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Report No: PAD5024

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
AND
INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED LOAN

IN THE AMOUNT OF EUR 465.96 MILLION (US\$492 MILLION EQUIVALENT)

AND A PROPOSED CREDIT

IN THE AMOUNT OF EUR 946.6 MILLION (US\$ 1 BILLION EQUIVALENT)

TO
UKRAINE

FOR A

PUBLIC EXPENDITURES FOR ADMINISTRATIVE CAPACITY ENDURANCE IN UKRAINE
(PEACE IN UKRAINE) PROJECT

May 18, 2022

Governance Global Practice
Europe And Central Asia Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective as of April 30, 2022)

Currency Unit = Ukraine Hryvnia (UAH)

US\$1 = UAH 30.25

SDR 1 = US\$1.34

FISCAL YEAR

January 1 - December 31

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ABBREVIATIONS AND ACRONYMS

AICEM	Automated Information Complex of Educational Management
CPF	Country Partnership Framework
DEHC	Department of Expenditures of Humanitarian Sector
DEPA	Department of Expenditures of Public Authorities
DPL	Development Policy Loan
DSC	Deployable Strategic Capital
ECA	Europe and Central Asia
ESCP	Environmental and Social Commitment Plan
EU	European Union
FCV	Fragility, Conflict, and Violence
GDP	Gross Domestic Product
GoU	Government of Ukraine
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
HRMIS	Human Resources Management Information System
IBRD	International Bank for Reconstruction and Development
ICT	Information Communication Technology
IDA	International Development Association
IFPD	International Financial Projects Department
IMF	International Monetary Fund
IPF	Investment Project Financing
LCR	Liquidity Coverage Ratio
MDTF	Multi-Donor Trust Fund
MoES	Ministry of Education and Science
MoF	Ministry of Finance
MTBF	Medium-Term Budget Framework
NACS	National Agency of Civil Service
NBU	National Bank of Ukraine
PBA	Performance-Based Allocation
PDO	Project Development Objective
PEACE	Public Expenditures for Administrative Capacity Endurance
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
POM	Project Operational Manual
PP	Procurement Plan
PPG	Public and Publicly Guaranteed
PPSD	Project Procurement Strategy for Development
SEA/SH	Sexual Exploitation and Abuse/Sexual Harassment
STS	State Treasury Service
UAH	Ukraine Hryvnia
UK	United Kingdom
US	United States
WBG	World Bank Group



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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name		
Ukraine	Public Expenditures for Administrative Capacity Endurance (PEACE) in Ukraine		
Project ID	Financing Instrument	Environmental and Social Risk Classification	Process
P178946	Investment Project Financing	Moderate	Urgent Need or Capacity Constraints (FCC)

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 Enhanced Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
07-Jun-2022	31-Mar-2023

Bank/IFC Collaboration

No

Proposed 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

**Components**

Component Name	Cost (US\$, millions)
Support to government and school employees wage bill	1,491.80
Audit and administrative expenses	0.20

Organizations

Borrower: Ukraine

Implementing Agency: Ministry of Finance

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

Total Project Cost	2,042.00
Total Financing	1,492.00
of which IBRD/IDA	1,492.00
Financing Gap	550.00

DETAILS**World Bank Group Financing**

International Bank for Reconstruction and Development (IBRD)	492.00
International Development Association (IDA)	1,000.00
IDA Credit	1,000.00

IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
Ukraine	1,000.00	0.00	0.00	1,000.00
National PBA	1,000.00	0.00	0.00	1,000.00
Total	1,000.00	0.00	0.00	1,000.00

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

WB Fiscal Year	2022	2023
Annual	492.25	1,000.00
Cumulative	492.25	1,492.25

INSTITUTIONAL DATA**Practice Area (Lead)**

Governance

Contributing Practice Areas

Macroeconomics, Trade and Investment

Climate Change and Disaster Screening

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

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● High
2. Macroeconomic	● High
3. Sector Strategies and Policies	● Substantial
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● High
7. Environment and Social	● Moderate
8. Stakeholders	● Substantial
9. Other	
10. Overall	● High



COMPLIANCE

Policy

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

☐ Yes ☒ No

Does the project require any waivers of Bank policies?

☐ 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	Not Currently 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).

Legal Covenants

Sections and Description



The Financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

Sections and Description

The Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

Sections and Description

The Borrower has adopted the Project Operational Manual ("POM") in accordance with Section I.B. of Schedule 2 to this Agreement

Sections and Description

The Recipient has adopted the Project Operational Manual ("POM") in accordance with Section I.B. of Schedule 2 to this Agreement.

Sections and Description

Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed \$€446,795,200 may be made for payments made prior to this date but on or after March 1, 2022, for Eligible Expenditures under Category (1).

Sections and Description

Notwithstanding the provisions of Part A above, no withdrawal shall be made under Category (1), until and unless the Recipient has furnished evidence satisfactory to the Association in accordance with the verification protocols set forth in the POM, showing that the Salaries for Eligible Employees have been paid.

Sections and Description

Notwithstanding the provisions of Part A above, no withdrawal shall be made under Category (1), 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 the Salaries for Eligible Employees have been paid.

Sections and Description

Notwithstanding the provisions of Part A above, no withdrawal shall be made under Loan A, until and unless the Bank and the UK Guarantor have signed the UK Guarantee Agreement and the UK Guarantee Agreement has been delivered to the Bank and has become effective.

Sections and Description

Notwithstanding the provisions of Part A above, no withdrawal shall be made under Loan B, until and unless the Bank and the Dutch Guarantor have signed the Dutch Guarantee Agreement and the Dutch Guarantee Agreement has been delivered to the Bank and has become effective.

Sections and Description

Notwithstanding the provisions of Part A above, no withdrawal shall be made under Loan C, until and unless the



Bank and the Lithuanian Guarantor have signed the Lithuanian Guarantee Agreement and the Lithuanian Guarantee Agreement has been delivered to the Bank and has become effective.

Sections and Description

Notwithstanding the provisions of Part A above, no withdrawal shall be made under Loan D, until and unless the Bank and the Latvian Guarantor have signed the Latvian Guarantee Agreement and the Latvian Guarantee Agreement has been delivered to the Bank and has become effective.

Conditions



I. STRATEGIC CONTEXT

1. This proposed project supports the Government of Ukraine (GoU) in sustaining core government functions at the national/regional levels and providing education services during the war. The project builds on similar Fragility, Conflict, and Violence (FCV) country experiences but notes that unlike in some other countries at war, the Government in Ukraine continues to play a crucial role in making policy choices and providing services to its people. Examples of this include connecting to the European Union (EU) electric grid to ensure the people of Ukraine continue to receive electricity; organizing swaps with other central banks to ensure that financial services are maintained; and taking steps to stabilize the economy to the extent possible. The GoU maintains control over key state functions such as collecting revenues, making social payments, responding to emergencies, and sustaining education services with over 90 percent of schools functioning and serving 3.6 million students in grades 1-12 as of April 15, 2022. Lessons learned from the FCV experience show that it is extremely important to keep core government and education services functioning during the war to minimize loss in human capital, deliver core government services and secure lasting peace to rebuild the country and its economy after the war. This project aims to do exactly that, contributing to sustaining the core government and education services by funding the non-security sector wage bill of government and school employees in Ukraine.

A. Country Context

2. **Russia's invasion of Ukraine on February 24, 2022, is having devastating economic, social and poverty consequences.** Before the onset of the war, the average Ukrainian enjoyed broadly the same standards of living – proxied by gross domestic product (GDP) per capita in real terms – as at independence in 1991, the result of decades of economic mismanagement, weak institutions, and acute governance challenges, as well as repeated external shocks. Institutional, economic, and social reforms begun after the 2014 Maidan Revolution had started to yield development and poverty gains. These have, now, been undone by the ongoing war, which has battered the economy. The Office of the United Nations High Commissioner for Human Rights recorded 7,060 civilian casualties in Ukraine as of May 10, 2022 (3,380 killed and 3,680 injured). An estimated 6.3 million people have fled their homes to neighboring countries and more than 6.5 million have been displaced internally as of May 17. Depending on the war's duration, the share of the population living below the actual Subsistence Minimum (the national poverty line¹) may reach 70 percent in 2022, up from 18 percent in 2021. Families have been separated and thousands of homes destroyed in the war. Substantial damage to infrastructure (especially roads, bridges, and power plants) in key cities has been reported.
3. **The economic impact of the war has been colossal – GDP is projected to contract by about 45 percent in 2022 through severe disruption of economic activity and trade.** Currently, hostilities are taking place in 10 regions that normally account for around half of Ukraine's GDP. Crisis management policies have staved off an outright macroeconomic collapse. To support the economy and ease pressures on foreign exchange reserves and banks, authorities have imposed capital controls and restrictions on the banking sector, while meeting domestic and external debt obligations. The Government continues making priority social payments, including pensions. These measures have helped to prevent a deeper humanitarian and social impact during wartime. However, if the war continues for much longer, the economic contraction will be much sharper, the poverty impact even worse and the future growth potential of the economy much lower.

¹ In 2021 the Subsistence Minimum was UAH 4,258 (US\$142 equivalent) per person per month



4. **As expected, the war is severely straining Ukraine's public finances.** Before the escalation of tensions and the onset of war, the fiscal deficit was expected to narrow over the medium term to just under 2.5 percent of GDP by 2024 (see Table 1), helped by a recovery in tax revenues (in line with economic recovery from COVID-19), and a progressively tightening fiscal stance.² Since the onset of war, despite cuts in non-priority areas (especially capital expenditures), large social and wage bill spending needs amid sharply declining revenues have opened a large *non-military* fiscal deficit of over 12 percent of GDP in 2022, against the backdrop of diminished market access. Tax revenues are being affected by several factors, including lower economic activity, inability to collect taxes in some parts of the country, tax deferrals announced for key businesses, suspension of land and municipal taxes for the period of the war, and the shift to a 2 percent turnover tax. With a large fiscal deficit, coupled with a heavy debt redemption profile, Ukraine faces sizable *non-military* financing needs of US\$31.4 billion in 2022. Implicit in these estimates is the assumption that the Government will continue to honor its social, pension and wage commitments.³ On the financing side, a full rollover of domestic debt repayments should be possible but external refinancing will be much more challenging. In addition, quasi-fiscal pressures of up to US\$5.5 billion emanate from the energy sector (mainly from Naftogaz to restock gas reserves for the next heating season and to fund gas subsidies under a public service obligation) and liquidity needs of the electricity sector.

Table 1: Ukraine Fiscal Projections: Pre- and Post-war

	Actual			Dec 2021 Projections			Revised projections April 2022			
	2019	2020	2021e	2022p	2023p	2024p	2022p	2023p	2024p	2025p
Fiscal										
Revenues, <i>percent GDP</i>	39.5	39.7	40.5	40.6	40.7	40.3	28.7	30.7	31.9	33.2
Expenditures, <i>percent GDP</i> *	41.6	45.3	44.5	45.1	43.2	42.5	40.3	40.4	34.4	31.7
Fiscal Balance, <i>percent GDP</i> *	-2.1	-5.6	-4.0	-4.5	-2.5	-2.2	-12.1	-12.8	-6.4	-4.2
Primary Deficit <i>percent GDP</i> *	1.1	-3.2	-0.5	-0.7	-1.1	-1.1	-8.4	-7.8	-4.6	-2.9
PPG debt (eop), <i>percent GDP</i>	50.2	60.4	50.7	53.4	52.7	50.5	92.0	--	--	--

Notes: *Non-military expenditures and balances from 2022 onwards

B. Sectoral and Institutional Context

5. **The most important consequences of the war are the loss of life and the unfolding humanitarian and poverty crisis.** As noted above, around 12.8 million people (over a quarter of the population) have fled the country or are internally displaced. Those remaining in the country are experiencing serious disruptions in access to basic services. The substantial damage to infrastructure has interrupted access to health, education, electricity, and water services. The Government is relentlessly working to ensure access to online and, where feasible, face-to-face education and restoring access to water and electricity to thousands of households daily. Further deterioration of these systems, arising from fiscal consolidation and cash management policies (such as wage bill arrears in social sectors, and arrears or cuts in social transfers), may disrupt the coordination and provision of these essential services and could worsen the humanitarian crisis, cause long-lasting learning losses, and damage

² The fiscal stance was reflected in the Government's approval in July 2021, for the first time, of a Medium-Term Budgetary Framework (MTBF) for three years until 2024 that capped the 2022 budget deficit at 3.5 percent of GDP, with the deficit declining to 2.7 percent in 2024. The MTBF was subsequently adopted by Parliament, as was the 3.5 percent deficit ceiling in the 2022 Budget adopted in December 2021. In addition, the Government proposed a tax package to be implemented in 2022 to broaden the tax base and close some loopholes, which was expected to generate 0.5 percent of GDP in revenues.

³ The authorities indicated that they have drastically cut capital expenditures and other non-essential spending.



human capital in Ukraine beyond the already significant casualties.

Core Government

6. **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 basic services, urgently repairing damaged infrastructure, and performing emergency rescue operations.** According to the World Development Report 2011,⁴ retaining effective public institutions, fostering accountability, enhancing service delivery, and promoting citizen engagement are necessary for addressing the drivers of fragility. International evidence suggests that countries emerging from conflict (e.g., Afghanistan, Iraq, and Somalia) tend to have difficulty rebuilding institutional capacity, thus hampering peace and reconstruction efforts. The United Nations/World Bank (2017)⁵ pointed to six core government functions that are critical for public revenue and expenditure management: (i) executive decision-making and coordination at the center of government; (ii) public revenue and expenditure management; (iii) government employment and public administration; (iv) the security sector; (v) local governance; and (vi) aid management. The lessons learned over the past decade emphasize the need for flexibility and adaptation to changing political and security circumstances, the management of risk and the importance of staying the course in the face of crises and temporary reversals.
7. **The GoU continues to make and implement transformational policy decisions.** On February 24, 2022, Ukraine's electric grid operator disconnected the country's power system from the larger Russian-operated network to which it had always been linked. This was meant to be a 72-hour trial to eventually link with the European grid, but four hours after the exercise started, Russia invaded. As a result of the Government's swift action on both technical and coordination sides, on March 16, 2022, the EU and Ukrainian power grids were synchronized. Full integration with the European grid will likely take place after the war is over, but Ukraine managed to achieve a record breaking implementation of this policy decision while securing its energy supply. Other examples include the agreement reached within hours of the invasion on establishing the currency swap lines between the National Bank of Ukraine (NBU) and National Bank of Poland and potential future swap lines with other central banks to stabilize monetary policy within the country; and massive reallocation of the State Treasury Service (STS), NBU, and human resource management systems to safer location or to a cloud service in the jurisdictions outside of Ukraine - also done extremely fast.
8. **The GoU has remained functional since the beginning of the war.** The Government is 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, etc. They also enable frontline service delivery units in healthcare, education, and other sectors to fulfill their functions through coordination, funding, and

⁴ The World Bank (2011), *World Development Report 2011: Conflict, Security, and Development*.

⁵ United Nations / World Bank (2017), *(Re) Building Core Government Functions in the Aftermath of Conflict*. A Joint Approach and Methodology for Assessing Key Issues and Priorities.



regulation. The core functions and key responsibilities of the central and regional governments are presented in Table 2.

Table 2. Core Government (Non-Military) Functions by Level

Central Government	Regional (Oblast and Rayon) Governments
<p><u>Cabinet of Ministers:</u></p> <p>Ensures state sovereignty of Ukraine</p> <p>Implements the Laws and Constitution of Ukraine</p> <p>Ensures rights and freedoms of people and citizens</p> <p>Implements policies in the areas of budget, investment, tax labor, employment, social protection, education, science, culture, and environment</p> <p>Manages state property</p> <p>Ensures defensive capacity, national security, law and order</p> <p>Disaster relief</p> <p>Coordination of other government agencies and control over their work</p> <p><u>Other Central Government Agencies:</u></p> <p>Provide administrative services</p> <p>State oversight and control</p> <p>Manage state property</p> <p>Formulate policy proposals</p> <p>Implement policies (including in healthcare, education, revenue collection, and social assistance)</p>	<p>Budget, finance and report at the oblast/rayon level</p> <p>Coordinate industry, agriculture, construction, transport and communication sectors</p> <p>Finance and coordinate healthcare and education units in the region</p> <p>Ensure provision of utility services (waste management, electricity, heating, water, and gas)</p> <p>Implement government policy to support small and medium enterprises</p> <p>Undertake road maintenance</p> <p>Prevent epidemics, infectious diseases</p> <p>Manage the network of social protection entities, entities that provide social services, and shelters for homeless</p> <p>Policy and coordination of issues of foster care and adoptions</p> <p>Coordinate all activities related to prevention and mitigation of negative impacts of emergency situations</p> <p>Inform residents of emergency situations, coordinate protection of civil population during emergencies</p>

Source: Laws of Ukraine on Subnational State Administrations, #586-XIV; and on Cabinet of Ministers, #794-VII.

9. **The core functions of the Government are carried out by civil servants and government staff at different levels of government, mainly located in the public administration.** There were around 162,138 government employees (civil service and non-civil service staff⁶ of the central and regional governments in non-security sectors) at the end of 2021, with close to 30,000 working in oblast and rayon state administrations and another 83,000 working in the regional units of the central government. The majority of employees are civil servants, with support staff occupying around 10 percent of positions. Two thirds of civil servants in Ukraine are women; most of them have stayed in Ukraine, and those who have been displaced internally, continue to work remotely from within Ukraine. As of December 31, 2021, there were 127,987 women in the civil service with 55 women in top positions (around 30 percent of the top positions) and over 28,000 at the technical management positions (around 67 percent of the technical management positions).

Education Sector

⁶ The 2016 reform reclassified support staff in government agencies (IT, training, archives) as non-civil service government employees.



10. **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 invasion began, lessons have now resumed where possible. According to MoES and regional education authorities, as of April 15, 2022, about 13,866 schools for students of grades 1-12 (just over 90 percent of such schools which enroll students at primary and secondary levels) had resumed operations and were holding classes either in distance or blended learning formats. Since the initial break, 3.6 million school students have returned to some form of learning out of the overall 5.5 million school age population.
11. **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' base 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 30, 2022, over 25,000 school teachers have left the country, out of the more than 400,000 school teachers employed by Ukraine's local education authorities. In line with regulations governing remunerations and teaching loads during the period of martial law, the Government guaranteed teachers' right to work remotely (outside of their work premises or the territory of Ukraine), and the Government continues to guarantee salaries for teachers and other school employees to ensure continuity of education services during the remainder of the 2021/2022 academic year.
12. **Payment of remuneration for school employees is the responsibility of local governments, although the education wage bill is financed mainly by the central government through the education subvention and is paid by the STS.** Local governments manage schools and other types of education institutions. The education subvention is a fiscal transfer from the national government to local budgets for financing the education wage bill. The amount of the transfer is determined according to a formula that accounts for student enrollment, school type, class size, and other variables, calculated based on data entered by education institutions into the Ministry's Automated Information Complex of Educational Management (AICEM). In addition to the education wage bill that is financed by the education subvention, another portion is financed by local governments directly to cover allowances and top-ups based on teachers' workload and experience. However, fiscal resources at the local level are dwindling, meaning that the teachers are only guaranteed the base pay funded through the education subvention. Currently, no change to the education subvention formula is envisaged, and the education subvention continues to be transferred to the local budgets twice a month. In April 2022, according to MoES, the education subvention was sent to all local budgets on time and in full.

Overall project context

13. **Currently available fiscal resources are insufficient to cover current expenditures (much less relief and reconstruction efforts); accordingly, Ukraine will require support over a sustained period.** The table below shows estimates of monthly revenues and current expenditures for the central and regional governments starting on March 1, 2022. While revenues held up somewhat until March (in part due to frontloading of dividend transfers from state owned enterprises), a sharp drop is anticipated from April 2022 onwards. 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 of time. 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.



Table 3. Monthly Current Expenditures, March-December 2022, UAH billion

	March (actual)	April (projected)	May (projected)	Average monthly for the rest of 2022
Revenue	103.0	47.4	53.7	68.0
Expenditure (non-military)	117.0	163.8	165.8	109.6
<i>Including</i>				
Wages, goods and services, including	52.1	93.4	89.3	62.9
Wages (public administration)	4.5	4.5	5.0	5.0
Wages (school employees)	8.0	8.0	10.0	7.0
Social protection	50.0	55.5	46.9	33.0
Capital expenditure	0.0	3.1	2.7	0.5

Note: The school employees wages usually increase in May due to additional payments before the start of the school summer break.

Source: World Bank Staff estimates, Ministry of Finance data.

14. **The proposed project is to support the continuity of core government functions by financing the wage bill for government employees at the central and regional level and school employees at the local level.** As the table shows, the Government's basic expenditures are far larger than revenues, and it may become more difficult to finance the cost of government employees 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 sector government employees⁷ and school employees⁸ who are integral for ensuring continuity of core government functions, preventing erosion of learning outcomes and preserving human capital. The average wage bill for non-security public administration workers would be around UAH 5 billion (US\$167 million equivalent) per month, including central government and regional governments. This is about 12 percent of the overall wage bill of the central and regional governments. For the school employees, the average wage bill from June 2022 until the end of the calendar year 2022 would be around UAH 7 billion (US\$233 million equivalent) per month.
15. **While the governance issues have been a major constraint to Ukraine's development, the country also has resilient institutions in areas related to crisis response and financial control.** The project is designed specifically to focus on areas where systems are relatively sound and governance risks are relatively contained. Before the war, Ukraine lagged behind the Europe and Central Asia (ECA) and upper middle-income countries on many dimensions of the World Governance Indicators despite improvements between 2015 and 2020, with corruption and state capture being important areas of concern. This project supports the areas where the reform progress has been made and systems are sound. Ukraine has been implementing public administration reforms since 2015, focused on digital services and civil service reform. Key administrative services in the social sector, construction sector, and business registration, have been digitized. The decentralization reform also showed success and regional and local government have been increasingly in charge of service provision. Public financial management systems were sound according to the Public Expenditure and Financial Accountability (PEFA) 2019 Assessment:

⁷ Non-security sector government employees are civil service and non-civil service staff of government agencies, departments and ministries in non-security sectors.

⁸ The school employees are pedagogical staff working in institutions that provide general secondary education (except for pre-school entities) as defined in the Resolution of the Cabinet of Ministers 963 of June 14, 2000, On Approval of List of Pedagogical Personnel. The schools include general schools, specialized schools and education entities financed through education subvention as defined in the Article 103-2 of the Budget Code of Ukraine, except for military schools and schools with enhanced military-physical training.



while lagging in performance budgeting and strategic alignment of the budget, treasury, payroll, and other financial controls ensure timely and regular reconciliation of payment processes, including transparent payroll processing, with no substantial irregularities. Overall, the impact of institutional weaknesses (e.g., in terms of state capture or government effectiveness) on public expenditure is likely to be lower during the war, with the non-military fiscal expenditures currently concentrated on essential public services. In addition, risks stemming from such weaknesses are mitigated by the focus of this project on financing of government and school employees' wages, which have been historically well controlled.

16. **The project is being processed under the World Bank Policy for Investment Project Financing (IPF), section III, paragraph 12: Projects in Situations of Urgent Need of Assistance or Capacity Constraints and OP 8.00: Rapid Response to Crises and Emergencies. It provides a rapid response in support of preserving essential services (OP 8.00 4c) and preserving institutional capital (OP 8.00 4d).** As the war continues, the Government needs to ensure the continuation of core government functions to provide essential services to the citizens, including healthcare, education, tax administration and utilities. School employees' salaries are important to ensure continued delivery of learning to students. Given the severe contraction in economic activity and weak tax collection, the Government is faced with difficult decisions and tradeoffs for funding critical activities, including emergency restoration of critical infrastructure, key social services, and paying out wages and pensions in the near term. The Government has requested the Bank's support to ensure timely payment of government and school employees' salaries in 2022.

C. Relevance to Higher Level Objectives

17. **The project provides emergency support to Ukraine during the war - as part of the *WBG Response to the Global Impacts of the War in Ukraine – A Proposed Roadmap* - and supports the priority themes under the World Bank Group (WBG) Strategy for Fragility, Conflict, and Violence (FCV) 2020-2025 (Report No. 146551).** This project is a core element 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. As a part of the financing package for the WBG response, following endorsement by IDA Deputies and Borrower Representatives (IDA Participants) on April 11, 2022, and approval from the Board of Executive Directors on April 29, 2022, project financing includes an exceptional US\$1 billion short-maturity non-concessional financing (see para. 26 for specific terms) from IDA resources to Ukraine in FY22. This financing will be made possible by utilizing IDA's temporary capital capacity (Deployable Strategic Capital cushion), and will be additional to the IDA19 replenishment envelope, leaving the original IDA19 financing plan of US\$71 billion intact. In line with the WB'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 safeguard Ukraine's institutional capacity for a recovery once the war ends. The ongoing war has fundamentally impacted the context for the current Country Partnership Framework (CPF) FY17-FY21. However, by maintaining the capacity of the Government to perform its core functions, and to promote growth and improve equity, the project contributes to achieving all objectives of the CPF. Preserving government capacity to exercise its functions also limits the war's negative impact on achievement of the WBG's Twin Goals to eliminate extreme poverty and boost shared prosperity.



18. **The project contributes to advancing the humanitarian-development-peace nexus by filling a critical gap in the emergency response.** It does so by addressing immediate needs to ensure continuity of government services and providing needed resources to avoid deterioration of public institutions. Sustaining institutional capacity is more effective than rebuilding it; the Project, thus, aims to sustain the capacity of public institutions to maintain public services during the war, and later facilitate the shift from emergency support to a government-led reconstruction and development effort.

II. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement

19. **The Project Development Objective (PDO) is to contribute to sustaining the government administrative and service delivery capacity to exercise core government functions at the national and regional levels.**

The project will achieve the PDO through financing the recurrent wage bill of non-security government and school employees. The achievement of the PDO supports the Ministry of Finance's (MoF) objective of stable implementation of the State budget policy.

PDO Level Indicators

20. **The achievement of the PDO will be measured by the following:**
- 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
21. **These indicators were selected based on their relevance and feasibility, as they capture what the project is trying to achieve, and the data to evidence their achievement can be collected, during the ongoing war.** Under normal circumstances, it would be useful to have additional data regarding continued delivery of services in some key sectors. However, it is difficult to assess the comprehensiveness and accuracy of such data under the prevailing circumstances. The indicators on exercising core functions of the Government and the intermediate indicator on on-time salary payments allow for targets lower than baseline to accommodate for possible disruptions during the war.

B. Project Components

22. **The Public Expenditures for Administrative Capacity Endurance (PEACE) in Ukraine project is an emergency operation focused on supporting the Government to maintain core government functions by partially financing eligible government staff salaries in non-security sectors and school employees' salaries during March-November 2022.** The project will provide partial reimbursement for the payment of the salaries of 162,138



central and regional government employees at a cost of approximately US\$165 million (UAH 5 billion) per month. The project will provide partial reimbursement for the payment of salaries of 511,706 school employees at the local level in the portion funded through education subvention from the central government budget at a cost of approximately US\$230 million (UAH 7 billion) per month. The estimated number of employees is based on the actual number of employees in December 2021 as per the data of the MOF, National Agency of Public Service and MOES and does not include unfilled vacancies. The data was adjusted for personnel who joined the military or territorial defense units as of March 2022. The tables below summarize the number of government staff by category and by type of government bodies and education staff. Most of the staff work in the regional branches of the central government and oblast or rayon administrations.

Table 4. Actual Number of Government Employees in Non-Security Sector by Category, December 2021

	Total Civil Service	Category A	Category B	Category C	Non-civil service
State bodies that support functioning of the President of Ukraine, Parliament, and Cabinet of Ministers	2,120	21	661	1,438	332
Ministries (headquarters)	6,121	17	2,006	4,098	310
Ministries (regional branches)	9,929	0	2,184	7,745	1,400
Central government agencies (headquarters)	7,601	107	2,434	5,060	1,012
Central government agencies (regional branches)	62,157	0	16,763	45,394	6,311
Central government agencies with special status (headquarters)	1,375	15	431	929	75
Central government agencies with special status (regional branches)	1,116	0	403	713	107
Collegial bodies	1,073	3	376	694	59
Judicial sector	2,305	16	493	1,796	643
Other government agencies	515	6	154	355	188
Oblast and Kyiv State Administrations	12,715	0	4,616	8,099	2,154
Rayon state administration	16,270	0	5,203	11,067	1,468
Courts	13,005	0	2,091	10,914	11,793
Total	136,302	185	37,815	98,302	25,836
Total civil service and non-civil service employees	162,138				

Note: Category A comprises senior management of government bodies and agencies; Category B comprises mid-level management and technical management; and Category C comprises professional and administrative staff. The data covers only the territory that was controlled by the GoU before beginning of the war.

Note: The table includes only civil service and non-civil service staff of government agencies, departments and ministries in non-security sectors, and does not cover school employees.

Source: National Agency of Public Service



Table 5. Actual Number of Education Staff funded under the Education Subvention, March 2022

Teachers	404,766
Other school employees	106,940
Total	511,706

Source: MOES

23. **The eligible expenditures will be limited to the wage bill of non-security government employees of the central and regional governments and school employees as set forth in the POM.** Non-security sector government employees are civil service and non-civil service staff of government authorities, including agencies, departments, and ministries in non-security sectors. The school employees are pedagogical staff that work in institutions providing general secondary education (except for pre-school entities), as defined in the Resolution of the Cabinet of Ministers 963 of June 14, 2000, On Approval of List of Pedagogical Personnel. The schools include general schools, specialized schools and education entities financed through education subvention as defined in the Article 103-2 of the Budget Code of Ukraine, except for military schools and schools with enhanced military-physical training. If government and school employees join the military or territorial defense units, according to the legislation of Ukraine the government agencies and education institutions will be paying their salaries and keeping positions for the duration of service. The monthly payroll data separates these cases into a designated category. The portion of the payroll for government and school employees currently in the military and territorial defense units will not be covered under this project.
24. **The project will partially cover the government and school employees' wage bill.** The project will on average cover around 50-55 percent of the overall monthly wage bill. Table 6 below provides an overview of the wage reimbursement to be covered by IBRD and IDA financing, as well as the estimated \$550 million to be financed through the Multi-Donor Trust Fund.⁹ The closing date for the project is March 2023 in case additional resources are received to provide support beyond November 2022 wage bill.

Table 6. Expected wage bill expenditures and part of the wage bill to be covered by the project (US\$ million)

	March-May 2022 (retroactive)	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022
Amount to be covered by the IBRD/IDA	472	200	200	200	200	200	21
Amount of wage bill that can be covered under the TF	0	100	100	100	100	75	75

⁹ As mentioned in the next section, the project closing date of March 31, 2023, allows for flexibility given the lack of certainty in the amount and timing of the MDTF financing.



25. **Although the proposed project is focused on financing the wages of a subset of public sector workers – government and school employees - other critical social expenditures are receiving support through other operations of the World Bank and development partners.** However, should additional resources into the MDTF or as guarantees come to the World Bank for Ukraine, we will review scope for adding other critical social expenditure spending under this operation or increase the share of our financing to the salaries of government and/or school employees. This is explained further in Section F below.



C. Project Cost and Financing

26. **The project will be implemented over a period of ten months with an expected closing date of March 31, 2023.** The proposed financing includes an exceptional US\$1 billion short-maturity non-concessional financing in FY22 by utilizing IDA's temporary capital capacity (Deployable Strategic Capital, ("DSC") cushion). This financing will be provided on the International Bank for Reconstruction and Development (IBRD) terms at 8-year average maturity with 10-year maturity limit (e.g., 6-year grace period and 10-year final maturity). This operation would be accompanied by guarantees coverage to IBRD amounting to IBRD in the total amount of US\$492 million (EUR 465.95 million). The guarantees are expected to be provided to IBRD from the United Kingdom (US\$450 million), the Netherlands (EUR 20.25 million), Lithuania (EUR 10 million), and Latvia (EUR 10 million). In addition, Italy is expected to provide EUR 200 million in parallel financing to this project.

Table 7. Project Costs (US\$, millions)

Project Components	IDA Financing	IBRD Financing	MDTF (potential)
1. Support to government wage bill	999.8	492.0	550.0
2. Audit and administrative expenses	0.2	0	0
Total	2,042.0		
Note: Retroactive financing of up to US\$472 million from IDA			

27. **A Multi-Donor Trust Fund (MDTF) will be set up to channel donor resources to co-finance the project and help fill the noted financing needs of government and school employees of around US\$550 million during the duration of the project.** Donor contributions to the MDTF will be accepted on a rolling basis over the course of this operation, with grants made in line with the operation's monthly disbursement schedule – subject to the availability of funds in the MDTF and the Bank's verification of sufficient eligible expenses against which to disburse. The closing date has been set for March 2023 to allow flexibility to use MDTF financing as it comes on stream.

D. Project Beneficiaries

28. **The project is expected to directly benefit approximately 162,138 staff in central and regional governments, along with 511,706 school employees, while also providing indirect benefits to the citizens of Ukraine through continued access to public services, core government functions, and education services.** The Government plays a vital role as an employer and a provider of formal sector jobs, and is an important source of income and livelihoods for government and school employees. The project will support women, with over two thirds of the civil service and over 80 percent of school employees in Ukraine being female. Moreover, the ability of the Government to fund salaries will help to ensure that the Government continues to provide basic services to citizens including education during the conflict and preserve core government functions and avoid deterioration of human capital that will be critical for the country's recovery as soon as the conflict ends. Ensuring payment of social security and pension contributions from the financed salaries will also benefit the population at large.

E. Results Chain

29. **The theory of change underpinning the project is that financing government and education staff salaries will**



help ensure continuity of core government functions and education services. Ukraine faces a difficult financial situation on top of increased demands on the Government to support service provision and ensure that the Government continues to function. Funding the wage bill of central and regional government employees can support sustained civil service capacity to exercise core government functions related to revenue and expenditure management, and the delivery of administrative services, which will in turn contribute to minimized disruptions in service delivery and create a basis for the future Government led recovery and reconstruction. Partial funding of the wage bill of education institutions at the local level can support continuous basic education service provision through blended and remote modalities. Funding of the government wage bill will also allow the Government to continue funding other basic services from its own revenues and funds of other development partners. In addition, given that the Government is a large employer it will also contribute to limiting the expected increase in poverty. Ensuring payment of social security contributions from the financed salaries will fund the pension system.

Figure 1. Project Theory of Change



F. Rationale for Bank Involvement and Role of Partners

30. **The World Bank is in a unique position to bring its experience in FCV contexts and leverage prior engagements with Ukraine's Ministry of Finance and the National Agency of Civil Service (NACS).** The Bank has a comparative advantage in longer-term development and extensive institutional strengthening experience in FCV-affected countries. The operation will provide an important support to the GoU, which would (i) allow the continued provision of services during the war, including basic education services and (ii) support readiness to re-engage on the development agenda after the war.
31. **The World Bank is providing other support to Ukraine through several projects and instruments and leveraging this for new financing from development partners.** This includes US\$350 million in a Supplemental DPL from the



World Bank (approved on March 7, 2022) alongside linked guarantees of €79.75 million and US\$50 million from the Netherlands and Sweden respectively, linked parallel financing of US\$100 million from Japan, and some \$165 million from a standalone Multi-Donor Trust Fund to support the FREE Ukraine Supplemental Development Policy Loan (Supplemental DPL) through donor grant financing. The DPL supported (among other actions) the timely indexation of pensions (notably a 14 percent increase in the base value of pensions, amounting to an additional UAH 3-4 billion per month) that took effect in March 2022, which should help to alleviate some economic hardship for a particularly vulnerable segment of the population. Donors thus far have included Austria (US\$11 million), Denmark (US\$22 million), Iceland (US\$1.0 million), Latvia (US\$5.5 million), Lithuania (US\$5.5 million), Norway (US\$22million), the United Kingdom (UK) (US\$96 million), and the United States (US\$1,000 million). In addition, the World Bank has provided additional financing for the Ukraine Emergency COVID-19 Response and Vaccination Project (P175895) in the amount of US\$91.39 million in March 2022 to retroactively finance purchase of vaccines, the Social Safety Nets Modernization Project (P128344) continues to bolster Ukraine's social services for vulnerable people, and the Bank is in the process of restructuring several active projects in the portfolio, including the Improving Higher Education for Results Project (P171050) that has already resulted in US\$ 88.6 million in emergency support to higher education.

32. **In parallel to this operation, several development partners have started to support continuity of the Government.** The World Bank, through the European Union (EU) Trust Fund that finances the Public Sector Reform Support Program (P172441) provided technical advice on ensuring continuity of the operations of the NACS and Ministry of Economy in relation to information communication technology (ICT) infrastructure, including the use of cloud-based solutions for backup databases and systems. The EU4PFM program implemented by the EU member countries funds similar ICT continuity efforts for the MoF, State Tax Service and Customs Service. The PEACE project will ensure that human capacity will also be maintained and supplement the ICT capacity funded through other engagements of the World Bank and development partners.
33. **Overall, development partners have already pledged and disbursed significant support to help Ukraine meet the unanticipated fiscal financing gap.** This operation would be complementary to other International Financial Institutions and bilateral financing and efforts to help Ukraine. It is also helping to catalyze additional financing from other donors in the form of bilateral guarantees. This follows the similar MDTF co-financing approach taken for the Supplemental DPL (P178794). Development partners support includes EUR 589 million in emergency Macro Financial Assistance (of a EUR1.2 billion package) and EUR 120 million in grants by the EU, EUR 668 million from the EIB, US\$1.4 billion in Rapid Financing Instrument's emergency financing from the IMF (replacing US\$2.2 billion in remaining financing under a Stand-By Arrangement program that was cancelled), and Canada's pledge of C\$1 billion through the Administered Account at the International Monetary Fund (IMF). Separately, bilateral financing of over US\$450 million combined has been provided by Italy and France while Poland has executed a US\$1 billion currency swap with the central bank of Ukraine. Substantial amounts of additional financing have been committed by partners, although the timing is uncertain. These include over EUR 9 billion and from the EU Macro-Financial Assistance, US\$1 billion in budget assistance and additional US\$8.5 billion announced by the US, over EUR 1 billion from Germany and C\$500 million from Canada. On March 31, UNICEF and Ukraine's Ministry of Social Policy launched a multipurpose cash transfer program to support the immediate needs of vulnerable families that will provide the equivalent of \$74 per person to 50,000 households to help them provide essentials for their children, though these resources are for a parallel program and not provided through Ukraine's budget.

G. Lessons Learned and Reflected in the Project Design



34. Several key lessons learned from work in FCV countries and prior engagement in Ukraine are incorporated into the Project design. The most significant of these are outlined below:

- Experience of the World Bank in FCV settings highlights the importance of good governance in addressing FCV challenges. This project builds on that and tries to support core governance functions and avoid deterioration of the Government's capacity. Partnerships are critical, and the WBG has learned that these should be mission-driven and grounded in the comparative advantages of each partner. This operation is supported by the UK Government, the Government of the Netherlands, Lithuania and Latvia and prepared in close collaboration with other development partners. Finally, Ukraine has historically relied on the public sector for service and infrastructure provision. Support to the Government during the war allows them to retain the capacity to deliver these services during and after the war.
- Financial instruments allowing for targeted financing of critical government expenditures in fragile and conflict situations can have an important impact. Simplicity, focused interventions and flexibility of processes are important factors to ensure effective roll-out of project activities and timely achievement of objectives especially in the context of fragility. The use of targeted budget financing under an IPF provides the flexibility needed by countries in situations of fragility and urgent need of assistance. These are some of the key findings from the implementation of the Central African Republic Emergency Public Service Response Project (P149884) and the Sierra Leone Emergency Recurrent Cost Financing Project (P176441) as well as other emergency operations in Guatemala and Somalia. The focused and relatively simple design of the operation has taken this into account. The processing of the operation has also been agile, considering the urgent needs and fragile context.
- Taking informed risks in a context of conflict and fragility, rather than disengaging, pays off. This is a critical lesson from countries that have experienced similar disruptions, including in Africa and the Middle East. The lesson has been considered in the preparation of the project. This continued engagement of the World Bank in a context of fragility is expected to contribute to ensuring continued core government functions, provision of education services and delivery of other services at the national and regional levels that rely on the core of the Government for coordination and funding.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

- 35. The Implementing Agency for the project is Ministry of Finance of Ukraine, which will appoint a Project Coordinator.** A Deputy Minister of Finance will serve as Project Coordinator. The Project Coordinator will oversee project implementation, monitor progress, and ensure prompt delivery and reporting on project indicators. The Project Coordinator will act as a focal point for communication with the World Bank team on project-related issues.
- 36. For monitoring, the project will rely on data from the GoU.** The project would mainly use existing arrangements within the GoU, and ongoing coordination within the MoF, with the STS and ministries, agencies, and state oblast



administrations. The education staff wage bill will be based on the verification coordinated by the MoF based on the STS payment data and information on personnel and payroll collected by the MOES. This will also apply to the reporting and accountability framework.

37. **According to the Budget Code of Ukraine, the wage bill is identified as protected budget expenditure.** The payroll of government and school employees at the local level is managed through the Single Treasury Account hosted by the STS, according to the cost estimates of government ministries, departments, and agencies (Key Spending Units) based on an annual budget law. The STS reports on actual monthly expenditures are automatically compiled by the Government's e-Kazna system with a breakdown by the Key Spending Units. The STS disburses the funds to the commercial bank account based on payments requests from Key Spending Units at the day of payment. The STS exercises controls against allocation and cash availability. The Key Spending Units submit simultaneously payment requests to transfer salaries to individual bank accounts of employees in commercial banks.
38. **The Department of Expenditures of Public Authorities (DEPA) of the MoF monitors monthly wage bill payments of government employees.** The DEPA is the department reporting to the Deputy Minister of Finance in charge of budget policy for public authorities that consolidates wage bill expenditures for budget preparation and then monitors the execution of wage bill spending. The ex-ante controls of payments of Key Spending Units rest with the State Treasury Service that checks payment requests against budget allocations. The STS submits reports to the MoF, where DEPA oversees ex post controls based on STS reports. Under this project, the DEPA will continue to monitor wage bill payments, obtaining STS reports. In addition, the DEPA will obtain monthly reports from every Key Spending Unit, except for those in security sectors, on a number of staff paid and exclude all security personnel and government employees who temporarily joined the military. The DEPA will then send the reports for reimbursement of wage bill expenditures to the Project Coordinator.
39. **MoF and MoES will jointly verify education staff salary payments.** MoES will collect monthly data on the number of education staff paid excluding military schools, schools with enhanced military-physical training and school employees that joined military or territorial defense units, and submit the data to MoF. The Department of Expenditures of Humanitarian Sector (DEHC) of the MoF will monitor monthly wage bill payments of school employees. The MoF using the same arrangement as with government employees payroll, will check the MoES data against STS data on payments and work with the local government in case any irregularities are detected. The reports for reimbursement of school employees wage bill expenditures will be sent to the Project Coordinator.
40. **The project design does not envisage the establishment of a project implementation unit under the MoF. Instead, the International Financial Projects Department of the MoF (IFPD) will provide support to the Project Coordinator.** The IFPD is responsible for coordination and management of the projects financed by International Financial Organizations and is staffed with 25 employees. There are around 5 staff responsible for cooperation with the World Bank, all experienced with World Bank operations. The IFPD will share reports based on the STS data, verified by DEPA and DEHC monthly. The World Bank will also provide required project management support to the MoF as may be needed.
41. **The project will be implemented based on a Project Operational Manual (POM) which will be adopted by the MoF before project effectiveness.** The POM will lay out the project's overall operating, fiduciary, verification protocols, decision-making procedures, eligibility criteria for non-security government employees of the central



and regional governments and school employees, and results monitoring arrangements.

B. Results Monitoring and Evaluation Arrangements

42. **M&E system.** For monitoring, the project will rely on data from the GoU, including that of the STS. The MoF will monitor this data monthly and report on project results (including PDO indicators and intermediate result indicators), which the World Bank team will review as part of its project monitoring.

C. Sustainability

43. **This project will lay the groundwork for a future reconstruction program.** The World Bank's macro-fiscal forecast indicates that after a significant widening, the non-primary fiscal deficit is expected to narrow over the medium term as gradual fiscal consolidation and cuts to non-essential spending offset increased public investment. However, continued payments of the eligible salaries covered by this operation following conclusion of the project is dependent upon recovery in revenues and/or further financing support that will contribute to financing recurrent expenditures and capital investments from the World Bank and other development partners. It is likely that Ukraine would continue to need support in the medium term, given the destruction of infrastructure and high costs of reconstruction.
44. **Support to continuity of core government functions during the war is fundamental to the sustainability of the state.** As experience has shown in many conflict-affected countries, on the preventative side, it is more cost effective to sustain governments than to restore discontinued or failed government functions due to loss of human capital and the concomitant reduced capacity and expertise. Through the proposed operation, the Government will receive the support necessary to remain operational during the war and ready to lead the reconstruction effort as soon as it is over. Continued government functions will also be critical for the World Bank and other development partners to resume implementation of development activities and ensure a coordinated response for future reconstruction.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis

45. **While the usual economic and financial analyses have not been carried out for this project given the urgent nature of the intervention and the uncertainty of determining costs and benefits, project implementation will lead to concrete and tangible benefits to mitigate the humanitarian crisis and its impact on human capital.** The project will fund the wage bill for non-security sector employees in:
- central budgetary government, which oversee the coordination of the humanitarian response, government economic and financial policies, collection of revenues and coordination of healthcare, education, and social policy among other areas.
 - regional budgetary governments, which during the war have taken on a prominent role in responding to emergency situations such as disruptions in access to water, heating, and electricity as well as coordinating health and education services in each region; and
 - schools at the local level, which will be essential for education service provision, and contribute to minimizing deterioration of human capital.
46. **In addition, the project will contribute to indirect benefits by ensuring that the Government is better equipped**



for the reconstruction phase and reducing the risk for the country to fall into the fragility trap, maintaining trust in the Government's capacity to deliver basic services during the war. These are intangible benefits that are difficult to quantify but critical in a fragile environment. As a result of the project, public service functions in meeting the basic needs of the population will be maintained. The alternative would be that the central Government might become unable to maintain service delivery, which would have a significant adverse economic and financial impact on the country, most notably on the poorest and most vulnerable segments of the population.

47. **These benefits of sustaining the Government's administrative and service delivery capacity are supported by international evidence.** The experience of other fragile and conflict situations (e.g., Afghanistan, Iraq, and Somalia) shows that states emerging from conflict tend to face difficulties in rebuilding institutional capacity. The payment of salaries and support of expenditures in the public sector are essential for maintaining public confidence in the state structures. A joint study by the World Bank and United Nations (2018) found that investments of FCV countries in conflict prevention can be highly cost-effective.¹⁰ In this regard, preventive action can be understood as a system of inclusive approaches in conflict settings through institutional capacity building. A recent World Bank cost-benefit analysis of donor investments in conflict prevention estimated substantial cost savings.¹¹ Even in the most pessimistic scenario, the average net savings of a scaled-up system for preventive action are estimated to be close to US\$5 billion per year. In the most optimistic scenario, the net savings are almost US\$70 billion per year. Financing of recurrent costs to maintain the basic capacity of the state in response to a crisis provides an important mechanism to sustain core government functions and mitigate the deterioration of human capital in FCV settings.
48. **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 under implementation arrangements, the payroll payment, reconciliation, and reporting will rely on the existing STS, MoF and MoES procedures which were deemed as satisfactory before the crisis.
49. **The project is expected to support the Government to reduce the financing requirements in 2022.** This will help offset the lower than projected revenue performance expected in 2022, therefore allowing the Government to maintain some critical expenditures. While the operation supports the Government in meeting additional expenditures related to past wage agreements and to the effects of multiple exogenous shocks, it is not expected to lead to permanent increases in recurrent spending.

B. Fiduciary

(i) Financial Management

50. **The public financial management (PFM) system is reliable, and the Government has made progress in strengthening it in recent years prior to the war.** The PFM Reform Strategy approved in 2017 aimed at establishing a modern and efficient PFM system that provides quality public services by allocating spending in line with medium- and long-term development priorities. The latest PEFA assessment for Ukraine was undertaken in 2019. It concluded that since the previous assessment in 2016, the Government has made progress in

¹⁰ United Nations; World Bank. 2018. Pathways for Peace: Inclusive Approaches to Preventing Violent Conflict. Washington, DC: World Bank.

¹¹ Mueller, Hannes. 2017. How Much Is Prevention Worth? Background Paper for Pathways to Peace. World Bank, Washington, DC.



implementing medium-term budget planning, increasing transparency in public finances; integration of International Public Sector Accounting Standards into Ukraine's statutory framework and strengthened fiscal risk management. At the same time, some challenges remain in the lack of strategy and transparency in public investment management and limited progress toward use of performance information in budgeting. The PFM Reform Strategy 2022-2025 approved by the Government at the end of 2021 aims to address these challenges.

51. **Financial controls including commitments, payments and payroll continue to be functional during the war and salaries have been paid during February and March 2022.** The controls on the wage bill are sound, ensuring that even during the war, personnel and payroll records are updated. According to the PEFA 2019, Ukraine lacks automation of all processes for payroll controls. Regular reconciliations are done by each government agency, with few retrospective adjustments made; and the public sector has clear and detailed rules and procedures for making changes to staff information and payroll, which are complied with. Under an EU-financed project administered by the World Bank (TF073423), the Government has installed a new human resources management information system (HRMIS), which has begun to provide additional controls over HR-related information.
52. **MoF will rely on its existing system for planning and execution of eligible government and school employees salary expenditures that are financed by this Project.** It is expected that MoF would consolidate, review and submit monthly reports on salary expenditures to be reimbursed by the project. MoF reports on these eligible expenditures would be verified against the respective State Treasury records. The reports may also include comparison of budget estimates and actual expenditures.
53. **Additional fiduciary arrangements will also be required for this operation, given the current outbreak of war which could affect PFM institutions and processes.** In addition to the government's own verification processes, monthly government reports submitted for reimbursement under the project will be verified by the World Bank task team prior to processing respective disbursements.
54. **An independent audit of the eligible expenditures will go beyond the normal review of financial statements, to also include tests to verify the eligibility of project expenditures.** It is expected that an independent and experienced auditor acceptable to the World Bank would carry out the financial audit, along with additional assurance procedures with respect to the eligible expenditures for the entire period that is financed by the Project, in line with the Terms of Reference agreed with the World Bank. The audit scope will be expanded to cover (i) review of internal controls for making eligible salary payments and maintaining relevant records, including IT controls and review of funds flow in place for such salary payments; (ii) review of controls and procedures in place for preparation of project-specific reports that exclude all expenditures incurred by the Government that are not eligible for project financing; (iii) reasonable assurance that only eligible expenditures were included in the project reports used for project disbursements; and (iv) review and confirmation of project funds being received into the government foreign currency account and their further transfer for State Treasury accounts.

(ii) Disbursement

55. **Project disbursements will occur on the basis of withdrawal applications which would be submitted monthly by the MoF, for expenditures starting from March 1, 2022.** Withdrawal applications would be supported by the monthly report on actual incurred eligible expenditures for the past month, reconciled to State Treasury records and verified by the World Bank. Disbursements will be made by the World Bank to a Euro denominated account



of the state treasury in the National Bank of Ukraine that would be indicated by Government, and then converted and credited to the government State Treasury account in UAH. The Project will finance an amount not to exceed US\$472 million for payments of eligible expenditures made between March 1, 2022, and the date of the signing of the loan and financing agreements, as retroactive financing.

(iii) Procurement

56. **Currently, the project will only cover the cost of recurrent expenditures of the Government, with the audit being the only procurement envisaged.** Procurement will be carried out in accordance with the WB Procurement Regulations for IPF Borrowers for Goods, Works, Non-Consulting and Consulting Services, dated July 1, 2016, revised in November 2020, hereafter referred to as Procurement Regulations. The project will be subject to the World Bank's Anticorruption Guidelines, dated July 1, 2016, revised January 2011, and July 2016 (Guidelines on Preventing and Combatting Fraud and Corruption in Projects financed by IBRD Loans and IDA Credits and Grants). Given the situation of urgent need of assistance and that there is only one procurement process envisaged under the project (i.e., hiring of consultants to conduct the audit), preparation of a simplified Project Procurement Strategy for Development (PPSD) and Procurement Plan (PP) are deferred to implementation stage. The completed PPSP and PP will be reviewed with the Bank and uploaded to Systematic Tracking of Exchanges in Procurement system as soon as practicably possible to meet all Bank's requirements to plan, record, and track procurement transactions. All the selection methods defined in the Procurement Regulations can be applied. The World Bank's Standard Procurement Documents shall be used. The WB team will assist the Borrower and guide on the use of Procurement Regulations.

C. Legal Operational Policies

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

D. Environmental and Social

(i) Environmental

57. **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.**

(ii) Social

58. **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 government and school employees and ensure continuity of vital government services. However, government and school employees may be working in areas where occupational health, safety and security risks are higher due to ongoing war. These are highly contextual, beyond the immediate control of the project and not caused by the activities supported by the World Bank financing (government and school employees' salaries).



Preventative measures able to be actioned by a government and school employees under emergency conditions will be described in the project's Environmental and Social Commitment Plan (ESCP) and 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 Grievance Redress Mechanism (GRM) are to be described in the POM.

59. **Government employees will 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 will also 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 (SEA/SH) 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 ESS2.¹² The existing civil service grievance redress mechanism 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. The complaints are handled by the employer, NACS, and if not resolved could be escalated to courts. Out of ten ESSs only three have been found relevant to the project: ESS1, ESS2 and ESS10.

(iii) Gender

60. **Two thirds of civil servants in Ukraine are women; most of them have stayed in Ukraine, and those who have been displaced internally continue to work remotely.** As of December 31, 2021, there were 127,987 women in the civil service with 55 women in top positions (around 30 percent of the total) and over 28,000 at the technical management positions (around 67 percent). Women are also overrepresented among the refugee populations and internally displaced. UNHCR estimates that thus far, over 6.3 million refugees have fled Ukraine. The vast majority of refugees who are crossing to neighboring countries including Poland, Romania, Slovakia, Hungary, and Moldova are women and children, who along with elderly refugees and people with disabilities, arrive shocked and deeply impacted by the violence and their journey to safety. This subjects women refugees to tremendous amount of stress - having to provide care for their families, but at the same time earn income by themselves. Similarly, the majority of the internally displaced are women and children. As of May 17, the International Organization for Migration (IOM) estimates that the internally displaced persons (IDP) population in Ukraine stands at about 6.5 million. Providing income to female civil servants is not only key to sustaining core government functions, but at the same it is critical to ensuring access to services for the populations at large (women and men alike) who remain in the country.
61. **To track progress, the Results Framework includes sex-disaggregated indicators that note the number of female civil servants and female school employees who receive their income.** Some 110,000 female civil servants in non-security sectors will continue to receive their government salary from March through November

¹² Environmental and Social Standards 2: Labor and Working Conditions. <https://www.worldbank.org/en/projects-operations/environmental-and-social-framework/brief/environmental-and-social-standards>



2022, which represents over two thirds of the overall civil service corps.

(iv) Climate

62. **Climate risk screening has been conducted.** The nature of this operation limits its potential to directly support climate action as requested by WBG's corporate commitments on climate. Ukraine is at risk of hydrometeorological hazards and natural disasters such as droughts, high temperatures, heat waves, wildfires, soil erosion, mudflows, extreme precipitation and flooding, which primarily affect the sectors of agriculture, water resources, energy, transportation, health, the urban environment and forests. Due to climate change, Ukraine has been experiencing an increase in the frequency and severity of natural disasters (such as droughts and floods) - causing in many cases, fatalities and leading to significant economic losses.¹³ Given the nature of the proposed operation, climate resilience-enhancing measures are not prioritized in the project design. However, by helping to sustain the Government, this operation supports the efforts to maintain the expertise and human resources that were engaged in the implementation of the ambitious climate action strategies and action plans of Ukraine. 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) Citizen Engagement

63. **Despite the difficult operating environment, the project has prepared Stakeholder Engagement Plan (SEP) and will have Grievance Redressal Mechanism (GRM).** To allow for two-way communication between citizens and the government, the GRM will establish multi-channels to receive not only grievances but also feedback from citizens and the scope of the GRM will not be limited to safeguards. De facto the GRM will function as a feedback mechanism and the procedures will be described in the POM. The Beneficiary Feedback indicator that will be used is Percentage of Grievances addressed.

V. GRIEVANCE REDRESS SERVICES

64. **Communities and individuals who believe that they are adversely affected by a WB supported project may submit complaints to existing project-level grievance redress mechanisms or the WB'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 World Bank's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of World Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate GRS, please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

¹³ World Bank Climate Change Knowledge Portal. 2022. Ukraine:
<https://climateknowledgeportal.worldbank.org/country/ukraine/vulnerability>.



VI. KEY RISKS

65. **The overall risk to achieving the PDO is rated ‘High’ due to the ongoing war, with widespread and unpredictable security, political, social, and macroeconomic instability.** Project design has been kept lean and simple which would help to mitigate some of the risks. However, the main risk remains related to the duration and severity of the current conflict and its human, economic and macro impact as discussed below.
66. **Political and Governance risk is High.** The ongoing war and the declaration of state of emergency on February 24, 2022, poses a huge risk to the political and governance landscape. At the time of preparing this operation, the conflict appeared to be 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 highly uncertain as the war continues.
67. **Macroeconomic risk is High.** Rising geopolitical tensions and the ongoing war have led to a severe deterioration of the macroeconomic situation in the country. Macroeconomic and financing pressures have intensified, and conditions continue to worsen. Disruptions to economic activity and the resulting decline in tax revenue are constraining fiscal space at a time when the spending pressure on the government to provide essential services and repair damaged infrastructure is increasing. Even with significant Bank financing and the development partners’ pledge to continue supporting Ukraine, the country’s financial needs are enormous, and will indeed remain so in the foreseeable future.
68. **Sector Strategies and Policies risk is Substantial.** The Government has been implementing public financial management and civil service reforms with support from the World Bank and other development partners since 2017 when the PFM Reform Strategy was approved. The World Bank’s analytical work has contributed the existing strategies and policies with the Education Review of 2019, 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; for example, the HRMIS system continues to be implemented under the World Bank Public Sector Reform Support Program (P172441) financed by the EU. This operation, aimed at preserving the capacity of the Government to fulfill its core functions, is another example. However, without continuing external support, the war situation creates Substantial risks to maintaining the progress on PFM and civil service that has been achieved over the several years.
69. **Institutional Capacity for Implementation and Sustainability risks are Substantial** given the uncertainty about the evolution of the conflict and the damage it could cause to the currently resilient financial management, payment, and banking systems. Where areas/cities have come under heavy attack, Ukraine has made provisions to relocate PFM systems to neighboring oblasts or territories (e.g., as it has been the case in Mariupol). To mitigate the residual risk, the situation will be monitored closely and, if needed, the existing government procedures will be amended to facilitate the processing of salary payments in emergency circumstances.
70. **Environmental and Social Risk is Moderate.** The activities supported by the Project are not expected to have any direct adverse social and environmental risks or impacts but take place within a highly volatile context beyond the immediate control of the implementing agency. The Project is expected to bring social benefits directly to the families of government and school employees and ensure continuity of vital government services. However, government and school employees may be working in areas where occupational health, safety and security risks are posed by the Russian invasion. These are highly contextual and beyond the immediate control of the project



and not caused by the activities supported by the Bank financing (eligible employees' salaries reimbursement). The risk associated with SEA/SH is serious in any active war context but not assessed as high in relation to the project activity. Preventive measures for SEA/SH have been included in the project grievance mechanism which describes procedures for handling SEA/SH complaints. The ESCP also contains requirement for immediate reporting of SEA/SH incidents and identification of measures to address and prevent reoccurrence. The risk that the project will fund personnel who is enlisted into military or territorial defense units is mitigated through the government personnel and payroll control systems - the government accounts for staff who joined military or territorial defense units, as they keep their average salary over previous period rather than regular salaries and are separately indicated in the payroll/personnel record. The government agencies will exclude this staff and the MoF will verify that the reports from government agencies, retained for audit, will not include the government and school employees who joined military or territorial defense units.

71. **Fiduciary risk is rated High** due to financial management risks. There is no procurement in the project (other than for the project audit) and PFM systems are still operating effectively in Ukraine. The project contemplates few disbursements, that will only flow from the World Bank through central government PFM systems. However, the war could affect PFM systems, including those in education sector, and the frequency of payroll data reconciliation, especially as project implementation may extend out as far as the March 31, 2023, closing date. The World Bank team will closely monitor the situation with the MoF and, if needed, use manual reconciliation processes to ensure that government employees continue to be paid. The monthly structure of disbursement is expected to be viable even if some delays are experienced since the State Treasury Service currently reconciles the Treasury Single Account with the Government's commercial bank accounts daily. The risk for timely disbursements is higher for school employees due to consolidation process undertaken by MoES. Risks related to the financing of wages to regional public sector workers that are displaced or to those who are located in territories that are not under control of the Government due to the war with Russia 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 the occupied regions of Luhansk and Donetsk).
72. **Stakeholders' risk associated with the implementation of the Project is rated as Substantial.** Project implementation success depends on commercial banks remaining in operation for the duration of the war. It also depends on effective personnel management by line ministries and agencies. The electronic payment system remains functional in Ukraine and the National Bank of Ukraine (NBU) has provided refinancing support of UAH 157 billion (US\$5.2 billion equivalent) since the start of the war. The deposit outflows have reversed (retail UAH deposits are up 19 percent since the war started) due to wage/social transfer inflows and deposit withdrawal limits. Large retail networks and gas stations still accept cards, and cash back operations through POS terminals as an alternative to ATMs in case they are damaged (with a limit of UAH 6000 per one withdrawal) have been facilitated. Asset quality and liquidity risks of the banking system are not imminent, but may materialize over the medium term. At the same time, the Ukrainian banking system entered the war in a good shape - only two banks had a liquidity coverage ratio (LCR) of less than 150 percent and the majority of banks had an LCR of more than 200 percent (while the regulatory minimum is 100 percent). Anticipating possible future withdrawals, NBU introduced a blank refinancing facility with a cap of 30 percent of pre-war retail deposits per bank. Banks are still benefiting from the accumulated stock of high-quality liquid assets. To avoid disputes on payments and payroll list, existing grievance redress mechanisms and the information disclosure policy of the Government, strengthened through the ESCP as needed, will be used. In addition, the MoF and the Bank will closely monitor any disruption caused to commercial banks and/or related payment systems.

VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Ukraine

Public Expenditures for Administrative Capacity Endurance (PEACE) in Ukraine

Project Development Objectives(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

Indicator Name	PBC	Baseline	End Target
Core government functions are maintained			
Government continues to exercise core functions (Number)		5.00	4.00
Number of public administration staff paid in non-security sectors (Text)		160,000	At least 85% of staff paid in the baseline month
Number of female civil servants paid (Text)		110,000	At least 85% of staff paid in the baseline month
Number of school employees paid (Text)		450,000	At least 85% of staff paid in the baseline month
The number of female school employees paid (Text)		300,000	At least 85% of staff paid in the baseline month
Number of schools that remain operational (Number)		13,866.00	10,000.00

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	End Target
Funding of government staff wage bill			
Central and regional government staff in non-security sectors paid on time (Text)		100 percent of budgetary government staff paid on time.	Wage bill for October is paid with 70% paid on time.
Percentage of Grievances Addressed (Percentage)		0.00	70.00

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	The extent to which 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)	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	Number of budgetary government staff paid in non-security sectors, in central oblast and rayon governments, net of government employees,	Monthly.	MoF, STS	Based on reports from the treasury and key spending units.	MoF

	who temporarily joined the military. The expected reduction in the target is related to some staff who fled the country and decided to resign, staff who joined military, and other potential losses.				
Number of female civil servants paid	Number of female government employees paid in non security sectors. The expected reduction in the target is related to some staff who fled the country and decided to resign, staff who joined military, and other potential losses.	Once	NACS	Based on information provided by NACS	MoF
Number of school employees paid	The number of school employees paid. The expected reduction in the target is related to some staff who fled the country and decided to resign, staff who joined military, and other potential losses.	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	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 who joined military, and other potential losses.	Once	MoES	Based on data provided by the MoES and shared through MoF reporting	MoF

Number of schools that remain operational	Number of schools that remain operational through distance, blended and/or in-person format	Quarterly	MoES data	Based on reporting of MoES	MoF
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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	This indicator will measure the percentage of eligible staff paid on time. Eligible staff refers to central and regional government staff in non-security sectors.	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	Percentage of grievances addressed through the project's GRM.	Quarterly	MoF/MoES data	Data from GRMs for school employees and government employees.	MoF