

Humanitarian, stabilization, reconstruction and economic assistance programme for Ukraine

2023-2025

(approved by Resolution No. 855 of the Government of the Czech Republic of 12 October 2022)

This Programme is based on long-standing Czech-Ukrainian relations. It builds on the humanitarian, stabilization and transformation efforts we have undertaken in Ukraine over the past years, as well as on our business presence in the country.

The implementation of this Programme will be subject to continuous assessments of the security situation in Ukraine (risk analysis) for as long as the war continues.

I. HUMANITARIAN, STABILIZATION AND RECONSTRUCTION ASSISTANCE (Ministry of Foreign Affairs)

This part of the Programme (“Programme I”) deals with our humanitarian, stabilization and reconstruction assistance to Ukraine in 2023-2025. Programme I is consistent with the Foreign Development Cooperation Act and with the current methodology for foreign development cooperation (FDC). It complements the FDC Plan for 2022 (the Explanatory Notes for the FDC Plan point out that Ukraine would be covered in a separate document).

Programme I describes the FDC activities through which the Czech Republic will effectively assist with repairs of war damage and with stabilization, reconstruction and development in Ukraine.

The state budget funding required in 2023-2025 is CZK 280 million per year for the Ministry of Foreign Affairs, CZK 120 million per year for the Ministry of the Interior, CZK 14.5 million per year for the Ministry of Education, Youth and Sports, and CZK 0.5 million per year for the Ministry of Health.

Current situation

Russia's aggression against Ukraine is now the biggest challenge facing the Czech Republic, the EU and the world, both in terms of security as well as in political and economic terms.

Czechia enjoys long-standing political, economic, development and humanitarian relations with Ukraine; we have always had a good name in the country. Ukraine is our specific FDC partner (since 2014) and our priority for transition cooperation. The Ukrainian national minority is the second largest in our country – as a result, we have received a considerable number of war refugees, which makes us one of the main countries of destination. Since the beginning of the Russian invasion, the Czech Republic has granted temporary protection to more than 415,000 Ukrainian refugees (data as of 20 August 2022). Czech individuals and companies have donated between CZK 3 and 4 billion to NGOs involved in alleviating the impacts of war in Ukraine or working with refugees in our country.

Support for Ukraine is one of the top priorities of the Czech Republic's Presidency of the Council of the EU. This document is one of our internal tools for turning this priority into action.

Programme I responds to the needs identified by the Ukrainian side. It builds on the activities ongoing or completed in 2022.

Czech Republic's humanitarian and reconstruction programme

In the light of favourable experience with the implementation of previous regional humanitarian and reconstruction programmes¹, we propose to build Programme I along similar lines, as the existing approach has served its purpose well since 2016. Programme I will start with humanitarian projects and stabilization assistance, to be followed up with reconstruction and development assistance, and with commercial cooperation benefiting a comprehensive system of government support for exports, goods, services and investment as described below.

Ukraine does not yet have the conditions for full-scale reconstruction. However, we must already start to plan for the steps the Czech Republic has to take to assist with the country's recovery and progress towards EU membership. What needs to be done in the nearest future is, above all, to provide direct assistance on the

¹ This document refers to completed multiannual assistance programmes for Syria (Humanitarian, Development and Reconstruction Assistance to Syria 2016-2019, Government Resolution No. 588/2016 and the follow-up programme for Continuing the Humanitarian, Development and Reconstruction Assistance to Syria 2020–2021, Government Resolution No. 587/2019) and Iraq (Programme in Support of Czech Participation in Stabilization and Reconstruction in Iraq 2018-2021, Government Resolution No. 824/2017), Programme of Activities in Support of Source and Transit Countries for Migration in Africa 2020-2022, and the Czech Republic's Reconstruction Programme for the Middle East 2022-2026.

ground and help stabilize the basic living conditions. This humanitarian element of Programme I (projects for immediate assistance to IDPs and returnees including reintegration) should gradually give way to longer-term stabilization assistance and to development cooperation.

Transition cooperation has a major role to play in Programme I. Ukraine is a long-standing priority for Czech transition cooperation where the focus is on the building and strengthening of democratic institutions, the rule of law and principles of good governance. We will provide more space for these projects now that Ukraine has been granted the EU candidate status.

Wider regional impact

In addition to Ukraine, it will be necessary as well as strategic to have an active presence in **Moldova and Georgia**. The three countries form the Associated Trio and their EU Association Agreements provide for enhanced and comprehensive free trade zones. Moldova and Ukraine were granted candidate status in June 2022. Our expert cooperation projects will have multiplier effects across these countries (e.g. projects for approximation of local parameters to EU standards). Moreover, it is to be expected that Moldova, a major destination of migration flows from Ukraine, will continue to need humanitarian aid and assistance with stabilizing the refugees.

The wider regional impact of Programme I will enable us to flexibly respond both to developments in Ukraine and to the more general needs of the whole region, namely in the context of EU and UN cooperation.

Our activities in Ukraine to date

We have assisted Ukraine on an ongoing basis throughout the war. The assistance has been funded from the Foreign Ministry's humanitarian aid budget and through the programmes of some other ministries. Nevertheless, this funding has proved too low, compared to the hugely damaging impacts of the war. To date, we have focused on humanitarian aid and provision of basic needs for Ukraine's IDPs and Ukrainian refugees in Moldova. We have provided healthcare and accommodation equipment, food and other necessities for refugees and war victims.

In 2014-2021, the Czech Republic's annual state budget funding for humanitarian aid activities in Ukraine reached CZK 355 million in the aggregate. In 2022 alone, the funding for the Foreign Ministry's

humanitarian aid and development assistance activities is expected to reach CZK 364 million. Programme I will follow up on these activities.

In 2014-2021, the Interior Ministry used its MEDEVAC programme to evacuate 49 Ukrainian casualties to the Czech Republic. The expenditure on training courses and study visits for healthcare professionals and on healthcare infrastructure projects reached CZK 17.2 million in the aggregate. In 2022 alone, the total funding for the Interior Ministry's assistance to Ukraine was CZK 175 million. This package was spent through the Assistance on the Ground programme (CZK 130 million) and the MEDEVAC programme (CZK 45 million) on supplies of material, evacuation of casualties, and financial donations to international organizations.

Proposed activities and their parameters

Projects for Programme I will be identified in consultation with the Ukrainian side, subject to a funding approval. We will focus on the priorities of our FDC with Ukraine (humanitarian assistance and stabilization, health care, education, governance and civil society) but we intend to include some other sectors as well.

Programme I gives an important role to expert missions and preparation of studies on many aspects of government and public administration (**approximation to EU standards**). Our institutional expertise gained in the recent EU accession process will add value to our presence in the countries concerned.

Identification and implementation of the projects will be a cooperative process involving all stakeholders represented on the Interministerial Working Group for Ukraine, a working group of the government's FDC Council: the Foreign Ministry including Czech embassy network and the Czech Development Agency; the Ministry of Industry and Trade including the CzechTrade agency; the Office of the Government; the Ministry of Finance; the Ministry of Culture; the Ministry of Defence; the Ministry of Education, Youth and Sports, the Interior Ministry and the Czech Republic Police; the Ministry of Agriculture; the Ministry of Health; the Ministry of the Environment; the Ministry of Justice; the Ministry of Labour and Social Affairs; the Ministry of Transport; the Ministry of Regional Development, together with the FDC platforms. The main purpose of the Working Group is to ensure synergy between all stakeholders. To this end, the Working Group will consider and approve the choice of projects for Programme I, the way the annual funding packages are distributed among the different areas of Programme I, as well as any changes made to Programme I.

We will work with Czech, international and local project implementers from the private, non-profit as well as public sectors. Our projects will contribute to the overall Czech and EU presence in Ukraine, and the Foreign Ministry will strive for the greatest possible synergy with other Czech activities in the region (such as independent NGO activities).

The parameters for implementation of Programme I are described in detail in Part II of this document. They are consistent with FDC standards and with the principles of the Lugano Declaration.

Implementation tools

Our humanitarian, stabilization and development projects will be implemented in accordance with the current methodology. We will use the standard FDC and humanitarian aid tools best suited to each individual project: subsidy calls, financial donations to foreign recipients, tied financial donations, donations of material, evacuation of casualties, capacity-building activities for Ukrainian professionals (mainly in health care), small local projects, public contracts, financial tools, and government scholarships.

Other requirements

Our humanitarian, stabilization and reconstruction activities will require more robust Czech diplomatic representation in Ukraine, both in the capital and across the country.

The Czech Republic is very interested to participate in the recovery of Ukraine's *oblasts*. To this end, we propose to increase the staff level at the Czech Embassy in Kiev by one diplomatic position (with the option to hire up to two local employees to support the implementation of Programme), and to open the Embassy's branch office in Dnipro, the administrative centre of the country's second most populous *oblast*. The branch office would initially consist of two diplomats and one local employee. We will decide on the next steps (including the possibility to open a consulate general in Dnipro) following a review of the activities, opportunities and security situation in this *oblast*.

All staffing and payroll requirements will be met from the Foreign Ministry's existing staff numbers and payroll limits.

Funding

To be successful, the Programme will need a start-up funding package from the state budget. This will generate flows of funds from other donors, especially from the EU.

We have capped the total budget so as not to exceed the level of the 2022 emergency funding for Ukraine. We propose to maintain this level in the coming years (however, the use of the funds will no longer be limited to humanitarian aid and stabilization).

On the basis of experience with previous reconstruction programmes, we propose to include the Programme I funding package as a new budget item in the Foreign Ministry's state budget chapter. The item will be used to finance the activities of the Ministry of Foreign Affairs and to make and receive transfers to and from other stakeholders. The Government will authorize the Foreign Minister to approve financial donations to recipients abroad on the basis of specific proposals, following consultation with the Ukraine Working Group.

Programme I will require the following annual funding from the state budget of the Czech Republic: **CZK 280 million** for the **Foreign Ministry** (CZK 110 million for humanitarian and stabilization activities, CZK 20 million for transition and democracy projects, CZK 120 million for development and reconstruction activities, and CZK 30 million for PROPED economic diplomacy projects); CZK 15 million for government scholarships awarded by the **Ministry of Education, Youth and Sports (CZK 14.5 million)** plus the scholarship holders' medical costs covered by the **Ministry of Health (CZK 0.5 million)**; and **CZK 120 million** for the **Interior Ministry** (CZK 75 million for the Assistance on the Ground programme and CZK 45 million for the MEDEVAC programme).

One of the aims of the proposed annual package is to ensure that at least some part of the emergency funding spent on immediate assistance and stabilization in 2022 generates a lasting effect (the Foreign Ministry spent a total of CZK 364 million). In the coming years, the Government may opt for more substantial funding packages or for the use of investment and mixed tools (the tentative timeframe is the duration of Ukraine's Recovery Plan which is to be completed in 2032).

The Foreign Ministry has asked for a **new budget item** to be included in its state budget chapter, since our assistance to Ukraine is likely to continue for a long time.

The Foreign Ministry follows the preparatory work on the **EU Instrument for providing support to Ukraine** for 2023. We will be able to fully assess the opportunities for the participation of Czech entities

after the parameters of individual projects are published. The issue will be discussed within the Ukraine Working Group.

An important aspect that is likely to increase the chances for Czech participation in internationally funded stabilization and reconstruction projects is the specific added value of our contribution. Our added value may help ensure that the development and reconstruction activities produce tangible results, to be replicated by means of Ukrainian and international funding.

Delegated cooperation

Czech assistance to Ukraine should also take advantage of the EU delegated cooperation mechanism in which the Commission issues calls for development cooperation projects and pays the costs. The Czech Development Agency has had the accredited parameters for delegated cooperation since 2019, and it has experience with bilateral projects in Ukraine. This makes it a qualified candidate for the implementation of EU projects. The Czech Development Agency is ready to initiate such projects, to respond to calls, and to participate in consortia formed for this purpose.

Conclusion to Part I.

Programme I is consistent with Agenda 2030 and with the SDGs, the points of reference for the Czech Republic's FDC Strategy 2018–2030. The Czech Republic has specific competences in a number of sectors where it can contribute to Ukraine's stabilization and development while also improving the expertise of Czech implementers. Interlinkages with programmes funded from other sources (EU, UN, UNDP) will be an additional advantage.

Programme I will enable us to implement humanitarian, stabilization and development activities across the whole territory of Ukraine according to existing and anticipated needs. The coordinator will be the Foreign Ministry. We will use the existing implementation tools of the Foreign Ministry/Czech Development Agency, Interior Ministry and other government stakeholders (such as the Aid for Trade programme of the Ministry of Industry and Trade or the common tool for the implementation of PROPED economic diplomacy projects).

In 2023-2025, the main purpose of Programme I should be to assist with repairs of war damage, stabilization of IDPs and refugees, demining and urgent reconstruction of critical infrastructure.

The Foreign Ministry will actively share information on Programme I with the Czech public as well as with the EU and other parties. This will contribute to the image of the Czech Republic as a responsible and constructive partner with a sense of solidarity. We will present periodic progress reports to the Government (annually) and to the Ukraine Working Group (at least thrice a year).

Most of the expenditure under Programme I will be countable as ODA expenditure. This will improve the Czech Republic's ODA indicator (the Czech Republic remains at the low end of OECD statistics due to its failure to meet the commitments).

Our humanitarian, stabilization and development assistance will prepare the ground for economic diplomacy projects and for the participation of Czech companies in Ukraine's renewal.

II. DEVELOPMENT OF ECONOMIC COOPERATION (Ministry of Industry and Trade)

This part of the Programme (“Programme II”) deals with the commercial aspects of Ukraine's reconstruction (development of trade) and the next steps to develop Czech-Ukrainian economic cooperation, improve the resilience of Ukraine's economy in the longer term, and to promote the participation of Czech companies in the reconstruction and development projects of the Czech Republic and other donors. Russia's aggression has reduced, but not stopped, cooperation between Czech and Ukrainian companies. This means that the new projects started by Czech companies in Ukraine can already be treated as part of the commercial phase of the reconstruction. Commercial cooperation should run in parallel to the stabilization and development effort, build on its results, and continue to encourage the development of trade and economic relations in the longer term. The core goal should be to improve the resilience of Ukraine's economy. Here, the Czech Republic may contribute by promoting localization of production in Ukraine's territory and diversification of mutual exchange of goods.

Czech companies were getting increasingly interested in Ukraine already before the outbreak of the COVID-19 pandemic and their interest has grown in the meantime. The loss of some markets in the region has been a contributing factor. Ukraine's market is gradually integrating with the EU market, which makes it very interesting from the geo-economic perspective – in terms of investment as well as trade. Moreover, Ukraine

is an important source of raw materials. Relocation of production to Ukraine would be in keeping with the post-pandemic trend to shorten supply chains. It would also be natural to keep the more complex stages of manufacturing process in Czechia and relocate to Ukraine the stages where the country has a comparative advantage.

Framework for Czech-Ukrainian trade and economic relations

The main platform for coordinating trade and economic cooperation between Czechia and Ukraine is the Czech-Ukrainian Intergovernmental Commission for Economic, Industrial, Scientific and Technical Cooperation, set up by the Agreement on Economic, Industrial, Scientific and Technical Cooperation between the Czech Republic and Ukraine of 16 April 2004. This is one of the very few intergovernmental commissions to be chaired by government ministers on both sides (the Czech chair is the Minister of Industry and Trade). The Intergovernmental Commission brings together the majority of ministries and relevant government agencies.

The Intergovernmental Commission has been meeting more or less regularly every year since 2007, which makes it a suitable tool for coordinating and monitoring the commercial phase of the reconstruction. The minutes of its regular meetings will keep track of the projects and activities of Czech companies in the Ukrainian market. The key advantage is that the Intergovernmental Commission enables the stakeholders to deal directly with relevant partners at each Ukrainian ministry.

The Intergovernmental Commission has set up a working group – the Business Club Ukraine – to facilitate efficient coordination of Czech companies engaged in Ukraine's reconstruction. The Business Club Ukraine reports to the Czech part of the Intergovernmental Commission's secretariat. Its purpose is – among others – to prepare the projects of Czech companies for presentation during the Intergovernmental Commission's regular sessions.

Business Club Ukraine

The Business Club Ukraine is a common platform created to gather and share information on Ukraine's specific needs and on the corresponding reconstruction projects, and to coordinate the participation of Czech companies in such projects. In other words, the Club is an executive tool that facilitates communication with Czech companies in the context of coordination of the reconstruction process. The Ministry of Industry and

Trade manages the Club in a way ensuring that the involvement of Czech companies remains as efficient as possible; we curb undue competition and look for synergies. The Club must be a government body in order to be able to perform complex tasks from for a relatively fragmented group of social partners. When required, the Club will provide information on the capacities of Czech companies that may be available for the implementation of Programme I. The Club will receive information on reconstruction and development cooperation projects planned by the Czech Republic and other donors, and it will share this information with the widest Czech business community.

The Club is open to companies as well as to social partners. Administrative support for the Club is provided by the Czech part of the Intergovernmental Commission's secretariat. The participating institutions include the ministries represented on the Intergovernmental Commission, the CzechTrade and CzechInvest agencies, Czech Chamber of Commerce, Confederation of Industry of the Czech Republic, Confederation of Employer and Business Associations, Czech-Ukrainian Trade Chamber (civic association). Ukrainian-Czech Trade Chamber (UKRCHAM), etc.

Implementation tools

We will use existing export promotion tools to financially support Czech companies participating in Ukraine's reconstruction in accordance with the current methodology. We will provide the support in close coordination with the other ministries, with the Business Club Ukraine, Czech Chamber of Commerce, Confederation of Industry of the Czech Republic, Confederation of Employer and Business Associations, and other associations and chambers. We will support participation in trade fairs, incoming and outgoing missions, the Foreign Ministry's economic diplomacy tools (PROPED, PROPEA, PROPEA+), and assistance on the ground provided through CzechTrade branch offices.

Financing

The state budget funding required for Programme II is **CZK 85 million** per year. This includes CZK 65 million for enhanced export promotion services of the Ministry of Industry and Trade (support for participation in trade fairs in Ukraine, incoming and outgoing missions, PROPED, Aid for Trade), and CZK 20 million needed by the CzechTrade Agency to set up additional branch offices and provide services in Ukraine, and to take steps in the context of the regional approach described below.

Government support for export finance and export insurance

The Government has suspended its support of export finance and insurance for new exports to Ukraine at the beginning of the war due to the high level of risk. The Czech Export Bank and the Export Guarantee and Insurance Corporation (EGAP) will resume their export finance and insurance services as soon as the situation permits. They will offer products from their standard portfolios, subject to compliance with the applicable legislation and prudential requirements. In cases where the risk goes beyond the scope of standard risk assessment, the use of the products will be subject to the Government's decision. In such cases, the Government would have to cover the risk at the ratio of one to one. This will have to be preceded by detailed expert assessment (including the impact on the state budget) taking into account the rules concerning the granting of public aid.

Territorial and sectoral approach

Government support for Czech companies participating in Ukraine's reconstruction will be as open and inclusive as possible. However, its capacity is limited. To make it as efficient as possible, we will have to establish an order of priority (sectoral as well as territorial) for access to the tools and activities.

As regards sectoral approach – the Business Club Ukraine held its constituting meeting on 29 June 2022 when it also began to formalize the membership of its stakeholders and to divide them by sectors. The intention is to present to the Ukrainian side complete sectoral offers. Today, the main sectors are environmental and decontamination technologies, health technologies, energy, and transport industry. There is a great potential for supplies of Czech mining equipment and pre-treatment technologies to Ukrainian mines. However, this list is indicative only and will be developed further.

As regards territorial approach – the Ukrainian side has repeatedly invited the Czech side to choose an *oblast* where it would coordinate the reconstruction. According to the Ukrainian side, the act of accepting the coordinator's position does not constitute an undertaking to finance the reconstruction of the given *oblast*. The coordinator's position involves an effective management role, and a strong presence of companies from the coordinator's country participating in the reconstruction on a commercial basis.

Of course, there can be no question of starting with the reconstruction during the hot phase of the war. However, the fact that we have already chosen an *oblast* may help Ukraine's war effort on the political level.

Moreover, at this stage we still have a number of *oblasts* to choose from, and we can choose the one that may remain interesting to Czechia beyond the reconstruction phase. The fact that we have already made our choice and accepted the coordinator's role will significantly increase the stature of the Czech Republic and its companies in the *oblast*. Choosing an *oblast* does not mean that Czech companies will not be able to participate in projects in other parts of Ukraine.

On the basis of the above, we propose that the Czech Republic offer to coordinate the reconstruction of the Dnipropetrovsk Oblast. In our opinion, the coastal *oblasts* would be less suitable because the Czech Republic lacks the necessary experience with maritime infrastructure. As regards the eastern *oblasts*, it is not clear whether Ukraine will get them back under control in the nearest future.

The Dnipropetrovsk Oblast is now completely under Ukraine's control. It is the country's second most populous and largest *oblast* with an area of 32,000 sq. km and 3.3 million inhabitants. In 2021, it had a 19 per cent share in Ukraine's trade in industrial goods and, most importantly, a 15 per cent share in exchange of goods between the Czech Republic and Ukraine. Before the war, the administrative centre, Dnipro, was home to the second largest cluster of Czech companies (the largest cluster was in Kiev). In the past years, the Dnipropetrovsk Oblast had a rich cooperation with the Czech Republic (Ministry of Industry and Trade) on business matters. The area around its second largest city, Kryvyi Rih, is the source of raw materials of strategic importance to Czech industry such as titanium ores and concentrates (98 per cent share in imports from Ukraine) and iron ores and concentrates (82 per cent share in imports from Ukraine). From the political perspective, it may be interesting that Kryvyi Rih is the birthplace of President Zelenskyi. Another argument in favour of the Dnipropetrovsk Oblast is the strong presence of the People in Need NGO in the *oblast* which may generate positive synergies with Czech reconstruction activities.

Conclusion to Part II.

Additional modalities for our coordinating role will be agreed with the Ukrainian side following approval of the above proposals by the Government of the Czech Republic.