

PUBLIC

DOCUMENT OF THE EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

Approved by the Board of Directors on 16 December 2020¹

UKRAINE

UKRAINE ROAD CORRIDORS

[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.

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ABBREVIATIONS / CURRENCY CONVERSIONS

ACAP	Anti-Corruption Action Plan
BoD	Board of Directors
CIPS	Chartered Institute of Procurement and Supply
CP	Conditions Precedent
ECEPP	EBRD Client e-Procurement Portal
EFF	Extended Fund Facility
EIB	European Investment Bank
EIRR	Economic Internal Rate of Return
EPG	Economics, Policy and Governance
ESAP	Environmental and Social Action Plan
ESD	Environmental and Sustainability Department
ESDD	Environmental and Social Due Diligence
ESIA	Environmental and Social Impact Assessment
ETI	Expected Transition Impact
EUR	Euro
FIDIC	International Federation of Consulting Engineers
GDP	Gross Domestic Product
GET	Green Economy Transition
GHG	Greenhouse Gas
GoU	Government of Ukraine
IFI	International Financial Institution
IMF	International Monetary Fund
IRAP	International Road Assessment Programme
ISO	International Organisation for Standardisation
LTM	Lender's Technical Monitor
MDB	Multilateral Development Bank
MoF	Ministry of Finance of Ukraine
MoI	Ministry of Infrastructure of Ukraine
MoU	The Memorandum of Understanding
NACP	Ukraine's National Agency for Prevention of Corruption
NBU	National Bank of Ukraine
OCCO	Office of the Chief Compliance Officer
OGC	Office of the General Counsel
OPRC	Output Performance Related Contract
PIA	Project Implementation and Advisory
PIU	Project Implementation Unit
PP&R	Procurement Policies & Rules
PPAD	Procurement Policy and Advisory Department
PTI	Portfolio Transition Impact
RAROC	Risk-adjusted return on capital
SBA	Stand-By Agreement
SSF	Shareholder Special Fund

SWF	Sovereign Wealth Fund
TA / TC	Technical Assistance / Technical Cooperation
TEN-T	Trans-European Transport Network
TIMS	Transition Impact Monitoring System
TOMS	Transition Objective Measurement System
UAH	Ukrainian Hryvnia
URRF	Ukraine Regional Roads Framework
USD	United States Dollar
WIM	Weigh-In-Motion

CURRENCY CONVERSION

(as of 23 October 2020)

EUR 1 = UAH 33.41

USD 1 = UAH 28.27

EUR 1 = USD 1.18

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of Ukraine (the “**Borrower**”) with proceeds to be on-lent to the State Road Agency of Ukraine (“**Ukravtodor**” or the “**Client**”) are submitted for consideration by the Board of Directors.

The facility will consist of a sovereign loan to Ukraine in the amount of up to EUR 450 million, structured in three tranches. Tranche 1 of up to EUR 100 million will be committed upon signing. Tranche 2 of up to EUR 160 million and Tranche 3 of up to EUR 190 million are intended to be committed in 2021-2022 subject to separate Board approvals. The Bank’s loan will be co-financed with a EUR 450 million loan from the European Investment Bank (“**EIB**”) signed in November 2019.

The operation will enable Ukravtodor to complete (i) the rehabilitation of the M-05 Kyiv-Odesa road sections in Cherkasy, Kirovohrad, Mykolaiv and Odesa regions; and (ii) the construction of the northern bypass around the city of Lviv in Western Ukraine, which are strategic road sections making part of the TEN-T corridors network on the territory of Ukraine.

The Project’s expected transition impact is based on the following qualities:

- *Well-Governed* including (i) the development and implementation of a comprehensive anti-corruption programme at Ukravtodor; (ii) implementation of a procurement practices reform involving the adoption of new standardised tender documents, qualification and evaluation criteria, internationally recognised forms of contracts and international procurement certification by the Client; (iii) strengthening of institutional capacity and procedures to improve the management of road safety in Ukraine; and (iv) development of an action plan to improve Ukravtodor’s readiness to support mass electric vehicle deployment in the country.
- *Integrated* including (i) support to the rehabilitation and construction of strategic road sections making part of the TEN-T corridor network; (ii) introduction of weigh-in-motion systems to manage the impact of overweight vehicles; and (iii) implementation of a strategic road safety risk assessment across the national road network to identify and prioritise high risk sections and related mitigation measures, and embed the road safety approach within the road sector management in Ukraine.

The Project also incorporates climate change resilience improvements to address the risks of increasing extreme weather events impacting the road transport network as a result of climate change, including extreme high and low temperatures, flooding, extreme rainfall events and high winds.

TC support for this operation is proposed to be provided by the EBRD Shareholder Special Fund and EBRD Ukraine Stabilisation and Sustainable Growth Multi-Donor Account.

I am satisfied that the operation is consistent with the Bank’s Transport Sector Strategy 2019-2024, the Bank’s Strategy for Ukraine, the Green Economy Transition (GET) approach and with the Agreement Establishing the Bank.

I recommend that the Board approve the proposed loan and the SSF TC grant substantially on the terms of the attached Report.

Odile Renaud-Basso

BOARD DECISION SHEET

UKRAINE – Ukraine Road Corridors - DTM 50831	
Transaction / Board Decision	Board approval ² is sought for a sovereign loan of up to EUR 450 M to Ukraine (the “ Borrower ”) with proceeds to be on-lent to the State Road Agency of Ukraine (“ Ukravtodor ” or the “ Client ”) [REDACTED]. The loan will consist of three tranches: (i) committed Tranche 1 of up to EUR 100 M to finance the rehabilitation of the M-05 Kyiv-Odesa road section in Cherkasy region; (ii) uncommitted Tranche 2 of up to EUR 160 M to finance the construction of a northern section of the bypass around the city of Lviv; and (iii) uncommitted Tranche 3 of up to EUR 190 M to finance the rehabilitation of the M-05 Kyiv-Odesa road sections in Kirovohrad, Mykolaiv and Odesa regions. Tranches 2 and 3 are proposed to be committed subject to separate Board approvals. The Project will be co-financed with a EUR 450 M loan from the EIB signed in November 2019.
Client	The Borrower is Ukraine. Implementation will be done by Ukravtodor, the State Road Agency of Ukraine responsible for the management of the country’s national road network.
Main Elements of the Proposal	<p><u>Transition impact</u></p> <p>Primary Quality - Well-Governed: The Project will support: (i) the development and implementation of a comprehensive anti-corruption programme at Ukravtodor; (ii) implementation of a procurement practices reform involving the adoption of new standardised tender documents, qualification and evaluation criteria, internationally recognised forms of contracts and international procurement certification by the Client; (iii) strengthening of institutional capacity and procedures to improve the management of road safety in Ukraine; and (iv) development of an action plan to improve Ukravtodor’s readiness to support mass electric vehicle deployment in the country.</p> <p>Secondary Quality - Integrated: The Project will support (i) the rehabilitation and construction of strategic road sections making part of the TEN-T corridor network in Ukraine; (ii) introduction of weigh-in-motion systems to manage the impact of overweight vehicles; and (iii) implementation of a strategic road safety risk assessment across the national road network to identify and prioritise high risk sections and related mitigation measures, and embed the road safety approach within the road sector management.</p> <p><u>Additionality:</u> Financing structure: shortage of long-term commercial financing for an infrastructure project of such type where the needs cannot be met by a single financier; complementarity of the Bank’s funding and institutional conditionalities to the ones provided by other IFIs. Policy, sector, institutional or regulatory change: ongoing policy dialogue aimed at increasing transparency, improving governance and road sector management.</p> <p><u>Sound banking:</u> The transaction is a sovereign loan.</p>
Key Risks	<p><i>Creditworthiness of Ukraine:</i> Sovereign credit rating of Ukraine stands at ‘B’ stable from Fitch and S&P and ‘B3’ stable from Moody’s.</p> <p><i>Implementation risk:</i> Ukravtodor has considerable experience in implementing IFI-funded projects. [REDACTED] The Bank’s Procurement Policies & Rules (“PPR”) will apply to all contracts.</p> <p><i>Transition risk:</i> The Bank is undertaking an ambitious reform programme, which [REDACTED] is expected to deliver major improvements in anti-corruption, procurement and road safety in the sector.</p> <p><i>COVID-19:</i> Ukravtodor has successfully managed the pandemic ensuring a continuation of the road works in line with the quarantine restrictions. [REDACTED]</p>
Strategic Fit Summary	The Project is consistent with the Bank’s Strategy for Ukraine, the Bank’s Transport Sector Strategy 2019-2024 and the Green Economy Transition (GET) approach.

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

ADDITIONAL SUMMARY TERMS FACTSHEET

EBRD Transaction	<p>A sovereign loan of up to EUR 450 million to Ukraine (the “Borrower”) to be on-lent to the State Road Agency of Ukraine (“Ukravtodor” or the “Client”). The loan will consist of three tranches: (i) committed Tranche 1 of EUR 100 million to finance the rehabilitation of the M-05 Kyiv-Odesa road section in Cherkasy region; (ii) uncommitted Tranche 2 of EUR 160 million to finance the construction of a northern section of the bypass around the city of Lviv; and (iii) uncommitted Tranche 3 of EUR 190 million to finance the rehabilitation of the M-05 Kyiv-Odesa road sections in Kirovohrad, Mykolaiv and Odesa regions (the “Project”). Please, refer to Annex 1 for more details about the Project.</p> <p>The road sections proposed to be financed under the Project are identified as top priorities in the State Road Sector Development Programme for 2018-2022 approved by the Government of Ukraine (the “Programme”).</p> <p>The Project will be co-financed by the European Investment Bank (the “EIB”), which signed a EUR 450 million sovereign loan in November 2019.</p>
Existing Exposure	<p>Total amount debt: The Bank’s sovereign and sovereign guaranteed exposure in Ukraine amounts to EUR 1,687 million (operating assets EUR 723 million) of which EUR 322 million is in the road sector. TIMS rating is Good/Negligible (PTI 90).</p> <p>Total amount equity: None</p>
Maturity / Exit / Repayment	Tenor of 15 years [REDACTED]
Potential AMI eligible financing	None
Use of Proceeds	<p>The loan proceeds will be used for:</p> <ul style="list-style-type: none"> - Works and supervision contracts for the rehabilitation of M-05 Kyiv-Odesa road section in Cherkasy, Kirovohrad, Mykolaiv and Odesa regions; - Works and supervision contract for the construction of a northern section of the bypass around the city of Lviv; - Project implementation supervision and advisory consultant (“PIA Consultant”), and - Payment of EBRD’s Front-End Commissions. <p>Loan disbursements will be made upon receipt of signed contracts and documentary evidence confirming the fulfilment of contractual obligations by contractors.</p>
Investment Plan	[REDACTED]
Financing Plan	[REDACTED]
Key Parties Involved	<p>Ministry of Finance on behalf of Ukraine (“MoF”)</p> <p>Ministry of Infrastructure (“MoI”)</p> <p>Ukravtodor</p>
Conditions Precedent to Loan Effectiveness	<ul style="list-style-type: none"> - Adoption of the Environmental and Social Action Plan by the Client; - Subsidiary Loan Agreement between Ukraine and the Borrower has been executed and delivered to the Bank [REDACTED]
Conditions Precedent to Disbursement of Tranche 1	<ul style="list-style-type: none"> - Receipt by the Bank of copies of the contract(s) in form and substance satisfactory to the Bank; - Signing of the EIB Financing Agreement and the EIB Project Agreement; - Signing of the Project Implementation Agreement between EBRD and EIB;

	- Appointment of Procurement and Implementation Advisory and Monitoring Consultant by Ukravtodor.
Conditions Precedent to Disbursement of Tranche 2	<ul style="list-style-type: none"> - Completion and disclosure of the Environmental and Social Impact Assessment for the Lviv Northern Bypass component according to the Bank's Performance Requirements; - Adoption of the Environmental and Social Action Plan for the Lviv Northern Bypass component including requirements on incorporating climate resilience measures in tender documents for design and construction; [REDACTED]
Conditions Precedent to Disbursement of Tranche 3	Formal adoption of the Environmental and Social Action Plan for the M-05 section in Kirovohrad, Mykolaiv and Odesa regions including requirements on incorporating climate resilience measures in tender documents for design and construction [REDACTED]
Key Covenants	Mandatory use of ECEPP for all Project procurement [REDACTED]
Security / Guarantees	Sovereign loan
Other material agreements	Financing Agreement between the EIB and Ukraine; Project Agreement between EIB and Ukravtodor; Project Implementation Agreement between EBRD and EIB [REDACTED].
Associated Donor Funded TC and co-investment grants/concessional finance	<p>A. Technical Cooperation (TC)</p> <p><u>Pre-signing:</u></p> <p>TC1: Environmental and Social Assessment for Tranche 1. [REDACTED] TC2: Road Safety Audit for Tranche 1. [REDACTED] TC3: ESIA Gap Analysis for Tranche 2. [REDACTED] TC4: Road Safety Audit for Tranche 2. [REDACTED] TC5: Technical and Economic Due Diligence for Tranche 2. [REDACTED]. TC6: Anti-Corruption Action Plan ("ACAP"). Development of a targeted ACAP for Ukravtodor and support in its implementation. [REDACTED]</p> <p><u>Post-signing:</u></p> <p>TC7: Environmental and Social Assessment for Tranche 3. [REDACTED] TC8: Road Safety Audit for Tranche 3. [REDACTED] TC9: Technical and Economic Due Diligence for Tranche 3. [REDACTED]. TC10: Procurement Practices Reform [REDACTED] TC11: Procurement Benchmarking and Corporate Certification by CIPS. [REDACTED] TC12: Strategic Risk Assessment across the international highways network (based on iRAP or equivalent form of analysis) including road safety inspections for high risk sections, road safety management capacity review and training; road safety asset management system as well as other reform support. [REDACTED] TC13: Lender's Technical Monitor to monitor implementation of the investments. [REDACTED] TC14: Action Plan to Support Electric Vehicle Roll-out and Impact Assessment on Funding Model. [REDACTED]</p> <p>Cost sharing:</p> <p>The Client will provide in-kind support in the form of office space, communication connections, etc. [REDACTED]</p>

	B. Co-investment grants / Concessional Finance (Non-TC) N/A
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[REDACTED]

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

In March 2018, the Cabinet of Ministers of Ukraine approved a 5-year State Road Sector Development Programme (the “**Programme**”), adopting a systemic approach to the rehabilitation and maintenance of roads forming its main road corridors from west to east and north to south with a special emphasis put on connectivity with the EU. Total amount of capex envisaged for the rehabilitation and capital repair of over 7,000 km of roads is EUR 12 billion to be financed from the Road Fund, state budget, IFI loans and capital markets debt instruments. [REDACTED]

The road sections proposed to be financed under the Project are identified as top priorities in the Programme due to their strategic importance for the country’s connectivity, both domestically and internationally. In particular, the M-05 Kyiv-Odesa highway is part of the Trans-European Transport Network (“**TEN-T**”) Corridor IX connecting northern and southern Europe, while the Lviv bypass is part of M-06 Kyiv-Chop highway lying at the intersection of Corridors III and V and on the “Europe-Asia” transport route. Other parts of the M-05 and M-06 highways were rehabilitated as part of the Bank’s previous engagements with Ukravtodor including four projects for a total amount of EUR 825 million resulting in the rehabilitation of over 900 km of roads. This Project will complete the rehabilitation and upgrade of these two strategic corridors in Ukraine (please refer to **Annex 1** for more details).

As part of the Bank’s previous engagement with Ukravtodor, significant progress was achieved with road sector reforms, including the introduction of an efficient system of road user charges, establishment of a dedicated Road Fund, separation of the management of state and local roads, and successful implementation of a pilot output performance related contract (“**OPRC**”) in road maintenance. For further details about the Bank’s previous engagement with Ukravtodor please refer to **Annex 3**.

Nevertheless, there are still a number of pressing issues related to governance, procurement and integrity standards that need to be addressed. [REDACTED] Therefore, improving governance, and specifically internal anti-bribery and corruption controls, policies and procedures at Ukravtodor and improving procurement standards overall in the road sector are defined as key reform objectives under the proposed Project.

To promote good governance, fair business practices and high standards of integrity in the public sector of Ukraine, the Bank and the Government of Ukraine (“**GoU**”) signed a Memorandum of Understanding (“**MOU**”) in October 2020, under the aegis of the President of Ukraine. The MOU provides that Ukravtodor will be the first entity to develop and implement a procurement and anti-corruption reform programme under its umbrella with Ukravtodor’s case serving as a pilot for a broader anti-corruption programme targeting all Ukrainian public sector entities.

In accordance with the MOU and as part of the transition agenda under the Project, Ukravtodor will implement an Anti-Corruption Action Plan (“ACAP”) in order to strengthen its integrity policies and procedures [REDACTED]. Furthermore, the Bank will support the introduction of internationally recognised forms and conditions of contract (e.g. FIDIC Conditions of Contract) and standardised approach to qualification requirements in the procurement of road work contracts under national procurement procedures in Ukraine. This will promote fair competition and transparency in road sector procurement beyond the IFI-financed projects to contracts financed with public funds. [REDACTED]

The economic costs of road accidents are extremely high in Ukraine. Annual losses due to traffic accidents are estimated to be USD 4-5 billion, equivalent to 3.4% of the country’s GDP. The fatality rate of 104 road accident fatalities per million inhabitants is more than double the EU average. The Ministry of Infrastructure have declared road safety to be one of their key priorities. The Project will seek to address this issue systematically through providing support for improvements to the governance of road safety within the Client and undertaking of a road safety risk assessment across the strategic road network in Ukraine to identify high risk areas and accident blackspots for mitigation. Close collaboration and joint approach with other IFIs will be applied to address the road safety issue at the project and country level.

The Project is fully consistent with the Transport Sector Strategy and notably with Strategic Direction 1 (“Connected Networks”) which aims to *“Complement co-financing partners with investment in constructing, upgrading and modernising of motorways, national, regional, local and rural cross border road infrastructure to improve access to markets and services, and create linkages to key transport networks and corridors; and supporting corridors and network plans such as TEN-T... in the economies where the Bank invests”*. The Project is also fully consistent with Strategic Direction 2 (“Private Sector Participation”) which aims to *“Promote a market-based approach by combining financing of priority public sector transport projects with policy dialogue, capacity building and sector reform requirements”* and with Strategic Directions 3 and 4 which aim to address environmental and social challenges, road safety issues and climate resilience.

The Project is fully consistent also with the Bank’s Country Strategy for Ukraine, which states that one of the Bank’s strategic priorities is to *improve integration by facilitating trade and investment, expanding infrastructure links, and supporting convergence with EU standards*. The Project will help develop a key international road corridor in Ukraine which is important for the country’s further integration into the regional and international markets.

The Project will also support the longer term transition to a climate resilient economy in Ukraine. EBRD is undertaking an evaluation of the climate vulnerability of Ukraine’s transport network (comprising of road, rail air and waterborne transport modes) with a view to improving the identification and management of physical climate risks across the entire multi-modal transport network. As part of this National Level Assessment, the climate resilience aspects of the Project have been assessed and measures have been proposed which result in the Project contributing to improving the resilience of Ukraine

roads to the impacts of climate change in line with the Green Economy Transition (GET) approach. Additionally, Ukraine has set out a high level of policy ambition on electric vehicles, with the National Transport Strategy to 2030 targeting an increase of electric transport share in domestic traffic to 75%, significantly contributing to decarbonisation of road transportation in Ukraine. As part of the Project, the Bank will support Ukravtodor to define its role in supporting this ambitious transformation of road transportation, and adopt an action plan that specifies concrete actions it can take in the coming years to this end. In addition, Tranche 2 of the project is expected to contribute to the reduction of air pollutants in the city of Lviv in accordance with the recently adopted Sustainable Mobility Plan of Lviv.

The Project also contributes to a host of UN Sustainable Development Goals (“SDGs”), namely: SDG 3 Good Health and Well-being, SDG 9 Industry, Innovation and Infrastructure, SDG 12 Responsible Consumption and Production, SDG 16 Peace, Justice and Strong Institutions, and SDG 17 Partnerships for the SDGs.

1.2 TRANSITION IMPACT

Primary Quality: Well-Governed

Obj. No.	Objective	Details
1.1	<i>A comprehensive anti-corruption compliance programme, including the establishment of an effective compliance function responsible for oversight throughout the client's operations, will be implemented.</i>	<p>A comprehensive Anti-Corruption Action Plan (“ACAP”) for Ukravtodor will be developed with the help of an independent consultant in order to strengthen the Client’s integrity policies and procedures and reduce possible corruption risks in its operations.</p> <p>The ACAP will identify priority areas and set out a complete implementation timeline, including key milestones. These priority areas are going to include the following objectives among others:</p> <ul style="list-style-type: none"> • Strengthening the role and independence of Ukravtodor’s Chief Anti-Corruption Officer, and creation of a designated and appropriately staffed integrity / compliance function. • Development / enhancement of policies and procedures dealing with employee ethics, conflicts of interest and asset declarations. • Development / enhancement of policies and procedures dealing with internal investigations into alleged employee misconduct. [REDACTED]
1.2	<i>The project and associated TC activities will mandate the introduction of a necessary and relevant specific regulatory instrument (e.g. necessary secondary legislation) to manage</i>	<p>The Bank will support the implementation of a procurement practices reform in the road construction and maintenance sector of Ukraine, including the introduction of internationally recognised forms and conditions of contracts (e.g. FIDIC Conditions of Contract), independent works supervision engineers, standardised tender documents and standardised approach to qualification requirements to be applied in the procurement of road work contracts under national procurement procedures. These measures will promote fair competition and transparency in road sector</p>

	<i>sound commercial solutions to the sector. Procurement certification is introduced where such certifications are rare in the project country and sector (i.e. among the first three in the sector).</i>	<p>procurement beyond the IFI-financed projects to contracts financed with public funds. [REDACTED]</p> <p>In addition, Chartered Institute of Procurement and Supply (the “CIPS”) review of existing procurement practices at Ukravtodor, benchmarking against international best practices and certification will be covenanted in the loan documentation.</p> <p>The introduction of good procurement practices will promote transparency and accountability at Ukravtodor. Market structure and competition will be strengthened by the encouragement of tendering procedures and contract terms that support equal treatment of all participants and sustainable procurement.</p>
1.3	<i>The Project and associated TC support will help to build institutional capacity and procedures to improve the management of road safety in Ukraine.</i>	<p>A dedicated Road Safety Department will be established within Ukravtodor responsible for the coordination of all road safety activities within the Client’s organisation and coordination with other stakeholders. [REDACTED]</p> <p>The TC consultants will support the development of the Road Safety Strategy by Ukravtodor and measures to improve data collection and road safety analysis system [REDACTED].</p>
1.4	<i>Development and adoption of an e-mobility strategy / action plan</i>	<p>Ukravtodor will prepare and adopt an action plan to improve its readiness for electric vehicle roll-out through a TC support to be provided for this Project. This action plan will be informed by international best practice, and fully consistent with Ukravtodor’s legal and operational mandate. [REDACTED]</p>

Secondary Quality: Integrated

Obj. No.	Objective	Details
2.1	<i>The project delivers material quality improvements of the current infrastructure between or within regions that are currently inadequately integrated.</i>	<p>The Project will facilitate Ukraine’s economic development by improving the connectivity of its road network and its integration into international transport corridors.</p> <p>Tranches 1 and 3 of the loan will support the completion of the rehabilitation of the M-05 Kyiv-Odesa road started under the previous Bank-financed project with Ukravtodor (Pan-European Corridors project). M-05 road is part of TEN-T Corridor IX and one of the busiest roads in the country connecting the capital to the biggest city in the south and the Black Sea ports, which are a vital logistical hub for freight transport. It is also a top priority for the Government. [REDACTED]</p> <p>Tranche 2 will support the construction of a Northern section of the ring-road around the city of Lviv, which is located at the intersection of TEN-T Corridors III and V, and will enable through traffic to bypass the city more effectively improving travel times and reducing congestion in the city. It will also help increase the intensity of cargo and passenger flows between Ukraine and the EU by unblocking the bottlenecks on the M-06 Kyiv-Chop and M-10 Lviv-Krakovets roads, which currently run through the city of Lviv and the Southern bypass.</p>

2.2	<i>The Project will pilot the implementation of a strategic road safety risk assessment, including formal training of road agency staff and requirements for further applications across the road network.</i>	The Ministry of Infrastructure have declared road safety to be one of their key priorities. The Project will pilot the application of a strategic road safety risk assessment on the road network based on iRAP or an equivalent form of internationally recognised analysis aimed at developing measures to improve road safety across the country on a systematic basis. The risk assessment will identify high risk segments and interventions for mitigation. Staff from the road department will also be trained in the application of the methodology.
2.3	<i>The technology introduced to expand/improve infrastructure used as one of the first three cases in the country and is in line with international BAT standards.</i>	The Project will support the introduction of ‘weigh-in-motion’ (“WIM”) systems on the Ukrainian road network by financing their installation on the M-05 Kyiv-Odesa sections to be rehabilitated as part of the Project. This will ensure better load control and longer service periods of the respective sections and will have positive demonstration effects for the road network in Ukraine. [REDACTED]

In line with the requirements of the Bank’s GET Handbook, the Project will contribute towards building the climate resilience of the road transport system in the Project area, and of the communities and businesses that rely upon these transport links. The Project location and the existing road infrastructure are vulnerable to physical climate risks such as extreme high and low temperatures, heavy rainfall and snowfall, flooding and high winds, and the frequency of extreme weather events is expected to increase with climate change.

The Project includes appropriate measures, which have been identified through supporting technical analysis, to address specific climate change vulnerabilities. For the M-05 road section in Cherkasy region (Tranche 1), where the design is more advanced, EBRD’s climate resilience consultants have had several consultations with the engineering design team to recommended technical measures which have been integrated into the detailed design. This includes design measures such as amending the hydrological and drainage design and strengthening the foundations and structures of bridges and aqueducts to accommodate greater rainfall volumes. For the remaining sections of the M-05 road and the Lviv bypass, climate resilience measures have been proposed to be integrated into the design during the preparation of detailed designs and will be integrated into the Environmental and Social Actions Plans for each road section. These measures aim to ensure that the design and operation of the Project addresses relevant physical climate risks and is sufficiently robust in the face of projected climate change impacts. As a result, there is expected to be reduced weather-related damage to the Project assets over its lifetime and a reduction in replacement and repair costs. [REDACTED]

1.3 ADDITIONALITY

Identified triggers	Description
A subsequent/consecutive transaction with the same client either with the same destination country.	This is the Bank's fifth project with Ukravtodor, which is a logical extension of the previous projects aimed at improving the connectivity of Ukraine's transport system and enhancing the road safety standards.
Additionality sources	Evidence of additionality sources
<p>Financing structure: EBRD offers financing that is not available in the market from commercial sources on reasonable terms and conditions, e.g. a longer grace period than the market average, restricted foreign currency financing etc. Such financing is necessary to structure the project.</p> <p>EBRD offers a tenor, which is above the market average and is necessary to structure the project.</p> <p>Public sector: EBRD investment is needed to close the funding gap. At the same time, EBRD does not crowd out other sources, such as from IFIs, government, commercial banks and/or complements them.</p>	<p>Long-term financing required for infrastructure projects in Ukraine continues to be available predominantly from the IFIs.</p> <p>The EBRD loan offers 15-year tenor [REDACTED] not available in Ukraine from commercial banks.</p> <p>The Bank's loan is additional because a single financier cannot meet all of the sector's financing needs. EBRD does not crowd out other sources, such as from IFIs, government, commercial banks but complements them. This Project is co-financed with the EIB.</p>
<p>Policy, sector, institutional or regulatory change: EBRD's involvement in a project is considered additional when it is designed to trigger a change in the policy, sector, institutional or regulatory framework, or enhance practices at the sector or country or municipality level.</p>	<p>The EBRD loan will require Ukravtodor to strengthen its anti-corruption control measures, improve procurement practices and road safety measures that go beyond the scope of the Project, and improve environmental and social standards through the implementation of ESAP.</p> <p>The Bank has developed a comprehensive reform package that will focus on strengthening internal anti-bribery and anti-corruption controls and policies within Ukravtodor, introduction of internationally recognised forms of contracts and related procurement measures to be applied in the procurement of road work contracts under national procurement rules in Ukraine, performance of a strategic road safety risk assessment on the country's core road network, and strengthening the Client's institutional capacity for addressing road safety issues.</p>
<p>Standard-setting:</p> <ul style="list-style-type: none"> Client seeks/makes use of EBRD expertise on best international procurement standards. 	<p>Procurement: Compliance with the Bank's PP&R will enhance the expertise and implementation capabilities of Ukravtodor.</p> <p>Gender:</p>

<ul style="list-style-type: none"> Client seeks/makes use of EBRD expertise on higher gender standards and/or equal opportunities action plans (e.g. improving women's access to safe transport). 	<p>Road traffic accidents are one of the leading causes of death among adult women in Ukraine. Nearly 17% of non-health related deaths every year are attributed to road accidents. Women are more likely to belong to the group of vulnerable road users, such as pedestrians and/or cyclists. However, current approaches on road safety do not take this sufficiently into account. For instance, there is no sex-disaggregated accident data collection in Ukraine, masking potential gender differences in the types and locations of accidents.</p> <p>As a result of the EBRD's involvement, gender dimensions will be integrated into a strategic risk assessment across the road network. The project will also develop specific recommendations to improve sex-disaggregated data collection and support the Client in adopting relevant standards.</p>
<p>Risk Mitigation: EBRD helps the client to mitigate physical transition risks and take climate action, such as to identify and manage physical climate risks and build resilience to them.</p>	<p>The Project location and the existing road infrastructure are vulnerable to physical climate risks such as extreme high and low temperatures, heavy rainfall and snowfall, flooding and high winds, and the frequency of extreme weather events is expected to increase with climate change. A comprehensive set of technical measures have been integrated into the Project design to address those risks as part of TC support envisaged under this Project. These measures aim to ensure that the design and operation of the Project addresses relevant physical climate risks and is sufficiently robust in the face of projected climate change impacts.</p>
<p>Knowledge, innovation and capacity building: EBRD provides expertise, innovation, knowledge and/or capabilities that are material to the timely realisation of the project's objectives, including support to strengthen the capacity of the client.</p>	<p>The Bank has relevant sector knowledge and will mobilise TC funding to support Ukravtodor and MoI in key areas of improved procurement practices and road safety standards, including obtaining CIPS certification, introducing FIDIC contracts for locally financed contracts and piloting the application of a strategic road safety risk assessment on the road network aimed at developing measures to improve road safety across the country on a systematic basis.</p>

1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
Creditworthiness of the sovereign	<i>Medium / High</i>	Moody's upgraded Ukraine's long-term foreign currency sovereign credit rating from 'Caa1' with positive outlook to 'B3' with stable outlook in June 2020, confirming the rating in its annual credit analysis in October 2020. In April 2020, Fitch confirmed the rating at 'B' and changed the outlook from positive to stable, affirming both the rating and the outlook in September 2020. S&P confirmed the rating at 'B' with stable outlook in September 2020. [REDACTED]
Implementation/Procurement risk.	<i>High / High</i>	As this is the fifth road project with EBRD, there is significant expertise at Ukravtodor in implementation of IFI-funded projects. [REDACTED]

2. MEASURING / MONITORING SUCCESS

<i>Overall objectives of project</i>	<i>Monitoring benchmarks</i>	<i>Implementation timing</i>
<ul style="list-style-type: none"> - Compliance with design standards and project specifications. - On-time project implementation 	<ul style="list-style-type: none"> - Progress reports, supervision reports, independent assessment, as covenanted in the Loan Agreement. - Completion according to the timeline and within the budget. 	[REDACTED]

TRANSITION IMPACT MONITORING INDICATORS

Primary Quality: Well-Governed

Obj. No.	Corresponding monitoring indicator	Details	Baseline	Target	Due date
1.1	<i>Practices of the relevant stakeholder improved: anti-corruption reform</i>	Gap analysis of Ukravtodor's existing compliance measures completed	[REDACTED]	[REDACTED]	[REDACTED]
		Anti-Corruption Action Plan ("ACAP") developed by the TC consultants and approved by Ukravtodor and the Steering Group as per the MOU signed between the EBRD and Government of Ukraine in October 2020	[REDACTED]	[REDACTED]	[REDACTED]
		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
		Timely implementation of the applicable ACAP milestones	[REDACTED]	[REDACTED]	[REDACTED]
1.2	<i>Legal, institutional or regulatory frameworks in target areas improved: procurement reform</i>	Standardised tender documents and evaluation methodology for road works contracts approved by Ukravtodor	[REDACTED]	[REDACTED]	[REDACTED]
		Standardised minimum qualification criteria and evaluation methodology for road rehabilitation, capital repair and new construction contracts approved by Ukravtodor	[REDACTED]	[REDACTED]	[REDACTED]
		The amendments to applicable legislation specifying the use of internationally recognised forms and conditions of contract (e.g. FIDIC Conditions of Contracts) for road works contracts procured under national rules and financed from the state budget funds adopted.	[REDACTED]	[REDACTED]	[REDACTED]

		The amendments to applicable legislation specifying the use of independent consulting engineers (e.g. FIDIC Engineers) for works contracts procured under national rules and financed from the state budget funds and standardised form and conditions of contract for consulting engineers adopted	[REDACTED]	[REDACTED]	[REDACTED]
		CIPS Corporate Certificate obtained by Ukravtodor	[REDACTED]	[REDACTED]	[REDACTED]
1.3	<i>Legal, institutional or regulatory frameworks in target areas improved: road safety in Ukraine.</i>	Establishment of a Road Safety Department within Ukravtodor which will report directly to the Head of the UAD	[REDACTED]	[REDACTED]	[REDACTED]
		Improvement in data collection and analysis system of the road safety data within Ukravtodor, including the data on road accidents, accident hotspots and enabling disaggregation by gender	[REDACTED]	[REDACTED]	[REDACTED]
		Preparation and submission of Road Safety Strategy and annual road safety monitoring and analysis reports to the Bank	[REDACTED]	[REDACTED]	[REDACTED]
		Continued implementation of the road safety recommendations for the update of the road design standards in Ukraine developed as part of the Bank-financed and EIB-financed TCs	[REDACTED]	[REDACTED]	[REDACTED]
		Mandatory implementation of post-construction road safety audits on the Project [REDACTED] and road accidents monitoring and analysis [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
		Enforcement of worksite safety on Bank-financed contracts on the Project through the inclusion of relevant provisions into the tender documentation	[REDACTED]	[REDACTED]	[REDACTED]
1.4.	Performance or Action Plan adopted by the client: e-mobility strategy	Adoption of action plan for supporting electric vehicle roll-out	[REDACTED]	[REDACTED]	[REDACTED]

Secondary Quality: Integrated

Obj. No.	Corresponding monitoring indicator	Details	Baseline	Target	Due date
2.1	<i>Improved quality of infrastructure within regions</i>	Traffic per year on the Project section 152km – 237km of M-05 road based on Average Annual Daily Traffic (“AADT”)	[REDACTED]	[REDACTED]	[REDACTED]
		– Reconstruction and modernisation of M-05 road sections (85km under Tranche 1 in and 191km under Tranche 3);	[REDACTED]	[REDACTED]	[REDACTED]

		– Construction of Lviv Northern bypass (24 km).			
2.2	<i>The Project will pilot the implementation of a strategic road safety risk assessment</i>	Completion of the Strategic Road Safety Risk Assessment	[REDACTED]	[REDACTED]	[REDACTED]
		Adoption and implementation of an action plan including the mitigation measures across the identified high risk segments by Ukravtodor	[REDACTED]	[REDACTED]	[REDACTED]
2.3	<i>New technology introduced - Weigh-in-Motion</i>	WiM systems to be installed on the Project's road sections	[REDACTED]	[REDACTED]	[REDACTED]

3. KEY PARTIES

3.1 BORROWER / CLIENT

The Borrower is Ukraine represented by the Ministry of Finance of Ukraine.

The Client is Ukravtodor, which is a budget agency managing the funds collected by the state from road user charges and allocated for road network maintenance and development. Thus, Ukravtodor does not produce financial statements of its own and its creditworthiness is that of the state.

The sector revenues accumulate in a special Road Fund of the state budget, which was introduced on a permanent basis from 2018 according to a law adopted by the Parliament in 2016, as part of the Bank's conditionalities. The distribution of proceeds is 60% to national roads (managed by Ukravtodor), 35% to regional roads (managed by regional administrations) and 5% to a special road safety fund.

4. MARKET CONTEXT

The road sector is a key component of the Ukrainian transport system ensuring the connectivity and integration of the country's economy. The total length of the public roads in Ukraine is 169,000 km, including 46,000 km of national roads, which are under management of Ukravtodor, and 123,000 km of regional roads managed by the regional (oblast) administrations following the decentralisation reform in the road sector. In addition, there are over 250,000 km of urban roads administered and managed by the municipalities.

In March 2018, the Cabinet of Ministers approved a 5-year State Road Sector Development Programme, emphasising a holistic approach to the rehabilitation and maintenance of the roads making part of the main road corridors from west to east and north to south with a special emphasis put on connectivity with the EU. Total amount of capex envisaged for the rehabilitation and capital repair of over 7,000 km of roads is EUR 12 billion to be financed from the Road Fund, state budget, IFI loans, capital markets debt instruments and (potentially) private investment in concession projects.

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 SOVEREIGN ASSESSMENT

[REDACTED]

5.2 ECONOMIC ANALYSIS

[REDACTED]

5.3 SENSITIVITY ANALYSIS

[REDACTED]

5.4 PROJECTED PROFITABILITY FOR THE BANK

[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT

Tranche 1 (rehabilitation of the M05 Kyiv-Odesa road section km 152-237) and Tranche 3 (rehabilitation of the M05 Kyiv-Odesa road section in Kirovohrad, Mykolaiv and Odesa regions) are categorised B, Tranche 2 (24 km northern section of the Lviv bypass) is categorised A under the 2014 ESP. At this time, Board approval is sought for Tranche 1 only. The Environmental and Social Impact Assessment (“**ESIA**”) for Tranche 2 and independent environmental and social due diligence (“**ESDD**”) for Tranche 3 are still under preparation and will be submitted to Board for consideration after the ESIA and ESDD have been completed and the ESIA for Tranche 2 has been disclosed to public for review and comments for a minimum of 120 days.

The independent ESDD of the Company and the Tranche 1 project has confirmed that the rehabilitation of the existing road will result in environmental and social benefits and safety improvements. Any adverse environmental and social impacts are expected to be temporary in nature, primarily limited to the construction activities and are readily addressed through appropriate mitigation measures. Potential cumulative environmental and social impacts for the whole Tranche 1 road section have been characterised and assessed within the scope of ESDD and no material negative cumulative impacts were identified. The ESDD has confirmed that the Client’s overall capacity, and related EHSS management systems, are generally aligned with the Bank’s Performance Requirements (“**PRs**”). Furthermore, Ukravtodor is an existing client of the Bank and has demonstrated satisfactory performance to date on the previous projects.

Local EIAs (“**OVOS**”) have been undertaken in accordance with national requirements to evaluate the risks and impacts associated with the Tranche 1 road section. Findings from the ESDD and Road Safety Audit have been taken into account by the designers and integrated into the project design and are expected to be approved by the State

expertise. Disclosure of OVOS and project related information and public engagement was organised and completed in accordance to the national requirements.

Whilst the project is generally found to be structured to meet EBRD PRs, the ESDD has identified a number of gaps to be further addressed through the implementation of an Environmental and Social Action Plan (“**ESAP**”). Particular focus is needed on management systems, labour, stakeholder engagement and health and safety.

The ESDD identified that stakeholder engagement and public consultations have been limited and not all Project details regarding the benefits and impacts of the Project were sufficiently communicated to the stakeholders. Stakeholder engagement activities will need to be improved and in line with the developed Stakeholder Engagement Plan (“**SEP**”). Additional stakeholder consultation activities (considering COVID-19 related restrictions) are required in parallel with the project development. Consultations will be undertaken with the local communities, local businesses and road users and will focus specifically on road safety benefits of U-turns closure, final U-turns solutions, additional road safety measures and alternative connection routes. Feedback from these consultation activities will inform the final detailed design of the Project. Engagement will continue prior to and during construction and during operation, with a focus on road safety in adjacent communities.

Occupational health and safety (“**OHS**”) risks are related mainly to the construction phase and will be further elaborated and included into Construction Environmental and Social Management Plan to be provided by the contractors. The construction contractors will be required to comply with the relevant requirements in PR2 including preparation of an HR policy; recruitment procedures and workforce code of conduct; and accommodation standards. If any on-site accommodation is required for workforce it will need to be sited appropriately to minimise E&S impacts.

There is no physical resettlement associated with the Tranche 1 project. Very small-scale land acquisition is expected and temporary economic displacement has been further limited due to the retention of existing access points to official businesses or provision of alternative access. Alternative arrangements will also be provided during the construction phase or any temporary access restrictions agreed in advance with businesses. Two informal businesses could be subject to permanent economic displacement and measures will be put in place to provide alternative, safe locations for these business activities or provision of alternative access arrangements. The Client has prepared a Resettlement Policy Framework (“**RPF**”) covering the Project in line with both national and MDB (EIB and EBRD) requirements. The Client is required to prepare a Land Acquisition and Livelihood Restoration Plan proportionate to the predicted Project impacts.

No negative biodiversity impacts are expected. Additional noise and air quality analysis identified areas where installation of noise screens and additional monitoring are required and these requirements have been incorporated into the Project.

A road safety audit has been completed and confirmed significant improvements in relation to the baseline scenario with a number of good international road safety practice measures introduced. Possibly the most important improvement is that all at-grade pedestrian crossings have been replaced by footbridges or underpasses and 21 out of 23

U-turns have been closed. The Bank will continue broader involvement into policy dialogue and Road Safety reforms under related Transition Impact support which among others will include: completion of the Strategic Road Safety Risk Assessment; improved coordination and establishment of a Road Safety Department within Ukravtodor; improvement in data collection and analysis system of the road safety data and mandatory implementation of post-construction road safety audits and road accidents monitoring and analysis after completion.

An ESAP has been developed and agreed with the Client to address the issues raised above, and also to include further improvements to the environmental and social management at all stages of the project implementation. Among others the ESAP includes: inclusion of E&S provisions in the construction contracts and preparation and implementation of a Construction Environmental and Social Management Plan; improvements in noise and air monitoring; formalising and developing improved labour and OHS procedures and practices; traffic management plans and safety and emergency response procedures during construction in accordance with PR2 and PR4. In addition, a workers' grievance mechanism will be implemented by both the Client and the Construction contractor

Following project approval the Bank will support the Client through assistance with capacity building and developing the institutional capacity to implement the project in accordance with the PRs and ESAP. The environmental and social performance of the project and implementation of the ESAP will be monitored through annual E&S reports and site visits when deemed necessary.

6.2 INTEGRITY

In conjunction with OCCO, updated internal integrity due diligence was undertaken on Ukravtodor and its senior management. [REDACTED]

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.

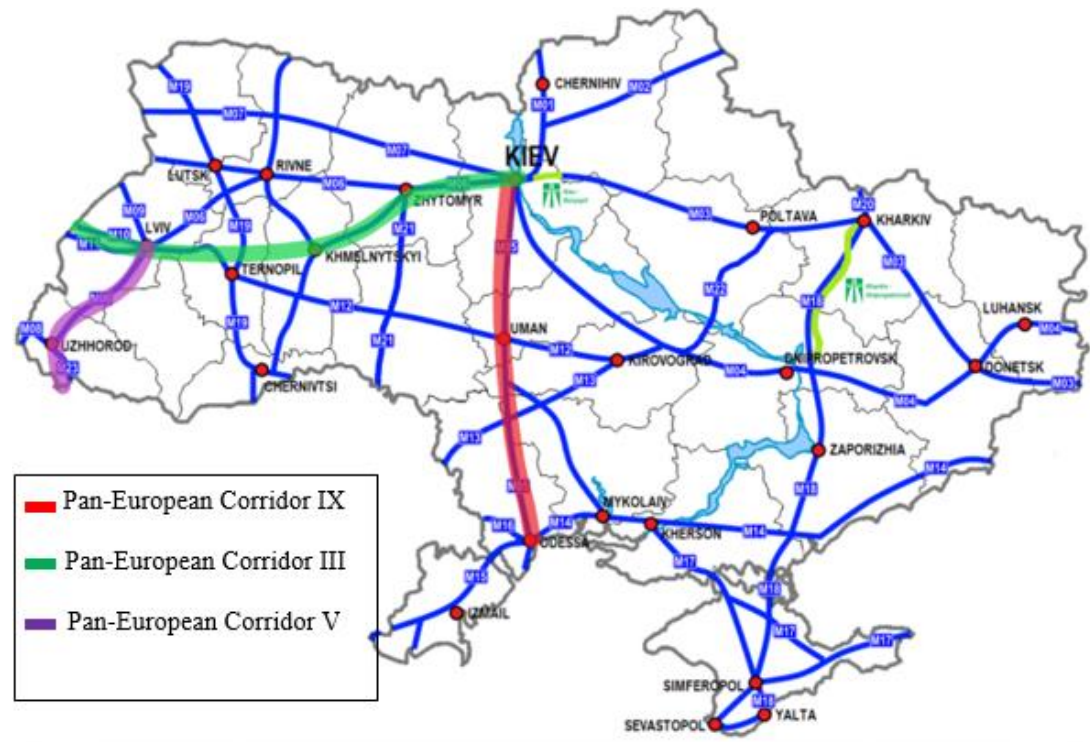
ANNEXES TO OPERATION REPORT

Annex 1	Project Description
Annex 2	Traffic and Economic Appraisal of Tranche 1
Annex 3	EBRD Road Projects in Ukraine
Annex 4	Climate Vulnerability and Greenhouse Gas Emissions Assessment
Annex 5	Ukraine Country Update
Annex 6	Project Implementation
Annex 7	Transition Impact Scoring Chart
Annex 8	SSF Fiche

ANNEX 1 – PROJECT DESCRIPTION

The road sections proposed to be financed under the Project are part of the strategic Trans-European Transport Network (“TEN-T”). In particular, M-05 Kyiv-Odesa highway is part of the Corridor IX that connects northern and southern Europe, while Lviv by-pass is part of M-06 Kyiv-Chop highway that lies along the Corridors III and V as well as the "Europe-Asia" transport route. Therefore, the two routes play a key role for the country’s connectivity, both domestically and to the EU.

Map 1.1: Ukraine National Roads and International Corridors



M-05

The M05 Kyiv-Odessa Road (M-05 road) links the capital city of Kyiv to the Ukrainian Black Sea port of Odessa. The M-05 forms part of international routes connecting Ukraine with Europe. In particular, the M-05 forms part of the United Nations International E-road network (E95: Saint Petersburg (Russia) – Haradok (Belarus) - Kiev (Ukraine) – Odessa (Ukraine) - Samsun (Turkey) – Merzifon (Turkey)) and the TEN-T Corridor IX. The port of the Odessa region is among the busiest trading areas in the Black Sea basin and an important logistics hub for imports and exports. It is an existing critical road link that requires urgent rehabilitation, as recognised by TEN-T and the Ukrainian Government.

Parts of the M-05 road (e.g. the section between km 18 and 87) have been rehabilitated in the context of the Bank’s previous engagement with Ukravtodor. However, the remaining sections are in poor condition with numerous pavement destructions, the nature of which indicates the presence of problems in the base course layers and the embankment mass. The Project will allow to complete the rehabilitation of the M-05

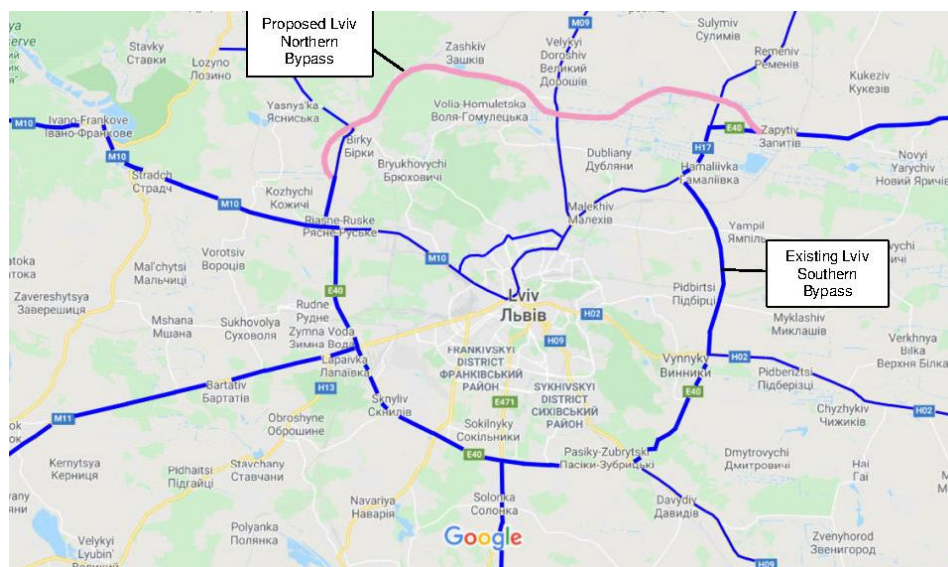
road covering the rehabilitation of a total of [275]³ km to be conducted in two phases. The first phase will cover a [85]⁴ km section in Cherkasy region (Tranche 1) and the second phase a 191 km section in Kirovohrad, Mykolaiv and Odesa regions (Tranche 3). The road rehabilitation will include the following works:

- Reconstruction of the road surface within the existing right-of-way
- Repair of bridges, tunnel underpasses and wildlife crossings
- Construction of new interchanges, pedestrian bridges, footways and climbing lanes;
- Road safety improvements including the closure of U-turns, introduction of pedestrian overpasses, improvements to street lighting, installation of safety barriers and road marking.

Lviv Northern Bypass

Tranche 2 of the Project will finance the construction of a 24 km long northern section of the circular bypass around the city of Lviv. Lviv is the largest city in Western Ukraine with four international highways passing through it, two of which belong to Corridors III and V. Existing bypass is a half-circle on the south-east and west of the city going through the suburbs (see Map 1.2 below). The concept of the Project is to construct a new bypass section in the north to complete the circle and relieve long-distance transit traffic running on the existing southern bypass and through the city centre. This is going to significantly reduce travel time and pollution in the city. The new bypass section will be connected to the M-06 road going to Kyiv on the east and the M-10 road going to the Polish border on the west. [REDACTED]

Map 1.2: Lviv Northern Bypass

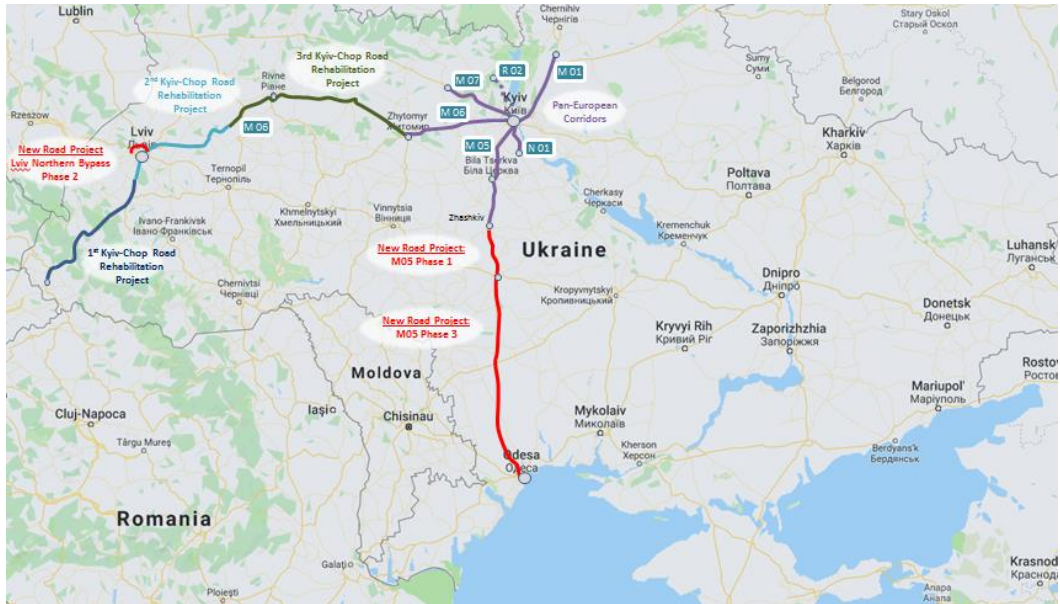


³ A typographical error has been corrected.

⁴ A typographical error has been corrected.

Overall, the Project will complement the road rehabilitation work performed in the context of the previous Bank projects with Ukravtodor and allow to complete the rehabilitation of two strategic routes in Ukraine (M-05 Kyiv-Odesa and M-06 Kyiv-Chop) – see Map 1.3 below and **Annex 5** for more details on previous Bank projects in the road sector of Ukraine.

Map 1.3: Previous Bank Road Projects in Ukraine and Current Project



ANNEX 2 – TRAFFIC AND ECONOMIC APPRAISAL OF TRANCHE 1

1. TRAFFIC

1.1 Existing Traffic Flows

Data on existing traffic in the 2018 base year on the M-05 section in Cherkasy Oblast making part of Tranche 1 of the Project was provided by Ukravtodor from automatic traffic counters installed in the highway. These automatic traffic counters gave continuous readings of daily traffic from which annual average daily traffic (“AADT”) was calculated. The 2018 base year traffic flows are shown below in Table 1.

Table 1: Existing 2018 Base Year Daily Traffic on the M-05 Highway in Cherkasy Oblast (AADT)

M-05 Highway Road Section	2018 Base Year Traffic AADT
Km 152+918 to Km 175+988	11,684
Km 175+988 to Km 191+278	12,983
Km 191+278 to Km 203+396	16,116
Km 203+396 to Km 214+693	16,102
Km 214+693 to Km 237+108	14,205

Source: Ukravtodor

Of this traffic, 54% was cars, 3% buses, 6% light goods vehicles and 37% medium and heavy trucks. [REDACTED]

2. ECONOMIC ANALYSIS

[REDACTED]

ANNEX 3 – EBRD ROAD PROJECTS IN UKRAINE

The Bank has previously financed four projects with Ukravtodor, which are listed in the table below. These include three completed projects involving the rehabilitation of the M-06 highway between the Hungarian border and Kyiv, which is one of the country's main road links to the EU. The fourth project is Pan-European Corridors, a EUR 450 million sovereign loan signed in 2010 financing the rehabilitation and upgrade of the road approaches to Kyiv, which is under implementation with several components already completed. [REDACTED]

Name	Rehabilitation of M06 Kiev-Chop Highway	Ukraine Second Project Kiev-Chop Road Rehabilitation	Ukraine Third Project Kiev-Chop Road Rehabilitation	Pan-European Corridors
Year signed	2000	2005	2006	2010
EBRD loan, EUR mln	75	100	200	450
Road sections covered by the project	M06 (km 621-824)	M06 (km 441-621)	M06 (km 152-441)	M06 (km 14-152), M07 (km 30-64), M01 (km 19-98), M05 (km 18-36, 42-87), N01 (km 14-43), R02 (km 11-48)
Status	Completed	Completed	Completed	Under implementation
TIMS Rating (PTI)	Good / Negligible (90)	Good / Negligible (90)	Satisfactory / Negligible (40)	Good / Negligible (90)

[REDACTED]

ANNEX 4 – CLIMATE VULNERABILITY AND GREENHOUSE GAS EMISSION ASSESSMENT

National Level Assessment of the Climate Resilience of the Ukraine Multi-Modal Transport Network

In the context of the National Level Assessment, EBRD has engaged independent consultants to undertake an evaluation of the criticality and vulnerability of Ukraine's transport network (comprising road, rail air and waterborne transport modes) through a detailed climate risk assessment of critical infrastructure. This study will provide a robust evidence base, analysing the exposure of the network to climate hazards and proposing a range of engineering and natural interventions, as well as operational and maintenance measures to enhance network resilience and support adaptation planning, including developing associated decision support tools and guidance materials to support transport operations. Collectively, these will enable national transport authorities to assess, prioritise, mitigate and manage the negative impacts of natural hazards and manmade disasters, for the benefit of people living and working in Ukraine.

As part of this National Level Assessment, the climate resilience aspects of the Project have been assessed and measures have been proposed which result in the Project contributing to improving the resilience of Ukraine roads to the impacts of climate change. [REDACTED]

Other Environmental Benefits of the Lviv Bypass (Tranche 2)

Tranche 2 of the Project is in line with Sustainable Mobility Action Plan of Lviv city, developed with the assistance of Swiss cooperation agency and GIZ, and approved in 2020. The Environmental Impact Assessment for the construction of Lviv North Bypass approved by the Ministry of Environment, states that 96% of air pollutions are generated by vehicles in the city of Lviv. This results in exceeded limits of particle matters ("PMs"), carbon monoxide ("CO"), nitrogen oxides ("NOx"), which cause direct damages to the health of local residents. The Project (Tranche 2 Lviv Bypass) will provide an alternative route for transit traffic currently going through city to the newly constructed northern bypass section outside of the city. This will reduce traffic volumes and congestion in the city and lead to reduction of pollutants. The reduction of emissions will be confirmed during Environmental and Social Due Diligence for Tranche 2 and the associated GET 'other environmental' share will be confirmed, in line with the GET Handbook.

ANNEX 5 – UKRAINE COUNTRY UPDATE

[REDACTED] Moody's upgraded Ukraine's long-term foreign currency sovereign credit rating from 'Caa1' with positive outlook to 'B3' with stable outlook in June 2020, confirming the rating in its annual credit analysis in October 2020. In April 2020, Fitch confirmed the rating at 'B' and changed the outlook from positive to stable, affirming both the rating and the outlook in September 2020. S&P confirmed the rating at 'B' with stable outlook in September 2020. [REDACTED]

ANNEX 6 – PROJECT IMPLEMENTATION**Procurement classification – *Public (sovereign)***

[REDACTED]

Project implementation arrangements

UkrDorInvest will continue with managing the Project procurement and implementation on a daily basis, with Ukravtodor focusing on overall Project management and reporting to the Bank in accordance with the provisions of the loan agreement. [REDACTED]

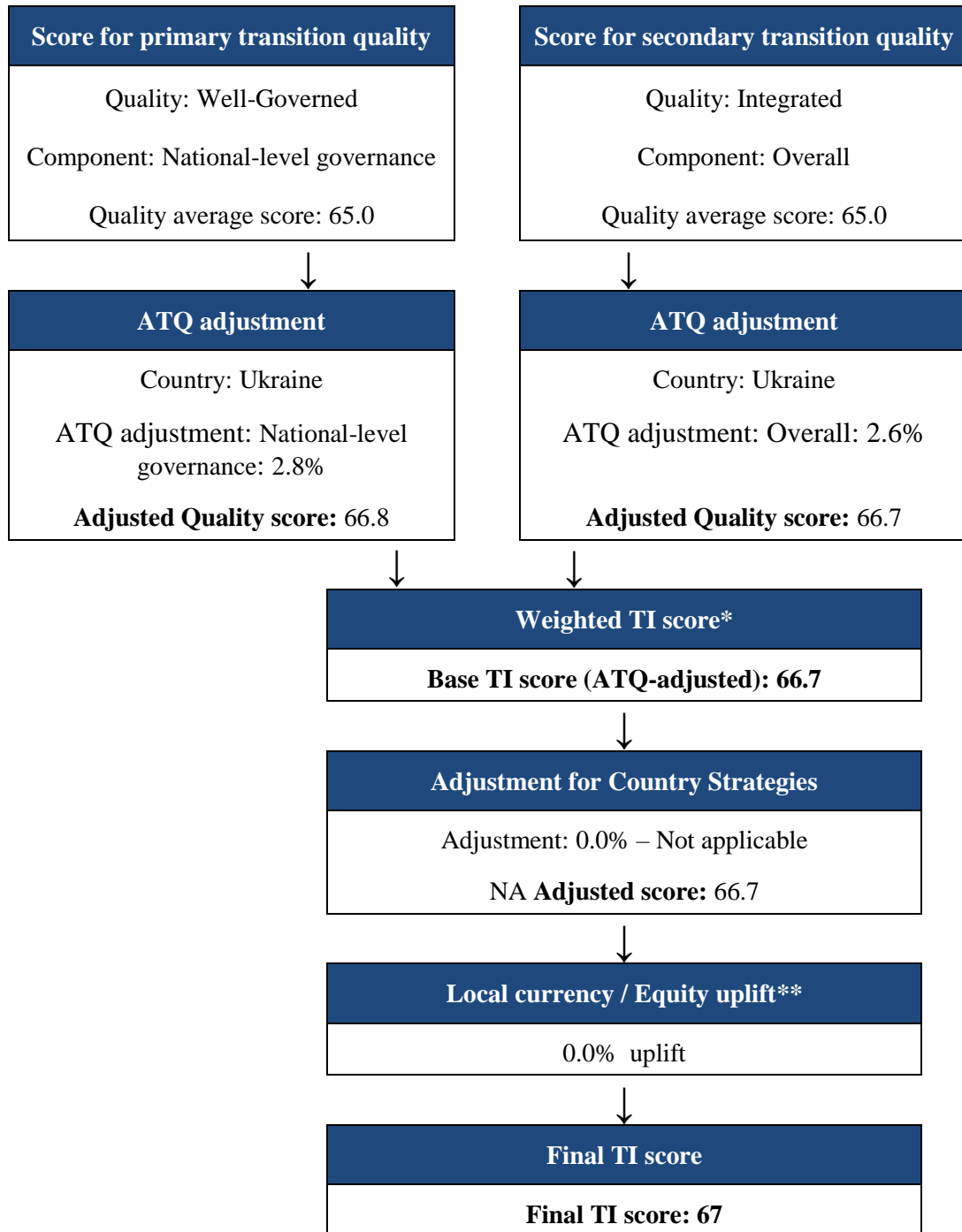
To facilitate the timely and efficient implementation of the Project by rendering assistance to Ukravtodor and UkrDorInvest, at Bank request, a Project Implementation Supervision and Advisory consultant will be engaged.

In addition, given the Project size, nature and complexity, the Bank will engage a Lender Technical Monitor (“**LTM**”) to assist the Bank to oversee the procurement and contract implementation processes. In particular, the LTM will assist in the timely review of the implementation issues and variation orders. [REDACTED]

Procurement arrangements

The Project is classified as public sector for procurement purposes. All works contracts and consultancy services contracts (works supervision, the PIA Consultant) to be procured by the Client financed out of proceeds of Bank’s loan and selected TC grant funded consultants will be procured through open tendering on EBRD Client e-Procurement Portal (“**ECEPP**”) in accordance with the PPR. [REDACTED]

ANNEX 7 – TRANSITION IMPACT SCORING CHART



*The Primary Quality score is weighted 75% for the calculation of the Base TI Score. The Secondary Quality is weighted 25%.

ANNEX 8 – SSF FICHE

[REDACTED]