



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 22-Jun-2022 | Report No: PIDA34377



BASIC INFORMATION

A. Basic Project Data

Country Ukraine	Project ID P179344	Project Name Additional Financing for PEACE in Ukraine	Parent Project ID (if any) P178946
Parent Project Name Public Expenditures for Administrative Capacity Endurance (PEACE) in Ukraine	Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date 22-Jun-2022	Estimated Board Date 28-Jun-2022
Practice Area (Lead) Governance	Financing Instrument Investment Project Financing	Borrower(s) Ukraine	Implementing Agency Ministry of Finance

Proposed Development Objective(s) Parent

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

Components

Support to government and school employees wage bill
Audit and administrative expenses

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	1,300.00
Total Financing	1,300.00
of which IBRD/IDA	0.00
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	1,300.00
Ukraine Multi-Partner Trust Fund for Peacebuilding	1,300.00



Environmental and Social Risk Classification

Moderate

Note to Task Teams: End of system generated content, document is editable from here. *Please delete this note when finalizing the document.*

Other Decision (as needed)

B. Introduction and Context

Country Context

- Russia's invasion of Ukraine on February 24, 2022 has had devastating economic, social and poverty consequences.** Data indicate that the economy shrank by 19.3 percent (quarter-on-quarter seasonally adjusted) in Q1, with steeper declines expected in Q2. With the conflict continuing, public finances remain under severe pressure; monthly tax revenues have dropped by nearly half relative to pre-war levels, even as spending needs have sharply increased. The government's wage and social expenditures remain a key lifeline for the population, a quarter of which has been displaced by war and whose livelihoods have been affected by the sharp decline in economic activity and accelerating inflation (which reached 18% year-on-year in May). The parent project already envisioned the need to continue supporting Ukraine over a sustained period given that available fiscal resources are insufficient to cover current expenditures in the near future.¹ For the year 2022, general government revenues are expected to drop by 45 percent. Even if the war was to end relatively soon, revenues are expected to remain depressed for a considerable period. The large amount of infrastructure damage that has been incurred, combined with the loss of jobs and livelihoods, and large numbers of displaced people will likely lengthen the period required for a full economic recovery.
- This Project Paper seeks the approval of the Regional Vice President to provide Additional Financing (AF) in the amount of US\$1.3 billion to Ukraine for the Public Expenditures for Administrative Capacity Endurance (PEACE) Project.** The proposed AF will introduce changes to the parent project to adjust the scope of the project, and update the economic, financial, and technical analysis to fully reflect the impact of the scaled-up activities.
- The original project is a US\$ 1.492 million Investment Project Financing (IPF), partially guaranteed by the Netherlands, Latvia, Lithuania and UK governments.** The project was approved by the Executive Directors on June 7, 2022 with a closing date of March 31, 2023. Project effectiveness is expected during the week of June 13, 2022. The Project Development Objective (PDO) is to contribute to sustaining the government administrative and service delivery capacity to exercise core government functions at the

¹ See paragraph 25 of the Parent Project Appraisal Document (Report No. PAD5024)



national and regional levels. A Project Operation Manual (POM) has been developed, which defines responsibilities, eligibility, and procedures related to implementation of the project in line with all applicable World Bank policies.

4. **This AF provides emergency support to Ukraine during the war - as part of the World Bank Group (WBG) Response to the Global Impacts of the War in Ukraine – A Proposed Roadmap - and supports the priority themes under the WBG Strategy for Fragility, Conflict, and Violence (FCV) 2020-2025 (Report No. 146551).** This AF, as well as the parent project, are core elements of the initial fast-track response under the strategic framework for the WBG on Global Impacts of the War in Ukraine both to support short-medium and long-term considerations outlined in the Proposed Roadmap and presented on April 12, 2022, the first dimension of which is increased support to Ukraine, including through financing sizeable non-military needs.

Sectoral and Institutional Context

5. **Unlike in some other countries at war, the central and regional governments in Ukraine continue to play a crucial role in deploying limited resources to ensure continuity of critical public services, swiftly repairing essential infrastructure, and performing emergency rescue operations.** The Government remains in control of key state functions, including making social payments, thereby containing the economic impact of the war to the extent possible. The central government agencies and their territorial units continue to ensure that revenues are collected despite the war (State Tax Service, Customs Service); manage cash flows, and make payments for pensions, medical supplies, salaries and fuel for firefighters (Ministry of Finance, State Treasury Service); coordinate emergency responses (State Service for Emergencies); coordinate and pay health clinics and hospitals (National Healthcare Service); and ensure the safety of nuclear power stations (State Nuclear Regulatory Inspectorate). In addition, central and regional governments act as a backbone for health, education, and social assistance service provision. They continue to provide vital services: for example, helping people file tax returns, apply for social benefits, obtain birth/death/marriage certificates and others vital documents. They also enable frontline service delivery units in healthcare, education, and other sectors to fulfill their functions through coordination, funding, and regulation.
6. **In response to the Government of Ukraine (GoU) request of June 15, 2022, the proposed restructuring aims to provide additional finance in support of core government functions at the national and regional levels.** The AF will expand the amount of support provided through the parent project to the wage bill of non-security sector government employees and school employees (mainly public administration and education services), who are integral for ensuring continuity of core government services and preventing further erosion of learning outcomes.

C. Proposed Development Objective(s)

Original PDO



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

Current PDO

No changes are envisioned on the PDO.

Key Results

The achievement of the PDO will be measured by the following indicators:

- a. The extent to which the Government continues to exercise core functions (online filing of taxes, payment of Guaranteed Minimum Income subsidy, issuing birth certificates, online request for housing and utility subsidy).
- b. Number of government employees in non-security sectors paid (disaggregated by gender for civil servants).
- c. Number of school employees paid (disaggregated by gender)
- d. Number of schools that remain operational through distance, blended and/or in-person format

D. Project Description

9. **The PDO remains the same: to contribute to sustaining the government administrative and service delivery capacity to exercise core government functions at the national and regional level.** The AF will further support achievement of the PDO through financing of up to 100 percent of the government and school employees wage bill in the coming several months.
10. **The results framework of the parent project will not change.** The parent project already envisaged that with partial reimbursement of the wage bill, the Government would be able to pay all salaries of employees on the payroll in school and government ministries, department, and agencies at the central and subnational levels. Given the continuation of the war, which continues to put pressure on the government fiscal situation, additional support will ensure salaries of those employees continue being paid.
11. **The AF will use the design of the parent project, relying on country systems, while strengthening social, environmental, and fiduciary arrangements when needed and practical.** As a result, the AF will support financing core government functions and education services based on government delivery systems. The AF will be implemented based on the Project Operational Manual of the parent project, which will be updated within fifteen days of effectiveness as appropriate to reflect the additional financing.
12. **The financing needs for the wage bill of government and school employees for the duration of the PEACE Project are vast and remain considerably larger than the amount of financing available.** The parent project was going to provide funding to partially² cover the wages of a subset of public sector workers – government and school employees- from March to November, 2022 and had identified a financial gap of US\$550 million. The AF will scale up funding up to 100 percent of the government

² The parent project was originally going to on average cover around 50-55 percent of the overall monthly wage.



and school employees wage bill in March to July 2022, covering the identified financial gap. At the same time given the deteriorating fiscal situation it would be important to continue funding the wage bill after July 2022, justifying a financing gap of around US\$550, which could be covered through contribution of other development partners to the MDTF.

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

Summary of Assessment of Environmental and Social Risks and Impacts

E. Implementation

Institutional and Implementation Arrangements

13. **The AF will use the implementation arrangements on overall project management, financial management and audits as established under the parent project.** The implementing agency of both the AF and the parent project is the Ministry of Finance of Ukraine. A Deputy Minister of Finance will serve as Project Coordinator overseeing project implementation, monitoring progress and ensuring prompt delivery and reporting on project indicators. Within the MOF there is a seamless linkage between the parent project implementation and AF preparation.
14. **The governance and institutional arrangements are designed to fit the current circumstances by using government processes where possible and ensuring the least additional administrative burden on the Government.** As described above, the AF will keep the parent project’s arrangements, relying on the existing country system procedures which were deemed as satisfactory before the crisis and have continued to function during wartime.



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APPROVAL

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