

# Ukraine: The EIB invests €640 million to improve infrastructure resilience, public transport and road connections



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- **€340 million loan to support infrastructure rehabilitation and improve living and business conditions in conflict-affected eastern Ukraine.**
- **€200 million loan to improve quality and reliability of public transport in up to 20 cities in Ukraine, reduce pollution and make Ukrainian cities an even better place to live.**
- **€100 million loan to reduce travel times, improve road safety and decrease vehicle maintenance costs along 183 km of improved roads in Luhansk Oblast.**
- **Substantial grants from the European Union will support the EIB loans with technical assistance in project preparation and management.**

The European Investment Bank (EIB) and the Government of Ukraine today signed three loans totalling €640 million to foster the sustainable growth of Ukraine and the prosperity of its people. The operations are in line with the priorities of the Government of Ukraine and the European Union to support the long-term social and economic development of eastern Ukraine and integration of the conflict-affected regions as well as the development of sustainable municipal transport and the modernisation of the transport infrastructure in the country.

**EIB President Werner Hoyer said:** *“The EIB is proud of our continuing contribution to the social and economic development of Ukraine in support of European Union policy in the country. Today, we are investing €640 million to overhaul and modernise infrastructure in conflict-affected eastern Ukraine, to improve the quality and reliability of public transport in up to 20 cities in the country, and to modernise 183 km of roads in eastern Ukraine’s Luhansk*

Region. This means the people of Ukraine will benefit from modern, safe and fast connections and the new business opportunities they bring. Refurbished schools, hospitals and public services will also help the country to recover faster from the pandemic and to increase its economic resilience. Together with our fellow EU institutions, the EIB looks forward to supporting Ukraine with projects like these and helping the country grow and develop faster and more sustainably as it progresses towards the EU.”

**EIB Vice-President Teresa Czerwińska, who is responsible for operations in Ukraine, added:** “With the projects signed today on infrastructure rehabilitation, better public transport and improved roads, the European Investment Bank reaffirms its commitment to helping Ukraine grow, develop and become an ever better place for living and doing business. Our support will reach parts of Ukraine affected by the armed conflicts, and assist in their recovery. Rehabilitated schools, hospitals, kindergartens and other public buildings in eastern Ukraine, as well as improved roads in the Luhansk region, will make life easier for 13.7 million people, help boost economic growth, connect people and increase trade. Ukraine will also benefit from modern, efficient and green public transport, which is key to successful climate action, increasing the country’s contribution to global climate action. As the EU bank, we are happy to support the Government of Ukraine, and directly translate the EU-Ukraine partnership into concrete investments.”

**The Ambassador of the European Union to Ukraine Matti Maasilta said:** “The European Union is proud to continue investing, together with the EIB, into two key areas – support for conflict-affected regions of eastern Ukraine and sustainable, green infrastructure. Renovating infrastructure to have better schools, hospitals, community centres and housing has been a key component of the EU’s support for social and economic recovery in the conflict-affected east. Improved and modern infrastructure is a major investment in the future of communities in eastern Ukraine. Road rehabilitation projects in the Luhansk region will have a direct impact on the economic and social recovery in eastern Ukraine. High-quality roads will bring tangible benefits to people, improving transportation links in the region and boosting the development of the agricultural sector. Urban mobility and sustainable, green public transport are high on the agenda of the European Union and among the priorities of Ukraine’s National Transport Strategy. By promoting a shift to more efficient and more environmentally friendly public transport, our investments will help local governments in selected cities to upgrade public transport and provide quality transport services to citizens.”

**The Prime Minister of Ukraine Denys Shmyhal remarked:** “I would like to sincerely thank the European Investment Bank for years of successful cooperation, for supporting Ukraine during its most volatile times, and the European Union for the complementary grant towards these operations. The loans signed today and the EU-funded technical assistance will help Ukraine to develop economy and resilient society, including in the regions most affected by the conflict. Restored infrastructure facilities in Eastern Ukraine, reconstruction and advancement of roads in Luhansk Oblast, and sustainable public transport will offer economic, environmental and social benefits for Ukrainians for many years to come. We are grateful to the

*European Union for its continued support, which has not faltered, but rather intensified during the coronavirus crisis. We are proud that Ukraine and the EU are moving forward together in these difficult times.”*

### **€340 million to boost infrastructure resilience in Ukraine**

The €340 million loan will support infrastructure rehabilitation and improve living and business conditions in conflict-affected regions of eastern Ukraine including oblasts that host a significant number of internally displaced persons (IDPs). Several hundred small to medium-sized projects will be financed at the municipal level to restore social infrastructure, improve public utility services and repair damaged administrative buildings and other key social infrastructure, including hospitals, schools, kindergartens, post offices, street lighting, sewerage systems, municipal transport and relevant transport infrastructure. The loan will benefit some 13.7 million people, boost regional development and promote faster economic growth in Ukraine.

Under the €340 million loan, the Ukrainian-controlled areas in the Donetsk and Luhansk regions, as well as the neighbouring Kharkiv, Dnipropetrovsk, Kherson and Zaporizhia regions and city councils in other regions of Ukraine that are accommodating significant influxes of internally displaced persons (IDPs) will receive hands-on support to mitigate the effects of the conflict.

This operation follows the [Ukraine Early Recovery Programme](#), a €200 million long-term investment in critical infrastructure facilities that supported 246 local and small-scale projects. From 2014 to 2020, the programme improved living conditions for more than 5.4 million residents of Ukraine, including nearly 700 000 IDPs and other vulnerable social groups.

€15.2 million in EU grants will support the EIB loan with technical assistance in project preparation and management. In particular, a €7 million grant from the EU Neighbourhood Investment Platform (NIP) will support the programme’s preparation and implementation. An additional €8.2 million grant from the EU Delegation to Ukraine will support advocacy, help raise awareness among final beneficiaries, and assist them in preparing tenders and monitoring construction works, etc.

### **€200 million to improve public transport for Ukraine**

Up to 20 medium-sized and large cities in Ukraine will improve public transport as the EIB loans €200 million to the Ministry of Infrastructure. The loan from the EU bank will improve the connection between the cities in the region of Azov Sea in eastern Ukraine with the rest of the country, increasing the standard of living for some 10 million people.

Benefiting from the loan, Ukrainian cities will modernise their electric public transport rolling stock (trams, trolleybuses, metro coaches and electric buses), rehabilitate and construct new public transport infrastructure (e.g. tram lines, trolleybus lanes, sub-stations and depots). Safer, more comfortable and environmentally friendly vehicles will improve the service level and increase the attractiveness of public transport. The

operation will also help reduce congestion and promote public transport as an effective and comfortable alternative for commuters.

The EIB loan comes with up to €4 million in grants for technical assistance in project implementation from the EU's Neighbourhood Investment Platform (NIP). In addition, the Eastern Partnership Technical Assistance Trust Fund (EPTATF) will grant €490 000 to support project preparation in the early development stages.

### **€100 million to improve road connections in eastern Ukraine**

The EIB is investing €100 million to modernise 183 km of roads in eastern Ukraine's Luhansk Region. Citizens and businesses in the region will benefit from a modern road network along the Troitske-Severodonetsk-Starobilsk route.

Investment from the EU bank will improve connections with eastern Ukraine's Luhansk Oblast, home to some 2 million people. The people of Ukraine will benefit from reduced travelling times and vehicle maintenance costs, and improved road safety. The World Bank will provide \$100 million in a parallel financing [loan](#) to support the Eastern Ukraine: Reconnect, Recover, Revitalize (3R) project.

The EIB will finance the rebuilding of road infrastructure, installation of intelligent transportation system (ITS) equipment, such as weigh-in-motion stations, and investment in other road safety measures. Investment will also enhance conditions for living and doing business in eastern Ukraine by better integrating the regional agriculture sector into the national supply chain.

#### **Note to editors:**

##### **About the EIB in Ukraine:**

The EIB 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 of significant interest to the EU and its [Eastern Neighbours](#). [The EIB has worked with Ukraine](#) since 2007. The EU bank is committed to supporting Ukraine and helping to create the conditions necessary for the achievement of economic stability. Ukraine has been the main recipient country of EIB support in the Eastern Neighbourhood, accounting for roughly 50% of EIB lending activity. To date, the EIB has a portfolio of loans and guarantees totalling €6.83 billion for Ukraine. As one of the key International Financing Institutions (IFIs) in Ukraine, the EIB focuses on social and economic infrastructure, transport and connectivity, local private sector development, energy efficiency, climate action and innovation. The Bank supports the private sector primarily through financial intermediation, and also by providing direct loans to selected large companies. Notably, the EIB was the first IFI to make long-term funding in local currency available to a local bank in support of Ukrainian small and medium-sized enterprises (SMEs).

##### **About [the EIB in the Eastern Neighbourhood](#):**

The Bank's activities in the region aim to support the goals set out by the EU's European Neighbourhood Policy. This is done by financing projects that promote prosperity and increased regional integration as well as intraregional partnerships, for the stability of the various countries. We promote growth, employment and intraregional trade, and help to protect our common environment and to mitigate climate change by supporting low-carbon and climate-resilient growth. Following the mid-term review of the External Lending Mandate (which governs the EIB activity outside the EU), the €4.8 billion mandate for 2014-2020 was increased to €6.65 billion. It covers Armenia, Azerbaijan, Belarus, Georgia, Moldova, Russia and Ukraine. Since the first EIB loan signed in 2003, the EIB has made more than €11.8 billion available in support of the region.

**About [the Eastern Partnership Technical Assistance Trust Fund \(EPTATF\)](#):**

EPTATF is a multi-purpose and multi-sector funding instrument for specific technical support in Eastern Partnership countries. It provides these countries with know-how and resources to improve capacity in project preparation and implementation, which facilitates the mobilisation of financing for EIB-supported investments. EPTATF provides high added value because better project preparation increases the bankability of projects and improves the development impact of investments in beneficiary countries.

**About [the Neighbourhood Investment Platform \(NIP\)](#):**

The NIP is a regional blending facility that mobilises additional investment for critical infrastructure projects and supports private sector development in the EU's neighbourhood. The facility's goal is to boost economic development and improve living standards in the two regions. It does this by pooling grant resources from the EU budget and EU Member States and using the funds to leverage loans from the EIB and other eligible partners. The NIP also supports the private sector, mainly through operations targeting small businesses.

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## **[Council and Parliament reach provisional political agreement on new framework for regional investment](#)**



The German Presidency of the Council and the European Parliament struck a political deal on two structural funds that together will account for **over €240 billion of EU investment** in the 2021-2027 period.

The European Regional Development Fund (ERDF) and the Cohesion Fund are part of the next multiannual financial framework, which needs to be adopted before

the fund-specific legislation can be enacted.

While the ERDF covers all regions across Europe, the Cohesion Fund is aimed at member states whose per capita GNI is less than 90% of the EU average.

The draft regulation agreed by the co-legislators simplifies the rules for the two funds and sets the scope of their support over the next seven years.

## The twin transition

All member states will use ERDF resources to contribute to the **digital and green transition** by financing projects in a wide variety of areas, such as research and innovation, digitalisation of services, energy efficiency, renewable energy, circular economy and biodiversity.

At the same time, in the **spirit of solidarity** and to **help redress regional imbalances**, member states and regions with higher per capita GNI will have to dedicate a substantial share of their national envelopes to smart economic transformation and green investment. Less prosperous member states and regions will be able to invest more in improving access to quality employment and quality education and training, as well as in the social inclusion of disadvantaged groups.

## Climate change mitigation

Both the ERDF and the Cohesion Fund will contribute to reducing greenhouse gas emissions in line with the EU goal of **climate neutrality by 2050**.

The co-legislators agreed to a **limited exception** for the **funding of projects linked to natural gas for climate mitigation purposes**. Member states can invest in **natural gas to replace coal-based heating systems** and in the **distribution and transport of natural gas as a bridging technology and substitute for coal**.

## Building resilience

As a result of the COVID-19 pandemic, new provisions were included to strengthen disaster resilience.

As small and medium-sized enterprises (SMEs) are the backbone of the EU's economy, the co-legislators decided that the ERDF should support **competitiveness of SMEs and job creation in SMEs**, including by **productive investments**.

Another new provision allows for **investment in medical equipment and supplies** in addition to infrastructure to **boost the resilience of health services**. This means that member states will be able to receive funding not only to build a new hospital, for example, but also to purchase protective equipment, ventilators and other necessary medical supplies.

**Sustainable Urban Development** will play an enhanced role due to higher

support to make **cities greener, climate-friendly and more inclusive**. Since **tourism and culture** have been particularly badly hit by the pandemic, member states will be able to increase support for these sectors and exploit their potential for economic recovery.

Funding will also be available for ICT equipment and connectivity for **online education and training**.

## Next steps

The full text of the draft regulation will be finalised by the co-legislators in the first months of 2021 under the Portuguese presidency.

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## [Press release – Agreement reached on the 2021-2027 EU regional and cohesion funding](#)



According to the provisional deal agreed by Parliament and Council's negotiators, a significant part of the European Regional Development Fund (ERDF), which is by far the largest public EU fund, will be spent on smart growth and the green economy.

EU countries will be able to choose between complying either at national or at regional level with the required minimum resources, allocated for each of these objectives. The thresholds are set as follows:

| Countries/regions:  | Minimum % of resources for "smarter Europe" | Minimum % of resources for "greener Europe" |
|---|---|---|
| Group 1 countries / more developed regions (GNI ratio equal to or above 100% of EU average) | –   | 30%   |
| Group 2 countries / transition regions (GNI ratio between 75%-100% of EU average)           | 40%   | 30%   |
| Group 3 countries / less developed regions (GNI ratio below 75% of EU average)              | 25%   | 30%   |

The Cohesion Fund (CF) will continue to focus on investment in environmental and transport infrastructure.

The decommissioning or construction of nuclear power stations, activities linked to tobacco products, airport infrastructure (except for outermost regions), fossil fuels investments, among others, will be excluded from EU regional funding.

An exception is made for natural gas projects that replace coal-based heating systems, retrofit gas infrastructure to allow the use of renewable and low carbon gases, as well as public procurement of clean vehicles. A maximum of between 0.2% and 1.55% of national ERDF and CF resources may be directed to such investments (these thresholds do not include investments in clean vehicles), according to criteria linked to GNI levels and dependence on fossil fuels. Moreover, projects that include natural gas investments must be approved by 31 December 2025 at the latest in order to receive funding.

#### Other key measures agreed

- More support for cities: at least 8% of the ERDF resources at national level earmarked for sustainable urban development and the creation of the "European Urban Initiative";
- Specific measures for outermost regions, islands and depopulated areas;
- Respect of environmental, climate and biodiversity objectives, as well as circular economy principles;
- Increased focus on research and innovation, including the creation of an "Interregional Innovation Investments Instrument".

#### Quote

Rapporteur [Andrea Cozzolino](#) (S&D, IT) said: "After a year of work under extraordinary circumstances, we have reached an excellent agreement with the Council on the ERDF/CF regulation that will allow support, in all European regions, for employment, welfare, economic growth and, above all, sustainable development for the next 2021-2017 programming. From tourism to social housing, this is an ambitious regulation that offers enormous opportunities, and which allows member states to face significant international challenges, such as the pandemic, the migration crisis or climate change. Never before has EU cohesion policy had the tools to combat all inequalities and leave no one behind."



## Next steps

Parliament and Council are now expected to endorse the content of the agreement.

## Background

The regulation on the ERDF and CF (previously covered by two separate regulations) identifies the specific objectives and scope of support for both funds, including non-eligible activities, for the 2021-2027 programming period. The Multiannual Financial Framework (MFF) for the next seven years foresees 242.9 billion EUR for EU regional funding.

Under the future [Common Provisions Regulation](#), five policy objectives are identified: (1) a more competitive and smarter Europe; (2) a greener, low-carbon transitioning towards a net zero carbon economy and resilient Europe; (3) a more connected Europe; (4) a more social and inclusive Europe; (5) a Europe closer to its citizens.

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## [Press release – Deal on an enhanced information system for visas in the EU](#)



According to the political agreement reached on Tuesday, the future Visa Information System (VIS) Regulation will establish clear conditions for access to different systems and databases, as well as the necessary fundamental rights safeguards.

Parliament's [key demands](#) were taken on board in the negotiation. The deal provides for:

- improved legal and technical architecture of the system and interoperability with the other EU databases (Schengen Information System, the Entry-Exit System, European Travel Information Authorisation System, Eurodac, Europol data and ECRIS-TCN ) as part of the visa procedure;
- long-stay documents are included, and the rights of the holders of such documents are safeguarded more robustly;
- enhanced access for Europol and law enforcement authorities to VIS data;
- the age at which fingerprints and facial images of minors can be collected will be lowered from 12 to 6 years in order to help identify and trace missing children, combat child trafficking and establish family links; fingerprints will not be required from those over the age of 75;
- better safeguards on the use of facial images for biometric matching.

The Commission will keep both the Parliament and the Council informed about the state of play on the preparations for the implementation of this reform, due in 2023.

### **Quote**

Rapporteur [Paulo RANGEL](#) (EPP, PT) said: “The European Parliament is delivering to our citizens. Better protecting our external borders, fighting child trafficking and terrorism, reinforcing free movement and Schengen, and contributing to a more efficient return policy. However, a fundamental principle must still be respected: a bigger system means bigger safeguards. This is the most important reform since the VIS was established and will have to be ready in 2023.”

### **Next steps**

Work at technical level will be finalised shortly to reflect the results of the agreement. Parliament and Council will then have to endorse the deal.

### **Background**

The Visa Information System (VIS) is an EU database used by authorities to check non-EU nationals who need a visa to travel to the Schengen area. It consists of a central IT system and of communication infrastructure that connects consulates in non-EU countries and all external border-crossing points of Schengen States.

In May 2018, the European Commission submitted a proposal [to upgrade the Visa Information System](#), to better respond to evolving security and migratory challenges and improve the EU’s external border management.

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# Visa Information System: Council Presidency and European Parliament reach provisional agreement on main elements



In response to changing migration and security challenges, the EU is improving its Visa Information System (VIS), a tool used by authorities to register and check persons applying for a short-stay visa to enter the Schengen area.

The German Council Presidency and the European Parliament today reached a provisional agreement on the main political elements of a draft regulation amending the Visa Information System regulation. Discussions will now continue at technical level on the remaining aspects, which are expected to be agreed by the end of this year.

The main aims of the amending regulation are to:

- further strengthen the security of the short-stay visa procedure
- include long-stay visas and residence permits in the VIS database
- ensure interoperability between the VIS and other relevant EU systems and databases

## **Information in the VIS**

Under the proposed new rules, the VIS will not only include information on short-stay visas as before, but will also cover long-stay visas and residence permits, as these documents allow for free movement within the Schengen area. Registering these documents in a centralised database will help the authorities to verify their authenticity and validity.

In addition, a scan of the biographical data page of the travel document will be included in the VIS. This will also facilitate the return of illegally staying third-country nationals whose data may be stored in the VIS: if their travel document is no longer available at the time of return, a copy of it may be recognised by third countries as proof of nationality.

## **Checks and access**

Before issuing a visa or residence permit, the new rules would allow for enhanced background checks on the applicant in relevant security and migration databases, including the Schengen Information System (SIS), the Entry-Exit System (EES), European Travel Information Authorisation System

(ETIAS), Eurodac, Europol data, ECRIS-TCN and relevant Interpol databases on travel documents. The VIS would automatically launch a query of these databases and any hits would be manually verified and followed up by the competent authority.

The access of Europol and law enforcement authorities to VIS data, currently regulated under a 2008 Council decision, would also be integrated into the VIS regulation. Access to VIS data can help law enforcement authorities to identify victims of crime or make progress in their investigations.

In order to fulfil their obligations under Schengen rules, international carriers will be able to verify whether or not third-country nationals who are required to hold a valid short-stay visa, long-stay visa or residence permit have one. The carriers will not have access to the VIS as such, but will be provided with an ok/not ok answer as to the existence of a valid short-stay visa, long-stay visa or residence permit.

## **Biometrics**

With a view to combating child trafficking, under the new regulation the age for fingerprinting children will be lowered from 12 to 6 (with all the necessary safeguards). An upper limit will also be introduced, with fingerprints of persons above the age of 75 not included in the VIS. The current paper photo will be replaced by a live facial image with sufficient image resolution and quality to be used in automated biometric matching.

## **Background**

The Visa Information System, which has been operational since 2011, is a database to facilitate the short-stay visa procedure. It helps visa, border, asylum and migration authorities to check third-country nationals who need a short-stay visa to travel to the Schengen area. It connects member states' consulates around the world, as well as all external border crossing points.

An overall evaluation of the VIS was carried out in 2016 by the European Commission. It concluded that the system meets its objectives, but that new challenges in visa, border and migration management require further development in a number of areas. On 16 May 2018, the Commission submitted a proposal to amend the VIS regulation.