



EN

**THIS ACTION IS FUNDED BY THE EUROPEAN UNION**

**ANNEX**

to the Commission Implementing Decision on the financing of the Annual Action Plan in favour of Ukraine for 2023

**Action Document for EU Support to Recovery and Reforms**

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and action plan in the sense of Article 23(2) of NDICI-Global Europe Regulation.

**1. SYNOPSIS**

**1.1. Action Summary Table**

<b>1. Title</b> <b>OPSYS</b> <b>Basic Act</b>	<b>EU Support to Recovery and Reforms</b> Annual Action Plan in favour of Ukraine 2023 OPSYS business reference: NDICI-GEO-NEAR/2023/ACT-61605 ABAC Commitment level 1 number: JAD.1107170 and JAD.1310287 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
<b>2. Economic and Investment Plan (EIP)</b>	Yes Thematic priorities: <ul style="list-style-type: none"><li>– Transport;</li><li>– Energy;</li><li>– Environment and climate resilience;</li><li>– Digital;</li><li>– Economic development;</li></ul> and <ul style="list-style-type: none"><li>– Health resilience.</li></ul>
<b>EIP Flagship</b>	Yes <ul style="list-style-type: none"><li>– Flagship 1: Supporting a sustainable, innovative, green and competitive economy — direct support for 100 000 SMEs;</li><li>– Flagship 2: Economic transition for rural areas — assistance to over 10 000 small farms;</li><li>– Flagship 3: Improving connectivity by upgrading border crossing points;</li><li>– Flagship 4: Boosting the digital transition — modernising public IT infrastructure; and</li><li>– Flagship 5: Increasing energy efficiency support for renewable hydrogen</li></ul>
<b>3. Team Europe Initiative</b>	No

<b>4. Beneficiary(y)/(ies) of the action</b>	The action shall be carried out in Ukraine.
<b>5. Programming document</b>	Multi-annual Indicative Programme (MIP) 2021-2027 for Ukraine <sup>1</sup>
<b>6. Link with relevant MIP(s) objectives/expected results</b>	<p><b>Specific objective 1</b> under <b>Priority area 1</b>: Improving connectivity (transport &amp; energy) infrastructure (also via investment support) and efficiency of transport services, with a focus on sustainable, multimodal and smart transport and contribute to the green transition of the economy.</p> <p>Expected results:</p> <ul style="list-style-type: none"> <li>– Improved transport connectivity and improved management of flows of goods and persons at borders;</li> <li>– Enhanced energy infrastructure capacity to uptake and transport renewable energy.</li> </ul> <p><b>Specific objective 2</b> under <b>Priority area 1</b>: Enabling a positive business environment and competitive markets and supporting value-adding and job creating sectors of the economy, including green and blue economy, that will contribute to the green transition of the economy.</p> <p>Expected results:</p> <ul style="list-style-type: none"> <li>– Better governed financial services sector;</li> <li>– Improved renewables and clean energy infrastructure for developing raw materials and battery value chains and enhanced integration of Ukraine into European value chains.</li> </ul> <p><b>Specific objective 1</b> under <b>Priority area 2</b>: Improving the overall performance of the Ukrainian public administration, including citizens' access to administrative and social services, ensuring merit-based, depoliticised and gender-sensitive recruitment of civil servants, and introducing general administrative procedures.</p> <p>Expected results:</p> <ul style="list-style-type: none"> <li>– Improved professionalism, accountability, effectiveness, efficiency and gender sensitivity of Ukrainian public administration;</li> <li>– Introduction of general administrative procedures;</li> <li>– Increased provision of electronic services to citizens and businesses; and</li> <li>– Improved efficiency and effectiveness of the public finance management system.</li> </ul> <p><b>Specific objective 2</b> under <b>Priority area 2</b>: Strengthening the rule of law and reducing corruption, including high-level corruption, through continuation and reinforcement of comprehensive justice and anti-corruption reforms.</p> <p>Expected results:</p> <ul style="list-style-type: none"> <li>– Strengthened independence, integrity, transparency, accountability, effectiveness and efficiency of the judicial and anti-corruption institutions;</li> <li>– Key judicial governance bodies reformed, and selection processes should in addition be conducted through selection procedures with meaningful</li> </ul>

<sup>1</sup> C(2021) 9351 final of 13.12.2021

	<p>participation of international experts in order to ensure the integrity of the candidates and the public trust in the selection process;</p> <ul style="list-style-type: none"> <li>– Improved access to fair and professional justice services including modern e-justice solutions available for citizens and companies, improved public trust in the judiciary; and</li> <li>– Increased public awareness of and engagement in anti-corruption and integrity issues.</li> </ul> <p><b>Specific objective 3 under Priority area 2:</b> Consolidating the multilevel governance through continuation of the decentralisation reform.</p> <p>Expected results:</p> <ul style="list-style-type: none"> <li>– Multilevel governance that rests on a robust legal framework in line with the European Charter of Local Self-Government, and that is more transparent, accountable and responsive to the needs of the population.</li> </ul> <p><b>Specific objective 4 under Priority area 2:</b> Ensuring security and safety of the people of Ukraine, through Integrated Border Management (IBM), including enhancing maritime domain awareness, security interaction and cooperation with the EU, encompassing also the Coast Guard functions; development of national and regional crisis management systems; including through cooperation with Europol, CEPOL and EMCDDA, improving the efficiency of the law enforcement system, ensuring respect of human rights and functioning in accordance with the best European and International practices.</p> <p>Expected results:</p> <ul style="list-style-type: none"> <li>– Ukraine’s police force becomes a modern professional organisation, which takes a community-oriented policing approach and adequately maintains public order in full observance of human rights;</li> <li>– Public safety is increased and fight against serious crime (including cybercrime) is improved as a result of enhanced cooperation between the law enforcement institutions and the introduction of modern investigative techniques, including IT solutions and the use of biometric identifiers;</li> <li>– Ukraine’s level of integrated border management is close or equal to average EU performance levels, specifically as regards maritime borders, strengthened performance, professionalism of the Ukrainian Coast Guard, improved maritime domain awareness, enhanced capacity to deter illegal activities at sea (e.g. smuggling, trafficking, illegal waste dumping, illegal, unreported, unregulated/IUU fishing); increased interoperability with EU counterparts.</li> </ul> <p><b>Specific objective 1 under Priority area 3:</b> Supporting conducive reforms and enhancing strengthening the investment climate, also contributing to sustainable economic growth investments, by to supporting the green transition, reduction of greenhouse gas emissions and pollution, and increasing energy efficiency leading to sustainable economic growth.</p> <p>Expected results:</p> <ul style="list-style-type: none"> <li>– Energy sector reforms, climate and environmental legislation are enhanced in line with commitments under the Association Agreement;</li> <li>– Increased share in energy supply and enhanced use of renewable energy sources, including hydrogen, and development of environmentally sustainable</li> </ul>
--	---

	<p>industrial processes and technologies, through development of enabling framework, support to investments and innovation;</p> <ul style="list-style-type: none"> <li>– Gradual progress towards just transition of coal regions including development of a multi-stakeholder process in this area;</li> <li>– Enhanced mobilisation of support to green transition, development of carbon pricing, sustainable use of resources and circular economy, switch to low-carbon technologies, provision of business advice, knowledge and access to finance on green transition and resource efficiency, increased public awareness on these topics and encouragement of climate neutrality pledges among governments (including at the local and regional level), businesses and population;</li> <li>– Enhanced mobilisation of support for increasing air quality and enhancing biodiversity. Increased progress and investments in energy efficiency, modernisation of public buildings and housing.</li> </ul> <p><b>Specific objective 2 under Priority area 3:</b> Promoting sustainable use of natural resources, pollution reduction and biodiversity enhancementprotection, including through sustainable food systems and agriculture, as well as enforcement of environmental legislation, by increasing energy efficiency, promotion of circular economy and supporting adaptation to climate change and risk disaster prevention.</p> <p>Expected results:</p> <ul style="list-style-type: none"> <li>– Enhanced mobilisation of support for increasing air quality and biodiversity protection increased progress and investments in energy efficiency, modernisation of public buildings and housing;</li> <li>– Knowledge and access to finance on green transition and resource efficiency;</li> <li>– Sustainable use of resources and circular economy;</li> <li>– Improved and transparent governance of agricultural and forestry resources, including land, and sustainable development of food systems (e.g. via organic farming) and of rural areas and small farms integrated into consolidated value chains;</li> <li>– Enhanced modernisation of waste and wastewater management through implementation of new technologies and investments, development of regulatory framework in the waste sector, with a view also to stimulating circular economy initiatives;</li> <li>– Enhanced mobilisation of support to green transition, to decouple carbon emissions and pollution and economic growth, and public awareness among governments, businesses and population.</li> </ul> <p><b>Specific objective 1 under Priority area 4:</b> Supporting digital transformation and innovation to promote sustainable economic growth.</p> <p>Expected results:</p> <ul style="list-style-type: none"> <li>– Well-functioning e-government ecosystem able to provide digital services to citizens and businesses;</li> <li>– Enhanced digitalisation through investments in support of modernisation in various sectors of the economy (such as automation of electric power networks management, intelligent transport systems);</li> <li>– Enhanced digital innovation through strengthening of the digital ecosystem with enhanced capacities of SMEs and innovative businesses, including women-led, and of government to conduct innovation policy;</li> </ul>
--	---

	<ul style="list-style-type: none"> <li>– Improved digital inclusion including digitalisation of education and vocational training;</li> <li>– Enhanced digital infrastructure investments including broadband development at borders (e.g. smart queuing systems);</li> <li>– Legislative and institutional alignment of Ukraine’s digital sector with the EU in order to fully benefit from the EU-Ukraine Association Agreement.</li> </ul> <p><b>Specific objective 2 under Priority area 4:</b> Countering hybrid threats through addressing cybersecurity challenges.</p> <p>Expected results:</p> <ul style="list-style-type: none"> <li>– Legal framework on cybersecurity in line with EU and Council of Europe (CoE) principles; and</li> <li>– Stronger capacities of key stakeholders in overall resilience against cyber threats and alignment with the EU cybersecurity standards.</li> </ul> <p><b>Specific objective 1 under Priority area 5:</b> Supporting conflict-affected and vulnerable regions through social and economic recovery and enhanced human security, including by pursuing humanitarian demining activities and enhancing Ukraine’s capacities to address risks from mines and other explosive remnants of war and by ensuring protection rights of the conflict-affected population.</p> <p>Expected result:</p> <ul style="list-style-type: none"> <li>– Enhanced capacity, inclusiveness and transparency of concerned line ministries in regional and local governments in conflict-affected and vulnerable regions;</li> </ul> <p><b>Specific objective 2 under Priority area 5:</b> Supporting the resilience of Ukrainian information space by strengthening sustainability of independent media; by reinforcing the actions reaching out to the conflict affected populations; and by conducive media environment aligned with the EU audio-visual media legislation.</p> <p>Expected results:</p> <ul style="list-style-type: none"> <li>– Higher financial sustainability of independent media outlets, including the public broadcaster;</li> <li>– Enhanced stable media environment aligned with the EU <i>acquis</i> and higher protection standards and security for journalists;</li> <li>– Enhanced capacities of media professionals, civil society, citizens and central and local government officials to identify and dismantle disinformation;</li> <li>– Improved quality content;</li> <li>– Improved outreach to the conflict affected populations (including non-government-controlled areas) and populations living in vulnerable regions.</li> </ul> <p><b>Specific objective 5 under Priority area 5:</b> Increasing border security while facilitating trade and orderly movement of people and goods through integrated border management, including anti-smuggling efforts as well as enhanced cooperation with Frontex.</p> <p>Expected results:</p> <ul style="list-style-type: none"> <li>– More reliable and shorter in time border processing and crossing point processing for goods and people;</li> </ul>
--	---

	<ul style="list-style-type: none"> <li>– Higher customs revenues while ensuring high levels of security, widespread use of biometric identifiers to improve identity management.</li> </ul>
<b>PRIORITY AREAS AND SECTOR INFORMATION</b>	
<b>7. Priority Area(s), sectors</b>	<p><b>Priority area 1:</b> A resilient, sustainable and integrated economy</p> <p><b>Priority area 2:</b> Accountable institutions, the rule of law and security</p> <p><b>Priority area 3:</b> Environmental and climate resilience</p> <p><b>Priority area 4:</b> A resilient digital transformation</p> <p><b>Priority area 5:</b> A resilient, gender-equal, fair and inclusive society</p> <p>DAC Codes:</p> <p>150 – Government and Civil Society;</p> <p>210 – Transport and Storage;</p> <p>230 – Energy;</p> <p>250 – Business and Other Services;</p> <p>311 – Agriculture;</p> <p>410 – General Environment Protection;</p> <p>720 – Emergency Response;</p> <p>730 – Reconstruction, Relief and Rehabilitation.</p>
<b>8. Sustainable Development Goals (SDGs)</b>	<p>Main SDG (1 only): Goal 16 – Peace, Justice and Strong Institutions.</p> <p>Other significant SDGs (up to 9) and where appropriate, targets:</p> <p>Goal 5 – Gender Equality;</p> <p>Goal 7 – Affordable and Clean Energy;</p> <p>Goal 8 – Decent Work and Economic Growth</p> <p>Goal 9 – Industry, Innovation and Infrastructure</p> <p>Goal 10 – Reduced inequalities;</p> <p>Goal 12 – Responsible consumption and production; and</p> <p>Goal 13 – Climate Action</p>
<b>9. DAC code(s)</b>	<p>15110 – Public sector policy and administrative management</p> <p>15190 - Facilitation of orderly, safe, regular and responsible migration and mobility</p> <p>21010 – Transport policy and administrative management</p> <p>23110 – Energy policy and administrative management</p> <p>25010 – Business policy and administration</p> <p>31110 – Agricultural policy and administrative management</p> <p>41010 – Environmental policy and administrative management</p> <p>72010 - Material relief assistance and services</p> <p>73010 – Immediate post-emergency reconstruction and rehabilitation</p>
<b>10. Main Delivery Channel</b>	<p>13000 – Third country government (Delegated co-operation)</p> <p>20000 – Non-governmental organisations and civil society</p> <p>40000 – Multilateral organisations</p> <p>60000 – Private sector institution</p>

<b>11. Targets</b>	<input checked="" type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input checked="" type="checkbox"/> Biodiversity <input checked="" type="checkbox"/> Human Rights, Democracy and Governance				
<b>12. Markers (from DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>	
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Disaster Risk Reduction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Inclusion of persons with Disabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>	
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	<b>13. Internal markers and Tags</b>	<b>Policy objectives</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
EIP		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
EIP Flagship		YES <input checked="" type="checkbox"/>		NO <input type="checkbox"/>	
Tags Transport Energy environment, climate resilience Digital economic development (incl. private sector, trade and macroeconomic support)		YES		NO	
		<input checked="" type="checkbox"/>		<input type="checkbox"/>	
		<input checked="" type="checkbox"/>		<input type="checkbox"/>	
		<input checked="" type="checkbox"/>		<input type="checkbox"/>	
	<input checked="" type="checkbox"/>		<input type="checkbox"/>		
	<input checked="" type="checkbox"/>		<input type="checkbox"/>		

	human development (incl. human capital and youth)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	health resilience	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	migration and mobility	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	agriculture, food security and rural development	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	rule of law, governance and public administration reform	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Other	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Digitalisation	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Tags	YES	NO
	digital connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital entrepreneurship	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital skills/literacy	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital services	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Connectivity	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Tags	YES	NO
	digital connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	energy	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	transport	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	health	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	education and research	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Migration	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Reduction of Inequalities	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	COVID-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>BUDGET INFORMATION</b>			
<b>14. Amounts concerned</b>	Budget line(s) (article, item): 14.020111 Eastern Neighbourhood Total estimated cost: EUR 374 000 000.00 Total amount of EU budget contribution EUR 374 000 000.00		
<b>MANAGEMENT AND IMPLEMENTATION</b>			
<b>15. Implementation modalities (management mode and delivery methods)</b>	<b>Direct management</b> through: - Grants - Twinning grants - Procurement <b>Indirect management</b> with the entity(ies) to be selected in accordance with the criteria set out in section 4.3.3 <b>Payment of a membership fee</b> to the Register of Damages (section 4.3.5)		



## 1.2. Summary of the Action

On 24 February 2022, Russia launched an unprovoked and unjustified war of aggression against Ukraine. The war has taken a high economic and social toll on the country, with reconstruction and recovery needs being estimated at around USD 411 billion as of March 2023. The European Union (EU) has responded by stepping up its humanitarian, technical and financial assistance to Ukraine, by both repurposing ongoing aid and committing new funds, as well as by facilitating Ukrainian trade via the Solidarity Lanes. Military aid has also been provided including through the European Peace Facility.

Four months into the war, on 23 June 2022, Ukraine was granted EU candidate status by the European Council.<sup>2</sup> As the European Commission has pointed out in its Opinion on Ukraine's application for membership of 17 June 2022 (hereinafter "European Commission's Opinion"),<sup>3</sup> while the country has made remarkable progress in the implementation of its reforms agenda, work remains to be done in a number of areas, including concerning the Constitutional Court of Ukraine (CCU) and the judiciary, the anti-corruption and anti-money laundering systems, the law enforcement sector, the reduction of oligarchs' influence, the media sector, and the legal framework on national minorities.

Through the rehabilitation of critical infrastructure and the provision of technical assistance and policy advice to Ukraine's public authorities, the Action seeks to support Ukraine in its EU membership path and implementation of the Association Agreement (AA) and its Deep and Comprehensive Free Trade Area (DCFTA) while strengthening its resilience and capacity to respond to the impacts generated by Russia's war of aggression.

Focus will be placed on three clusters: 1) Recovery of Municipal and Energy Infrastructure, and Housing; 2) Rule of Law, Governance, Fundamental Rights and Society; 3) Economic and Social Development.

The Action will address all of the five Priority Areas set out in the Multi-annual Indicative Programme (MIP) for Ukraine 2021-2027.<sup>4</sup> Support will furthermore contribute to the implementation of the Economic and Investment Plan (EIP)<sup>5</sup> and its flagships while advancing Sustainable Development Goals (SDGs) 3 (Good Health and Well-being), 5 (Gender Equality), 7 (Affordable and Clean Energy), 10 (Reduced Inequalities), 12 (Responsible Consumption and Production), 13 (Climate Action) and 16 (Peace, Justice and Strong Institutions).

## 1.3. Beneficiar(y)/(ies) of the action

The Action shall be carried out in Ukraine, which is included in the list of ODA recipients.

## 2. RATIONALE

### 2.1. Context

On 24 February 2022, Russia launched an unjustified and unprovoked war of aggression against Ukraine. The war has caused a great number of civilian casualties and damage to infrastructure, and has taken a severe human, social, and economic toll. The country's total reconstruction and recovery needs have been estimated at about USD 411 billion as of 20 March 2023.<sup>6</sup> In response, the EU, its Member States (MS) and the European financial institutions have mobilised altogether at least EUR 82.5 billion in financial, humanitarian and military assistance to Ukraine and its people. Military assistance worth EUR 5.6 billion has been provided

---

<sup>2</sup> European Council meeting (23 and 24 June 2022) – Conclusions, EUCO 24/22

<sup>3</sup> Communication from the Commission to the European Parliament, the European Council and the Council, COM(2022) 407 final of 17.06.2022

<sup>4</sup> Commission Implementing Decision C(2021) 9351 final of 13.12.2021

<sup>5</sup> Joint Staff Working Document SWD(2021) 186 final of 2.7.2021

<sup>6</sup> World Bank, "Ukraine Rapid Damage and Needs Assessment," March 2023

under the European Peace Facility, which together with the support from EU MS brings the overall military support to nearly EUR 25 billion.

In 2022, the support provided or guaranteed by the EU budget amounted to EUR 11.6 billion, EUR 10.54 billion of which has been disbursed to date (including EUR 7.2 billion in macro-financial assistance, EUR 1.8 billion in loans and EUR 1.4 billion in grants). In addition, the EU is providing an unprecedented support package for Ukraine of up to EUR €18 billion for 2023, in the form of highly concessional loans, of which EUR 13.5 billion has already been disbursed. Thanks to this, Ukraine is able to keep paying wages and pensions and maintain essential public services, such as hospitals, schools, and housing for relocated people. It will also ensure macroeconomic stability, and help restore critical infrastructure destroyed, in the complementarity with the ongoing 48-month International Monetary Fund (IMF) Extended Fund Facility (EFF) for USD 15.6 billion approved on 31 March 2023. The EFF aims to support the Ukrainian authorities anchor policies that sustain fiscal, external, price and financial stability, and support the ongoing gradual economic recovery, while promoting long-term growth in the context of post-war reconstruction and Ukraine's path to EU accession.

At the same time, the European Commission announced the intention to create the Ukraine Facility, a new EU-funded instrument meant to finance Ukraine's reconstruction effort and the alignment of its economy to the EU<sup>7</sup>. A **Multi-agency Donor Coordination Platform** to support Ukraine's repair, recovery and reconstruction process has also been launched. It will allow for close coordination among international donors and international financial organisations and will ensure that support is provided in a coherent, transparent, and accountable manner.<sup>8</sup> In May 2023, the Committee of Ministers of the Council of Europe established the Register of Damage Caused by the Aggression of the Russian Federation against Ukraine<sup>9</sup> to serve as a record, in documentary form, of evidence and claims information on damage, loss or injury caused, on or after 24 February 2022, by the Russian Federation's internationally wrongful acts in or against Ukraine. With the set-up of the **EU-Ukraine Solidarity Lanes**, the EU has also strived to help Ukraine export its goods, including grain, to the EU and the rest of the world while also ensuring it can continue to import the goods it needs. These new trade routes have become a vital lifeline for Ukraine's economy, bringing more than EUR 26 billion in income to Ukrainian farmers and businesses since May 2022 until April 2023.

Ukraine's Government has demonstrated extraordinary resilience and crisis management capacity since the beginning of Russia's military aggression. In April 2022, the President of Ukraine established the National Recovery Council, an advisory body tasked *inter alia* to develop a **National Recovery Plan (NRP)**, which is currently under preparation. The NRP is meant to set out measures for the country's post-war recovery and development, including the renovation of damaged infrastructure, the improvement of public service delivery, structural transformation and economic reforms, as well as support for the war-affected population.

On 24 June 2022, the European Council granted the **status of candidate country** to Ukraine. As noted in the European Commission's Opinion, while overall the country has made significant progress in the implementation of its reforms agenda and legislative approximation with the EU, some sectors are more advanced than others. Notably, immediate action has been recommended on the following seven reform priority areas: (i) the reform of the CCU; (ii) the reform of the High Council of Justice; (iii) the anti-corruption

---

<sup>7</sup> Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions COM(2022) 233 final of 18.05.2022. Proposal for a Regulation of the European Parliament and of the Council on establishing the Ukraine Facility, COM(2023)338, 20.06.2023.

<sup>8</sup> European Commission – Press Release: Ukraine: Multi-agency Donor Coordination Platform for Ukraine kick-starts Work, READ/23/383, 26 January 2023

<sup>9</sup> Resolution CM/Res(2023)3 of 12 May 2023

system; (iv) the anti-money laundering system, (v) the law enforcement sector; (v) the reduction of oligarchs' influence; (vi) the media sector; and (vii) the legal framework for national minorities. It is important to continue efforts towards fully implementing these seven priorities.

The EU-Ukraine bilateral relations are regulated by the **Association Agreement (AA) and its Deep and Comprehensive Free Trade Area (DCFTA)**, signed in 2014. The AA/DCFTA provides the foundations for political association and economic integration between the EU and Ukraine. Currently, it remains a key bilateral legal instrument serving as a basis for deepening political ties, developing stronger economic linkages, promoting common values and enhancing cooperation in areas of mutual interest. At the 24<sup>th</sup> EU-Ukraine Summit held in Kyiv on 3 February 2023, the Parties reiterated the importance of the AA in facilitating and promoting Ukraine's further integration with the EU. The EU also acknowledged Ukraine's efforts towards fulfilling the objectives underpinning its candidate status and reaffirmed its commitment to support Ukraine in this endeavour.

The revised Priority Action Plan for 2023-2024, which was acknowledged at the 24th EU-Ukraine Summit on 3 February 2023, is the roadmap to accelerate and monitor the full implementation of the DCFTA, providing Ukraine with further access to the Single Market.

The EU has provided significant **support for Ukraine's stabilisation and modernisation** through the country's AA/DCFTA-based reforms agenda. From 2014 until Russia's full-scale invasion of Ukraine in 2022, following Russia's illegal annexation of Crimea, and the armed conflict initiated by Russia and its proxies in Ukraine's eastern regions of Donetsk and Luhansk, the EU and the European financial institutions have allocated over EUR 17 billion in grants and loans, including macro-financial assistance. The country's commitment to the implementation of the AA/DCFTA has led to enhanced bilateral cooperation and gradual economic integration with the EU across a wide range of sectors. Ukraine has carried out a number of challenging reforms related to the AA/DCFTA, which have contributed to approximating its legislation to the EU *acquis* across many areas.<sup>10</sup>

With this Action, the EU will support Ukraine on its **EU membership path** and implementation of the AA and its DCFTA while strengthening its **resilience** and capacity to respond to the impacts generated by Russia's war of aggression. To this end, support will be concentrated on the following three clusters: 1) Recovery of Municipal and Energy Infrastructure, and Housing; 2) Rule of Law, Governance, Fundamental Rights and Society; 3) Economic and Social Development.

In pursuing the previously-mentioned objectives, the Action will contribute to advancing **key 2019-2024 European Commission's priorities**, such as the Green Deal (including the 'From Farm to Fork' and Biodiversity strategies), digital transformation, and 'A stronger Europe in the world,' in full alignment with the overarching resilience framework and policy objectives set out in the Joint Communication on the **Eastern Partnership policy beyond 2020**<sup>11</sup> as well as the EU Global Strategy. The Action will be implemented under the MIP for Ukraine 2021-2027 and will build on the results achieved under previous assistance frameworks, notably the Single Support Framework for EU support to Ukraine (2018-2020) and previous special measures in favour of the country. Assistance will be coordinated with the EU MS as well as other key international donors and partners.

## 2.2. Problem Analysis

### Short problem analysis

---

<sup>10</sup> Association Implementation Report on Ukraine, SWD(2022) 202 final

<sup>11</sup> Joint Communication to the European Parliament, the European Council and the Council, JOIN(2020) 7 final of 18.3.2020

### *Recovery of Municipal and Energy Infrastructure, and Housing*

As a result of the massive military attacks by Russia many residential buildings, energy and other critical infrastructure have been damaged or destroyed. The government requires support in the **recovery of municipal, transport and energy infrastructure, as well as housing**. The Action will support the energy companies to repair or replace the damaged energy infrastructure equipment and resume their services to the population and businesses. Support will also be provided to repair the critical municipal, transport or economic infrastructure facilities (district heating, water supply and wastewater discharge systems, waste management, electricity supply, transport, economically important facilities, etc) in local communities badly damaged during the hostilities. The Action will also provide financial support to the homeowners of the damaged buildings to be able to repair their housing, with a focus on multi-family buildings, which did not sustain structural damage, and restore normal living conditions.

Supporting short-term reconstruction and rehabilitation, granting access to livelihoods, basic goods and essential services to the Ukrainian population affected by Russia's war of aggression, and protecting the victims and other vulnerable groups during and after the war, will contribute to strengthening the population's overall resilience, ultimately easing its suffering.

The Action will also make a contribution to the Register of Damage Caused by the Aggression of the Russian Federation against Ukraine, which was established to receive and process information on claims of damage, loss or injury caused, on or after 24 February 2022, by the Russian Federation's internationally wrongful acts in or against Ukraine and record the eligible claims for the purposes of their future examination and adjudication.

The present action will be implemented in close coordination, synergy and in complementarity with other EU funding instruments, in particular relating to humanitarian aid and civil protection. For instance, DG ECHO has contracted EUR 130 million in humanitarian aid for the rehabilitation and basic refurbishment of schools and shelters, temporary centres/reception centres and the distribution of emergency shelter repair kits, winterisation relief items and cash for heating/energy needs. The EU has also mobilised Relief Housing Units via its rescEU shelter reserve under the EU Civil Protection Mechanism (UCPM).

### *Rule of Law, Governance, Fundamental Rights and Society*

With the ongoing Russian military aggression and the EU accession process, strengthening the rule of law, fundamental rights and the plurality of media, further empowering civil society actors and building a modern public administration take a central role. Activities in these areas will help improving the country's resilience and democratic foundation, while increasing the capacity of its actors to deliver on needed reforms, both through government actors and across the entire society.

More specifically, the **justice reform** should very much continue, as it is one of the key pre-accession steps noted in the European Commission's Opinion, and it is part of the fundamentals under the EU enlargement policy. The justice reform is also expected to ensure effective investigation of war crimes, which represents a top political priority for Ukraine, the EU and its Member States.

Continued support for **the fight against corruption** is necessary in order to ensure the sustainability and further advancement of Ukraine's comprehensive anti-corruption infrastructure, gradually developed since the Revolution of Dignity. This infrastructure is gaining increased importance in view of the additional corruption risks that may emerge in the country's reconstruction context. In this context, it is key to help Ukraine implement the key anti-corruption steps noted in the European Commission's Opinion.

The **public administration reform** (PAR) is the cornerstone of Ukraine's national reconstruction process as well as one of the three fundamentals of the EU accession process. The EU has been Ukraine's main partner on PAR through the EU4PAR project, which is to end soon. The legal framework for a modern public administration is mostly in place but not yet fully implemented. Ukraine has in fact prepared PAR strategies shaped around the principles of European public administration; nonetheless, further efforts are required, including for building the capacity to implement policy and legislation in particular linked to the pre-accession process.

**Public finance management** is another sector that merits continued support. Considering the huge fiscal gap emerged as a consequence of Russia's war of aggression, keeping and improving budget planning and accountability measures as well as domestic revenue generation capacity remains crucial. While the tax administration has been improving over last years, with substantial external support, the reform of the customs administration is at its beginning.

Ensuring a well-functioning **public procurement system** (including green procurement principles) is crucial under the martial law regime as well as for an efficient use of recovery and reconstruction funds. Public procurement is covered by a dedicated accession chapter as part of the fundamentals cluster under the enlargement methodology.

With the granting of EU candidate status to Ukraine, both the legislative and the executive branches of the state will need to adapt their procedures, structures and staff competences to the requirements of the EU accession process. They will therefore necessitate substantial **capacity building for the accession process and support in legal approximation**.

**E-governance and cybersecurity**, typically important sectors for Ukraine, have become even more prominent in the context of the ongoing Russia's military aggression. Ukraine has made huge progress in the digital sphere. Besides military attacks, numerous cyberattacks against state websites and key infrastructure are used in a strategic way, on a wider scale, to destabilize the Ukrainian state and inflict both material and reputational damage on the country. As a consequence of Russia's war of aggression, more than 10 million Ukrainian citizens are either internally displaced or have fled the country. There is therefore an urgent need for online services to serve the citizens without the need for them to visit governmental offices physically.

With Russia's military aggression, also the need to continue investing in **integrated border management** has become starker. With the Solidarity Lanes action plan, the EU seeks to ensure that Ukraine can export grain, but also import the goods it needs, from humanitarian aid to animal feed and fertilisers. In this context, it is key to help Ukraine strengthen its capacity to handle more efficiently higher volumes of goods and people at its land border crossing points through upgraded infrastructure, procedures, and systems. The State Border Guard service remains heavily involved on the frontline, working to secure northern and north-eastern borders with Belarus and the Russian Federation respectively. At the same time, Ukraine's border with the EU Member States and the Republic of Moldova faces additional security challenges, including potential threats of trafficking in human beings and smuggling of weapons and radioactive materials.

Russia's war of aggression has put the livelihoods of **media** under threat, with a near-total collapse in the advertising markets and subscription-based funding schemes only in their infancy. At the same time, it has put the physical safety of journalists at risk, and Ukraine is targeted by large amounts of disinformation. Emergency funding and capacity building will be at the centre of the Action, with a special focus on regional media's ability to cater quality, unbiased information and reach target audiences locally and beyond. Furthermore, the Action will aim to increase the media literacy of Ukrainian audiences and combat disinformation as well as support the Ukrainian authorities' strategic communication efforts.

**Civil society and human rights activists** have been under particular strain as a consequence of the Russian military aggression, yet have been among the first responders on the ground and continue to contribute a large part of early relief, rehabilitation and community cohesion efforts. They face challenges both in terms of safety and security of their staff, severe financing constraints, and are subject to additional pressure to adapt to the changed situation on the ground. Inevitably, Russia's war of aggression and the subsequent imposition of martial law have led to a shrinking space for human rights and the Government's capacity to develop adequate legal instruments remains limited, while the respect for **fundamental rights** will be a substantial part of the EU accession dialogue. In this context, the Action will provide grants and access to international expertise and capacity building for policy makers and implementers to contribute to the protection of fundamental human rights in Ukraine, including rights of persons belonging to national minorities, and support activities in the fields of rehabilitation and reconstruction, the strengthening of communities, contributing to the diversity and social cohesion of Ukrainian society, and European integration.

#### *Economic and Social Development.*

To ensure Ukraine's sustainable recovery and advance its path towards EU integration, strengthening the country's socio-economic resilience and underlying economic potential through a comprehensive reform and modernization process is decisive. The activities in this area will contribute to strengthening the government efforts in rehabilitation of critical infrastructure and to increasing the country's capacity to deliver reforms and advance towards market integration in the various economic and social sectors.

Russia's war of aggression has caused a sudden and substantial disruption in **agriculture and food production** systems, including by decreasing the country's capacity to export agricultural products, thereby jeopardising the access of especially the smaller farms to capital, ultimately putting cropping seasons at risk and making it impossible to finance farmland purchases. The Ukrainian Government's capacity to implement reforms has been curtailed and substantial support is needed to secure the resilience of institutions. Yet, despite the war, land reform continues, and the Government has established a Partial Credit Guarantee Facility (PCGF) that would guarantee potential losses in the case of investments through loans, including for farmland purchases. The PCGF will operate through Ukraine's Farm Register (the State Agrarian Register-SAR) that was launched in mid-August 2022, and which already accommodates other state support tools such as an investment grant scheme and the Production Support Grant (PSG) scheme. The Action will contribute to Ukraine's food security and economic resilience by helping ensure uninterrupted production of agricultural and food products (including issues related to irrigation), supporting the access of farms to capital, and contributing to further strengthening Government institutions and initiatives to implement flagship reforms in line with the Green Deal, the Farm to Fork Strategy and the EU Biodiversity Strategy, paving the way to the country's accession to the EU.

Russia's war of aggression also has a severe damaging impact on the environment with long-term effects. Ukraine has confirmed its intention to ensure green post-war recovery and it continues working on the **environmental reforms** foreseen by the EU-Ukraine AA.

Energy is a critical sector of the economy, in particular in a context where energy infrastructure is a military target, and where the Russian military aggression has caused substantial damages to energy facilities and equipment. Support to the repair of the critical **energy infrastructure** and procurement of equipment of energy companies is crucial to ensure that the operation of public authorities, businesses and households can be sustained despite the attacks. Following the synchronisation of the Ukrainian power system with the one of Continental Europe in March 2022, pursuing the **energy reform agenda and market integration** is crucial. Under the current circumstances, the need for reinforcing energy security, including through supply diversification and increasing energy efficiency, becomes more stringent. The Action will support the

approximation process with EU legislation and the reform process in the energy area, including gas and electricity markets, and renewables, corporate governance reform of energy operators and energy efficiency.

Transport infrastructure has been heavily impacted by the Russian military aggression, while the sector is key to ensure that Ukraine can continue to export its goods to the EU and the rest of the world, and import the goods it needs. The **Solidarity Lanes** have become the lifeline of Ukraine's economy, bringing more than EUR 26 billion in income to Ukrainian farmers and businesses since May. However, the capacity of these alternative routes has reached its limits, bottlenecks persist and logistics costs remain high. For the short-term, support is needed on quick-fixes, such as infrastructure upgrades at border-crossing points and equipment (fixed and mobile), to reduce waiting times and improve movement through the EU-Ukrainian borders. Such investments need to be done in full coordination with other EU funds, including the Connecting Europe Facility.

At the same time, the transport sector will be key to support the country's economic recovery, including through ensuring better connectivity with the EU. Reforms in various areas of the **transport sector** (road, rail, inland waterways and maritime) need therefore to be promoted to develop an efficient and sustainable transport system as well as a competitive transport business environment.

Military actions are causing significant losses for electronic communications operators because of the constant destruction of relevant infrastructure, which is in turn heavily impacting the capacities of the electronic communications authorities, in particular the Telecom Regulator (National Commission for State Regulation of Electronic Communications). Support to the Ukrainian authorities is therefore needed to pursue the implementation of **reforms in the area of electronic communications** and support Ukraine's integration into the EU Single Digital Market. The Action will seek to strengthen the institutional capacity of the Telecom Regulator with the aim of bringing Ukraine's legislation closer to the EU's, as well as help implement the latest Information Technology (IT) tools.

While the expansion of trade and industrial development is a key factor for Ukraine's economic recovery, Russia's war of aggression has taken a toll also on the country's **quality infrastructure**. The completion of the Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA) is a priority for Ukraine, as it would enable the country to participate in the EU's Single Market for some categories of non-food products. Thereby, it is necessary to align the relevant legislative framework with the EU *acquis*. The Action will therefore focus on strengthening the administrative capacities of all quality infrastructure institutions involved in ACAA processes and improve coordination among these institutions, ultimately supporting the legislative and functional implementation of ACAA-related requirements as well as the essential quality infrastructure damaged by the war.

Over the last several years, Ukrainian legislation on **financial services** and corporate governance has been modernised, but the new legislation is still not fully compliant with the EU *acquis*. In addition, the activity of non-bank financial services providers has continued to decline as a consequence of the Russian military aggression, and lending by non-bank financial institutions dropped significantly. The country still needs to build a strong and trustworthy insurance, leasing and non-bank lending market and to create a sound framework for investment services, for its economic resilience during hostilities and post-war recovery.

The Action might also support improving the regulatory and institutional set-up in the healthcare, social and education systems to ensure social and economic integration of population, including vulnerable groups, with a particular focus on inclusiveness.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action.

Target beneficiaries:

- Ukrainian Government, including its executive, legislative and judiciary branches;
- Ukrainian local authorities under the Ukrainian Government;
- Economic operators (businesses, farmers, media, transport, energy and municipal services operators); and
- Civil society organisations.

Final beneficiaries:

- Ukraine's population at large, who will benefit from a more modern, efficient and resilient state.

### 2.3. Lessons Learned

The Action is designed taking account of the lessons learned from the implementation of previous assistance aimed at enhancing the capacity of the Ukrainian Government to pursue reforms, namely the Technical Cooperation Facilities 2015-2020 funded the European Neighbourhood Instrument, as well as actions targeting the public administration reform and capacity building under sectoral programmes.

One of the main lessons learned from previous EU support is that high-level political support to the reform agenda and AA/DCFTA persists in the Government and in the Parliament.

The implementation of capacity building activities with government institutions depends on the successful implementation of the PAR in terms of ensuring strategic management, stability of senior and middle level civil servants, clear division of tasks and sufficient budget allocations.

Policy and legislative development needs to be evidence-based, costed and subject to appropriate internal and external stakeholder consultations at the right time of the legislative and policy-making process. This is key in ensuring implementation and enforcement of the adopted policies and legislation.

This Action will therefore promote a strategic approach to the provision of assistance, meaning that individual projects shall be directly linked to the clearly identified reform strategy and the implementation plan. In the areas involving several institutions, it is essential to establish mechanisms of enhanced coordination.

Almost one year into Russia's war of aggression, the implementation of EU assistance has shown the need for greater flexibility to enable the EU and its partners to respond to changing needs and evolving priorities. For this reason, under this Action, the specific amounts for specific activities can be adjusted as necessary to respond to the latest developments and updated needs assessment. Thematic and geographic flexibility at the level of the individual projects to be implemented under this Action will also be ensured, for the same purpose.

## 3. DESCRIPTION OF THE ACTION

### 3.1. Objectives and Expected Outputs

The **Overall Objective (Impact)** of this Action is to support Ukraine in its EU membership path and implementation of the AA/DCFTA while strengthening its resilience and capacity to respond to the impacts generated by Russia's war of aggression.

The **Specific Objective (Outcome)** of this Action is that the resilience and capacity of Ukraine's public authorities to implement reforms, ensure respect for fundamental rights, deliver services for the population, respond to war-generated impacts, and pursue the recovery effort is strengthened together with the capacity of the civil society to contribute to the process.

The **Outputs** to be delivered by this action contributing to Outcome 1 (or Specific Objective 1) are:

- 1.1 Critical municipal, transport and energy infrastructure as well as important economic facilities and housing damaged as a result of hostilities are repaired or restored, the damaged buildings are renovated;



- 1.2 The resilience, institutional and administrative capacity of Ukraine's public authorities to coordinate and implement reforms, deliver services, respond to war-generated impacts, and pursue the country's recovery is strengthened;
- 1.3 The resilience and capacity of civil society organisations to participate in the response to war-generated impacts, in the reform, service provision, and recovery processes, in the promotion of human rights, gender equality, rights of persons belonging to national minorities, diversity and social cohesion of the Ukrainian society, and in the support to the media is strengthened;
- 1.4 The implementation of the EU-Ukraine Solidarity Lanes is improved;
- 1.5 Food security and uninterrupted production of agricultural and food products by small farms (i.e. legal entities and individual agricultural producers), including through sustainable and good agricultural practices, is improved;
- 1.6 The resilience and capacity of the Ukrainian population to withstand the impact of Russia's war of aggression is strengthened.

The objectives of the Action contribute to the general objectives of the EIP, which are:

- Investing in enhanced transport connectivity;
- Investing in digital transition - focus on infrastructure and digital services and skills, including for public administrations;
- Investing in sustainable energy;
- Investing in environmental and climate resilience;
- Investing in health resilience – focus on upgrading health systems;
- Investing in people and knowledge societies: focus on human capital.

### **3.2. Indicative Activities**

Activities related to Output 1.1:

- Provision of services to repair the energy infrastructure, procurement of equipment, materials, and fuel to ensure the sustained functioning of the energy system of Ukraine;
- Provision of services, equipment, materials necessary to repair or replace parts of damaged or destroyed critical municipal, transport or economic infrastructure facilities (district heating, water supply and wastewater discharge systems, waste management, electricity supply, transport, economically important objects, etc) in local communities;
- Support to renovation of houses and contribution to the grant schemes supporting repairs of war-affected buildings in the residential sector, complementing EU humanitarian and civil protection assistance.

Activities related to Output 1.2:

- Technical assistance, training, policy advice, small works as well as equipment to Ukraine's public authorities are provided;
- Contribution to the Register of Damage Caused by the Aggression of the Russian Federation against Ukraine is provided;

Activities related to Output 1.3:

- Training and financial support for civil society organisations, activists and media outlets are provided;

Activities related to Output 1.4:

- Technical assistance, training, works and equipment are provided to the relevant public authorities;

Activities related to Output 1.5:

- Technical assistance, training and policy advice to strengthen the capacity of relevant public authorities in implementing reforms in the fields of agriculture, irrigation, food safety, animal health and phytosanitary are provided;
- The operationalisation of the Partial Credit Guarantee Facility and other instruments implemented through the State Agrarian Register is supported to help improve access by small farms (i.e. legal entities and individual agricultural producers) to working and investment capital and financing;

Activities related to Output 1.6:

- Population access to livelihoods, basic goods and services, shelter and other relevant goods during and immediately after the war, complementing EU humanitarian and civil protection assistance, is supported.

### **3.3. Mainstreaming**

#### **Outcomes of the Environmental Impact Assessment (EIA) screening**

The EIA screening classified the action as Category B (not requiring an EIA, but for which environment aspects will be addressed during design).

#### **Outcome of the Climate Risk Assessment (CRA) screening**

The CRA screening concluded that this action is no or low risk (no need for further assessment).

#### **Gender equality and empowerment of women and girls**

As per OECD Gender DAC codes identified in section 1.1, this Action is labelled as G1. This implies that, at the level of implementing contracts, implementing partners will ensure compliance with gender equality standards, including promoting the presence of more women in public administration top management positions and ensuring equal pay, as well as establishing monitoring mechanisms allowing data disaggregation by gender. The principle of gender equality will also be mainstreamed in the activities contributing to mitigating the impact of Russia's war of aggression on the Ukrainian population, ultimately benefiting the women and men affected by it.

#### **Human Rights**

The Action will be implemented in line with the human rights-based approach and according to the principles of leaving no one behind and reaching the furthest behind first. It will in particular contribute to enacting the principles of equality (non-discrimination) in relation to access to services, especially in the rehabilitation/recovery context. Through its support to reforms, the Action will contribute to building/strengthening the capacity of State actors (duty bearers) to promote and protect human rights. At the same time, rights-holders will be empowered, through awareness-raising campaigns, to claim their rights. The Action will also promote accountability and transparency in policy making and in the administration of justice as well as access to information. The Action will in addition be responsive to the specific needs and rights of the most vulnerable groups, such as women and children, the elderly, minorities, IDPs, returnees and ex-combatants.

#### **Disability**

As per OECD Disability DAC codes identified in section 1.1, this Action is labelled as D1. This implies that the Action will target the inclusion of persons with disabilities. While this approach will be mainstreamed in the implementation of the whole of the Action, it will be particularly evident in the context of the support for the rehabilitation and reintegration of such vulnerable groups as the ex-combatants.

#### **Democracy**

By seeking to enhance the accountability of institutions as well as the transparency of policy making, the Action will contribute to strengthening the democratic process, including through a more systematic participation of the civil society in policy development and monitoring.

### **Conflict sensitivity, peace and resilience**

By seeking to increase the institutional and administrative capacities of Ukraine's public authorities, the Action will contribute to building a more resilient state, which is able to withstand the impact of Russia's military aggression, cushion its socio-economic effects, and pursue reforms at the same time. In parallel, by supporting reintegration as well as access to livelihoods, basic goods and services, the Action will contribute to strengthening the resilience of the Ukrainian population.

### **Disaster Risk Reduction**

By supporting reforms in the environmental sector, the Action will contribute to increasing the resilience and capacity of the Ukrainian authorities to prevent and effectively respond to environmental disasters, including those induced by Russia's war of aggression. At the same time, the Action will contribute to mitigating natural or man-made disaster risks by contributing to increasing individual resilience and coping capacity through the provision of basic services and goods to the population directly or indirectly affected by Russia's military aggression as well as by increasing the preparedness and response capacity of civil society organisations as well as of the civil protection services.

### **3.4. Risks and Assumptions**

<b>Category<sup>12</sup></b>	<b>Risks</b>	<b>Likelihood (High/ Medium/ Low)</b>	<b>Impact (High/ Medium/ Low)</b>	<b>Mitigating measures</b>
1	Russia's war of aggression protracts and security conditions deteriorate further, impeding the implementation of the planned activities.	High	High	Continued monitoring of the Action to adjust activities to the new conditions and reprioritise them as needed, including by maintaining on stand-by the activities that cannot be implemented until appropriate conditions are in place.
1	The protracted war, and ensuing prolonged military effort, diverts the focus (and resources) of Ukraine's Government from reforms.	Medium	High	Continued support to Ukraine's government through technical and financial assistance as well as policy dialogue.
1	Change of government may cause staff	Medium	Medium	Ongoing public administration reform aiming to enhance stability of senior and middle level civil servants and

<sup>12</sup> The risk (category) can be related 1-to the external environment; 2-to planning, processes and systems; 3-to people and the organisation; 4-to legality and regularity aspects; 5-to communication and information.

	turnovers in ministries and loss of trained professionals.			reduce staff turnover, particularly with regards to political nominations.
4	Corruption schemes endangering the legality of the use of EU funds develop as a consequence of Russia's war of aggression.	Medium	High	Rigorous oversight measures will be put in place throughout the implementation of the Action at contract level.

### External Assumptions

- Ukraine's democratically elected Government remains resilient as well as willing and able to continue to fulfil its leading role in the national reform process;
- Reforms remain a priority for Ukraine's democratically elected Government and sufficient resources (human, financial, technical) to implement them continue to be available;
- Civil society remains resilient and engaged in the reform process; and
- Russia's war of aggression remains contained within its existing boundaries and does not impact in a life-threatening manner the staff involved in the implementation of the Action.

### 3.5. Intervention Logic

The underlying intervention logic for this Action is that the rehabilitation of critical infrastructure and the provision of technical assistance (in different modalities) and policy advice to Ukraine's public authorities will create the necessary conditions for the implementation of reforms that are instrumental to Ukraine's EU accession and inclusive recovery, while helping it fulfil its commitments under selected areas of the AA/DCFTA.

Supporting short-term reconstruction and rehabilitation, granting access to livelihoods, basic goods and essential services to the Ukrainian population affected by Russia's war of aggression, and protecting the victims and other vulnerable groups during and after the war, will contribute to strengthening the population's overall resilience, ultimately easing its suffering.

Assistance will contribute to the legal approximation process and reform implementation in selected areas by building/enhancing the capacity of the relevant institutions. *Acquis* alignment and policy development will be pursued in line with the inclusive and evidence-based approach to public governance: draft legal and policy proposals should be based on evidence, the cost of their implementation should be calculated and budgeted, and they should be consulted at the right time of the process with internal and external stakeholders.

Part of the activities may contribute to the green transition of the country as well as to progress in the digitalisation sphere.

**3.6. Indicative Logical Framework Matrix**

Results	Results chain: Main expected results [maximum 10]	Indicators [at least one indicator per expected result]	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
<b>Impact</b>	To support Ukraine in its EU membership path and implementation of the AA/DCFTA while strengthening its resilience and capacity to respond to the impacts generated by Russia's war of aggression.	The rate of the reform process and degree of implementation of AA/DCFTA and priority areas identified in the Commission's Opinion on Ukraine's application for EU membership in the areas targeted by this Action	2023 - assessment of reform and AA/DCFTA-priority areas implementation status	2026 – progress on reform and AA/DCFTA-priority areas implementation	AA implementation reports by the Government and the EU  Association Council, Association Committee and relevant Sub-committees operational conclusions  EU Enlargement Package Reports	<i>Not applicable</i>
<b>Outcome 1</b>	Strengthened resilience and capacity of Ukraine's public authorities to implement reforms, deliver services for the population, respond to war-generated impacts, and pursue the recovery effort together with the capacity of the civil society to contribute to the process.	1.1 Number of reform measures implemented in the areas covered by this Action 1.2 Number of AA/DCFTA provisions implemented in the areas covered by this Action 1.3 Degree of EU 'acquis' approximation and implementation in the areas covered by this Action 1.4 Proportion (%) of population, directly or indirectly benefiting from EU assistance on recovery from war-generated impacts	2023 - current state of play of reform implementation and legal approximation of Ukraine's legislation to that of the EU	2026 – progress on reform implementation and legal approximation of Ukraine's legislation to that of the EU	AA Implementation reports by the Government and the EU (including monitoring tool 'Pulse of the Agreement')  EU Enlargement Package Reports  Government reports on recovery measures	Russia's war of aggression remains contained within its existing boundaries and does not impact in a life-threatening manner the staff involved in the implementation of the Action.  Reforms remain a priority for Ukraine's Government and sufficient resources (human, financial, technical) to implement them

						continue to be available.
<b>Output 1 related to Outcome 1</b>	1.1 Repaired or restored critical municipal, transport and energy infrastructure, important economic facilities, renovated housing earlier damaged as a result of hostilities	<p>1.1.1 Number of objects of critical municipal, transport and energy infrastructure, important economic facilities repaired or restored with EU support</p> <p>1.1.2 Number of people who benefitted from resumed access to municipal, transport and energy infrastructure as a result of EU support</p> <p>1.1.3 Number of houses renovated with EU support</p> <p>1.1.4 Number of people who benefitted from the financial support scheme to repair of their damaged houses</p>	<p>1.1.1 0 [Jan. 2023]</p> <p>1.1.2 0 [Jan. 2023]</p> <p>1.1.3 0 [2023]</p> <p>1.1.4 0 [2023]</p>	<p>1.1.1 To be defined based on needs [2024]</p> <p>1.1.2 To be defined based on needs [2024]</p> <p>1.1.3 1,000 [2026]</p> <p>1.1.4 100,000 [2026]</p>	1.1.1 -1.1.4 Individual project records	Russia's war of aggression remains contained within its existing boundaries and does not impact in a life-threatening manner the staff involved in the implementation of the Action.
<b>Output 2 related to Outcome 1</b>	1.2 Strengthened resilience, institutional and administrative capacity of Ukraine's public authorities to coordinate and implement reforms, deliver services, respond to war-generated impacts, and pursue the country's recovery	<p>1.2.1 Number of public policies in key reform areas developed and/or revised with internal and external consultations with national stakeholders with EU support</p> <p>1.2.2 Number of legal/administrative acts implementing the AA/DCFTA and EU agreements developed / revised with EU support</p> <p>1.2.3 Number of EU acquis transposed in the Ukrainian legislation in the areas covered by this Action</p> <p>1.2.4 Number of government institutions that benefited from the capacity building activities under this priority area</p>	<p>1.2.1 To be defined at the level of individual contracts [2023]</p> <p>1.2.2 To be defined at the level of individual contracts [2023]</p> <p>1.2.3 To be defined at the level of individual contracts [2023]</p> <p>1.2.4 To be defined at the level of</p>	<p>1.2.1 To be defined at the level of individual contracts [2026]</p> <p>1.2.2 To be defined at the level of individual contracts [2026]</p> <p>1.2.3 To be defined at the level of individual contracts [2026]</p> <p>1.2.4 To be defined at the level of</p>	<p>Projects' Terms of reference / Description of the Action defining targets</p> <p>Projects' progress reports</p>	Ukraine's government remains resilient and committed to reforms.

			individual contracts [2023]	individual contracts [2026]		
<b>Output 3 related to Outcome 1</b>	1.3 Strengthened resilience and capacity of civil society organisations to participate in the response to war-generated impacts, in the reform, service provision, and recovery processes, in the promotion of human rights, gender equality, rights of minorities, diversity and social cohesion of the Ukrainian society, and in the support to the media	1.3.1 Number of government policies developed with civil society organisations participation through EU support	1.3.1 0 [2023]	1.3.1 5 [2026]	1.3.1 Monitoring reports at project level	Civil society remains resilient and engaged in the reform process.
<b>Output 4 related to Outcome 1</b>	1.4 Improved implementation of the EU-Ukraine Solidarity Lanes	<p>1.4.1 Number of trucks processed in 24 hours (one way – entry or exist) at selected border crossing points (Krakivets, Uzghorod, Chop (Tysa), Porubne, Reni)</p> <p>1.4.2 Average waiting time for trucks until first time of control at selected border crossing points (Krakivets, Uzghorod, Chop (Tysa), Porubne, Reni)</p> <p>1.4.3 Number of border crossing points fitted with customs control equipment with EU support</p> <p>1.4.4. Total monthly volumes of UA exports and imports via the Solidarity Lanes</p>	<p>1.4.1 Krakivets – 285, Uzghorod - 124, Chop - 252, Porubne - 334, Reni - 200 [Jan 2023]</p> <p>1.4.2 72 hours [Jan 2023]</p> <p>1.4.3 2 [Jan 2023]</p> <p>1.4.4 9.6 Mt [Jan 2023]</p>	<p>1.4.1 To be defined at the level of individual contracts [2026]</p> <p>1.4.2 To be defined at the level of individual contracts [2026]</p> <p>1.4.3 To be defined at the level of individual contracts [2026]</p> <p>1.4.4 To be defined at the level of individual contracts [2026]</p>	<p>Ukraine's State Customs Service data</p> <p>European Union Advisory Mission (EUAM) data</p>	<p>Ukraine's Government remains committed to the implementation of the EU-Ukraine Solidarity Lanes.</p> <p>Russia's war of aggression does not prevent the implementation of the EU-Ukraine Solidarity Lanes.</p>
<b>Output 5 related to Outcome 1</b>	1.5 Improved food security and uninterrupted production of agricultural and food products by small farms (i.e. legal entities and individual agricultural	1.5.1 Number of small farms (i.e. legal entities and individual agricultural producers – incl. proportion [%] of women-owned farms (i.e. legal entities and individual agricultural producers) cultivating less than	1.5.1 0 [Jan. 2023]	1.5.1 2,000 farms (i.e. legal entities and individual agricultural	1.5.1 Banking statistics, project progress reports;	Public and commercial banks are interested in expanding their lending operations to



	producers), including through sustainable and good agricultural practices	<p>500 ha of agricultural land that have benefited from loans guaranteed by the Partial Credit Guarantee Fund in Agriculture (PCGF) or any other instruments through SAR;</p> <p>1.5.2 Total amount of loans [UAH million] guaranteed by the PCGF for small farms (i.e. legal entities and individual agricultural producers) and grants used for investment purposes;</p> <p>1.5.3 Disaggregated monitoring report on SAR based PCGF lending are available on a routine basis and public.</p>	<p>1.5.2 UAH 0 [Jan. 2023]</p> <p>1.5.3 No public routine monitoring system available [2023]</p>	<p>producers) [2026]</p> <p>1.5.2 UAH 680 million [2026]</p> <p>1.5.3 Disaggregated monitoring system on PCGF based lending in place, with routine and public reporting [2024]</p>	<p>1.5.2 Banking statistics, projects' progress reports;</p> <p>1.5.3 Monitoring reports</p>	<p>small farms (i.e. legal entities and individual agricultural producers) and accept to take on board the needs of this underbanked target group. Government support for use of SAR by the PCGF is maintained.</p>
<b>Output 6 related to Outcome 1</b>	1.6 Strengthened resilience and capacity of the Ukrainian population to withstand the impact of Russia's war of aggression	1.6.1 Number of beneficiaries of EU immediate assistance (livelihoods, basic goods and services), complementing humanitarian and civil protection assistance, disaggregated by sex, age and region.	2023 – To be defined based on needs	2026 – To be defined based on needs	1.6.1 Individual project records	Russia's war of aggression remains contained within its existing boundaries and does not impact in a life-threatening manner the staff involved in the implementation of the Action.

## **4. IMPLEMENTATION ARRANGEMENTS**

### **4.1. Financing Agreement**

In order to implement this action, it is envisaged to conclude a financing agreement with Ukraine.

### **4.2. Indicative Implementation Period**

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this financing Decision and the relevant contracts and agreements.

### **4.3. Implementation Modalities**

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures.<sup>13</sup>

#### **4.3.1. Direct Management (Grants)**

##### **4.3.1.1. Grants**

###### **a) Purpose of the grant(s)**

The grants will contribute to achieving Outputs 1.1, 1.2, 1.3 and 1.6.

###### **b) Type of applicants targeted**

The grants will target legal persons falling under the following categories:

- Relevant public bodies;
- Local authorities;
- Civil society organisations, including EU strategic partners for capacity building of civil society organisations, and media outlets.

###### **(c) Justification of a direct grant**

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to eligible applicants selected using the following criteria:

- Management and operational capacity; and
- Specific expertise and prior experience in the selected field of support.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because of the crisis situation (referred to in Article 2(21) of the Financial Regulation) caused by Russia's war of aggression against Ukraine.

###### **(d) Exception to the non-retroactivity of costs**

The Commission authorises that the costs incurred may be recognised as eligible as of 03.02.2023 to cater for the assistance needs that may emerge following the 24<sup>th</sup> EU-Ukraine Summit.

---

<sup>13</sup> [EU Sanctions Map](#). Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

The part of the action under the budgetary envelope reserved for grants may, partially or totally and including where an entity is designated for receiving a grant without a call for proposals, be implemented in indirect management with an entity, which will be selected by the Commission's services using the criteria defined in section 4.3.3 below.

#### **4.3.1.2. Twinning Grants**

##### **a) Purpose of the grant(s)**

The Twinning grants aim to increase the institutional and administrative capacities of Ukraine's public authorities. They will contribute to achieving Outputs 1.2, 1.4 and 1.5.

##### **b) Type of applicants targeted**

Applicants must be EU Member State administrations and/or their mandated bodies.

#### **4.3.2. Direct Management (Procurement)**

Procurement aims to support Ukraine's public authorities. It will contribute to achieving Outputs 1.1, 1.2, 1.4, and 1.5 .

#### **4.3.3. Indirect Management with pillar-assessed entities**

A part of this action may be implemented in indirect management with pillar-assessed entities, which will be selected by the Commission's services using the following criteria:

- management and operational capacities; and
- specific expertise and prior experience in the selected field of support.

The implementation by this entities entails activities contributing to Outputs 1.1, 1.2, 1.3, 1.4, 1.5, and 1.6 .

The Commission authorises that the costs incurred may be recognised as eligible as of 03.02.2023 to cater for the assistance needs that may emerge following the 24<sup>th</sup> EU-Ukraine Summit.

#### **4.3.4. Changes from indirect to direct management (and vice versa) mode due to exceptional circumstances**

If, due to circumstances outside the Commission's control:

- Negotiations with the entrusted entities under 4.3.3 fail, that part of the action may be implemented in direct management through grants and/or procurement as described respectively in sections 4.3.1 and 4.3.2.
- If the part of the action cannot be implemented through grants or procurement as described in 4.3.1 or 4.3.2 , the activities might be implemented under indirect management with pillar assessed entities as per section 4.3.3.

#### **4.3.5. Other actions or expenditure**

In line with Article 239 of the Financial Regulation, part of this action may be implemented through the payment of a membership fee to the Register of Damage Caused by the Aggression of the Russian Federation against Ukraine, of which the Union is an Associate Member of. The Register was established by Resolution CM/Res(2023)3 of the Committee of Ministers of the Council of Europe on 12 May 2023. An agreement will be signed in order to disburse the EU membership fee to the Register for 2023. This will support the achievement of Output 2 of this Action to serve as a record, in documentary form, of evidence and claims information on damage, loss or injury caused, on or after 24 February 2022, in the territory of Ukraine within its internationally recognised borders, extending to its territorial waters, to all natural and

legal persons concerned, as well as the State of Ukraine, including its regional and local authorities, state-owned or controlled entities, by the Russian Federation's internationally wrongful acts in or against Ukraine.

In order to support the initial set-up of the Register, the Commission authorises that the costs incurred may be recognised as eligible from the date of establishing the Register as of 12 May 2023, prior to the adoption of this Financing Decision.

#### 4.4. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

#### 4.5. Indicative Budget

<b>Indicative Budget components</b>	<b>EU contribution (amount in EUR)</b>
<b>Implementation modalities</b> – cf. section 4.3	
Grants (direct management) – total envelope under section 4.3.1	85 000 000
Procurement (direct management) – total envelope under section 4.3.2	25 000 000
Indirect management with entrusted entities – cf. section 4.3.3	262 700 000
Other - EU Contribution to the Register of Damage for Ukraine – cf. section 4.3.5	1 000 000
<b>Evaluation</b> – cf. section 5.2 <b>Audit</b> – cf. section 5.3	300 000
<b>Strategic communication and Public diplomacy</b> – cf. section 6	N/A
<b>Totals</b>	<b>374 000 000</b>

#### 4.6. Organisational Set-up and Responsibilities

The EU Delegation will be responsible for the overall management of the Action and will set up the organisational structure at the level of individual contracts per activities described in Section 3.2. Detailed terms of reference/descriptions of the actions will be developed for each individual activity, including the management structure, the experts' team and the composition of the Steering Committee in charge of the supervision of the project.

On the Ukrainian side, the Cabinet of Ministers of Ukraine acts as a coordinator for the EU assistance. The Government Office for Coordination on European and Euro-Atlantic Integration will ensure overall coherence and monitoring of activities in the areas related to the implementation of the AA/DCFTA and those identified in the Commission's Opinion on Ukraine's application for EU membership. Ministries and agencies being key stakeholders in the areas of support will be consulted in the process of design of individual activities and closely involved in the implementation and steering of the projects.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

## **5. PERFORMANCE MEASUREMENT**

### **5.1. Monitoring and Reporting**

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its Outputs and contribution to the achievement of its Outcomes, and if possible at the time of reporting, contribution to the achievement of its Impacts, as measured by corresponding indicators, using as reference the logframe matrix.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Arrangements for monitoring and reporting, including roles and responsibilities for data collection, analysis and monitoring:

The Action will be implemented through a number of contracts with implementing partners implementing the specific activities. While the implementing contracts are expected to contribute to the fulfilment of relevant indicators at Output level, the baselines will be defined in the Terms of Reference or Description of the Action for each contract. Implementing partners will be responsible for setting the relevant benchmarks, for the collection of data, monitoring and reporting at the contract level. The results achieved and recorded at the level of contracts in priority sector will be attributed to measuring the overall progress at the level of outputs. SDGs indicators and, if applicable, any jointly agreed indicators should be taken into account.

### **5.2. Evaluation**

Having regard to the nature of the action, a final evaluation(s) will be carried out for this action or its components via independent consultants.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the Action is a set of sub-actions all contributing to increasing Ukraine's resilience and reform capacity for AA/DCFTA implementation and ultimately EU approximation/accession.

The Commission shall form a Reference Group (RG) composed by representatives from the main stakeholders at both EU and national (representatives from the government, from civil society organisations (private sector, NGOs, etc.), etc.) levels. If deemed necessary, other donors will be invited to join. The Commission shall inform the implementing partner at least one month in advance of the dates envisaged for the evaluation exercise and missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluation services may be contracted under a framework contract.

### **5.3. Audit and Verifications**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

## **6. STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY**

All entities implementing EU-funded external actions have the contractual obligation to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. To that end they must comply with the instructions given in the 2022 guidance document [\*Communicating and raising EU visibility: Guidance for external actions\*](#) (or any successor document).

This obligation will apply equally, regardless of whether the actions concerned are implemented by the Commission, the partner country, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU Member States. In each case, a reference to the relevant contractual obligations must be included in the respective financing agreement, procurement and grant contracts, and delegation agreements.

For the purpose of enhancing the visibility of the EU and its contribution to this action, the Commission may sign or enter into joint declarations or statements, as part of its prerogative of budget implementation and to safeguard the financial interests of the Union. Visibility and communication measures should also promote transparency and accountability on the use of funds. Effectiveness of communication activities on awareness about the action and its objectives as well as on EU funding of the action should be measured.

Implementing partners shall keep the Commission and the EU Delegation fully informed of the planning and implementation of specific visibility and communication activities before the implementation. Implementing partners will ensure adequate visibility of EU financing and will report on visibility and communication actions as well as the results of the overall action to the relevant monitoring committees.