**

Acknowledging the need for additional capacity of the MoF and World Bank teams to ensure that verification of eligible expenditures is robust, and that service delivery takes place as expected, the World Bank and the Government of Ukraine agreed that the Bank will provide enhanced implementation support through three instruments.

**Strengthened capacity for implementation support by employing several short-term consultants to support the World Bank team and MoF's International Financial Projects Department.** Strengthened capacity verifies that eligible expenditures are covered only once by the PEACE project or other parallel development support and that there is no duplication of financing sources. The consultants were hired by the World Bank to strengthen the capacity of the MoF and Bank teams.

**Additional Agreed Upon Procedures (AUP) reviews carried out by an independent audit company ensure that verification of the project expenditures is satisfactory before the end of the project.** The reviews: verify that the agreed procedures for eligible expenditures are followed; assess controls over expenditures and expenditure reporting; and carry out tests of a sample of eligible expenditures, based on the audit firm's professional judgement and as agreed with the Bank. The first and second AUP reviews were completed and confirmed that controls are functional. The third AUP review will be launched in November 2023 with results expected in March 2024. The third AUP will focus on areas with higher risks such as healthcare salaries, social assistance and IDPs.

**Listening to Ukraine surveys, with mobile phone surveys of users of education and healthcare services, social assistance beneficiaries and pensioners, ensure that services continue to be delivered and payments are made in a timely manner.** The first rounds of the Listening to Ukraine survey were completed in 2023 showing only minor disruptions in salary and social assistance payments (over 90 percent of payments and salaries were received on time, except for Internally Displaced Persons benefits, where over 85 percent of payments were received on time), and over 90 percent of schools and healthcare facilities provided services even in the regions under active hostilities.

27. **The GRM and Listening to Ukraine survey provides feedback from beneficiaries.** GRM allows the Bank to monitor complaints lodged by beneficiaries and provides for additional level of assurance that pensions, salaries, and social assistance are paid to intended beneficiaries. The second Agreed Upon Procedures reviews confirmed that the GRM is functional. The MoF has provided GRM monitoring reports on a monthly basis since the beginning of the project and has addressed grievances in a timely manner. The Listening to Ukraine survey is under way as part of the Enhanced Implementation Arrangements (Box 1). This provides information on how financing of government services impacts access to healthcare, education as well as whether all social payments are received on time.

28. **The Ministry of Finance of Ukraine is the Implementing Agency for the project.** The Project Coordinator (Deputy Minister) oversees project implementation, monitors progress, and ensures prompt delivery and reporting on project indicators. The Project Coordinator also acts as a focal point for communication with the World Bank team on project-related issues.

29. **The POM prepared under the Parent Project and updated under previous AFs will be used for the Sixth AF.** The POM describes the institutional arrangements and verification mechanisms for all types of eligible expenditures. The POM lays out the project's overall operating, fiduciary, verification protocols, decision-making procedures, eligibility criteria, and results monitoring arrangements in line with applicable World Bank policies. The POM will be updated within one month after the effectiveness of the Sixth AF to reflect minor changes related to the increased project amount and the new closing date.



30. **Monitoring and Evaluation system.** The project relies on data from the GoU, including that of the State Treasury System (STS), for monitoring. MoF monitors generates reports on project results (including PDO indicators and intermediate result indicators) using existing arrangements within the GoU, and ongoing coordination within the MoF, MoH, National Health Service of Ukraine (NHSU) and MoSP with the STS and ministries, agencies, and state and rayon oblast administrations. MoF and coordinating ministries ensure that the collection and processing of personal data<sup>4</sup> is managed under applicable national law with a view to ensuring the legitimate, appropriate and proportionate use of such data in accordance with best practice.

### **C. Financial Management**

31. **The PFM system carries out and reports on project transactions effectively.** Social benefits and pensions were paid during March 2022-September 2023. The controls on these payments are sound, relevant records are maintained despite the war. MoF uses its existing system for planning and execution of the eligible government expenditures financed by the Project. Verification procedures are outlined in Section E below.

32. **Additional fiduciary arrangements have been put in place for this operation.** The World Bank task team reviews monthly government reports submitted for reimbursement under the project before processing respective disbursements. The World Bank supplements verification and annual project audits with Agreed Upon Procedures, regular reviews of verification reports to confirm eligibility of project expenditures and internal controls based on control reviews and sample transactions (see Box 1).

33. **The scope of the audit will be as contemplated under the Parent Project, as expanded for the First, Second, Third, Fourth and Fifth AF.** An independent and experienced auditor acceptable to the World Bank will carry out the financial audit of the project. The independent audit of the eligible expenditures will go beyond the regular audit of financial statements to include tests to verify the eligibility of project expenditures, in line with the Terms of Reference agreed with the World Bank. The financial auditor will take into consideration any financial reviews, such as the Agreed Upon Procedures referred to above, that may be carried out during project implementation.

34. **The project has moved from a single end of project audit as originally planned to annual audits given the closing date extension by a year conducted by the Fifth AF.** The audit covering the implementation period through June 30, 2023, is underway with results expected by end of December 2023. The second audit will cover the period from July 1, 2023 to June 30, 2024. The third audit will cover the period from July 1, 2024 to June 30, 2025.

35. **Disbursements will be based on withdrawal applications submitted monthly by the MoF.** The Sixth AF will only finance expenditures incurred on or after March 1, 2023. Withdrawal applications would be supported by the monthly report(s) on actual eligible expenditures incurred for the previous month(s), reconciled to State Treasury records, and reviewed by the World Bank. Disbursements will be made by the World Bank to a segregated US Dollar denominated account of the State Treasury in the NBU as indicated by the Government, and then converted and credited to the government State Treasury account in Hrivnya. Up to 100 percent of this Sixth AF will be disbursed as retroactive financing.

### **D. Procurement**

36. **No procurement processes are envisaged under the Sixth AF.** The audit will be financed under the original Bank financing for the Parent Project.

### **E. Verification**



37. **The following explains verification procedures in different expenditure areas for the Project as a whole.** This Sixth AF may finance expenditures in any of these expenditure areas.

38. **Salaries of government employees, school employees and first responders.** MoF verifies payments of salaries of the SES staff, school employees and government employees based on the Treasury data and payroll data of SES. MoF will use Treasury data and reconcile with the payroll data of the SES. The MoF will consolidate verification report based on all sources of data.

39. **Higher educational institutions staff salaries.** MoF verifies payments to public higher education institutions based on Treasury data and reports provided by MoES and other central government authorities with subordinated higher education institutions. MoES and other authorities with subordinated higher education institutions verify payments to these institutions and collect monthly reports on salary payment and number of eligible staff from each institution. MoF reconciles the data collected and consolidates the verification report based on all sources of data.

40. **Pensions.** MoF verifies that transfers from the central budget have reached PFU, based on Treasury data. The amount of these transfers will be the eligible expenditure under this project. PFU submits a report verifying that pensions were paid by oblasts distinguishing types of pensions using the form specified in the POM. PFU reports on the 15<sup>th</sup> day of the month that follows the reporting month. The report identifies cases when the pensions could not be delivered. The Project will not be able to link the projects funds to specific pensions paid but will include an indicator in its revised results framework on the timely payment of pension benefits. Pensions paid are expected to exceed the transfers from the central government budget to the PFU.

41. **Social Safety Nets (SSN) Payments.** MoF verifies bulk payments based on the Treasury data. MoSP verifies spending on four selected SSN programs. The MoSP report for each program is based on the MoSP spending report that was verified and presented as expenditure per oblast. MoSP provides a verified spending report on the 10<sup>th</sup> day of the month following the reporting month. In those regions directly affected by fighting, Oshchadbank reports back to MoSP on the total amount spent on the program in all these regions. MoSP verifies IDP program expenditures using Oshchadbank statements.

42. **Child and family benefits.** MoF verifies payments based on the MoSP reports, passports<sup>5</sup> of relevant budget programs, and budget execution reports. MoSP verifies spending on four selected social assistance programs and child and family benefits. MoSP reports on each program based on the MoSP spending report that was verified and presented as expenditure per oblast. MoSP provides a spending report on the 13<sup>th</sup> day of the month following the reporting month. In those regions directly affected by fighting, Oshchadbank reports to the MoSP on the total amount spent on the program. Given that that budgets of child and family benefits are included into the relevant budget programs together with other social expenditures, the MoF will use information on estimated number of beneficiaries from the passports of these programs to track planned expenditures and compare them with actual expenditures.

43. **Starting October 1, 2022, the Pension Fund of Ukraine became a payment agent for all social assistance programs.** As a result, verification of social assistance programs will continue to be done by the MoSP based on their data and reporting on payment of benefits provided by the Pensions Fund.

---

<sup>5</sup> Budget program passports are approved in the beginning of the fiscal year and contain information on objectives, implementing agencies, results indicators, and estimated number of beneficiaries.





### F. Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

### G. Environmental and Social

#### *Social*

44. **The activities supported by the Project are not expected to have any direct adverse social risks or impacts, but they take place within a highly volatile context beyond the immediate control of the implementing agency and the scope of the project results in substantial social risks arising from potential safety and health incidents associated with exposure to the war and aerial bombardment during delivery of services.** The Parent Project provided funding to the wage bill of non-security sector government employees and school employees who are essential for ensuring continuity of core government services (mainly public administration and education services) and preventing erosion of learning outcomes. The Second AF expanded this support to cover pensions, social payments and health and emergency services that are essential to mitigate the social and economic impact of Russia’s invasion of Ukraine. The social risk is substantial given the potential for community and worker health and safety incidents during the delivery of the social services supported by the Project and associated risks and impacts. Some services require participants to attend in person activities and require essential workers to staff their places of employment or conduct outreach activities potentially increasing their risk of exposure to attack, especially in eastern parts of the country. This contextual risk also increases the likelihood that vulnerable groups and individuals who may be eligible to receive such services do not seek them out for fear of exposure to fighting and bombing. These are highly contextual and beyond the immediate control of the project and not caused by the activities supported by the bank financing. Preventative measures for the Sixth AF activities under emergency conditions are already described in the project’s ESCP and POM. These include principles for information disclosure and consultation, and GRM.

45. **MoF has demonstrated good capacity in handling the project grievance mechanism and social and environmental risk management.** MoF proactively reaches out to potentially affected parties and seeks their feedback on the ongoing project activities, collecting feedback not only from relevant ministries and government agencies but also using social media channels such as Facebook, Telegram, Viber. MoF keeps a grievance log of any inquiries or complaints (including anonymous grievances) pertinent to Project activities and informs the World Bank team on the status of these complaints. MoF provides a consolidated grievance log as part of the Quarterly Project Progress Report. The SEP for the project was revised to cover activities under the Sixth AF and defines principles for information disclosure and opportunity for feedback and access to redress for complaints and concerns by the stakeholders and other interested parties.

46. **Personal data will be collected and processed in connection with Project activities.** This may include the processing of sensitive data (including biometrics), which are collected and managed by the MoSP under their existing social assistance programs to support the identification (to determine uniqueness) and



authentication (determining that the person eligible to receive the cash transfer is in fact the person they say they are). Ukraine currently has a data protection law of general application (Law No. 2297 VI 'On Personal Data Protection' as of June 1, 2010) that essentially meets international standards, albeit is in the process of being updated. Since 2014, the Ukrainian Parliament's Commissioner for Human Rights (Ombudsman) is the state authority in charge of overseeing compliance with the data protection law.

**47. Project activities are implemented in accordance with the applicable national legal framework and good international practices for dealing with such data in order to guard against abuse.** These measures include use limitations (data are only used for legitimate and related purposes to the disbursement of cash transfers), data minimization principles (only collecting and processing the data that is necessary for the legitimate purpose), limits on data retention (retaining the data only for as long as they are necessary), where practicable informing individual data subjects how their data is used and processed, and allowing data subjects the opportunity to correct information about them and seek redress for abuse of these provisions. Technical and organizational measures ensure the protection of personal data against unlawful processing (loss, unlawful or accidental elimination) and unauthorized access, including by third parties.

#### *Gender*

**48. Russia's invasion of Ukraine has exacerbated vulnerabilities and heightened economic, social, and health risks for women and girls.** The war causes civilian casualties and destruction of civilian infrastructure, forcing people to flee their homes seeking safety, protection, and assistance. Between February 24, 2022 and April 9, 2023, there were 26,015 civilian casualties (killed and injured) as a result of the invasion according to the UNHCR. Since the onset of the war, nearly one-third of Ukrainians have been forced from their homes. Over 3.67 million people are displaced within Ukraine, most of them women (UNHCR, January 2023). More than seventy percent of IDP households contain at least one boy, and 84 percent have at least one girl between the ages of 5 and 18. An estimated 8.1 million people have fled their homes to neighboring countries. Ninety percent of refugees are women and children. Most men aged 18–60 are required to stay behind under martial law. Over 2.7 million Ukrainians live with disabilities, of whom more than one million are women and girls. Majority of the project beneficiaries are women in most categories targeted for expenditure reimbursement including the education sector, social assistance and pensions. A Rapid Gender Analysis conducted by the UN Women revealed that women face immense hardship when it comes to health, safety, and access to food, as a result of the Russia's invasion of Ukraine.

**49. Access to social protection is critical to mitigate the vulnerabilities of women and their families.** Women are disproportionately affected by the crisis. They experience heightened economic stress caused by the double burden of the house- and care-work and limited financial resources. Women constitute 54 percent of the population and 71 percent of all heads of households are female. During the war, many women have been left to care for their families on their own, including being responsible for earning income for their households. This can be due to their husband being unemployed, conscripted, or deceased or due to family separation. Social assistance or pension is the only source or the largest share of income for many women. Women represent most pensioners and social assistance beneficiaries supported by the proposed AF. About 64 percent of the 10.8 million pensioners are women. Given the growing number of the newly low income and vulnerable women and children, continued financing of child and maternity benefits is critical to ensure their food security, safety, and continuity of health care and social services.

#### *Citizen Engagement*



**50. Despite the difficult operating environment, the government has successfully implemented the Stakeholder Engagement Plan (SEP) prepared for the Fourth AF and expanded to cover beneficiaries of additional types of expenditures.** The project's GRM, which is not limited to safeguards, allows for two-way communication between citizens and the government and established multiple channels to receive grievances and feedback from citizens. The project relies on existing communication channels maintained by the Government, including those by MoES, MoH, and MoSP. Pensioners and beneficiaries of child and family benefits and all SSN programs, including Guaranteed Minimum Income (GMI), housing utility subsidy (HUS), social assistance for the IDPs, and social assistance for persons with disabilities since childhood and children with disability, can use the multi-channel GRM operated by MoSP. MoSP maintains an easily accessible GRM with functions, staffing, and resources, enabling stakeholders to submit complaints, information requests, suggestions, and feedback through various channels (phone, email, physical mail, online, and during visits). Grievances can be submitted in-person in the Public Reception Office of MoSP. MoSP discloses semi-annual GRM performance reports on its website. The '15-45' Government Hotline can be used to submit complaints and appeals related to social assistance and pension provision. The '15-39' hotline is available for beneficiaries of social assistance programs and persons with disability. Pensioners can use the same channels as other social protection beneficiaries. PFU continues to operate its regional offices and more than 470 local service delivery centers/units located in the government-controlled areas of Ukraine. Pensioners can submit complaints, information requests, suggestions, in these centers/units or use the other channels (website, mobile applications, PFU hotline, email).

**51. Government GRM systems continue to function.** According to the GRM report disclosed by the MoSP, 27.1 percent of all grievances/information requests received in the first half of 2023 were related to IDPs and 15.2 percent to pensions. As of July 5, 2023 5,042 grievances were resolved and 1,249 grievances are under consideration. GRM reports sent by the government to the World Bank show that grievances mainly relate to delays in salary, pension and social assistance payments or how the payments are calculated. Delayed payments are concentrated in territories which are either temporarily not under the Government control or experienced active fighting. The Beneficiary Feedback indicator from the Parent Project will be used (Percentage of Grievances addressed) to capture grievances across types of expenditures covered under Parent Project and AFs. The GRM is effective. Monthly monitoring reports are delivered on time and grievances are addressed in a timely manner. The AUP review confirmed that the GRM is functional with no issues noted for pensions, social assistance, government and school employees' salaries, and support IDPs.

**52. The Listening to Ukraine Survey discussed in Box 1 provides another avenue to obtain feedback from beneficiaries.** The Listening to Ukraine survey provides information on citizens' access to health and education services and the timeliness of social assistance and pension payments. The survey started in 2023 and will continue during this Sixth AF. The survey provides an opportunity to listen to citizens, creating a best practice feedback loop.

**53. Government employees remain subject to the terms and conditions of their existing employment arrangements and civil service grievance redress.** Principles for protecting against harmful labor, child labor and security forces activities are also described in the ESCP, including ensuring access to service providers responding to sensitive incidents such as those related to Sexual Exploitation and Abuse/Sexual Harassment and other forms of violence that may be associated with the invasion context. Labor risks will be addressed through the Client's commitment in the ESCP, and clear guidance provided in the POM to comply with the relevant requirements of Environmental and Social Standard 2 (ESS2). The existing civil service GRM is governed by a legal framework comprising the Labor Code, Civil Service Law, and statutes of government



agencies and covers all human resource related issues including payroll. Complaints are handled by the employer, National Agency of Civil Service (NACS) as a civil service regulator, and if not resolved can be escalated to courts.

#### *Environment*

**54. The Sixth AF will not support physical works and does not envisage any activities that may cause direct or indirect environmental impacts.** The environmental rating is substantial given potential for community and worker health and safety incidents during the delivery of the social services supported by the Sixth AF and associated risks and impact.

#### *Climate Change*

**55. Climate risk screening has been conducted for the expanded scope, covering all the types of expenditures contemplated under the Sixth AF.** The nature of this operation limits its potential to directly support climate action. Ukraine is at risk of hydrometeorological hazards and natural disasters such as droughts, elevated temperatures, heat waves, wildfires, soil erosion, mudflows, extreme precipitation and flooding, which primarily affect agriculture, water resources, energy, transportation, health, the urban environment and forests. Due to climate change, Ukraine has experienced increased frequency and severity of natural disasters (such as droughts and floods) - causing in many cases, fatalities and leading to significant economic losses. Given the nature of the PEACE Project, climate resilience-enhancing measures are not prioritized in the project design. However, by helping to sustain the Government functions, this operation supports the efforts to maintain the expertise and human resources that were engaged in the implementation of Ukraine's ambitious climate action strategies and action plans. These resources will play a crucial role in integrating climate action in future reconstruction programs and will enable the continuation of Ukraine's climate action strategies and action plans after the war.

## **V. WORLD BANK GRIEVANCE REDRESS**

**56. Grievance Redress.** Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may submit complaints to existing 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. 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. For information on how to submit complaints to the Bank's Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the Bank's Accountability Mechanism, please visit <https://accountability.worldbank.org>.

## VI SUMMARY TABLE OF CHANGES

	Changed	Not Changed
Results Framework	✓	
Components and Cost	✓	
Loan Closing Date(s)	✓	
Disbursements Arrangements	✓	
Implementing Agency		✓
Project's Development Objectives		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Other Change(s)		✓

## VII DETAILED CHANGE(S)

### COMPONENTS

Current Component Name	Current Cost (US\$, millions)	Action	Proposed Component Name	Proposed Cost (US\$, millions)
Social Assistance and Pensions	8,885.00	Revised	Social Assistance and Pensions	9,845.00
Healthcare and First Responders	1,744.90	Revised	Healthcare and First Responders	1,864.90
Support to government and school employees wage bill	2,991.40	Revised	Support to government and school employees wage bill	3,171.40



Audit expenses	0.70	No Change	Audit expenses	0.70
	0.00	New	Capitalized charges	86.00
<b>TOTAL</b>	<b>13,622.00</b>			<b>14,968.00</b>

**LOAN CLOSING DATE(S)**

Ln/Cr/Tf	Status	Original Closing	Current Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IBRD-94030	Closed	31-Mar-2023	30-Jun-2023	31-Mar-2023	31-Jul-2023
IBRD-94040	Closed	31-Mar-2023	30-Jun-2023	31-Mar-2023	31-Jul-2023
IBRD-94050	Closed	31-Mar-2023	30-Jun-2023	31-Mar-2023	31-Jul-2023
IBRD-94060	Closed	31-Mar-2023	30-Jun-2023	31-Mar-2023	31-Jul-2023
IBRD-94470	Closed	30-Jun-2023	30-Jun-2023	30-Jun-2023	30-Oct-2023
IBRD-94480	Closed	30-Jun-2023	30-Jun-2023	30-Jun-2023	30-Oct-2023
IBRD-94660	Effective	30-Jun-2023	30-Jun-2024	30-Jun-2023	30-Oct-2023
IBRD-95730	Effective	30-Jun-2024	30-Jun-2024	30-Jun-2025	30-Oct-2025
IDA-71530	Effective	31-Mar-2023	30-Jun-2024	30-Jun-2025	30-Oct-2025
TF-B9038	Closed	31-Mar-2023	30-Jun-2023	31-Mar-2023	31-Jul-2023
TF-B9348	Closed	31-Mar-2023	30-Jun-2023	31-Mar-2023	31-Jul-2023
TF-C0133	Closed	30-Jun-2023	30-Jun-2023	30-Jun-2023	30-Oct-2023
TF-C0846	Closed	30-Jun-2023	30-Jun-2023	30-Jun-2023	30-Oct-2023
TF-C0847	Closed	30-Jun-2023	30-Jun-2023	30-Jun-2023	30-Oct-2023
TF-C1223	Effective	30-Jun-2023	30-Jun-2024	30-Jun-2023	30-Oct-2023
TF-C1885	Effective	30-Jun-2024	30-Jun-2024	30-Jun-2024	30-Oct-2024
TF-C1955	Effective	30-Jun-2024	30-Jun-2024	30-Jun-2024	30-Oct-2024
TF-C2273	Effective	30-Jun-2024	30-Jun-2024	30-Jun-2024	30-Oct-2024
TF-C2609	Effective	30-Jun-2024	30-Jun-2024	30-Jun-2024	30-Oct-2024
TF-C2908	Effective	30-Jun-2024	30-Jun-2024	30-Jun-2024	30-Oct-2024



**DISBURSEMENT ARRANGEMENTS**

Change in Disbursement Arrangements

Yes

**Expected Disbursements (in US\$)**

Fiscal Year	Annual	Cumulative
2022	1,772,642,302.32	1,772,642,302.32
2023	17,426,956,141.22	19,199,598,443.54
2024	5,562,301,556.46	24,761,900,000.00
2025	0.00	24,761,900,000.00

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

Risk Category	Latest ISR Rating	Current Rating
Political and Governance	● High	● High
Macroeconomic	● High	● High
Sector Strategies and Policies	● Substantial	● Substantial
Technical Design of Project or Program	● Substantial	● Substantial
Institutional Capacity for Implementation and Sustainability	● Substantial	● Substantial
Fiduciary	● High	● High
Environment and Social	● Substantial	● Substantial
Stakeholders	● Substantial	● Substantial
Other		
Overall	● High	● High

**LEGAL COVENANTS – Sixth Additional Financing for Public Expenditures for Administrative Capacity Endurance (PEACE) in Ukraine (P181514)**

**Sections and Description**

No withdrawal shall be made for payments of Eligible Expenditures that have already been financed under any



other Bank financed loan or grant, including any Preceding Loan Agreement or Preceding Grant Agreement, or for which withdrawals have been requested under any other Bank financed loan or grant, including any Preceding Loan Agreement or Preceding Grant Agreement.

The Borrower undertakes that no Loan proceeds or resources may be used for defense, security, or military purposes, or for any payments made to any defense, security, or military forces.

**Conditions**

Type	Financing source	Description
Disbursement	Trust Funds, IBRD/IDA	No withdrawal shall be made under Category (1), (3) and/or (4) until and unless the Borrower has furnished evidence satisfactory to the Bank in accordance with the verification protocols set forth in the POM showing that payments under Category (1), (3) and/or (4) have been paid.
Disbursement	Trust Funds, IBRD/IDA	The Borrower undertakes that no Loan and Grant proceeds or resources may be used for defense, security, or military purposes, or for any payments made to any defense, security, or military forces.





---

## VIII. RESULTS FRAMEWORK AND MONITORING

---



**Results Framework**

**COUNTRY: Ukraine**

**Sixth Additional Financing for Public Expenditures for Administrative Capacity Endurance (PEACE) in Ukraine**

**Project Development Objective(s)**

To contribute to sustaining the government administrative and service delivery capacity to exercise core government functions at the national and regional levels

**Project Development Objective Indicators by Objectives/ Outcomes**

Indicator Name	PBC	Baseline	End Target
<b>Core government functions are maintained (Action: This Objective has been Revised)</b>			
Government continues to exercise core functions (Number)		5.00	4.00
<b>Action: This indicator has been Revised</b>			
Number of public administration staff paid in non-security sectors (Text)		160,000.00	At least 75% of staff paid in the baseline month
<b>Action: This indicator has been Revised</b>			
Number of female civil servants paid on time (Text)		110,000.00	At least 85% of staff paid in the baseline month
Number of school employees paid on time (Text)		450,000.00	At least 85% of staff paid in the baseline month
<b>Action: This indicator has been Revised</b>			
The number of female school employees paid on time (Text)		300,000.00	At least 85% of staff paid in the baseline month
Number of schools that remain operational (Number)		13,866.00	10,000.00



Indicator Name	PBC	Baseline	End Target
<i>Action: This indicator has been Revised</i>			
Share of pensions paid on time (Percentage)		100.00	90.00
<i>Action: This indicator has been Revised</i>			
Share of pensions paid to female pensioners (Percentage)		65.00	85.00

**Intermediate Results Indicators by Components**

Indicator Name	PBC	Baseline	End Target
<b>Component 1: Government and School Employees</b>			
Central and regional government staff in non-security sectors paid on time (Text)		100.00	90.00
<i>Action: This indicator has been Revised</i>			
Percentage of Grievances Addressed (Percentage)		0.00	70.00
<i>Action: This indicator has been Revised</i>			
Number of schools that remain operational (Number)		13,866.00	10,000.00
<i>Action: This indicator has been Revised</i>			



Indicator Name	PBC	Baseline	End Target
Higher education institutions salaries are paid on time (Yes/No)		Yes	Yes
<i>Action: This indicator has been Revised</i>			
<b>Component 2: Social Assistance and Pensions</b>			
Social payments paid on time (Yes/No)		Yes	Yes
<i>Action: This indicator has been Revised</i>			
Share of social payments paid on time to female beneficiaries (Percentage)		90.00	85.00
<i>Action: This indicator has been Revised</i>			
Child and family benefits are paid on time (Yes/No)		Yes	Yes
<i>Action: This indicator has been Revised</i>			
<b>Component 3: Healthcare and First Responders</b>			
Number of health service providers operational under the PMG (Number)		2,432.00	2,100.00
Salaries of SES staff paid on time (Percentage)		100.00	85.00
<i>Action: This indicator has been Revised</i>			



**Monitoring & Evaluation Plan: PDO Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Government continues to exercise core functions		Once	Ministry of Finance, State Treasury Service, State Tax Service, Ministry of Justice, Ministry of Social Policy	Based on the information provided by the MoF	MoF
Number of public administration staff paid in non-security sectors		Monthly.	MoF, STS	Based on reports from the treasury and key spending units.	MoF
Number of female civil servants paid on time		Once	NACS	Based on information provided by NACS	MOF
Number of school employees paid on time		Monthly	MoES and STS reports	Based on the Treasury data on payments and MoES data on personnel and payroll	MoF
The number of female school employees paid on time	Number of female school employees paid. The expected reduction in the target is related to some staff who fled the country and decided to resign, staff	Once	MoES	Based on data provided by the MoES and shared through MoF reporting	MoF



	who joined military, and other potential losses.				
Number of schools that remain operational		Quarterly	MoES data	Based on reporting of MoES	MoF
Share of pensions paid on time	The indicator will measure the government's performance in making on-time pension payments (i.e. share of pensions paid within the month when pensions are due).	Monthly	Pension Fund	The data from the monthly Pension Fund reports.	MoF
Share of pensions paid to female pensioners		Quarterly	Pension Fund reports		MoF

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

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Central and regional government staff in non-security sectors paid on time		Monthly	The Ministry of Finance of Ukraine, The State Treasury Service of Ukraine	Based on regular Treasury reports and payroll/personnel monthly reports submitted by the Key Spending Agencies to the MoF	MoF
Percentage of Grievances Addressed		Quarterly	MoF/MoES data	Data from GRMs for school employees and government employees.	MoF



Number of schools that remain operational	Number of schools that remain operational	Quarterly	Based on reporting of MoES		MoF
Higher education institutions salaries are paid on time	Higher education staff are paid within 30 days when salaries are due.	Quarterly	MoES		MoF
Social payments paid on time	The indicator will measure the government's performance in making on-time eligible social payments (i.e. within the month when payments related to the identified social programs are due).	Monthly	MoSP		MOF
Share of social payments paid on time to female beneficiaries		Once	Ministry of Social Policy	MoF provides information based on the reporting from Ministry of Social Policy	MoF
Child and family benefits are paid on time	Child and family benefits are paid within 30 days when benefits are due.	Quarterly.	MoSP		MoF
Number of health service providers operational under the PMG		Every 6 months	Ministry of Healthcare		MoF
Salaries of SES staff paid on time		Monthly	SES and Treasury data		MoF

