

From Recovery to Development

Key measures and Reforms

March 2024

Pillars of the Ukraine Facility program

The Ukraine Facility is a financial support program for Ukraine from the European Union for 2024-2027.

The €50 billion will be allocated to finance the state budget, stimulate investment, and provide technical support for the program.

Pillar I Support plan for Ukraine € 38,27 billion	Pillar II Investment fund €6,97 billion	Pillar III Technical and administrative support €4,76 billion
<p>Supporting the budget through loans (€ 33 billion) and grants (€ 5.27 billion)</p> <p>Support in addressing the urgent financial needs of the state to maintain macro-financial stability</p> <p>Support for reforms necessary for Ukraine's accession to the EU and for economic recovery</p> <p>Support will be provided on a quarterly basis for the fulfillment of the indicators of the Ukraine Facility Plan</p> <p>Funding cannot be used to cover defense expenditures</p> <p>20% of the grant funds (€ 1.05 billion) should be directed to the needs of the regions</p>	<p>A mechanism for reducing risks available to investors, attracting investment in priority sectors</p> <p>Ukrainian companies will receive financing through the EBRD, EIB and other international financial institutions</p> <p>Support is available for Ukrainian private and state-owned companies</p>	<p>Technical assistance to the Government (synchronization of legislation with the EU, structural reforms)</p> <p>Capacity building of public authorities at the national, regional and local levels</p> <p>Support for civil society</p> <p>Coverage of subsidies for interest rate reimbursement on loans, including those obtained earlier</p>

Funding for the First Pillar

01

Funding is tied to the fulfillment of the indicators set out in the Ukraine Facility Plan

02

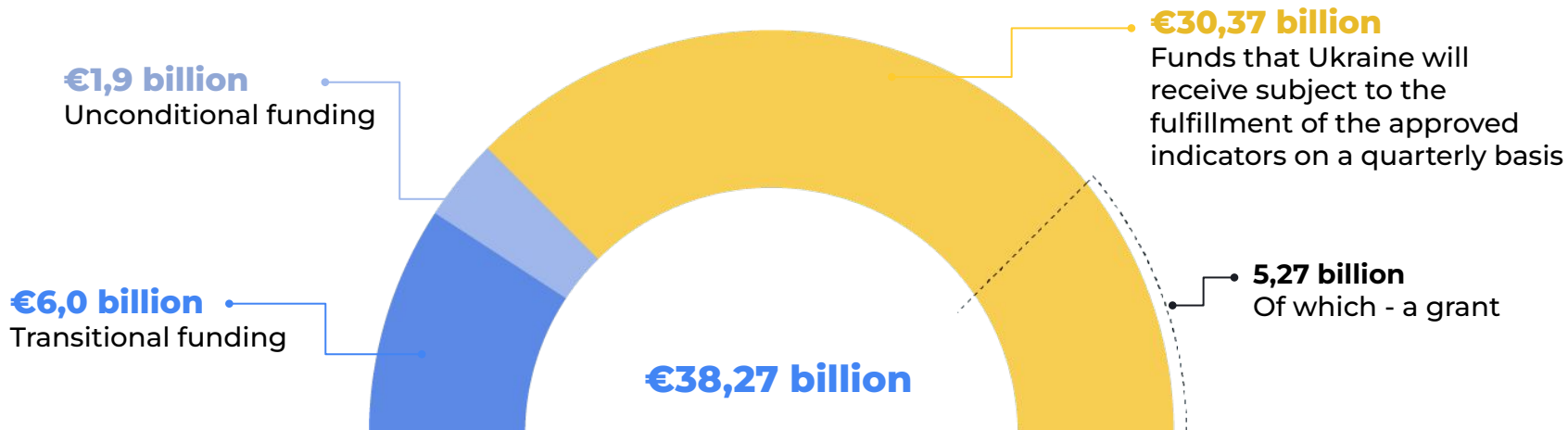
Proportionally larger number of indicators in the first years of implementation to ensure broader funding

03

The European Commission will monitor the fulfillment of the indicators and the absence of any changes in the reforms already implemented

€7,9 billion

To support the state budget before and at the beginning of the program, transitional and unconditional funding mechanisms are foreseen for April-May 2024



Concept of the Ukraine Facility Plan

The Ukraine Facility Plan is the basis for providing budgetary support under the program

01

a tool for obtaining macro-financial assistance to the budget

02

a specific and meaningful list of priority reforms and measures that can be realistically implemented in 4 years

03

not a comprehensive and nationwide economic development strategy, but only a part of the Government's plans



Strengthens macro-financial stability



Supports the modernization of the economy



Promotes accession to the EU



Increases growth potential

When will the Ukraine Facility be launched?

What's already been done:

- ✓ The EU has allocated € 50 billion for funding under the Ukraine Facility program in the budget for 2024-2027
- ✓ The EU has approved the final program regulations, which define its conditions
- ✓ Ukraine and the EU have signed a memorandum of mutual understanding and a loan agreement on transitional funding
- ✓ The Government of Ukraine has completed the development of the Ukraine Plan in accordance with the terms of the regulation and submitted it to the European Commission and the Committee of Member States

What needs to be done

APRIL-MAY 2024

- The European Commission and the Committee of the Member States have to finally approve the Plan, which allows the Ukraine Facility program to become fully operational
- Ukraine and the EU have to conclude a number of agreements to receive the main funding under the program

Reforms of the Ukraine Facility Plan

Basic reforms	Economic reforms	Key sectors
<p>Create a framework for accelerating economic recovery and strengthening institutional capacity</p> <ul style="list-style-type: none">• Public administration reform• Public financial management• Judicial system• Fighting against corruption and money laundering	<p>Necessary for the development of the economy and improvement of the citizens' welfare</p> <ul style="list-style-type: none">• Financial markets• Management of public assets• Human capital• Business environment• Decentralisation and regional policy	<p>Priority areas whose rapid development will stimulate comprehensive economic growth. A special focus is on the development of small and medium-sized businesses.</p> <ul style="list-style-type: none">• Energy• Transport• Agri-food• Critical raw materials• Industry

Cross-sectional areas: European integration, digital transformation, green transition and environmental protection

Indicators of the Ukraine Facility Plan

The plan contains

69

reforms, which are supported by

over 150

quarterly indicators.

In addition to the reform implementation indicators, the plan includes 16 investment indicators.

For their implementation, it is necessary to continue and strengthen programs on infrastructure development, demining, renewable energy, support for small and medium-sized enterprises, etc.

Scoreboard of the Ukraine Facility Plan's results:



The European Commission will create an online resource to track progress in the implementation of the plan



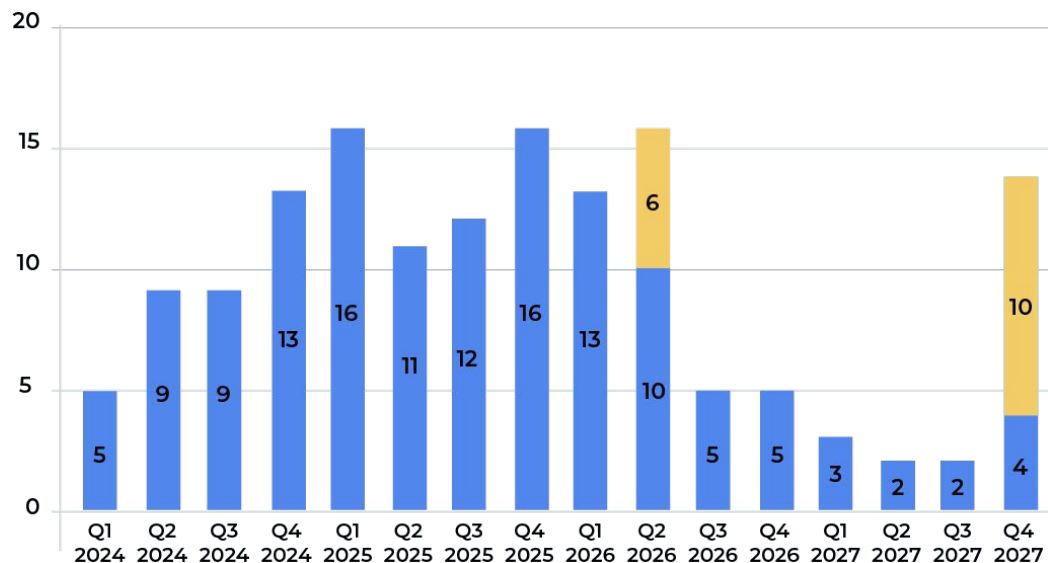
The Scoreboard will be launched until January 2025 and will be updated twice a year

Indicators for implementation 2024-2027

The number of reforms - **69**

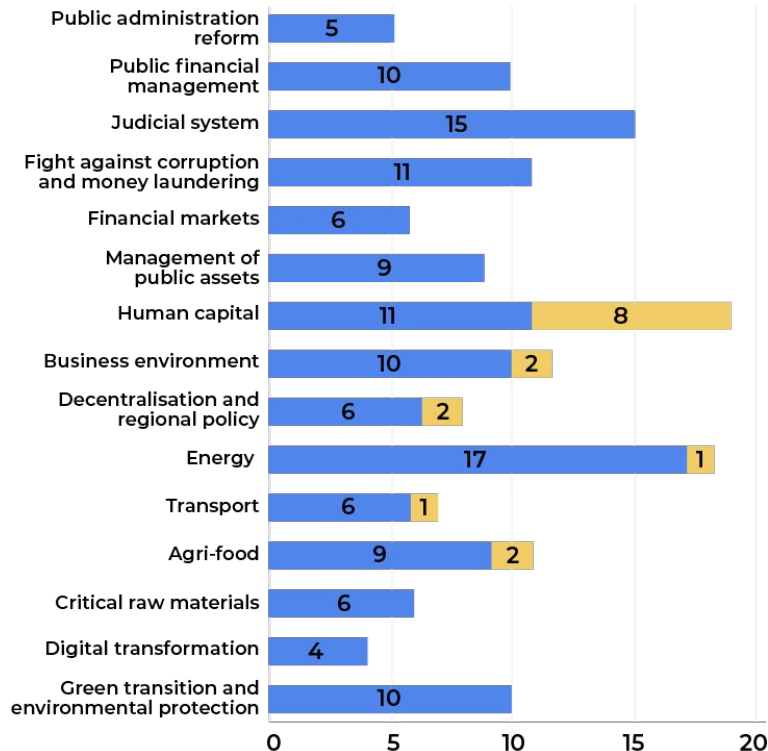
General indicators - **135**

Investment indicators - **16**



■ General indicators

■ Investment indicators



Basic reforms

Public administration reform

Effective public administration is key to the implementation of the Plan. Ukraine needs the institutional capacity to implement the planned reforms and attract large amounts of investment.

- *Creation of a fair system of remuneration for civil servants*
- *Transparent procedure for selecting specialists for positions*
- *Digitalization of civil service and human resources management*

Goal: improvement of the quality of the civil service, attracting the best specialists and establishing control.

3 Reforms | 5 Indicators

Implementers: NAUCS, Ministry of Finance, Ministry of Digital Transformation

Effect: professional civil service without nepotism and corruption.

Basic reforms

Public financial management

Sustainable development of the national economy depends on a strong, transparent financial system where the state is able to provide for itself. The first step towards this is to implement effective public financial management.

- *Transparent system of public revenue and expenditure management*
- *Eliminating tax loopholes*
- *Implementation of public debt management mechanisms*
- *Audit of public spending in accordance with international standards*

Goal: efficient revenue, expenditure and public debt management.

5 Reforms | 10 Indicators

Implementers: Ministry of Finance, State Tax Service, State Migration Service, Ministry for Restoration

Effect: reduction of public debt, decrease of the budget deficit, de-shadowing of the economy.

Basic reforms

Judicial system

Fair justice and the rule of law are the basis for all participants to follow the rules of the game. The Government's goal is to create a judicial system that meets European standards of transparency and efficiency.

- *Creating a fair system of judicial selection*
- *Efficient and impactful bankruptcy procedures*
- *Evidence-based digital judicial system*
- *Professional and accountable prosecution service*

Goal: improvement of the procedure for selecting judges, reform of the prosecutor's office and digitalization of the judicial system.

4 Reforms | 15 Indicators

Implementers: HQCJ, Ministry of Justice, HCJ, SJA, Ministry of Digital Transformation, PGO, with the participation of the Council of Prosecutors, Qualification and Disciplinary Commission of Prosecutors

Effect: less administrative pressure, higher investor confidence in the state, increased investment.

Basic reforms

Fighting against corruption and money laundering

Corruption should not be an obstacle to the country's economic development. Additional measures in this area will provide a reliable guarantee of security for potential investors, improve the country's international image and help business development.

- *Strengthening the capacity and independence of key anti-corruption institutions*
- *Adoption and implementation of the Anti-Corruption Strategy and the State Anti-Corruption Program*
- *Establishment of an effective anti-money laundering system*

Goal: strengthening the anti-corruption infrastructure and improving legislation in line with international standards.

3 Reforms | **11** Indicators

Implementers: Cabinet of Ministers, with the participation of the Selection Panel for the Head of the NACP, SAPO, HACC, Ministry of Justice, ARMA, Ministry of Finance and other central executive bodies, SFMS, NBU (upon agreement), NSSMC, SBGS

Effect: increased budget revenues, improved business climate, higher level of investment.

Economic reforms

Financial markets

The financial sector needs to be healthy, capable, and transparent to provide Ukrainian entrepreneurs with sustainable support, expanding access to financing and attracting additional resources.

- *Restoring the sustainability assessment and asset quality review of the largest banks*
- *Gradual reduction of state ownership in the banking sector*
- *Solving the problem of non-performing loans (NPLs) of banks*
- *Improving state regulation of capital markets and organized commodity markets*

Goal: ensuring access to capital for businesses and reducing the burden on the state budget.

4 Reforms | 6 Indicators

Implementers: NBU, Ministry of Finance, Ministry of Justice, SPFU, NSSMC

Effect: strengthening the resilience of the banking system, better lending conditions for businesses, and increased investor confidence in the sector.

Economic reforms

Management of public assets

Poor management of state assets leads to budget losses and underinvestment. The government aims to focus on the development of strategic assets and attract additional investments in the public sector.

- *Liquidation and privatization of non-strategic assets*
- *Implementation of corporate governance in accordance with OECD principles and establishment of supervisory boards at state-owned companies*
- *Separation of commercial and non-commercial activities of state-owned companies*
- *Reforming the system of control over state aid*

Goal: getting rid of non-strategic assets and introducing international corporate governance standards at the facilities that will remain in state ownership.

4 Reforms | 9 Indicators

Implementers: Ministry of Economy, SPFU, Ministry of Finance, Ministry of Energy, Ministry for Restoration

Effect: reducing pressure on the state budget, attracting additional investments and increasing revenues.

Economic reforms

Human capital

People are the most valuable asset of the country. The government is committed to doing everything possible to ensure that our citizens are able and willing to return home, live and work in Ukraine.

- *Adoption of a new employment policy and creation of competitive working conditions*
- *Development of an extensive system of vocational education, social protection and health care*
- *Expanding and creating new social housing programs*
- *Development of culture and international relations*
- *Deinstitutionalization of care for persons with disabilities and the elderly, as well as ensuring family-based forms of education for children left without parental care*
- *Ensuring gender equality*

Goal: eliminating the social and economic consequences of the war, and improving the quality of life in Ukraine.

9 Reforms | 11 Indicators

Implementers: Ministry of Social Policy, Ministry of Health, Ministry of Veterans Affairs, Ministry of Economy, Ministry for Restoration, Ministry of Culture and Information Policy

Effect: raising living standards, improving the demographic situation and returning people to Ukraine.

Economic reforms

Business environment

Entrepreneurs are the key beneficiaries of the reforms. The Government's task is to build a new transparent model of cooperation with business that is focused on business needs. The pace of Ukraine's economic development directly depends on the success of the private sector.

- *Deregulation of the economy and reduction of administrative pressure on business, in particular through the ESBU reform*
- *Increase the share of SMEs in the economy*
- *Continued deregulation reform to simplify business operations*
- *Simplification of the procedure for connecting to networks*
- *Harmonization of rules and regulations with the European Union*

Goal: developing a culture of entrepreneurship, creating favorable conditions for business development and attraction of investments.

6 Reforms | 10 Indicators

Implementers: Ministry of Economy, SRSU, Ministry of Justice, Ministry of Finance, ESBU, Ministry for Restoration, NEURC, UkrNDNC

Effect: growth of foreign and domestic investment, accelerated development of innovative sectors of the economy.

Economic reforms

Decentralisation and regional policy

Reconstruction will primarily take place in the regions. It is necessary to strengthen the capacity of the regions, provide them with resources and tools for effective recovery and further development.

- *Strengthening the capacity of the regions*
- *Economic, social, environmental and territorial development of regions and communities*
- *Active participation of the population in community management*
- *Transparency and accountability of local government*
- *Regional development strategy*
- *Creating conditions for comfortable living, self-realization and development*

Goal: empowering local communities to develop policies, plan projects, and ensure effective coordination at all levels of government.

3 Reforms | 9 Indicators

Implementers: Ministry for Restoration, Ministry of Justice, with the participation of the Ministry of Education and Science, Ministry of Health, Ministry of Culture and Information Policy, Ministry of Social Policy, Ministry of Youth and Sports, Ministry of Finance and other central executive bodies

Effect: high-quality management and development, improved quality of life in all regions of Ukraine.

Key sectors

Energy

The priorities are energy security and the transition to low-carbon and renewable energy sources with the continuous development of energy sustainability. This will increase Ukraine's export potential in European markets and expand opportunities for attracting investment.

- *Transparent, timely and coordinated development*
- *Creating conditions for the development of renewable energy sources and attracting investment*
- *Integration into the EU market*
- *Post-war liberalization of gas and electricity markets*
- *Independent regulator*
- *Energy efficient and sustainable heat supply*
- *Energy efficiency of the building stock*

Goal: support for green transition, sustainable and efficient energy consumption, integration with the European energy system.

7 Reforms | 16 Indicators

Implementers: Ministry of Economy, Ministry of Energy, NEURC, Ministry for Restoration

Effect: strengthening energy security and sustainability, increasing the share of green energy, reducing environmental impact, and increasing international investors' confidence in the energy sector.

Key sectors

Transport

Transport and logistics are key to export-oriented development. It is necessary to modernize logistics systems and TEN-T networks, bring the railway sector in line with EU standards, and improve port services.

- *Restoring transportation infrastructure*
- *Modernization of routes for exports to the EU*
- *Competitive rail transportation market*
- *Safety and high-quality port services*

Goal: restoration and development of transport infrastructure, modernization of railway transport, bringing legislation in line with international standards, and integration with the European Union's transport space.

4 Reforms | 5 Indicators

Implementers: Ministry for Restoration, Shipping Administration

Effect: modernization of Ukraine's transport sector and closer integration with both the EU and global economies.

Key sectors

Agri-food

Significant potential in production and exports. The main areas of reform and investment should ensure the sustainable development of the sector, increase its competitiveness and adaptation to European standards.

- *Comprehensive development of the sector and effective regulation*
- *Digitalization, automatization and transparency*
- *Support for the sector based on the EU model*
- *Agricultural productivity and food security*
- *The National demining strategy*

Goal: improvement of the institutional and regulatory framework, support for value chains, post-war recovery and modernization, and integration with European markets.

6 Reforms | 9 Indicators

Implementers: Ministry of Agrarian Policy and Food, Ministry of Economy and other government agencies (demining)

Effect: improved productivity of the agri-food sector, increased exports, new jobs, food sustainability and safety, and promotion of ecological production.

Key sectors

Critical raw materials

Ukraine has reserves of 22 out of 34 minerals that are considered critical for the EU. Our goal is not to supply raw materials, but to produce final, technological and more expensive products.

- *Extraction and processing development*
- *Transparent, fast and efficient investments*
- *Environmental, social and governance (ESG) reporting*

Goal: improvement of resource management, creation of a favorable environment for attracting technological innovations for integration into global value chains.

3 Reforms | 6 Indicators

Implementers: Ministry of Environmental Protection and Natural Resources, Ministry of Finance, State Geological Survey, Ministry of Economy, Ministry of Energy

Effect: ensuring sustainable development of the critical materials and raw materials sector, increasing its contribution to the national economy, creating new jobs, and strengthening Ukraine's position in the global market for critical materials and value-added products.

Key sectors

Entrepreneurship, SMEs and the manufacturing industry (part of the Business Environment section)

In addition to the key sectors presented in the respective chapters, additional investment areas are described in the Business Environment chapter. Attention is focused on the development of entrepreneurship in general and SMEs in particular, as well as key manufacturing industries.

The potential for private investment is particularly high in the following sectors:

- Green steel production
- Mechanical engineering
- Products from critical materials
- Light petroleum products
- Agrochemical products
- Food industry
- Wood processing
- Construction and building materials
- Production of power equipment
- Production of equipment for the restoration and modernization of railway transport
- Other manufacturing industries

Goal: introducing financial incentive programs to stimulate the attraction of new investments; enhancing regulation to improve the business environment for both domestic and international companies; strengthening cooperation with international companies while developing tools to mitigate risks.

Financial incentives

1. Provision of grants and soft loans
2. Programs to support financing
3. Expansion and diversification of IFI financing programs
4. Development of investment project financing
5. Implementation of an affordable military insurance mechanism

Key sectors

Digital transformation

The IT sector paves the way for digital transformation and the development of innovations needed to support other industries. Implementation of reforms in this area will also reduce corruption risks and administrative pressure on business.

- *Fast and secure communication*
- *Creating conditions for the development of the startup ecosystem*
- *Integration with the EU digital market*
- *The state in a smartphone*

Goal: ensuring public access to quality communications, development of the ecosystem of startups and innovative companies, and market integration with the EU.

2 Reforms | 4 Indicators

Implementers: Ministry of Digital Transformation, NCCIR (by agreement), National Council on Television and Radio Broadcasting, State Service of Special Communications and Information Protection

Effect: Ukraine's integration into the EU's Digital Single Market, increased investment potential.

Key sectors

Green transition and environmental protection

Achieving the climate neutrality goals is a chance to modernize the Ukrainian economy, increase its resource intensity and competitiveness. It entails significant investments in the energy sector, green steel, agriculture and other areas. By implementing these reforms, Ukraine can become a European leader in decarbonization.

- *Combating industrial pollution*
- *A course towards climate neutrality*
- *Emission allowance market*
- *Combating illegal logging*
- *Waste recycling and moving away from the resource-based economy*

Goal: green transition as an economic sphere should be filled with specific business projects, restoration and preservation of natural resources, development of a circular economy and prevention of industrial pollution.

6 Reforms | 10 Indicators

Implementers: Ministry of Environmental Protection and Natural Resources, State Agency of forest resources of Ukraine, Ministry of Economy

Effect: improved protection of public health, increased innovation potential of the economy.

Investment indicators 2024-2027

16 indicators

Within the agreed
parameters

€5,25 billion
Total amount



Agri-food

- Compensation to agricultural producers to cover demining costs



Energy

- Energy modernization and energy efficiency
- Physical protection of energy infrastructure
- State programs to support the development of renewable energy sources



Transport

- Construction, reconstruction, restoration, modernization and renewal of damaged and destroyed transport infrastructure facilities



Business environment

- Financial support for microenterprises and SMEs
- Corporate lending and grants



Human capital

- Improving access to safe and high-quality education, including preschool education
- Purchase of medical and laboratory equipment
- Restoration and rebuilding of damaged/destroyed social infrastructure
- Providing compensation for lost or damaged housing
- Providing housing for priority groups (persons with disabilities, families of fallen defenders, IDPs)

How to prioritize in 2024-25?

Investments in Ukraine

11. Attraction of direct foreign investments

Budget revenues

10. Increase in tax revenues

Defence industry

9. Development of the Ukrainian defense industry

Return of Ukrainians to Ukraine

8. Creating incentives for Ukrainians to return

Confiscation of assets of the Russian Federation

1. Confiscation of Russia's sovereign assets

Export Expansion

- 2. Southern Sea Ports**
- 3. Ports of the Danube**
- 4. Air Connectivity**
- 5. Export to the EU by land transport**

Expansion of energy capacities

- 6. Return of control over the ZNPP**
- 7. Attracting investments in energy projects**

11
Critical
issues