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ANNEX

to the Commission Implementing Decision on the financing of the Ukraine Investment Framework and the adoption of the work programme for 2024

ANNUAL WORK PROGRAMME

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation and Article 38 of Ukraine Facility Regulation.

1. SYNOPSIS

1.1. Action Summary Table

1. Title **OPSYS** **Basic Act**	Ukraine Investment Framework – 2024 [OPSYS business reference[1]: <reference> ABAC Commitment level 1 number: <reference>] Financed under the Ukraine Facility
2. Economic and Investment Plan (EIP)	No
EIP Flagship	No
3. Team Europe Initiative	No
4. Beneficiar(y)/(ies) of the action	The action shall be carried out in Ukraine.
5. Pillar	Pillar 2
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	110 - Education 120 – Health 210 – Transport and Storage 220 - Communications 230 – Energy 240 – Banking and financial services

[1] As the budget for the instrument has not been adopted yet (expected by end of April), encoding in OPSYS is not possible for the time being

	310 - Agriculture, forestry, fishing 320 – Industry, Mining, Construction 410 – General Environment Protection 730 – Reconstruction, Relief & Rehabilitation
7. DAC code(s)	11120 - Education facilities and training – 5% 12110 - Health policy and administrative management – 5% 21010 – Transport policy and administrative management – 15% 22010 – Communication policy and administrative management – 5% 23010 – Energy policy and administrative management – 10% 31110 – Agricultural policy and administrative management – 5% 32130 – SME development – 20% 32210 – Mineral/mining policy and administrative management – 5% 41010 – Environment policy and administrative management – 20% 73010 – Immediate post-emergency reconstruction and rehabilitation – 10%
8. Sustainable Development Goals (SDGs)	Main SDG: 8 Decent Work and Economic Growth Other significant SDGs: Goal 2 – Sustainable Agriculture Goal 3 – Good Health and wellbeing Goal 5 – Gender equality and women's empowerment Goal 6 – Clean Water and Sanitation Goal 7 – Affordable and Clean Energy Goal 9 – Industry, Innovation and Infrastructure Goal 11 – Sustainable Cities and Communities Goal 13 – Climate Action Goal 17 – Partnerships for the goals
9. Main Delivery Channel	11003 – Public corporations (donor country – EU MS) 11004 – Other public entities in donor country (EU MS) 13000 – Third Country Government (Delegated cooperation) 40000 – Multilateral organisations 42004 – EIB – European Investment Bank 46000 – Regional Development Bank 46015 – EBRD - European Bank for Reconstruction and Development 47000 – Other multilateral institution

10. Targets	☒ Migration ☒ Climate ☒ Social inclusion and Human Development ☒ Gender ☒ Biodiversity ☒Human Rights, Democracy and Governance			
11. Markers (from DAC form)	**General policy objective**	**Not targeted**	**Significant objective**	**Principal objective**
	Participation development/good governance	☒	☐	☐
	Aid to environment	☒	☐	☐
	Gender equality and women's and girl's empowerment	☒	☐	☐
	Reproductive, maternal, new-born and child health	☒	☐	☐
	Disaster Risk Reduction	☒	☐	☐
	Inclusion of persons with Disabilities	☒	☐	☐
	Nutrition	☒	☐	☐
	RIO Convention markers i	**Not targeted**	**Significant objective**	**Principal objective**
	Biological diversity	☒	☐	☐
	Combat desertification	☒	☐	☐
	Climate change mitigation	☐	☒	☐
	Climate change adaptation	☒	☐	☐
12. Internal markers and Tags	**Policy objectives**	**Not targeted**	**Significant objective**	**Principal objective**
	EIP	☒	☐	☐
	EIP Flagship	YES ☐		NO ☒
	EIP Tags	YES		NO
	transport	☐		☒
	energy	☐		☒
	environment, climate resilience	☐		☒
	digital	☐		☒
	economic development (incl. private sector, trade and macroeconomic support)	☐		☒
	human development (incl. human capital and youth)	☐		☒
	health resilience	☐		☒

	migration and mobility	☐		☒
	agriculture, food security and rural development	☐		☒
	rule of law, governance and public administration reform	☐		☒
	other	☐		☒
	Digitalisation	☒	☐	☐
	Tags	YES		NO
	digital connectivity	☐		☒
	digital governance	☐		☒
	digital entrepreneurship	☐		☒
	digital skills/literacy	☐		☒
	digital services			
	Connectivity	☒	☐	☐
	Tags	YES		NO
	digital connectivity	☐		☒
	energy	☐		☒
	transport	☐		☒
	health	☐		☒
	education and research			
	Migration	☒	☐	☐
	Reduction of Inequalities	☒	☐	☐
	COVID-19	☒	☐	☐
BUDGET INFORMATION				
13. Amounts concerned	Budget line(s) (article, item): 16 06 02 02 Total estimated cost: EUR 527,065,000 Total amount of EU budget contribution EUR 527,065,000[2]			
MANAGEMENT AND IMPLEMENTATION				
14. Implementation modalities (management mode and delivery methods)	Indirect management with the entities to be selected in accordance with the criteria set out in section 4.3.1. This contribution to the Ukraine Investment Framework ("UIF") shall be implemented in indirect management by the entities indicated in section 4.3.1 in accordance with the Ukraine Investment Framework's award procedure.			

[2] To be noted that this amount is exclusively related to the budgetary allocation for blending operations under the Ukraine Investment Framework (UIF) (Pillar II of the Ukraine Facility). While the EU will also provide budgetary guarantees under the UIF, the allocation of guarantee cover under the Ukraine Guarantee will be the subject of a separate Commission Decision, following the appropriate consultation with the UIF Steering Board.

1.2. Summary of the Action

The UIF is a facility combining European Union contributions in the form of budgetary guarantees, blended finance or financial instruments, with resources from Eligible Financial Institutions, such as loans or equity, to scale up investment capacity in Ukraine. The UIF is set up as Pillar 2 of the Ukraine Facility.

The overall objective of the UIF is to **mobilise public and private investments to contribute to Ukraine's recovery, reconstruction and modernisation.**

The scale of recovery and reconstruction in Ukraine will require massive investments. According to the third Rapid Damage Needs Assessment (RDNA3)[3], two years into the war direct damages are estimated at more than USD 152 billion and reconstruction needs at USD 486 billion. While public investments in infrastructure repairs and development will be key, the capacity to attract private investments will be the driver of Ukraine's long-term prosperity. The UIF will provide de-risking mechanisms available through Eligible Financial Institutions to scale up both public and private investments and crowd in new investors. By providing blended finance, in the form of grant co-financing, technical assistance or financial instruments, the UIF will also contribute to creating the necessary financial and technical conditions for a number of essential investments that would otherwise not happen.

The UIF will focus on strategic investment priorities identified in the Ukraine Plan and support its objectives and implementation. The UIF will concentrate on economic sectors, which are identified as strategic in the Ukraine Plan, including access to finance/financial markets, human capital and social sectors, energy, transport, agri-food, critical raw materials, digital transformation, green transition and environmental protection, as well as specific strategic investments and industries. By doing so, it will contribute to the achievement of SDG 8 Decent Work and Economic Growth, supporting Ukraine's economic growth and creating sustainable employment.

2. RATIONALE

2.1. Context

On 24 February 2022, Russia launched a full-scale military invasion of Ukraine, with devastating consequences for Ukraine and its people. In addition to the untold impacts on Ukraine's population, Russia's war of aggression has caused extensive damage to infrastructures and services across the country and the wholesale destruction of cities and towns in some parts of Ukraine.

A major global financial effort is required to support Ukrainian authorities and business during and after the war to rebuild the country and provide new opportunities to its citizens. Investment needs are enormous and should not wait until the end of the war.

Since the beginning of the full-scale military invasion, the Union, its Member States and European financial institutions have mobilised unprecedented support for Ukraine's economic, social and financial resilience. That support combines support from the Union budget, including exceptional macro-financial assistance, loans and investments from European financial institutions, fully or partially guaranteed by the Union budget, as well as further support by Member States, both in the form of financial and military aid.

The European Council of 23 June 2022[4] decided to grant the status of candidate country to Ukraine, which expressed a strong will to link reconstruction with reforms on its European path. Ongoing strong support to Ukraine is a key priority for the Union and an appropriate response to the Union's strong political

[3] Ukraine - Third Rapid Damage and Needs Assessment (RDNA3) February 2022 – December 2023 (worldbank.org)
[4] European Council Conclusions, 23-24 June 2022; EUCO 24/22.

commitment to support Ukraine for as long as necessary. This was further confirmed by the European Council decision on 14 December 2023[5] to open accession negotiations with Ukraine.

In this context, the EU set up an exceptional medium-term single instrument that brings together the bilateral support provided by the Union to Ukraine. Pursuant to the Regulation (EU) 2024/792 ('the Regulation') of 29 February 2024[6] the Ukraine Facility was established as a dedicated instrument with an overall maximum amount of the Union support of EUR 50 000 000 000. The Ukraine Facility aims to contribute to address Ukraine's financing gap and maintain macro-financial stability until 2027 with an aim to contribute to Ukraine's recovery, reconstruction, and modernisation need, while at the same time supporting the country's reform effort as part of its accession path to the Union.

The Ukraine Facility shall provide support to Ukraine under the following three pillars:

- Pillar I: financial support provided to Ukraine for the delivery of reforms and investments to implement the Ukraine Plan as well as to maintain the macro-financial stability of the country;
- Pillar II: the UIF to provide access to finance and support public and private investments for Ukraine's recovery, reconstruction and modernisation.;
- Pillar III: technical assistance and related support to Ukraine to design and implement Union accession-related reforms and to foster Ukraine's administrative capacity, borrowing costs subsidies on loans to Ukraine and of past provisioning liabilities, as well as other relevant activities.

The Ukraine Facility shall ensure consistency and complementarity with the general objectives of Union external action as laid down in Article 21 TEU, including respect for fundamental rights and principles as well as the protection and promotion of human rights, democracy and fundamental principles of the rule of law, including on anti-corruption, judiciary, public administration, good governance and transparency and accountability.

Union support under the Facility will replace the bilateral support provided under the Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI-GE) established under Regulation (EU) 2021/947 of the European Parliament and of the Council. Ukraine can continue nevertheless to benefit from regional, thematic, rapid response, and other forms of support under NDICI-Global Europe. It will also continue benefitting from humanitarian support under the Humanitarian Aid instrument as well as other spending programmes under Heading 6.

The Commission will ensure close coordination with support provided through other Union external financing instruments, particularly the support implemented in the framework of the European Fund for Sustainable Development Plus (EFSD+) established under Regulation (EU) 2021/947, as well as exploring any possible synergies with other Union policies, programmes and instruments, such as Technical Support Instrument (TSI).[7]

More broadly, the Commission will ensure coherence, consistency and complementarity with the support provided by other relevant stakeholders and/or donors. In this regard, the already established Multi-Agency Donor Coordination Platform for Ukraine should serve as a useful coordination tool.

The present Action Document specifically focuses on Pillar II of the Ukraine Facility, the UIF, and more particularly on the support to Ukraine in the form of financial instruments, budgetary guarantees or blending operations, including technical assistance linked to the implementation of Pillar II. The support in the form of budgetary guarantees will be the subject of a separate Commission Decision.

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[5] European Council Conclusions, 14-15 December 2023; EUCO 20/23
[6] Regulation (EU) 2024/792 of the European Parliament and of the Council of 29 February 2024 establishing the Ukraine Facility
[7] Technical Support Instrument (TSI) (europa.eu)

2.2. Problem Analysis

Short problem analysis

The war has had a devastating impact on Ukraine's productive capacity and economic activity. Real GDP contracted by 29 per cent in 2022, due to the incapacitation of productive capacity in the occupied areas and areas where combat occurred, and a large-scale displacement of people. Macroeconomic stability came under severe pressure with rapidly deteriorating public finances, surging inflation, and steep drop in foreign currency inflows, mitigated only by the authorities' resolute response and the strong support of the international community. Ukraine's economy recovered to some degree in 2023 with a modest single-digit growth rate, improved foreign exchange reserves, and a sharp decline in inflation. With the war still ongoing, its full impact on the country's economy is still to be gauged. Amongst others, the war has seen the introduction of number of distortions in the markets that Ukraine will eventually need to address.

Ukraine's reconstruction will require a large-scale capital mobilisation. The large-scale destruction of infrastructure, including targeting of utility infrastructure, has affected the ability of people to access basic needs, such as electricity, water, heat, food, healthcare, and education. With the fiscal deficit deep in double-digit, public debt close to 90 per cent of GDP and financing dependent on foreign grants and concessional loans, the fiscal envelope is too tight to cover the reconstruction bill. The domestic private sector is weakened by the war and foreign capital inflows are limited as private investors are not equipped to cope with the continuous uncertainties of war. Against this backdrop, Ukraine's ability to finance its own recovery needs is limited. Early rebuilding and post-war reconstruction will represent an investment challenge at an unprecedented scale. Recovery will require significant funding, both from the public and the private sectors.

The UIF can play a critical role in attracting private and public investments to Ukraine's recovery, reconstruction and modernisation. It will leverage on scarce EU budgetary resources to offer de-risking mechanisms to investors through Eligible Financial Institutions, to enhance investment capacity, scale up investments and further crowd in additional financial contributions. It will also offer blended finance instruments, combining EU grants with loans and/or equity from international finance institutions, to increase concessionality of financing packages in the presence of market failures. The UIF will ultimately contribute to getting Ukraine's economy and society back to a path of sustainable long term economic growth.

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

The main stakeholders of this Action are the Eligible Financial Institutions listed in section 4.3.1 here under. They will develop UIF operations to be submitted to a Technical Assessment process followed by a UIF Steering Board, as described in section 4.6 below. Approved projects will then be implemented by project promoters under the supervision and responsibility of the Lead Financial Institutions[8].

2.3. Lessons Learned

The UIF is a new instrument. As a facility providing guarantees and blended finance, it is modelled on the positive experience of the Neighbourhood Investment Platform and other EU blending facilities, as well the EFSD + guarantee instrument. Lessons learned with those instruments may hence be applicable to the UIF.

[8] Defined as the Eligible Financial Institution taking the lead on the presentation of the project to the UIF governing bodies and on the future implementation of the proposal

The NIP has been a very successful EU external cooperation instrument, both in terms of leveraging investments and achieving development impact, in particular in Ukraine. Allocations to the NIP from the Union's budget have reached since 2014 a total of EUR 3 billion, of which approximately EUR 1.2 billion for projects in the Eastern Partnership region with around EUR 879 million of EU contribution covering Ukraine through regional or bilateral projects. This has enabled the launching of over 85 projects with NIP support in the Eastern Partnership, including 28 bilateral projects dedicated only to Ukraine. The NIP has succeeded in mobilising approximately EUR 24 billion of financing from European and International Financial Institutions since 2014, implying an average leverage of ratio of 8 times for every euro provided by the NIP. Additional amounts have been mobilised from other public and private co-investors reaching a total mobilisation of 13 billion in the Eastern Partnership (and more than 3 billion only in Ukraine). The success of the NIP is also evidenced by a greater demand for resources and in top-ups from the regional and bilateral budgets.

An Evaluation of the Implementation of EU Blending in the EU Neighbourhood and the Western Balkans Regions in 2015-2021 will be finalised in 1H 2024.

Lessons can also be drawn from evaluations of operations conducted under EU Blending Facilities in the period 2014-2020, including the 2014 European Court of Auditors' Special Report on the EC's external blending instruments, the 2016 DEVCO Strategic Evaluation of Blending (2007-2014), including the NIP and the 2021 Results Data Collection (RDC) exercise for the Neighbourhood region.

In relation to guarantees, lessons can also be drawn from the EFSD+ ex-ante assessment discussing the most efficient ways of deploying budgetary guarantees and blending support in the period 2021-2027, based on an analysis of market failures and suboptimal investment situations. Moreover, the mid-term evaluation of financing instruments in EU external action contains first findings on the implementation of the EFSD+ in 2021-23 and provides a final evaluation of the implementation of the European Fund for Sustainable Development (EFSD) guarantees.

3. DESCRIPTION OF THE ACTION

3.1. Objectives and Expected Outputs

The general objectives of the UIF are aligned with the general objectives of the Ukraine Facility, as set out in Article 3 of the Regulation, namely:

(i) address the social, economic and environmental consequences of Russia's war of aggression, thereby contributing to the peaceful recovery, reconstruction, restoration and modernisation of the country and to the post-war recovery of Ukrainian society, including by creating the social and economic conditions for internally displaced persons and persons under temporary protection to return;

(ii) foster social and territorial cohesion, democratic, economic, environmental resilience, progressive integration into the Union and global economy and markets and upward economic, social and environmental convergence towards Union standards;

(iii) adopt and implement the political, institutional, legal, administrative, social and economic reforms required to align to Union values and to progressively align to Union rules, standards, policies and practices ('acquis') with a view to future Union membership, thereby contributing to mutual stability, security, peace, prosperity and sustainability.

The specific objective of the UIF is to mobilise public and private investments to contribute to Ukraine's recovery, reconstruction and modernisation, and address priorities identified in the Ukraine Plan.

Subject to the annual budgetary procedure and the agreement of the European Council and European Parliament thereof, it is envisaged that a total of EUR 6.97 billion will be allocated to the UIF over 2024-2027, to be split between the Ukraine Guarantee [9]and blended finance:

- EUR 5.46 billion to provision the Ukraine Guarantee, to create a guarantee capacity of EUR 7.8 billion (with a 70% provisioning rate) to be granted gradually in accordance with the absorption capacity of the entrusted entities.
- EUR 1.51 billion for blending, including financial instruments, investment grants and technical assistance. The EU budget contribution of EUR 527,065,000 that is the subject of this work programme, is drawn from this latter (blending) allocation.

From an economic point of view, budgetary guarantees and blending provided under the UIF will serve distinct purposes and will be complementary to each other. The key objective of operations to be covered by the Ukraine Guarantee will be to leverage private sources of finance, including own risk capacity[10] from the entrusted entities as well as reduce risks for entrusted entities and/or other investors in order to increase investment capacity in Ukraine and crowd in private sector investment. Additionally, the UIF shall also provide concessionality (‘softening’ of financial terms) to investment projects through blending grants, notably technical assistance grants and/or investment grants. The EU contribution should be the minimum necessary in order to render the project in question economically and financially viable, as per the principle of ‘minimum concessionality’.

In line with past experience with NIP and EFSD+, the size of UIF-funded operations will vary greatly, ranging from relatively small technical assistance operations to support preparation and/or implementation of investment projects and/or capacity building, to large multi-sector guarantee envelopes covering both public and private sector companies of various sizes.

Depending on the nature of the investment project or investment programme in question, the UIF will also make it possible to combine budgetary guarantees with blending interventions.

The leverage effect of the UIF funding over the period 2024-2027 is expected to be on average at least 4 times the amount of the UIF contributions. Operations financed by Finance Institutions pooling their own resources in combination with UIF support will allow increasing risk and crediting ceilings to the benefit of Ukraine and promote the financing of categories of investments, which due to current circumstances, cannot be financed either by the market or by development Finance Institutions alone. The leverage effect is expected to be lower in the first part of the 2024-2027 period, due to the instability and constraints faced by many investors in Ukraine (including a number of Eligible Financial Institutions) in terms of providing repayable support to Ukraine, but shall increase gradually over time as conditions normalise.

The UIF will cover an ample spectrum of investments across different sectors. However, the UIF should, in line with the Regulation, strengthen in particular economic sectors which are strategic for Ukraine. Those are identified in more details in the Ukraine Plan as follows:

- Access to finance/financial markets
- Human capital and social sectors
- Energy
- Transport
- Agri-food
- Critical raw materials
- Digital transformation
- Green transition and environmental protection

[9] In line with the Risk Management Compendium for budgetary Guarantees and Contingent Liabilities
[10] To be defined in the guarantee agreements.

- Strategic investments and industries

In addition a number of horizontal considerations shall steer activities under the UIF, across sectors, including:

- Adherence to the leave-no-one-behind principle and targeting of underserved and vulnerable groups, war-affected and de-occupied territories;
- Focus on green, “do no harm” and green transition;
- Focus on SMEs;
- Focus on capital expenditure;
- Support to regional development and de-centralization;
- Leadership of Ukraine for public investment;
- Fostering and open market economy and limiting the influence of oligarchs;
- Supporting demining and mine action efforts on land and at sea.

The expected results/outcomes of the UIF are increased investments in the above-mentioned sectors, contributing to Ukraine’s recovery, reconstruction and modernization as well as, amongst others:

1. Promoting smart and sustainable growth through support to Ukraine’s private sector, particularly small and medium sized enterprises;

2. A more inclusive economy and labour market, by supporting the social sector, including human capital development, which comprises education and training at all levels as well as culture and preservation of cultural heritage, effective public employment services, social entrepreneurship, upgrading of healthcare facilities and services, de-mining, social housing and gender equality, as well as municipal infrastructure development and de-centralization;

3. Strengthened energy security through systematic promotion of the use of renewable energy sources on land and at sea, better energy interconnections, diversification of energy supplies and energy market integration; improved energy efficiency and demand management;

4. Improved mobility of people, goods and services thanks to restored and modern local and national transport and logistics infrastructure, including better transport land and sea interconnections with the EU;

5. Steering Ukraine’s agricultural production and processing towards higher value-added export oriented subsectors, increasing the environmental and social sustainability of the sector, its alignment with EU policies and standards and EU Green Deal requirements; promoting good agricultural practices, formalization of the sector and increasing its diversity and inclusiveness;

6. Sustainable, responsible, environmentally friendly and more competitive critical raw materials value chains inside Ukraine, integrated into global supply chains, leveraging on modern technologies and progressively more focussed on products with higher value added;

7. Improved digital infrastructure and electronic communications networks, digital services as well as more digital inclusion;

8. Fundamentally transforming Ukraine’s economy towards green, energy-efficient and low-carbon technologies; recovery from the environmental damage caused by the conflict on land and sea; decarbonization of its economy; reduction of pollution levels; focus on protecting the environment and mitigating and adapting to climate change; more sustainable and effective water management;

9. A Ukrainian industrial and manufacturing sector more focussed on areas with higher value added, greater potential for export and more competitive on global markets.

The objectives and expected outputs of the UIF are further refined in the UIF Strategic Orientations for 2024-2027, which take into account both the Regulation and the Ukraine Plan. The UIF Strategic Orientations for 2024-2027 have been approved by the UIF Steering Board on 17 April 2024.

3.2. Indicative Activities

This Action Document concerns the 2024 EU contribution to the UIF for blending, including financial instruments and technical assistance, amounting to EUR 527,065,000.

The types of operations which can be financed under the UIF are the following:

- Budgetary guarantees;
- Blending operations, including financial instruments, investment grants and technical assistance.

The allocation of EUR 819,000,000 to provision the Ukraine Guarantee under the UIF in 2024, to make a first contribution towards the provisioning of the guarantee capacity of EUR 7.8 billion, is not the subject of this work programme. The allocation of the Ukraine Guarantee will be the subject of a relevant Commission Decision, following appropriate consultations with the Steering Board of the UIF.

In line with Art. 31.8 of the Regulation, on 17 April 2024 the first UIF Steering Board provided a favourable opinion on proposals submitted by Eligible Financial Institutions, topping up previously signed guarantee and blending agreements. A total of c. EUR 1.4 billion of UIF funding was allocated to these proposals, c. EUR 1 billion as guarantee capacity and c. EUR 400 million in blending. The proposals shall lead to enhanced investments in a variety of different sectors of the Ukrainian economy, including SMEs, renewable energy, electricity transmission, municipal infrastructure, critical raw materials, agribusiness, transport and logistics, green transition, etc.

Art 31.6 and 31.7 of the Regulation states that the EIB Group shall implement operations in Ukraine, aiming at supporting Ukrainian sovereign entities and non-commercial sub-sovereign entities, covered with an indicative dedicated minimum amount of the Ukraine Guarantee of 25 %. This dedicated amount shall be available for supporting EIB Group operations which have been approved by the relevant EIB Group Board by 31 December 2025. After that date, the remaining dedicated amount of the Ukraine Guarantee shall be available to all eligible counterparts.

Following the model of EFSD+, the rest of the funding under UIF – or any unused funding from the tops-up or the EIB dedicated amount mentioned above - will be allocated through calls for proposals to be implemented over the 2024-2027 period taking into account the following:

- Art 28.6 of the Regulation states that at least 15 % of the guarantees provided under the Ukraine Investment Framework shall be used to support micro, small and medium-sized enterprises, as defined in Article 2 of the Annex to Recommendation 2003/361/EC, including start-ups, including through financial tools which have as an objective to reduce the risk involved in the lending operations of Ukrainian banks;
- Art 28.9 of the Regulation states that at least 20 % of the overall amount corresponding to support under the Ukraine Investment Framework and to investments under the Ukraine Plan shall contribute, to the extent possible in a war-torn country, to climate change mitigation and adaptation, environmental protection, including biodiversity conservation, and to the green transition.

3.3. Mainstreaming

Environmental Protection, Climate Change and Biodiversity

In line with the objectives of the Ukraine Facility, the UIF shall contribute to develop and strengthen environmental protection, a sustainable and just green transition in all economic sectors, including the transition towards the decarbonisation of its economy.

A starting point for the UIF is to maximise positive contributions towards an environmentally sustainable, climate resilient and low carbon development. These efforts are not limited to the support of specific sectors or specific projects contributing to the green transition - as also described below in more details among the strategic areas for investments - but should be taken into account in the overall steering of the Ukraine Investment Framework and across all economic areas.

At least 20 % of the overall amount corresponding to support under the Ukraine Investment Framework as well as investments under Pillar I of the Ukraine Facility shall contribute, in conditions of a war-torn country, to climate change mitigation and adaptation, environmental protection, including biodiversity conservation, and to the green transition.

In line with the regulation, the Ukraine Investment Framework shall not support activities which are incompatible with Ukraine's National Energy and Climate Plan or with Ukraine's nationally determined contribution under the Paris Agreement, which promote investments in fossil fuels or cause significant adverse effects on the environment, the climate or biodiversity, unless such activities or measures are strictly necessary to achieve the objectives of the Facility, taking into account the need to rebuild and modernise infrastructure and rehabilitate natural environment damaged by the war in a resilient way, and are accompanied by measures to avoid, prevent or reduce and, if possible, offset those adverse effects.

The UIF will be guided by the principles of 'do no harm' and the sustainability mainstreaming approach underpinning the European Green Deal. This implies that investments supported by the Facility should not have any significant adverse impacts on the environment or on climate. The criteria used for the 'do no harm' assessment include impacts on climate change mitigation and adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems.

In addition, Financial Institutions will be required to include safeguards in their actions to ensure the implementations of these principles. The Commission may provide guidance and more detailed methodology on application of the 'do no harm' principle to the Ukraine Investment Framework.

Outcomes of the Strategic Environmental Assessment (SEA) screening
N/A

Outcomes of the Environmental Impact Assessment (EIA) screening
N/A

Outcome of the Climate Risk Assessment (CRA) screening
N/A

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G0. This implies that gender equality and empowerment of women and girls will be mainstreamed and integrated in the design of individual actions, whenever relevant, and will be included in the set of indicators accompanying each action.

Human Rights

Human Rights will be integrated in the design of individual actions, whenever relevant, and will be included in the set of indicators accompanying these actions.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that disabilities will be mainstreamed where relevant in the in the design of individual actions but will not be included in the sets of indicators accompanying these actions.

Democracy

Democracy will be integrated in the design of individual actions, whenever relevant, and will be included in the set of indicators accompanying these actions whenever relevant.

Conflict sensitivity, peace and resilience

Conflict sensitivity, peace and resilience will be integrated in the design of individual actions, whenever relevant, and will be included in the set of indicators accompanying these actions.

Disaster Risk Reduction

Disaster Risk Reduction will be integrated in the design of individual actions, whenever relevant, and will be included in the set of indicators accompanying these actions.

Leave no one behind/Vulnerable groups

The war has had devastating consequences for the Ukrainian population, further exacerbating already existing vulnerabilities. The UIF will be guided by the leave-no-one-behind principle. It will contribute to addressing the needs of Internally Displaced Persons (“IDPs”) and veterans, and the specific needs of the regions that have suffer the most from the Russian aggression. It will help address social challenges stemming from the war, including for specific groups such as war veterans, IDPs, single parents, children and youth, persons with disabilities, older people, minorities and other persons in vulnerable situations, including women. It will in particular facilitate the financing of businesses owned by vulnerable persons or supporting their integration into employment.

3.4. Risks and Assumptions

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
1	The war in Ukraine continues and security conditions deteriorate further, impeding implementation of operations funded by UIF	High	High	Adjust the activities under the Action through an ongoing monitoring and maintain on stand-by or cancel the components that cannot be implemented until adequate conditions are in place.

2	External debt unsustainability of Ukraine	Medium to high	Medium to high	Regular monitoring in line with IMF guidelines and recommendations
3	Reputational and compliance risks linked to investment activities in Ukraine	Medium to high	Medium	Enhanced monitoring by both the Commission and EFIs
4	Limited administrative capacity by local project promoters to implement operations funded by UIF	Medium	Medium	Activities will be supported by technical assistance when local administrative capacity will be deemed inadequate
5	Implementing entities suspend their activities in Ukraine	Low	Medium	Large and diversified number of implementing entities COM is working with within UIF

External Assumptions

- The political, economic and security climate in Ukraine allows for investment activities to take place.
- Government of Ukraine and Ukrainian public and private sector promoters are ready to increase the level of investments on their own resources and/or by seeking external financing (in the form of debt, equity or other).
- The UIF pipeline of operations is of sufficient quality and volume and provides sufficient added value.
- The Government of Ukraine and Ukrainian public and private sector promoters are supportive of the projects prepared by the Eligible Financial Institutions and submitted to the UIF.
- Implementing entities continue to be active in Ukraine both in terms of management of their existing portfolio and signature of new operations.

3.5. Intervention Logic

The underlying intervention logic for this action is that – in line with section 4.3.7 – each Lead Financial Institution will be awarded a contract for an individual operation or investment programme, based on its operational and financial capacity and reflecting the overall UIF Strategic Orientations. Each individual action will be accompanied by a set of indicators adapted to the specificities of this action. In line with the ownership principle of the EU development cooperation, Ukraine will be consulted on each action to be supported.

3.6. Indicative Logical Framework Matrix

Logframes will be developed at the level of each individual operation supported by UIF.

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing Agreement

In order to implement this action, it is not envisaged to conclude a financing agreement with the partner country.

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 264 months[11] from the date of adoption by the Commission of the Financing decision.

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

4.3.1. Indirect management with a pillar assessed entity

This contribution shall be implemented in indirect management pursuant to Article 62(1), first subparagraph, point (c), of the EU Financial Regulation. According to this provision, the Commission can entrust budget implementation tasks to entities that demonstrate a level of financial management and protection of the EU's financial interest equivalent to that of the Commission (verified by carrying out an ex-ante assessment or Pillar Assessment of the entity), implying therefore that implementing entities will abide by these same principles.

The eligible counterparts for the purposes of the Ukraine Guarantee and the eligible entrusted entities for the purpose of financial instruments are those referred to in Article 30(2) of the Regulation.

Specifically, the eligible counterparts for the purposes of the Ukraine Guarantee and the eligible entrusted entities for the purpose of financial instruments shall be those identified in Article 208(4) of the Financial Regulation, including those from third countries contributing to the Ukraine Guarantee in accordance with Article 29 of this Regulation. In addition, by way of derogation from Article 62(1), first subparagraph, point (c), of the Financial Regulation, bodies governed by private law of a Member State, or a third country which has contributed to the Ukraine Guarantee in accordance with Article 29 of the Regulation, and which provide adequate assurance of their financial and operational capacity shall be eligible for the purpose of the Ukraine Guarantee.

Once positively pillar-assessed, any of the above eligible counterparts or eligible entrusted entities can request UIF funding for operations in Ukraine.

In particular, the following Financial Institutions are recognised as eligible to the extent they have fulfilled relevant conditions under the pillar assessment process:

- European Investment Bank (EIB)
- European Bank for Reconstruction and Development (EBRD)
- Nordic Environment Finance Corporation (NEFCO)
- Agence Française de Développement (AFD)
- Kreditanstalt für Wiederaufbau (KfW)
- Öesterreichische Entwicklungsbank AG (OeEB)
- Società Italiana per le Imprese all'Estero (SIMEST)
- Sociedade para o Financiamento do Desenvolvimento (SOFID)
- Agencia Española de Cooperación Internacional para el Desarrollo (AECID)
- Compañía Española de Financiación del Desarrollo, S.A., S.M.E. (COFIDES)
- Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO)
- Cassa depositi e prestiti S.p.A., (CDP)

[11] For the avoidance of doubt, this refers to the indicative implementation period of the EU grant contributions to projects funded by Eligible Financial Institutions, to be differentiated from the repayment periods of the loans to these projects extended by those same institutions.

- Bank Gospodarstwa Krajowego (BGK)
- EDFI Association and EDFI Management Company
- Council of Europe Development Bank (CEB)

Proposals from other European Development Finance Institutions that have fulfilled relevant conditions under the pillar assessment process shall also be welcomed.

In addition, the following International Finance Institutions are recognised as eligible to the extent they have fulfilled relevant conditions under the pillar assessment process:

- International Finance Corporation (IFC)

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 realization of an activity impossible or exceedingly difficult (Article 11(8) of the Regulation).

4.5. Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)
Indirect Management with a pillar assessed entity	EUR 527,065,000
Total	EUR 527,065,000

4.6. Organisational Set-up and Responsibilities

Financial instruments, budgetary guarantees and blending operations combining support from financial instruments or budgetary guarantees under the Facility shall be implemented in accordance with the principles laid down in Title X, and in particular with Articles 208 and 209(1), (2) and (4), of Regulation (EU, Euratom) 2018/1046.

The UIF is characterised by a rigorous, transparent and effective project selection and decision-making processes.

The **UIF Secretariat**, managed by the Commission, acts as the entry point for requests for guarantees and blending operations and follows up the entire assessment and decision-making process, involving different entities as needed.

Based on their discussions with public and private counterparts in Ukraine and the EU, including the EU Delegation in Kyiv, Eligible Financial Institutions, individually or as a consortium, identify potential guarantee and/or blending operations to be submitted for support to the UIF. On this basis, Eligible Financial Institutions feed guarantee and blending operations concepts into a **pipeline** managed by the UIF Secretariat, which is regularly reviewed. Only operations that have been identified as priorities and are part of the pipeline can be proposed for funding.

The operational governance of the UIF is organised in a two-level structure.

Using a standardised **Application Form,** Eligible Financial Institutions first submit and present their proposals for guarantees and/or blending operations to the **Technical Assessment Meeting (TAM)**, a group chaired by the Commission and composed of representatives of the Commission, the EU Delegation to Ukraine, and Eligible Financial Institutions, with representatives of the Ukrainian authorities invited when relevant. Proposals assessment criteria include the suitability and appropriateness of the operations for UIF financing, based on their alignment with the Union and Ukraine's priorities, as well as the Ukraine Plan, on their degree of co-financing if appropriate and on the respect of the Financial Regulation applicable to the general budget of the Union[12]. TAM meetings are held on a regular basis depending on the needs, and in any case before each meeting of the Steering Board to prepare its deliberations on operational proposals.

Proposals that have been evaluated and deemed suitable can be submitted by Eligible Financial Institutions to the UIF Steering Board ("the Steering Board"), which issues an opinion. The Steering Board is chaired by the Commission and composed of representatives of the Commission and EU Member States as voting members. Ukrainian authorities, the European Parliament and the Verkhovna Rada, shall have observer status. Eligible Financial Institutions may be given observer status at their request. In principle, the Steering Board aims to deliver opinions on proposals by consensus[13]. If no consensus can be found, the Steering Board will vote. Eligible Financial Institutions will be present mainly for the purposes of presenting their proposals and responding to any request for clarifications on proposals submitted, but they shall not be present during the formal formulation of opinions by the Steering Board. The conclusions including their justifications will be subsequently communicated to the Eligible Financial Institutions in writing. The Steering Board shall meet at least twice a year, depending on needs. The Secretariat is responsible for providing an annual indicative timetable for those meetings.

The Steering Board will also be responsible for:

- Adopting the Steering Board's Rules of Procedure and amending them as necessary.
- Adopting Strategic Orientations providing guidance and defining investment calls goals, target specific sectors, types of operations and/or categories of final beneficiaries taking into account the structure and priorities of the Ukraine Plan;
- Formulating opinions on blending operations and on the use of the Ukraine Guarantee proposed by the financial institutions;
- Providing guidance to participating financial institutions on appropriate future financing proposals (i.e. on the strategic character of interventions, on the use of specific financial instruments, on avoiding overlapping or segmented interventions and on the scope and appropriate structure of operations). This would be carried out drawing on the expertise of the financial institutions and respecting the appropriate division of labour;
- Examining annual reports on progress and results of the Framework, monitoring the portfolio of approved guarantees and blending operations and issuing any recommendations as to their operational follow-up;
- Monitoring and reviewing the pipeline of guarantees and blending operations, based on the results of the discussions at the technical level, including the contribution to EU objectives;
- Promoting exchanges of best practices;
- Providing guidance, formulating opinions and/or taking decisions on matters of strategic and operational interest to the Framework, including participation in the Steering Board.

The functioning of the Steering Board will be / is regulated by a set of Rules of Procedure to be adopted by the Steering Board itself at one of its first meetings / on 17 April 2024.

[12] Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012.

[13] In line with Article 28 (4) of the Regulation

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

Monitoring activities will aim to identify successes, problems and/or potential risks so that corrective measures are adopted in a timely fashion. Both types of internal monitoring will be undertaken in an inclusive way, involving key stakeholders.

Internal monitoring

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of both the entrusted entities' and Commission responsibilities. To this aim, the entrusted entity 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 of the operation.

In line with the European Commission rules and procedures, the Commission may undertake additional monitoring through its own staff.

External monitoring

In line with the European Commission rules and procedures, the Commission may undertake additional monitoring 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).

External monitoring is supported by both types of internal monitoring described above.

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

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).

5.2. Evaluation

Having regard to the nature of the action, a final evaluation will be carried out for this action or its components via entrusted entities. At the level of individual operations, monitoring, evaluation and audit tasks will be carried out under the responsibility of the Lead Financial Institution, and will be organised according to the requirements of the operation.

In case an evaluation is not planned, the Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination. The entrusted entity 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 operations.

The financing of the evaluation shall be covered by another measure constituting a financing Decision.

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 contribution agreements.

Any actions related to communication and visibility will be coordinated with the strategic communication actions of the EU Delegation, to ensure coherence of narrative and message, as well as horizontal strategic communication.

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.

Entrusted entities shall keep the Commission and the EU Delegation/in Kyiv fully informed of the planning and implementation of specific visibility and communication activities before the implementation. Entrusted entities 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.

Security issues or local political sensitivities may make it preferable or necessary to limit communication and visibility activities. In such cases, the target audience and the visibility tools, products and channels to be used in promoting a given action will be determined on a case-by-case basis, in consultation and agreement with the Contracting authority.