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UKRAINE
Public Investment
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Assessment Report

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Climate Change-Informed PIM in Ukraine

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CONTENTS

- 1. Introduction: Why** Is It Necessary to Consider Climate Change (CC)?
- 2. Methodological Approach and Situation in Ukraine: What kind of** Approaches toward the Assessment and the Assessment Environment?
- 3. Assessments by PIM Function: To What Extent** Is Ukraine Successful in Incorporating CC into PIM?

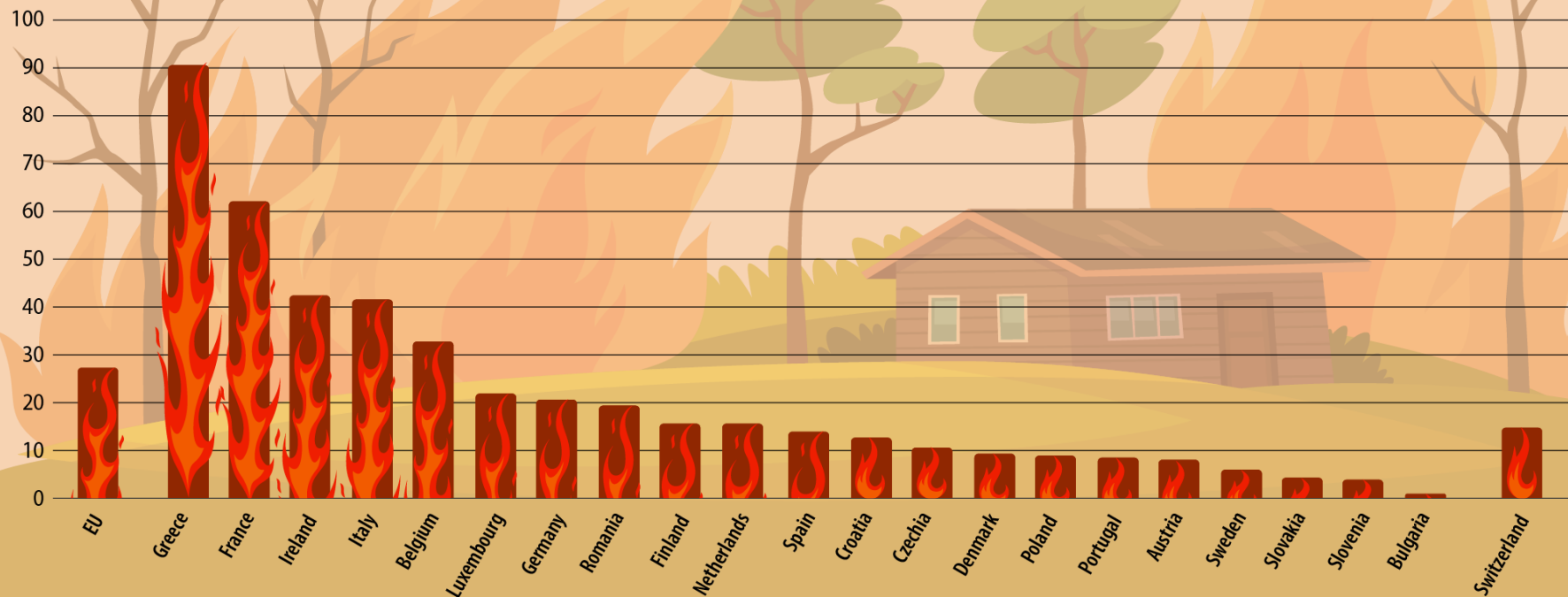
PART 1: INTRODUCTION: INCORPORATING CLIMATE CHANGE IN PIM MATTERS



CLIMATE CHANGE IS A MAJOR THREAT. THE EARTH IS NOW ABOUT 1.1° C WARMER THAN IT WAS IN THE LATE 1800S. CLIMATE CHANGE-RELATED LOSSES IN THE EU: EUR 145 BILLION OVER THE LAST DECADE.

Climate-related economic losses

(€ per inhabitant)



Estonia, Cyprus, Latvia, Lithuania, Hungary and Malta: data are not available

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FINANCIAL RESOURCES AND SOUND INVESTMENTS ARE NEEDED TO ADDRESS CLIMATE CHANGE, TO BOTH REDUCE EMISSIONS, PROMOTE ADAPTATION TO THE IMPACTS THAT ARE ALREADY OCCURRING, AND TO BUILD RESILIENCE.

According to the 2018 Report of The Global Commission on The Economy and Climate the world will need to make significant investment in infrastructure over the next 15 years -around US\$90 trillion by 2030, and ensuring that this infrastructure is sustainable will be a critical determinant of future growth and prosperity.

Transitioning to a low-carbon, sustainable growth path could deliver a direct economic gain of USD 26 trillion through to 2030.



INFRASTRUCTURE PLAYS AN IMPORTANT ROLE IN THE FOLLOWING TWO TYPES OF RELATIONSHIPS:

(i) **climate change** → **infrastructure**, because the public infrastructure becomes more and more exposed to the risk of damage as a result of climate-related natural disasters, and needs to be designed and operated taking into account these risks;

Design standards must take account of the increased intensity and higher probability of the occurrence of heavy rains, fires, fierce winds, or extreme heat or cold and, consequently, the need for increased resiliency to impacts generated by climate change.

(ii) **infrastructure** → **climate change**, because Greenhouse Gas (GHG) emissions are generated directly during construction and operation of infrastructure

- ✓ For instance, from machines during construction or from the operation of a coal burning energy generation facility.
- ✓ Construction of a new road can increase deforestation.
- ✓ There are also indirect effects both during construction and operation, for example from the production of steel and cement to be used for construction or from the increased use of fossil fuel powered vehicles promoted by a new road.



PART 2: METHODOLOGICAL APPROACH AND ASSESSMENT ENVIRONMENT



THE CLIMATE CHANGE-INFORMED PIM ASSESSMENT IS ORGANIZED AROUND THE “MUST-HAVE” PIM FUNCTIONS; IT IS CONSISTENT WITH CRPFM-5 AND QUESTIONS 1–3 OF INFRAGOV 5

PIM Must-have Function	Climate responsive PIM aspect	Issue under Analysis	Related PIMs
1. Investment guidance	Climate-informed strategic guidance	Are CC impacts incorporated into mid- and long-term strategic plans, do these plans serve as guidance for infrastructure development planning, and are CC informed strategies being used as guidance for early screening of projects?	PIM-1. Sector analysis and planning PIM-2. Strategic plans & investment guidance, project development and preliminary screening
2. Project appraisal	Climate-informed project appraisal	Do project appraisal studies incorporate analysis of the impact of the project on CC and have project risks due to CC and project resilience been identified and incorporated into the project design?	PIM-3. Formal procedures and methodological guidelines on project appraisal
4. Project selection and budgeting	Climate-informed project selection	Are CC impacts of the project and risks due to CC being used as criteria for project selection? Is there clear identification of CC related projects in the budget (CC tagging)?	PIM-7. Project selection and budgeting
5. Project implementation	Climate-informed monitoring during implementation	Do monitoring procedures during project implementation include objectives, indicators or activities relating to CC?	PIM-17. Control, monitoring & reporting: physical and financial milestones
7. Service delivery	Climate risks monitoring during operation	Do monitoring procedures during project operation include objectives, indicators or activities relating to CC?	PIM-20. Control, monitoring and reporting: financial and service delivery performance PIM-21. Service delivery

THE LEGISLATIVE FRAMEWORK INCLUDES REGULATIONS ABOUT PUBLIC INVESTMENTS THAT HAVE IMPACTS ON CC VARIABLES, AS WELL AS REGULATIONS ABOUT EMISSIONS OF GHG.

Most of the regulatory framework concerns environmental impact, pollution, and the resilience of assets to existing climatic conditions

- requires to specify the CC and adaption of infrastructure to CC-induced hazards

The legislation for disaster risk management is more developed and detailed in respect of addressing the hazards that might arise from CC

- provides guidelines that can be used to evaluate the disaster risk

The design standards for infrastructure in Ukraine are aimed at both resilience of buildings and mitigation of negative impacts on the environment

- they are based on historical data that may not reflect CC impacts

Many design and construction standards have been updated during the last several years

- some of them remain unchanged since the 1990s or 2000s

PART 3: ASSESSMENTS BY PIM FUNCTION: TO WHAT EXTENT IS UKRAINE SUCCESSFUL IN INCORPORATING CC INTO PIM?



CLIMATE-INFORMED STRATEGIC GUIDANCE



Ukraine assumed commitments under international agreements that are aimed at mitigating and adapting to CC, and have some influence on PIM

- **Strategic guidance pertaining specifically to PIM and CC should be developed**
- **Requirements for individual projects to be compliant with international climate-related commitments should be established**



CLIMATE-INFORMED PROJECT APPRAISAL



The guidelines issued by the Ministry of Economy do require environmental impact and risk assessment, including reduction of emissions, some of which can impact CC. Appraisal needs to be strengthened in part of CC impact, climate adaptation or disaster risk management

The information provided in project proposals submitted to the Ministry of Economy should be supplemented by references to CC



The legislative framework for PPP projects provides analysis of environmental impacts, but needs to be strengthened in part of to CC

CLIMATE-CHANGE INFORMED PROJECT SELECTION AND BUDGETING



Project assessment criteria and prioritization methods should call for considering results of the CC assessment, including the project's exposure to climate risks and other issues of the disaster risk management



The fiscal planning and budgeting should allow tracking of climate change expenditures, including those of investment projects

CLIMATE-INFORMED MONITORING DURING IMPLEMENTATION AND OPERATION



Monitoring reports for public investment projects should be focused on CC, disaster risks



No reports are prepared on the status of implementation of public investment projects after the completion of the investment stage and commissioning of facilities.



Monitoring of environmental and CC risks during operation investment projects included into the budget outside the established procedure is not conducted



RECOMMENDATIONS



Ensure that the national strategic documents of relevance to public investment address clearly the relevant international commitments and policies and make specific reference to requirements for resilience of infrastructure to CC



Update Resolution 571 and existing guidelines to require an assessment of the impact of a project on CC variables (GHG emissions), strictly requiring that individual projects be compliant with international climate-related commitments and policies, and that there be an analysis of resilience of the project to CC impacts



Strengthen the CC criteria in project appraisal methodologies and EIA methodologies; begin to generate forward-looking information about variables important for project design



Develop guidelines and procedures for tagging CC related projects in the budget, and for monitoring CC variables during project implementation and operation

SOME KEY SOLUTIONS THAT MUST BE TAKEN INTO ACCOUNT WHEN CREATING AN EFFICIENT FOR POST-WAR RECONSTRUCTION CLIMATE CHANGE-INFORMED PIM SYSTEM

Prerequisites for infrastructure recovery

- When using simplified appraisal methods verify that opportunities to “build back better” have been exploited, especially in relation to climate change, both in terms of climate change mitigation and adaptation.

Short term and Post-War Priorities

- Authorize the Ministry of Environmental Protection and Natural Resources to be the core adviser for the consideration of CC impacts and effects on PIM
- Establish a definition of “climate change expenditure” in the Budget Code and implement a tagging mechanism for such expenditures through budget programs.

Mid and Long-Term PIM Reform Priorities

- Incorporate Ukraine’s CC commitments in the long-term national infrastructure investment strategy

