

European Investment Bank in Ukraine (2022-2024): Some findings and challenges



Borodyanka town council, Kyiv region Photo: Ecoaction, 2024

For more information

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Introduction

The European Investment Bank (EIB) has played a critical role in supporting Ukraine's economic resilience and infrastructure, particularly in the context of the country's ongoing war with Russia since February 2022. In Ukraine, the EIB has actively provided financial support to rebuild infrastructure, support refugees, and maintain economic stability. Over 2022-2024, the main EIB programs are the **Ukraine Early Recovery Programme (ERP)**,¹ with funding of EUR 200 million, and the **Ukraine Recovery Programme (URP)**,² with funding of EUR 340 million.

Both programs are loan agreements between the EIB and Ukraine signed in 2014 and 2020. These loans, supported by EU grants, were designed to empower local

¹ Verkhovna Rada of Ukraine, [Financial Agreement Between Ukraine and the European Investment Bank" \(Ukraine Recovery Early Recovery Programme\)](#), Agreement 121, Database Legislation of Ukraine, Verkhovna Rada of Ukraine, 22 December 2014.

² URP Framework Agreement was signed in 2020 and ratified by Law of Ukraine "[On Ratification of the Financial Agreement "Ukraine Recovery Program" between Ukraine and the European Investment Bank](#)" No. 1645-IX, 14 July 2021.

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authorities to renovate social infrastructure, enhancing the living standards of internally displaced persons and their host communities.

EIB programs and projects: facts and figures

Moving into 2023, the EIB shifted its focus from immediate emergency response to long-term recovery and resilience. In partnership with the European Commission and other international financial institutions, the EIB launched investment projects to rebuild Ukraine’s energy infrastructure, focusing on renewable energy. These projects are designed to solidify Ukraine’s energy independence, reducing its reliance on Russian fossil fuels.

By mid-2024, the EIB engaged in initiatives to modernise Ukraine’s healthcare system, particularly in areas most impacted by the war. Investments in digital infrastructure, medical equipment, and hospital renovation have been part of a broader push to improve healthcare delivery and resilience in the face of future challenges.

As of September 2024, the Digital Restoration EcoSystem for Accountable Management (DREAM),³ the unified database for tracking the reconstruction of real estate, construction, and infrastructure projects, contained a total of 78 EIB-funded subprojects at different stages of implementation (Fig. 1). However, according to data provided by the EIB, there were 216 subprojects financed by the EIB within the ERP and URP programs alone (Fig. 2). Thus, it is clear that the transparency on the projects should be improved.

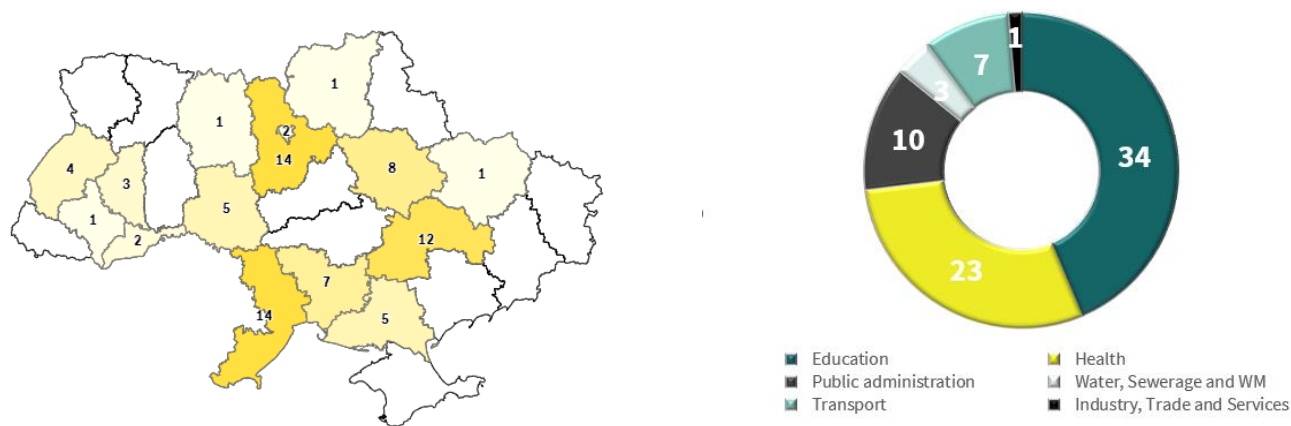


Figure 1: Total number of EIB-financed sub-projects as of September 2024 (by location and sector). Data source: DREAM⁴ analytical section, accessed September 2024.

³ Resolution of the Cabinet of Ministers “[On the implementation of an experimental project for the creation, implementation and ensuring the functioning of a unified digital integrated information and analytical system for managing the process of production of non-governmental buildings](#)” No. 1286 dated November 15, 2022

⁴ Ministry for Communities and Territories Development of Ukraine, [DREAM](#), Ministry for Communities and Territories Development of Ukraine, accessed 10 October 2024.

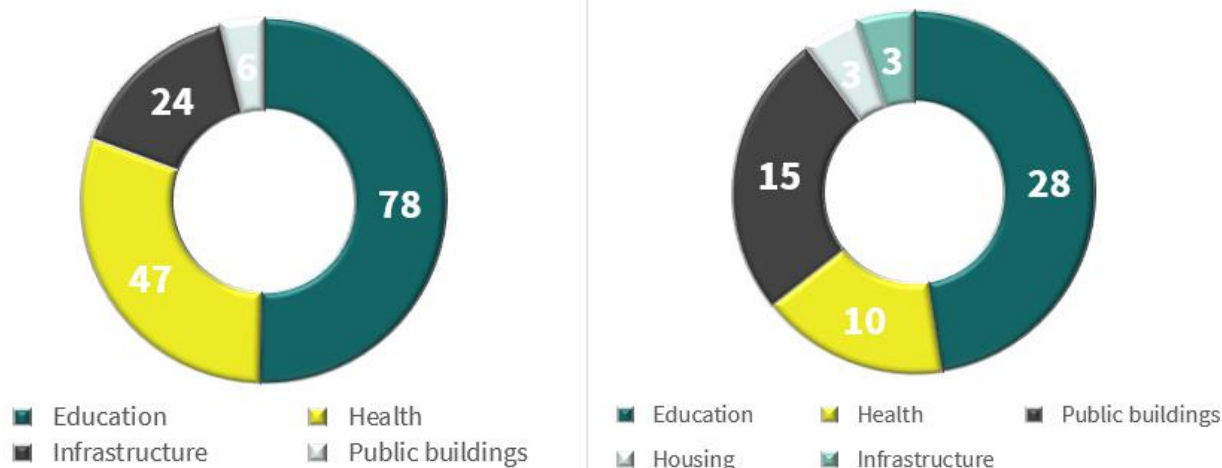


Figure 2: Total number of EIB-funded sub-projects in Ukraine by sectors as of April 2024 (left – UERP, right – URP). Data source: EIB presentation “Supporting Ukrainian municipalities in time of conflict”⁵

Challenges for public sector investments

Procurement Issues: During the Fact-Finding Mission conducted by Bankwatch in July 2024, most of the interviewed communities indicated problems with EIB-funded projects, especially concerning the tendering of contractors and procurement.

To improve the project implementation, the Bank should proactively inform about 1) Project Implementation Guidelines⁶ endorsed by the Ministry for Communities, Territories and Infrastructure Development (MCTID) and introduced in May 2024; 2) the Guide to Procurement for projects financed by EIB 2024⁷ for the MCTID and all parties involved in the implementation of EIB-funded sub-projects.

Sectoral Engagement: The review of the EIB portfolio revealed a discrepancy between the sectoral distribution of subprojects adopted by the EIB and those used in the Ukraine-level DREAM system and the recently adopted Single Project Pipeline (SPP).

To ensure the transparency and traceability of EIB projects in Ukraine, the nomenclature of Economic Activities (NACE) of the EU’s classification of business activities should be adopted in Ukraine.

⁵ Adopted from EIB presentation ‘[Supporting Ukrainian municipalities in time of conflict](#)’.

⁶ Ministry of Communities, Territories and Infrastructure Development of Ukraine, ‘[Implementation Guidelines for Programs: Ukraine Recovery Programme and Early Recovery Programme for Ukraine](#)’, Kyiv, 2024.

⁷ European Investment Bank, [Guide to Procurement for Projects Financed by the EIB](#), European Investment Bank, 2024.

EIB	DREAM-&SPP
Agriculture-Fisheries,-Forestry	Agriculture-Fisheries,-Forestry
Education	Education
Health	Health
Telecom	Communications-and-IT
Transport	Transport-services
Credit-lines	Financial-sector
Energy	Energy-and-mining
Industry	Industry, trade-and-services
Services	
Water,-sewerage	Water, sanitation and waste-management
Solid-waste	
Urban-development	Social-protection
Composite-infrastructure	Public-administration

Figure 3: Comparison of the sectoral distribution of EIB programs and projects with the sectoral distribution adopted in Ukraine (dark green – full alignment, yellow – no alignment)

Governance Challenges: While Ukraine has made significant strides in reforming its governance systems, the ongoing war has disrupted these efforts, leading to regulatory hurdles and institutional weaknesses. Moreover, frequent changes in the management of state bodies responsible for reconstruction processes have slowed down decision-making processes in government institutions, affecting the speed of the EIB subproject approvals and implementation. In 2023, the Roadmap for public investment management reform was developed in Ukraine. There is no official document approving it. However, an Action Plan for its implementation was later developed and approved by the Cabinet of Ministers.⁸ The Strategic Investment Council⁹ (a temporary advisory body of the Cabinet of Ministers of Ukraine) was created to unify approaches to the evaluation and selection of public investment projects, regardless of the source or mechanism of financing, and to create the SPP to ensure prioritisation and access to financing. However, the evaluation of project concepts with the provision of relevant conclusions are still conducted by the three Ministries – Economy, Finance, and Infrastructure – according to their respective authorities. The Agency for Reconstruction's role in recovery has yet to be clearly defined.

The EIB is forming a JASPERS (Joint Assistance to Support Projects in European Regions) team to assist the Ukrainians, and this important initiative and technical assistance should also be open for the participatory involvement of interested stakeholders.

Civil Society and Projects: As of now, **the project selection for the EIB programs** done by the Ministry of Infrastructure (former Ministry of Restoration) **lacks transparency**. Furthermore, the EIB is set to become the primary implementer of the EU Facility Investment Framework, which will again be financed through programs and channelled via the line Ministry.

⁸ Cabinet of Ministers of Ukraine, [On approval of the plan of measures for the implementation of the Roadmap for reforming the management of public investments for 2024-2028](#), No. 588-r, 18 June 2024.

⁹ Cabinet of Ministers of Ukraine, [Resolution on the Formation of the Strategic Investment Council No. 549](#), 2024.

Ukraine can get inspiration from EU funds practices for organising monitoring committees¹⁰ to help improve the quality of project selection and monitoring. The EU Member States and the European Commission use public participation in line with the European Code of Conduct on Partnership, which is obligatory for all EU Member States according to the Common Provision Regulation. To optimise the transparency and improve the quality of the projects, we recommend **including in the selection committee's work the representatives** of executive authorities, people's deputies of Ukraine, local self-government bodies, enterprises, institutions and organisations, as well as independent experts, representatives of the civil society and the media. The same approach can be applied to the Strategic Investment Council.

Civil society involvement can be a potent solution to enhance the capacities of authorities at the local level, which improves the effectiveness of project implementation. Countless positive cases of such community involvement validate this assertion. Therefore, civil society is integral to reaching the end solution and should not be seen as a passive observer and occasional cooperator.

Monitoring and Compliance with EIB Standards: The EIB has stringent environmental and social standards that must be upheld in all projects. However, **monitoring and enforcing these standards has become increasingly difficult.**

According to the URP/ERP Project Implementation Guidelines, an integrated Environmental and Social Management System (ESMS) was envisaged to ensure the comprehensive and structured implementation of all activities per the EIB's established requirements and standards. However, the Programme Management and Support Groups (PMSG) activity under the Ministry of Infrastructure lacks transparency, and the role of ESMS control is unclear. Additionally, it was envisaged that Technical Assistance (in particular UNDP) would review, update, and adjust the established ESMS for monitoring and control of:

- social and environmental compliance with EIB standards and requirements related to subprojects;
- environmental and/or social impact assessment (if necessary); and
- involvement of local communities as stakeholders in the entire process of URP/ERP subproject implementation.

How the UNDP coordinates its activities with the Ministry of Infrastructure and what capacity and mechanisms it has to perform these functions is currently unclear.

As the main implementor of the Ukraine Facility's Investment Framework, the EIB must adhere and specifically pay attention to the earmarking attached to this EU financing, applying the principles of 'do no significant harm' and 'leave no one behind' and ensuring that funding for climate, environmental, and green transition measures, including biodiversity, account for at least 20 per cent of the overall Investment Framework.

¹⁰ European Commission, [Commission Delegated Regulation \(EU\) No 240/2014 of 7 January 2014 on the European code of conduct on partnership in the framework of the European Structural and Investment Funds](#), EUR-Lex, 7 January 2014.

Recommendations

The Bank should proactively inform interested parties about the guidelines on its project implementation and the latest 2024 version of the Guide to Procurement for projects financed by the EIB for the MCTID and all parties involved in implementing EIB-funded sub-projects.

Through participation in Public Investment Management, the Bank should ensure the adaptation of the terminology of Economic Activities (NACE) to the EU's classification of business activities.

The overall transparency of the Bank on the (sub)projects it implements through the line Ministry must be improved.

The involvement of civil society in project proposal selection and monitoring will be critical for ensuring the high quality of projects and for oversight of implementation. The examples of the monitoring committees for EU funds should be adopted for Ukraine.

EIB operations in Ukraine must be accompanied by technical assistance and the building of public investment management capacities at the central and local levels.

The UNDP's coordination of its activities with the Ministry of Infrastructure must be clarified, and JASPERS EIB's technical assistance and mission must be laid out publicly.