



# Appraisal Environmental and Social Review Summary

## Appraisal Stage

### **(ESRS Appraisal Stage)**

Date Prepared/Updated: 04/27/2022 | Report No: ESRSA02146



**BASIC INFORMATION**

**A. Basic Project Data**

Country	Region	Project ID	Parent Project ID (if any)
Ukraine	EUROPE AND CENTRAL ASIA	P178946	
Project Name	Public Expenditures for Administrative Capacity Endurance (PEACE) in Ukraine		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Governance	Investment Project Financing	4/18/2022	5/26/2022
Borrower(s)	Implementing Agency(ies)		
Ukraine	Ministry of Finance		

Proposed Development Objective

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

Financing (in USD Million)	Amount
<b>Total Project Cost</b>	<b>2042.00</b>

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

Yes

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

The project provides emergency support to Ukraine in the wake of the war and supports the priority themes under the World Bank Group Strategy for Fragility, Conflict, and Violence (FCV) 2020-2025 (Report No. 146551). In line with the World Bank’s FCV Strategy, the Project focuses on Pillar II “Remaining engaged during conflicts and crisis situations” to build resilience, protect essential institutions and deliver critical services. In addition to mitigating the humanitarian crises and preserving development gains, maintaining core government functions would preserve Ukraine’s institutional capacity for a recovery once the conflict ends. The ongoing war had fundamentally impacted the context for the current Country Partnership Framework FY17-FY21. However, by preserving capacity of the government it contributes to achieving all objectives of the CPF. Preserving government capacity to exercise functions



and deliver services also limits negative impact on achievement of the Twin Goals, eliminating extreme poverty and boosting shared prosperity.

#### **D. Environmental and Social Overview**

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

The Russian invasion of Ukraine that began on February 24, 2022, has led to an abrupt and severe deterioration in the social, economic, and poverty conditions in the country. Undoing years of development gains, the ongoing war has battered the economy and could push well up to 70 per cent of the population into poverty by end of 2022. The human impact of the war is incalculable, the war is severely straining the public finances. Ensuring the continuity of Ukraine's government at the central and regional levels is important for ensuring the delivery of basic services. So far, the Ukrainian government is paying salaries to public sector employees, pensions, and social assistance; providing access to basic services including online and where feasible face-to-face schooling, supplying medicines, and restoring access to electricity/water in the areas where the services are disrupted by the war. The project provides emergency support to Ukraine in the wake of the war and supports the priority themes under World Bank Group Strategy for Fragility, Conflict, and Violence (FCV) 2020-2025 (Report No. 146551). In line with the World Bank's FCV Strategy, the Project focuses on Pillar II "Remaining engaged during conflicts and crisis situations" to build resilience, protect essential institutions and deliver critical services. In addition to mitigating the humanitarian crises and preserving development gains, maintaining core government functions would preserve Ukraine's institutional capacity for a recovery once the war ends.

Basic education services, one of the essential core functions of government, continue during the war. While the Ministry of Education and Science (MoES) declared a two-week break after Russia's full-scale invasion began, lessons have now resumed where possible. According to MoES and regional education authorities, as of April 15, about 13,866 general secondary schools (just over 90 percent of such schools which enroll students at primary and secondary levels, grades 1-12) had resumed operations and were holding classes either in distance or blended learning formats. 3.6 million general secondary education students have returned to some form of learning. Basic education services are carried out by teachers and other education staff assigned to local schools and despite displacement of students and teaching staff, the Government is committed to ensuring continuity of teachers' salary payments. The high degree of internal displacement in Ukraine means that many students and teachers are using distance and blended learning modalities, including the All-Ukrainian Online School platform and other digital communications platforms. As of April 15, over 22,000 educators at general secondary education level have left the country, though Ukraine's local education authorities employ more than 400,000 general secondary education teachers in total. Despite the displacement, the Government has guaranteed teachers' right to work remotely (outside their work premises or the territory of Ukraine), and the Government continues to guarantee salaries for teachers and pedagogical staff to ensure continuity of basic education services during the remainder of the 2021/2022 academic year.

The project contributes to advancing the humanitarian-development-peace nexus by filling a critical gap in emergency response. It does so by addressing immediate needs to ensure continuity of the Government and educational services and providing needed resources to avoid deterioration of public and educational institutions. Sustaining institutional and educational capacity is more effective than rebuilding them, and the Project aims to sustain the capacity of public and educational institutions to facilitate the shift from emergency support to a government-led development approach. Reliance on the government for provision of public services has increased further during the war. As private



sector organizations are struggling both financially and logistically to provide services in larger cities, the role of the central and regional government further increased.

The proposed project is to ensure the continuity of core government functions by financing the wage bill for government employees in the public administration and basic education sector. As the table shows, the cost of government employees is far larger than revenues and may become more difficult to finance as the war continues. The proposed project aims to finance the wage bill only for a subset of public sector workers i.e., non-security public administration workers and teachers who are integral for ensuring continuity of core government functions. Salaries will only be paid to existing filled positions and only to sectors and roles that are vital for core public and educational services and that are not related to security operations. The risks directly associated with the provision of salaries are therefore minimal. However, since the salaries are to be disbursed during a period of active military hostility, and since civil servants and educational workers may be paid to perform their functions in areas where public health, safety and security are severely compromised, preventative measures should be taken that are within the control of the civil service to ensure transparency of salary payment, access to grievance redress, and guidance to maintain occupational health and safety and prevent harmful labor.

D. 2. Borrower’s Institutional Capacity

The Implementing Agency for the project is Ministry of Finance of Ukraine that will monitor monthly on-time payments to civil servants and number of civil servants who were paid. The International Cooperation Department of the MoF (ICD MoF) will provide reports based on the Treasury Data, which the World Bank team will review and confirm fulfillment of PBC. The MoF does not have direct experience working with the World Bank Environmental and Social Standards (ESSs) and does not have the designated environmental and social development personnel to oversee the preparation and implementation of the required ES instruments at this stage. All ES responsibilities for the investment projects in Ukrainian portfolio by the Bank were delegated to other governmental agencies- implementing agencies for the projects with MoF being in the coordination role as the Borrower's Representative. However, MoF ICD staff has completed ESF Deep Dive in June 2021 and attended various capacity building ES workshops by Bank's ES regional team, therefore have an understanding of the stakeholder engagement practices, vitality of grievance redress mechanism and relevant labor conditions. The Bank's ES team will provide continues support, extensive supervision and on the job training to the ICD MoF during the project preparation and implementation. The Borrower’s performance on E&S requirements implementation will be assessed by the Bank on a regular basis, informed by project reports and during implementation support missions.

Public Disclosure

**II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS**

**A. Environmental and Social Risk Classification (ESRC)** Moderate

**Environmental Risk Rating** Low

The project will not support any kind of physical works or envisage any other kind of activities that may cause direct or indirect environmental impacts. The sole project activity will be performance-based disbursement based on salaries paid to civil servants in non-security sectors to maintain core government functions, these payments will be made through usual operational channels with all relevant OHS procedures applied in the country presently.

**Social Risk Rating** Moderate

The activities supported by the Project are not expected to have any direct adverse social risks or impacts but take place within a highly volatile context beyond the immediate control of the implementing agency. The Project’s social



risk is therefore classified as moderate. The Project is expected to bring social benefits directly to the families of approximately 180,000 civil servants and ensure continuity of vital government services. However civil servants may be working in areas where occupational health, safety and security risks are posed by the Russian military invasion. These are highly contextual and beyond the immediate control of the project and not caused by the activities supported by the bank financing (civil servant salaries for existing positions paid against performance-based disbursement). Preventative measures able to be actioned by a civil service under emergency conditions will be 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 for the purpose of maintaining transparency in payroll distribution, and monitoring and reporting by designated environmental and social focal points. A negative list of sectors and roles that are not eligible for payroll support will be developed to ensure that only non-security functions are provided for. A Stakeholder Engagement Plan, analyzing affected and interested stakeholder needs and laying out principles for information disclosure and opportunity for feedback and access to redress for complaints and concerns associated with the disbursement of salaries will be included within the project's ESCP. Further steps of stakeholder engagement activities including establishment of the multi-channel, accessible project GRM are to be described in the POM.

**Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH) Risk Rating**

Moderate

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

**B.1. General Assessment**

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

***Overview of the relevance of the Standard for the Project:***

The proposed project is to ensure the continuity of core government functions by financing the wage bill for government employees in the public administration and basic education sector. Disbursement of financing will go through a Single Treasury Account hosted by the State Treasury Service, International Cooperation Department of the MoF will provide reports. No physical works or technical activities will be undertaken as part of the project and the finances will be disbursed into a network of salary payments for civil servants and educational staff to continue performing their core daily functions. Environmental and social risks and impacts assessed for this operation are highly contextual, in that the financing is being disbursed during an active combat situation and civil servants who are enabled to perform their core functions as a result of the provision of salaries may be doing so under situations of extreme vulnerability and insecurity. Whilst provision of salaries does not directly pose or contribute to risks or impacts associated with civil service and educational functions in peacetime or in war, the extreme volatility of the situation means that there is some risk that salaries are not paid on time or that financing for salaries is diverted for other purposes. This risk is addressed in the design of the operation, by financing eligible government staff salaries in non-security sectors and education staff during March-October 2022. The project will support the payment of the salaries of 171,469 central and regional government employees and payment of salaries of 518,221 education staff in secondary schools and education institutions at the local level, enabling basic livelihoods to be maintained for dependents and perhaps also sustaining family members who have sought refuge in neighboring countries. A negative list of sectors and roles that are not eligible for payroll support will be developed to ensure that only non-security functions are provided for.

Public Disclosure



An Environmental and Social Commitment Plan (ESCP) will be prepared, disclosed and consulted on describing preventative measures to be further elaborated in the Project Operations Manual (POM). These measures will include a brief Stakeholder Engagement Plan, analyzing affected and interested stakeholder needs and laying out principles for information disclosure and opportunity for feedback and access to redress for complaints and concerns associated with the disbursement of salaries. An outline of the SEP will be include within the project's ESCP and further detailed steps of stakeholder engagement activities including establishment of the multi-channel, accessible project GRM described in the POM.

### **ESS10 Stakeholder Engagement and Information Disclosure**

The Project is expected to bring social benefits directly to the families of approximately 180,000 civil servants and ensure continuity of vital government services. Preventative measures able to be actioned by a civil service under emergency conditions will be 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 for the purpose of maintaining transparency in payroll distribution, and monitoring and reporting by designated environmental and social focal points. A negative list of sectors and roles that are not eligible for payroll support will be developed to ensure that only non-security functions are provided for. A Stakeholder Engagement Plan, analyzing affected and interested stakeholder needs and laying out principles for information disclosure and opportunity for feedback and access to redress for complaints and concerns associated with the disbursement of salaries will be include within the project's ESCP. Further steps of stakeholder engagement activities including establishment of the multi-channel, accessible project GRM are to be described in the POM. SEP will be disclosed at the official MoF website and updated during the course of the project implementation.

Accessible grievance mechanism for the project will be established, publicized, maintained and operated in a transparent manner that is culturally appropriate and readily accessible to all Project-affected parties, at no cost and without retribution, including concerns and grievances filed anonymously, in a manner consistent with ESS10. It will enable stakeholders to channel concerns, questions, and complaints to the MoF ICD (and, where necessary, to other actors at the local level). A separate channel for confidential reporting for SEA/SH and gender-based violence (GBV) complaints will also be developed and presented as part of the section on GRM in the SEP.

### **B.2. Specific Risks and Impacts**

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

#### **ESS2 Labor and Working Conditions**

There were around 185,000 civil servants as of the end of 2021 with close to 30 thousand working in oblast and rayon state administration and other 83 thousand working in the regional units of the central government. Two thirds of civil servants in Ukraine are women. The approximately 180,000 government civil servants who will receive salaries under the project will remain subject to the terms and conditions of their existing employment arrangements and civil service grievance redress. Civil servants work under a broad range of contracts and conditions that in peacetime were relatively advanced. Ukraine's Labor Code includes measures on equal opportunity and non-discrimination, regulates hiring and firing procedures, allows for collective organization and bargaining; Given the extraordinary circumstances, principles for protecting against harmful labor and ensuring occupational health and safety will be 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 ESS2.

**ESS3 Resource Efficiency and Pollution Prevention and Management**

This standard is not relevant. Activities proposed under the project will not pose risks associated with resource efficiency or pollution.

**ESS4 Community Health and Safety**

This standard is not relevant. Activities proposed under the project will not pose risks associated with community health and safety.

**ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement**

This standard is not relevant. Activities proposed under the project will not require land acquisition, restrictions on land use or involuntary resettlement.

**ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources**

This standard is not relevant. Activities proposed under the project will not pose risks to protected areas, natural habitats or involve primary production of natural resources.

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

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

**ESS8 Cultural Heritage**

This standard is not relevant. Activities proposed under the project will not pose risks to tangible or intangible cultural heritage.

**ESS9 Financial Intermediaries**

This standard is not relevant. Activities proposed under the project will not involve financial intermediation.

**C. Legal Operational Policies that Apply**

**OP 7.50 Projects on International Waterways**

No



**OP 7.60 Projects in Disputed Areas**

No

**B.3. Reliance on Borrower’s policy, legal and institutional framework, relevant to the Project risks and impacts**

**Is this project being prepared for use of Borrower Framework?**

No

**Areas where “Use of Borrower Framework” is being considered:**

N/A

**IV. CONTACT POINTS**

**World Bank**

Contact: Oleksii Balabushko Title: Lead Governance Specialist

Telephone No: +1-202-458-2534 Email: obalabushko@worldbank.org

Contact: Karlis Smits Title: Lead Country Economist

Telephone No: 5262+87045 / - -2024587045 Email: ksmits@worldbank.org

**Borrower/Client/Recipient**

Borrower: Ukraine

**Implementing Agency(ies)**

Implementing Agency: Ministry of Finance

**V. FOR MORE INFORMATION CONTACT**

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

**VI. APPROVAL**

Task Team Leader(s): Oleksii Balabushko, Karlis Smits

Safeguards Advisor ESSA Abdoulaye Gadiere (SAESSA) Concurred on 02-May-2022 at 13:53:43 GMT-04:00

Public Disclosure