



Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 08-Feb-2020 | Report No: PIDISDSA27156

**BASIC INFORMATION****A. Basic Project Data**

Country Ukraine	Project ID P170563	Project Name Social Safety Nets Rationalization	Parent Project ID (if any) P128344
Parent Project Name Social Safety Nets Modernization Project	Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date 17-Feb-2020	Estimated Board Date 05-May-2020
Practice Area (Lead) Social Protection & Jobs	Financing Instrument Investment Project Financing	Borrower(s) Government of Ukraine	Implementing Agency Ministry of Social Policy of Ukraine

Proposed Development Objective(s) Parent

The objective of the Project is to improve the performance of the Borrower's social assistance and social services system for low-income families.

Components

Component 1. Improving social assistance provision to the most vulnerable

Component 2. Supportive Investments for Institutional Strengthening for Administration of Social Assistance and Social Services

Component 3 Supportive Investments for Increasing Provision of Family-based Care to support orphans, children deprived of parental care, disabled children and vulnerable families in selected Oblasts

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

Total Project Cost	100.00
Total Financing	100.00
of which IBRD/IDA	100.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Bank for Reconstruction and Development (IBRD)	100.00
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Environmental Assessment Category

B-Partial Assessment

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **According to the World Bank's latest Economic Update, the Ukrainian economy grew by 3.6 percent in the first half of 2019**, driven by a strong agricultural harvest and the services sectors, while manufacturing and investment growth remained weak. Sound fiscal and monetary management, including efforts to keep current public expenditures under control, are helping to reduce inflation in 2019.
2. **Poverty in Ukraine continues to decline, supported by higher wages and consumption.** Real wages grew 9.5 percent YoY in January-September 2019 driven mostly from growth of salaries in the private sector due to the pressures from outward labor migration. Remittances continued to grow by 12 percent YoY in January-September 2019. As a result, moderate poverty (World Bank's national methodology for Ukraine) is projected to decline to 14.5 percent in 2019 from 16.8 percent in 2018.
3. **Although there has been a significant improvement in recent years, poverty rate in Ukraine remains high.** Poor families with children represent the major vulnerable group, as one in three households with children lives below the poverty line. Having one child raises the risk of relative poverty by 17 percent, whereas having three or more children increases it by as much as 42 percent. The poverty rates are also higher among rural population and population of small cities with poorly developed labor markets and lower rates of employment income. During 2014-2018, Ukraine's social assistance system covered about 60 percent of the population, and the coverage of the poorest quantile increased from 60 to about 80 percent. Despite its high spending, overall high coverage, and improved coverage of the poorest, the SSN system does not reach about 20 percent of population in the poorest quantile. However, the significant budget expenditures channeled to social assistance in Ukraine imply that there is a large opportunity to redirect resources and rationalize the system in a way it increases the impact on poverty.

Sectoral and Institutional Context



4. **Ukraine operates a complex social assistance system that redistributes a large share of GDP.** In 2018, the Government of Ukraine (GoU) spent around 4 percent of GDP on social assistance programs, as large as in much richer countries such as Germany and the Netherlands and far exceeds the average for ECA region. During 2014-2017 overall spending on social assistance rose from 3.4 percent of GDP to 4.4 percent of GDP in 2017 due to the significant expansion of HUS in 2015-17 from 0.2 percent of GDP in 2014 to 2.3 percent of GDP in 2017. It must be noted that the big increase in HUS expenditures during 2015-2017 was essential for supporting a major reform of universal energy subsidies and it buffered the impact of unprecedented utility tariff increases. But as a result, the system became lopsided, the HUS program became the largest social assistance program reaching close to half of the country's households in 2017 (6.5 million). Since 2018, the GoU has been taking steps to improve HUS targeting accuracy and gradually contain the program costs. Scaling down of the HUS led to the reduction of the overall social assistance spending from 4.4 percent in 2017 to 3.8 percent in 2018. The social assistance spending in 2019 is projected to amount to 3.1 percent of GDP.
5. **The social safety net reform remains a key priority in Ukraine in the face of high levels of poverty and continuing fiscal pressures.** The safety net today faces three major challenges: (a) it is unable to provide effective income support to the poor and vulnerable, with the main program aimed at reducing poverty (the Guaranteed Minimum Income, GMI) too small in coverage and providing inadequate support; (b) it is dominated by the costly energy subsidies, the Housing and Utility Subsidy (HUS) program, which addresses only one source of risks for households but is not well targeted; and (c) the current system of support must do much more to improve behavioral incentives to minimize welfare dependence, promote labor activation, and to help vulnerable households to address their basic care needs such as caring for the disabled, children and elderly.

Rationale for Additional Financing

6. **Further reform of the system is needed to provide more effective welfare support while consuming fewer fiscal resources.** Therefore, the GoU has requested World Bank support on the ambitious reform of Ukraine's social safety net for its rationalization, strengthening labor activation measures and ensuring the effectiveness and fiscal sustainability of the safety net system. The Bank has worked closely with the new Government and shares a coherent vision for how to improve both the effectiveness and fiscal sustainability of the system. One of the central elements of this approach is the fiscal consolidation of key benefits as well as the rebalancing of the fiscal resources from the energy subsidy program, the HUS towards the better targeted GMI program. For improved targeting and effectiveness of the SSN spending, this would entail gradual contraction of the HUS, expansion of the GMI as well as integration of some child benefits such as the single mother benefit. The integration of common types of cash benefits and linkages to the social services is expected to simplify the system, reduce exclusion of poor households, improve benefits for poor households, reduce fiscal pressures, and discourage welfare dependency. This strategy is projected to boost support to the poor, improve targeting and save budget resources.
7. **Acknowledging the poor performance of the social assistance system and the availability of the more cost-effective GMI mechanism to channel the assistance to the poor, the GoU initiated an expansion of the GMI program with an accompanying downscaling of the HUS and the further rationalization of categorical benefits.** Specifically, the GoU requested a follow up operation in the form of Additional Financing (AF) in the amount of US\$100 million to help scale-up the original project and increase its



development impact by the proposed AF that will support: (i) improving the efficiency and targeting of state support to the poor and vulnerable through the expansion of the GMI to the poor while downscaling the HUS program for non-poor; (ii) promoting the introduction of complementary social and activation services for GMI beneficiaries to escape the poverty trap; and (iii) rationalizing benefits to improve their targeting and administrative efficiency. The proposed AF will disburse against the achievement of DLIs, while technical assistance to support such comprehensive reforms will come from the current project.

8. **The proposed AF will support the GoU's effort to design the package of services focused on removing barriers to work by linking GMI beneficiaries to available services** (training and re-training; childcare; psycho-social support; criminal record advocacy). Client profiling tools will be used to develop a personalized and proactive approach to activation. These tools will include the assessment of needs and constraints (most vulnerable groups typically face multiple constraints), and mapping needs and different programs through the development of a personal plan. The proposed AF will support the piloting and nationwide implementation of complementary services for GMI beneficiaries to help them escape from the poverty trap and build their human capital. This component of the AF is the most complex and requires strong TA and capacity building.

C. Proposed Development Objective(s)

Original PDO

The objective of the Project is to improve the performance of the Borrower's social assistance and social services system for low-income families.

Current PDO

The objective of the Project is to improve the performance of the Borrower's social assistance and social services system for low-income families.

Key Results

9. **The key results expected to be achieved under the AF are as follows:**
 - (a) efficiency and targeting of state support to poor and vulnerable improved, namely:
 - (i) GMI program to promote comprehensive and equitable coverage of the poor expanded;
 - (ii) HUS program for non-poor downscaled;
 - (b) complementary social and activation services for GMI beneficiaries to escape poverty trap introduced;
 - (c) selected benefits rationalized (means-tested benefits unified, measures to delink wages of public officials from Subsistence Minimum adopted and measures to defragment the system of categorical benefits adopted), targeting of benefits and their administrative efficiency improved.



D. Project Description

10. **Project Development Objective (PDO).** The PDO would remain unchanged as “to improve the performance of Ukraine’s social assistance and social services system for low-income families.”
11. **The AF project will have three components, unchanged from the original project.** The full AF amount of \$100 million will be allocated to Component 1 to finance the expansion of the GMI program and the rationalization of selected social assistance benefits.

Component 1: Improving social assistance provision to the most vulnerable (AF US\$100 million).

12. **This component will continue to support the Government’s social safety net reform agenda within the same three results areas as in the original project.** The AF will be used to provide the financing of payments under the Eligible Expenditure Program (EEP) in support of the expansion of the GMI program. The proposed AF would co-finance the expansion of the GMI program from 2 percent of population (about 270,000 recipient households) in December 2019 to 5 percent of population by December 2022 by disbursing loan funds against the achievement of three DLIs.
13. **Three new Disbursement-linked Indicators (DLIs) are introduced to guide the disbursement of AF funds.** Gradual disbursement during 2020-2022 will take place upon the achievement of the 12 disbursement-linked results (DLRs), which will capture progress towards the achievement of each DLI. The DLIs are described in detail in the following paragraphs. These DLIs are arranged around three important areas of SSN reform in Ukraine that the AF is tackling: (i) improving the efficiency and targeting of state support to the poor and vulnerable through the expansion of the GMI to the poor and the downscale of the HUS program for the non-poor; (ii) promoting the introduction of complementary social and activation services for GMI beneficiaries to escape from the poverty trap; and (iii) rationalizing benefits to improve their targeting and administrative efficiency.
14. **Activities under Component 2 “Supportive Investments for Institutional Strengthening for Administration of Social Assistance and Social Services” and Component 3 “Supportive Investments for Increasing Provision of Family-based Care to support orphans, children deprived of parental care, disabled children and vulnerable families in selected Oblasts” are in progress.** The significant achievements were gained under the Component 2, namely: (i) successful completion of the Piloting of activation services to support labor-market activation of work able GMI beneficiaries from dependency on benefits to self-sufficiency (Hand of Help pilot); (ii) introduction of the new models for social assistance and social services delivery to be supported by an integrated MIS E-Social, (iii) establishment of a social Inspectorate to effectively identify and correct benefit irregularities related to errors and fraud and (iv) strengthening the institutional capacity to introduce and manage a Housing and Utilities Subsidy (HUS) program. Progress has been also made in the de-institutionalization of childcare under Component 3. The transformation of residential institutions for children and the provision of family-based care to support orphans, children deprived of parental care, disabled children and vulnerable families in four selected oblasts has been launched. It is expected that 24 residential institutions in these four oblasts will be transformed and around 600 children will transition to family-based care.



E. Implementation

Institutional and Implementation Arrangements

The implementation arrangements under AF will remain the same as those for the original project. The MoSP will be the main implementing agency for the AF. The Deputy Minister of the MoSP will be made responsible for overall project implementation and will lead the Project Management Group established in the MoSP under the original project to guide implementation and make decisions. This implementation arrangement will be reflected in the POM. External consultants hired by the MoSP will provide additional technical assistance and expertise required to implement project activities.

F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

The project will be located nationwide.

G. Environmental and Social Safeguards Specialists on the Team

Mariia Nikitova, Social Specialist
Oksana Rakovych, Environmental Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The Safeguard Policy (SP) triggered for the parent project is OP 4.01, and it continues to be triggered for AF.
Performance Standards for Private Sector Activities OP/BP 4.03	No	Not triggered
Natural Habitats OP/BP 4.04	No	Not triggered
Forests OP/BP 4.36	No	Not triggered
Pest Management OP 4.09	No	Not triggered
Physical Cultural Resources OP/BP 4.11	No	Not triggered
Indigenous Peoples OP/BP 4.10	No	Not triggered
Involuntary Resettlement OP/BP 4.12	No	Not triggered



Safety of Dams OP/BP 4.37	No	Not triggered
Projects on International Waterways OP/BP 7.50	No	Not triggered
Projects in Disputed Areas OP/BP 7.60	No	Not triggered

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

There are no potential large-scale, significant and/or irreversible impacts expected as a result of project activities. The original SSNM project was subject to the World Bank Safeguards Policies and Procedures. As the proposed AF remains focused on scaling up activities under the original project, the existing Safeguard Policies and Procedures will continue to apply, and the AF will be classified as category B. Similarly, the original project classification as category B will remain unchanged as no new types of activities are envisaged, consequently, no new Safeguard Policies are triggered.

Following the World Bank Safeguards Policies and Procedures, the original Environmental Management Framework that was prepared and approved in 2014 provided: (a) potential project impacts; (b) generic mitigation measures for identified environmental impacts focused, in particular, on handling of construction generated wastes, and storage of hazardous materials under project supported activities, measures to reduce noise and dust; (c) description of the EMP Checklist; (d) requirements for conducting monitoring activities; and (e) institutional responsibilities for its implementation. The EMF was integrated into the Project's Operational Manual and Environmental Management Plan "check list" was a part of all contracts involving equipment and works. EMF (updated in January 2020), will continue to be used, with the necessary revisions to (i) cover social impact assessment and update template ESMP with social mitigation measures; (ii) reflect the AF-supported activities; (iii) address safeguards issues during the AF implementation; (iv) address changes in management arrangements and necessary capacity building within the MoSP; (v) detail requirements of the new law "On Environmental Impact Assessment" adopted on December 18, 2018; (vi) reflect reporting requirements under Environmental and Social Incident Reporting Tool. The Environmental and Social Management Framework (ESMF) was updated by the client in 2020 to reflect changes in the project scope, including elimination of the major part of civil works.

Civil works were neither implemented during the original project, nor planned under additional financing, thus safeguards performance is considered satisfactory.

Grievance Redress Mechanism. The original project and the proposed AF are aimed at improving the design and functioning of the Ukrainian Social Safety Nets system with the main emphasis on the GMI and HUS programs. Both, the original project and AF, are co-financing extension of the GMI program and improvements in the HUS program. Thus, all beneficiaries of the GMI and HUS, amounted roughly to 10 million persons, might potentially be affected by the project. Bringing improvements to the existing and functioning GRM system run by the MoSP were considered the most efficient way to address the project-related grievances and complaints.

The original project has established project-level GRM which would be applicable to the proposed AF. To record



improvements in the GRM in 2019, the MoSP introduced the client satisfaction mechanism that will measure percentage of the clients satisfied with complaint handling mechanism. Under the AF, the GRM business processes will undergo review and improvements. The remainder of the project-related complaints will be received through the project-specific GRM icon at the MoSP website and handled accordingly by the MoSP GRM Focal Point.

Individuals, communities and legal entities who believe that they are adversely affected by the project can also use the existing multi-channel MoSP GRM. The MoSP maintains easily accessible GRM enabling local stakeholders to submit questions, complaints and suggestions through various channels (including phone, email, mail, online form, online chat and meetings).

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area: No potential indirect and/or long-term impacts are expected. The major part of civil works envisaged under Component 3 of the original project were eliminated to reflect the changes in the project scope. Minor indoor rehabilitation/repair works in the existing buildings may be performed under Component 2. The full AF amount will be allocated to Component 1 to finance the expansion of the GMI program and the rationalization of selected social assistance benefits. Since AF does not envisage civil works, no potential indirect and/or long-term impacts are expected.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.
Not applicable.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

The implementation arrangements under the AF will remain the same as those for the original project. The MoSP will be the main implementing agency for the AF. The Deputy Minister of the MoSP will be made responsible for overall project implementation and will lead the Project Management Group established in the MoSP under the original project. This implementation arrangement will be reflected in the updated POM. External consultants hired by the MoSP will provide additional technical assistance and expertise required to implement project activities. The Ministry of Social Policy has extensive experience in implementing WB-financed operations, including management of civil works under Social Assistance System Modernization project and Social Investment Fund project. Original Environmental Management Framework, prepared and approved in 2014, was updated in 2020.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

The Environmental Management Framework (EMF) was prepared by the client in 2014. In 2020 to reflect changes in the project scope, including elimination of the major part of civil works, the Environmental and Social Management Framework (ESMF) was updated by the client and disclosed on February 3, 2020 on the MoSP website (in a form and language that are understandable and accessible to project-affected groups and local NGOs) to launch consultations upon prior to project appraisal.



B. Disclosure Requirements (N.B. The sections below appear only if corresponding safeguard policy is triggered)

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
30-Jan-2020	05-Feb-2020	

"In country" Disclosure

Ukraine
03-Feb-2020

Comments

The original EMF, guiding the parent project environmental assessment (EA) aimed at avoiding, minimizing or mitigating potential adverse environmental and social impacts that might be caused by the project activities, was prepared by the client and disclosed on January 17, 2014. The ESMF for AF was updated by the client to reflect changes in the project scope and was publicly disclosed on the MoSP website for soliciting feedback on its provisions from all the interested parties.

The Compliance Monitoring Indicators at the Corporate Level section has been updated using the parent project ISDS data.

If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.

If in-country disclosure of any of the above documents is not expected, please explain why:

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting) (N.B. The sections below appear only if corresponding safeguard policy is triggered)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?

NA

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

Yes



All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Yes

Have costs related to safeguard policy measures been included in the project cost?

Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

CONTACT POINT

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Borrower/Client/Recipient

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Implementing Agencies

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APPROVAL

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