Guide on Funding and Financing for Ukrainian Cities

Deliverable 2.5

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Executive Summary

This guide on funding and financing supports Ukrainian cities in preparing Climate Neutrality Plans (CNPs), especially in relation to securing and managing funding for climate-aligned urban development in the context of post-war recovery. It recognises that Ukraine's reconstruction offers a unique, albeit sober, opportunity to build back more sustainably and resiliently, aligning with EU's broader climate neutrality goals.

Effective funding and financial planning is essential for implementing the actions defined in the Climate Neutrality Plan. By securing and allocating financial resources strategically, organisations and governments can transform climate goals and plans into practical projects. Robust financial planning not only makes these actions feasible, but ensures they are scalable and resilient over time, thereby supporting a just and timely transition to climate neutrality.

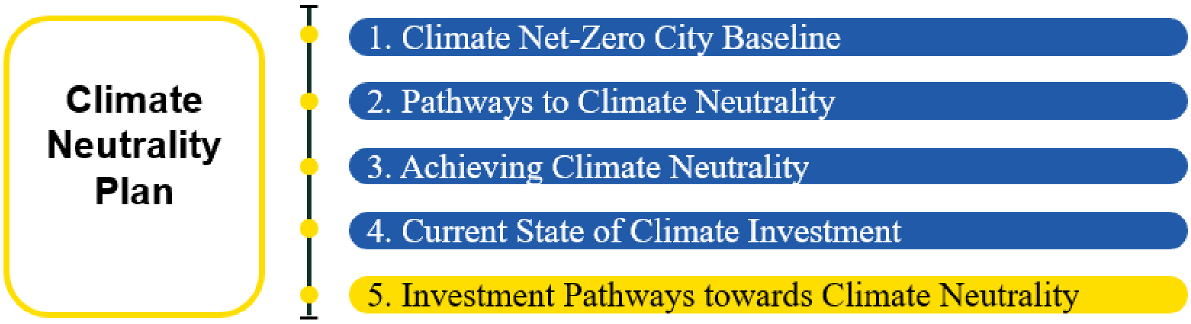

Figure 1 Structure of the Climate Neutrality Plan

The funding landscape for Ukrainian Municipalities is diverse. Local governments rely on their own revenues such as taxes, fees and asset income alongside intergovernmental transfers, and a growing range of external sources. These include national and international grants, loans, public-private partnerships, and innovative financial tools like green bonds and energy service contracts. Decentralisation reforms[1] have increased municipal autonomy, enabling cities to access and manage funds more directly.

International support is crucial. The European Union (EU), European Investment Bank (EIB), European Bank of Reconstruction and Development (EBRD), World Bank, Nordic Environmental Finance Corporation (NEFCO), and United Nations Development Programme (UNDP), among others, provide grants, loans, and technical assistance. City-to-city partnerships and platforms like DREAM (Digital Restoration Ecosystem for Accountable Management) help municipalities access resources, share expertise and ensure transparency.

To attract funding, municipalities must develop "bankable" projects that are technically sound, financially viable, and aligned with both local and national strategies. This guidance outlines the full project life cycle, from concept to operation, and emphasises the importance of robust financial models, risk management, stable cash flows, and transparent governance. Projects should also demonstrate clear climate and social benefits, innovation, and the potential for replication or scaling.

Green reconstruction projects require special attention for compliance with international and EU standards, including environmental and social safeguards, circular economy principles, and

[1] Ukrainian Decentralisation Policy Initiatives: https://decentralization.ua/en/

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the EU Taxonomy for sustainable activities. Aligning with these standards meets regulatory requirements and mitigates risk increasing the attractiveness of projects to funders.
This document introduces practical tools and knowledge to help municipalities choose the right funding approach, such as ICLEI's decision-making trees and the NZC's Finance Guidance Tool, which match project needs with suitable funding sources. Furthermore, technical assistance is available through programs like U-LEAD and bodies such as the Council of Europe, which help build local capacity and ensure projects meet donor requirements.

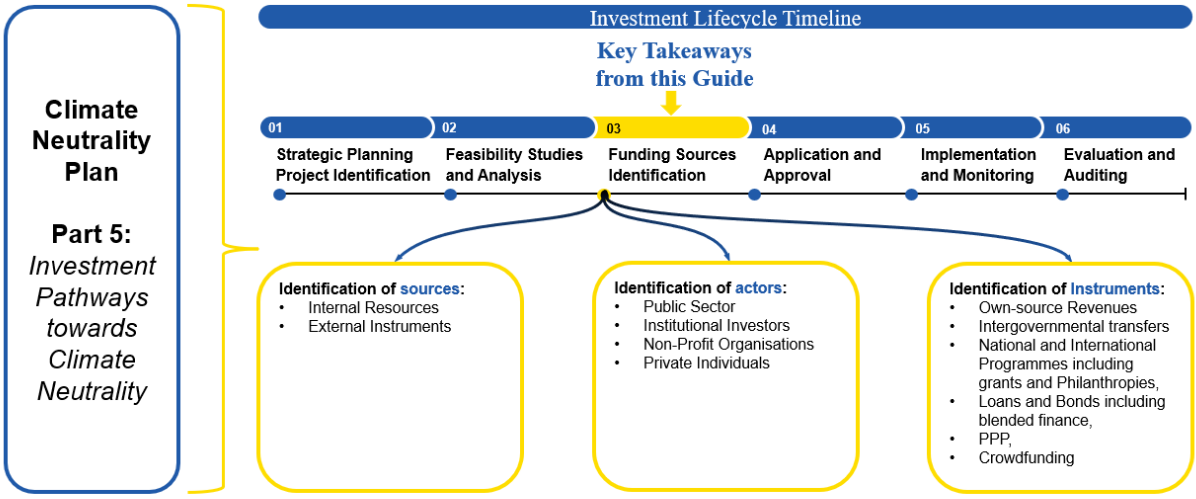

Figure 2 Summary of Key Takeaways from this Guide

This guidance provides a roadmap for Ukrainian cities to mobilise investment for sustainable, climate-resilient urban development. By combining local initiatives with international best practices and support, municipalities can play a leading role in Ukraine's green recovery and Europe's broader climate transition.

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Key Words

Funding Mechanisms, Financing Schemes, Bankable Projects, Climate Mitigation and Adaptation Investments, Green Transition, Securing Funds.

Abbreviations and Acronyms

Acronym	Description
ADB	Asian Development Bank
ASCs	Administrative Service Centres
AUC	Association of Ukrainian Cities
CAPEX	Capital Expenditure
CBA	Cost-Benefit Analysis
CBD	Convention on Biological Diversity
CBP	Capacity Building Programme
CCC	Climate City Contract
CCs	Consolidated Communities
CEE	Central and Eastern Europe
CINEA	European Climate, Infrastructure and Environment Executive Agency
CIT	Corporate Profit Tax
CIV	Climate Innovation Vouchers
CMU	Cabinet of Ministers of Ukraine
CNP	Climate Neutrality Plan
CO2	Carbon dioxide
CoE	Council of Europe
CoM	Covenant of Mayors
COOP	Continuity of Operations Plan
CoST	Infrastructure Transparency Initiative
CSO	Civil Society Organisation
CTF	Clean Technology Fund
DEG	Deutsche Investitions- und Entwicklungsgesellschaft
DG REGIO	European Commission - Directorate-General for Regional and Urban Policy
DNSH	Do No Significant Harm
DOBRE	Decentralisation Offering Better Results and Efficiency
DREAM	Digital Restoration Ecosystem for Accountable Management platform
DSCR	Debt Service Coverage Ratio
E5P	Eastern Europe Energy Efficiency and Environment Partnership Fund
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortisation
EBRD	European Bank for Reconstruction and Development
EBRD	European Bank for Reconstruction and Development
EC	European Commission

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EEF	Energy Efficiency Fund
EEO	Energy Efficiency Obligations/ Energy Efficiency Office
EEOS	Energy Efficiency Obligation Scheme
EFSD+	European Fund for Sustainable Development Plus
EFSE	European Fund for Southeast Europe
EIA	Environmental Impact Assessment
EIB	European Investment Bank
ELENA	European Local Energy Assistance
EMIS	Energy Management Information System
EPC	Energy Performance Contract
ESCO	Energy Service Contracts
ESG	Environmental, Social and Governance
ESIAs	Environmental and Social Impact Assessments
ESP	Environmental and Social Policy
ESRs	Environmental and Social Requirements
ETS	Emissions Trading System
EU	European Union
EUR	Euro
FECAG	Fund for the Elimination of the Consequences of Armed Aggression
FINTECC	Finance and Technology Transfer Centre for Climate Change
FL	Framework Loan
FMs	Flagship Municipalities
FX hedging	Foreign exchange hedge
GCAP	Green City Action Plan
GCIP	Global Clean Technology Innovation Programme
GDPR	General Data Protection Regulation
GEF	Global Environment Facility
GET	Green Economy Transition
GGU	Georgia Global Utilities
GHG	Greenhouse gas
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GMF	German Marshall Fund
GOU	Government of Ukraine
GWh/year	Gigawatt-hours per year
HOA	Homeowners Association
HR	Human Resources
ICLEI	Local Governments for Sustainability
ICMA	International Capital Market Association
IDPs	Internally Displaced Persons
IFC	International Finance Corporation
IFIs	International Financial Institutions
IFRS	International Financial Reporting Standards
IMC	Inter-Municipal Cooperation
IPR	Intellectual property rights
IPSAS	International Public Sector Accounting Standards

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IT	Information Technology
KfW	Kreditanstalt für Wiederaufbau
Km2	square kilometres
KPI	Key Performance Indicators
KSE	Kyiv School of Economics
LEPs	Local Energy Plans
LLCR	Loan Life Coverage Ratio
M&V	Measurement and Verification
M4EG	Mayors for Economic Growth
MEP	Municipal Energy Passport
MoF	Ministry of Finance
MoUs	Memorandum of Understanding
MRV	Monitoring, Reporting and Verification
MUSCO	Multiutility service company
NACP	National Agency on Corruption Prevention
NbS	Nature-based Solutions
NBU	National Bank of Ukraine
NDC	Nationally Determined Contribution
NEFCO	The Nordic Environment Finance Corporation
NGF	National Guiding Framework
NGO	Non-Governmental Organisation
NIP	Neighbourhood Investment Platform
NSSMC	National Securities and Stock Market Commission
NZC	NetZeroCities
NZEB	Net Zero Energy Building
O&M	Operation and Maintenance
OCP	Open Contracting Partnership
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OPEX	Operating Expenditure
OSBB	Association of co-owners of a multi-apartment building
PACE	Property Assessed Clean Energy
PFIs	Partner Financial Institutions
PIM	Public Investment Management
PIT	Personal Income Tax
PMO	Project-Management Office
PMU	Project Management Unit
PPP	Public-Private Partnership
PV	Photovoltaic
RES	Renewable Energy Solutions
RISE Ukraine	Coalition for Ukraine's Reconstruction Integrity, Sustainability and Efficiency
SAEE	State Agency on Energy Efficiency
SDC	Swiss Agency for Development and Cooperation
SDGs	Sustainability Development Goals
SEA	Strategic Environmental Assessment
SECAP	Sustainable Energy and Climate Action Plans

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SECO	State Secretariat for Economic Affairs
SFRD	State Fund for Regional Development
SIDA	Swedish International Development Cooperation Agency
SLBs	Sustainability-linked Bonds
SLL	Sustainability Linked Loans
SMART	Specific, Measurable, Achievable, Relevant and Time bound
SME	Small and Medium-sized Enterprise
SPV	Special Purpose Vehicles
SUN4Ukraine	Sustainable Urban Net Zero Network for Ukraine
TA	Technical Assistance
TAP	Transformative Actions Program
TEA	Technical and Economic Assessment
TIPS4UA	Training and Internship Programme Support for Ukrainian Municipalities
UAH	Ukrainian Hryvnia
UCP	Sustainable Local Recovery
UCP	Ukraine Cities Partnership for Sustainable Local Recovery
U-LEAD	Ukraine – Local Empowerment, Accountability and Development Programme
UN	United Nations
UNDP	United Nations Development Programme
UNDRR	United Nations Office for Disaster Risk Reduction
UNECE	United Nations Economic Commission for Europe
UNFCCC	United Nations Framework Convention on Climate Change
UNIDO	United Nations Industrial Development Organisation
URTF	Ukraine Relief, Recovery, Reconstruction, and Reform Trust Fund
UTMC	Ukrainian Transport Municipal Company
VAT	Value Added Tax

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Introduction

Cities are at the forefront of Europe's climate neutrality ambitions, playing a pivotal role in achieving the European Green Deal's target of net-zero emissions by 2050. In recognition of this, the European Commission launched the Mission of 100 Climate Neutral and Smart Cities by 2030. Today, the initiative has expanded to include a further 12 Flagship Municipalities (FMs) from across Ukraine. These municipalities are now embarking on a transformative path towards achieving climate neutrality by 2050.

The Russian invasion of Ukraine in 2022 caused significant disruption to urban development and climate progress. Recovery costs are estimated at €383 billion, a figure which continues to grow.[2] However, Ukraine's post-war recovery presents a unique opportunity to rebuild in alignment with long-term climate goals.

This guide is designed to support Ukrainian Municipalities, especially SUN4Ukraine Flagship Municipality Teams, in navigating the complex landscape of funding and financing for climate-aligned urban development. It builds upon methodologies developed by the University of Economics in Kyiv, Climate-KIC and Arup, while also integrating strategic frameworks from development banks, European institutions, and international financial organisations. It reflects the collective expertise of professionals who have helped cities across Europe craft sustainable development strategies, net-zero transition plans, and investment pathways.

The primary objective of this guide is to provide practical, actionable support to Ukrainian cities in identifying, securing, and managing funding and financing for their green transformation. It aims to empower local governments with the tools and knowledge required to unlock investment opportunities, align with the EU's climate goals, and build a resilient future for their communities.

The framework for Climate Neutrality Plan (CNP) is in parallel with this guidance and directly responds to Ukraine's reconstruction ambitions. Together, they provide complementary directions on designing strategic actions and mobilising investment to enable the planning process to achieve climate neutrality by 2050.

[2] World Bank, Government of Ukraine, European Union, United Nations. Ukraine Rapid Damage and Needs Assessment: February 2022, February 2023 (English). Washington, D.C.: World Bank Group.

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1. Funding and Financing Mechanisms

The funding and financing mechanisms outlined in this guidance are designed to support the implementation of Climate Neutrality Plans (CNPs) in Ukrainian cities. Rather than being standalone goals, funding and financing are essential tools to enable the actions identified within each CNP. In line with EU frameworks, the CNP builds on methodologies developed by Climate-KIC and NetZeroCities through the Climate City Contract (CCC) initiative, and incorporates strategic approaches used by development banks such as the European Bank for Reconstruction and Development's (EBRD) Green Cities programme. The CNP provides a structured pathway for cities to move from their current greenhouse gas (GHG) emissions baseline, towards climate neutrality by 2050. It helps identify and prioritise transformative actions across sectors and addresses gaps in policy, planning, financing, and delivery. This guidance links funding options directly to the structure and needs of the CNP, ensuring that financial support is proportionate and targeted to the actions required.

1.1. Regulatory Background Following Decentralisation and Amalgamation Policy

Ukraine's decentralisation reform, launched in 2014, reshaped local government finances. The 2015 Law of Ukraine "On Voluntary Amalgamation of Territorial Communities" facilitated the merging of settlements into larger communities (Hromadas), which then received direct budgetary relations with the state.[3] As a result, over 1,000 amalgamated communities had formed by 2020, consolidating previously fragmented local budgets at the Hromada level[4]. In 2020, the government finalised the territorial reform by establishing 1,469 Hromadas across the country, replacing the previous village councils, and reducing Rayon (district) governments from 490 to 136. The 2014 Law 'On Cooperation of Territorial Communities' established a legal basis for inter-municipal cooperation on joint projects (e.g. shared utilities or infrastructure).[5] Together with the ongoing constitutional amendments, these legal changes provide the foundation for empowered local self-government with substantial financial resources and autonomy. Hromadas can now independently approve and manage their budgets within the limits of national law, thereby building a more resilient local finance system.

In 2015, Parliament adopted amendments to the Ukrainian Budget Code to reform intergovernmental fiscal relations.[6] These changes increased the fiscal capacity of local self-governing bodies by allocating them new revenue sources and a larger share of taxes. Notably, municipalities now retain 60% of the Personal Income Tax (PIT) and 10% of the corporate profit tax collected in their jurisdiction. The reform also introduced sectoral grants in the form of education and healthcare subventions from the state budget to local budgets, calculated per student and per patient respectively. These subventions replaced direct central funding of schools and hospitals, giving communities flexibility in allocating funds among their institutions. A new equalisation system was also introduced, whereby communities with high

[3] Cabinet of Ministers of Ukraine. (2015). Resolution No. 6: On certain issues of providing the education subvention from the state budget to local budgets (in Ukrainian). Verkhovna Rada of Ukraine. https://zakon.rada.gov.ua/go/6-2015-%D0%BF

[4] VoxUkraine Team. (2025). White Book of Reforms 2025. Chapter 2: Decentralization. VoxUkraine. https://voxukraine.org/en/white-book-of-reforms-2025-chapter-2-decentralization

[5] Verkhovna Rada of Ukraine. (2014). Law of Ukraine "On Cooperation of Territorial Communities" No. 1508-VII (in Ukrainian). https://zakon.rada.gov.ua/laws/show/1508-18

[6] VoxUkraine Team. (2025). White Book of Reforms 2025. Chapter 2: Decentralization. VoxUkraine. https://voxukraine.org/en/white-book-of-reforms-2025-chapter-2-decentralization

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per capita revenues contribute a portion ('reverse' subsidies) back to the state, while poorer communities receive a basic subsidy to ensure adequate service delivery.[7]

At the same time, the Tax Code of Ukraine was amended to give local councils the power to set rates for certain local taxes and fees within national limits. Local governments were granted authority over property taxes, including taxes on real estate and land, as well as a single tax for small businesses and various local fees, such as parking fees and tourist taxes).[8] From 2015 onwards, local budgets also began to receive a share of the excise tax from the retail sale of fuel, alcohol and tobacco.[9]

Following fiscal decentralisation in 2015, local budget revenues increased from approximately UAH 101.1 billion in 2014 to UAH 263.5 billion in 2018. This strengthened communities' capacity to fund local services and development.[10] By 2021, the general fund of local budgets had generated UAH 351.9 billion in own-source revenues, excluding inter-budgetary transfers.[11] Despite wartime pressures, the total value of collections to the general fund of local budgets was UAH 441.9 billion in 2023 (excluding transfers).[12] In 2024, this figure increased further to approximately UAH 451.0 billion (not including transfers), which suggests that the local tax base remains resilient.[13]

In the first year of full-scale war, Russia's military aggression resulted in local budget losses of over 60%, amounting to UAH 78.9 billion. By 2024, not only had 15% of budgets failed to recover to pre-war income levels, but community budgets also accumulated an additional deficit of a further UAH 50.6 billion.[14]

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[7] Vinnychuk, N. (2024). Local budgets 2025: Features, priorities, prospects. U-LEAD with Europe. https://www.u-lead.org.ua/en/news/582

[8] Hamaniuk, O. (2020). PIT payments rise up faster in hromadas than in districts. VoxUkraine. https://voxukraine.org/en/pit-payments-rise-up-faster-in-hromadas-than-in-districts

[9] Vinnychuk, N. (2024). Local budgets 2025: Features, priorities, prospects. U-LEAD with Europe. https://www.u-lead.org.ua/en/news/582

[10] State Treasury/E-Data. (n.d.). E-Data / Spending portal (публічні кошти) (in Ukrainian). https://spending.gov.ua/

[11] Ministry of Finance of Ukraine. (2022). Report on the performance of local budgets in 2021 (in Ukrainian). https://mof.gov.ua/storage/files/Довідка_на_сайт

[12] Ministry of Finance of Ukraine. (2024). In 2023, UAH 441.9 billion was received into the general fund of local budgets (in Ukrainian). https://www.mof.gov.ua/uk/news/minfin_za_2023_rik_do_zagalnogo_fondu_mistsevikh_biudzhetiv_nadiishlo_4419_mlrd_griven-4386

[13] Ministry of Finance of Ukraine. (2025). In 2024, UAH 2451 billion was received into the general fund of local budgets, UAH 856 billion more than in 2023 (in Ukrainian). https://mof.gov.ua/uk/news/minfin_za_2024_r_do_zagalnogo_fondu_mistsevikh_biudzhetiv_nadiishlo_451_mlrd_grn_na_856_mlrd_bilshe_nizh_u_2023_r-4980

[14] Association of Ukrainian Cities (2025). Local Self-Government in Ukraine 2024.

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1.2. Overview of Funding and Financing Mechanisms Available to Ukrainian Municipalities

Ukraine's local government financing relies on a diverse mix of revenue sources and innovative instruments, coordinated through a complex network of actors, as illustrated in Figure 3. Municipalities often lead the planning and execution, but they rely on support from national and regional governments, public financial institutions, and private investors. Additionally, foundations, NGOs, and charities contribute through crowdfunding or partnerships, while institutional investors and individual citizens can participate in providing capital via bonds or other instruments. This diversity of stakeholders ensures multiple funding sources but also requires strong coordination capacity and governance to align interests and manage risks effectively.

Municipalities benefit from own-source revenues, intergovernmental transfers, and a growing array of external funding options, including national and international programmes. This multi-layered approach, strengthened by ongoing decentralisation reforms[15], empowers Ukrainian municipalities (Hromadas) with greater autonomy to manage budgets, set local tax rates, and directly access state and donor funds.

This section explores a wide range of funding and financing mechanisms that encourage climate action through development. These include public-private partnerships (PPPs), blended finance, grants, concessional loans and additional potential innovative tools such as soft and revolving loans, on-bill financing, and energy efficiency obligations. International support from the EU, EIB, World Bank, NEFCO, and UNDP, as well as city-to-city partnerships, further expand the resources available for municipal climate mitigation and adaptation.

Ukrainian municipalities are also increasingly leveraging green and sustainable bonds, alongside traditional municipal and sovereign bonds, to finance projects that advance climate neutrality and resilience. These instruments broaden the investor base and lower borrowing costs, but also require robust reporting and verification, ensuring transparency and accountability.

[15] https://decentralization.gov.ua/uploads/library/file/247/%D0%9C%D0%BE%D0%BD%D1%96%D1%82%D0%BE%D1%80%D0%B8%D0%BD%D0%B3_%D0%94%D0%B5%D1%86.%D0%B5%D0%BD%D1%82%D1%80%D0%B0%D0%BB%D1%96%D0%B7%D0%B0%D1%86%D1%96%D1%8F_10.04.2018__1_.pdf

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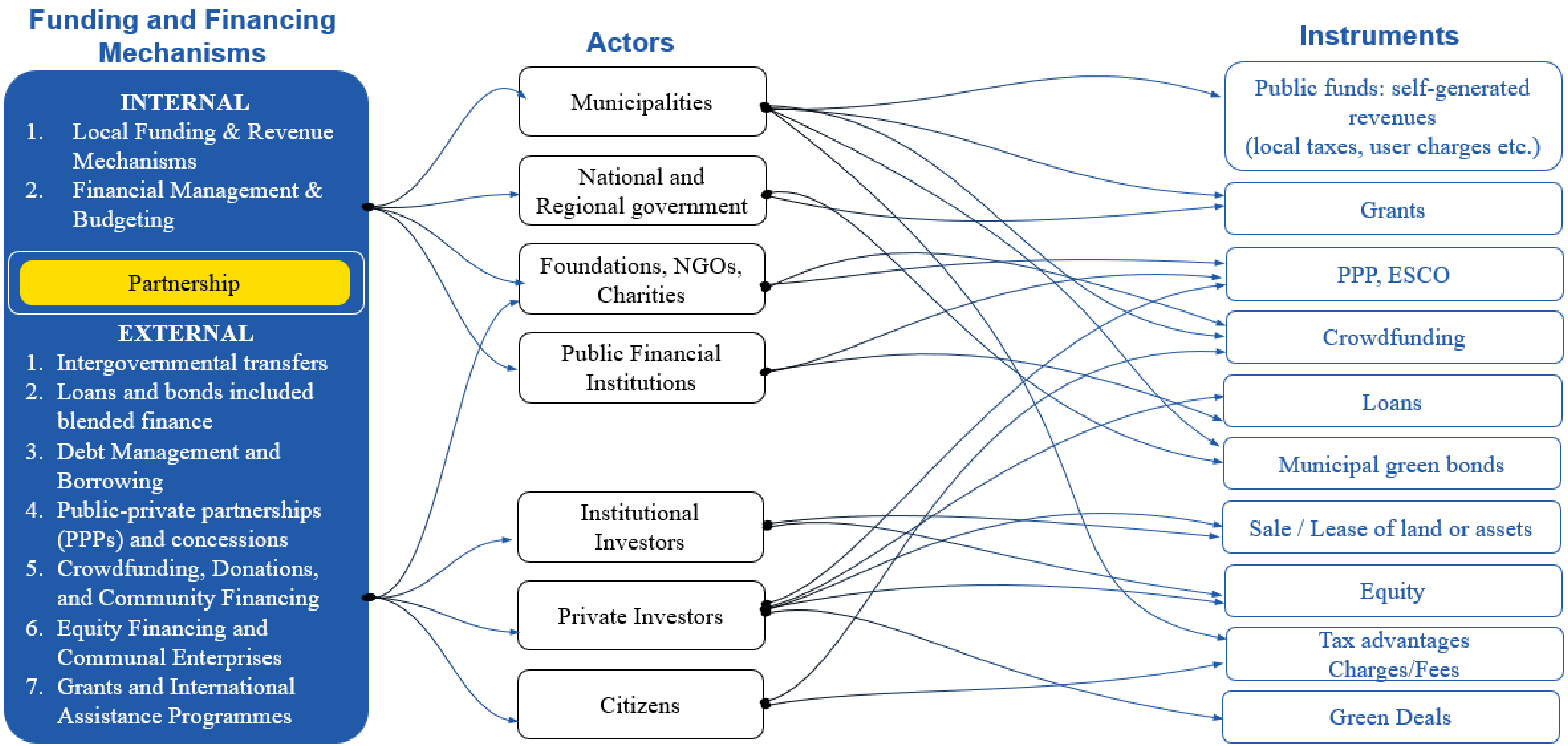

Figure 3 Mapping of Sources of Financing

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Municipalities can draw on two main categories of financing. The first is internal resources, which primarily consist of their own-source revenues such as local taxes, fees, and charges. The second category is external instruments, which include intergovernmental transfers from national or regional authorities, national and international programs such as grants and philanthropic contributions, debt instruments like loans and bonds—including blended finance arrangements—as well as public-private partnerships, crowdfunding, and other innovative mechanisms.

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1.3. Internal Funding and Financing Mechanisms

Since the 2015 reform, greater fiscal autonomy has allowed municipalities to invest their own-source revenues (PIT share, local taxes/fees and asset income) in visible local improvements. Monitoring by the government's decentralisation portal has documented strong growth in local budgets from 2014 to 2018 and beyond.[16]

1.3.1 Local Funding and Revenue Mechanisms

Ukrainian municipalities generate own-source revenues through a mix of local taxes, fees, and asset income. The largest share comes from:

- **Personal Income Tax (PIT):** 60% of PIT stays with Hromadas and 15% is kept by Oblasts, providing the largest and most stable local revenue source.
- **Corporate Profit Tax (CIT):** 10% of CIT from private enterprises is assigned to Oblast budgets, supporting regional development and fiscal autonomy.
- **Excise Taxes:** Local budgets receive a share of retail excise on fuel, alcohol, and tobacco, diversifying municipal revenue streams.
- **Property Taxes:** Local councils set rates for real estate and land taxes, enabling municipalities to tailor property taxation to local needs.
- **Single Tax:** Small business single tax is credited to local budgets, supporting entrepreneurship and providing flexible revenue for communities.
- **Other Local Fees:** Tourist, parking, and administrative service fees are set locally, supplementing municipal budgets and funding specific services.[17]
- **Municipal Asset Income:** Rental and sale of communal property or land generate income earmarked for capital projects and infrastructure investments.
- **Participatory Budgeting:** Residents propose and vote on city-funded projects, fostering civic engagement and ensuring local priorities are addressed.
- **Earmarked Funds:** Environmental, road, and reserve funds are dedicated for emergencies and specific projects, ensuring targeted and transparent spending. Ukrainian local budgets have general (flexible) and special (earmarked) funds; with development budgets forming part of the special fund. Targeted revenues must be used as designated. Vinnytsia's Environmental Protection Fund for example directs ecological revenues into city environmental projects via annual plans and programme passports.[18]

In addition, municipalities can actively shape a supportive environment for consumers, enterprise and industry that encourages participation and support e.g. external energy companies to implement investment-friendly tariff schemes.

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[16] Decentralization Portal. (2018). *Monitoring decentralization: Report of the Monitoring Mission* (in Ukrainian). https://decentralization.gov.ua/uploads/library/file/247/%D0%9C%D0%BE%D0%BD%D1%96%D1%82%D0%BE%D1%80%D0%B8%D0%BD%D0%B3_%D0%94%D0%B5%D1%86.%D0%B5%D0%BD%D1%82%D1%80%D0%B0%D0%BB%D1%96%D0%B7%D0%B0%D1%86%D1%96%D1%8F_10.04.2018__1_.pdf

[17] Verkhovna Rada of Ukraine. (2001). Tax Code of Ukraine No. 2755-VI (in Ukrainian). https://zakon.rada.gov.ua/laws/show/2755-177

[18] Hamaniuk, O. (2020). PIT payments rise up faster in hromadas than in districts. VoxUkraine. https://voxukraine.org/en/pit-payments-rise-up-faster-in-hromadas-than-in-districts, VoxUkraine Team. (2025). White Book of Reforms 2025. Chapter 2: Decentralisation. VoxUkraine. https://voxukraine.org/en/white-book-of-reforms-2025-chapter-2-decentralisation

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- **Fixed Tariff**: Municipalities can support frameworks where energy suppliers are offered a stable unit price over the duration of their contracts. This predictability helps companies plan and finance long-term investments with greater confidence.
- **Green Tariff**: By endorsing or facilitating access to above-market tariffs for renewable energy, municipalities can motivate suppliers to prioritise green energy solutions. This premium pricing acts as a clear incentive for sustainable infrastructure development.
- **Net Metering**: Municipalities can encourage the adoption of net metering policies that allow consumers, such as households or businesses, to offset their electricity bills by

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generating their own energy. This mechanism supports local energy production and can be integrated into broader municipal sustainability goals.[19]

The mechanism influencing own-source revenues can be fiscal but additional support such as customs incentives may be granted either for specific types of equipment (such as energy-efficient or renewable energy systems) or to companies engaged in particular activities (e.g., renewable energy production).
The primary objective is to encourage investment in clean technologies. Potential incentives include VAT and customs duty exemptions for energy efficiency and renewable energy equipment, along with local tax benefits for clean energy producers.[20]

Real-Case Examples of Internal Resource Utilisation:

Infrastructure and Services

Chernihiv is an example of a city that has invested local revenues in upgrading its public transport system. Beginning in 2016, the City Council allocated funds from the local budget to purchase new trolleybuses. In 2018, it reported buying 12 vehicles at the lowest price in Ukraine. This practice has continued, and by March 2021, the City Council had confirmed the procurement of additional trolleybuses, including seven new units financed from the city budget[21] [22]. Lviv demonstrates the routine use of the city budget for street repairs and neighbourhood infrastructure, for example through targeted allocations for specific streets, which are approved by the executive committee and financed from local sources.[23]

Education, Health, and Community Facilities

Under the Law "On Lease of State and Communal Property" No. 157-IX, Ukrainian law allows municipalities to lease unused premises of communal institutions (including schools), enabling communities to legally utilise underused assets and generate non-tax revenues. [24]

Cities also supplement state health financing with programmes from their own budgets. For example, the explanatory note for Slavuta's 2025 budget details local allocations for health facilities and related support measures from the municipal budget[25]

Dedicated (earmarked) Local Funds and Programme Spending

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[19] https://com-east.eu/funding-opportunities/
[20] https://com-east.eu/funding-opportunities/
[21] Chernihiv City Council. (2018). *Chernihiv is buying 12 trolleybuses at the lowest prices in Ukraine* (in Ukrainian). https://chernigiv-rada.gov.ua/news/id-26232/ Chernigiv City Council
[22] Chernihiv City Council. (2021). *Four new trolleybuses will start operating in the city in May* (in Ukrainian). https://chernigiv-rada.gov.ua/news/id-47264/
[23] Lviv City Council. (2025). *Nearly UAH 1 million from reserve fund to repair damaged buildings after shelling* (in Ukrainian). https://city-adm.lviv.ua/news/society/social-sphere/308653-misto-vydilylo-maizhe-milion-hryven-na-vidnovlennia-dvokh-budynkiv-na-vul-oleny-stepanivny-poshkodzhenykh-pid-chas-serpnevoho-rosiiskoho-obstrilu
[24] Verkhovna Rada of Ukraine. (2019). *Law of Ukraine "On Lease of State and Communal Property"* No. 157-IX (in Ukrainian). https://zakon.rada.gov.ua/laws/show/157-20
[25] Slavuta City Council. (2024). *Explanatory note to the draft budget for 2025 (local health allocations)* (in Ukrainian). https://slavuta-mvk.gov.ua/wp-content/uploads/2024/12/Пояснювальна-до-Проєкту-бюджету-2025_.pdf

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Vinnytsia maintains a Municipal Environmental Protection Fund, which accumulates legally defined ecological revenues and allocates them to city environmental projects via programme passports and annual plans.[26] [27]

Participatory Budgeting (Recycling Local Taxes into Micro-Projects)

Kyiv's 'Participatory Budget' (Громадський бюджет) allocates a portion of the city budget to projects selected by residents. The legal framework and implementation materials are published on the official city portal.[28] [29] Vinnytsia runs a similar programme featuring public financial and results dashboards. These show how local tax receipts are financing community-selected amenities, such as parks, sports grounds, and small-scale infrastructure.[30]

Social Protection and Emergency Response from Local Revenues

Lviv frequently uses its legally established reserve fund within the local budget to respond to shocks. For example, in 2024–2025, resources were allocated to repair damage from missile strikes and support affected residents and internally displaced persons (IDPs). This demonstrates how robust local revenues can lead to a rapid municipal response.[31] [32]
Across cities, stronger own-source revenues and the flexibility to earmark or programme them within Budget Code rules have financed tangible local outcomes, such as transport fleet renewals, street and public space upgrades, environmental projects, participatory 'micro-capex', and rapid social and emergency support. Meanwhile, national reporting confirms the sustained expansion of local fiscal capacity during the reform period.[33] [34]

[26] Vinnytsia City Council. (2022). *Environmental Protection Fund—city framework* (in Ukrainian). https://2021.vmr.gov.ua/Branches/Lists/Ecology/ShowContent.aspx?ID=9
[27] Vinnytsia City Council. (2025a). *Budget programme passport 8330: Environmental Protection Fund* (in Ukrainian). https://www.vmr.gov.ua/media/Відділ%20обліку%20та%20звітності/PaspBudjProgr/2025/8330.pdf

[28] Kyiv City State Administration (KCSA). (2021). *Public offers and reports on the issuance of Kyiv City Council internal local loan bonds, Series M, N, O* (in Ukrainian). Retrieved from https://kyivcity.gov.ua/…/departament_finansiv/publichni_propozitsi_obligatsiy_vnutrishnikh_mistsevikh_pozik
[29] Kyiv City Council. (n.d.). *Regulation on the participatory budget of Kyiv* (in Ukrainian). Kyiv City Council (official portal). https://kyivcity.gov.ua/kyiv_ta_miska_vlada/kmr/hromadska_aktyvnist/hromadskyi_biudzhet_383001/
[30] Vinnytsia City Council. (2025a). *Budget programme passport 8330: Environmental Protection Fund* (in Ukrainian). https://www.vmr.gov.ua/media/Відділ%20обліку%20та%20звітності/PaspBudjProgr/2025/8330.pdf
[31] Lviv City Council. (2025). *Municipal donation campaign: Roman Shukhevych Museum—official notice* (in Ukrainian). https://city-adm.lviv.ua/news/culture/306742
[32] Lviv City Council. (2025). *Reserve fund allocation for emergency works* (in Ukrainian). https://city-adm.lviv.ua/video/watch/237447-misto-vidililo-30-mln-grn-z-rezervnogo-fondu-byudzhetu-na-likvidatsiyu-naslidkiv-ostannogo-obstrilu
[33] Decentralization Portal. (2018). *Monitoring decentralization: Report of the Monitoring Mission* (in Ukrainian). https://decentralization.gov.ua/uploads/library/file/247/%D0%9C%D0%BE%D0%BD%D1%96%D1%82%D0%BE%D1%80%D0%B8%D0%BD%D0%B3_%D0%94%D0%B5%D1%86.%D0%B5%D0%BD%D1%82%D1%80%D0%B0%D0%BB%D1%96%D0%B7%D0%B0%D1%86%D1%96%D1%8F_10.04.2018__1_.pdf
[34] State Agency for Restoration and Infrastructure Development of Ukraine. (2022). *Effectiveness evaluation of budget programme 3131090 (local roads)* (in Ukrainian). https://restoration.gov.ua/4489/finansovo-ekonomichna_diialnist/51265/51274.pdf

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1.3.2 Financial Management and Budgeting

Effective financial management and robust budgeting are indispensable for Ukrainian municipalities seeking external finance and ensuring fiscal stability. Lenders and donors consistently expect sound budget structures, transparent planning processes, realistic revenue forecasts, and strict financial control mechanisms. These capacities are crucial for demonstrating creditworthiness and the ability to manage funds responsibly, especially in the context of reconstruction and development.

1.3.2.1 Structured Budget Framework: General and Special Funds

Ukrainian local budgets are split into general and special funds, each serving distinct purposes. [35] The general fund accumulates all non-earmarked revenues and finances current expenditures, such as wages, utilities, and social services. Key revenue sources include Personal Income Tax (PIT), rental payments for oil and gas extraction, state duty, excise tax, profit tax from municipal enterprises, property tax, unified tax, parking and tourist taxes, licence fees, and rent from communal property and natural resources. Transfers between funds are permitted only within approved budget assignments. Local budgets may establish a reserve fund for unforeseen expenditure. By rule, this fund may not exceed 1% of general fund expenditure, and its use is regulated by Cabinet procedure. [36.37.38] Justification and reporting of use decisions is required in budget execution reports. However, exceeding this limit is permitted under martial law (Section VI, Paragraph 22 of the Budget Code of Ukraine).

The **special fund**, conversely, functions as the development budget. It comprises targeted revenues (e.g., proceeds from land sales, grants, loans) and expenditures earmarked for specific activities and capital investments, including credit operations tied to specific revenues and financing from borrowings or asset sales.[39.40] Local development programmes, particularly infrastructure upgrades and energy efficiency projects, are financed through this fund. Critically, the Budget Code strictly prohibits using special-fund revenues for other purposes and mandates a clear link between revenues and expenditures.[41]

Changes to appropriations and reallocations between major lines are governed by Article 23 of the Budget Code, which requires formal decisions (i.e. council amendments) rather than unilateral executive action. Transfers between the general and special funds are limited and must adhere to statutory procedures.[42]. Expenditure from the special fund must only be incurred within the actual receipts and for the stated purpose. Under the Budget Code and the Ministry of Finance's guidance, reallocations and changes to programme passports must be

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[35] Verkhovna Rada of Ukraine. (2010). *Budget Code of Ukraine* No. 2456-VI (in Ukrainian). https://zakon.rada.gov.ua/laws/show/2456-17

[36] https://hromady.org/wp-content/uploads/2018/04/%D0%9C%D1%96%D1%81%D1%86%D0%B5%D0%B2%D0%B8%D0%B9-%D0%B1%D1%8E%D0%B4%D0%B6%D0%B5%D1%82-%D0%9E%D0%A2%D0%93.pdf

[37] Cabinet of Ministers of Ukraine. (2002b). *Resolution No. 415: On approval of the procedure for the use of the reserve fund of the budget* (in Ukrainian). Verkhovna Rada of Ukraine. https://zakon.rada.gov.ua/laws/show/415-2002-%D0%BF

[38] Verkhovna Rada of Ukraine. (2010a). *Budget Code of Ukraine* No. 2456-VI (in Ukrainian). https://zakon.rada.gov.ua/laws/show/2456-17

[39] Verkhovna Rada of Ukraine. (2010). *Budget Code of Ukraine* No. 2456-VI (in Ukrainian). https://zakon.rada.gov.ua/laws/show/2456-17

[40] Ministry of Finance of Ukraine. (n.d.b). *Financing of budget expenditures* (in Ukrainian/English). Retrieved from https://mof.gov.ua/en/financing-of-budget-expenditures

[41] https://kse.ua/KSE_for_BGK_Final_Report_July2024%20-%2020.11.2024.pdf

[42] Verkhovna Rada of Ukraine. (2010a). *Budget Code of Ukraine* No. 2456-VI (in Ukrainian). https://zakon.rada.gov.ua/laws/show/2456-17

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made within the budget period and in the prescribed manner. Retrospective "fixes" do not absolve liability for prior violations.[43,44]

Although a deficit may be planned in the development budget (to be covered by borrowing and capital revenues), the general fund is expected to be balanced. The structure of Articles 71 – 74 (development financing through borrowing, debt servicing from the general fund and earmarking from special funds) imposes a hard budget constraint on operating expenditure.[45]

1.3.2.2 Multi-Year Financial Planning and Targeted Programmes

While local budgets are approved annually, they must incorporate forecasts for the subsequent two years as stipulated by the Budget Code. For long-term investments, municipalities must develop targeted programmes – multi-year plans that align specific goals with tasks, budgets, and timelines. These programmes, often funded from multiple sources (local, regional, state budgets, grants, and borrowings), require approval by the local council. Multi-year planning is vital for projects requiring phased investments (e.g., housing, water, waste management), underpinning financial security and ensuring co-financing commitments are sustainable across the project's duration.[46]

1.3.2.3 Structured Budget Process and Financial Control

An effective budget process encompasses four stages:
- drafting,
- council review and adoption,
- execution (including amendments),
- and preparing/reviewing the report on budget execution.

Each stage is governed by the Constitution, Budget Code, annual state budget law, and other legal acts. Effective financial management necessitates qualified staff capable of preparing budget documents, coordinating with departments, and ensuring compliance with budget rules.[47]

Financial control mechanisms, including internal audit, financial inspection, and public oversight, are essential. These mechanisms must operate at every stage of the budget process to ensure proper revenue collection, authorised expenditures, and intended use of funds. Municipalities should adopt standard operating procedures for accounting, treasury management, procurement, and reporting, and utilise modern software to track cash flows and budget execution.[48]

1.3.2.4 Realistic Revenue Forecasting and Co-Financing Readiness

Credible budgets and co-financing plans depend on realistic revenue forecasts. Municipalities must employ analytical and econometric methods, particularly for forecasting Personal Income Tax (PIT), by adjusting previous year's receipts for statutory share, wage-fund growth, minimum wage changes, inflation, labour legislation, and employer locations. Similar methods

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[43] Verkhovna Rada of Ukraine. (2010a). *Budget Code of Ukraine* No. 2456-VI (in Ukrainian). https://zakon.rada.gov.ua/laws/show/2456-17

[44] Ministry of Finance of Ukraine. (n.d.b). *Financing of budget expenditures* (in Ukrainian/English). Retrieved from https://mof.gov.ua/en/financing-of-budget-expenditures

[45] Verkhovna Rada of Ukraine. (2010a). *Budget Code of Ukraine* No. 2456-VI (in Ukrainian). https://zakon.rada.gov.ua/laws/show/2456-17

[46] https://kse.ua/KSE_for_BGK_Final_Report_July2024%20-%2020.11.2024.pdf

[47] https://fincontrolnew.com.ua/attachments/fac3c57e-e189-4259-97f0-3e2d3df25d3d_2017%20-%2011_19-25.pdf

[48] https://fincontrolnew.com.ua/attachments/fac3c57e-e189-4259-97f0-3e2d3df25d3d_2017%20-%2011_19-25.pdf

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apply to other local taxes (excise, Corporate Profit, property, unified tax) and non-tax revenues (rent, fees, communal assets). Forecasts must also consider macroeconomic trends, business closures, demographic changes, and anticipated legal amendments.[49]

Financial resilience is enhanced by a diversified revenue base. Recent trends show growth in some tax categories (unified tax, land fees, excise tax) partly compensating for declines in PIT due to military PIT redirection.[50] Municipalities need to anticipate legislative changes and adjust co-financing plans accordingly. Readiness for co-financing requires maintaining financial reserves in both general and special funds, diversifying revenue streams, and managing matching contributions from private partners. Legal and administrative readiness, including council resolutions and treasury system recording, are also critical.[51] [52]

1.3.2.5 Adaptive Budgeting and Risk Management

Wartime conditions necessitate adaptive budgeting and robust risk management, as well as patience; as local teams can be affected by significant stress and infrastructure failures (e.g., disruptions to electricity, transport can impact deadlines). Municipalities must be able to reallocate funds, adjust revenue assumptions, and reprioritise expenditures during crises. Reserve funds and contingency plans are vital for maintaining operations during emergencies.[53] [54] This aligns with the broader requirement for integrated risk management (see Section 2.4).

1.3.2.6 Qualified Finance Staff and Analytical Capabilities

To manage finances effectively and meet funder expectations, municipalities require qualified finance staff with a deep understanding of budget legislation, accrual principles, revenue forecasting, expenditure control, and audit procedures. Training on the Budget Code, Treasury system, and digital accounting software is essential. Moreover, municipalities must develop strong analytical and forecasting capabilities to project revenues and expenditures under various scenarios, utilizing demographic, economic, and legal assumptions. Access to and interpretation of data (e.g., tax returns, wage statistics, business activity) are key.[55] This directly relates to the importance of qualified human capital (see Section 3.2).

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[49] https://hromady.org/wp-content/uploads/2018/04/%D0%9C%D1%96%D1%81%D1%86%D0%B5%D0%B2%D0%B8%D0%B9-%D0%B1%D1%8E%D0%B4%D0%B6%D0%B5%D1%82-%D0%9E%D0%A2%D0%93.pdf

[50] https://decentralization.ua/en/news/19387

[51] https://decentralization.gov.ua/uploads/library/file/709/Practychny-Posibnyk-DFRR.pdf

[52] https://decentralization.ua/en/news/19387

[53] https://kse.ua/KSE_for_BGK_Final_Report_July2024%20-%2020.11.2024.pdf

[54] https://www.businessperspectives.org/images/pdf/applications/publishing/templates/article/assets/20009/PMF_2024_01_Romenska.pdf

[55] https://hromady.org/wp-content/uploads/2018/04/%D0%9C%D1%96%D1%81%D1%86%D0%B5%D0%B2%D0%B8%D0%B9-%D0%B1%D1%8E%D0%B4%D0%B6%D0%B5%D1%82-%D0%9E%D0%A2%D0%93.pdf

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1.4. External Funding and Financing Mechanisms

Municipalities can access external funding and financing through:

- Intergovernmental transfers,
- Loans and bonds included blended finance,
- Debt management and borrowing,
- Public-private partnerships (PPPs) and concessions,
- Crowdfunding, Donations, and Community Financing,
- Equity Financing and Communal Enterprises,
- Grants and International Assistance Programmes.

1.4.1 Intergovernmental Transfers

Intergovernmental Transfers (from the central government) are vital for balancing resources and ensuring equitable services. Sectoral resources, such as education and healthcare subventions, are allocated based on formulas (per student/patient), giving local flexibility. The equalisation system requires wealthier communities to pay a "reverse" subsidy, while poorer communities receive a basic subsidy.[56]

Targeted Subventions are earmarked for specific projects, such as infrastructure. This is currently facilitated through the DREAM public investment ecosystem.
The State Fund for Regional Development (SFRD) is the main national capital fund, supporting regional projects through competitive selection and mandatory local co-financing. Strict eligibility, use, and reporting requirements ensure transparency and accountability in the use of these funds.[57]

State subventions are conditional. The education subvention, which is distributed by a Cabinet-approved formula, may only fund strictly defined current expenditure in general secondary education.[58] [59] [60] Similarly, where applicable, the health (medical) subvention has a formulaic distribution and restricted use.[61] [62] Unused targeted balances are managed in accordance with Treasury and Cabinet rules. Misallocation (spending outside the intended purpose) is prohibited and monitored by the State Financial Control.[63]

[56] U-Lead. (2024). Local budgets 2025: features, priorities, prospects https://www.u-lead.org.ua/en/news/582
[57] Cabinet of Ministers of Ukraine. (2021). On amendments to the Procedure for the use of funds provided in the state budget for the development of medical care in rural areas. https://zakon.rada.gov.ua/laws/show/453-2021-%D0%BF#Text
[58] Verkhovna Rada of Ukraine. (2010). *Budget Code of Ukraine* No. 2456-VI (in Ukrainian). https://zakon.rada.gov.ua/laws/show/2456-17
[59] Cabinet of Ministers of Ukraine. (2017). *Resolution No. 1088: On approval of the formula for distribution of the education subvention between local budgets* (in Ukrainian). Verkhovna Rada of Ukraine. https://zakon.rada.gov.ua/go/1088-2017-%D0%BF
[60] Cabinet of Ministers of Ukraine. (2015). *Resolution No. 6: On certain issues of providing the education subvention from the state budget to local budgets* (in Ukrainian). Verkhovna Rada of Ukraine. https://zakon.rada.gov.ua/go/6-2015-%D0%BF
[61] Verkhovna Rada of Ukraine. (2010a). *Budget Code of Ukraine* No. 2456-VI (in Ukrainian). https://zakon.rada.gov.ua/laws/show/2456-17
[62] Cabinet of Ministers of Ukraine. (2015b). *Resolution No. 618: On approval of the formula for distribution of the medical subvention from the state budget to local budgets* (in Ukrainian). Verkhovna Rada of Ukraine. https://zakon.rada.gov.ua/go/618-2015-%D0%BF
[63] Cabinet of Ministers of Ukraine. (2015). *Resolution No. 6: On certain issues of providing the education subvention from the state budget to local budgets* (in Ukrainian). Verkhovna Rada of Ukraine. https://zakon.rada.gov.ua/go/6-2015-%D0%BF

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Local Guarantees: City councils may guarantee loans for communal enterprises, supporting infrastructure projects. Guarantees require collateral and payment of a guaranteed fee to the local budget, ensuring prudent risk management and alignment with municipal financial policies.[64]

Moreover, municipalities can use revolving funds, self-sustaining financial tools where loans for specific activities are repaid over time and replenish the fund for future use. Interest is typically charged to cover administrative costs and maintain long-term sustainability.

Real-Case Examples of External Instruments Utilisation

Dedicated (earmarked) Local Funds and Programme Spending

At the national/local interface, the Road Fund subvention for local roads of national importance, which is administered by Oblasts, has funded extensive repairs each year. Official performance documentation reports that over a thousand kilometres of local roads were given new upper layers in the 2021 programme cycle.[65]

In practice Municipalities do not receive subsidies for the repair of municipal roads in populated areas since, in most cases, the contractors responsible for the work and the recipients of the funds (i.e. the customers) are departments of regional authorities and regional road service departments. This in many cases leads to the relevant provision of the Budget Code of Ukraine being ineffective, and the funds remaining at the regional budget level.[66]

Energy Efficiency Fund (EEF) Grants Facilitated by Municipalities

Municipalities help Homeowners Associations (HOAs) or OSBBs apply to the state Energy Efficiency Fund (capitalised by the EU and Germany) under the *Energodim* programme; the EEF's official site details the grant mechanism, while the Ministry for Restoration confirms renewed EU and German funding in June 2025 to expand residential energy efficiency grants.[67] A typical municipal practice is to set up an advisory desk and co-finance part of the HOA contribution; for instance, Zhytomyr City Council documents its financial support for local HOAs joining Energodim and receiving partial reimbursement from the city budget.[68]

State Fund for Regional Development (SFRD) – Accessed Through DREAM

Domestic funds increasingly run through the Digital Restoration Ecosystem for Accountable Management (DREAM) public investment ecosystem. UAH 1 billion in allocations from the State Fund for Regional Development (SFRD) will be allocated via DREAM in 2025, with clear selection criteria (alignment with strategies, 10% co-finance, readiness, ≤18-month implementation). This formalises the "apply via national online system" process and integrates donor and state pipelines.[69] The DREAM public portal explains the single project pipeline and user roles for communities.[70]

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[64] https://mof.gov.ua/en/miscevij-borg-ta-miscevij-garantovanij-borg-osn-inf

[65] State Agency for Restoration and Infrastructure Development of Ukraine. (2022). *Effectiveness evaluation of budget programme 3131090 (local roads)* (in Ukrainian). https://restoration.gov.ua/4489/finansovo-ekonomichna_diialnist/51265/51274.pdf

[66] Association of Ukrainian Cities (2019). *Local Self-Government in Ukraine 2018.* https://www.auc.org.ua/sites/default/files/library/stan2018print_0.pdf

[67] Energy Efficiency Fund (Ukraine). (n.d.). Home; Energodim. https://eefund.org.ua/en/home/

[68] Zhytomyr City Council. (2023, April 25). Program "Energodim" in 2023: HOAs of Zhytomyr receive partial reimbursement from the city budget (in Ukrainian). https://eefund.org.ua/novyny/programa-energodim-2023-roku-osbb-zhytomyra-misto-vidshkoduye-chastynu-vytrat/

[69] DREAM. (2025). UAH 1 billion from the State Fund of Regional Development will be allocated via DREAM. https://dream.gov.ua/news/article-108

[70] DREAM. (n.d.). Public Investment Management System: State Single Project Pipeline. https://dream.gov.ua/en

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1.4.1.1 National Funds: Overview and Access Procedures

The Government of Ukraine operates several national funding programmes to support local development; these are appropriated in the State Budget and guided by the Budget Code and Cabinet of Ministers procedures.[71]

The **State Fund for Regional Development (SFRD)** is the primary national capital fund, supporting projects via competitive selection and local co-financing. The programme is dedicated to supporting regional and local development, mostly in the context of post-war recovery and Ukraine's European integration. In terms of climate actions, it promotes energy efficiency measures, and climate resilience.

The SFRD is established by Article 24-1 of the Budget Code; the Code sets the legal framework, including the (at least) 1% of state revenues orientation and authorises the Cabinet to set the selection procedure.[72] The selection mechanism is defined by Cabinet of Ministers of Ukraine (CMU) Resolution No. 196 (18 March 2015), which prescribes competitive Oblast-level commissions, alignment with regional strategies, and mandatory local co-financing (not less than 10%) for projects.[73]

After a wartime pause, the Government re-launched SFRD in 2025 where the State Budget 2025 provided UAH 1 billion. As noted above applications are filed and tracked through the DREAM platform, and priorities/criteria are set by Ministry for Development[74]. Approved projects are financed via the Treasury to local budgets strictly for the listed capital purposes, as per Resolution No. 971.[75]

The State Fund for Decarbonisation and Energy – Efficient Transformation is targeted towards the financing of energy efficiency and decarbonisation projects for businesses and municipalities. The fund provides preferential loans for solar power stations, thermal modernisation of buildings, equipment for energy modernisation, heat pumps, and alternative heat supply.

Separately from SFRD, the Cabinet allocates a targeted subvention for small-scale community projects under a dedicated procedure (**Subvention for Socio-Economic Development of Territories**). CMU Resolution No. 160 sets the rules for preparing and distributing this subvention by Cabinet acts that list specific recipients and objects.[76] In practice, funds are earmarked for concrete facilities (e.g., school repairs, equipment) and must be used precisely as specified in the Cabinet Act.

[71] Verkhovna Rada of Ukraine. (2010). Budget Code of Ukraine No. 2456-VI (in Ukrainian). https://zakon.rada.gov.ua/laws/show/2456-17
[72] Verkhovna Rada of Ukraine. (2010a). Budget Code of Ukraine No. 2456-VI (in Ukrainian). https://zakon.rada.gov.ua/laws/show/2456-17
[73] Cabinet of Ministers of Ukraine. (2015c). Resolution No. 196: On certain issues of the State Fund for Regional Development (Procedure) (in Ukrainian). Verkhovna Rada of Ukraine. https://zakon.rada.gov.ua/laws/show/196-2015-%D0%BF
[74] DREAM. (2025). UAH 1 billion from the State Fund of Regional Development will be allocated via DREAM. https://dream.gov.ua/news/article-108
[75] Cabinet of Ministers of Ukraine. (2025). Resolution No. 971: Certain Issues of the State Regional Development Fund (in Ukrainian). Verkhovna Rada of Ukraine. https://zakon.rada.gov.ua/laws/show/971-2025-%D0%BF#Text
[76] Cabinet of Ministers of Ukraine. (2020). Resolution No. 160: On priority capital projects under the socio-economic subvention (in Ukrainian). Verkhovna Rada of Ukraine. https://zakon.rada.gov.ua/laws/show/160-2020-%D0%BF

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Targeted Subvention for the infrastructure of amalgamated Hromadas (2016–2019) was provided by CMU Resolution No. 200 (16 March 2016) and subsequent amendments. It allocated per-capita quotas to newly amalgamated communities for capital projects.[77] Other sectoral subventions are periodically introduced by Cabinet acts (e.g., broadband connectivity subvention under CMU Resolution No. 453, 28 April 2021) with clearly defined eligibility, lists and spending rules.[78]

Ukraine's State Road Fund Subvention for local roads is established by Article 24-2 of the Budget Code. 35% of the Fund is allocated to Oblast budgets for local roads, with distribution governed by the Cabinet's procedure.[79] CMU Resolution No. 1085 sets how the local-roads subvention is allocated and used. Oblasts plan works and can delegate portions to municipalities.[80]

In Article 29 of the State Budget Law for 2023, Parliament created a special-fund, the **Fund for the Elimination of the Consequences of Armed Aggression** (FECAG), to finance reconstruction, with rules and reporting defined by CMU Resolution No. 118 (10 February 2023) and subsequent Cabinet acts.[81] Allocations are periodically approved by Cabinet resolutions/ordinances specifying recipient projects – for example, the Cabinet Act in June 2025 to provide for the third iteration of the Ukraine Recovery Program.[82] Local authorities apply through DREAM or submit via the State Agency for Restoration under the Cabinet's procedures.

Shares of the environmental tax are credited to local and regional budgets under the Tax Code (art. 240) and Budget Code (crediting to local budgets, art. 69-1). The local share must be used only for environmental measures within the **Environmental (Ecological) Fund**.[83.84]

1.4.1.2 Key Operating Rules When Accessing/Using National Funds

All national funds and subventions are executed through general vs. special fund rules of the Budget Code. The Budget Code states that special-fund revenues are earmarked and cannot be diverted to unrelated purposes, while the development budget aggregates capital revenues such as SFRD, asset sales, and borrowings[85] (CMU Resolution No. 378/2015 on servicing development-budget funds). Local budgets may maintain a reserve fund of up to 1% of the

[77] Cabinet of Ministers of Ukraine. (2016). Resolution No. 200: On approval of the procedure and conditions for providing the subvention to form the infrastructure of amalgamated territorial communities (in Ukrainian). Verkhovna Rada of Ukraine. https://zakon.rada.gov.ua/laws/show/200-2016-%D0%BF

[78] Cabinet of Ministers of Ukraine. (2021). On amendments to the Procedure for the use of funds provided in the state budget for the development of medical care in rural areas. https://zakon.rada.gov.ua/laws/show/453-2021-%D0%BF#Text

[79] Verkhovna Rada of Ukraine. (2010a). Budget Code of Ukraine No. 2456-VI (in Ukrainian). https://zakon.rada.gov.ua/laws/show/2456-17

[80] Cabinet of Ministers of Ukraine. (2017b). Resolution No. 1085: On approval of the procedure for directing funds of the State Road Fund (in Ukrainian). Verkhovna Rada of Ukraine. https://zakon.rada.gov.ua/laws/show/1085-2017-%D0%BF

[81] Cabinet of Ministers of Ukraine. (2023b). Resolution No. 118-2023-п: On approval of the Procedure for the use of funds from the fund for the liquidation of the consequences of armed aggression (in Ukrainian). Verkhovna Rada of Ukraine. https://zakon.rada.gov.ua/laws/show/118-2023-%D0%BF#Text

[82] Cabinet of Ministers of Ukraine. (2025). Order No. 614-r: On allocation in 2025 of the subvention under the Ukraine Recovery Program III (in Ukrainian). Verkhovna Rada of Ukraine. https://zakon.rada.gov.ua/laws/show/614-2025-%D1%80

[83] Verkhovna Rada of Ukraine. (2010a). Budget Code of Ukraine No. 2456-VI (in Ukrainian). https://zakon.rada.gov.ua/laws/show/2456-17

[84] Verkhovna Rada of Ukraine. (2001). Tax Code of Ukraine No. 2755-VI (in Ukrainian). https://zakon.rada.gov.ua/laws/show/2755-177

[85] Verkhovna Rada of Ukraine. (2010a). Budget Code of Ukraine No. 2456-VI (in Ukrainian). https://zakon.rada.gov.ua/laws/show/2456-17

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general fund for emergencies, per Article 24 of the Budget Code[86] (Verkhovna Rada of Ukraine, 2010).

1.4.2 Loans and Bonds

Municipalities can be granted loans for capital investments, subject to strict debt ceilings and Ministry of Finance approval. Borrowing from International Financial Institutions (IFIs) is also permitted, expanding access to developmental finance for infrastructure projects.[87]

Moreover, such instruments can be structured as Sustainable Loans, i.e. Green or Social loans, or as Sustainability Linked loans.

Sustainable Loans require that the use of proceeds be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green or Social Projects. The eligible project types include, but are not limited to, renewable energy, energy efficiency, biodiversity conservation, clean transportation, sustainable water and wastewater management, climate change adaptation, circular economy adapted products, production technologies and processes, and green buildings that meet regional, national or internationally recognised standards, or certifications for environmental performance.

Sustainability Linked Loans (SLL) have varying financial characteristics depending on whether the borrower achieves predefined ESG objectives or KPIs enshrined within debt covenants. SLLs are a forward-looking performance-based instrument, where the KPIs need to be core, relevant and material to the borrower and the Sustainability Performance Targets need to be ambitious in their calibration versus baselines. [88]

Certain international financial organisations and multilateral development banks may also provide soft loans (lower interest rates, longer grace periods etc.), or loan guarantees for development of certain green or social infrastructure assets, as set out in the following examples below.

Eurobonds are bonds that are issued in one country but pays interest and principal repayments in a country different to the issuers. They are often also referred to as external bonds, as they are issued in an external currency to the Euro. Eurobonds were previously limited to major cities, the right to issue Eurobonds and other external securities has now been extended to all Ukrainian municipalities, enabling broader access to international capital markets for large-scale development and infrastructure financing. Similar to loans (above), Eurobonds can be structured as Green Bonds, Social Bonds or Sustainability linked Bonds.

While Ukrainian municipalities are currently not big users of the Eurobond market, this could be an additional source for raising funds from international investors. For example, in 2024, EBRD, DEG, IFC and ADB supported the green US$ 300 million Eurobond issuance by Georgia Global Utilities (GGU), with the bond proceeds to be invested in improving the water-network infrastructure in Georgia's capital city, Tbilisi.[89]

[86] Verkhovna Rada of Ukraine. (2010a). Budget Code of Ukraine No. 2456-VI (in Ukrainian). https://zakon.rada.gov.ua/laws/show/2456-17
[87] Verkhovna Rada of Ukraine. (2010a). Budget Code of Ukraine No. 2456-VI (in Ukrainian). https://zakon.rada.gov.ua/laws/show/2456-17,
[88] https://insights.devonshires.com/post/102k72e/lma-publishes-new-edition-of-the-sustainability-linked-loan-principles
[89] https://www.ebrd.com/home/news-and-events/news/2024/ebrd-invests-in-georgia-global-utilities-green-eurobond.html

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Green Bonds are any type of bond instrument where the proceeds or an equivalent amount will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible green projects and follow the principles set out under ICMA's Green Bond Principles. The eligible Green Projects categories, include, but are not limited to:

- Renewable energy.
- Energy efficiency.
- Pollution prevention and control.
- Environmentally sustainable management of living natural resources and land use.
- Terrestrial and aquatic biodiversity conservation.
- Clean transportation.
- Sustainable water and wastewater management.
- Climate change adaptation.
- Circular economy adapted products, production technologies and processes.
- Green buildings that meet regional, national or internationally recognised standards, or certifications for environmental performance.[90]

Social Bonds collect funds from which the use of such proceeds must deliver new and existing projects with positive social benefits and follow the principles set out under ICMA's Social Bond Principles. Clearly defined eligible social project categories include but are not limited to affordable housing, access to essential services (education, healthcare), and financial services for underserved communities.[91]

Sustainable Bonds are broadly referred to as any type of bond instrument where the proceeds or an equivalent amount will be exclusively applied to finance or re-finance a combination of both Green and Social Projects.[92] Examples of European municipalities issuing Sustainable bonds include the city of Paris to fund climate action, the city of Östersund in Sweden to finance energy efficiency and renewable energy, the city of Madrid in Spain to support job creation through financing small and medium-sized enterprises and regional entities like Île-de-France Mobilités supporting sustainable transport.[93]

Sustainability-Linked Bonds (SLB) are similarly broadly referring to any type of bond instrument for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined Sustainability/ESG objectives. In this sense, issuers are thereby explicitly committing (through the bond covenant documentation) to future improvements in sustainability outcome(s) within a predefined timeline. SLBs are a forward-looking performance-based instrument. The issuer's sustainability performance is measured using sustainability KPIs that can be internal or external. The KPIs should be material to the corporate issuer's core sustainability and business strategy, address relevant environmental, social and/or governance challenges of the industry sector, and be under management's

[90] https://www.icmagroup.org/assets/documents/Sustainable-finance/2025-updates/Social-Bond-Principles-SBP-June-2025.pdf
[91] https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/
[92] https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf
[93] https://eu-mayors.ec.europa.eu/en/node/447#:~:text=21%20September%202022-,The%20city%20of%20%C3%96stersund%20uses%20green%20bonds%20to%20finance%20the,and%20hydropower%20plants%20for%20example. ; https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1430 ; https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Public-research-resources/II-LAB2019-02Social-Bonds-130219.pdf

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control. For sovereign issuers, the KPIs should be material to the issuer's core sustainability policies, and address relevant environmental, social and/or governance objectives.[94]

A number of the above structures may also be relevant in **Blended Finance,** which combines grants, loans, and local revenues to fully fund projects, leveraging multiple sources and maximising financial capacity for municipal development and recovery to service an overall capital stack or structure.[95]

Real-Case Examples of External Instruments Utilisation

IFI Loans and Blended Operations

Lviv financed a modern municipal solid waste treatment project with a €25 million loan from the EBRD, which was co-financed with the participation of the EIB and EU grants (E5P). This was one of the first city-level facilities of its kind in Ukraine.[96] Kyiv and other cities benefit from the EIB's Ukraine Urban Public Transport framework operations, which fund upgrades to the rolling stock and infrastructure of municipal transport systems.[97] [98]

Following the full-scale invasion, IFI support continued. In 2024, the EIB signed a €50 million loan agreement with Kyiv to modernise metro rolling stock and reduce reliance on Russian-made parts. In 2023, the EIB disbursed a €55 million tranche to assist communities in restoring essential municipal infrastructure as part of its emergency recovery response.[99]

Ukraine is leveraging a number of these external financing instruments for climate mitigation at the municipal level:

- The European Investment Bank's (EIB) Ukraine Early Recovery Programmes provide framework loans with EU grant support and technical assistance from the UNDP, enabling local authorities to rebuild infrastructure with a climate focus.[100]
- The EIB has provided €46 million in EU-guaranteed funding under the European Commission's Ukraine Investment Framework (as of October 2025) to help Ukrainian cities of Dnipro, Kamianske, Kovel, Kremenchuk, Kyiv, Lutsk, Lviv, Mykolaiv, Rivne, Ternopil, Uzhhorod, Zaporizhzhia and Korets maintain and restore essential urban services and address critical infrastructure needs including energy-efficient public buildings and urban transport.[101]
- In 2024, the EBRD deployed €833 million of financing via partner financial institutions in Ukraine, including €472 million to support trade finance under its Trade Facilitation Programme.[102]

[94] https://www.icmagroup.org/assets/documents/Sustainable-finance/2024-updates/Sustainability-Linked-Bond-Principles-June-2024.pdf
[95] Cabinet of Ministers of Ukraine. (2015b). Resolution No. 618: On approval of the formula for distribution of the medical subvention from the state budget to local budgets (in Ukrainian). Verkhovna Rada of Ukraine. https://zakon.rada.gov.ua/go/618-2015-%D0%BF
[96] https://www.ebrd.com/home/work-with-us/projects/psd/49437.html
[97] European Investment Bank (EIB). (2016). Ukraine Urban Public Transport—Framework Loan. Luxembourg: EIB. https://www.eib.org/en/projects/all/20150503
[98] European Investment Bank (EIB). (2019). Ukraine Urban Public Transport II. Luxembourg: EIB. https://www.eib.org/en/projects/all/20190001
[99] European Investment Bank (EIB). (2024a). Ukraine: EIB provides €55 million to reconstruct social infrastructure. https://www.eib.org/en/press/all/2024-530-ukraine-eib-provides-eur55-million-to-reconstruct-social-infrastructure
[100] European Investment Bank (EIB). (n.d.). The EIB stands with Ukraine — Solidarity Urgent Response. https://www.eib.org/en/projects/topics/eib-solidarity-ukraine
[101] https://www.eib.org/en/press/all/2025-403-eib-provides-over-eur46-million-to-improve-energy-efficiency-urban-transport-and-municipal-services-in-ukrainian-cities#:~:text=More%20than%20%E2%82%AC46%20million,and%20Uzhhorod%20with%20electric%20buses.
[102] https://www.ebrd.com/home/news-and-events/news/2025/EBRD-deploys-record--2-4-billion-in-Ukraine-in-2024.html#

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- EBRD is lending €10 million to Ternopilelectrotrans, a municipal public transport operator in the city of Ternopil, to enhance the resilience and efficiency of the city's electric public transport infrastructure.[103]
- NEFCO administers EU-funded grants for green recovery, supporting water, wastewater, district heating, and energy-efficient street lighting.[104]
- The European Fund for Southeast Europe (EFSE) through its Ukraine Sub-Fund (USF) has allocated €20 million to Ukrgasbank for lending to MSMEs for sustainable projects.[105]
- The German government through the International Climate Initiative (IKI) and the European Investment Bank (EIB), have launched the €20 million Renewable Energy Solutions (RES) Programme to support the integration of renewable energy systems into public buildings undergoing renovation works under EIB municipal loans.[106]
- Additionally, energy service contracts (ESCOs), e.g. UkrESCO and the Lviv ESCO, and the Energy Efficiency Fund (EEF) enable private investment and targeted grants for building renovations, while NEFCO/EU grants have restored municipal utilities in war-affected regions.[107]

EBRD "Green Cities" Blend of Loans and Grants (Mariupol Case)

Before the full-scale invasion, Mariupol joined EBRD *Green Cities* and prepared a solid-waste project combining a EBRD €14.5m loan and an EU Neighbourhood Investment Platform grant. This project was cancelled due to the full-scale invasion in 2022, but financing was approved through the approved structure, typical due-diligence steps, and financing blend that municipalities followed in the EBRD Green Cities programme.[108]

Municipal Bonds

Kyiv has consistently issued municipal bonds. In 2021, Kyiv issued three domestic series

- M (UAH 300 million),
- N (UAH 400 million), and
- O (UAH 400 million).

Proceeds from these bonds were used to finance the development of the City.[109] The 2021 Series N prospectus set a floating coupon equal to the National Bank of Ukraine's (NBU) key rate plus five percentage points. This illustrates how large cities use indexed coupons to attract investors in volatile conditions.

[103] https://euneighbourseast.eu/news/latest-news/ebrd-and-e5p-to-support-vital-infrastructure-in-ukrainian-city-of-ternopil/
[104] NEFCO (Nordic Environment Finance Corporation). (2022). The EU provides EUR 50 million to repair critical infrastructure as part of Nefco's green recovery activities in Ukraine (grant programme). Retrieved from https://www.nefco.int/news/the-eu-provides-eur-50-million-to-repair-critical-infrastructure-as-part-of-nefcos-green-recovery-activities-in-ukraine/
[105] https://www.efse.lu/insights/media/efse-partners-ukrgasbank-provide-eur-20-m-financing-ukrainian-msmes
[106] https://www.international-climate-initiative.com/en/iki-media/news/how-the-iki-supports-the-green-reconstruction-of-ukraine/
[107] State Agency on Energy Efficiency (n.d.) Energy service https://saee.gov.ua/diialnist/enerhoefektyvnist/enerhoservis?
Energy Efficiency Fund (Ukraine). (n.d.). Home; Energodim. https://eefund.org.ua/en/home/
[108] EBRD (European Bank for Reconstruction and Development). (2023). GrCF2 W2 — Mariupol Solid Waste Project (Project ID 51267). https://www.ebrd.com/home/work-with-us/projects/psd/51267.html
[109] Kyiv City State Administration (KCSA). (2021). Public offers and reports on the issuance of Kyiv City Council internal local loan bonds, Series M, N, O (in Ukrainian). Retrieved from https://kyivcity.gov.ua/.../departament_finansiv/publichni_propozitsi_obligatsiy_vnutrishnikh_mistsevikh_pozik

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Prior to the full-scale invasion, local borrowing was revived. In 2020, Ukrainian municipalities issued 11 bonds totalling approximately UAH 3.9 billion. Large cities, including Kharkiv and Lviv, were among the active issuers.[110]

1.4.3 Debt Management and Borrowing

Municipal borrowing is an essential mechanism for financing community development, large-scale infrastructure, energy efficiency and recovery projects. To use debt responsibly, municipalities must combine fiscal discipline, transparency and the ability to plan and service obligations sustainably. Post-decentralisation, Ukrainian local governments are still developing the financial, legal and organisational systems and capacities required for this purpose.

1.4.3.1 Strategic Debt Planning

Effective debt management begins with medium and long-term financial forecasting integrated into the budget process.[111] Municipalities must be able to model repayment schedules, calculate the cost of borrowing under different interest-rate scenarios and assess the impact of loans on future expenditures.[112] The Ministry of Finance recommends that each borrowing decision be supported by an investment passport, risk analysis and a multi-year repayment plan approved by the local council.[113] These analytical functions allow municipalities to determine whether debt is affordable and aligned with development priorities rather than short-term liquidity needs.

Local borrowing may only be used to finance the development budgets, not municipal operating budgets.[114] Debt-service payments are made from the general fund and are subject to a hard ceiling with debt service cover ratios for the annual debt service not exceeding 10 percent of general-fund expenditure at any time that debt service is planned.[115] [116] Municipalities cannot borrow money to cover operating deficits. Planned borrowing should match the capital (development) deficit.[117]

1.4.3.2 Regulatory Compliance and Legal Oversight

Borrowing is governed by the Budget Code of Ukraine (Articles 16-18) and the Cabinet of Ministers Resolution No. 541, which define borrowing procedures, types of debt and reporting requirements.[118] Loans must be registered with the Ministry of Finance, and as defined above total debt service cannot exceed 10 percent of general-fund revenues. External loans from international financial institutions such as the EBRD or NEFCO are permitted only for

[110] National Securities and Stock Market Commission of Ukraine (NSSMC). (2020). Municipal bond placements in 2020: 11 issues totalling UAH 3.9 billion. (This is referenced in NSSMC article "How investors can make money on municipal bonds in 2022") Retrieved from https://www.nssmc.gov.ua/en/iak-investory-zmozhut-zarobyty-na-munitsypalnykh-oblihatsiiakh-u-2022-rotsi/
[111] https://mof.gov.ua/en/miscevij-borg-ta-miscevij-garantovanij-borg-osn-inf
[112] https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/12/rebuilding-ukraine-by-reinforcing-regional-and-municipal-governance_63099658/63a6b479-en.pdf
[113] https://mof.gov.ua/en/miscevij-borg-ta-miscevij-garantovanij-borg-osn-inf
[114] Verkhovna Rada of Ukraine. (2010a). *Budget Code of Ukraine* No. 2456-VI (in Ukrainian). https://zakon.rada.gov.ua/laws/show/2456-17
[115] Verkhovna Rada of Ukraine. (2010a). *Budget Code of Ukraine* No. 2456-VI (in Ukrainian). https://zakon.rada.gov.ua/laws/show/2456-17
[116] Ministry of Finance of Ukraine. (n.d.b). *Financing of budget expenditures* (in Ukrainian/English). Retrieved from https://mof.gov.ua/en/financing-of-budget-expenditures
[117] Verkhovna Rada of Ukraine. (2010a). *Budget Code of Ukraine* No. 2456-VI (in Ukrainian). https://zakon.rada.gov.ua/laws/show/2456-17
[118] https://decentralization.ua/en/news/18170

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municipalities demonstrating budget stability and sufficient own-revenue capacity.[119] Legal specialists must ensure that contracts comply with Ukrainian legislation, contain clear covenants on repayment, and are supported by council decisions and treasury registration. Compliance with state-aid and procurement regulation is also mandatory for all externally financed projects.[120]

1.4.3.3 Institutional Arrangements and Coordination

Municipalities need clear internal structures and financial management teams. OECD and World Bank assessments show that only a few cities (mainly Oblast centres) have dedicated units or trained staff for debt management.[121] Smaller communities often lack defined responsibilities, consolidated debt registers and mechanisms for coordination between finance, legal and planning departments.[122] Establishing a small debt-management team or assigning a specialised officer within the finance department can significantly improve efficiency. This structure should monitor repayment schedules, maintain communication with the Ministry of Finance, and prepare quarterly debt reports. Integrating debt management into medium-term budget frameworks ensures coherence between investment planning and fiscal sustainability.[123]

1.4.3.4 Financial Literacy and External Relations

Access to credit requires professional skills in financial analysis, loan negotiation, and communication with lenders. Finance departments should understand interest-rate structures, grace periods and repayment schedules, while legal advisers must be able to review loan agreements in English and coordinate with IFIs. According to an assessment by the international NGO CEE Bankwatch, many municipalities still lack experience with financial instruments and foreign-language communication, which limits their ability to negotiate effectively with donors and lenders.[124] Strengthening these competencies through targeted training, mentoring, and cooperation with the Ministry of Finance is vital for increasing access to credit.[125]

1.4.3.5 Transparency and Risk Control

Responsible debt management depends on transparency and proactive risk assessment. Municipalities should maintain public debt registers, publish annual reports on outstanding liabilities and include debt indicators in budget performance reviews.[126] Risk analysis must cover exchange-rate exposure, interest-rate volatility and liquidity constraints. Maintaining contingency reserves allows timely debt servicing even when revenues decline. The Ministry of Finance advises municipalities to report all guarantees and overdue payables to ensure accountability and avoid hidden liabilities. Transparent disclosure builds trust among lenders and residents, improving the municipality's credibility for future borrowing.

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[119] https://www.nefco.int/wp-content/uploads/2025/03/nefco-annual-report-2024.pdf

[120] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf

[121] https://me.gov.ua/download/4d6fd29f-b819-45a2-9fd4-775dbbd10019/file.pdf

[122] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf

[123] https://kse.ua/KSE_for_BGK_Final_Report_July2024%20-%2020.11.2024.pdf

[124] https://bankwatch.org/wp-content/uploads/2023/11/2023_11_30_Ukrainian-communities-at-the-forefront-of-reconstruction_3.24.pdf

[125] https://mof.gov.ua/en/miscevij-borg-ta-miscevij-garantovanij-borg-osn-inf

[126] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf

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1.4.3.6 Access to Blended Finance Instruments

Blended finance (combining grants with concessional loans or private capital) can mobilise larger resources for municipal development.[127] Partnerships with NEFCO, EBRD, EBRD Green Cities, and the Municipal Infrastructure Facility illustrate how grant elements can reduce borrowing costs and attract commercial co-investment.[128] To access such instruments, municipalities need reliable financial data, transparent accounting and multi-year investment programmes. The OECD recommends developing local investment pipelines linked to measurable outcomes such as emission reductions or service improvements.[129] Strengthening cooperation between municipalities, IFIs and private partners expands the pool of funding sources and enhances the sustainability of recovery projects.

1.4.4 Public-Private Partnerships (PPPs) and Concessions

PPPs and concessions blend public, donor, and private funds for infrastructure and services. Crowdfunding and charitable donations, routed through official platforms, support specific projects. In terms of the energy sector, portfolio guarantees for ESCOs reduce the risks of payment delays, thereby reducing the overall costs of financing (solid protection from later payments).

PPPs: Public-Private Partnerships are permitted in all sectors unless prohibited by law. They allow municipalities to blend public, donor, and private funds for infrastructure and service projects, expanding investment capacity while maintaining public oversight and sectoral compliance.[130]

An example of this is Poland, where PPP projects are applied across many sectors, including transport, technical infrastructure, and public utility facilities. Regarding measures focused on decarbonisation, Polish cities often adopt this financial model for projects related to energy efficient buildings, waste management, modern transport infrastructure or street lightning.

For instance, the city of Olsztyn decided to use a PPP model in the design and construction of a combined heat and power plant. The project is focused on ensuring heat supply to the municipal district heating network, while simultaneously utilising the energy fraction resulting from the processing of municipal waste from the Warmian-Masurian Voivodeship. The Private Partner is responsible for designing and building the Thermal Waste Treatment Plant, the Peak Load Boiler House, and related infrastructure. In addition, the Partner manages and maintains the facilities, supplies heat to the city's heating network, recovers energy from the processed waste, and produces and sells electricity. The financing comes from the Private Partner's own funds, while the public entity has contributed through EU funding support for the project. This agreement was signed for 28 years, starting in 2019.[131]

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[127] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[128] https://www.nefco.int/wp-content/uploads/2025/03/nefco-annual-report-2024.pdf
[129] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[130] Verkhovna Rada of Ukraine. (2019a). Law of Ukraine "On Concession" No. 155-IX (in Ukrainian). https://zakon.rada.gov.ua/laws/show/155-20,
Verkhovna Rada of Ukraine. (2025). Law of Ukraine "On Public-Private Partnership" No. 4510-IX (in Ukrainian). Retrieved from https://zakon.rada.gov.ua/laws/show/4510-20
[131] https://www.ppp.gov.pl/zaprojektowanie-i-wybudowanie-elektrocieplowni-w-olsztynie-9

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In Ukraine, the PPP Agency (the state entity under the Ministry of Economy for Ukraine) is responsible for supporting the development of investments in the public private partnership model, e.g. providing advisory services, trainings, and assistance in reaching private entities.

Concessions: Assets remain publicly owned for communal utilities like water, heat, and wastewater, but are operated by private partners under concession agreements. This model leverages private expertise and investment while safeguarding public ownership and regulatory control.[132]

ESCOs: Energy Service Contracts enable private investment in municipal energy efficiency projects. Investments are repaid from verified energy savings, allowing cities to upgrade infrastructure without upfront capital, while ensuring transparent, performance-based contracting and measurable results.[133]

In recent years, the European market is increasingly embracing the development of ESCO models to support energy efficiency goals. New companies have begun operations to provide energy services to final energy users (including building refurbishment, supply and installations of energy efficient equipment). For instance, in the Czech Republic, these kinds of services are provided by ENESA - a company focused on developing and implementing EPC projects (Energy Performance Contracting).[134]

Real-Case Examples of External Instruments Utilisation

Public-Private Partnerships (PPPs) and ESCOs

Ukraine has demonstrated the feasibility of PPPs through national-level port concessions at Olvia and Kherson. Agreements were signed in 2020, and transfers were completed in 2021. These remain the flagship PPPs, underpinning subnational interest in concession models.[135.136] At the municipal level, energy service contracts (ESCOs) have been widely used for schools, hospitals and public buildings. These contracts allow private investment to be repaid from verified energy savings and are managed under the national ESCO framework. The State Agency on Energy Efficiency (SAEE) reports that hundreds of contracts have been signed nationwide since the enabling legislation came into force, and that there is ongoing procurement through ProZorro.[137] [138]

Public-Private Partnerships (PPPs), concessions, and Energy Service Company (ESCO) models offer municipalities alternative ways to finance and implement complex infrastructure and energy projects. While these mechanisms can mobilise private capital and improve service delivery, they demand strong institutional capacity, legal literacy, technical expertise, and

[132] Verkhovna Rada of Ukraine. (2019a). Law of Ukraine "On Concession" No. 155-IX (in Ukrainian). https://zakon.rada.gov.ua/laws/show/155-20,
Verkhovna Rada of Ukraine. (2010a). Budget Code of Ukraine No. 2456-VI (in Ukrainian). https://zakon.rada.gov.ua/laws/show/2456-17
[133] State Agency on Energy Efficiency (n.d.) Energy service https://saee.gov.ua/diialnist/enerhoefektyvnist/enerhoservis?
[134] https://www.enesa.cz/en/nase_historie.php
[135] Ministry of Infrastructure of Ukraine. (2020). Concession agreements for seaports Olvia and Kherson signed. Kyiv: MIU. https://mtu.gov.ua/files/Olvia%20and%20Kherson%20Concession%20projects..pdf
[136] PPP Agency. (2021). "Kherson" Specialized Seaport concession project: investment, fees and terms. Retrieved from https://pppagency.gov.ua/project/kherson-specialized-seaport-concession/
[137] State Agency on Energy Efficiency and Energy Saving of Ukraine (SAEE). (2021). Energy service (ESCO) in Ukraine: Successes and challenges (in Ukrainian). https://old.saee.gov.ua/sites/default/files/ESCO_2021.pdf
[138] State Agency on Energy Efficiency and Energy Saving of Ukraine (SAEE). (2022). Energy efficiency in Ukraine — ESCO market overview and statistics (as of June 2022) (in Ukrainian). https://old.saee.gov.ua/uk/content/energy-efficiency

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transparent governance systems at the local level. In addition to traditional PPP instruments, several Ukrainian municipalities are shifting toward multi-utility operational models (multi-utility companies or MUSCOs), where water, wastewater, district heating, energy efficiency and digital systems are managed within a single communal enterprise; this integrated approach is increasingly viewed as a more flexible and cost-efficient structure for maintaining critical urban infrastructure.[139]

1.4.4.1 Institutional and Regulatory Frameworks

Municipalities must operate within a clear national framework defined by the Law of Ukraine "On Concessions" and the Law "On Public-Private Partnerships".[140] [141] To participate effectively, local governments require institutional capacity to interpret these laws, prepare council resolutions authorising PPPs, and coordinate with the PPP Agency and the Ministry of Economy.[142] Many communities lack dedicated officers responsible for public-private partnerships, which hinders project preparation and approval. Establishing a PPP focal point within the economic or investment department, trained in legal and financial compliance, is essential. Such units must maintain a register of potential assets and services suitable for concession or PPP agreements and monitor their performance.

Where municipalities operate multi-utility-type structures, institutional requirements become more complex: a single operator may manage water, wastewater, heating, and digital infrastructure, all of which fall under different regulatory regimes. The Law of Ukraine "On Local Self-Government" permits the creation of communal enterprises with multiple service functions, while the Law "On Natural Monopolies" classifies these sectors as natural-monopoly services that can be administered by one entity.[143] [144] In practice, MUSCO-type integration requires municipalities to align PPP or concession proposals across several service domains, harmonise tariff-setting responsibilities, and ensure cross-sector investment planning. Fragmented utility and water-service governance have been identified as a barrier to long-term planning and efficient investment, whereas more consolidated management models can strengthen asset management and investment readiness.[145]

1.4.4.2 Project Preparation and Feasibility Expertise

Developing a PPP or concession project requires advanced analytical and technical competencies. Municipalities must identify viable projects, conduct pre-feasibility analyses, and assess value-for-money compared to traditional procurement.[146] The PPP Agency's Methodological Recommendations highlight the need for financial modelling, demand forecasting, and risk allocation analysis at the local level.[147] International partners such as the World Bank and OECD stress that municipalities should be able to prepare full feasibility studies (Technical and Economic Offer/Feasibility Study - TEOs), including environmental and social assessments, before entering negotiations. Without these analytical skills, many projects fail to progress beyond the concept stage. Building in-house expertise or contracting

[139] https://greendealukraina.org/assets/images/reports/status-of-municipal-heat-supply.pdf
[140] https://zakon.rada.gov.ua/laws/show/155-20#Text
[141] https://zakon.rada.gov.ua/laws/show/4510-20#Text
[142] https://pppagency.gov.ua/uk/
[143] https://zakon.rada.gov.ua/laws/show/280/97-%D0%B2%D1%80#Text
[144] https://zakon.rada.gov.ua/laws/show/1682-14
[145] https://despro.org.ua/library/WSSPolicyPositionPaperDESPRO-EN.pdf
[146] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[147] https://me.gov.ua/download/4d6fd29f-b819-45a2-9fd4-775dbbd10019/file.pdf

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qualified advisors supported by donor programmes, such as EBRD's Sustainable Infrastructure Facility, can help municipalities prepare bankable projects.[148]

Where municipalities operate or plan to operate multi-utility structures, project preparation becomes significantly more complex, as feasibility studies must integrate several service domains (typically water, wastewater, district heating, and digital infrastructure) into a single investment model. Multi-sector feasibility assessments require cross-utility demand projections, harmonised tariff assumptions, and shared investment schedules, all of which are identified in Ukraine's water and sanitation policy paper as critical to avoiding fragmented or suboptimal infrastructure planning.[149]

International evidence also shows that multi-utility operators require stronger analytical capacity to structure blended-finance and PPP solutions, as municipalities must be able to model cost-recovery across multiple services, design tariff paths that reflect joint investment needs, and quantify system-wide operational risks. OECD analysis indicates that integrated utilities can leverage more diverse revenue streams, but only when local governments possess the capacity to perform advanced financial modelling and assess cross-sectoral risk exposure.[150] Similarly, the World Water Council highlights that bundled or multi-utility structures can improve the investment readiness of municipal projects by achieving scale efficiencies, yet this requires municipalities to have the expertise to prepare consolidated feasibility studies, structure blended finance packages, and coordinate multiple regulatory requirements within a single project pipeline.[151]

1.4.4.3 Financial Structuring and Risk Management

Financial literacy and risk management are central to sustainable PPP implementation. Local governments must be able to analyse loan covenants, estimate internal rates of return, and assess the fiscal impact of long-term contracts.[152] The Ukraine Facility Plan calls for systematic fiscal risk monitoring covering state-owned enterprises, public guarantees and PPPs, and for integrating risk management into the budget cycle.[153] Municipalities also need procedures to evaluate guarantees, revenue-sharing mechanisms, and tariff adjustments within contracts. Developing internal guidelines for risk allocation – defining which risks are borne by the private partner and which remain with the municipality – helps prevent fiscal exposure. The OECD notes that well-structured PPPs can leverage private investment when accompanied by transparent accounting, audited financial statements, and clear performance indicators.[154]

For multi-utility-type structures, municipal finance units additionally need the capacity to prepare integrated financial models that consolidate cash flows from heat, water, wastewater and digital services, identify cross-subsidisation risks, and test long-term debt-sustainability

[148] https://euneighbourseast.eu/news/latest-news/ebrd-support-for-wartime-ukraine-hits-e7-6-billion-as-bank-commits-new-funding-at-recovery-conference/
[149] https://despro.org.ua/library/WSSPolicyPositionPaperDESPRO-EN.pdf
[150] https://www.oecd.org/content/dam/oecd/en/publications/reports/2019/08/making-blended-finance-work-for-water-and-sanitation_ce59dbca/5efc8950-en.pdf
[151] https://www.worldwatercouncil.org/sites/default/files/World_Water_Forum_09/WWC-Successful-Blended-Finance-Projects_WEB_EN.pdf
[152] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[153] https://www.ukrainefacility.me.gov.ua/wp-content/uploads/2024/03/ukraine-facility-plan.pdf
[154] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf

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scenarios for the whole utility group rather than for single services only.[155] Recent analytical work on Ukraine's district heating reforms shows that moving towards more flexible, multi-utility business models will require municipalities to strengthen their capacity in tariff design, stress-testing of different decarbonisation pathways, and assessment of guarantees and contingent liabilities associated with complex PPP and concession contracts.[156]

1.4.4.4 Contract Implementation and Oversight

Effective contract management requires legal oversight, financial monitoring, and performance evaluation mechanisms. Municipalities should ensure that PPP and concession contracts include measurable service-level targets, KPIs, and termination clauses to protect public interests. Dedicated monitoring teams must track compliance, document milestones, and submit periodic reports to both the Ministry of Economy and the local council. According to the PPP Agency, weak monitoring capacity often results in delayed implementation or renegotiation.[157] Strengthening cooperation with auditors and external consultants can help local governments verify contract performance objectively. Digital tracking systems, such as the PPP Register and the DREAM Platform, should be used to enhance transparency and allow public access to project data.

For PPPs that involve multi-utility or MUSCO-type operators, oversight capacity needs to cover performance and risk across several sectors simultaneously; good practice on PPP contract management highlights the importance of life-cycle monitoring frameworks, clear allocation of monitoring responsibilities, and systematic tracking of service quality, payment flows and contractual risks.[158] International principles on the public governance of PPPs stress that such projects should be anchored in robust infrastructure-governance systems with transparent disclosure, integrated risk management and strong oversight units at both central and subnational levels – requirements that become even more important when a single multi-utility operator delivers several critical services under one contract.[159] In the Ukrainian context, digital platforms maintained by the PPP Agency and the DREAM public investment management system are intended to support this kind of integrated oversight by providing a single window for registering projects, publishing key contractual data and enabling external scrutiny of implementation progress.[160] [161]

1.4.4.5 Energy Service and ESCO Competence

ESCO contracts are a key tool for improving energy efficiency in municipal buildings, district heating, and street lighting. To adopt them, municipalities must understand energy performance contracting principles, baseline energy auditing, and savings verification. The State Agency on Energy Efficiency (SAEE) and NEFCO have developed model contracts and guidance for local governments on structuring ESCO projects under guaranteed-savings schemes.[162] However, many communities lack staff capable of designing tender documentation and evaluating ESCO bids. Training energy managers and establishing local databases of municipal facilities with energy audits are crucial prerequisites. Cooperation with

[155] https://www.oecd.org/content/dam/oecd/en/publications/reports/2019/09/financing-climate-objectives-in-cities-and-regions-to-deliver-sustainable-and-inclusive-growth_20ba8dca/ee3ce00b-en.pdf
[156] https://greendealukraina.org/assets/images/reports/status-of-municipal-heat-supply.pdf
[157] https://pppagency.gov.ua/uk/knowledge-lab/
[158] https://ppp.worldbank.org/public-private-partnership/sites/default/files/2021-03/Guidance%20on%20PPP%20Contractual%20Provisions_2019%20edition.pdf
[159] https://legalinstruments.oecd.org/public/doc/275/275.en.pdf
[160] https://legalinstruments.oecd.org/public/doc/275/275.en.pdf
[161] https://dream.gov.ua/en
[162] https://www.nefco.int/wp-content/uploads/2025/03/nefco-annual-report-2024.pdf

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donors such as UNDP further supports technical and financial appraisal of ESCO projects and ensures compliance with international reporting standards.[163]

1.4.4.6 PPP Capacity Development and Knowledge Sharing

Sustained institutional capacity requires continuous training and exchange of experience. The PPP Agency, OECD, and U-LEAD with Europe recommend regular workshops on project preparation, risk management, and contract supervision. Peer-learning platforms allow municipalities with successful PPP or ESCO experience (such as Vinnytsia, Lviv, and Dnipro) to mentor smaller communities.[164] Integrating PPP and ESCO topics into broader fiscal management training provided by the Ministry of Finance and the KSE Institute ensures that knowledge is embedded institutionally rather than remaining individual-based.[165] Developing local networks of legal, technical, and financial experts also helps municipalities pool resources and reduce dependence on external consultants.

1.4.5 Crowdfunding, Donations, and Community Financing

Charitable Donations/Grants: Can be received directly by local budgets or institutions, strictly earmarked for specific purposes, and must be transparently recorded and spent according to donor intent and legal requirements.[166]

Community Campaigns: Utilise official platforms to enable residents to co-finance local projects, such as public space improvements, fostering civic engagement and supplementing municipal resources for targeted, community-driven initiatives.[167]

One prominent example of a crowdfunding initiative is the case of Gabrovo, a Bulgarian city. In 2023, the municipality, in partnership with a local NGO, launched a crowdfunding campaign to finance a 99.55 kW solar installation. As a result, 73 investors (including private companies and local citizens) expressed their interest. The municipality played a key role in mobilising social engagement and demonstrating the importance of renewable energy projects.

Real-Case Examples of External Instruments Utilisation

Crowdfunding and Community Financing

Since 2015, Odesa's NGO-run "My City" platform has co-financed urban amenities with donations from residents (e.g. small public space renovations and social facility equipment). The platform has worked alongside the city on approved projects, and

[163] https://c2e2.unepccc.org/wp-content/uploads/sites/3/2025/02/8-years-of-esco-market-evolution-in-ukraine-legislation-guarantees-public-esco-procurement-and-ee-technologies.pdf
[164] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[165] https://kse.ua/wp-content/uploads/2023/09/Rekomendatsii---dlya-gromad.-Proyektnii---pidhid.pdf
[166] Ministry of Finance of Ukraine. (2011). Order No. 11: On budget classification (code 25020100: Charitable contributions, grants and gifts) (in Ukrainian). https://mof.gov.ua/storage/files/наказ_11.pdf,
Verkhovna Rada of Ukraine. (2010a). Budget Code of Ukraine No. 2456-VI (in Ukrainian). https://zakon.rada.gov.ua/laws/show/2456-17
[167] Lviv City Council. (2025a). Municipal donation campaign: Roman Shukhevych Museum—official notice (in Ukrainian). https://city-adm.lviv.ua/news/culture/306742
Lviv City Council. (2025b). Reserve fund allocation for emergency works (in Ukrainian). https://city-adm.lviv.ua/video/watch/237447-misto-vidililo-30-mln-grn-z-rezervnogo-fondu-byudzhetu-na-likvidatsiyu-naslidkiv-ostannogo-obstrilu

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independent donor documentation has reported cumulative fundraising in the seven-figure euro range prior to the war.[168] [169]

1.4.6 Equity Financing and Communal Enterprises

Equity Financing enables capital injections into communal enterprises, though privatisation of strategic assets is restricted.

Capital Injections: Cities can inject capital into communal enterprises to fund infrastructure upgrades and development, supporting modernisation while retaining public ownership and oversight of essential municipal services.[170]

Equity Participation: Municipalities may hold shares in companies, but privatisation of strategic assets is restricted by law, ensuring key communal infrastructure remains under public control and subject to regulatory safeguards.[171]

Revenues from the sale of communal property accrue to the development (special) fund and are earmarked for capital expenditure, in line with the composition of the development budget set out in the Budget Code.[172] Local privatisation is governed by the Law on the Privatisation of State and Communal Property, but the budgetary use of the proceeds is determined by the Budget Code.

Real-Case Examples of External Instruments Utilisation

Capital Injection

Lviv City Council faced aging water infrastructure and limited access to concessional loans. To accelerate modernization, the city opted for a capital injection into its communal enterprise, Lvivvodokanal.

Instead of borrowing, the municipality increased the statutory capital of the enterprise using funds from the city budget. This equity-like approach allowed the enterprise to finance upgrades in pumping stations and metering systems.[173]

1.4.7 Grants and International Assistance, and Programmes

Foreign Grants: Municipalities receive foreign grants from the EU, IFIs, and bilateral donors, earmarked for specific projects. These often require co-financing and adherence to donor procurement and reporting rules, expanding municipal financial capacity.[174]

Funding and financing in support of climate mitigation and adaptation actions continue to be a key focus at the municipal level. EU-backed EIB solidarity operations have provided over €1.5

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[168] "My City" Odesa. (n.d.). Project platform—portfolio and figures. https://mycity.one/

[169] European Endowment for Democracy (EED). (2019). My City Odesa—Civic crowdfunding for urban projects. Brussels: EED. https://democracyendowment.eu/stories/artem-borodatiuk-and-my-city

[170] Verkhovna Rada of Ukraine. (2010a). Budget Code of Ukraine No. 2456-VI (in Ukrainian). https://zakon.rada.gov.ua/laws/show/2456-17,
Verkhovna Rada of Ukraine. (1997, as amended). Law of Ukraine "On Local Self-Government in Ukraine" No. 280/97-VR (in Ukrainian). https://zakon.rada.gov.ua/laws/show/280/97-%D0%B2%D1%80

[171] Verkhovna Rada of Ukraine. (2018). Law of Ukraine "On Privatisation of State and Communal Property" No. 2269-VIII (in Ukrainian). https://zakon.rada.gov.ua/laws/show/2269-19

[172] Verkhovna Rada of Ukraine. (2010a). *Budget Code of Ukraine* No. 2456-VI (in Ukrainian). https://zakon.rada.gov.ua/laws/show/2456-17

[173] https://varianty.lviv.ua/publikatsiyi/na-diialnist-lvivvodokanalu-planuiut-spriamuvaty-shche-ponad-300-milioniv-hryven#google_vignette

[174] Cabinet of Ministers of Ukraine. (2022a, with amendments incl. 2025). Resolution No. 1178: On peculiarities of public procurement during martial law (in Ukrainian). Verkhovna Rada of Ukraine. https://zakon.rada.gov.ua/go/1178-2022-%D0%BF

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billion in emergency financing since 2022 for municipal services and infrastructure, including climate-relevant projects, under the Ukraine Solidarity Urgent Response and the broader EU-for-Ukraine framework. In parallel, the EU has channelled grant funding via NEFCO to support green recovery and urgent infrastructure such as energy efficiency, municipal services, and accommodation for internally displaced persons while the European Commission continues to launch new support packages for energy, transport, and critical sectors, often routed through international financial institutions (IFIs) and national programmes.

In practice, these mechanisms translate to tangible climate action. The EIB's Ukraine operations have funded municipal infrastructure in cities like Mykolaiv and Dnipro, while NEFCO's Green Recovery Programme provides grants and technical assistance for energy-efficient and resilient reconstruction. Municipalities help homeowner associations access the Energy Efficiency Fund (EEF) - capitalised by the EU and Germany to renovate residential buildings, often through co-financing contributions and advisory support.[175]

Before the full-scale invasion, cities like Mariupol accessed EBRD Green Cities funding (€14.5m), blending loans and EU grants for solid-waste projects. Additionally, UNDP[176] and the EU have delivered generators and equipment for a clean water supply initiative, demonstrating how Ukraine combines international grants, loans, and technical assistance to advance both climate mitigation and adaptation at the local level.[177]

In addition, Climate Innovation Vouchers (CIV), implemented by Greencubator under the EU-EBRD initiative, are part of the EBRD's Finance and Technology Transfer Centre for Climate Change (FINTECC). The programme continues to provide grants to support clean-tech SMEs in Ukraine, fostering innovation and growth within the cleantech ecosystem.[178]

The European Union and European Investment Bank provide grants, loans, and technical assistance to Ukrainian municipalities. These programmes are summarised as follows:

Table 1 EU & EIB Available Funding Programmes

Programme	Description
U-LEAD	Supports local governance, while green recovery initiatives fund infrastructure and energy efficiency. Access is through project proposals, competitive calls, and platforms such as DREAM[179], ensuring transparency and alignment with EU priorities for sustainable urban development and post-war recovery.
LIFE Programme	EU's funding instrument for environmental and climate initiatives. It's split into two strands: environmental protection/ sustainability and climate action. LIFE projects typically showcase innovative solutions, build capacity, and help implement EU policies by mobilising investment and promoting practical, scalable approaches.
Horizon Europe	Key EU research and innovation programme. Cluster 5 and 6 offer opportunities for sustainable development funding. Cluster 6: Food, Bioeconomy, Natural Resources, Agriculture and Environment offers grants opportunities for municipalities to support projects that restore ecosystems, reverse biodiversity loss, and improve resource efficiency

175 Energy Efficiency Fund (Ukraine). (n.d.). Home; Energodim. https://eefund.org.ua/en/home/
176 UNDP Ukraine. (2023c). City of Mykolaiv gets new equipment to help ensure clean water supply. https://www.undp.org/ukraine/press-releases/city-mykolaiv-gets-new-equipment-help-ensure-clean-water-supply
177 EBRD (European Bank for Reconstruction and Development). (2023). GrCF2 W2 — Mariupol Solid Waste Project (Project ID 51267). https://www.ebrd.com/home/work-with-us/projects/psd/51267.html
178 https://com-east.eu/funding-opportunities/
179 DREAM. (2025). UAH 1 billion from the State Fund of Regional Development will be allocated via DREAM. https://dream.gov.ua/news/article-108, DREAM. (n.d.). Public Investment Management System: State Single Project Pipeline. https://dream.gov.ua/en

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Programme	Description
	in both urban and rural areas. Similarly, Cluster 5: Climate, Energy and Mobility provides grants for initiatives that help municipalities tackle climate change and transition to cleaner, smarter, and more resilient energy and transport systems.
Neighbourhood Investment Platform (NIP)	Component of the European Fund for Sustainable Development Plus (EFSD+), designed to mobilise additional financing for large-scale infrastructure projects. These grants reduce project risks and improve bankability.[180] Targeting sectors such as transport, energy, environment, social development, and private enterprise, NIP blends EU and Member State grant resources to unlock further investments from European financial institutions and partner countries.
Covenant of Mayors East (CoM East)	Supports municipalities in the Eastern Partnership region in developing and implementing their Sustainable Energy and Climate Action Plans (SECAPs). It helps build technical capacity for better local planning and management, while also offering targeted assistance to improve access to financing for municipal projects, especially those aligned with SECAP goals. In addition to financial and technical support, the CoM East Secretariat engages local communities, particularly women and youth by raising awareness about energy and climate issues and providing tools that empower them to actively participate in local solutions and decision-making processes.
EU4Business	Supports small and medium-sized enterprises (SMEs) by enhancing access to finance, fostering better business regulations, improving business support services, and leveraging trade opportunities. To facilitate SME financing in the Eastern Partnership region, the initiative employs a wide range of support instruments. Regional programmes primarily utilise risk-sharing mechanisms, implemented through International Financial Institutions (IFIs), to encourage Partner Financial Institutions (PFIs) such as local banks and microfinance institutions to increase lending to SMEs. In contrast, bilateral projects mainly rely on grant schemes to provide direct financial support.
Ukraine Early Recovery[181]	The EIB's framework loan to support priority investments in the recovery of areas affected by the conflict in the Ukrainian region of Donbas and in basic infrastructure catering to needs of displaced people. The objective of the early recovery phase is to address (i) short-term needs in the affected areas under the control of the Government of Ukraine and (ii) basic infrastructure needs to shelter internally displaced people in other regions of Ukraine.
Ukraine Recovery Programme[182]	The project builds on the successful Ukraine Early Recovery project (EUR 200m; fully allocated), one of the first measures under the EIB Special Action Plan Ukraine providing EUR 3 billion loans in 3 years. This is the second framework loan supporting priority investments in the recovery areas affected by the conflict in the Eastern region of Ukraine. It will also finance basic infrastructure needs of internally displaced population. Hence the project will restore basic services, rehabilitate key infrastructure, create and enable an environment for population return and economic recovery. The aim of the Ukraine Recovery Programme focuses on creating, restoring and improving: - public buildings (including administrative buildings, schools, medical centres and hospitals and other social infrastructure); - governmental roads and bridges; - supply of utilities (water supply and sewerage) in the Donetsk and Luhansk Oblasts under control of the Ukrainian Government as well as the four surrounding Oblasts (Kharkiv, Dnipropetrovsk, Zaporizhzhia and Kherson) and city councils in other Oblasts countrywide enabling them to cope with the impacts of a heavy influx of internal displaced people.
Ukraine Public Buildings Energy Efficiency[183]	The EIB's framework loan aimed at thermal refurbishment of public buildings in Ukraine. The projects aim at supporting energy efficiency improvements in public buildings in Ukraine (including administrative, schools, kindergartens, cultural buildings, hospitals). The investment needs for renovation of public buildings in Ukraine are estimated to be at least 2

[180] https://com-east.eu/funding-opportunities/
[181] https://www.eib.org/en/projects/pipelines/all/20140532
[182] https://www.eib.org/en/projects/pipelines/all/20190903
[183] https://www.eib.org/en/projects/all/20190128

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Programme	Description
	billion. EIB projects would focus on comprehensive refurbishment including horizontal measures and integration of small-scale renewables.
Ukraine Recovery Iii FI[184]	The operation consists of a third EIB's Framework Loan (FL) to support priority investments in the recovery of areas affected by the conflict in Ukraine and basic infrastructure needs of Internally Displaced Person (IDPs). Despite ongoing war and difficulties, daily life continues in many parts of the country, and the Government of Ukraine must ensure that at least basic needs of the population are met. The FL builds on two successful operations that have delivered more than a hundred schools, hospitals, social housing and water plants to Ukraine to date.
Ukraine District Heating Ukreximbank[185]	EIB is financing district heating and energy efficiency investments through eligible financial intermediaries in Ukraine, particularly through Ukreximbank. The sub-operation will allow deployment of financial and non-financial support to Ukreximbank, including long tenor and long grace periods, technical assistance and investment grants. Such support will in turn enable the provision of sustainable financing to Ukrainian communities, municipalities, and communal enterprises.
Funds raised within the framework of joint projects with the EIB[186]	The EIB provides full financing for municipal recovery and development investments under programs such as the "Ukraine Recovery Program III" (Tranche B), as well as the remaining balances of the "Emergency Credit Program for the Recovery of Ukraine" and the "Ukraine Recovery Program." These funds cover 100% of eligible project costs, with municipalities responsible only for paying VAT. The financing supports critical infrastructure restoration and modernisation, including housing, healthcare, education, water supply, sanitation, and district heating, in line with Ukraine's national recovery priorities. Although Tranche B of the Ukraine Recovery Program III is now closed, it is highly recommended that Ukrainian Municipalities actively seek similar EIB-supported programs in the future, as they offer significant opportunities for comprehensive project funding.

Real-Case Examples of External Instruments Utilisation

Grants and Blended Finance

NEFCO/EU grants have been used to rebuild municipal utilities in communities affected by war. In 2023, a €50 million EU-funded NEFCO programme began restoring boiler houses and water systems in municipalities in the Kyiv region (e.g. Irpin and Borodianka). This was followed in 2024 by a €25 million expansion to the Chernihiv, Sumy and Mykolaiv regions.[187,188] The Energy Efficiency Fund (EEF) continues to provide targeted grants for building renovations to homeowner associations and municipal partners, with programme rules and results published on the Fund's official website.[189]

Before 2022, creditworthy large cities relied on bonds and IFI loans for capital programmes, while smaller and mid-sized Hromadas relied more on grants and standardised ESCO models. During 2022–2025, grant-blended recovery finance and targeted IFI operations

[184] https://www.eib.org/en/projects/pipelines/all/20230227
[185] https://www.eib.org/en/projects/loans/all/20240760
[186] https://mindev.gov.ua/news/minrozvytku-oholoshuie-vidbir-proiektiv-finansuvannia-iakykh-mozhe-zdiisniuvatysia-za-koshty-zalucheni-v-ramkakh-spilnykh-z-ieib-proiektiv
[187] NEFCO (Nordic Environment Finance Corporation). (2023). Critical infrastructure being repaired in 12 Ukrainian communities. Retrieved from https://www.nefco.int/news/critical-infrastructure-being-repaired-in-12-ukrainian-communities/
[188] NEFCO (Nordic Environment Finance Corporation). (2024). EU and Nefco initiative makes significant progress in rebuilding Ukraine's critical infrastructure (programme expansion, including Chernihiv, Sumy, Mykolaiv) Retrieved from https://www.nefco.int/news/eu-and-nefco-initiative-makes-significant-progress-in-rebuilding-ukraines-critical-infrastructure/
[189] Energy Efficiency Fund (Ukraine). (n.d.). Home; Energodim. https://eefund.org.ua/en/home/

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dominated, with PPP/ESCO pipelines gradually re-emerging in areas with sufficient project preparation capacity.[190] [191] [192]

UNDP Recovery Assistance to Municipalities (Mykolaiv)

In September 2023, UNDP and the EU delivered generators and equipment to ensure clean water supply in Mykolaiv, under the *Support to Alternative Clean Water Supply Services* initiative – demonstrating how cities surface needs and receive targeted equipment through UN channels.[193]

International grants and donor programmes are a critical source of recovery and modernisation funding for Ukrainian municipalities. Yet the ability to access and manage these resources depends on clearly defined institutional roles, transparent financial systems, and strong technical competence. Building these capacities ensures that cities can meet donor requirements and effectively combine grants, loans and private finance.

1.4.7.1 Dedicated Grant Management Unit

A dedicated unit or focal point within the municipality is essential to coordinate funding opportunities, prepare project proposals and oversee implementation.[194] In most cases, these units operate under the financial or economic department, but successful examples (such as in Vinnytsia and Lviv) show that cross-departmental coordination improves performance. The OECD and the Ministry for Development of Communities and Territories of Ukraine recommend designating at least one trained officer responsible for grant monitoring and donor communication.[195] This structure should maintain a project pipeline aligned with municipal priorities, track deadlines and store documentation required for audits and evaluations.

By establishing professional grant management systems, ensuring financial discipline and adopting transparent reporting standards, Ukrainian municipalities can effectively leverage international assistance and blended finance to accelerate reconstruction and long-term growth.

1.4.7.2 Budgeting for Co-Financing and Cash-Flow Management

Donor-funded projects usually require a municipal co-financing share ranging from 5 to 50 percent, depending on the programme.[196] The State Regional Development Fund (SFRD)

[190] National Securities and Stock Market Commission of Ukraine (NSSMC). (2020). Municipal bond placements in 2020: 11 issues totaling UAH 3.9 billion. (This is referenced in NSSMC article "How investors can make money on municipal bonds in 2022") Retrieved from https://www.nssmc.gov.ua/en/iak-investory-zmozhut-zarobyty-na-munitsypalnykh-oblihatsiiakh-u-2022-rotsi/

[191] European Investment Bank (EIB). (2024a). Ukraine: EIB provides €55 million to reconstruct social infrastructure. https://www.eib.org/en/press/all/2024-530-ukraine-eib-provides-eur55-million-to-reconstruct-social-infrastructure

[192] NEFCO (Nordic Environment Finance Corporation). (2023). Critical infrastructure being repaired in 12 Ukrainian communities. Retrieved from https://www.nefco.int/news/critical-infrastructure-being-repaired-in-12-ukrainian-communities/

[193] UNDP Ukraine. (2023c). City of Mykolaiv gets new equipment to help ensure clean water supply. https://www.undp.org/ukraine/press-releases/city-mykolaiv-gets-new-equipment-help-ensure-clean-water-supply

[194] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf

[195] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf

[196] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf

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manual stipulates that higher co-financing improves project scoring and increases credibility with donors.[197] To meet these requirements, municipalities must ensure that co-financing is legally approved by the council, included in the special fund of the local budget and recorded in the treasury system. Proper cash-flow management prevents delays in project execution and enables municipalities to meet payment schedules established in grant contracts.[198] Medium-term budget planning and reserve funds help sustain liquidity when disbursements are delayed or currency fluctuations occur.

1.4.7.3 Compliance with Procurement and Reporting Standards

Grants and international assistance are subject to strict procurement, financial management and reporting rules.[199] Compliance with Prozorro and other electronic systems is mandatory for donor-funded contracts, while adherence to EU visibility and environmental and social safeguards ensures continued eligibility for financing.[200] Municipalities must submit progress and financial reports using donor-specified templates and maintain supporting documentation for verification. Transparent procurement and audit readiness demonstrate integrity and increase the chances of repeat funding. The Ministry of Finance and OECD highlight the importance of aligning local financial reporting with International Public Sector Accounting Standards (IPSAS) to facilitate external audits.[201]

1.4.7.4 Technical and Environmental Expertise

Most grant-funded projects include technical, engineering and environmental components requiring specialised expertise.[202] Municipalities should establish access to certified engineers, architects and environmental experts – either internally or through partnerships with professional associations. Compliance with EU and national environmental impact assessment (EIA) standards is often a prerequisite for project approval. The NEFCO and EBRD frameworks emphasise that local authorities must be able to prepare technical specifications, cost estimates and monitoring reports that demonstrate measurable energy or emission reductions.[203] Technical expertise not only ensures quality implementation but also facilitates future access to performance-based or climate-related funding.

1.4.7.5 Donor Coordination and Stakeholder Engagement

Fragmentation of donor assistance can lead to duplication of projects and inefficiencies. Municipalities should maintain regular communication with donors, regional administrations and line ministries through coordination platforms such as the Reconstruction Agency and Ukraine Facility.[204] [205] Establishing a donor coordination map or dashboard at the local level helps track funding flows and ensures alignment with strategic development plans. Stakeholder engagement, including local businesses, CSOs and residents, strengthens

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[197] https://decentralization.gov.ua/uploads/library/file/709/Practychny-Posibnyk-DFRR.pdf
[198] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[199] https://next.huskroua-cbc.eu/wp-content/uploads/2024/11/TESIM_Factsheet-public-procurement_Ukraine_update-July-2024.pdf
[200] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[201] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[202] https://www.nefco.int/wp-content/uploads/2025/03/nefco-annual-report-2024.pdf
[203] https://www.nefco.int/wp-content/uploads/2025/03/nefco-annual-report-2024.pdf
[204] https://restoration.gov.ua/communities/
[205] https://www.ukrainefacility.me.gov.ua/en/

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ownership and accountability.[206] According to the Council of Europe, communities that integrate participatory mechanisms and publish progress reports gain stronger public trust and donor confidence.[207]

1.4.7.6 Training and Technical Assistance

Many municipalities require training in project design, budgeting, procurement, and donor communication. Capacity-building programmes delivered by U-LEAD with Europe, KSE Institute and Ministry of Finance provide templates and mentorship on preparing concept notes and feasibility studies.[208] The World Bank and EU4Environment projects also offer technical assistance in project appraisal and monitoring.[209] Training should be continuous and linked to real project cycles to prevent staff turnover from undermining institutional memory. Establishing peer-learning networks among cities enhances collective expertise and supports the replication of successful practices.

[206] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[207] https://www.coe.int/en/web/kyiv/-/monitoring-and-evaluation-of-participatory-processes-and-their-results-the-council-of-europe-project-on-civic-participation-presented-a-toolkit
[208] https://kse.ua/wp-content/uploads/2023/09/Rekomendatsii---dlya-gromad.-Proyektnii---pidhid.pdf
[209] https://www.eu4environment.org/where-we-work/ukraine/

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1.5. Other Funding and Financing Opportunities Overview

Table 2 Additional International Funding and Financing Opportunities[210]

Mechanism	Source	Who can apply?	Key description
SECO	International organisations & development agencies	Civil society organisations, Local authorities, National authorities	**What it is:** Swiss government body supporting sustainable economic growth and trade policy, with targeted cooperation in Eastern Europe. **Climate impact:** Adapts development projects to wartime conditions; supports Ukraine's transition with multilateral climate-related cooperation and resilience efforts.
IFC	International organisations & development agencies	National authorities, Local authorities, Municipal companies, Private sector	**What it is:** World Bank Group member financing private sector growth in developing countries through investment and advisory support. **Climate impact:** Invests in climate-smart private sector solutions, promoting low-carbon development and resilience in emerging markets.
UNIDO	International organisations & development agencies	National authorities, Local authorities, Municipal companies, Private sector	**What it is:** UN agency supporting sustainable industrial development through tailored solutions and partnerships with governments and industry. **Climate impact:** Promotes resource-efficient, low-emission industrial practices via technical expertise and environmental technology deployment.
OECD	International organisations & development agencies	National authorities, Local authorities, Non-governmental organisations	**What it is:** International organisation shaping evidence-based policies to improve prosperity, equality, and well-being globally. **Climate impact:** Develops standards and policy solutions addressing environmental challenges, including climate mitigation and sustainable development.
Environmental Insight Explorer	International organisations & development agencies	Local authorities Non-governmental organisations	**What it is:** Free platform using Google data to help cities measure emissions and identify reduction strategies. **Climate impact:** Enables data-driven planning for emission reductions, supporting effective climate mitigation at local and regional levels.
City Climate Finance Gap Fund	International organisations & development agencies	Local authorities, Non-governmental organisations	**What it is:** Technical assistance fund helping cities prepare low-carbon, climate-resilient projects and urban development plans. **Climate impact:** Builds investment-ready pipelines for climate mitigation and resilience, enhancing urban sustainability and global best practice sharing.

[210] Covenant of Mayors. (n.d). Funding Opportunities. https://com-east.eu/funding-opportunities/

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Mechanism	Source	Who can apply?	Key description
SIDA	International organisations & development agencies	Civil society organisations, Local authorities, National authorities	**What it is:** Swedish government agency funding global development projects focused on poverty reduction, democracy, climate, and sustainability. **Climate impact:** Supports biodiversity, clean energy, and climate resilience through water/marine resource management and accelerated climate action.
SDC	International organisations & development agencies	Regional, national and local authorities, civil society organisations, business associations	**What it is:** Swiss development agency providing expertise and funding for climate protection and adaptation in vulnerable regions. **Climate impact:** Supports climate resilience through adaptation programmes, technical solutions, and financial aid for vulnerable populations across continents.
International Climate Initiative	International organisations & development agencies	Regional, national and local organisations based in ODA countries	**What it is:** German climate finance programme supporting NDC implementation, biodiversity goals, and climate adaptation in developing countries. **Climate impact:** Funds carbon sink restoration, adaptation measures, and biodiversity protection aligned with Paris Agreement and CBD targets.
Adaptation Fund	International organisations & development agencies	National authorities	**What it is:** UN-backed fund financing climate adaptation projects for vulnerable communities in developing countries. **Climate impact:** Supports resilience in food, water, agriculture, and disaster risk sectors through locally prioritised adaptation initiatives.
GIZ	International organisations & development agencies	National authorities, Local authorities, Municipal companies Private sector	**What it is:** German development agency modernising environmental policy and promoting green finance, technologies, and jobs globally. **Climate impact:** Expands green finance, supports circular economy, and fosters climate-friendly technologies and jobs for long-term structural change.
UNDP	International organisations & development agencies	National authorities, Local authorities, Municipal companies, Private sector	**What it is:** UN development agency helping countries achieve SDGs through policy support, sector modernisation, and technology transfer. **Climate impact:** Enables climate-sensitive policies and pilots low-carbon solutions to modernise sectors and support sustainable development.
GEF Special Climate Change Fund	International organisations & development agencies	National authorities, Local authorities, Municipal companies, Private sector	**What it is:** Largest global funder of biodiversity, pollution reduction, and climate action in developing countries. **Climate impact:** Finances adaptation and tech transfer in water, land, agriculture, health, and ecosystems under UNFCCC commitments.

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Mechanism	Source	Who can apply?	Key description
On-bill Financing	Alternative Financing Schemes	Private and legal persons	**What it is:** Lets building owners or tenants finance energy efficiency upgrades through their utility bills. **Climate impact:** Repayments are collected via energy bills, ensuring stable cash flow for reinvestment in further climate mitigation projects.

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1.6. Funding and Finance Decision Making Framework

This guide serves as a strategic, complementary tool to the Climate Neutrality Plan (CNP), designed to enhance its effectiveness and impact. The CNP establishes the foundation by presenting the city's current status, defining its baseline and enabling FMs to define actions and pathways towards climate neutrality. As part of this process, cities are required to conduct cost assessments and identify potential funding and financing mechanisms. This part serves as the principal reference for fulfilling these requirements, providing structured methodologies, practical tools, and insights into investment mobilisation. By linking strategic objectives with actionable financial solutions, it ensures that FMs can translate their CNPs into implementable projects, accelerating the transition to climate-neutral urban development.

Municipal governments must manage their budgets in a responsible and cost-effective manner every year to meet the constraints, challenges and needs of their citizens. As a result, new sources of funding are constantly being sought for all planned investments and other expenditures. Cities need to look at different, ofttimes innovative options and consider what internal capacity they have to seek, procure and facilitate such funds.

Selecting the right funding approach is one of the most critical decisions for municipalities when developing projects. Different financing options, such as grants, loans, public-private partnerships, or issuing bonds, come with varying requirements, risks, and implications for ownership and long-term obligations.

To support informed choices, Figure 4 introduces a simplified Funding Decision-Making Tree prepared by the ICLEI with financial assistance from the European Union, in the framework of the Urban-LEDS II project. It is a practical set of questions that guides Ukrainian Municipalities through key considerations. This should be the first step in order to get an overview and understand the general situation of potential sources. By following this structured approach, Ukrainian Municipalities can then align funding strategies with project goals and ensure financial sustainability.

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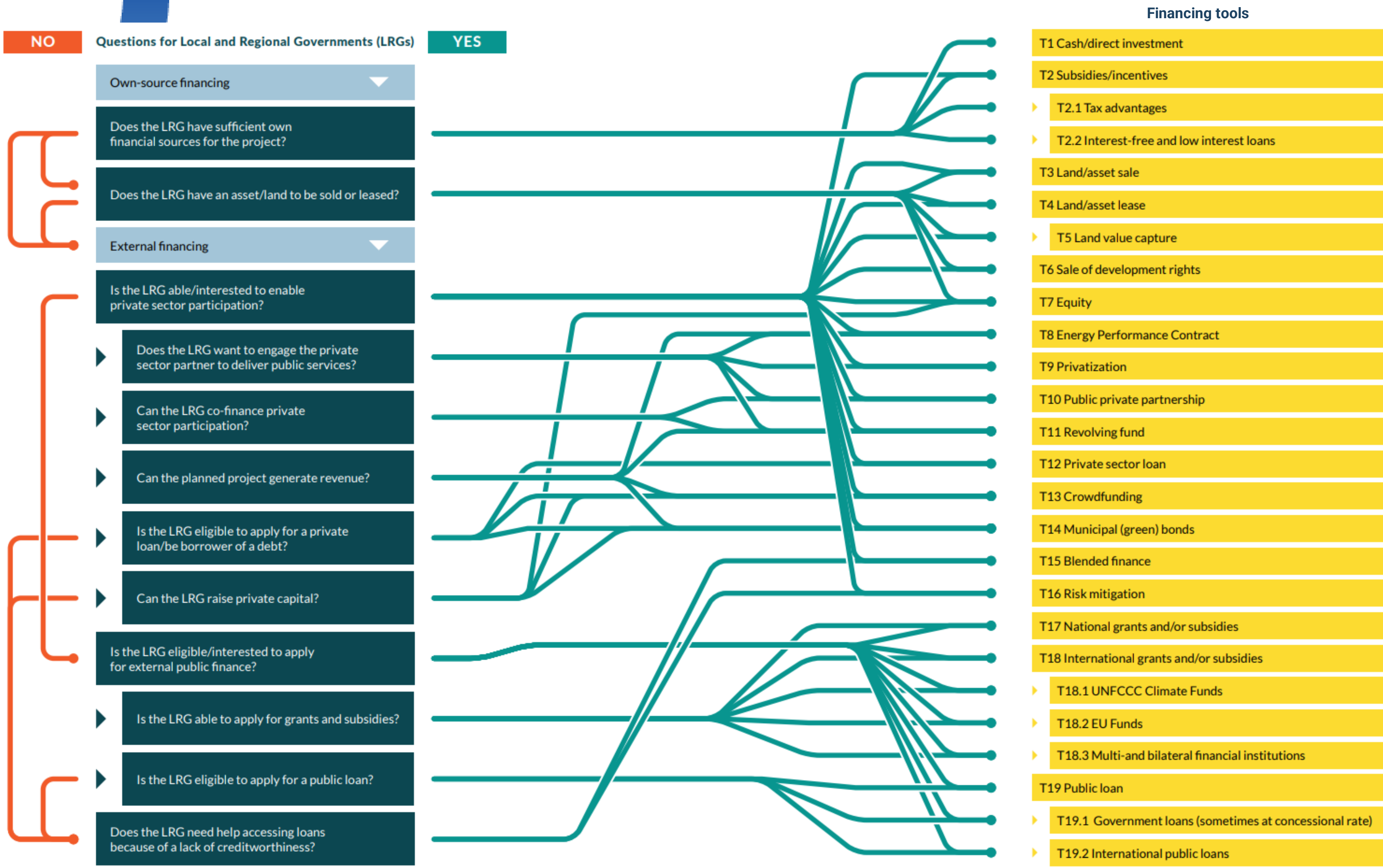

Figure 4 Finance Decision-Making Tree[211]

[211] https://e-library.iclei.org/uploads/Finance_tree_ENG_100621.pdf

The next step in identifying suitable financing options for climate-related action is to conduct a more detailed analysis using the Finance Guidance Tool[212] developed by NetZeroCities. This tool is specifically designed to help city teams navigate the complex landscape of climate finance and align funding sources with their strategic needs.

The Finance Guidance Tool serves as a structured decision-support system. It is built around a comprehensive questionnaire that guides users through a series of targeted questions. These questions are designed to:

- Clarify the city's specific financing needs.
- Identify relevant project characteristics.
- Filter and match appropriate types of funding mechanisms.

The tool organises potential funding sources across five key sectors that are central to urban climate action:

1. Built Environment (corresponds to the buildings and industry sector in the CNP).
2. Green Infrastructure & Nature-Based Solutions (corresponds to the land-use sector in the CNP).
3. Waste & Circular Economy (corresponds to the solid waste and water sector in the CNP).
4. Transportation (corresponds to the transport sector in the CNP).
5. Energy Systems (corresponds to the energy sector in the CNP).

Once the online questionnaire is completed, the tool generates a tailored list of recommended funding sources.

The output serves as a starting point for deeper analysis. City teams are encouraged to:

- Review the suggested funding sources in detail.
- Assess eligibility criteria and application processes.
- Consider strategic alignment with local climate action plans.

It is recommended that FM teams integrate this this tool into their financial planning workflows. It can be particularly valuable during the early stages of project development or when exploring new funding avenues.

Table 3 Finance Guidance Tool Questionnaire

Project Financing Options	Project Characteristics
The FM has sufficient resources or can generate resources for full or partial financing	The is a one-time investment. The investment can generate revenue streams. The FM has internal capacity to execute the project. The FM can levy new taxes based on projected improvements. The FM can self-finance but needs skilled technical expertise.
Grants are available from donors	The grant offers to finance the entire project. The FM can partially self-finance the project. The FM has the capacity to secure additional funding.
Loans are available at concessional interest rates	The FM has a good credit worthiness and borrowing capacity. The FM has access to Green Loans.

[212] https://netzerocities.app/financeGuidanceTool

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Project Financing Options	Project Characteristics
Commercial banks are willing to grant loans to the FM	The FM has a good credit worthiness and borrowing capacity. There are guarantors available.
The FM has access to a developed capital market	The municipal bonds in the past have had a favourable credit rating or the Municipal Bonds would have a favourable credit rating.
The project scale is interesting for institutional investors	There are institutional investors willing to invest in municipal projects.
There is a willingness from private contracting firms to execute the project	The FM would be interested in a simplified financing arrangement but with higher interest rates. The FM would be interested in a complex financing arrangement with lower interest rates.
The project scale is large enough to interest private equity investors	The regulatory framework permits private equity investment.
The utilities can offer financing	The FM would be interested in an Energy Efficiency Obligation Scheme (EEOS). The FM would be interested in an on-bill financing.
Private partner financing through energy savings is possible	The FM would be interested in benchmarking the expected energy savings. The FM would be willing to share the energy savings. The FM would be willing to impose a fee for non-compliance. The FM requires immediate modernisation. The FM would prefer staggered modernisation.
The project scale demands setting up of Special Purpose Vehicle to raise private capital	Is the project of a scale or complexity that exceeds the FM's internal capacity to manage directly? Is the project's financial structure dependent on attracting private capital or blended financing that cannot be managed within the municipal budget? Does the project require a separate legal entity to enter into contracts, own assets, or manage liabilities independently from the FM?
The FM is willing to enter into a public-private partnership	The FM is willing to sell to a private partner and leaseback. The FM prefers to commission a private partner to maintain and operate at a concessional fee.
The FM wishes to raise awareness while raising funds	There are philanthropies willing to finance the project. There are commercial establishments willing to sponsor part or the entire project (Investment, O&M). The project raises public interest to raise funds.
Private partner financing through energy savings is possible	The FM would be interested in benchmarking the expected energy savings. The FM would be willing to share the energy savings. The FM would be willing to impose a fee for non-compliance. The FM requires immediate modernisation. The FM would prefer staggered modernisation.

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Figure 5 below provides an overview of common financing structures across key sectors for example and context. These mechanisms differ according to the thematic area and the intended use of proceeds. Some instruments are multi-sectoral and can be applied across various themes, while others are bespoke and tailored to specific sectors. For instance, loans to municipalities may support multiple municipal priorities, whereas green bonds are designed for environmental projects. This variance highlights the importance of aligning financing strategies with both sector-specific objectives and broader development goals.

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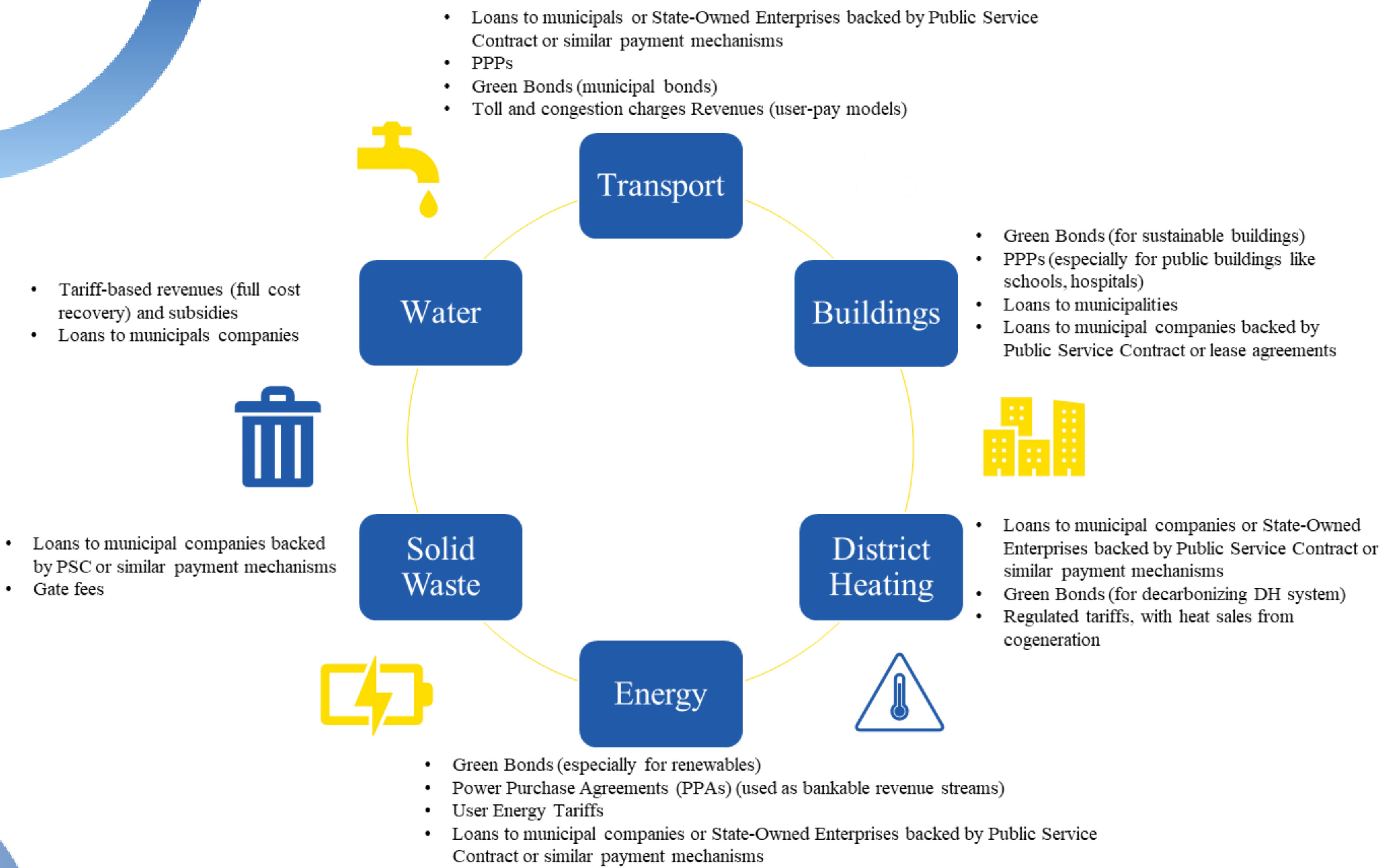

Figure 5: Key Sectors and Common Financing Structures by Example

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2. Project Preparation - Steps to Attracting Funding and Financing

2.1. Overview of Attracting Funding and Financing

To secure funding for municipal projects, especially in the context of Ukraine's green recovery, cities must develop proposals that are not only technically sound but also meet a range of requirements across regulatory, technical, market, and financial dimensions.

A bankable project begins with a clear and robust concept, supported by thorough feasibility studies and realistic financial models. It must demonstrate compliance with both national and international environmental and social standards, including alignment with the EU Taxonomy and Sustainable Development Goals, which are increasingly becoming prerequisites for accessing international and EU-backed financing. Projects should integrate circular economy principles, resource efficiency, and transparent governance, ensuring that sustainability is embedded from the earliest stages.

Technical feasibility is established through detailed analysis of the project's design, resource needs, and operational risks, supported by evidence-based assessments and, where necessary, external technical assistance. Accordingly, a credible market analysis is essential to demonstrate long-term competitiveness as funders expect clear evidence of demand, a strong understanding of the competitive landscape, and strategies to manage price and currency risks. Financial resilience is equally critical: projects must be underpinned by solid financial projections, stable and predictable cash flows, and robust risk management measures, all in line with the expectations of international financial institutions. By systematically addressing these dimensions, municipalities can enhance the credibility of their proposals, increase their attractiveness to funders, and contribute meaningfully to Ukraine's sustainable and climate-resilient development.

The process of securing financing can be described as a series of interconnected stages. It begins with strategic planning and project identification, the main goal of which is to define the project concept, identify potential sources of finance, and engage relevant stakeholders. Once the project idea has been finalised, the process moves on to feasibility studies and analysis. After confirming feasibility, the next step is identifying funding sources, where different financing options are analysed and negotiations take place to secure favourable terms. Next comes the application and approval phase, which ensures that all financial contracts, tools and responsible entities are properly set up. Once financing is secured, the project moves to the implementation and monitoring phase, which focuses on transaction oversight and compliance during execution. The process concludes with an evaluation and audit phase, which includes reviewing transactions, verifying invoices and finalising long-term agreements, to ensure transparency and accountability.

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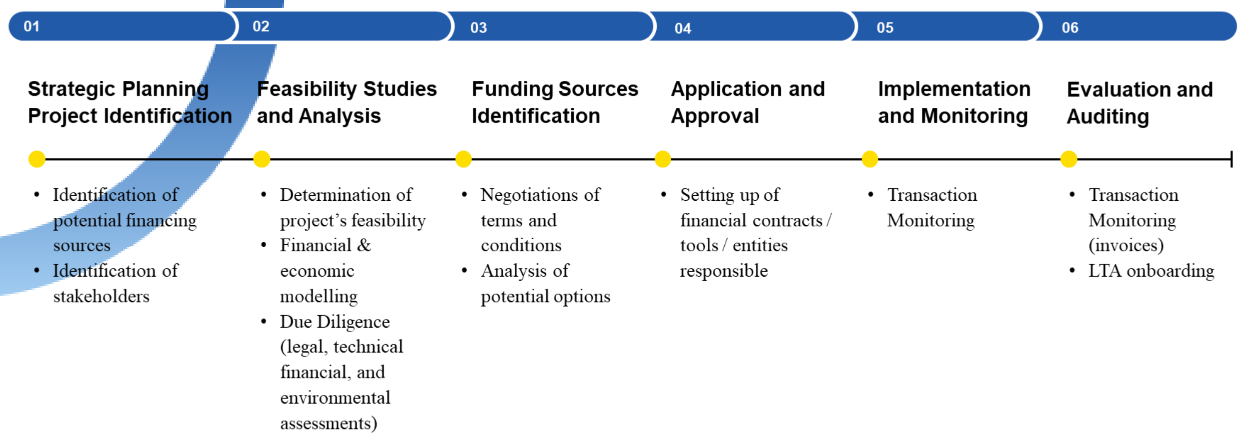

Figure 6: Concept Pathway Towards Financing

2.2. Key Requirements for Bankable Projects

The ability of municipalities to prepare "bankable" projects is paramount for attracting financing from a diverse range of sources, including donors, banks, and private investors. Bankable projects are those that satisfy stringent technical, financial, legal, and environmental requirements, demonstrating a robust concept and a clear project lifecycle. They are planned and financed through distinct development, implementation, and operations stages, with defined milestones and a rigorous monitoring and verification system.

Developing bankable projects requires meeting technical, financial, and organisational criteria that build investor confidence. Understanding the full project life cycle from concept through to the entire technical and economic life of the asset is essential, as each stage influences the credibility of the investment case. A well-structured life cycle includes accurate data, realistic costs, and clear performance expectations, all critical for securing financing and achieving successful outcomes.
Bankability is best understood as a composite risk profile typically encompassing several interrelated dimensions as further described in the following sections.

Table 4 Bankability dimensions[213]

Dimension	Key description
Regulatory dimension	Regulatory and environmental compliance framework: Although distinct from the legal and governance framework, regulatory compliance plays a critical role in ensuring a project's viability, especially in the context of climate mitigation. This involves meeting sector-specific operational and environmental standards, as well as aligning with sustainability regulations such as the EU Taxonomy. This ensures that the project meets current regulatory expectations, qualifies for green financing, and remains resilient to evolving climate-related policies.
Technical dimension	The technical dimension ensures that a project is both practically achievable and operationally sound. Key to this process are feasibility studies and technical due diligence, which validate the project's design, assess risks and confirm the appropriateness of the chosen technologies and methods. Such evaluations bolster investor confidence by showing that the project is grounded

[213] https://build-up.ec.europa.eu/en/resources-and-tools/articles/what-makes-project-bankable-rethinking-finance-energy-efficiency-buildings

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Dimension	Key description
	in realistic, well-informed assumptions and will reliably deliver its intended outcomes.
Market dimension	Market assessment is essential to ensure that the project operates within a viable and resilient market environment. Key elements include supply and demand analyses, understanding the competitive landscape and price volatility in input and output prices that could affect revenue stability.
Financial dimension	Solid financial modelling is needed, grounded in verifiable data and realistic market assumptions, such as energy prices, occupancy levels, and pricing strategies, incorporating both sensitivity and scenario analyses. Stable and predictable cash flows: revenue streams should be stable and not heavily reliant on unproven models, supported by a transparent and measurable monetisation strategy that ensures predictable returns.

Assessing municipal project bankability is crucial for attracting external financing, though many initiatives, especially those focused on inclusion, environment, or resilience, may not yield direct financial returns, but still deliver significant community and environmental value.[214]

Regardless of private or public funding sources, a project is considered bankable when its risk-return profile meets investor requirements and it can secure funding for implementation. Key indicators include financial, environmental, and social viability; reliable projected cash flows; and a creditworthy implementing entity. While criteria vary by financier, all require confidence that external conditions won't hinder completion. Terms like 'investment-ready' or 'finance-ready' are often used interchangeably.[215]

To secure financing, projects must demonstrate credibility, clarity, and risk mitigation across all of these dimensions. This involves:

- Identifying and addressing technical, legal, regulatory, and operational risks through mechanisms such as contractual guarantees, insurance coverage, escrow arrangements, Energy Performance Contract (EPC) provisions, and performance-based incentives.
- Measures such as reserve accounts, step-in rights, and emergency response plans being put in place to manage underperformance, delays, or cost overruns, ensuring the project remains operationally resilient.
- Defining roles, responsibilities, and liabilities formalised through enforceable agreements. Special Purpose Vehicles (SPVs) are often used to ring-fence project finances, enhance transparency, and ensure auditability.

Demonstration of sufficient bankability of a project is required to these dimensions, and others that may arise in specific contexts, throughout the lifecycle of a project. An example of a full project life cycle for an energy efficiency project, viewed from a financial lens, along with associated activities and outputs from each stage, is shown in Table 5 to aid understanding.

From the municipality or project host's perspective there are typically three stages to a project:

- Development: Concept, basic, detailed.
- Implementation: Detailed implementation design, installation, and commissioning.
- Operation: Measurement and verification (M&V), operations and maintenance (O&M).

[214] https://americadosul.iclei.org/wp-content/uploads/sites/19/2022/01/guide-for-the-elaboration-of-bankable-climate-action-projects.pdf
[215] https://citiesclimatefinance.org/publications/what-is-bankability

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Development

Municipal project development provides reliable technical and financial information to inform investment decisions. This process can be managed internally by municipal staff or supported by external consultants and typically begins with idea generation, followed by refinement of technical specifications and cost estimates.

The development phase is iterative, starting with an option analysis and initial feasibility analysis to confirm whether the concept is feasible and if further resources are needed. As the project advances, estimates become more precise moving from broad assumptions to detailed figures. Beyond technical and financial aspects, the process also addresses procurement strategies, financing options, and long-term operational plans, ensuring that projects are both viable and sustainable.

Implementation:

Once an investment case is approved, the project moves into implementation. For larger initiatives, this stage typically includes detailed design work followed by construction or installation. Smaller projects may already have sufficient design completed before the investment decision. After construction or installation, the project undergoes commissioning to verify proper operation and then transitions into its operational phase, where it delivers its intended benefits throughout its lifecycle.

Operations:

After commissioning, the project is formally handed over to the operator and enters its operational phase. At this point, any O&M plans or contracts begin, playing a critical role in sustaining performance over time. Project outcomes should be monitored through M&V processes outlined in the approved plan. For large projects, particularly those under performance-based contracts, an independent M&V specialist may be engaged to ensure transparency and accuracy. For smaller projects, the cost of M&V must be weighed against expected benefits, which has historically led to limited measurement for many initiatives.

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Table 5 An Example of a Financial Project Life Cycle for Energy Efficiency Projects[216]

	Pre-financing							Servicing / Operations			
Financial process		Origination		Decision to proceed	Underwriting		Decision to invest / Lend	Administration	Draw Down		Servicing
Activities		Identification of opportunities, assessment of initial data	Initial Due Diligence on technical and commercial aspects of proposed investment		Full underwriting, modelling value and risk, Due Diligence, leading to recommendation		Investment Committee review and decision	Finalising contracts and investment / loan agreement(s)	Transfer of funds		Monitoring of loan / investment performance over its lifetime
Output			Viable project / deal concept	Decision to move to underwriting		Recommendation to Investment Committee	Investment Committee decision	Signed contracts, Conditions Precedent	Loan or investment completion		Monitoring / repayment of loans / return on equity
Documents		Project outline with initial data	Project details, technical commercial	Term Sheet	Technical details, financial analysis, risk, commercial arrangements, counterparty details	Due Diligence reports		Contract documentation, financing agreement		Commissioning report(s)	Performance reports, O&M reports
Technical process	Concept design	Basic design			Detailed design			Detailed installation design	Installation	Commissioning	M&W[217] / O&M[218]
Output	Feasibility Study Approved project concept	Approved basic design				Approved detailed design, commercial proposition, final business case			Completed installation, installed documentation	Commissioning report(s) illustrating correct operating and commissioned installation	On-going operation of installation
Activities	Gathering of data, benchmarking, audits, identification of potential technologies, initial economic analysis		Development of technology design, selection of potential equipment, initial economic appraisal, preliminary business case, outline procurement strategy		Detailed design of technology, refined economic appraisal, detailed business case, identification of suppliers & contractors, procurement strategy			Detailed design considering specific site characteristics not identified to date	Any site-specific design needed, contracting for installation, supply of equipment, installation	Commissioning programme	On-going M&V reports, on-going O&M activities and reports

Development	Implementation	Operations
Investor Confidence Project Process		

[216] Adapted from https://valueandrisk.eefig.eu/lifecycle, this cycle does not illustrate the fullness of project reuqirements
[217] M&W – Measurement and Verification
[218] O&M – Operations and Maintenance

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The following checklist, developed by ICLEI, summarises the key elements that make a project "bankable" covering technical, environmental, financial, and organisational aspects. These requirements help to ensure that investors and lenders have confidence in the project's feasibility, expected returns, and governance. No one-process fits all lenders or funders however and early, ongoing engagement with financial parties is necessary to establish their relevant bankability criteria throughout the project life cycle.

Table 6 Bankability checklist[219]

Category	Checklist Items
Ownership model of the project	Project submitter, consortia partners clearly defined.
	Roles and responsibilities of the local government, national government and other partners of submitter if different from local government described.
Overall project concept	The project's objectives, location and scope are clearly defined.
	Alignment with National and local strategy: the project aligns with the country's overall, sector and climate priorities (e.g. NDC; Development Plan), local climate priorities and strategies.
	The project addresses SDGs.
Policy commitment	The project is specifically mentioned in the climate change strategy, resilience strategy, action plan or other document with comparable objectives.
	The local/ municipal authorities involved or concerned by the project have provided/ are willing to provide a written letter of support for the project.
	The project is also a priority for the national government (in case the support of national government is needed to access international finance and other debt).
	The project has been communicated to the public, and a meaningful stakeholder consultation has taken place / is expected to be organised by the city administration(s) or the lead entity presenting the project.
Ambition of climate action impact	The project demonstrates GHG emissions reduction and enhances community resilience thereby contributing to the country's Nationally Determined Contribution (NDC).
	The climate impact clearly defined and quantified: E.g. CO2 emission reduction, energy saving.
	The climate action impact of the project is expected to be larger than the geographical scale at which the project will be implemented (e.g. flood protection project that has positive impacts downstream).
Maturity	A pre-feasibility study has already been carried out at the project level.
	A feasibility study has already been carried out at the project level/component level.
	The lifecycle costs of the project, including pre-feasibility studies and maintenance, have been quantified correctly and included in the costs of the project.

[219] https://e-library.iclei.org/uploads/Bankability_Checklist_TAP.pdf

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Category	Checklist Items
	A financial model for the project has been/ is being prepared.
	Possible sources of funding sources were analysed (local, national, international, private funding).
Economic and social viability	The overall cost of the project and the expected benefits have been/ are being estimated. The cost-benefit analysis (CBA) revealed positive Economic Net Present Value (ENPV) and Economic Internal Rate of Return (EIRR) values.
	The necessary regulatory framework in the country is clear and reliable. Protection project that has positive impacts downstream.
	The project is expected to have positive impacts on social inclusion or vulnerable groups.
	A meaningful percentage of the population will be served by the project.
	The project is expected to have positive impacts on gender equality.
	The project is expected to have positive impacts on to generate positive economic spillover effects in other economic sectors and support local businesses.
	The project is expected to have positive impacts on the quality of life of residents in urban areas (air quality, pollution abatement, public health and safety, etc.).
	The project has potential for significant employment generation/EUR invested.
Technical viability	Technical solutions are/will be assessed against feasible alternatives.
	The demand for the goods/services to be provided by the project is calculated and this is expected to be sufficient compared to the capacity of the project.
	Risks have been sufficiently identified and there is a plan on how to mitigate them.
	The regulatory framework in the country is clear and reliable.
	The project can dedicate sufficient human resources to implementation and monitoring.
Financial viability	The promoter and/or the municipal authorities concerned by the project have a solid track record of receiving financing from international financial institutions (IFIs) and/or commercial banks.
	The promoter and/or the municipal authorities concerned by the project has sufficient creditworthiness and is potentially eligible as a recipient of IFI financing either on its own right, or through guarantees from the state or third parties.
	At least part of the project components or sub-schemes have potential to generate savings that may attract private sector financing/ investments.
	At least part of the project components or sub-schemes are expected to have potential to generate sufficient cashflow/savings to repay a loan.

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Category	Checklist Items
	At least part of the project components or sub-schemes are expected to have potential to reach the financial break-even point during the economic lifetime of the assets.
Innovation, replicability and scalability	If successful, the project could be replicated in another city/ country.
	If successful, the project could be scaled up to the regional/ national level.
	At least part of the project components or sub-schemes are expected to propose an innovative solution relative to the market, sector and country in which they are implemented.
	A meaningful percentage of the population will be served by the project.
	The project is expected to have positive impacts on gender equality.
	The project is expected to have positive impacts on to generate positive economic spillover effects in other economic sectors and support local businesses.
	The project is expected to have positive impacts on the quality of life of residents in urban areas (air quality, pollution abatement, public health and safety, etc.).
	The project has potential for significant employment generation or EURO invested.

To prepare bankable projects, municipalities require skilled project preparation teams with expertise in technical design, financial modelling, environmental and social safeguards, legal structuring, and procurement. Designing complex financial models is a specialised skill demanding proven experience.[220] Furthermore, municipalities must utilise data and digital tools, such as the DREAM platform, for project development, monitoring progress, and ensuring compliance with standard procedures. DREAM's training programmes and regional account managers provide essential capacity building and technical support for local teams.[221] This reinforces the foundational requirements for qualified human capital and robust digital infrastructure (see Sections 3.1 and Section 3.2).

In the following sections we will explore the dimensions of project bankability further to provide supporting information.

2.2.1 Regulatory Dimension: Compliance with Environmental and Sustainable Development Goals

Obtaining funding for green reconstruction projects in Ukraine now increasingly depends on meeting national, international, and European Union standards. Projects must show compliance with environmental and social policies.[222] Compliance plays an important role in establishing credibility with funders. Ukrainian Municipalities need to focus on implementing recognised standards and technical regulations, making sure that sustainability goals are

[220] https://me.gov.ua/download/4d6fd29f-b819-45a2-9fd4-775dbbd10019/file.pdf
[221] https://www.open-contracting.org/2025/07/10/dream-while-fighting-for-its-future-ukraine-invented-a-better-way-to-make-investments-that-benefit-people-and-the-planet/
[222] The National Guiding Framework for Standards and Technical Regulations. Underpinning the Green Reconstruction of Ukraine, UNIDO 2025

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incorporated into both project documentation and procurement procedures. The *National Guiding Framework for Standards and Technical Regulations. Underpinning the Green Reconstruction of Ukraine*, developed by UNIDO 2025 provides a consistent approach towards compliance with standards, regulations and strategies. Furthermore, the World Bank PPP manual similarly mandates environmental and social feasibility studies and risk assessments.[223] This requirement underscores the broader need for integrated risk management and expertise in social and environmental safeguards.

Bankable projects demand clear legal structures, with municipalities often creating special-purpose vehicles (SPVs) or robust project agreements that allocate risks effectively among partners. The PPP manual advises establishing a project management team supported by advisors with proven experience in financial modelling and risk allocation. Ukrainian law requires municipal projects to align with approved community strategies, with local councils approving feasibility studies and financial models. Reviews and approvals from ministries (e.g., Finance, Economy) for borrowing or guarantee arrangements are frequently necessary.[224] This highlights the importance of strong legal expertise within municipal administrations.

An additional element of green reconstruction is the application of circular economy principles (such as material reuse, recycling, and waste reduction) in projects, which are increasingly favoured by international donors and climate finance organisations.[225] Projects that utilise certified eco-friendly materials (e.g., those with ISO 14024 environmental declarations) and emphasise resource efficiency are more likely to secure funding. Moreover, obtaining green building certifications and demonstrating measurable climate and social benefits can significantly enhance a project's attractiveness to both public and private investors.[226]

The European Green Deal, launched by the European Commission in 2019, is the EU's flagship strategy to become the first climate-neutral continent by 2050. It aims to transform Europe's economy, energy systems, transport, and industries into a modern, resource-efficient, and competitive model that protects both people and the planet. Key pillars include emission reductions, clean energy transition, circular economy, biodiversity protection, and a socially just transformation.[227]

Ukraine is committed to undertaking reconstruction based on a green (i.e., low-carbon, circular, nature-preserving, and zero-pollution) approach, and in accordance with EU standards.[228] Ukraine, as an EU candidate country, is actively aligning its policies and reforms with the Green Deal objectives. The EU–Ukraine Association Agreement and Ukraine Facility (2024–2027) provide frameworks and financial support for Ukraine's recovery and green modernisation.

Ukraine's alignment with the Green Deal includes:

- Energy transition: Through the REPowerEU initiative, Ukraine is supported in reducing dependency on fossil fuels and increasing renewable energy capacity.
- Climate legislation: Ukraine is working to harmonise its climate and environmental laws with EU standards, including emissions monitoring and carbon pricing mechanisms.

[223] https://me.gov.ua/download/4d6fd29f-b819-45a2-9fd4-775dbbd10019/file.pdf
[224] https://me.gov.ua/download/4d6fd29f-b819-45a2-9fd4-775dbbd10019/file.pdf
[225] https://kbu.org.ua/en/news/implementation-of-green-reconstruction-projects-in-ukraine
[226] https://kbu.org.ua/en/news/implementation-of-green-reconstruction-projects-in-ukraine
[227] https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en
[228] https://ukraine-eu.mfa.gov.ua/en/2633-relations/galuzeve-spivrobitnictvo/klimat-yevropejska-zelena-ugoda

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- Green reconstruction: Post-war recovery efforts are being designed to incorporate sustainability, resilience, and climate neutrality, with EU backing for infrastructure, clean technologies, and environmental governance.
- Participation in EU programmes: Ukraine is involved in Horizon Europe, Erasmus+, and the Single Market Programme, fostering innovation and know-how.[229]

In terms of climate legislation, under the EU's Environmental Impact Assessment (EIA) Directive (2011/92/EU as amended by 2014/52/EU), "major building or development projects in the EU must first be assessed for their impact on the environment". Similarly, the Strategic Environmental Assessment (SEA) Directive (2001/42/EC) requires that plans and programmes likely to have significant environmental effects undergo a systematic environmental evaluation during their preparation.

The EIA procedure guarantees environmental protection and transparency regarding the decision-making process for several public and private projects. With its comprehensive scope and broad objectives, the Environmental Impact Assessment (EIA) ensures that environmental considerations are integrated from the earliest stages of new construction or development projects, including any modifications or extensions. It also provides an opportunity for the public to actively participate in the EIA process.[230]

Ukraine, as part of its European integration process and commitments under the EU–Ukraine Association Agreement, has adopted legislation and procedures aligned with both the EIA and SEA Directives. The Law of Ukraine "On Strategic Environmental Assessment"[231] and related reforms aim to integrate environmental and public health considerations into strategic planning, particularly in urban development.

One of the regulatory measures established by the European Union is the Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (EU Taxonomy)[232], the current legal basis of all the activities considered as sustainable and compatible with the ESG dimension from European Union's perspective. The EU Taxonomy is a classification system that defines and standardises environmentally sustainable economic activities across the European Union. It provides corporations, investors, and policymakers with clear, consistent criteria for identifying which activities contribute meaningfully to environmental objectives.

To be considered environmentally sustainable under the taxonomy, an economic activity must meet four overarching conditions:

- Contribute substantially to at least one of the six environmental objectives.
- Do no significant harm (DNSH) to any of the other environmental objectives.
- Comply with minimum social and governance safeguards.
- Meet detailed technical screening criteria adopted under the regulation.

For each eligible economic activity, the EU Taxonomy provides specific technical screening criteria that must be fulfilled to determine whether the activity is taxonomy-aligned. These criteria ensure that sustainability claims are robust, measurable, and verifiable.

[229] https://commission.europa.eu/topics/eu-solidarity-ukraine/ukraines-path-towards-eu-accession_en
[230] https://environment.ec.europa.eu/law-and-governance/environmental-assessments/environmental-impact-assessment_en
[231] https://zakon.rada.gov.ua/laws/show/en/2354-19/ed20251031#Text
[232] https://eur-lex.europa.eu/eli/reg/2020/852/oj/eng

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The six environmental objectives defined in the EU Taxonomy are:

- Climate change mitigation.
- Climate change adaptation.
- Sustainable use and protection of water and marine resources.
- Transition to a circular economy.
- Pollution prevention and control.
- Protection and restoration of biodiversity and ecosystems.

Compliance with the EU Taxonomy for Sustainable Activities is increasingly a prerequisite for obtaining financing for investment projects, particularly those supported by EU-related sources and financial institutions. Its implementation has enabled more effective planning and execution of sustainable transactions, mitigated market fragmentation, and facilitated the reallocation of capital toward greener sectors. As a foundational tool in the EU's sustainable finance strategy, the taxonomy plays a critical role in channelling substantial volumes of private sector investment into environmentally sustainable activities, thereby accelerating the transition to a low-carbon, resource-efficient economy. The taxonomy enhances transparency, reduces the risk of greenwashing, and fosters investor confidence in sustainable investments.[233]

The SUN4Ukraine Programme focuses primarily on climate change mitigation, which constitutes the first environmental objective of the EU Taxonomy. The Programme also considers climate change adaptation, which represents the second Taxonomy objective. Together, these two goals form the foundation of the EU's green investment framework and are directly aligned with the overarching objectives of the European Green Deal.

The economic activities covered under these two environmental goals include, among others, the core sectors of the SUN4Ukraine Programme:

- **Energy**: such as electricity generation from solar PV, wind, hydro, ocean, and geothermal sources; electricity generation from bioenergy (under strict sustainability criteria); low-carbon and transitional nuclear energy; transmission and distribution of low-carbon electricity; and manufacture of renewable energy technologies (e.g. wind turbines, PV cells, and heat pumps).
- **Water supply, sewerage, waste management, and remediation**: including waste prevention, reuse, recycling, and material recovery; wastewater treatment and biogas production; methane capture from waste or wastewater; as well as composting and anaerobic digestion.
- **Transport**: encompassing passenger and freight rail transport, public transport, zero- or low-emission road vehicles, and supporting infrastructure for electric charging, hydrogen refuelling, and other clean mobility solutions.
- **Construction and real estate**: including construction of new buildings meeting near-zero energy performance standards (NZEB) and renovation of existing buildings achieving at least 30% primary energy demand reduction.

These categories closely correspond to the types of projects and actions that municipalities will include in their Climate Neutrality Plans (CNPs). Therefore, ensuring alignment with EU Taxonomy principles will be critical when applying for EU or EU-backed financing, as it not only facilitates access to funding but also demonstrates a project's contribution to the EU's sustainability transition.

[233] https://www.undp.org/sites/g/files/zskgke326/files/2022-08/UNDP-UA-green-taxonomy-report-ENG.pdf

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In investments involving infrastructure or industrial development, it is common for multiple international financing institutions and private banks to participate in the project pipeline and consider providing funding to investors. In such cases, the adoption of robust environmental and social standards is essential to ensure responsible investment and long-term sustainability. ESG standards set out by IFIs ensure that projects not only deliver economic value but also uphold principles of sustainability, social inclusion, and good governance. Frameworks such as the Equator Principles, the EBRD's Environmental and Social Policy (EBRD ESP), EIB Environmental and Social Standards World Bank Environmental and Social Framework or the IFC Performance Standards provide structured guidance for assessing and managing ESG risks throughout the project lifecycle.

As an example, the European Bank for Reconstruction and Development (EBRD) continues to set a benchmark for environmental and social governance through its Environmental and Social Policy.[234] Banks involved in the funding process increasingly require alignment with EBRD standards, which include:

- **EBRD Environmental and Social Exclusion List:** Defines activities that are excluded from financing due to unacceptable environmental or social risks, such as illegal activities, forced labour and fossil fuel exploration.
- **Environmental and Social Requirements (ESRs):** Projects must undergo assessment and management of environmental and social risks within the following areas:
    - **ESR 1:** Assessment and management of environmental and social risks and impacts.
    - **ESR 2:** Labour and working conditions.
    - **ESR 3:** Resource efficiency and pollution prevention and control.
    - **ESR 4:** Health, safety and security.
    - **ESR 5:** Land acquisition, restrictions on land use and involuntary resettlement.
    - **ESR 6:** Biodiversity conservation and sustainable management of living natural resources.
    - **ESR 7:** Indigenous Peoples.
    - **ESR 8:** Cultural heritage.
    - **ESR 9:** Financial intermediaries.
    - **ESR 10:** Stakeholder engagement.
- Gap Analysis of the project design, including the justification for project selection and alternatives considered, and implementation against the ESRs to identify whether any additional studies and/or mitigation measures are needed to meet the EBRD's requirements. The Bank will also assess the client's activities and the adequacy of any existing ESMSs prior to the EBRD's engagement.
- Green Economy Transition (GET) and Paris Alignment Assessment: Banks expect projects to demonstrate alignment with the Paris Agreement on climate change, enhance policy engagement for the development of long-term low-carbon strategies, and scale investments across a set of environmental, climate mitigation and resilience priorities. Projects should also contribute to the greening of financial systems.
- Ongoing Monitoring and Realisation: After project approval and implementation, lenders require continuous monitoring of environmental and social performance, often with the support of independent environmental advisors.

By adhering to EBRD standards, banks and investors ensure that projects not only meet regulatory requirements but also contribute to sustainable development, mitigate risks, and enhance transparency and accountability throughout the project lifecycle.

[234] https://www.ebrd.com/home/news-and-events/publications/institutional-documents/environmental-and-social-policy-2024.html

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2.2.2 Technical Dimension: Ensuring Project Feasibility

Ukrainian regulations, specifically Cabinet Resolution № 515 (19 May 2021), mandate detailed feasibility studies for significant investment projects. These studies must encompass an executive summary, market analysis, project objectives, alignment with strategic documents and direction, location, implementation stages, and job creation projections. Crucially, they must include a comprehensive financial model and a Technical and Economic Assessment (TEA).[235] The TEA should cover market, technical, investment volume, legal, social, fiscal, environmental, and risk considerations. The financial model, in turn, must project revenues, operating costs, taxes, capital expenditures, financing sources, cash flows, and test sensitivity to macroeconomic factors, tariffs, and exchange rates.[236]

Before allocating resources to an investment, it is important to evaluate its technical, and operational viability. A feasibility study is a critical decision-making tool that helps determine whether the proposed investment can be successfully implemented. It provides a structured analysis of all relevant factors, such as technical readiness, market conditions, resource availability, risks and expected outcomes, ensuring that the project is based on realistic assumptions and supported by evidence. Conducting a feasibility study reduces uncertainty and strengthens the credibility of the investment proposal for stakeholders, funders and regulatory bodies.

1. Project Overview

The feasibility study should begin with a clear presentation of the FM's project. This should include the project name, followed by a detailed description of the proposed investment. This description should detail the technologies, products or services involved and emphasise the anticipated benefits for residents, local businesses and municipal operations.

2. Background Information

Ukrainian Municipalities should provide a description of the current situation upon which the investment will build. This should include an outline of any existing infrastructure, services or systems that the new project will enhance or replace. Providing this context helps to clarify the rationale behind the investment and its anticipated effect on municipal operations and community outcomes.

3. Location Analysis and Strategic Approach

This section should provide a detailed description of the project's physical location, including site plans and logistics, as well as any links to other municipal or regional initiatives. Ukrainian Municipalities must identify all relevant stakeholders, including internal departments, community groups and service providers, and address regulatory requirements such as permits and certifications, along with the strategy for obtaining them. Intellectual property rights (IPR) must also be considered, particularly if the project involves innovation or collaboration with external partners. Public acceptance is crucial, so Ukrainian Municipalities should assess community support and outline engagement plans. The environmental impacts throughout the project lifecycle must also be discussed, including plans for assessments and mitigation.

4. Objectives

Ukrainian Municipalities should define the project’s objectives using the SMART framework: specific, measurable, achievable, relevant and time bound. This section outlines the technical

[235] https://zakon.rada.gov.ua/laws/show/515-2021-%D0%BF
[236] https://kse.ua/KSE_for_BGK_Final_Report_July2024%20-%2020.11.2024.pdf

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and operational requirements needed to achieve these objectives, as well as clarifying the project's scope.

5. Resources and Feedstock Availability

A detailed analysis of the resources required for the project is essential. Ukrainian Municipalities should conduct a supply chain analysis covering market conditions, suppliers, pricing structures, procurement strategies, logistics and technical resources. The value chain analysis should demonstrate how the project will benefit the municipality and its residents, as well as the broader regional economy. This analysis should identify value-creating activities, cost drivers and commercial factors, such as market drivers and the value of waste and carbon.

6. Technical Assessment

This section provides a thorough evaluation of the technology's readiness for implementation. Ukrainian Municipalities should outline the processes and infrastructure design, including the design philosophy and how it aligns with engineering principles. The main systems, utilities, infrastructure and control systems should be outlined. Any assumptions used for operational characteristics must be explained, as must any considerations for changes in scale or circumstances. The reuse of existing municipal assets should be evaluated and the construction approach described. The proposed technology should be benchmarked against current best practices, with innovative elements and benefits in terms of resource efficiency highlighted.

7. Expected Project Output

Ukrainian Municipalities should present the expected outputs of the project, including the volume and quality of the services or products to be delivered, as well as the project's reliability, maintenance requirements and technical feasibility. They should also identify potential technical challenges and strategies to address them.

8. Techno-Economic Analysis

A techno-economic analysis should be performed, including a tabular summary of capital and operational expenditure (CAPEX and OPEX) that is consistent with the municipal business plan. Ukrainian Municipalities should analyse the project's performance and impacts from technical and economic perspectives. Alternative technical scenarios should be compared and the environmental and socio-economic impacts, such as those relating to health, safety and emissions, assessed.

Bankable projects must go beyond financial viability to demonstrate clear socio-economic value. The Practical Manual for the State Regional Development Fund (SFRD) outlines evaluation criteria for regional development projects, emphasizing impact on the community, problem-solving, innovation, co-financing, and socio-economic relevance. Higher co-financing contributions from municipalities significantly improve project scores, with projects contributing at least 30% receiving four points.[237] International financial institutions (IFIs) often require a positive cost-benefit ratio (>1) and a financial internal rate of return exceeding the weighted average cost of capital, alongside sensitivity analysis for negative shocks.[238]

9. Risk Analysis and Management

[237] https://decentralization.ua/uploads/library/file/709/Practychny-Posibnyk-DFRR.pdf
[238] https://me.gov.ua/download/4d6fd29f-b819-45a2-9fd4-775dbbd10019/file.pdf

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Ukrainian Municipalities must identify the main technical and operational risks associated with the project. Each risk should be assessed in terms of its likelihood and potential impact, and responsibility for mitigating it should be assigned.

This framework for feasibility studies empowers Ukrainian Municipalities to make informed, strategic decisions about their investments. It ensures that projects are visionary, practical, sustainable and aligned with community needs and regulatory standards.

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2.2.3 Market Dimension: Demonstrating Long-Term Competitivity

Market dimension analysis is a cornerstone of project bankability. By addressing supply-demand dynamics, competitive pressures, and financial risks, Ukrainian Municipalities can build investor confidence and unlock access to critical funding streams for Ukraine's recovery and sustainable development.

For Ukrainian Municipalities seeking funding and financing from International Financial Institutions such as the EBRD, EIB, IFC, and World Bank, demonstrating market viability is a critical prerequisite. IFIs require assurance that projects are not only technically and environmentally sound but also economically sustainable. A robust market analysis underpins this by validating demand, revenue potential, and resilience against external risks.

To meet international standards and attract financing, Ukrainian Municipalities must address the following elements in their feasibility studies and project documentation:

- **Supply-Demand Assessment**: Demonstrate clear evidence of demand for the proposed service or infrastructure. This includes analysing population needs, existing capacity gaps, and projected growth trends.
- **Competitive Landscape**: Identify current and potential competitors, substitute services, and market saturation risks. IFIs expect projects to show a unique value proposition and avoid overcapacity.
- **Price Risk Analysis**: Assess volatility in input and output prices, especially for energy, construction materials, and operational costs. Include sensitivity scenarios to show financial resilience. For projects involving imported equipment or foreign-denominated loans, outline strategies for mitigating currency fluctuation risks, such as hedging or local procurement.
- **Regulatory and Policy Context:** Ensure alignment with Ukraine's Public Investment Management (PIM) framework, EU integration priorities, and sectoral strategies. Compliance with national and IFI standards is non-negotiable for funding eligibility.
- **Sectoral IFI Expectations and Standards:** International lenders apply rigorous appraisal methodologies that integrate market analysis into broader economic and financial assessments. It is important to follow the specific sectoral requirements, checklists, KPIs of IFIs considering project financing. As examples:
  - **EBRD** requires projects to follow sound banking principles, including market viability and competitive positioning, alongside environmental and social safeguards.
  - **IFC** Performance Standards emphasise financial sustainability and risk management, including price and FX exposure.
  - **World Bank** and **ADB** frameworks for municipal PPPs mandate detailed demand analysis and affordability assessments to ensure long-term service delivery.
  - Under the **Ukraine Investment Framework**, projects must align with strategic recovery priorities and demonstrate economic feasibility through robust market data and cost-benefit analysis.

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2.2.4 Financial Dimension: Confirming the Project's Financial Resilience

Securing financing from International Financial Institutions (IFIs) such as the EBRD, EIB, World Bank, or IFC demands a robust financial foundation. IFIs assess whether a project can generate predictable returns, maintain creditworthiness, and withstand market and operational risks. This is especially critical for climate mitigation projects such as building energy upgrades, fleet decarbonisation, renewable energy installations, and water infrastructure improvements, where upfront capital costs are high and payback periods can be long.

A strong financial dimension demonstrates:

- Solid financial modelling grounded in verifiable data and realistic assumptions (energy prices, occupancy levels, tariff evolution).
- Stable and predictable cash flows, supported by transparent monetisation strategies.
- Risk-adjusted projections, incorporating sensitivity and scenario analyses.
- Compliance with IFI financial standards, including credit ratios and valuation benchmarks.

Without these elements, even technically sound projects may fail to attract funding.

A comprehensive financial analysis should include:

- **Historical Financials:** Review of municipal or utility historical financial statements (usually for the past 3–5 years). Indication of fiscal health (revenue stability, debt levels, liquidity) is important to understand the financial condition of the entity and key to assessing repayment capacity.
- **Financial Projections:** Multi-year forecasts of revenues, operating costs, and capital expenditures should be modelled, based on realistic assumptions and should reflect verified savings and tariff structures (if applicable). The financial structure of projects will depend on their scope and sector. They may include energy prices, occupancy levels, tariff evolution, inflation. etc. A financial model should integrate the projections, covering cash flows, debt service, and equity returns.
- **Sensitivity analysis** and **scenario analysis** should be incorporated into the model, (e.g., ±10% energy price changes or traffic). Sensitivity analysis can indicate areas where risk mitigation measures need to be applied, such as FX hedging for imported equipment, insurance for construction delays or contingency reserves.
- **Credit Ratios (Debt Metrics):** such as Debt Service Coverage Ratio (DSCR), Loan Life Coverage Ratio (LLCR), and gearing ratios are requirements usually defined by financing institutions.
- **Valuation (Equity):** For PPP or private participation, valuation of equity stake and expected IRR. (for example, for renewable energy projects, equity valuation must reflect feed-in tariffs and carbon credit revenues).
- **Cost-Benefit Analysis (CBA):** Required for projects with significant public funding or EU grants. The aim of a CBA is to monetize social and environmental benefits (e.g., CO_2 reduction, health improvements, time savings) that are not included in the financial flows but constitute the project value in non-monetary aspects.

Bankable projects require municipalities not only to produce sophisticated financial models but also to possess the analytical capacity to interpret, test, and challenge these models, ensuring that underlying assumptions, risks, and financing scenarios are fully understood before entering into long-term commitments. For Public-Private Partnerships (PPPs), compliance with World Bank recommendations, such as a Debt Service Coverage Ratio (DSCR) of at least 1.5, is often expected. Financial models should include detailed income statements,

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cash-flow analyses, balance sheets, capital structure, and sensitivity analyses to account for interest rate, inflation, demand, and currency risks. Affordability analysis is also vital to determine Indicative financial ratios, such as Debt/EBITDA ≤ 3.5 and Equity/Debt ≥ 0.5, are benchmarks lenders may apply.[239]

Additional elements to strengthen project bankability will include a transparent monetisation strategy that defines how savings or revenues will be captured and measured (e.g., energy performance contracts, tariff adjustments) and stable and predictable Cash Flows to ensure that reliance on unproven revenue sources is avoided or mitigated.

Completeness and consistency in feasibility studies, financial models, and risk analyses are supported by standardised templates and checklists, often provided by frameworks like SUN4Ukraine and KSE guidelines.[240] Additionally, securing co-financing and grants is crucial for strengthening project viability, as higher local contributions improve project scores in programmes like the SFRD, and IFIs often require minimum equity contributions or municipal guarantees.[241]

[239] https://kse.ua/wp-content/uploads/2024/11/Financial-instruments-for-business-in-Ukraine.pdf
[240] https://kse.ua/KSE_for_BGK_Final_Report_July2024%20-%2020.11.2024.pdf
[241] https://decentralization.ua/uploads/library/file/709/Practychny-Posibnyk-DFRR.pdf

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2.3. Technical Assistance

Municipalities often lack internal capability, including the sufficient technical expertise, institutional capacity, and specialized know-how required to plan and implement complex infrastructure projects. This gap significantly limits their ability to manage demanding processes independently. As a result, technical assistance becomes essential and must be provided through external expert support. Such assistance is available from both international partners and Ukrainian institutions.

Municipalities are typically obligated to prepare project fiches aligned with national priorities and upload them to DREAM, respond to donor/IFI calls (NEFCO, EIB, World Bank) often with required co-financing, and engage via technical-assistance programmes (U-LEAD, CoE) to strengthen capacity, fiduciary controls and procurement readiness; these channels and procedures are documented on the respective official portals above (DREAM, n.d.; NEFCO, n.d.; European Investment Bank, n.d.).

Various institutions can offer **Technical Assistance:** Technical assistance may be provided on-budget (through local budgets) or off-budget (direct donor implementation), supporting capacity-building, project management, and compliance with international standards.[242]

The World Bank supports Ukraine through relief, recovery, and reconstruction trust funds. These funds channel donor grants and guarantees into national and local projects, often focusing on municipal infrastructure and social services. Ukrainian cities access World Bank support by submitting project proposals aligned with national priorities, typically requiring co-financing and adherence to strict procurement and reporting standards.[243] For example, Ukraine Relief, Recovery, Reconstruction, and Reform Trust Fund (URTF) supports a range of initiatives that advance reforms for recovery and reconstruction through a combined approach of technical assistance, strategic partnerships, and financing, a key element of the financing mechanisms for supporting Ukraine in the World Bank.[244]

The Eastern Europe Energy Efficiency and Environment Partnership (E5P) is a multi-donor fund designed to stimulate municipal investments in energy efficiency and environmental sustainability across the Eastern Partnership region. It provides flexible grant support aligned with the priorities of each participating country, aiming to reduce energy consumption, pollution, and greenhouse gas emissions. Beyond financing, E5P also fosters policy dialogue and supports regulatory reforms. As a co-financier, E5P grants serve as incentives for municipalities to access loans from international financial institutions such as the EBRD, EIB, World Bank, IFC, CEB, KfW, NEFCO, and NIB helping to de-risk projects and improve their financial viability.[245] As a recent example, Ternopilmiskteplokomunenergo, a municipal district

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[242] Cabinet of Ministers of Ukraine. (2002a). Resolution No. 153: On establishing a unified system for attraction, use and monitoring of international technical assistance; amendments: Resolution No. 422 (2024) (in Ukrainian). Verkhovna Rada of Ukraine. https://zakon.rada.gov.ua/go/153-2002-%D0%BF,
Cabinet of Ministers of Ukraine. (2024a). Resolution No. 1163: On approval of the procedure for maintaining the Register of international technical assistance projects (programmes) (in Ukrainian). Verkhovna Rada of Ukraine. https://zakon.rada.gov.ua/go/1163-2024-%D0%BF,
Ministry of Finance of Ukraine. (2012). Order No. 938: Treasury servicing of local budgets (with amendments 2024) (in Ukrainian). https://zakon.rada.gov.ua/go/z1569-12

[243] World Bank. (2022). New Multi-Donor Trust Fund established to channel donor support to Ukraine (press release). https://www.worldbank.org/en/news/press-release/2022/12/16/new-multi-donor-trust-fund-established-to-channel-donor-support-to-ukraine, World Bank. (2025). Ukraine Relief, Recovery, Reconstruction and Reform Trust Fund (URTF)—overview. https://www.worldbank.org/en/programs/urtf/overview

[244] https://www.worldbank.org/en/programs/urtf/overview

[245] https://com-east.eu/funding-opportunities/

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heating system operator in the city of Ternopil will receive additional grant financing of €3 million from the E5P Fund.[246]

United Nations Development Programme (UNDP) and bilateral partners provide Ukrainian municipalities with equipment, technical support, and recovery initiatives. Their assistance includes machinery for waste management, energy and winterisation support, and capacity-building for local governance. Access is via competitive calls, project proposals, and collaboration with national programmes, ensuring that aid is targeted, transparent, and responsive to local needs during recovery and reconstruction.[247]

For example, **Mayors for Economic Growth (M4EG)** is a programme that supports local authorities in driving sustainable economic development. It helps cities unlock their unique strengths to foster business growth and green transformation. Through investments in both physical and soft infrastructure, the programme improves the local business environment, explores innovative economic models like platform economies, and enhances access to finance. Moreover, it strengthens the resilience of local economies and boosts their appeal to external and diverse sources of investment.[248]

Table 7 International Technical Assistance for Ukrainian Municipalities

Programme	Description
U-LEAD	U-LEAD initiative, which provides technical assistance to Hromadas on public services and multi-level governance and continues to operate during the war and recovery phase.[249] Thousands of communities have accessed technical assistance and equipment to establish or modernise Administrative Service Centres (ASCs) through competitive U-LEAD calls; by February 2020 the Government's decentralisation portal reported plans for 490 ASCs and 326 remote workplaces by April 2021, with 144 already operational and MoUs signed with partner Hromadas, illustrating the standard access path (from application to MoU to delivery) (Decentralisation Portal, 2020). In 2025 the EU officially launched U-LEAD Phase III to continue municipal capacity-building, confirming ongoing support for ASCs and local service delivery[250] [251].
Cities4Cities | United4Ukraine	Municipal partnerships to channel expertise, equipment and small-scale support; this is highlighted in DG REGIO communications and the programme's official portal[252]. The German Marshall Fund's Ukraine Cities Partnership for Sustainable

[246] https://euneighbourseast.eu/news/latest-news/ebrd-and-e5p-to-support-vital-infrastructure-in-ukrainian-city-of-ternopil/
[247] UNDP Ukraine. (2023a). Strengthening Ukraine's capacity to enable safe returns—Japan provides demining equipment. https://www.undp.org/ukraine/press-releases/strengthening-ukraines-capacity-enable-safe-returns-war-affected-communities,
UNDP Ukraine. (2023b). Keeping the lights on, the heat flowing and public services operating across Ukraine. https://www.undp.org/ukraine/press-releases/keeping-lights-heat-flowing-and-public-services-operating-across-ukraine,
UNDP Ukraine. (2024). Japan, EU, UNDP donate equipment for debris and municipal waste management in Ukraine. https://www.undp.org/ukraine/press-releases/japan-eu-undp-donate-equipment-debris-and-municipal-waste-management-ukraine,
UNDP Ukraine. (2025). UNDP launches major debris removal initiative in Ukraine to accelerate recovery. https://www.undp.org/ukraine/press-releases/undp-launches-major-debris-removal-initiative-ukraine-accelerate-recovery
[248] https://com-east.eu/funding-opportunities/
[249] https://www.alda-europe.eu/donor/u-lead-with-europe-programme/
[250] https://www.eeas.europa.eu/delegations/ukraine/eu-member-states-and-partners-unveil-phase-iii-u-lead-europe-enhance-local-governance-and_en
[251] https://decentralization.ua/en/news/12168?page=488
[252] https://ec.europa.eu/regional_policy/whats-new/newsroom/09-02-2024-cities4cities-municipal-partnerships-with-ukraine-help-to-build-more-resilient-future-in-europe_en

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Programme	Description
	Local Recovery (UCP) mobilises transatlantic partners to strengthen municipal capacity for recovery planning, infrastructure and finance.[253]
The Council of Europe – Action Plan	The Council of Europe provides technical assistance to municipalities under its Action Plan for Ukraine 2023–2026, focusing on good governance and multilevel standards rather than infrastructure funding.[254] [255]
LIFE Programme	The LIFE Programme also provides targeted technical assistance to help applicants and beneficiaries develop high-quality projects aligned with EU environmental and climate goals. This support includes guidance on project design, implementation strategies, and compliance with EU policy frameworks. By offering expert advice and capacity-building resources, LIFE technical assistance ensures that initiatives are both impactful and feasible, increasing their chances of success and long-term sustainability.
European Local Energy Assistance (ELENA) programme	The European Local Energy Assistance (ELENA) programme offers grants for technical assistance aimed at advancing energy efficiency, distributed renewable energy, and sustainable urban transport projects. These grants can be used to cover expenses related to feasibility studies, market analysis, programme design, business planning, energy audits, financial structuring, tender preparation, contractual arrangements, and the establishment of project implementation units. ELENA supports investment programmes exceeding EUR 30 million over a typical duration of 2 to 4 years, covering up to 90% of eligible technical assistance and project development costs. Smaller initiatives may also qualify if they are part of larger investment frameworks. With an annual budget of approximately EUR 20 million, grants are awarded on a first-come, first-served basis following project evaluation.
EU4Business	EU4Business delivers technical assistance to SMEs by strengthening institutions, improving business services, and building capacity through regional and bilateral programs, often in partnership with International Financial Institutions (IFIs).
Interreg Danube Region Programme	Within the Interreg Danube Region Programme, technical assistance supports project partners by enhancing administrative and institutional capacities, facilitating cooperation, and ensuring effective implementation of transnational activities. It helps develop joint strategies, tools, and training to improve governance and policy alignment across the region.[256]
Horizon Europe – Cluster 6	Municipalities receive expert support to design and implement projects focused on sustainable agriculture, biodiversity, and resource management. Technical assistance helps integrate innovation and digital tools into local strategies, making projects more impactful and eligible for EU funding.
Horizon Europe – Cluster 5	Local authorities are supported in developing climate and energy projects, including sustainable transport and infrastructure. Technical guidance helps municipalities assess climate risks, apply smart technologies, and prepare strong proposals aligned with EU climate goals.
Neighbourhood Investment Platform (NIP)	NIP offers municipalities technical help in preparing large-scale infrastructure projects. This includes financial structuring, risk analysis, and blending EU grants with loans to make projects bankable and attractive to investors.
Covenant of Mayors East (CoM East)	CoM East assists municipalities in developing and implementing SECAPs. It offers training, planning tools, and community engagement strategies, especially

253 https://www.gmfus.org/ukraine-cities-partnership-sustainable-local-recovery-ucp
254 https://rm.coe.int/action-plan-ukraine-2023-2026-eng/1680aa8280
255 https://www.coe.int/en/web/kyiv/-/new-manual-to-equip-ukrainian-municipalities-with-tools-for-boosting-participation-and-accountability
256 https://com-east.eu/funding-opportunities/

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Programme	Description
	targeting women and youth to strengthen local climate and energy action and improve access to funding.
The Nordic Environment Finance Corporation (NEFCO) Green Recovery Programme	The Nordic Environment Finance Corporation (NEFCO) Green Recovery Programme for Ukraine provides grants and technical assistance to municipalities for energy-efficient and resilient reconstruction.[257] The European Union (EU) provides EUR 50 million for the repair and reconstruction of damaged critical infrastructure in Ukraine. Grants will be used for investments and measures related to heating, water supply and wastewater discharge.[258]
The Global Covenant of Mayors for Climate & Energy (GCoM)	GCoM is the largest international coalition of cities committed to climate action. Representing over 1 billion people worldwide, GCoM helps cities take voluntary steps to reduce emissions and build resilience. Through technical assistance, it supports local governments in planning, implementing, and financing climate strategies aligned with the Paris Agreement, fostering a global movement toward low-carbon, sustainable urban development.[259]
EBRD Green Cities	The EBRD provides financial and technical assistance to its member countries in Europe and Central Asia for private sector development, infrastructure development, and regional integration. It has a particular focus on promoting market-oriented economic reforms and environmental sustainability. In addition, the EBRD Green Cities program provides targeted technical assistance to help cities accelerate the implementation of priority environmental investments. This support is designed to facilitate the implementation of trigger projects, which serve as early investments with high environmental impact, followed by the structured development of a Green City Action Plan (GCAP).[260]

Table 8 Ukrainian Technical Assistance for Municipalities

Programme	Description
GCIP Ukraine	GCIP Ukraine provides technical assistance as part of a global initiative to foster innovative technologies and build a supportive ecosystem for sustainable entrepreneurship. The programme helps innovators strengthen their business models, refine technologies, and prepare for market entry and investment.
Accelerator Lab in Ukraine	Through technical assistance, the Accelerator Lab in Ukraine supports the testing, refinement, and dissemination of nature-based solutions (NbS) across countries and among key stakeholders. This initiative helps build practical knowledge and fosters collaboration around ecosystem-based approaches to climate resilience.
Export Initiative for Green Technologies	Through technical assistance, the Export Initiative for Green Technologies promotes innovation in environmental protection, climate action, and resource efficiency as key drivers of sustainable economic growth. It supports municipalities and stakeholders in recognising progressive environmental policy not only as a tool for reducing ecological impacts, but also as a catalyst for innovation, workforce development, and green transformation.[261]
APENA 3	The APENA 3 project is designed to provide sustained support for strengthening the capacities of Ukrainian authorities at both local and regional levels. Its goal is to facilitate the development and implementation of key reforms stemming from the EU-Ukraine Association Agreement, with a particular focus on aligning legislation with EU standards in areas such as environmental impact assessment,

[257] https://www.nefco.int/financing/municipalities-in-eastern-europe/green-recovery-ukraine/eu-financed-actions-in-ukraine/
[258] https://www.nefco.int/news/the-eu-provides-eur-50-million-to-repair-critical-infrastructure-as-part-of-nefcos-green-recovery-activities-in-ukraine/?
[259] https://com-east.eu/funding-opportunities/
[260] https://www.ebrdgreencities.com/
[261] https://com-east.eu/funding-opportunities/

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Programme	Description
	strategic environmental assessment, waste management, and climate change adaptation.[262]

Real-Case Examples of Technical Assistance

Administrative Service Centres (ASCs) via U-LEAD

Thousands of communities have accessed technical assistance and equipment to establish or modernise ASCs through competitive U-LEAD calls; by February 2020 the Government's decentralisation portal reported plans for 490 ASCs and 326 remote workplaces by April 2021, with 144 already operational and MoUs signed with partner Hromadas, illustrating the standard access path (from application to MoU to delivery).[263] In 2025 the EU officially launched U-LEAD Phase III to continue municipal capacity-building, confirming ongoing support for ASCs and local service delivery.[264]

UN-Coordinated Urban Reconstruction Planning (Kharkiv/Mykolaiv)

The UNECE-led UN4UkrainianCities initiative supports Kharkiv and Mykolaiv with master-planning and task-force coordination; UNECE's official pages describe the access pathway (from national request to UNECE task force to city masterplan and pilots) and provide current status updates and resources.[265] [266]

According to the Communication from the European Commission on the Multiannual Financial Framework 2028-2034, the Global Europe instrument will provide tailored support to the needs of the European Union's partners, with particular emphasis on supporting Ukraine in the context of its accession process and longer-term reconstruction.

[262] https://ukrainian-climate-office.org/en/project/strengthening-the-capacity-of-regional-and-local-administrations-for-implementation-and-enforcement-of-eu-environmental-and-climate-change-legislation-and-development-of-infrastructure-projects-apena/

[263] Decentralization Portal. (2020). 9.5 mln residents of hromadas to receive quality administrative services with support of U-LEAD with Europe Programme. https://decentralization.ua/en/news/12168?page=488

[264] European Union Delegation to Ukraine / EEAS. (2025). EU, Member States, and Partners unveil Phase III of U-LEAD with Europe to enhance local governance and development with €62 million support. https://www.eeas.europa.eu/delegations/ukraine/eu-member-states-and-partners-unveil-phase-iii-u-lead-europe-enhance-local-governance-and_en

[265] UNECE. (2024a). UNECE and partners renew commitment to Kharkiv reconstruction (press release). https://unece.org/media/press/391733

[266] UNECE. (2024b). UN4Kharkiv: Integrated rehabilitation of settlements (with pilot in Kharkiv); UN4UkrainianCities project overview. https://unece.org/housing/un4kharkiv-rehabilitation ; https://unece.org/housing/un4ukrainiancities

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2.4. Project Bundling for Scalable Climate Action

Achieving the threshold requirements for financial, economic and procurement hurdles in projects such as local energy efficiency projects can be a key challenge to delivering successful impact in climate mitigation and adaptation projects. Other aspects such as access to revenue streams can also mean that often smaller or harder to monetise projects, with positive economic, societal and environmental benefit are unable to be considered bankable in the traditional sense.

To alleviate such pressures, Municipalities and external companies can seek to combine climate-related projects, creating larger initiatives that are more likely to meet investment thresholds and attract financing. Bundling involves grouping multiple measures, assets, or projects under a single umbrella based on shared characteristics such as technology, location, or purpose. This approach can significantly improve project scale, efficiency, and access to funding.

Common bundling strategies include:

- Technology or Sector-Based Bundling: Projects from different municipalities can be grouped by sector for example, combining building renovations or street lighting upgrades into one larger initiative.
- Territorial Bundling: Projects located within the same geographic area, such as a specific administrative region or along a river corridor can be bundled to create regional synergies and streamline implementation.
- Intra-Municipal Bundling: Smaller subprojects within one municipality can be consolidated into a larger project to meet minimum size requirements set by international financial institutions (IFIs), to be more attractive for external financing.
- Adaptation-Focused Bundling: Grouping measures aimed at climate adaptation (e.g., flood protection) to form a comprehensive resilience project.

Some examples of real cases of project bundling used to positive effect are shown below:

Real-Case Examples of Project Bundling

The **Global Clean Technology Innovation Programme** for SMEs in Ukraine, is part of a global initiative focused on promoting innovative technologies and building a supportive ecosystem for entrepreneurial innovation. The programme encourages the development of clean technologies by helping startups and innovators strengthen their business models and prepare for market entry.

In addition, each year, **GCIP Ukraine** runs two acceleration programs, which include a cleantech startup competition, a business academy for training and investment readiness, and a mentoring program.[267]

[267] https://com-east.eu/funding-opportunities/

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3. Capacities of Municipalities

Access to funding and successful implementation of projects in Ukrainian municipalities depends on a core set of cross-cutting foundational capacities that extend beyond individual sectors. These capacities impact governance, project preparation, financial management, and procurement processes. Increasingly prioritised by donors, lenders, and national reform agendas, they play a critical role in ensuring transparency, accountability, and sustainable development.

3.1. Robust Digital Infrastructure and Data Management

A primary prerequisite for modern municipal operations and external financing is a robust digital infrastructure coupled with advanced data management capabilities. Ukraine has significantly invested in an integrated ecosystem of digital platforms for reconstruction and public procurement.

A key component is the Digital Restoration Ecosystem for Accountable Management (DREAM), launched by the Open Contracting Partnership (OCP) in collaboration with the Ministry for Development of Communities and Territories of Ukraine and the RISE Ukraine coalition. DREAM connects reconstruction projects to budgets and procurement processes enabling real-time monitoring and civil society oversight.[268] DREAM's integration with the Prozorro e-procurement system ensures that procurement plans and tender results feed directly into the national project pipeline.[269]

The Prozorro e-procurement system is recognised globally for its radical transparency. It provides open access to procurement data and integrates with business intelligence tools to detect fraud and analyse trends.[270] Other critical platforms include **LOGICA**, which supports local budget planning and accounting, and **eData** and **Spending.gov.ua**, which allow tracking of expenditures at both national and local levels.

To leverage these systems effectively municipalities must have the necessary IT infrastructure and expertise to integrate local systems with national platforms, maintain data consistency, ensure cybersecurity, and produce machine-readable records. Investing in these digital tools not only enhances operational efficiency but also builds public trust and demonstrates compliance with international transparency standards.[271]

[268] https://ti-ukraine.org/wp-content/uploads/2024/06/zvit2023_eng.pdf
[269] https://ti-ukraine.org/en/research/public-procurement-2024-functioning-of-the-field-and-changes-to-it/
[270] https://ukraine.ua/wp-content/uploads/2025/07/Transparent-Ukraine-Policy-Brief.pdf
[271] https://ukraine.ua/wp-content/uploads/2025/07/Transparent-Ukraine-Policy-Brief.pdf

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3.2. Qualified Human Capital and Continuous Learning

A municipality's capacity ultimately rests on the skills and expertise of its workforce. Across all functional areas –from strategic planning and project preparation, financial management, procurement, and risk assessment – a multi-disciplinary team with specialised qualifications and experience is essential. Key roles include finance directors, project managers, legal advisors, energy managers, and specialists in environmental and social safeguards. Effective engagement with international partners often requires foreign-language proficiency, particularly for grant applications and loan negotiations.[272]

Furthermore, as noted in 0, to manage finances effectively and meet funder expectations, municipalities require qualified finance staff with a deep understanding of budget legislation, accrual principles, revenue forecasting, expenditure control, and audit procedures. Training on the Budget Code, Treasury system, and digital accounting software is essential. Moreover, municipalities must develop strong analytical and forecasting capabilities to project revenues and expenditures under various scenarios, utilizing demographic, economic, and legal assumptions. Access to and interpretation of data (e.g., tax returns, wage statistics, business activity) are key. This directly relates to the importance of qualified human capital (see Section 3.2).

Municipalities also can lack internal capability and sufficient technical expertise, institutional capacity, and specialized know-how required to plan and implement complex infrastructure projects. This gap significantly limits their ability to manage demanding processes independently. As a result, technical assistance becomes essential and must be provided through external expert support. Such assistance is available from both international partners and Ukrainian institutions.

Recognising these needs, numerous training programmes have been launched by national agencies and international partners. Examples include the SAEE/GIZ training on "Effective LEPs: Practical Training for Local Governments" and the Council of Europe's initiatives on open government practices, where the Association of Ukrainian Cities' (AUC) staff were trained to deliver open-government training to municipalities.[273] [274] The TIPS4UA programme also matches Ukrainian municipal leaders and specialists with host municipalities in the EU for internships and peer learning.[275]

Municipalities must institutionalise continuous learning pathways, participate in professional certification programmes, and foster peer-to-peer exchanges to address skill gaps and adapt to evolving regulatory and donor requirements. Furthermore, strategies for talent retention and recruitment, including competitive salaries and career development opportunities, are crucial given the challenges of staff turnover and mobilisation.[276]

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[272] https://bankwatch.org/wp-content/uploads/2023/11/2023_11_30_Ukrainian-communities-at-the-forefront-of-reconstruction_3.24.pdf
[273] https://saee.gov.ua/en/news/the-state-agency-on-energy-efficiency-together-with-giz-ukraine-has-launched-a-series-of-training-sessions-effective-leps-practical-training-for-local-governments
[274] https://www.coe.int/en/web/portal/-/first-training-of-trainers-on-open-government-for-local-authorities-in-ukraine#
[275] https://iclei-europe.org/fileadmin/user_upload/Our_Work/Advocacy/Ukraine_Recovery_Roadmap/TIPS4UA_Hosting_Organization_GUIDELINES.pdf
[276] https://fincontrolnew.com.ua/attachments/fac3c57e-e189-4259-97f0-3e2d3df25d3d_2017%20-%2011_19-25.pdf

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3.3. Commitment to Transparency and Public Engagement

Transparency and robust public engagement are no longer merely best practices but fundamental requirements for securing and managing external finance. Donors and state programmes consistently stipulate open data, accessible reporting, and participatory mechanisms as eligibility criteria.

This involves publishing budget documents, procurement plans, project data, and monitoring reports on dedicated open-data portals (such as Open Budget and Spending.gov.ua) and engaging citizens in participatory budgeting, public consultations, and civil society oversight.[277] The "everyone sees everything" principle embedded in Prozorro exemplifies this commitment, with the BI Prozorro public module offering 49 dashboards for public oversight.[278]

Municipalities must therefore cultivate internal capacities to manage these open-data platforms, respond to information requests, and actively involve local stakeholders in decision-making processes. This approach builds trust, enhances accountability, and aligns projects with community needs.[279]

[277] https://kse.ua/KSE_for_BGK_Final_Report_July2024%20-%2020.11.2024.pdf
[278] https://www.open-contracting.org/wp-content/uploads/2024/11/OCP_TI_Ukraine_BI_Case_Study_2024_How_to_make_better_public_procurement_decisions_with_business_intelligence.pdf
[279] https://kse.ua/KSE_for_BGK_Final_Report_July2024%20-%2020.11.2024.pdf

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3.4. Integrated Risk Management and Resilience Planning

Anticipating, assessing, and mitigating diverse risks (financial, operational, environmental, and conflict-related) is a critical cross-cutting capacity. Donors and lenders require municipalities to demonstrate sound risk management and continuity planning, particularly in the context of Ukraine's wartime recovery.[280]

This entails maintaining comprehensive risk registers, establishing fiscal rules and contingency reserves, and developing continuity and emergency response plans that prioritise essential services and integrate resilience measures into project design. The Ukraine Facility Plan calls for systematic fiscal risk monitoring, covering state-owned enterprises, public guarantees, and public-private partnerships (PPPs).[281]

Beyond financial aspects, municipalities must conduct hazard and vulnerability assessments, incorporating climate-change adaptation and environmental and social safeguards (e.g., EU Taxonomy and Do No Significant Harm (DNSH) criteria) into project development.[282] Developing these capacities, supported by digital tools for risk analytics and scenario modelling, is essential for safeguarding public resources, ensuring service continuity, and attracting external financing.[283]

[280] https://www.ukrainefacility.me.gov.ua/wp-content/uploads/2024/03/ukraine-facility-plan.pdf
[281] https://www.ukrainefacility.me.gov.ua/wp-content/uploads/2024/03/ukraine-facility-plan.pdf
[282] https://www.nefco.int/wp-content/uploads/2025/03/nefco-annual-report-2024.pdf
[283] https://pdfs.semanticscholar.org/3a98/bc658fdd5def11483b271ac5ea197348cf7d.pdf

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4. Governance and Strategic Planning

Effective governance and strategic planning are fundamental for Ukrainian municipalities to attract funding and ensure sustainable development, aligning local priorities with national and international standards. By early 2025, strategic planning had become the norm for most territorial communities, with 93% covered and 64% having approved strategies. This underscores the critical role of formal strategies as a precondition for funding from donors and state programmes, which often require a development strategy and multi-year action plan as eligibility criteria.[284]

4.1. Strategic Planning Framework and Output

Municipalities are mandated to develop a seven-year strategy aligned with national and regional policies, following a cycle of analysis, planning, implementation, and evaluation. This framework must incorporate results-based management and a monitoring system with clear indicators and financing sources. The output of this process is an approved long-term development strategy and a plan of measures, which should also include a preliminary risk analysis.[285]

4.2. Participatory Planning and Stakeholder Engagement

Strategic planning must be a participatory process, fostering a shared vision and long-term goals. This involves establishing working groups comprising local officials, councillors, businesses, and citizens. Continuous public consultation and engaging local stakeholders are essential to design action plans and ensure broad acceptance.[286] This commitment to participatory approaches aligns with the broader requirement for transparency and public engagement (see Section 0).

4.3. Dedicated Project Management Capacity

Given the growing reliance on project-based funding, municipalities need a more dedicated project-management office (PMO) or a specialised unit. This office should be staffed with skilled professionals capable of preparing feasibility studies, coordinating across municipal departments, and meeting donor reporting requirements. Such capacity is essential for converting strategic goals into tangible investment projects and effectively managing their

[284] https://mindev.gov.ua/storage/app/sites/1/uploaded-files/monitoringovii-zvit-1.pdf#:~:text=%D0%A1%D1%82%D0%B0%D0%BD%D0%BE%D0%BC%20%D0%BD%D0%B0%2001%20%D1%81%D1%96%D1%87%D0%BD%D1%8F%202025,%D0%B7%D0%BD%D0%B0%D1%85%D0%BE%D0%B4%D1%8F%D1%82%D1%8C%D1%81%D1%8F%20%D0%BD%D0%B0%20%D1%81%D1%82%D0%B0%D0%B4%D1%96%97%20%D1%80%D0%BE%D0%B7%D1%80%D0%BE%D0%B1%D0%BA%D0%B8%201343

[285] https://economy.cg.gov.ua/web_docs/966/2018/09/docs/%D0%BD%D0%B0%D0%BA%D0%B0%D0%B7%20%D0%9C%D1%96%D0%BD%D1%80%D0%B5%D0%B3%D1%96%D0%BE%D0%BD%D1%83%20%D0%B2%D1%96%D0%B4%2021.12.2022%20%E2%84%96%20265%20_%D0%BC%D0%B5%D1%82%D0%BE%D0%B4%D0%B8%D1%87%D0%BD%D1%96%20%D1%80%D0%B5%D0%BA%D0%BE%D0%BC%D0%B5%D0%BD%D0%B4%D0%B0%D1%86%D1%96%D1%97%20%D1%80%D0%BE%D0%B7%D1%80%D0%BE%D0%B1%D0%BA%D0%B8%20%D1%81%D1%82%D1%80%D0%B0%D1%82%D0%B5%D0%B3%D1%96%D0%B9%20%D1%82%D0%B5%D1%80%D0%B3%D1%80%D0%BE%D0%BC%D0%B0%D0%B4%20-.pdf

[286] https://auc.org.ua/sites/default/files/library/mod5web.pdf

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lifecycle.[287] [288] The expertise required for these roles aligns with the broader needs for qualified human capital and capacity building in the organisations (see Section 0).

4.4. Integration of Digital Tools for Planning and Monitoring

The use of digital tools is essential for modern strategic planning and regulatory compliance. Municipalities should leverage platforms like DREAM for integrating local project pipelines into transparent digital systems, which enables systematic monitoring of strategy implementation.[289] Access to these tools and proficiency in their use requires robust, reliable IT infrastructure and staff training (see Section 2.1 on Robust Digital Infrastructure and Data Management).

4.5. Risk-Informed Strategic Planning

Strategic planning must incorporate both risk assessments and crisis response measures. War-time conditions have intensified the focus on risk, with a significant number of local self-government bodies updating their crisis response plans due to strategic risks such as population displacement, loss of critical infrastructure, disruption of energy supply chains, cyberattacks, and long-term fiscal instability. Municipalities should develop and regularly update these plans while embedding comprehensive risk assessments into their strategic documents to anticipate and mitigate threats.[290] This approach directly supports the broader priority of integrated risk management (see Section 0).

[287] https://economy.cg.gov.ua/web_docs/966/2018/09/docs/%D0%BD%D0%B0%D0%BA%D0%B0%D0%B7%20%D0%9C%D1%96%D0%BD%D1%80%D0%B5%D0%B3%D1%96%D0%BE%D0%BD%D1%83%20%D0%B2%D1%96%D0%B4%2021.12.2022%20%E2%84%96%20265%20_%D0%BC%D0%B5%D1%82%D0%BE%D0%B4%D0%B8%D1%87%D0%BD%D1%96%20%D1%80%D0%B5%D0%BA%D0%BE%D0%BC%D0%B5%D0%BD%D0%B4%D0%B0%D1%86%D1%96%D1%97%20%D1%80%D0%BE%D0%B7%D1%80%D0%BE%D0%B1%D0%BA%D0%B8%20%D1%81%D1%82%D1%80%D0%B0%D1%82%D0%B5%D0%B3%D1%96%D0%B9%20%D1%82%D0%B5%D1%80%D0%B3%D1%80%D0%BE%D0%BC%D0%B0%D0%B4%20-.pdf

[288] https://kse.ua/wp-content/uploads/2023/09/Rekomendatsii---dlya-gromad.-Proyektnii---pidhid.pdf

[289] https://economy.cg.gov.ua/web_docs/966/2018/09/docs/%D0%BD%D0%B0%D0%BA%D0%B0%D0%B7%20%D0%9C%D1%96%D0%BD%D1%80%D0%B5%D0%B3%D1%96%D0%BE%D0%BD%D1%83%20%D0%B2%D1%96%D0%B4%2021.12.2022%20%E2%84%96%20265%20_%D0%BC%D0%B5%D1%82%D0%BE%D0%B4%D0%B8%D1%87%D0%BD%D1%96%20%D1%80%D0%B5%D0%BA%D0%BE%D0%BC%D0%B5%D0%BD%D0%B4%D0%B0%D1%86%D1%96%D1%97%20%D1%80%D0%BE%D0%B7%D1%80%D0%BE%D0%B1%D0%BA%D0%B8%20%D1%81%D1%82%D1%80%D0%B0%D1%82%D0%B5%D0%B3%D1%96%D0%B9%20%D1%82%D0%B5%D1%80%D0%B3%D1%80%D0%BE%D0%BC%D0%B0%D0%B4%20-.pdf

[290] https://icld.se/wp-content/uploads/ICLD_ResearchReport-2024-Local-Democracy-and-Resilience-ua-002.pdf

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5. Procurement, Compliance and Safeguard Requirements

Transparent procurement and adherence to safeguard standards are among the key criteria donors and lenders use when evaluating municipal projects. To ensure funding eligibility and prevent corruption, municipalities must develop structured procurement systems, ethical oversight, and robust environmental and social compliance mechanisms.

5.1. Institutional Integrity and Procurement Governance

Municipalities must have clear internal regulations governing procurement, in line with the Law of Ukraine "On Public Procurement" and related resolutions.[291] Local councils should delegate procurement authority to certified specialists or procurement units responsible for managing all tender procedures. According to the OECD and Ministry of Economy, municipalities must institutionalise compliance officers or integrity focal points to oversee procurement decisions and mitigate conflicts of interest.[292] Independent audit commissions and ethics committees further strengthen accountability and ensure that procurement aligns with budgetary priorities.

Any local spending that exceeds the statutory threshold is subject to the Law on Public Procurement and must be conducted via the ProZorro e-procurement system to ensure competition and auditability.[293] The publication of execution data and local budgets on the official OpenBudget and E-Data/Spending portals increases public scrutiny and constrains arbitrary use.[294] [295]

5.2. Transparent and Competitive Tendering

All donor-funded projects are required to use the Prozorro e-procurement system, which guarantees transparency and equal access to competition.[296] Municipalities must ensure that tender documents are standardised, publicly available, and compliant with both national law and donor procurement guidelines.[297] This includes drafting clear evaluation criteria, publishing all contract awards, and providing bidders with feedback. The CoST Ukraine initiative and the OECD recommend that local governments integrate open contracting principles and public dashboards that allow citizens to monitor municipal tenders in real

[291] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[292] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[293] Verkhovna Rada of Ukraine. (2015b). *Law of Ukraine "On Public Procurement"* No. 922-VIII (in Ukrainian). https://zakon.rada.gov.ua/laws/show/922-19
[294] Ministry of Finance of Ukraine. (n.d.b). *Financing of budget expenditures* (in Ukrainian/English). Retrieved from https://mof.gov.ua/en/financing-of-budget-expenditures
[295] State Treasury/E-Data. (n.d.). *E-Data / Spending portal (публічні кошти)* (in Ukrainian). https://spending.gov.ua/
[296] https://www.open-contracting.org/wp-content/uploads/2024/11/OCP_TI_Ukraine_BI_Case_Study_2024_How_to_make_better_public_procurement_decisions_with_business_intelligence.pdf
[297] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf

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time.[298] By maintaining full data disclosure through Prozorro and DREAM platforms, cities demonstrate credibility and compliance with international best practices.

5.3. Financial Control and Anti-Corruption Mechanisms

Municipal procurement requires effective internal control systems and financial supervision to prevent fraud and misuse of funds. The Ministry of Finance advises that internal audit units verify procurement transactions and report irregularities directly to the council.[299] Municipalities should apply risk-based audit plans focusing on high-value contracts and donor-funded projects. The National Agency on Corruption Prevention (NACP) provides integrity assessment tools that help identify conflict-of-interest risks before contract signing.[300] Developing and enforcing codes of conduct for procurement staff, mandatory asset declarations, and whistleblower protection mechanisms enhances ethical behaviour.[301] Transparent publication of audit findings further demonstrates commitment to accountability and donor trust.

5.4. Social and Environmental Safeguards

Donors increasingly require municipalities to comply with social inclusion, labour, and environmental standards.[302] Projects financed by the EBRD, World Bank, or NEFCO must undergo environmental and social impact assessments (ESIAs) and integrate mitigation measures into contract terms.[303] Municipalities need the capacity to monitor contractor compliance with occupational safety, community engagement, and gender equity policies.[304] Ministry of Economy, Environment and Agriculture of Ukraine (previously – Ministry of Environmental Protection and Natural Resources) mandates integrating climate resilience and resource efficiency criteria into urban infrastructure projects.[305] Dedicated environmental and social specialists – either in-house or hired externally – should review project documentation and ensure continuous reporting to both national and donor oversight bodies.

5.5. Capacity Building and Digital Tools

Strengthening compliance depends on trained personnel, accessible digital tools, and continuous professional development. The U-LEAD with Europe and KSE Institute programmes provide training for municipal procurement officers in cost estimation, bidding procedures, and contract management.[306] Adopting digital dashboards, such as DREAM, Spending.gov.ua, and OpenBudget, allows municipalities to track payments, contracts, and safeguard indicators in real time.[307] Establishing an internal knowledge base with templates, standard contracts,

[298] https://ukraine.ua/wp-content/uploads/2025/07/Transparent-Ukraine-Policy-Brief.pdf
[299] https://www.u4.no/publications/anti-corruption-capacity-in-ukraine-s-local-self-government.pdf
[300] https://www.u4.no/publications/anti-corruption-capacity-in-ukraine-s-local-self-government.pdf
[301] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[302] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[303] https://www.nefco.int/wp-content/uploads/2025/03/nefco-annual-report-2024.pdf
[304] https://www.nefco.int/wp-content/uploads/2025/03/nefco-annual-report-2024.pdf
[305] https://www.nefco.int/wp-content/uploads/2025/03/nefco-annual-report-2024.pdf
[306] https://iclei-europe.org/fileadmin/user_upload/Our_Work/Advocacy/Ukraine_Recovery_Roadmap/TIPS4UA_Hosting_Organization_GUIDELINES.pdf
[307] https://ukraine.ua/wp-content/uploads/2025/07/Transparent-Ukraine-Policy-Brief.pdf

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and compliance checklists reduces dependency on external consultants and ensures continuity of practice. Collaboration with peer municipalities and donor-funded helpdesks improves institutional resilience and long-term transparency.

By investing in professional procurement teams, digital oversight tools, and ethical management systems, Ukrainian municipalities can ensure full compliance with donor standards and foster trust in both domestic and international financing.

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6. Organisational Structure and Human Resources

Effective municipal governance depends on well-designed organisational structures and qualified human resources capable of delivering complex financial, infrastructure, and social services. Municipalities must maintain institutional flexibility to manage recovery projects, comply with donor requirements, and retain skilled staff despite fiscal and demographic challenges.

6.1. Institutional Design and Functional Clarity

A clear organisational structure ensures accountability and prevents duplication of functions.[308] Municipalities should regularly update organisational charts and functional regulations to reflect new mandates related to recovery, energy efficiency, or international cooperation. The Ministry for Development of Communities and Territories of Ukraine, together with partners such as U-LEAD and OECD, recommends establishing dedicated local project management and investment units (PMUs) reporting to the executive committee to coordinate donor-funded recovery projects and ensure transparent communication.[309] Integrating cross-sectoral teams, and linking financial, legal, and technical expertise improves decision-making and coordination. The OECD notes that clarity in responsibilities between departments and utilities is essential for transparent service delivery and fiscal discipline.[310]

6.2. Human Resource Planning and Retention

Strategic HR planning allows municipalities to match staff skills with development priorities. Workforce analyses should identify critical skill gaps, including public finance, procurement, IT, and environmental management. Many local governments face high staff turnover and limited attractiveness compared to private or regional employers. Introducing incentive mechanisms – such as performance-based bonuses, professional certification rewards, and flexible working conditions – helps retain specialists.[311] U-LEAD with Europe and the OECD recommend developing HR strategies that include career pathways, mentorship, and transparent recruitment procedures. Pooling administrative resources through inter-municipal cooperation can also address shortages of qualified personnel in smaller Hromadas.[312]

6.3. Professional Competence and Training Systems

Continuous learning is a key component of institutional resilience. Training should be linked to actual job responsibilities and supported by both national and donor programmes.[313] The KSE Institute, U-LEAD with Europe, and Council of Europe provide modular courses on financial

[308] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[309] https://www.ukrainefacility.me.gov.ua/wp-content/uploads/2024/03/ukraine-facility-plan.pdf
[310] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[311] https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/12/rebuilding-ukraine-by-reinforcing-regional-and-municipal-governance_63099658/63a6b479-en.pdf
[312] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[313] https://www.coe.int/en/web/kyiv/-/council-of-europe-supports-training-innovations-for-public-authorities-at-local-level-in-ukraine

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management, strategic planning, digital governance, and communication with citizens.[314] Establishing internal knowledge-sharing sessions, peer learning, and on-the-job coaching helps institutionalise expertise rather than relying on individuals. Municipalities should also allocate a small percentage of their administrative budget to staff training and professional certification. Partnerships with universities and regional training centres can further strengthen technical competence and create a pipeline of young professionals for local government service.[315] [316]

6.4. Performance Management and Accountability

Transparent performance evaluation systems improve service quality and public trust.[317] Municipalities should develop measurable indicators (such as budget execution rates, project completion timelines, and citizen satisfaction scores) to assess individual and departmental performance.[318] IT is recommended to link staff evaluation to annual work plans and community development indicators.[319] Internal audit units should monitor adherence to standards, while executive committees ensure follow-up on audit findings. Publishing annual HR and performance reports enhances transparency and allows citizens to see how staff contribute to community outcomes.[320] Introducing digital HR systems integrated with financial and procurement databases supports data-driven management and accountability.

6.5. Leadership and Institutional Culture

Strong leadership and an ethical institutional culture are vital for effective governance.[321] Municipal leaders must foster a culture of service, teamwork, and innovation that encourages staff initiative and collaboration. The OECD highlights that adaptive leadership (capable of managing uncertainty and coordinating cross-sectoral efforts) is essential for crisis recovery. Training programmes by U-LEAD and KSE emphasise inclusive decision-making, communication skills, and gender-sensitive management.[322] [323] Encouraging peer-to-peer exchange between mayors, department heads, and project managers helps share best practices and maintain morale during high workloads. Building leadership capacity at multiple levels ensures that municipalities remain resilient and effective even amid staff rotation or political change.

314 https://kse.ua/wp-content/uploads/2023/09/Rekomendatsii---dlya-gromad.-Proyektnii---pidhid.pdf
315 https://www.coe.int/en/web/kyiv/-/first-training-of-trainers-on-open-government-for-local-authorities-in-ukraine
316 https://www.alda-europe.eu/the-european-partnership-hub-turning-solidarity-into-action-for-ukraines-local-recovery/
317 https://www.oecd.org/content/dam/oecd/uk/publications/reports/2020/05/oecd-public-integrity-handbook_598692a5/5b2fe28c-uk.pdf
318 https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
319 https://decentralization.gov.ua/uploads/library/file/610/indykatory_cmprsd_.pdf
320 https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
321 https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
322 https://tsnap.ulead.org.ua/wp-content/uploads/2018/12/Gender_Manual-2019.pdf
323 https://kse.ua/wp-content/uploads/2023/09/Zapiska.-Proektnii---menedzhment-v-gromadah.pdf

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7. Data, IT Systems and Transparency

Modern municipal governance relies on data-driven decision-making, integrated IT systems, and transparent communication with citizens. To meet the expectations of donors and residents alike, municipalities must establish secure digital infrastructure, manage data responsibly, and promote openness through accessible online platforms.

7.1. Digital Infrastructure and System Integration

Municipalities need reliable IT infrastructure that connects administrative departments, utilities, and external databases. The Ministry of Digital Transformation recommends that local governments adopt interoperable platforms compatible with national systems such as Trembita, DREAM, and Diia.[324] Establishing secure data servers, backup systems, and user-access protocols is critical for resilience and continuity. Integration between financial, procurement, and spatial planning systems allows faster decision-making and reduces duplication.[325] Smaller Hromadas can use shared cloud-based solutions or regional IT centres to lower costs. Continuous monitoring of system performance and cybersecurity audits should be institutionalised as part of digital governance routines.[326]

7.2. Data Management and Open Government

Accurate, standardised, and accessible data are essential for evidence-based policymaking. Municipalities should establish internal data-management regulations defining responsibilities, update frequency, and data quality standards.[327] According to the OECD and World Bank, data collection must cover budget execution, service delivery, energy consumption, and demographic indicators.[328] Local governments are also required to publish key datasets through the national Open Data Portal and maintain their own open-data sections on official websites.[329] The Ministry of Digital Transformation promotes the use of open data for citizen participation, business development, and monitoring of reconstruction.[330] Creating a data inventory, assigning data stewards, and using metadata catalogues improve transparency and coordination across departments.

7.3. E-Services and Citizen Interaction

Expanding e-services enhances accessibility and efficiency. Municipalities can integrate Diia or develop their own local e-service platforms to provide online applications, payments, and service feedback.[331] Transparent service delivery systems allow citizens to monitor requests,

324 https://trembita.gov.ua/
325 https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
326 https://scpc.gov.ua/en/recommendations/129
327 https://documents1.worldbank.org/curated/en/099110424204526893/pdf/P506476-4f20fa07-7a3f-4047-9b73-c09c201a8292.pdf
328 https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
329 https://data.gov.ua/
330 https://www.opengovpartnership.org/members/ukraine/commitments/UA0109/
331 https://diia.gov.ua/en

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report issues, and receive notifications in real time.[332] According to U-LEAD with Europe, digital communication channels strengthen trust between local authorities and residents by reducing bureaucratic barriers and improving response times.[333] Open dashboards showing budget execution, procurement results, and urban development progress can further enhance citizen engagement and accountability.[334]

7.4. Cybersecurity and Data Protection

As municipalities digitise operations, they face growing cybersecurity risks. The Ministry of Digital Transformation and the State Service for Special Communications recommend adopting basic cyber hygiene measures, regular vulnerability testing, and staff awareness training.[335] Data protection policies must comply with the Law of Ukraine "On Personal Data Protection" and international GDPR-equivalent standards.[336] Appointing an information security officer, maintaining secure backups, and ensuring encrypted communication channels protect both administrative and citizen data. The OECD emphasises that cybersecurity should be treated as a core element of financial and operational sustainability, not as a purely technical issue.[337] Cooperation with regional digital hubs and participation in donor-supported cyber-resilience programmes can further enhance municipal preparedness.

7.5. Transparency, Monitoring and Accountability

Transparent governance requires not only open data but also active public monitoring. Municipalities should ensure that all financial, procurement, and project information is disclosed through Spending.gov.ua, Prozorro, and DREAM systems. Adopting real-time monitoring dashboards helps track project implementation and identify bottlenecks early. The OECD and CoST Ukraine recommend that local governments introduce feedback loops, publish audit findings, and provide accessible summaries of donor-funded projects.[338] [339] Establishing internal communication standards and a unified information policy across departments strengthens institutional integrity and coherence. Regular publication of transparency reports and performance reviews builds trust with citizens, investors, and international partners.

[332] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[333] https://u-lead.org.ua/en/news/727
[334] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[335] https://scpc.gov.ua/en/recommendations/129
[336] https://zakon.rada.gov.ua/laws/show/2297-17?lang=en#Text
[337] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[338] https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/06/implementing-the-oecd-recommendation-on-public-procurement-in-oecd-and-partner-countries_dbc4aca7/02a46a58-en.pdf
[339] https://infrastructuretransparency.org/where/cost-ukraine/

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8. Inter-Municipal Cooperation (IMC)

Inter-municipal cooperation (IMC) enables local governments to pool resources, deliver services more efficiently, and implement projects that exceed the capacity of a single municipality. For Ukrainian Hromadas facing post-war recovery challenges, IMC represents both a cost-saving mechanism and a tool for achieving economies of scale in infrastructure, waste management, education, and transport.

8.1. Institutional and Legal Framework

Ukrainian legislation, particularly the Law of Ukraine "On Cooperation of Territorial Communities" (2014), provides five forms of IMC: joint financing, joint ownership, creation of common institutions, delegation of tasks, and joint enterprises.[340] However, municipalities require institutional capacity to operationalise these mechanisms from drafting cooperation agreements to securing council approvals. The Ministry for Development of Communities and Territories of Ukraine and the Council of Europe recommend creating local cooperation coordinators or inter-municipal offices responsible for legal documentation, monitoring, and stakeholder engagement.[341] Simplifying model contracts and standard procedures further reduces administrative barriers, especially for smaller Hromadas.

8.2. Financial and Administrative Management

Joint service delivery demands transparent budgeting, cost-sharing formulas, and unified accounting standards.[342] Municipalities should develop internal rules for proportional cost allocation, specify revenue-sharing arrangements, and establish joint control mechanisms. According to OECD and World Bank analyses, IMC projects are most successful when partner Hromadas agree on clear financial contributions and designate a lead municipality responsible for bookkeeping.[343] Shared service centres – for example, joint administrative service centres (ASCs) or waste-collection systems – benefit from consolidated procurement, lowering per-unit costs and improving efficiency.[344] The Ministry of Finance advises recording inter-municipal transfers in budget documentation to ensure transparency and compliance with fiscal regulations.[345]

8.3. Governance and Coordination Structures

Effective cooperation requires stable governance arrangements and political consensus among partners. Municipalities should establish coordination committees composed of mayors, council representatives, and relevant department heads to oversee joint initiatives.[346] The Council of Europe highlights the importance of adopting statutes for each joint institution,

[340] https://zakon.rada.gov.ua/laws/show/1508-18
[341] https://www.coe.int/en/web/kyiv/-/inter-municipal-co-operation-the-council-of-europe-helps-to-improve-the-ukrainian-law
[342] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[343] https://documents1.worldbank.org/curated/en/099110424204526893/pdf/P506476-4f20fa07-7a3f-4047-9b73-c09c201a8292.pdf
[344] https://www.u-lead.org.ua/en/news/642
[345] https://decentralization.ua/news/15634
[346] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf

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specifying decision-making rules, voting procedures, and conflict-resolution mechanisms.[347] Developing memoranda of understanding (MoUs) and annual cooperation plans ensures predictability and accountability. Dedicated IMC secretariats or coordinators can manage day-to-day implementation, track performance indicators, and prepare joint reports for donors.[348] Establishing mechanisms for citizen oversight such as public hearings or advisory boards enhances transparency and community buy-in.

8.4. Capacity Development and Knowledge Exchange

Sustainable IMC depends on professional staff capable of managing multi-jurisdictional projects. Training on legal frameworks, joint budgeting, procurement, and stakeholder coordination is essential.[349] The U-LEAD with Europe and Council of Europe programmes provide technical assistance and model documents for establishing cooperation agreements.[350] Peer-learning networks and regional associations of municipalities, such as AUC and KSE Institute's local governance cluster, offer platforms for exchanging experience and best practices.[351] Encouraging joint participation in donor-funded programmes (e.g. SFRD, EU4Recovery, or NEFCO facilities) helps build institutional trust and unlocks access to larger investments. Continuous learning ensures that IMC remains a long-term governance tool rather than a temporary project arrangement.

8.5. City-to-City Partnerships

City-to-City Partnerships, including twinning arrangements, offer Ukrainian municipalities direct support, expertise exchange, and equipment donations. These partnerships are promoted by EU institutions and international organisations, enabling knowledge transfer and practical assistance. Municipalities typically access such support through project proposals, networking platforms, and participation in international initiatives, fostering resilience and innovation at the local level.[352]

There are a few international and European twinning and cooperation programmes supporting Ukrainian cities in their reconstruction and long-term development aside the SUN4Ukraine. The initiatives promote peer-to-peer exchange, municipal capacity building, and project-based collaboration on themes such as energy efficiency, digitalisation, urban development, water management, and civic participation. The programmes emphasise sustainable, forward-looking recovery. Examples of key programmes are outlined below.

Key Features Across Programmes:

- **Capacity Building:** All initiatives aim to strengthen the ability of Ukrainian local authorities to plan, manage, and deliver sustainable services to citizens.
- **Project-Based Cooperation:** Partnerships are structured around concrete joint projects rather than one-off aid, ensuring tangible and lasting outcomes.

[347] https://www.coe.int/en/web/kyiv/-/inter-municipal-co-operation-the-council-of-europe-helps-to-improve-the-ukrainian-law
[348] https://u-lead.org.ua/en/news/598
[349] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[350] https://u-lead.org.ua/en/news/598
[351] https://kse.ua/wp-content/uploads/2023/09/Rekomendatsii---dlya-gromad.-Proyektnii---pidhid.pdf
[352] Cities4Cities | United4Ukraine. (n.d.). About us. https://cities4cities.eu/about/,
European Commission—DG REGIO. (2024). Cities4Cities | United4Ukraine invites new EU municipalities to join partnerships. https://ec.europa.eu/regional_policy/whats-new/newsroom/09-02-2024-cities4cities-municipal-partnerships-with-ukraine-help-to-build-more-resilient-future-in-europe_en

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- **Diverse Thematic Scope:** Areas of cooperation include urban planning, climate action, digital transformation, energy transition, water management, youth participation, and culture.
- **Inclusive Participation:** Civil society, private sector actors, and local authorities are actively engaged in co-designing and implementing projects.
- **Long-Term Orientation:** Each programme contributes to "building back better and greener," aligning immediate reconstruction with long-term climate-neutrality and sustainable-development objectives.

Real-Case Examples of City-to-City Partnerships

City-to-City (Twinning) Aid – Official Municipal Channels

Beyond platforms like PLATFORMA/GMF, many cities receive in-kind support directly from partner municipalities. For example, Tallinn City Government (official site) documents its 2022 donation of a mobile library bus to Kharkiv, showing how needs communicated by Ukrainian cities are matched by specific municipal assets abroad.[353]

The NetZeroCities Twinning Learning Programme

The Twinning Learning Programme is a peer-learning initiative of the EU Cities Mission with a duration between 12 and 20 months. Facilitated by the Mission Platform (currently operated by NetZeroCities), it fosters the exchange of knowledge, experiences, and best practices between selected Twin Cities and Mission & Pilot Cities, emphasising learning and replication efforts.

Danish-Mykolaiv Partnership

A multi-level cooperation initiative linking six Danish municipalities with counterparts in the Mykolaiv region. It focuses on reconstruction, infrastructure rehabilitation, and local capacity building. Core areas include water management, energy efficiency, digitalisation, and youth and civil-society engagement. Denmark's support also includes a *Regional Office for Decarbonisation and Energy Efficiency in Mykolaiv*.[354.355]

Cities4Cities | United4Ukraine

Launched by the Swedish International Development Cooperation Agency (Sida) together with the city of Lviv, this initiative fosters official, long-term partnerships between Ukrainian and European municipalities. It supports cooperation projects in areas such as waste management, green energy, crisis preparedness, youth engagement, and cultural exchange. The initiative operates within the broader *Polaris – Supporting Multilevel Governance in Ukraine* programme.[356.357.358]

European Alliance of Cities and Regions for the Reconstruction of Ukraine

Proposed by the European Committee of the Regions, this alliance establishes a structured, peer-to-peer framework linking EU local and regional authorities with

[353] Tallinn City Government. (2022). Tallinn donates former mobile library bus to Kharkiv Scientific Library in Ukraine. https://www.tallinn.ee/en/news/tallinn-donates-former-mobile-library-bus-kharkiv-scientific-library-ukraine
[354] https://um.dk/en/foreign-policy/danish-support-for-ukraine/ukraine-transition-programme/a-special-focus-on-mykolaiv
[355] https://ukraine.um.dk/en/-/media/country-sites/ukraine-en/news/2024/pdfs-and-other-files/mykolaiv-denmark-partnership_quick-guide_-june-2024.ashx
[356] https://cities4cities.eu/
[357] https://cities4cities.eu/polaris-eng/
[358] https://www.polaris.org.ua/en/news-events/news/novyny/uman-ta-shvedskyi-kristianstad-ofitsiino-mista-partnery-2

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Ukrainian municipalities. It provides technical assistance, governance support, and capacity building to strengthen municipal institutions and align reconstruction with European standards and sustainability goals.[359]

Municipalities typically (i) prepare project fiches aligned with national priorities and upload them to DREAM, (ii) respond to donor/IFI calls (NEFCO, EIB, World Bank) often with required co-financing, and (iii) engage via technical-assistance programmes (U-LEAD, USAID HOVERLA/DOBRE, CoE) to strengthen capacity, fiduciary controls and procurement readiness; these channels and procedures are documented on the respective official portals above.[360] [361] [362] [363]

8.6. Monitoring, Evaluation and Communication

Monitoring joint activities allows municipalities to assess performance and demonstrate efficiency gains. Municipalities should collect and publish indicators on cost savings, service coverage, and citizen satisfaction.[364] Digital platforms like DREAM and OpenBudget can support transparent data sharing between partners.[365] The OECD recommends integrating IMC results into local development strategies and including them in performance reviews.[366] Regular communication campaigns about the benefits of cooperation (particularly in rural areas) increase public acceptance and reduce political resistance.[367] Reporting IMC achievements to the Ministry for Development of Communities and Territories of Ukraine also supports policy learning at the national level and ensures donor recognition of successful partnerships.

By building legal, financial, and organisational capacities for IMC, municipalities can improve service quality, optimise costs, and strengthen local resilience through collaborative governance.

[359] https://cor.europa.eu/en/our-work/cooperations-and-networks/european-alliance-cities-and-regions-reconstruction-ukraine
[360] DREAM. (n.d.). Public Investment Management System: State Single Project Pipeline. https://dream.gov.ua/en
[361] NEFCO (Nordic Environment Finance Corporation). (n.d.). EU-financed actions in Ukraine. https://www.nefco.int/financing/municipalities-in-eastern-europe/green-recovery-ukraine/eu-financed-actions-in-ukraine/
[362] European Investment Bank (EIB). (n.d.). The EIB stands with Ukraine — Solidarity Urgent Response. https://www.eib.org/en/projects/topics/eib-solidarity-ukraine
[363] Decentralization Portal—USAID DOBRE. (n.d.). USAID "Decentralization Offering Better Results and Efficiency (DOBRE)". https://decentralization.ua/en/donors/dobre
[364] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[365] https://dream.gov.ua/en
[366] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[367] https://www.coe.int/en/web/kyiv/-/inter-municipal-co-operation-the-council-of-europe-helps-to-improve-the-ukrainian-law

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9. Risk Management and Continuity

Resilient municipalities anticipate, prepare for, and adapt to disruptions caused by crises, conflict, or environmental change. Effective risk management requires institutionalised systems that identify vulnerabilities, mitigate threats, and ensure the continuity of essential public services. For Ukrainian Hromadas, developing such systems is fundamental to securing funding, protecting citizens, and maintaining governance stability.

9.1. Institutional Risk Governance

Municipalities must integrate risk management into strategic planning, budgeting, and service delivery.[368] The Ministry for Development of Communities and Territories of Ukraine advises establishing internal risk registers and assigning responsibility for risk assessment to dedicated officers or departments.[369] The OECD recommends that risk governance frameworks include both short-term operational risks (such as infrastructure failures) and long-term strategic risks (including demographic decline or energy dependency).[370] Municipal councils should regularly review and update risk maps, define tolerance levels, and ensure that contingency plans are linked to budget allocations. Incorporating risk indicators into monitoring and evaluation frameworks strengthens accountability and demonstrates readiness to donors and national authorities.[371]

9.2. Financial and Operational Resilience

Operational continuity depends on the ability to maintain essential administrative and financial functions during crises. Municipalities should identify critical services – such as payroll, water supply, and waste management – and establish backup systems to ensure functionality during emergencies.[372] The Ministry of Finance advises creating reserve funds and liquidity buffers for urgent expenditures.[373] According to KSE Institute analysis, decentralised decision-making and data access enhance fiscal resilience by allowing rapid reallocation of resources when revenues fall.[374] Local governments should also adopt redundancy measures in key processes – cross-training staff for essential tasks, maintaining duplicate documentation, and implementing manual fallback procedures when IT systems are disrupted.[375]

9.3. Infrastructure and Energy Security

Physical and energy resilience are central to continuity planning. Municipalities must assess the vulnerability of utilities, transport, and public facilities to natural disasters, cyberattacks, or

[368] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[369] https://www.ukrainefacility.me.gov.ua/wp-content/uploads/2024/03/ukraine-facility-plan.pdf
[370] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[371] https://documents1.worldbank.org/curated/en/099430504172540289/pdf/IDU-27384831-502e-466d-907e-d497bdd5132d.pdf
[372] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[373] https://www.researchgate.net/publication/374967172_Fiscal_risk_management_in_Ukraine_under_new_challenges
[374] https://kse.ua/wp-content/uploads/2023/09/Rekomendatsii---dlya-gromad.-Proyektnii---pidhid.pdf
[375] https://u-lead.org.ua/storage/admin/files/e552dda2e65ea34f744631e5939f320b.pdf

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military threats.[376] The World Bank and UNDRR recommend conducting regular infrastructure risk assessments and integrating them into spatial and investment plans.[377] Emergency backup systems – such as generators, alternative heating sources, and mobile water treatment units – help sustain operations during energy shortages.[378] The State Agency on Energy Efficiency (SAEE) encourages municipalities to diversify energy sources through renewable generation and energy storage solutions.[379] Cooperation with regional energy clusters or private operators can also enhance the redundancy of critical systems and attract resilience-oriented funding.

9.4. Crisis Response and Continuity Planning

Preparedness is not limited to risk identification; it also requires response and recovery mechanisms. Each municipality should develop a Continuity of Operations Plan (COOP) specifying leadership succession, delegation of authority, communication protocols, and service restoration priorities.[380] The OECD advises integrating continuity planning with local emergency-management systems to coordinate with regional authorities and civil protection services. Regular simulation exercises and scenario planning help test these procedures under realistic conditions. Municipalities should maintain crisis communication strategies – including public hotlines and social media channels – to keep citizens informed during disruptions.[381] The Ministry for Development of Communities and Territories of Ukraine further recommends aligning local continuity plans with national civil defence frameworks to streamline support and funding during emergencies.[382]

9.5. Institutional Learning and Adaptation

Resilient institutions learn from crises to prevent recurrence. Municipalities should conduct post-event evaluations and update risk registers, operating procedures, and training programmes accordingly.[383] The OECD and UNDRR emphasise that institutional learning transforms reactive crisis management into proactive resilience-building.[384] Establishing internal audit reviews after emergencies ensures that lessons inform future investment planning. Partnerships with universities and think tanks can support analytical capacity for risk scenario modelling and adaptive governance.[385] Continuous improvement of systems, guided by evidence and cross-sector collaboration, strengthens both institutional credibility and donor confidence.

[376] https://www.ifc.org/content/dam/ifc/doc/2023/sector-assessments-pso-green-resilient-reconstruction-ukraine-en.pdf
[377] https://mcr2030.undrr.org/
[378] https://www.mev.gov.ua/novyna/minenerho-zapustylo-pilotnyy-proyekt-mist-pobratymiv-dlya-pidtrymky-enerhetychnoyi-stiykosti
[379] https://saee.gov.ua/en/news/mariia-malaia-energy-efficiency-and-renewable-energy-are-the-foundation-of-ukraines-energy-security-and-future
[380] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[381] https://rm.coe.int/civil-participation-in-decision-making-toolkit-/168075c1a5
[382] https://mcr2030.undrr.org/sites/default/files/2021-09/Uscore2%20Module%206%20Strengthen%20Institutional%20Capacity%20for%20Resilience.pdf?startDownload=true
[383] https://documents1.worldbank.org/curated/en/099184503212328877/pdf/P1801740d1177f03c0ab180057556615497.pdf
[384] https://www.undrr.org/media/104768/download?startDownload=20251104
[385] https://kse.ua/wp-content/uploads/2023/09/Rekomendatsii---dlya-gromad.-Proyektnii---pidhid.pdf

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10. Monitoring, Reporting and Verification (MRV)

Monitoring, reporting and verification (MRV) systems ensure accountability, transparency and learning in municipal governance. They provide donors and national authorities with reliable evidence of progress, while helping local governments evaluate the impact of their own policies. For Ukrainian municipalities, institutionalising MRV practices is essential to access funding, comply with regulations and strengthen trust with residents.

10.1. Institutional Framework and System Design

An effective MRV system requires a designated institutional structure responsible for data collection, analysis and verification.[386] Municipalities should establish internal monitoring units or assign officers within the financial or planning departments to coordinate project tracking and reporting.[387] The Ministry for Development of Communities and Territories of Ukraine recommends aligning local MRV frameworks with national standards such as the State Regional Development Fund (SFRD) and DREAM reporting templates.[388] The OECD stresses that MRV mechanisms must be integrated into local governance rather than operating as isolated donor requirements.[389] Institutionalising MRV procedures – through council-approved regulations, reporting calendars, and interdepartmental coordination – ensures consistency and continuity even after personnel changes.[390]

10.2. Data Collection and Indicator Management

Municipal MRV systems rely on well-defined indicators that measure outputs, outcomes, and impacts.[391] The World Bank and KSE Institute advise municipalities to use tiered indicator frameworks, linking short-term deliverables (e.g., project completion rates) to long-term development goals such as energy efficiency or social inclusion.[392] Data should be collected systematically using both administrative sources and digital monitoring tools. The DREAM platform allows local governments to upload project data, visualise progress, and share information with regional and national authorities.[393] Municipalities are encouraged to develop internal data-quality assurance procedures, including verification checklists and cross-validation between departments.[394] Assigning data stewards responsible for indicator consistency improves reliability and prevents manipulation.

[386] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[387] https://ces.org.ua/wp-content/uploads/2023/09/ukraine-reconstruction-and-recovery-monitoring-2.pdf
[388] https://me.gov.ua/download/4d6fd29f-b819-45a2-9fd4-775dbbd10019/file.pdf
[389] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[390] https://www.coe.int/en/web/kyiv/-/monitoring-and-evaluation-of-participatory-processes-and-their-results-the-council-of-europe-project-on-civic-participation-presented-a-toolkit
[391] https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
[392] https://kse.ua/wp-content/uploads/2023/09/Rekomendatsii---dlya-gromad.-Proyektnii---pidhid.pdf
[393] https://dream.gov.ua/en
[394] https://u-lead.org.ua/en/news/683

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10.3. Reporting Standards and Communication

Transparent and timely reporting enhances credibility with donors and the public. Municipalities should adopt standard templates for financial and narrative reports compatible with donor systems such as those of the EU, EBRD, or NEFCO.[395] The Ministry of Finance recommends including MRV updates as annexes to quarterly budget performance reports. Local authorities must also ensure compliance with national open-data requirements by publishing key MRV results on official websites and the OpenBudget and Spending.gov.ua portals.[396] Visual communication through dashboards, infographics and progress maps helps citizens understand project achievements and improves participation.[397] According to the CoST Ukraine initiative, publishing monitoring data in accessible formats significantly increases donor confidence and reduces perceived corruption risks.[398]

10.4. Verification and Quality Assurance

Verification confirms that reported results are accurate and reflect real implementation. The OECD recommends establishing independent verification mechanisms through internal audits or third-party reviews.[399] Municipalities should collaborate with regional audit offices, civil society organisations and technical consultants to validate data accuracy.[400] The Council of Europe and UNDP promote participatory monitoring approaches, involving citizens and community groups in verification processes.[401] Integrating automated verification tools into digital MRV systems such as geotagging, timestamped photos, and digital signatures can significantly improve credibility.[402] Developing local audit capacity also helps ensure that verification results inform decision-making rather than remain a formality.[403]

10.5. Capacity Development and Learning

Sustaining MRV systems requires continuous capacity-building and institutional learning. Municipal staff should be trained in monitoring methodologies, data visualisation and donor reporting standards. Programmes such as U-LEAD with Europe, KSE Institute and OECD's Local Performance Programme offer training on indicator design and evaluation. Embedding MRV knowledge into job descriptions, manuals and induction programmes ensures institutional continuity.[404] Periodic evaluations of MRV effectiveness combined with peer-learning exchanges among municipalities help refine indicators and improve future project planning. The OECD underscores that municipalities using MRV data for strategic decision-making, not just compliance, achieve higher funding absorption rates and better governance outcomes.[405]

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395 https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
396 https://spending.gov.ua/new/en
397 https://openbudget.gov.ua/en
398 https://infrastructuretransparency.org/where/cost-ukraine/
399 https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
400 https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
401 https://www.undp.org/sites/g/files/zskgke326/files/2023-12/guidelines_web_version_en.pdf
402 https://dream.gov.ua/en
403 https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf
404 https://kse.ua/KSE_for_BGK_Final_Report_July2024%20-%2020.11.2024.pdf
405 https://kse.ua/wp-content/uploads/2023/09/Rekomendatsii---dlya-gromad.-Proyektnii---pidhid.pdf

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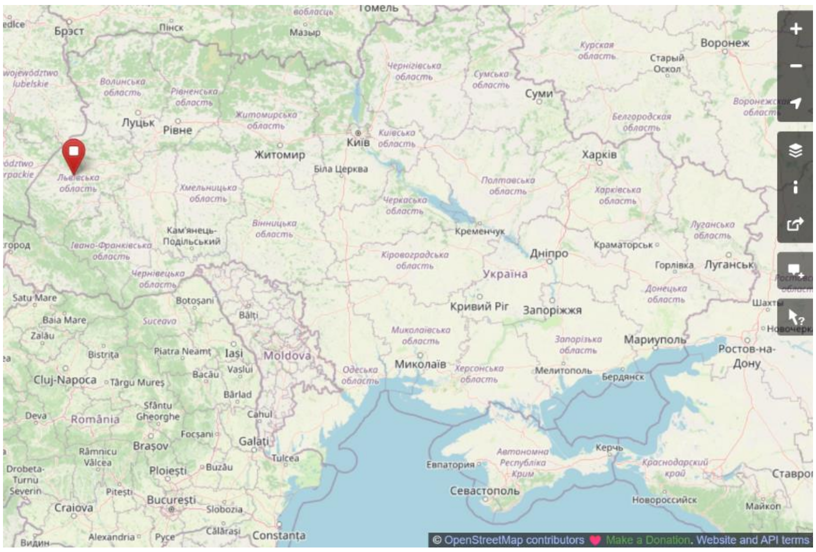
11. Successful case studies from Ukrainian Municipalities

To conclude this guide on funding and financing for Ukrainian cities, this chapter presents several successful case studies that illustrate how cities across Ukraine have effectively mobilised different sources of funding towards climate action. By examining the experiences of Lviv, smaller municipalities implementing the ESCO model, and Rivne's engagement in the NetZeroCities project, this chapter highlights practical examples of diverse funding pathways leading to tangible environmental and energy efficiency improvements.

11.1. Lviv's Green City Action Plan (GCAP)

Table 9 Lviv's Green City Action Plan Case Study

Population: 718 308 (2025)[406] **Climate**[407]: Cold, no dry season, warm summer **Area size**: 171 Km2[408] **City Profile**: Lviv is the administrative centre of Lviv Oblast. The city is a vital business centre and transportation hub for Western Ukraine. It is the country's 7th largest city in terms of population.[409]	 *Open street map*

Among the wide range of international institutions supporting Ukraine's urban and environmental transformation, the European Bank for Reconstruction and Development (EBRD) stands out for its consistent and structured approach to green urban development. Through its Green Cities programme, the Bank provides Ukrainian municipalities with both technical assistance and access to financing, enabling them to design and implement long-term strategies that address critical urban challenges, from energy efficiency to waste management. The following section explores how this framework operates and illustrates its practical outcomes through the example of how Lviv developed its Green City Action Plan (GCAP).

https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/08/public-procurement-in-the-post-war-reconstruction-of-ukraine-main-challenges_df1d3017/c427b561-en.pdf

[406] https://worldpopulationreview.com/cities/ukraine/lviv

[407] All data on climate comes from the following map, that follows the Koppen-Geiger Climate Classification https://www.arcgis.com/home/item.html?id=1e468410784c4b9a81f43af7f0f9b133

[408] https://www.worldatlas.com/cities/lviv-ukraine.html

[409] GCAP

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The EBRD has several programmes in thematic areas such as Digitalisation, Sustainable Infrastructure and EBRD Green. In the latter lies the Green Cities programme, that supports cities in building a better and more sustainable future[410]. This programme is structured in three phases: Preparation of a GCAP; Support to invest in sustainable infrastructure; Capacity building training to city officers, to ensure that the actions identified on the GCAP can be implemented.

The GCAP follows a methodology developed by the EBRD, in collaboration with the OECD and ICLEI. Through this process, each participating city defines its strategic goals and actions for the next 10 to 15 years. The plan is developed in two phases. The first, known as the Baseline and Prioritisation phase, assesses existing policies, plans, environmental priorities, and indicators to identify key challenges. The second, the Planning phase, determines the specific issues the city aims to address, outlines targeted actions, and establishes measurable and achievable objectives. Once the plan is completed and formally adopted, the EBRD supports its implementation by providing capacity building and access to financing[411].

This planning process is essential, as it enables a city to identify and address their most pressing environmental challenges. This plan, however, is not rigid and can change over time in response to changes in the city's priorities.[412]. The GCAP also has the power to directly impact the population, as it is designed to improve the urban quality of life, enhancing air quality, waste management and transportation.

The power and adaptability of the GCAP is shown by the city of Lviv, where they developed it in 2020, and approved it in 2021, before the start of the full-scale war. Despite this, the city has been able to implement green actions even after the start of the full-scale aggression.

Lviv was the pilot city in Ukraine for EBRD's Green Cities programme. It's GCAP was financed by the Ministry of Finance of the Czech Republic and by the EBRD[413]. During this process, the city identified the following environmental priorities: Waste and water treatment; Promotion of public transport; Energy efficiency in public and private buildings. To improve this, the plan identifies the following aspects that should be addressed: "The adoption of national strategies; Development of new legislation and standards; Improving public awareness and engagement in environmental issues; Investment in technical measures[414]".

During the adoption process of the GCAP, Lviv was also able to implement several projects that were tied to the development of the plan, such as the Solid Waste project, approved in 2018 and disclosed in 2020[415]. This project aimed to modernise and rehabilitate the city's solid waste management infrastructure. Its total cost was 35 million euros, divided as follows:

- €20 million senior loan – EBRD
- €10 million grant – Eastern Europe Energy Efficiency and Environment Partnership (E5P)
- €5 million loan - Clean Technology Fund (CTF)

[410] https://ndcpartnership.org/knowledge-portal/project-preparation-support-database/ebrd-green-cities
[411] https://www.ebrdgreencities.com/our-cities/gcap/
[412] https://www.ebrdgreencities.com/assets/Uploads/PDF/Green-City-Action-Plan-Methodology.pdf
[413] https://ebrdgreencities.com/assets/Uploads/PDF/Lviv-GCAP-Final-ENG-merged_May2020.pdf
[414] https://www.ebrdgreencities.com/assets/Uploads/PDF/Green-City-Action-Plan-Methodology.pdf, page 5
[415] https://www.ebrd.com/home/work-with-us/projects/psd/49437.html#customtab-0d349c94e3-item-3cd976ff8f-tab

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EBRD's financing does not contribute to state budget expenditures and focuses solely on development-oriented investment projects in both public and private sectors[416]. These investments continued even during the full-scale war. The bank has provided €7.6 billion in support to Ukraine[417] since the start of the full-scale war. This includes "A €10 million loan to Lviv to rehabilitate two wastewater plants, and a €10 million emergency liquidity loan to Kharkiv to mitigate the effects of the war on the city's financial position and ensure uninterrupted essential municipal services"[418].

Overall, the EBRD's Green City Action Plan framework provides Ukrainian municipalities with a clear pathway to identify their environmental priorities and transform them into actionable projects. Its combination of strategic planning, capacity building, and dedicated access to finance ensures that cities can move from intention to implementation. The experience of Lviv demonstrates how this approach not only improves local environmental management but also strengthens institutional capacity and unlocks further investment opportunities, marking a significant step toward the country's broader green transition.

11.2. ESCO in Small and Medium Sized Cities

Another option for implementing climate action with fewer financial resources is to engage Energy Service Companies (ESCOs) to manage the energy consumption of a building or system.

ESCOs are external companies hired to enhance energy efficiency. They analyse current energy use, identify potential improvements, and implement the proposed measures. Moreover, ESCO contracts are typically structured so that the company assumes the financial risk if the implemented measures fail to achieve the expected savings. The underlying principle is that energy-saving measures are financed (partially or entirely) through the cost savings generated by the reduced energy consumption[419].

This type of contracts is advantageous because[420]:

- All technical, operational and financial risks are transferred to the hired ESCO.
- Possibility to outsource activities that are not central to the municipality.
- Access to technical knowledge and expertise that may not exist within the municipality staff.
- Budget relief to the municipality.

In Ukraine, UNDP is working to reduce the barriers of the implementation of energy efficiency measures in Ukraine's public buildings by using the ESCO modality. This work is conducted through the project "Removing Barriers to Increase Investment in Energy Efficiency in Public Buildings in Ukraine through the ESCO Modality in Small and Medium Sized Cities", implemented between 2016 and 2024.

[416] https://www.researchgate.net/profile/Olga-Sych/publication/373442958_Application_of_EU_Programs_and_Financial_Instruments_for_Ukraine/links/64f1ee78fa851147de09ed4e/Application-of-EU-Programs-and-Financial-Instruments-for-Ukraine.pdf

[417] https://www.ebrd.com/home/news-and-events/news/2025/ebrd-support-for-wartime-ukraine-hits-7-6-billion-as-bank-commits-new-funding-at-recovery-conference.html

[418] https://www.ebrd.com/home/news-and-events/news/2025/ebrd-support-for-wartime-ukraine-hits-7-6-billion-as-bank-commits-new-funding-at-recovery-conference.html

[419] https://keep.eu/api/project-attachment/31111/get_file/ ; https://www.energy.gov/eere/ssl/energy-savings-performance-contracts

[420] https://keep.eu/api/project-attachment/31111/get_file/ ; https://www.energy.gov/eere/ssl/energy-savings-performance-contracts

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One of the aims of the initiative was to assist small and medium sized municipalities in reducing the energy used in public buildings, such as schools, hospitals and government offices. This was possible "through the launching of a financial support mechanism, as well as by introducing a single nationwide energy management information system (EMIS) for Ukraine" [421]. This allowed ESCOs to work more easily in Ukraine.

The project was implemented through pilot projects and was able to surpass its initial goals. In the end of its implementation, the project was able to promote the reduction of 69,190 tCO2 in GHG emissions over the period of 20 years, and to save 24,164 MWh in energy[422]. Some examples can be seen in the images below, from the cities of Kryvyi Rih, Slavutych, Korosten and Voznesiensk:

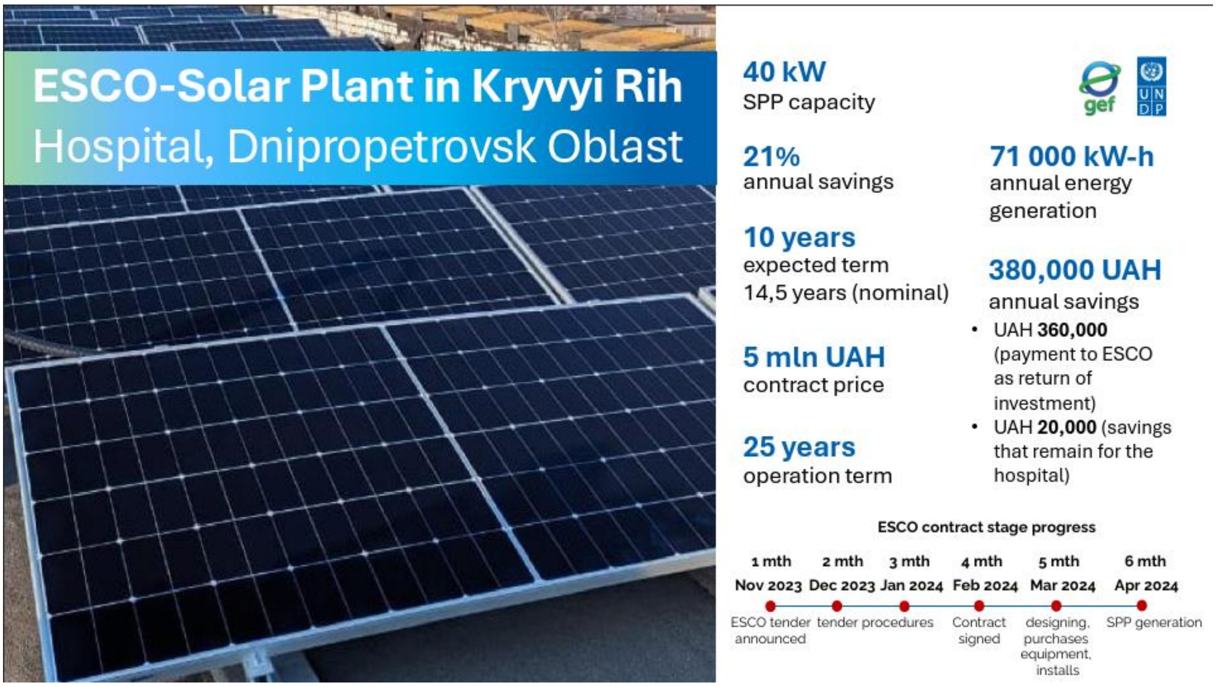

Figure 7 ESCO – Solar Plant n Kryvyi Rih Case Study[423]

[421] https://www.undp.org/sites/g/files/zskgke326/files/2025-03/undp-ua-eepb-lessons-learned-report-final-signed.pdf, page 1
[422] https://www.undp.org/sites/g/files/zskgke326/files/2025-03/undp-ua-final-board-presentation-29.11.2024.pdf
[423] https://www.undp.org/sites/g/files/zskgke326/files/2025-03/undp-ua-final-board-presentation-29.11.2024.pdf

Three ESCO-Street Lighting Contracts Signed

Slavutych, 2021

- ✓ **450 new LED lamps** installed
- ✓ UAH 7.6 million contract price
- ✓ **59% savings** per year:
- ✓ 165,000 kWh-h (600,000 UAH) savings per year
- ✓ 15 years contract term

Korosten, 2022

- ✓ **2,500 new LED lamps** installed
- ✓ UAH 48 million contract price
- ✓ **59% savings** per year
- ✓ 945,000 kWh-h (5 mln UAH) savings per year
- ✓ 15 years contract term

Voznesiensk, 2024

- ✓ **3000 new LED lamps**
- ✓ 59 mln UAH contract price
- ✓ 50% annual savings
- ✓ 500,000 kW-h (4,6 mln UAH) annual savings
- ✓ 15 years contract duration

Prospect ESCO projects for the modernization of the street lighting network - installation of LED lamps

№	City	LED lamps	Saving	Contract price, UAH	Contract price, USD
1	**Novovolynsk**	1500	21%	15 mln	384 615
2	**Cherkasy**	7500	51%	100 mln	2 564 103
3	**Pryluky**	4600	20%	55 mln	1 410 256
4	**Drohobych**	87	17%	2.3 mln	58 974

34

Figure 8 Three ESCO – Street Lighting Contract in Slavutychm Korosten and Voznesiensk Case Study[424]

These cases demonstrate that even smaller municipalities can successfully implement energy efficiency measures across various public systems, including street lighting and hospitals. By relying on ESCOs as an alternative financing model, cities are able to achieve substantial energy and cost savings without heavy budgetary commitments. The proven effectiveness of this approach highlights its strong potential for replication, offering a scalable solution for other Ukrainian municipalities seeking to enhance efficiency and sustainability through innovative financing mechanisms.

[424] https://www.undp.org/sites/g/files/zskgke326/files/2025-03/undp-ua-final-board-presentation-29.11.2024.pdf

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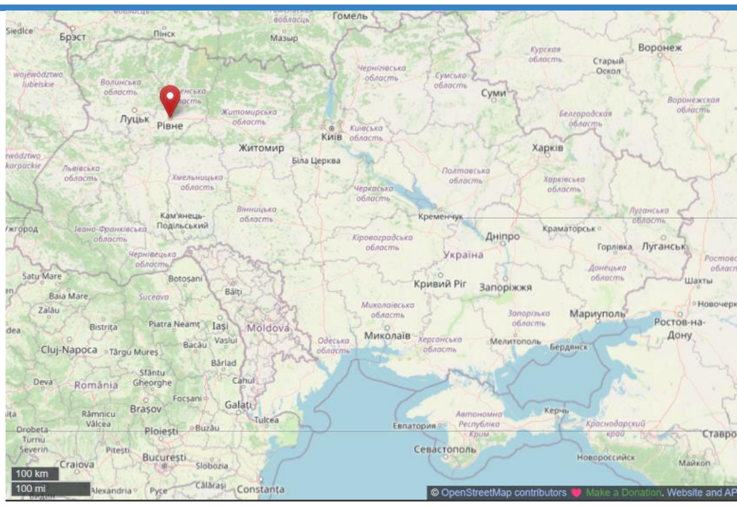
11.3. Rivne's Pilot Project Funded Under NetZeroCities[425]

Table 10 Rvine's Pilot Project Case Study

Population: 243 873 (2022)[426] **Climate**: Cold, no dry season, warm summer **Area size**: 58,82 Km2 [427] **City Profile**: Rivne serves as the administrative centre of Rivne Oblast (province) and functions as a major transportation hub. The city is home to Rivne International Airport and is connected by highways to both Kyiv and Lviv. One of its key industrial enterprises is the Rivne-Azot chemical plant, which is part of Ostchem Holding[428].	 *Open street map*

Programme: funded by European Commission with the Pilot Cities Programme under NetZeroCities - grant agreement 101036519 with European Climate, Infrastructure and Environment Executive Agency (CINEA)

Timeline: 1 June 2023 – 31 August 2025

Received funding: EUR 997.080, 65

Consortium: Rivne City Council, National University of Water and Environmental Engineering

Title: *Creating NetZero vision for Rivne*[429]

Emission domains: Consumption of electricity generated for buildings, facilities, & infrastructure. Consumption of non-electricity energy for thermal uses in buildings & facilities

Objective: Improve energy data management system (Municipal Energy Passport – MEP), to model scenarios for Net Zero Transition, therefore creating a NetZero vision for the city

The city's commitment to climate action:
- Rivne is a member of the Covenant of Mayors.
- The city completed its first Sustainable Energy Action Plan, implemented between 2016 and 2020, and reduced emissions by 18% compared to 2010. In 2021, Rivne

[425] https://netzerocities.eu/rivnes-pilot-city-activity-creating-a-netzero-vision-for-rivne/
[426] https://citypopulation.de/en/ukraine/rivne/rivnenskyj_rajon/560604700100__rivne/
[427] https://citypopulation.de/en/ukraine/rivne/rivnenskyj_rajon/560604700100__rivne/
[428] https://en.wikipedia.org/wiki/Rivne
[429] https://netzerocities.eu/rivnes-pilot-city-activity-creating-a-netzero-vision-for-rivne/

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reaffirmed its commitment to the Covenant of Mayors for Climate and Energy. The city's second SECAP was adopted by the Council in 2023 with the aim to reach a 30% reduction in CO_2 emissions by 2030 and achieve climate neutrality by 2050.
- In 2021 Rivne City Council adopted the decision to join the European Energy Award.
- In 2025, the Rivne City Council adopted the Net Zero Vision for Rivne City Territorial Community until 2050.
- The city is eager to learn about the experiences of European cities in efforts to achieve climate neutrality, such as renewable energy sources, combined heat and power, carbon trading, or engaging key stakeholders and residents to accelerate climate transition.
- The city is actively pursuing decarbonisation efforts, leveraging European funding such as the LIFE programme to implement climate-related projects.

Agreed Actions at Start: according to SECAP the city climate plan is to reduce emissions by 30% by 2030. To that end, pilot activities are focused on energy data collection and storage with aim to:
- establish a centralised, regularly updated online system (Municipal Energy Passport) to organise all relevant data, ensuring it can effectively inform the development of future plans and strategies,
- maintain a consolidated dataset to enable the modelling of energy development scenarios for Rivne, helping to identify the most effective pathway toward climate neutrality.

The city team working on designing the Municipal Energy Passport drew on previous energy data systems, such as *Energobalans*, which specialised in the daily monitoring of energy consumption and the use of energy carriers.

Additionally, one of the key components of the project was capacity building. The city aimed to develop and maintain a skilled workforce by organising training sessions and workshops focused on the deployment of renewable energy sources and the implementation of energy efficiency measures. These activities were targeted at students and other stakeholders, such as building managers.

Achievements at End: Within Rivne's NZC pilot project, the city managed to achieve the following outcomes:
1. Rivne developed a comprehensive database, **Municipal Energy Passport,** integrating energy data from over 100 public facilities (including transfer of historical data from the previous system, Energobalans). The platform enables data consolidation, automation, and visualisation, with future plans to include residential, private, and tertiary sector buildings.
2. The pilot project helped to identify and consolidate a group of stakeholders around climate topics. City utilities got interested in cooperating with the city administration on data exchange.
3. In collaboration with the National Academy of Sciences, three long-term scenarios were modelled up to 2050, including one aiming for full climate neutrality. Rivne also created the **NetZero Vision**, Ukraine's first long-term climate neutrality document for a community adopted in August by the city council. The city engaged numerous external stakeholders that contributed to the design of the Vision.
4. The **Decarbonisation Office** was launched to sustain project outcomes and develop climate actions.
5. The project developed specific devices allowing older metres to transmit data wirelessly to the database. It could be integrated with various models of metres. The

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city provided infrastructure upgrades, including replacement of over 100 water meters and electricity meters, as well as modernisation of 30 heat meters with online transmitters.

6. The city strengthened its internal governance to coordinate climate actions.
7. In terms of actions focused on **capacity building & education:**
   - An accredited academic course on “Planning and Implementing Energy Efficiency and RES Solutions” was introduced (completed by around 250 students)
   - A RES laboratory was established, featuring demo-stands, heating system models, and hands-on tools for RES technologies.
   - Training sessions were organised for 391 building managers.

As an upscaling of the NetZero Vision pilot project, Rivne is now also a part of the LEEP (A Missing Link to Energy Efficient Performance of Buildings) project[430] under the LIFE programme, to accelerate deployment of energy efficiency and reduce emissions in multi-apartment buildings by establishing a sustainable, integrated service model. This will be implemented by establishing an Energy Efficiency Office (EEO), a one-stop-shop to provide integrated services, including energy audits, technical assistance and funding support to 30 energy efficiency projects in multi-apartment buildings, achieving 3.42 GWh/year in primary energy savings.

[430] https://webgate.ec.europa.eu/life/publicWebsite/project/LIFE24-CET-LEEP-101215658/a-missing-link-to-energy-efficient-performance-of-buildings

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Conclusion

This Guide on Funding and Financing for Ukrainian Cities offers a comprehensive framework to assist Ukrainian municipalities identify, secure, and manage funding for climate-aligned urban development. It provides detailed guidance on how to transform Climate Neutrality Plans (CNPs) into actionable, bankable projects that align with both national reconstruction goals and the EU's climate neutrality ambitions. The document outlines key funding mechanisms, including grants, loans, bonds, public-private partnerships (PPPs), and innovative tools such as blended finance and green bonds, helping cities understand and navigate complex financial landscapes.

In addition to presenting funding instruments, the guide stresses the importance of capacity building, robust governance, and sound financial management. It highlights how decentralisation reforms have empowered Ukrainian municipalities with greater autonomy, while also requiring them to enhance transparency, digitalisation, and stakeholder engagement. Practical tools such as ICLEI's Funding Decision Tree and the NetZeroCities Finance Guidance Tool support decision-making by matching municipal project needs with appropriate financing sources. The guide also details procedures for compliance, co-financing, risk management, and donor coordination, essential steps for meeting international standards and gaining the confidence of investors and development partners.

The document further provides real-world examples and best practices, including case studies from Lviv, Rivne, and smaller cities employing Energy Service Company (ESCO) models. These examples illustrate how cities can utilise international programmes, such as those of the EBRD, EIB, and NEFCO, to attract investment, develop sustainable infrastructure, and build institutional capacity. They demonstrate how aligning projects with environmental and social safeguards, EU Taxonomy requirements, and transparent procurement processes not only ensures regulatory compliance but also improves project bankability and replicability across regions.

For Ukrainian Municipalities, this guide serves as both a roadmap and a toolkit for driving the green transition at the local level. By combining local initiatives with international financial frameworks and technical assistance, municipalities can play a leading role in Ukraine's sustainable reconstruction. Ultimately, the guide empowers cities to move from planning to implementation, bridging the gap between vision and investment, enhancing institutional resilience, and positioning Ukrainian municipalities as pivotal actors in Europe's broader climate-neutral and sustainable urban future.

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