EU – Ukraine Cooperation

Ukraine is a priority partner for the European Union. The EU supports Ukraine through instruments such as budget support, technical assistance, and blending facilities (combining loans and private financing) to support investment, humanitarian aid and macro-financial assistance. Overall, the EU and European Financial Institutions have mobilized over EUR 13 billion in loans and EUR 2 billion in grants since 2014 to help Ukraine stabilise its economy, carry out comprehensive reforms and improve the lives of its citizens. The EU commits an additional EUR 200 million in new grant funds annually.

The EU’s support for Ukraine is based on three areas: a **stronger economy** through economic development, better market opportunities, and enhancing transport and the energy sectors; **stronger governance** through strengthening institutions; and a **stronger society** through increasing mobility and people-to-people contacts. Moreover, the EU assists Ukraine in issues arising from the conflict in eastern Ukraine.

What does the EU support to respond to conflict in Ukraine's east?

Between 2014 and 2019, the European Union and its Member States have contributed over EUR 754.5 million in humanitarian and early recovery aid. The EU addresses the needs of people in areas directly affected by the conflict, internally displaced people who have fled the conflict areas, and returnees. EU-funded humanitarian projects include assistance with food and water, providing and repairing shelter, protection activities, health assistance, education in tackling emergencies, demining activities, and the distribution of essential household items.

Being one of the largest humanitarian donors amid the crisis in eastern Ukraine, the European Union has provided more than EUR 133.8 million in emergency financial assistance; this figure includes EUR 17.7 million committed in 2019. About half of the assistance has gone to benefit vulnerable people living in non-government-controlled areas. This relief aid targets those most in need, including female-headed households, the elderly, children, and people with disabilities.

Alongside grants and humanitarian assistance, the EU supports Ukraine by making available credit lines through its financial institutions, namely the **European Investment Bank**, on beneficial terms otherwise not accessible to Ukraine. These loans are used to recover and improve critical social, municipal and transport infrastructure in the conflict-affected areas.

What is the EIB’s role in EU support to Ukraine?

The European Investment Bank (EIB) is the lending arm of the European Union. It is the long-term lending institution of the EU and is the only bank owned by and representing the interests of the European Union Member States. Headquartered in Luxembourg, it has a network of local and regional offices in Europe and beyond.

In spring 2014, the European Union announced a comprehensive EUR 11 billion assistance package to support Ukraine including the financing of EUR 3 billion of investments by the EU bank over the period of 2014-2016 – effectively doubling
the EIB’s engagement in Ukraine. The EIB has fully delivered on its promise. From 2014-2018, the EIB Group and Ukraine have signed 27 transactions totalling more than EUR 3.8 billion, and substantial advisory support has been provided.

As of September 2019, the EIB’s signed loan portfolio in Ukraine has reached EUR 5.9 billion since the start of the EIB lending operations in the country in 2007. See the projects which the EIB financed in Ukraine here.

What is the Early Recovery Programme?

The conflict in the east remains at the forefront of the EU’s work in Ukraine. Over five years, 5.2 million people have been affected by the armed conflict in the eastern Ukraine, 3.5 million of whom are in need of humanitarian assistance. Ukraine’s public and private infrastructure, including water supply systems, along with its educational and health facilities, already degraded by decades of underinvestment, neglect and inadequate maintenance, have been further damaged in Donetsk and Luhansk oblasts due to the ongoing conflict.

At the Ukrainian government’s request, the European Investment Bank is providing financing for the Early Recovery Programme (ERP), a multi-sector framework loan of EUR 200 million targeting early recovery investments in critical municipal infrastructure and accommodation in order to ensure decent living conditions for internally displaced people (IDPs) and their host communities. The programme started in September 2015.

Unlike other programmes, in which the EIB typically carries out large-scale and long-term infrastructure projects, ERP is designed for specific, local and small-scale, but extremely urgent tasks.

These are small-scale investments in the restoration of infrastructure and improving conditions for the supply of public utility services, as well as for the repair of damaged administrative buildings and social infrastructure: educational and medical institutions, post offices, and others, ranging in sub-project value from EUR 20,000 to EUR 5 million.

A total of 269 sub-projects had been approved as of September 2019 with a total value of EUR 179.14 million, with 25 sub-projects currently under consideration. Most of the funding is directed at health and educational facilities:

- Healthcare – hospitals and clinics account for approximately 24 percent of the sub-projects
- Education facilities – schools and kindergartens account for approximately 54 percent of the sub-projects
- Social infrastructure – IDP housing, community buildings as well as urban infrastructure account for approximately 22 percent of the sub-projects.

The Ministry of Development of Communities and Territories of Ukraine (formerly the Ministry for Regional Development, Construction, Housing and Utilities of Ukraine) is in charge of the execution of the project. The beneficiaries are the central state authorities, local state administrations, local government bodies, and state and municipal enterprises.

The main stages of the projects’ implementation are as follows:

- The Ministry of Development of Communities and Territories of Ukraine calls for submissions of suitable sub-projects that meet the programme criteria from all of the selected oblasts.
- The ministry screens these submissions together with the EIB-provided Technical Assistance (TA) to the programme. These sub-projects are then submitted to the EIB for their approval and funding under the programme via allocation requests.
- Once projects are approved, local tendering via ProZorro can start if below the financial threshold; if over the threshold this will entail international tendering.
• Once tendering is concluded, payments are made directly to contractors via Ukreximbank, subject to contract conditions being met and external supervision being satisfied, as certified by independent engineers and by UNDP monitoring.

The programme extends to the Ukrainian government-controlled areas in Donetsk and Luhansk oblasts and adjacent Kharkiv, Dnipropetrovsk and Zaporizhzhia oblasts, and to city councils in other oblasts countrywide that host significant numbers of internally displaced people, namely Kyiv oblast (apart from the city of Kyiv), Odesa and Poltava oblasts, where more than 20,000 IDPs live, and Kherson Oblast, which hosts significant numbers of IDPs from Crimea.

For the Donetsk and Luhansk oblast sub-projects, the repayments of the EIB loan come fully from the state budget. The sub-projects in other oblasts also include a contribution from the local budget of at least 20 percent of the total cost of the work.

What is the UNDP’s role under ERP?

The United Nations Development Programme (UNDP) is the development arm of the United Nations. It has been working in Ukraine since 1993.

The UNDP is helping to ensure transparency and accountability for the implementation of the EIB’s EUR 200 million recovery loan. It is providing support at all phases of project cycle, including but not limited to design checking, and procurement assistance, anti-corruption, as well as oversight and monitoring.

What are the current key results of ERP?

As of September 2019, a total of 269 small-sized projects for the repair of 262 facilities with a total cost of EUR 179.14 million have been approved. These include repairs of hospitals, schools and kindergartens, and of residential, administrative and public buildings. First 18 sub-projects were completed in eight cities and towns in four regions of eastern Ukraine. Another 70 sub-projects are in progress.

**Donetsk Oblast:** 144 sub-projects for the repair of 143 facilities worth a total of EUR 88,758,607. These are five administrative and public buildings, 83 schools and kindergartens, 24 medical institutions, 10 cultural institutions, 19 housing, one sports facility, and one transport infrastructure facility.

**Luhansk Oblast:** 45 sub-projects for the repair of 44 facilities with a total cost of EUR 11,636,498. These are seven administrative and public buildings, 21 schools, five kindergartens, seven medical institutions, one cultural institution and three residential buildings.

**Zaporizhzhia Oblast:** 27 sub-projects for the repair of 27 facilities worth a total of EUR 23,777,309. These are 10 schools, five kindergartens, seven medical institutions, two residential buildings and three cultural institutions.

**Kharkiv Oblast:** 26 sub-projects for the repair of 21 facilities worth a total of EUR 12,739,460. These are five schools and 16 medical institutions.

**Dnipropetrovsk Oblast:** Seven sub-projects for the repair of seven facilities with a total cost of EUR 8,296,613. These are five schools, one kindergarten and one residential building.

**Poltava Oblast:** Nine sub-projects for the repair of nine facilities with a total cost of EUR 10,400,121. These are five schools, one medical institution, one cultural institution and two residential buildings.

**Kherson Oblast:** One sub-project for the repair of one facility worth EUR 2,199,191. This is a palace of culture.
Odesa Oblast: Five sub-projects for the repair of five facilities worth a total of EUR 4,015,659. These are four schools and one medical institution.

Kyiv Oblast: Five sub-projects for the repair of five facilities with a total cost of EUR 17,317,247. These are four schools and one kindergarten.

Over 4 million residents of four oblasts of Ukraine, including nearly 600,000 IDPs and persons from other vulnerable groups, have already benefited or will soon benefit from the implementation of these sub-projects.

All 294 sub-projects (269 approved and 25 under consideration) are expected to be completed by October 2021.

Useful links:

- The ERP website in Ukrainian
- The ERP profile on the Ministry of Regional Development website
- The ERP profile on the UNDP website

For additional information, please contact Communications Expert Anna Honcharyk at a.honcharyk@ext.eib.org or +380676395092.