



EUROPEAN COMMISSION

## **UKRAINE INVESTMENT FRAMEWORK**

### **Cover Note**

**Call for Portfolio of Investment Projects (PIPs) and individual projects with public sector and private sector (direct) counterparts as well as funds.**

**[UIF call 25-09-2024]**

### **BACKGROUND**

The Ukraine Facility Regulation<sup>1</sup> entered into force on 1<sup>st</sup> March 2024, paving the way for the establishment of the Ukraine Investment Framework (UIF). The objective of the UIF is to mobilise investments for the reconstruction, modernisation and long-term growth of Ukraine, supporting the objectives and the implementation of the Ukraine Plan<sup>2</sup> consistently with EU policy priorities. The combination of blending, in the form of grants for investment co-financing, technical assistance and financial instruments for around EUR 1.5 billion and a guarantee capacity of around EUR 7.8 billion directed to both public and private sectors should lead to mobilisation of approx. EUR 40 billion of investments to Ukraine.

The UIF is building on the experience of European Fund for Sustainable Development (EFSD+) and the Neighbourhood Investment Platform and is implemented in indirect management by pillar-assessed entities, i.e. European Financial Institutions and multilateral Financial Institutions, the “Eligible Financial Institutions” or “EFI”.

After the recently finalized round of top ups of existing guarantee and blending agreements foreseen by the Ukraine Facility Regulation, the first UIF open call for proposals is being launched. Details of the call are included below. The documentation for the call includes: (i) the present Cover Note; (ii) the UIF Application Form; (iii) the UIF Guidelines for Applicants (the latter two are included in annex to this note).

### **THE SCOPE OF THE CALL**

The EFIs are hereby invited to propose Portfolios of Investment Projects (PIPs) as well as individual projects for the following categories of operations:

- (i) **Public sector operations:** all operations covering public investments, involving sovereign and non-commercial sub-sovereign operations, these operations should abide to the public investment policy of Ukraine.

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<sup>1</sup> Regulation (EU) 2024/792 of the European Parliament and of the Council of 29 February 2024 establishing the Ukraine Facility

<sup>2</sup> Council Implementing Decision (EU) 2024/1447 of 14 May 2024 on the approval of the assessment of the Ukraine Plan

- (ii) Direct private operations: operations where EFIs are in direct agreements with private and commercial sub-sovereign entities as end beneficiaries.
- (iii) Quasi-equity and equity via intermediation (funds) for private projects.

Please, note that a call on SME support via banks (intermediated private lending operations) is expected to be launched in Q4 2024.

#### **THE AMOUNT OF THE CALL**

The first open call as described above will have for the upcoming 12 months an initial grand total of EUR 2,750 million, budgetary guarantees and grants alike. Programs falling under the (iii) Quasi-equity and equity via intermediation (funds) for private projects category have been assigned a tentative EUR 200 million.

This amount is indicative and may be adjusted upwards depending on the quality and the amount of proposals received. Conversely, the amount may not be fully used if proposals received if the quality of the proposals is deemed insufficient by the Commission or by the Steering Board of the UIF.

DG NEAR will monitor the pipeline of intended programs to ensure effective allocation of resources between policy priorities, EFIs, instruments and end beneficiaries.

#### **POLICY PRIORITIES**

All operations benefiting from UIF support need to be aligned with the Ukraine Facility Regulation, including particularly Article 3 – Ukraine Facility objectives and Article 4 – Ukraine Facility general principles. In its Article 28, the Ukraine Facility Regulation also defines horizontal targets, notably a spending target of at least 20% for green investment, as well as the minimum 15 % spending target for support to micro, small and medium-sized enterprises. These targets must be considered in the formulation of PIPs/projects, and the EFIs are expected to support the Commission on its reporting, including appropriate disaggregation of indicators based on the Ukraine Facility Results Measurement Framework.

At its first meeting on 17 April 2024, the UIF Steering Board approved the UIF Strategic Orientations, outlining a set of horizontal priorities as well as priority investments areas of the UIF based on the Ukraine Plan. The Strategic Orientations constitute the eligibility and policy framework for the present calls for proposals. The ability of the submitted PIPs/projects to contribute to the outlined horizontal and sectoral priorities will form a critical element for the assessment of the proposals.

In addition, for the present call, taking into account most pressing needs in the country as well as the policy priorities of the EU, the EFIs are particularly encouraged to consider as a matter of priority investments in the energy sector, as well as investments with high social impact covering horizontal considerations such as support to vulnerable groups in particular veterans and IDPs, demining, etc.

Additional criteria have been established and are described in the *Guidelines for Applicants* for operations in the agricultural sector. Operations in telecommunication or activities with a potential significant impact on climate and/or the environment are also considered as particularly sensitive. The Commission reserves the right to require enhanced consultations

and/or approval of individual operations in these sectors at the deployment stage.

Proposed public projects must be aligned with Ukraine's priorities, as expressed in the Ukraine Plan as well as relevant national strategies. Ukraine will prioritise planning of public investments through a Single Project Pipeline (SPP). For public sector operations, EFIs are therefore invited to indicate whether the projects proposed (individually or in a portfolio) are included in the SPP (when relevant). In addition, also for public operations, the DREAM system will have to be used by EFIs.

In line with UIF Strategic Orientations and as further defined in the *Guidelines for Applicants*, UIF support will prioritise new investments in the real economy and capital expenditure. Transactions of a purely financial nature could be allowed in specific circumstances but will be de-prioritised.

Considering the objective to swiftly deliver results on the ground, the maturity and speed of deployment of the proposed interventions will be one of the key assessment criteria. The submissions therefore need to clearly demonstrate the maturity of the proposed interventions and contain in annex a detailed pipeline covering at least 40% of the requested EU contribution. Please, note that in the same spirit, the ramp-up period<sup>3</sup> for PIPs will be limited to 3 years, with significant implementation targets already set for the first 12 months, as further specified in the *Guidelines for Applicants*. Exceptions may be allowed in specific circumstances, e.g. in the case of innovative products or very difficult market segments. PIPs that deliver quickly will be treated as priority for potential budget increase in the future.

In order to ensure close policy alignment under the UIF, as well as overall steering of the instrument, regular and continuous exchanges, pipeline reviews and monitoring between the Commission and EFIs will be required during the implementation of the instruments.

## **TYPES OF SUBMISSIONS**

The EFIs have the possibility to combine budgetary guarantee and grant requests, including for Technical Assistance, Investment Grants and Financial Instruments, in relation to the same PIP and/or project with one single submission. PIPs/projects' submissions may cover multiple sectors.

For public sector operations, EFIs may submit PIPs proposals including a portfolio of grants for investment co-financing. For direct private sector operations, only duly justified proposals for use of individual grants for individual private investment are admissible. Specific requirements and criteria related to the grants are spelled out in the *Guidelines for Applicants*.

Overall, submissions should fall into one of the following categories:

- (i) For public sector operations:
  - A. A portfolio approach for (a) Guarantees, (b) Investment Grants and (c) Technical Assistance;
  - B. An individual project approach for: (a) Investment Grants, (b) Technical Assistance and (c) other financial instruments
- (ii) For private sector direct operations:

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<sup>3</sup> Defined as the period during which the EFIs will need to sign contractual agreements with final beneficiaries of UIF support (and notify inclusion of such operations under the guarantee).

- A. A portfolio approach for: (a) Guarantees, (b) Technical Assistance;
  - B. An individual project approach for: (a) Investment Grants, (b) Technical Assistance and (c) other financial instruments
- (iii) Quasi-equity and equity via intermediation (funds) for private projects.
- A. A portfolio approach for Guarantees;
  - B. An individual project/fund approach for: (a) Guarantees, (b) Grants, and (c) Technical Assistance

EFIs are encouraged to aggregate requests as much as possible. Ideally no application for an EU contribution below EUR 20 million should be submitted individually, however Commission may consider exceptions in duly justified circumstances.

Please, note that given the larger capacities of UIF for guarantees compared to blending, Commission will prioritise submissions for guarantees. By default, any operation that could be made in the form of a guarantee should use this instrument. For example, grant should not be used by EFI to be turned into guarantees.

#### **TEAM EUROPE APPROACH AND JOINT PROPOSALS**

One of the objectives of the UIF is to promote coordination, cooperation and a Team Europe approach. EFIs are encouraged to work together to submit joint applications, as well as partner with other organizations with strong presence in Ukraine that are not pillar-assessed. The aim of such an approach is to ensure synergies and knowledge transfer, proliferating the benefits of UIF and avoiding multiplication of proposals targeting the same market segments/type of beneficiaries.

#### **TIMELINE**

The present call follows an “open” approach and remains open for a period of at least 1 year from the date of publication of the call. This means that EFIs will be able to submit proposals at any point in time, though intermediary deadlines will apply to ensure that the proposal is submitted to the opinion of the next UIF Steering Board.

This call(s) for public and private (direct) operations as well as intermediated equity/quasi equity investment is expected to materialize according to the following indicative timeline:

<b>Tentative date</b>	<b>Milestone</b>
20 September 2024	Second UIF Steering Board meeting
25 September 2024	Launch of the UIF open calls
31 October 2024	Deadline for submission of proposals to the EC for the third meeting of the UIF Steering Board
5 December 2024	Technical Assessment Meeting
23 January 2025	Third UIF Steering Board meeting
January 2025	Deadline for submission of proposals to the EC for the fourth meeting of the UIF Steering Board
April 2025	Fourth UIF Steering Board meeting

The dates of the Technical Assessment Meeting as well as the UIF Steering Board meeting may change depending on the number of proposals received and the estimated time necessary

for the assessment process.

Please, note that the Commission reserves the right to extend the call but also to suspend or amend it at any point in time. The proposals considered by the Commission as urgent may be treated in an accelerated manner from the date of their submission with written consultation of the Steering Board.

#### **SUBMISSION PROCESS**

Proposals should be submitted by e-mail to: [near-EU-UKRAINE-INVESTMENT-FRAMEWORK@ec.europa.eu](mailto:near-EU-UKRAINE-INVESTMENT-FRAMEWORK@ec.europa.eu).

The submissions must include a duly filled UIF Application Form, with all relevant annexes.

The Application Form is largely modelled on the EFSD+ Open Architecture application form, with some adjustments to cater for both PIP/Project submissions, integrating blending features (for Technical Assistance, investment grants, etc.) and a number of features specific to UIF, including alignment with the Ukraine Facility policy priorities, alignment with specific UIF criteria/ requirements and a new UIF Results Management Framework. The *Guidelines for Applicants*, attached to the present call, provide detailed instructions on the type and extent of the information to be provided.

Following submissions, the assessment of the proposals will be conducted by the Commission and the EU Delegation to Ukraine followed by Technical Assessment Meeting (with the participation of the Commission, EU Delegation, EFIs and GoU) and submission to the UIF Steering Board (with the participation of EU Member States and Commission). Please note, that the proposed PIPs/projects will be consulted with the Government of Ukraine, except in the case of confidential/sensitive information (Part II) notified by the EFI to the Commission as being unsuited for distribution.

Given the emphasis of the UIF on fast deployment and to avoid delays in contracting and implementation, EFIs will be asked to indicate in the Application Form a target date by when they intend to sign the legal agreements with the Commission. EFI should be ready to share a draft of the Term Sheet for guarantees or the draft of the contribution agreement for grants within one month from the Steering Board approval.

#### **Annexes:**

1. UIF Application Form to be filled-in by EFIs
2. UIF Guidelines for EFIs on how to fill the Application Form