



Investing in Ukraine's future

EIB's Special Action Plan for Ukraine:
the EU bank delivers on its promise of

EUR **3bn** in **3 years**

Ukraine has been facing economic challenges and geopolitical tensions, and the EIB has been called on to substantially scale up its financing in the country. In spring 2014, the European Commission announced a comprehensive EUR 11bn assistance package to support Ukraine including the financing of EUR 3bn of investments by the EU bank over the period 2014-2016, effectively doubling the EIB's engagement in Ukraine.

The EIB has fully delivered on its promise. Over the past three years, the EIB Group and Ukraine have signed 15 transactions totalling more than EUR 3bn and substantial advisory support has been provided.

Mandated by the European Union, the EIB is funding infrastructure projects, the development of the private sector and climate action investments. In order to implement these loan operations in a difficult environment, the EIB, closely collaborating with its Ukrainian partners, has set up a dedicated Task Force, with a team of experts in the Kyiv Representative office, delivering accelerated project preparation and implementation.

The EIB's stepped-up support in a wide range of sectors will help modernise the Ukrainian economy, allow it to benefit from the opportunities offered by the Association Agreement signed in June 2014, and improve the livelihoods of its people.

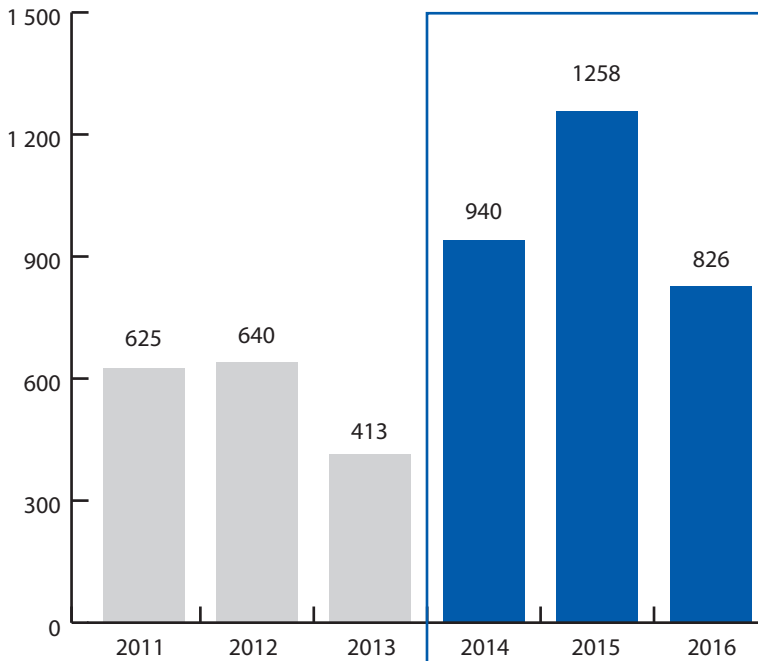


"After several painful years of recession, Ukraine's economy is finally growing again. This is the moment when support and investments from the EU and European business will give us the long-awaited impetus. Ukraine's progress is possible, in particular, because of significant support from the EU, which comes in the form of financial support and technical assistance. In this respect our agreements with the European Investment Bank, aimed at supporting reforms in the spheres of education, energy efficiency and railways, are of great importance to us. We hope that the positive efforts of the Ukrainian government and positive changes in our state will be taken into consideration by the EU according to the principle of "more for more", which will result in the continuation of the EU's broad support for Ukraine."

Prime Minister of Ukraine V. Groyzman

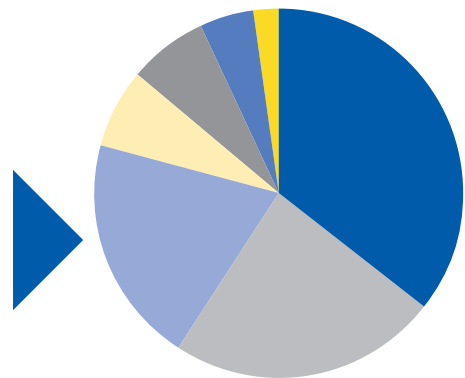


Signatures in Ukraine 2011 – 2016 (EUR m)



Special Action Plan for Ukraine 2014 – 2016

SMEs and MidCaps access to finance	36%
Social infrastructure	24%
Energy	20%
Transport	7%
Sustainable urban/inter-urban transport	7%
Other	5%
RE & EE	2%



Project name	EUR m
2014	940
Apex Loan for SMEs & MidCaps (Ukraine)	400
Astarta Agri-Food and Climate Change Adaptation	50
Beskyd Railway Tunnel	55
MHP Agri-Food	85
Ukraine Early Recovery	200
Urengoy-Pomary-Uzhgorod Gas Pipeline	150
2015	1 258
Ukraine Municipal Infrastructure Programme	400
Guarantee for Economic Development in Ukraine	458
Ukraine Agri-Food Apex Loan	400
2016	826
Ukraine Urban Public Transport FL	200
Ukraine Higher Education	120
Ukraine DCFTA Support	260
Nibulon	71
Ukraine Railway Modernization	150
ProCredit Umbrella – Ukraine – IFSMEG 2016	25
Grand Total	3 024

Development of social and economic infrastructure

Investing in social and economic infrastructure is important to the stability of the Ukrainian economy and to improving citizens' daily lives. Energy security and efficiency, sustainable transport, municipal services and education are key areas where the EIB is supporting eight projects with loans totalling more than EUR 1.7bn.

Be it by financing the modernisation of gas pipelines or enabling the World Bank's support for gas purchases by Naftogaz, the EIB is investing in Ukraine's **energy security**. Infrastructure investments in the transmission network to enhance the reliability of the power system also continued.

The EIB is also supporting **energy efficiency and higher education** in Ukraine. A EUR 120m loan will fund energy efficiency measures and the refurbishment of teaching and research facilities at several universities across the country. Substantial grant funding complements the financing package: the Eastern Europe Energy Efficiency and Environment Partnership (E5P), the Neighbourhood Investment Facility (NIF), and the Eastern Partnership Technical Assistance Trust Fund (EPTATF) are all contributing.

Motivated by its commitment to climate change mitigation and the objectives of the Ukrainian Government, the EIB is also funding **sustainable transport**, such as the modernisation of



the railways, providing better connectivity to the Black Sea, and key structures such as the **Beskyd Railway Tunnel** in the Carpathian mountains on the core railway network and on a TEN-T corridor.

The EIB is also supporting the development of **urban public transport** in several Ukrainian cities. A EUR 200m loan will finance the modernisation of rolling stock as well as the rehabilitation and construction of public transport infrastructure, improving the quality and sustainability of public transport in Ukrainian municipalities.

Support for private sector development

The private sector is the key driver of economic growth, employment and innovation in Ukraine and SMEs represent its backbone in that they account for over 90% of businesses and employ two thirds of the active working population. Commitment to support the development of the private sector, and in particular SMEs, continues to represent a key objective of the EIB's activities in Ukraine. Investments in support of SMEs and mid-sized companies in the country amounted to nearly EUR 1.1bn, accounting for over one third of the total signature volume during the period 2014 – 2016.

The EIB supports private sector development primarily through credit lines intended to address the scarcity of **long-term funding** in Ukraine, which has been aggravated by the recent political and economic unrest. Partner financial intermediaries, which benefit from funding made available by the EIB on favourable terms, are then expected to transfer

a tangible financial advantage to the final beneficiaries, thus improving their poor access to finance, which is one of the key obstacles to development of the private sector.

As an important part of the Special Action Plan for Ukraine, the EIB significantly scaled up its activities in support of the private sector, firstly by making available to local financial intermediaries up to EUR 400m worth of long-term funding supporting investments carried out primarily by SMEs as well as by mid-sized corporates.

Programmes for Early Recovery (ERP) and Municipal Infrastructure (UMIP)

As one of the first measures under the Special Action Plan for Ukraine, the EIB developed together with the European Commission a EUR 200m **Early Recovery Programme (ERP)**. The purpose of this operation is to provide humanitarian help to the conflict-affected areas in the Donetsk and Luhansk oblasts under the control of the Ukrainian Government, the three surrounding oblasts (Kharkiv, Dnipropetrovsk, Zaporizhzhia) and city councils in other oblasts countrywide, enabling them to cope with the impact of a heavy influx of internally displaced people. So far, in a first batch about 70 small-sized projects – hospitals and medical facilities, schools and kindergartens, housing and public buildings – have been selected, providing some 240,000 people with improved shelter and living conditions. A second, even larger batch of similar projects is currently under preparation.

The EIB has also set up a EUR 400m investment programme for municipal projects across Ukraine, the **Ukraine Municipal Infrastructure Programme (UMIP)**, focusing on energy efficiency in public buildings, street lighting, district heating, water supply, wastewater and solid waste management.

Both municipal programmes are benefiting from substantial technical assistance provided primarily through the EIB Task Force Ukraine. They are also supported by the EPTATF, the NIF and the E5P.





Development of social and economic infrastructure under the Special Action Plan for Ukraine

EUR 600_m
of EIB loans for
municipal infrastructure
across Ukraine

EUR 405_m
of EIB loans for **sustainable**
railway infrastructure and
urban public transport

**Technical assistance
and investment grants**
supporting energy
efficiency, municipal
infrastructure and
transport – funded by
NIF, EPTATF and E5P

EUR 120_m
EIB loan for
energy efficiency
and modernisation
of universities

EUR 800_m
contributing to climate
change mitigation and
adaptation

EUR 600_{m+}
for energy security



SME investment in renewable energy – Rengy Bershada LLC

The EIB is encouraging and supporting the development of Ukraine's significant renewable energy potential in order to reduce its dependence on energy imports and generate both green electricity and a sustainable return for investors. Rengy Bershada LLC was established in 2011 and invested in introducing photovoltaic technologies and building solar power plants in the Bershada district of the Vinnytsia oblast. With more than 30,000 photovoltaic modules installed on a 15-hectare site, the power plant has a total generation capacity of 7.75 MW, sufficient to power the whole of the Bershada district and its 15,000 households. The total implementation cost of this project was USD 15.6m, part-financed with EIB funding through Ukreximbank.

Unlocking doors to new markets – Sapsan LLC

EIB loans for SMEs offer companies the possibility to export and expand their businesses to other markets. Sapsan LLC, founded in 1993, is one of Ukraine's leading door manufacturers. The company produces high quality doors that are sold in Ukraine, as well as in some European countries and in Canada. Thanks to a USD 50,000 loan from the EIB through its partner Ukreximbank, the company has been able to install new technologically advanced equipment ensuring higher efficiency and minimisation of environmental impact. As a result, Sapsan LLC is now expanding into additional markets in Europe.





In recognition of the importance of the **agri-food sector** in Ukraine in terms of contribution to GDP, employment, exports and food security, the EIB signed another loan of EUR 400m supporting selected value chains. Cereals, oil seeds, aquaculture and fisheries have been identified as the value chains best placed to satisfy domestic demand for quality produce and increase the competitiveness of the sector and its exports to the EU and global markets, in line with trade liberalisation and standards harmonisation commitments made by both sides of the EU-Ukraine DCFTA.

The EIB is also supporting larger agricultural companies with direct investment loans. In 2016, it agreed to provide EUR 71m to finance the investment plan of **Nibulon**, a major privately-owned grain producer and exporter. EIB funds will enable Nibulon to expand its unique countrywide river-based transportation network along the Dniepr and Southern Bug river systems. This will reduce congestion and traffic on the country's roads by moving up to 700,000 tonnes of grain annually from trucks onto barges. Nibulon will build up to 15 additional ships in Mykolaiv, creating much needed employment in the local shipbuilding industry. The EIB started lending to large agricultural companies in 2014 with a EUR 50m loan to agricultural producer Astarta to increase storage capacity.



Support for private sector development under the Special Action Plan for Ukraine

EUR 800m
of EIB loans for SMEs
and MidCaps,
half of which for the
agri-food sector

EUR 148m
contributing to **climate
change mitigation and
adaptation** – supporting the
transition to a low-carbon,
environmentally friendly and
climate-resilient economy

EUR 50m
for establishing **partial
portfolio guarantees**
for new SME loans of
local banks under **DCFTA
Initiative East**

EUR 5.5m
technical assistance
supporting lending to the
agri-food sector –
funded under **DCFTA
Initiative East (NIF) and
EPTATF**

EUR 260m
EIB loan to support **trade
transactions as well as
investment projects**
of SMEs and MidCap
companies in Ukraine

InnovFin – the new
generation of EU financial
instruments and advisory
services for innovative
firms – including **partial
portfolio guarantees**
covering new SME loans and
equity instruments
for innovative start-ups



In the same year, it signed a EUR 85m loan to help the MHP Group increase its cereal/oilseed storage and feed milling capacities in a location linked to rail and road.

Additional support to enable Ukrainian enterprises to take advantage of the opportunities offered by the new trade regime with the EU is being provided by the "Ukraine DCFTA Support Facility" signed in 2016. Through this operation, the EIB, in partnership with Ukreximbank, will provide support to

trade transactions as well as investment projects conducted by Ukrainian SMEs and mid-sized corporates.

The EIB will continue prioritising access to finance to the private sector with a focus on SMEs as a key objective by ensuring the availability of intermediated financing and scaling up its risk-sharing products and capacity building activities, primarily through two new programmes now available in Ukraine:

DCFTA Initiative East

The Deep and Comprehensive Free Trade Area (DCFTA) Initiative East aims to strengthen economic development in the countries that have signed the Association Agreement with the EU – namely Georgia, Moldova and Ukraine – by providing targeted financial and technical support to SMEs in these three countries.

The EIB has joined forces with the EU's Neighbourhood Investment Facility under the EU4Business programme to provide a comprehensive package of instruments that will address market needs and underpin the objectives of the DCFTAs, aiming at the progressive removal of barriers and alignment of the SME sector to EU standards. The initiative will strengthen the capacity of the private sector to compete in local and international markets through improved access to finance for micro-enterprises and SMEs via risk capital, guarantees and technical assistance.

InnovFin

"InnovFin – EU Finance for Innovators" is a joint initiative launched by the European Investment Bank Group (EIB and EIF) in cooperation with the European Commission under the EU Research and Innovation Programme Horizon 2020.

InnovFin consists of a series of integrated and complementary financing tools and advisory services offered by the EIB Group, covering the entire value chain of research and innovation (R&I) in order to support investments from the smallest to the largest enterprise.

In September 2016 the European Investment Fund (EIF) and ProCredit Bank JSC (Ukraine) signed the first agreement for SMEs and small MidCaps in Ukraine under InnovFin. The agreement, supported by the InnovFin SME Guarantee facility with the financial backing of the EU under Horizon 2020, is expected to enable ProCredit to provide EUR 50m of loans to innovative companies over the next two years.



EIF AT A GLANCE

The European Investment Fund (EIF) is part of the European Investment Bank Group. Its central mission is to support Europe's micro, small and medium-sized businesses (SMEs) by helping them to access finance. EIF designs and develops venture and growth capital, guarantees and microfinance instruments which specifically target this market segment. In this role, EIF fosters EU objectives in support of innovation, research and development, entrepreneurship, growth, and employment.





EIB Task Force Ukraine – supporting Ukrainian counterparts in projects implementation

The EIB Task Force was created to focus on [the Special Action Plan for Ukraine 2014 – 2016](#). It comprises dedicated staff working from the EIB's headquarters as well as a team of EIB sector experts based in Kyiv. Substantial funds for technical assistance, absolutely central to the success of investment projects, have been made available to the Task Force. Numerous contributors, including the EIB itself, EPTATF, NIF, the E5P, and the MPSF, have made this possible.

The Task Force works [along the entire project cycle](#), and, through cooperation with all relevant stakeholders, has been instrumental in addressing the specific needs of our Ukrainian counterparts, which has resulted in bringing several innovative projects to the implementation stage. These projects notably include the Early Recovery and Municipal Infrastructure Programmes, the Ukraine Higher Education, Clean Urban Transport and Urban Road Safety projects, and the Agri-Food loan for the private sector.

Technical Assistance Contributors

EIB

A number of EIB lending operations benefit from consultancy services funded from the EIB budget and used at all stages, from project identification and preparation to project implementation and operation/maintenance assistance.

NIF – the EU's Neighbourhood Investment Facility

The EU's NIF, launched in 2008, aims at supporting the EU neighbouring countries in their efforts to achieve better governance and economic and social development, through loans from the European financing institutions backed by EU grants. NIF supports infrastructure projects in the energy, transport and environment sectors, as well as the development of the private sector. Technical assistance grants are used to improve the implementation of financed projects, thereby enhancing policy coherence between EIB project decisions, country and sectoral economic reforms and the ENP's overall policy objectives.

E5P – Eastern Europe Energy Efficiency and Environment Partnership

The E5P unites the Eastern Partnership countries, European Commission and other bilateral donors, and some of the IFIs active in the region to coordinate and accelerate the implementation of energy efficiency and environmental projects. Ukraine, Armenia, Georgia and Moldova have joined the E5P, allowing municipalities to apply for grant funding for energy saving investments.

EPTATF – Eastern Partnership Technical Assistance Trust Fund

EPTATF was established in 2010 with a view to enhancing the quality and development impact of the Bank's operations in Eastern Partnership countries, through support for project preparation and implementation. EPTATF donors are Austria, France, Germany, Latvia, Lithuania, Poland, Sweden and the United Kingdom. Around EUR 30.6m has thus been made available to the countries of the Eastern Partnership.

To date, 23 operations have been approved by EPTATF for a total amount of EUR 24.3m, of which EUR 10m has been allocated to Ukraine. EPTATF provides the critically needed support to perform energy audits in Ukraine's higher education buildings and facilities, TA for modernisation and safety improvements on Ukrainian roads, or TA for the monitoring function within the Early Recovery Loan. Through this TA, EPTATF aims at building the institutional capacity of the EIB's borrowers, including through inward secondment of staff.

MPSF – Municipal Project Support Facility

MPSF is a EUR 20m facility funded by NIF and managed by the EIB to provide technical assistance in Eastern Partnership Countries in support of investments projects in all urban sectors, such as district heating, urban transport, street lighting and renewable energy, as well as projects related to water supply and sanitation and solid waste management.

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EIB at a glance

The EIB – the European Union's bank – finances projects in Ukraine on the basis of the EU External Lending Mandate. This provides the EIB with a guarantee covered by the EU budget for projects in the areas of social and economic infrastructure, local private sector development and climate action.

The EIB is a AAA-rated, policy-driven EU financial institution raising funds in capital markets to on-lend to eligible investments supporting EU policies and priorities. The EIB passes on the financial advantage it obtains through benefits such as attractive interest rates and long maturities to

projects that score highly in terms of EU objectives and are consistent with the Bank's commitment to supporting sound, sustainable investments. The EIB's extensive experience in financing projects, its in-house sector expertise and its deep knowledge of European policies facilitate the identification of projects that match both national and EU priorities. The EIB's project appraisal covers technical, economic, financial, environmental and social aspects as well as credit risks, provides for the appropriate mitigants and conditionality and helps structure projects in line with EU standards. The EIB thus acts as a flag carrier for EU policies outside the EU, contributes to the dissemination of best practices and facilitates the participation of other financiers in EU priority projects.



European Investment Bank

98-100, boulevard Konrad Adenauer
L-2950 Luxembourg

☎ +352 4379-1
☎ +352 437704

www.eib.org

 twitter.com/EIB

 facebook.com/EuropeanInvestmentBank

 youtube.com/EIBtheEUbank

Information Desk

☎ +352 4379-22000
☎ +352 4379-62000
✉ info@eib.org

Representation in Ukraine
101, Volodymyrska Street
01033 Kyiv

Press Contacts

Dušan Ondrejčka
Media Officer
☎ +352 4379-83334
☎ +352 4379-61000
✉ d.ondrejcka@eib.org
www.eib.org/press