DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT

Approved by the Board of Directors on 25 September 2024[1]

UKRAINE

KYIV EMERGENCY LIQUIDITY
Resilience and Livelihoods Framework

[Redacted in line with the EBRD's Access to Information Policy]

[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]

1 As per section 1.4.8 of EBRD's Directive on Access to Information (2019), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

For the avoidance of any doubt, the information set out here was accurate as at the date of preparation of this document, prior to consideration and approval of the project.

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ABBREVIATIONS / CURRENCY CONVERSIONS

CESP	Country Economics, Strategy & Policy
CIT	Corporate Income Tax
DSCR	Debt Service Cover Ratio
EBRD	European Bank for Reconstruction and Development
EFSD+	European Fund for Sustainable Development Plus
EH&S	Environmental, Health and Safety
EPPs	Enforcement Policy Procedures
ESAP	Environmental and Social Action Plan
E&S	Environmental and Social
EOP	End of period
EUR	Euro
FX	Foreign exchange
GET	Green Economy Transition
GCAP	Green City Action Plan
IDP	Internally Displaced People
NBU	National Bank of Ukraine
PIP	Priority Investment Programme
PIT	Personal Income Tax
PPR	Procurement Policies and Rules
PR	Performance Requirements
UAH	Ukrainian hryvnia
UPTF	Ukrainian Public Transport Framework
VAT	Value added tax
UIF MIIR	Ukraine Investment Framework Municipal Infrastructure and Industrial Resilience
UAH/EUR	45.1957 as of 14 August 2024

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of the City of Kyiv, a municipality incorporated in Ukraine, are submitted for consideration by the Board of Directors.

The facility will consist of a loan to the City in the amount of up to EUR 50 million. A first loss risk cover ("FLRC") guarantee from the EU will cover 25 per cent of the loan. The loan will be co-financed by an investment grant of EUR 5 million from the EBRD Crisis Response Special Fund benefiting from the US government contribution.

The operation will enable the City to provide emergency liquidity support to its key municipal operator to mitigate the effect of the ongoing war and to ensure uninterrupted provision of essential municipal services to the City's residents and internally displaced people. The expected transition impact of the Project is based on the Inclusive and Resilient qualities, as the Project promotes access to vital services and/or goods that enable people's livelihoods and strengthens municipal service providers directly affected by the wider economic consequences of the war.

I am satisfied that the operation is consistent with the "War on Ukraine – EBRD Resilience Package", the Bank's Equality of Opportunity Strategy, the Bank's Country Strategy for Ukraine, the Municipal and Environmental Infrastructure Sector Strategy and with the Agreement Establishing the Bank.

I recommend that the Board approve, on a no-objection basis, the proposed loan, substantially on the terms of the attached Report.

Odile Renaud-Basso

BOARD DECISION SHEET

UKRAINE - KYIV EMERGENCY LIQUIDITY – DTM 55503 Framework: REGIONAL - Resilience and Livelihoods Framework - DTM 53662	
Transaction / Board Decision	Board approval[2] is sought for a senior loan of up to EUR 50 million (the "Loan") in favour of the City of Kyiv (the "City"). In order to improve the risk profile of the Loan and manage exposure to the City, the Loan will be supported by a guarantee from the EU covering up to 25 per cent of the committed amount. EBRD's loan will be also supplemented by an up to EUR 5 million investment grant from the US, and will enable the City to provide emergency liquidity support to its municipal district heating utility Communal Enterprise "Kyivteploenergo" (the "Recipient" or "KTE", an existing client of the Bank) to mitigate the effect of the ongoing war and to ensure uninterrupted provision of essential municipal services to the City's residents and Internally Displaced People ("IDPs").
Client	The City of Kyiv is the capital of Ukraine and the seventh largest city in Europe. The City is EBRD's existing client under two projects: i) GrCF2 W2 - Kyiv District Heating, and ii) UPTF2 - Kyiv City Transport II: Metro.
Main Elements of the Proposal	The war on Ukraine has triggered immediate and critical capex and liquidity needs for the City, which must be addressed, to ensure uninterrupted provision of essential public services in response to direct damages from the war to the City's residents and IDPs. <u>Transition impact:</u> **Primary Quality** – Inclusive, through support to the City's district heating operator responsible for provision of heating services to schools, kindergartens, hospitals, residential and business customers, as well as critical generation of electricity for the City and the grid. Both, the City's permanent residents and the IDPs will benefit from the sustainable district heating services and electricity generation by KTE. **Secondary Quality** - Resilient, through: (i) direct support to KTE, the main heat producer and the operator of key power generating capacities, which has been directly affected by the war, and (ii) indirect support to the City, which is trying to sustain its operations amid the ongoing macroeconomic rand security challenges. **Additionality** Financing Structure: Crisis response - EBRD financing is provided under the extraordinary circumstances of the war and effectively bridges financing gap when the market for liquidity financing in Ukraine is nearly closed. Sound banking – the transaction will benefit from a partial guarantee provided by the EU.
Key Risks	Key risks include: (i) political, military damage and macro-economic risks; (ii) City's credit and liquidity risk. These risks are mitigated by the presence of the partial guarantee from the EU; strong commitment from international partners (incl. G7, the EU, the IMF) to support Ukraine now and in the post-war reconstruction phase.
Strategic Fit Summary	The transaction is in line with the "War on Ukraine – EBRD Resilience Package", the Bank's Country Strategy for Ukraine , the Equality of Opportunity Strategy , the Municipal and Environmental Infrastructure Sector Strategy and with the Agreement Establishing the Bank.

[2] Article 27 of the AEB provides the basis for this decision.

ADDITIONAL SUMMARY TERMS FACTSHEET

EBRD Transaction	A senior loan of up to EUR 50 million, to provide emergency liquidity support to the City of Kyiv and its key municipal district heating utility to mitigate the effect of the ongoing war and to ensure uninterrupted provision of critical municipal services to the City's residents, IDPs and enterprises (the "Project"). The loan will be co-financed by an investment grant of EUR 5 million from the EBRD Crisis Response Special Fund benefiting from the US government contribution. The recipient of the project is Communal Enterprise "Kyivteploenergo" - municipal district heating utility, which also operates two largest combined heat and power plants in Ukraine.
Existing Exposure	Existing exposure to group: EUR 120 million, including: − 50839 GrCF2 W2 - Kyiv District Heating (EUR 70 million, committed Tranche 1) [REDACTED]50836 UPTF2 - Kyiv City Transport II: Metro (EUR 50 million committed). [REDACTED]
Maturity / Exit / Repayment	Tenor: 5 years. Grace period: 2 years from the signing date. [REDACTED]
Potential AMI eligible financing	*n/a*
Use of Proceeds - Description	The proceeds of the Bank's loan will support the City via liquidity funds to its key municipal operator to: (i) compensate for temporary revenue losses and (ii) support the vital municipal utility with the day-to-day running costs (i.e., payroll, etc.), operating and maintenance costs. The loan funds will be disbursed directly to the City and will be further provided by the City to KTE via on-lending or equity injections.
Investment Plan	*N/A*
Financing Plan	[REDACTED]
Key Parties Involved	The City of Kyiv and Communal Enterprise "Kyivteploenergo".
Conditions to subscription / disbursement	[REDACTED]
Key Covenants	[REDACTED]
Security / Guarantees	*Unsecured /* EU <u>UIF MIIR</u> Guarantee [REDACTED]
Other material agreements	Other agreements if determined necessary during appraisal
Associated Donor Funded TC and Blended Concessional Finance	**A. Technical Cooperation (TC)** TC1: Environmental, Social, Health and Safety and Public Safety (ESHS) management capacity support for the City and KTE (approved under E&S Programme). The estimated cost of the assignment is up to EUR 75,000, expected to be financed by international donors and/or the EBRD Shereholder Special Fund (the "SSF").

	Client contributions: No financial contribution is envisaged in view of the situation in Ukraine. **B. Blended Concessional Finance** The Project will benefit from a guarantee from the EU UIF MIIR (with 25 per cent coverage, on a FLRC basis). **Programme:** Ukraine Investment Framework (“UIF”) - Municipal, Infrastructure and Industrial Resilience Plus (“MIIR +”). The programme was structured to ensure the speedy deployment of EU Ukraine Regulation, by supporting: i) sustainable investments in green city infrastructure, greening logistics chains, and green technology transfers in industrial processes, commercial operations and buildings; ii) recovery companies directly affected by the military conflict in Ukraine. [REDACTED] The Project will also be co-financed by an investment grant of up to EUR 5 million provided by the Government of the US through the EBRD Crisis Response Special Fund.

[REDACTED]

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

The ongoing brutal war with Russian Federation is having an unprecedented social and economic impact on Ukraine, resulting in a full-fledged humanitarian crisis. The Russian invasion is hitting Ukraine's economy and has inflicted enormous damage to infrastructure.

The Ukrainian economy suffered a deep fall in the initial phase of the war, including estimated 29 per cent GDP contraction in 2022. Subsequently, however, the authorities managed to stabilise macroeconomic conditions. A modest recovery took place in 2023, with growth estimated at 5 per cent, due in part to a 24 per cent rise in the grain and oilseed harvest. Approximately 15 per cent of the population has fled Ukraine and an additional 15 per cent is displaced within the country.

The city of Kyiv is the capital of Ukraine and the seventh largest city in Europe. The City benefits from central governmental support and is the most populated Ukrainian municipality, with a diversified local economy and tax base.

Kyiv has been subject to numerous missile and drone attacks, targeting its key infrastructure assets, including in energy and district heating sectors. The frequent attacks have resulted in damage to the two combined heat and power plants operated by KTE and numerous electricity substations operated by a private entity. Efforts are being made to repair the damaged infrastructure and prepare the City to the upcoming heating season.

Despite the casualties and material damage to the City's infrastructure and economic activity, Kyiv continues providing basic and administrative services to the population. At the beginning of 2024, the City hosted ca. 400,000 IDPs from other regions affected by the war. The City's administration, alongside various international aid organizations, set up numerous shelters, food distribution centers and medical facilities. In addition to humanitarian aid, the City serves as a hub for international diplomatic efforts and humanitarian aid coordination. It is the focal point for international diplomatic engagements and support for Ukraine.

The Bank's loan is expected to support the City and its key municipal district heating operator, which also generates a significant share of electricity both for the City and for the country's grid, in addressing their critical liquidity needs to ensure uninterrupted provision of essential public services in response to direct damages from the war, presence of the significant number of IDPs and the City's shrinking liquidity. The proposed transaction is structured in line with other RLF emergency liquidity support loans to the Ukrainian municipalities of Lviv and Dnipro, approved by the Bank in 2022.

In absence of the Bank's support, given the on-going war and the effects on the local economy, as well as ongoing forced displacement and labour market volatility, there is a high risk of disruptions in infrastructure services provision, which is needed both for Kyiv's economic recovery and the private sector in the City. By providing liquidity support to sustain provision of vital municipal infrastructure services in the City of Kyiv, the transaction is in line with the "War on Ukraine – EBRD Resilience Package" , the Bank's Country Strategy for Ukraine and the Municipal and Environmental Infrastructure Sector Strategy

1.1 TRANSITION IMPACT

Indicative ETI score: 70
The table below sets out the TI Objectives and details of the project in line with the RLF Framework.

Primary Quality: Inclusive

Obj. No.	Objective	Details
1.1	*The sub-operation contributes to the Inclusive quality of the FW by promoting access to vital services and/or goods that enable people's livelihoods (e.g. food, energy, accommodation, infrastructure, communications, health services, basic utilities, and products...)*	The Project will support the City of Kyiv and its key district heating operator, KTE, in maintaining the uninterrupted provision of essential public services during the severe damages inflicted on its infrastructure due to the ongoing war on Ukraine. The Project will ensure that KTE remains operational, safeguarding its ability to retain its workforce and continue delivering critical access to heating and electricity to the City's residents, including the significant number of IDPs (ca 400,000) and the broader business community. In addition, the Project will enable KTE to address the heightened demands on its services arising from the IDP community and the broader strain on Kyiv's infrastructure to ensure that the City can continue to function as a vital hub for businesses, humanitarian and governmental agencies affected by the ongoing Russian aggression.

Secondary Quality: Resilient

Obj. No.	Objective	Details
2.1	*The sub-operation supports the Resilient quality of the FW through Energy security measures, strengthening municipal service providers directly affected by the wider economic consequences of the war, facilitating imports and exports of production equipment and related materials (capital goods) and TF-related technical assistance, or supporting businesses directly affected by the conflict (i.e., in Ukraine, including those trying to relocate) and businesses indirectly affected (Ukraine part of value chain)*	The proposed Project will support the City of Kyiv, which has been directly affected by the war and needs to ensure continuation of its municipal services, despite direct damages and economic slowdown. The Project will deliver emergency support to relieve financial constraints within the City itself, alongside its key municipal companies affected by wider economic consequences of the war. Thanks to the provided liquidity support, the City will be able to ensure sustainable operation of KTE.

Delivery risks: The ongoing war adds significant risks, which might affect the City and the country as a whole. They include significant economic slowdown and macroeconomic risks, as well as direct damages form the war. At the same time, due to nature of the Project (i.e., liquidity support) impact of those risks on actual realisation of the Project will be limited.

1.2 ADDITIONALITY

Identified triggers
A subsequent/consecutive transaction (issuance) with the same client/group either with the same use of proceeds or in the same destination country (**repeat transaction**)

The City requires the Bank's support amid unprecedented crisis in Ukraine caused by the ongoing Russian aggression. The City is currently in need of additional liquidity to support its day-to-day operations. Local lenders are not able to provide such medium-term financing, given difficult economic situation in the country.

Additionality sources **Terms** As a result of the war on Ukraine, the market for liquidity and long-term financing in Ukraine is nearly closed with both local and international financial institutions tightening their risk appetite.
EBRD attributes Relevant experience in terms of financing of sub-sovereign clients
Risk mitigation EBRD mitigate non-financial risks of public services disruptions in the City of Kyiv.

Crisis response: EBRD financing aims to help the City, KTE and the City's residents to cope with negative impact of the ongoing Russian war on Ukraine.

1.3 SOUND BANKING - KEY RISKS

Risks	**Probability / Effect**	**Comments**
Project specific risks		
Counterparty credit / liquidity risk	*Medium/ Medium*	[REDACTED]
FX Risk	High / High	While the proposed transaction is in EUR, all of the City's revenues are in UAH. [REDACTED] *<u>Mitigants</u>: That risk is partially mitigated by strict capital control measures implemented by the NBU and inflow of external financing from IFIs and bilateral donors [REDACTED]*
External risks		
Political risk	High / High	[REDACTED]

Macro-economic risk	High / Medium	Ukraine's economy suffered a contraction by an estimated 29 per cent in 2022. By the end of 2022, however, the authorities had managed to stabilize macroeconomic conditions. A modest recovery took place in 2023, with growth estimated at 5.3 per cent, due in part to a 24 per cent rise in the grain and oilseed harvest. External financing supported the recovery. In March 2023, the IMF approved a 48-month extended arrangement under the Extended Fund Facility in the amount of SDR 11.6 billion (USD 15.6 billion). The main goal of the programme is to sustain macroeconomic and financial stability under extreme uncertainty and promote reforms that support Ukraine's recovery on the post-war path to EU accession. The country performed well under the programme, successfully completing three reviews, with the last one approved by the IMF Board in March 2024. In 2022, Ukraine received USD 31 billion (incl. USD 14 billion in grants), and in 2023 - USD 42.5 billion (incl. USD 12 billion in grants). This lifted official foreign reserves to USD 42.4 billion (as of April 2024), close to the highest level since Ukraine's independence. These developments enabled a policy shift, in October 2023, from a pegged to a managed flexible exchange rate. Since the peg was lifted, UAH has slightly depreciated. The inflation rate peaked at 26.6 per cent in December 2022, falling thereafter to 3.2 per cent in April 2024. On the back of this positive development, the National Bank of Ukraine started easing monetary policy by reducing the policy rate from 25 per cent (in July 2023) to 13.0 per cent (in June 2024). Increased foreign debt financing has lifted public debt by 60 per cent since the start of the war, to USD 151.1 billion (as of March 2024), or close to 90 per cent of GDP. Bilateral creditors from the G7+ group of countries have extended the grace period for debt repayments to March 2027. [REDACTED] The budget deficit in 2024, forecast at USD 38.6 billion or 20 per cent of GDP, needs to be fully covered by external financing. The main creditors – the EU, the US and the IMF – are anticipated to make contributions this year similar to those in 2023, covering 90 per cent of the total deficit. The IMF programme has been going well so far, and the new EU package of EUR 50 billion for the period 2024-27 has been approved in February 2024, as has US contribution of around USD 8 billion in April 2024. In 2024, there is an anticipated moderate economic growth, driven by a recovery in exports and the expansion of domestic military production. The Ukrainian Army has enabled the opening of the Black Sea export corridor along the coastline. After a slow start, usage of the corridor has been picking up, not only for exports of grain but also for other bulk goods like metals and ores, boosting the metal industry and mining, which were among the hardest hit industries over the last two years. Risks remain high, in particular related to the ongoing destruction of port and electricity infrastructure. Limited domestic demand, labour shortages and insufficient investments will likely constrain 2024 growth prospects. It is also unlikely that agriculture would repeat the record harvest of 2023.

		<u>Mitigants</u>: external financing for 2024 appears certain and sufficient. Foreign reserves are close to record levels and one third above the pre-war level. The government considers ways of increasing domestic fiscal revenues and reduce required foreign financing in the following years

2. MEASURING / MONITORING SUCCESS

Transition Impact Monitoring Indicators (FW)

Primary Quality: Inclusive

Obj. No.	**FW monitoring indicator**	**Corresponding Sub-Operation monitoring indicator**	**Details**	**Baseline**	**Target**	**Due date**
1.1	Number of individuals in affected areas [m/f] with retained/improved access to municipal infrastructure services	Number of individuals with improved access to municipal services	The Project will help to ensure that existing clients (individuals) of the Company will continue receiving district heating services in the heating season 2024/2024	[REDACTED]	[REDACTED]	[REDACTED]

Secondary Quality: Resilient

No.	**FW Monitoring indicator**	**Corresponding Sub-Operation Monitoring indicator**	**Details**	**Baseline**	**Target**	**Due date**
2.1	Municipal infrastructure Services Sustained and Expanded	Net increase in municipal infrastructure services usage and/or capacity in the City	The Project will support its key municipal utility to ensure they it is able to maintain its operational performance. The Company will maintain positive equity in its audited financial statements for 2024.	[REDACTED]	[REDACTED]	[REDACTED]

Additional indicator (TC related)

No.	**Monitoring Indicator**	**Details**	**Baseline**	**Target**	**Due date**
3.2	Environmental and Social Action Plan implemented as targeted	Environmental, Social, Health and Safety and Public Safety (ESHS) management capacity support for the City	[REDACTED]	[REDACTED]	[REDACTED]

3. KEY PARTIES

3.1 BORROWER

Kyiv is the capital of Ukraine and the country's economic hub. It has a registered population of circa 3.0 million, which is around 7.0 per cent of the national population, while the City's gross regional product ("GRP") accounts for approximately 20 per cent of national GDP. The City boasts a diversified economy, with the tertiary sector accounting for approximately 90 per cent of GRP. The main sectors are trade, financial, telecommunications and other services. The City is the focal point for domestic and foreign investment and a home for almost all of Ukraine's largest banks.

The City has aging infrastructure assets (including, inter alia, district heating assets and combined heat and power plants) and considerable investment needs.

The City is governed by the Mayor/Head of City Administration. The City has its own budget and is financially independent (albeit within the constraints of Ukraine's inter-budgetary relations).

3.2 RECIPIENT

KTE is a municipal enterprise established by a decision of the Kyiv City Council. In May 2018, it became an operator of the district heating ("DH") system of the City of Kyiv, which was previously operated by private JSC "Kyivenergo" under the 2001 management contract between the City Council of Kyiv and JSC "Kyivenergo". KTE is an existing client under GrCF2 W2 - Kyiv District Heating project (OpID 50839) that is currently under implementation.

Despite the on-going war, KTE continues to produce and supply heat for residential and non-residential customers in the City of Kyiv and electricity for the power grid of Ukraine. Both Combined Heat and Power ("CHP") plants, CHP-5 and CHP-6 have sustained significant damage as a result of multiple rocket and drone attacks during the last seventeen months, but they remain operational.

[REDACTED]. To ensure sustainability of heat and electricity supply, in 2023 KTE received special purpose financing from the City in the amount of UAH 0.79 billion (EUR 20 million) as well as humanitarian aid from various sources.

4. FINANCIAL / ECONOMIC ANALYSIS

4.1 FINANCIAL PROJECTIONS

[REDACTED]

4.2 SENSITIVITY ANALYSIS

[REDACTED]

4.3 PROJECTED PROFITABILITY FOR THE BANK

[REDACTED]

5. OTHER KEY CONSIDERATIONS

5.1 ENVIRONMENT

Categorised B (2019 ESP). The provision of short-term working capital to support liquidity of the City to compensate for temporary revenue losses and additional expenses due to the ongoing war, and to support with operating and maintenance costs to the existing client is not associated with any new environmental or social (E&S) risks or impacts. The municipal district heating utility Communal Enterprise "Kyivteploenergo" is largely in compliance with national laws and relevant EBRD PRs based on limited ESDD info available. However, the institutional capacity and resources of the company and the City to address Environmental, Social, Health and Safety and Public Safety risks are strained. Therefore, this project will seek a TC funding to provide ESHS management capacity support for the municipal clients, to ensure implementation and governance of the existing project in line with the requirements of the PRs.

5.2 INTEGRITY

Updated integrity due diligence was undertaken on the City of Kyiv and relevant municipal companies, including ones which are the existing clients of the Bank. [REDACTED] The City is a long-standing Client of the Bank in the capacity of guarantor under one municipal and one sovereign project and the experience to date has been positive.

[REDACTED]. The Bank's funds will be used for payroll and operating and maintenance costs. In the event of financing contracts for works, goods or services (e.g. utilities), the Procurement Policy & Rules will apply. In all cases, the Bank's integrity provisions including audit and inspection rights will apply to the Project and to the Recipient.

All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues have been taken with respect to the Project, and the Project files contain the integrity checklists and other required documentation which have been properly and accurately completed to proceed with the Project.

5.3 PROCUREMENT

EBRD PPR 2022 will apply to this transaction and therefore any use of proceeds for Operational Expenditures (excluding Commodities) are excluded in line with Clause 2.6(d) of the PPR. Should any proceeds of the Bank loan be used to finance any capital expenditures and/or commodities as defined in the PPR 2022, the proposed procurement and implementation arrangements are to be subject to PPAD sign-off prior to the commencement of the procurement process.

5.4 RATIONALE FOR THE USE OF THE EU UIF MIIR GUARANTEE

Given the war-triggered risks, the Bank intends to use a guarantee from the EU UIF MIIR, with 25 per cent coverage on a FLRC basis with EBRD's financing. The use of the guarantee is crucial to improve the risk profile of the Loan and manage exposure to the City in the context of a number of critical infrastructure projects under consideration. .

The use of the guarantee is critical to support the transaction, helping the City and its key municipal utility in addressing immediate critical liquidity needs and ensure uninterrupted provision of essential public services notwithstanding the crisis conditions triggered by the war.

ANNEXES TO OPERATION REPORT

ANNEX 1	CITY`S HISTORICAL FINANCIALS
ANNEX 2	GREEN ASSESSMENT
ANNEX 3	PROJECT IMPLEMENTATION
ANNEX 4	FRAMEWORK KEY TERMS AND CONDITIONS

ANNEX 1 – CITY`S HISTORICAL FINANCIALS

[REDACTED]

ANNEX 2 – GREEN ASSESSMENT

The Project entails a senior loan to provide emergency liquidity support to the City of Kyiv (the "City") and its municipal district heating utility Communal Enterprise "Kyivteploenergo" ("Recipient" or "KTE", an existing client of the Bank) in order to mitigate the effect of the ongoing war on the City's financial position (the "Project" or the "Facility") and help ensure access to vital district heating services for the city's resident population (particularly relevant given the latest Russian attacks on municipal heating and energy infrastructure).

The Project is assessed as **aligned with the goals of the Paris Agreement.** The Project does not have any GET attribution (**0 per cent GET**). Climate-related financial risk as relates to physical (PC score) and carbon transition risk (CT score) is assessed as low.

<u>Paris alignment assessment</u>

Alignment with the mitigation goals of Paris Agreement

- The project does not have any defined use of proceeds and it is assessed in line with Chapter 4 of the Bank's PA
- CART does not have any activities listed in the jMDB non-aligned list, nor is it inconsistent with Ukraine's NDC.
- More than 20 per cent of the client's turnover does not derive from high-emitting sectors and absolute emissions are less than 100'000 tonnes CO2 per annum.

The Project is assessed as **aligned with the mitigation goals of Paris Agreement** as it fulfils all needed requirements.

Alignment with the adaptation goals of Paris Agreement

The Project is determined as aligned with the adaptation goals of the Paris Agreement as it satisfies all three steps of the assessment. No material physical climate risks have been identified.

GET attribution

Project does not claim any GET share (0 per cent GET)

Green Finance Project Monitoring Plan

N/A

ANNEX 3 - PROJECT IMPLEMENTATION

Procurement classification – *Public* (*sub-sovereign)*

[REDACTED]

The Client's capacity assessment related risk ***N/A***

The Client's capacity assessment has not been carried out as the use of proceeds warrants exclusion from the EBRD PPR in line with article 2.6 (d).

Contracts risk assessment ***N/A***

Currently the use of proceeds envisages only liquidity support and hence there is no procurement plan in place and no risks associated with specific contracting arrangements.

Project implementation arrangements:
The proceeds of the Bank's investment will be used for liquidity support to the City to provide support to the City itself and its key municipal utility (Recipient) - to compensate for temporary revenue losses and additional expenses due to the ongoing war related issues. Additionally, it envisages support to the City's vital municipal operator with the day-to-day running costs (payroll, etc.) operating and maintenance costs.

Procurement arrangements:
Should any proceeds of the Bank loan be used to finance any capital expenditures and/or commodities as defined in the PPR 2022, the proposed procurement and implementation arrangements shall be subject to PPAD sign-off prior to the commencement of the procurement process. This will be covenanted in the loan agreement.

Use of proceeds will be confirmed as part of annual external audit of each of the municipal company-recipient of the financing.

ANNEX 4 - FRAMEWORK KEY TERMS AND CONDITIONS

[REDACTED]