**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

Approved by the Board of Directors on 28 July 2026[1]

UKRAINE

RLF – RIVNE REGIONAL WATER AND WASTEWATER PROJECT

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

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

[1] As per section 1.4.8 of EBRD's Directive on Access to Information (2024), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

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

TABLE OF CONTENTS

Page

ABBREVIATIONS / CURRENCY CONVERSIONS

ABBREVIATION	DEFINITION
CHP	Combined Heat and Power
DD	Due Diligence
E&S	Environmental and Social
E5P	Eastern Europe Energy Efficiency and Environment Partnership
EHSS	Environmental, Health, Safety and Social
ESAP	Environmental and Social Action Plan
ESMP	Environmental and Social Management Plan
ESMS	Environmental and Social Management System
ESP	Environmental and Social Policy
EU	European Union
FS	Feasibility Study
FW	Framework
GBVH	Gender-Based Violence and Harassment
GET	Green Economy Transition
GHG	Greenhouse Gas
IDPs	Internally Displaced Persons
LA	Loan Agreement
MRV	Monitoring, Reporting and Verification
NEURC	National Energy and Utilities Regulatory Commission
OHSMS	Occupational Health and Safety Management System
PIA	Project Implementation Adviser
PIP	Priority Investment Programme
PIU	Project Implementation Unit
PIS	Project Implementation Support Consultant
PPR	Procurement Policies and Rules
PSC	Public Service Contract
RLF	Regional Resilience and Livelihoods Framework
RVK	Rivneoblvodokanal, as transliterated from *Rivnenske oblasne vyrobnyche komunalne pidpryyemstvo vodoprovidno kanalizatsiynoho hospodarstva*, which translates as Rivne Regional Industrial Municipal Enterprise of Water Supply and Sewerage “Rivneoblvodokanal”
SCADA	Supervisory Control and Data Acquisition
TA	Technical Assistance
TC	Technical Cooperation
TOT	Train-the-Trainer
TOR	Terms of Reference
UIF MIIR	Ukraine Investment Framework Municipal Infrastructure and Industrial Resilience
UN	United Nations
WS	Water supply
WW	Wastewater
WWTP	Wastewater Treatment Plant
WWPS	Wastewater Pumping Station

CURRENCY CONVERSION	1 EUR TO UAH
2024	43.4504
31 December 2024	43.9266
2025	47.0635
31 December 2025	49.8565

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of Communal Enterprise "Rivneoblvodokanal" (the "**Borrower**", the "**Company**", "**RVK**", or the "**Client**") are submitted for consideration by the Board of Directors.

The facility will consist of a loan to the Borrower in the amount of up to EUR 34 million, structured in two tranches. Tranche 1 (up to EUR 23 million) [REDACTED] will be co-financed by an investment grant of up to EUR 10 million from Eastern Europe Energy Efficiency and Environment Partnership ("**E5P**"). Tranche 2 (up to EUR 11 million) will be committed at a later date [REDACTED]. The loan will be fully guaranteed by the Rivne Region (the "**Region**", the "**Guarantor**"). Additionally, this Project is supported by a guarantee from the European Union ("**EU**") under Ukraine Investment Framework Municipal Infrastructure and Industrial Resilience ("**UIF MIIR**"), with a 25% net coverage on a First Loss Risk Cover ("**FLRC**") basis.

The operation will enable Company to construct a new wastewater treatment plant ("**WWTP**") with a capacity of 60,000 m3/day and rehabilitate the wastewater infrastructure in the city of Rivne and surrounding settlements ("**Rivne urban area**") in Rivne Region (the "**Project**"). The new WWTP will be compliant with EU requirements and will contribute to Ukraine's restoration and resilience of critical infrastructure.

The expected transition impact of the Project stems from (i) ***Inclusive*** quality, allowing the Region to mitigate the impacts of the military invasion of the territory of Ukraine by the Russian Federation and ensure the sustainable provision of critical wastewater services for its residents, including internally displaced persons ("**IDPs**"), while simultaneously promoting human capital development through targeted upskilling of the Company's existing workforce to operate new technologies and systems, and (ii) ***Green*** quality, as the Project is attributed 100% Green Finance under the Bank's Green Economy Transition ("**GET**") Strategy, stemming from significant environmental improvements, including 22 million cubic metres of wastewater annually treated to EU compliant standards, 50% reduction in GHG emissions, 45% net energy reduction, and significantly reduced sludge volumes. Furthermore, the Project qualifies as *Gender Additional* by supporting the Company in strengthening its institutional response to gender-based violence and harassment ("**GBVH**") through the introduction of staff training on GBVH prevention and a review of existing policies and workplace practices.

Pre-signing technical cooperation ("**TC**") for project preparation has been provided by Sweden. Post-signing TC for advance procurement, project implementation support, technical skills development and Public Service Contract ("**PSC**") development is proposed to be financed by international donors and/or the EBRD Shareholder Special Fund.

I am satisfied that the operation is consistent with the "War on Ukraine – EBRD Resilience Package – Resilience and Livelihoods Framework", a framework that is part of the "War on Ukraine – EBRD Resilience Package", the Bank's Strategy for Ukraine 2018-2023, the Infrastructure Sector Strategy 2025-2029, the GET 2030 Strategy, the Gender Equality and Human Capital Strategy 2026-2030, and with the Agreement Establishing the Bank.

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

Odile Renaud-Basso

BOARD DECISION SHEET

UKRAINE – RLF – Rivne Regional Water and Wastewater - DTM 55745 Framework: REGIONAL – Resilience and Livelihoods Framework - DTM 53662	
Transaction / Board Decision	Board approval[2] is sought for a senior loan of up to EUR 34 million (the "**Loan**") in favour of Communal Enterprise "Rivneoblvodokanal" (the "**Borrower**", the "**Company**", "**RVK**", or the "**Client**"). The Loan will be fully guaranteed by the Rivne Region (the "**Guarantor**", the "**Region**") represented by the Rivne Region Council [REDACTED]. The Loan will also benefit from the EU under Ukraine Investment Framework Municipal Infrastructure and Industrial Resilience ("**UIF MIIR**"), with a 25% net coverage on a First Loss Risk Cover ("**FLRC**") basis. The Loan will finance (i) the construction of a new Wastewater Treatment Plant (the "**WWTP**"), (ii) the reconstruction of three sewage pumping stations, and (iii) integration of energy-recovery technologies and SCADA systems across facilities (the "**Project**"). The Loan will be provided in two tranches: **Tranche 1** of EUR 23 million [REDACTED] will be co-financed by an investment grant of up to EUR 10 million from E5P, and **Tranche 2** of EUR 11 million [REDACTED]. [REDACTED]
Client	The Borrower is RVK, a regional water and wastewater utility company serving the Rivne urban area in the Rivne Region, located in the north-west part of Ukraine with a population of c. 1.2 million. RVK is fully owned by the Rivne Region, represented by Rivne Region Council. [REDACTED]
Main Elements of the Proposal	**Transition Impact.** Primary Quality – *Inclusive:* The Project will support Rivne urban area and its municipal utility company to improve access to wastewater services for its residents and vulnerable groups, including IDPs, reducing a number of health-related risks and resulting in better quality of life. The Project will also promote human capital development through targeted upskilling of the Company's existing workforce to operate new technologies and systems. Secondary Quality – *Green:* The Project will result in 22 million cubic metres of wastewater annually treated to EU compliant standards each year, GHG emissions and net energy reduction by 50% and 45% respectively, as well as significantly reduce the sludge volumes. The investment will boost water and energy efficiency and improve air quality by reducing odours from the treatment plant. **Additionality.** **Financing Structure:** EBRD financing is provided under extraordinary circumstances of the military invasion of the territory of Ukraine by the Russian Federation and effectively bridges the financing gap when the market for long-term CapEx financing in Ukraine is nearly closed. **Standard-setting:** EBRD's engagement will support the Client to adopt energy and resource efficiency and climate resilience technology and governance, as well as best international procurement standards. **Gender Additionality:** The Project will support RVK in strengthening its institutional response to GBVH by introducing staff training on GBVH prevention and response alongside a review of existing policies and workplace practices. **Sound Banking:** The transaction will benefit from a full guarantee provided by the Rivne Region and a guarantee from UIF MIIR guarantee, with a 25% net coverage on FLRC basis.
Key Risks	**War-related political and macroeconomic risks** are partially mitigated by strong international support to Ukraine, as well as staged Project implementation in close coordination with the stakeholders. [REDACTED] Mitigation includes loan tranching in line with the Region's financial capacity and stages of the Project, Project Implementation Unit ("**PIU**") establishment and involvement of implementation support consultant ("**PIS**"), which is also responsible for the required capacity building under the selected technology.
Strategic Fit Summary	The operation is consistent with the "War on Ukraine – EBRD Resilience Package – Resilience and Livelihoods Framework", a framework that is part of the "War on Ukraine – EBRD Resilience Package", the Bank's Strategy for Ukraine 2018-2023, the Infrastructure Sector Strategy 2025-2029, the GET 2030 Strategy, the Gender Equality and Human Capital Strategy 2026-2030, and with the Agreement Establishing the Bank.

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

ADDITIONAL SUMMARY TERMS FACTSHEET

EBRD Transaction	A senior loan of up to EUR 34 million, including (i) Tranche 1 ("**T1**") of EUR 23 million [REDACTED] and co-financed by an investment grant of up to EUR 10 million from E5P, and (ii) Tranche 2 ("**T2**") of EUR 11 million [REDACTED]. [REDACTED]
Mutual Reliance	No.
Existing Exposure	None.
Repayment	Tenor of 13 years [REDACTED]
Potential AMI eligible financing	None.
Use of Proceeds - Description	The proceeds of the Loan will finance wastewater infrastructure upgrades across the Rivne urban area, including (i) construction of a new 60,000 m3/day WWTP on the existing site, (ii) rehabilitation of three wastewater pumping stations ("**WWPS**"), and (iii) installation of energy-recovery technologies (biogas generation through sludge treatment) and SCADA systems. The Project will take place within the existing land plots of the WWTP and WWPS, and these land plots are fully owned by RVK.
Investment Plan	[REDACTED]
Financing Plan	[REDACTED]
Key Parties Involved	– Communal Enterprise "Rivneoblvodokanal" – Rivne Regional Council – Rivne Regional State (Military) Administration
Conditions precedent to effectiveness	[REDACTED]
Conditions to disbursements	[REDACTED]
Key Covenants	[REDACTED]
Other material agreements	– Regional Guarantee approval from the Ministry of Finance [REDACTED]. – Confirmation of registration in Digital Public Investment Management System DREAM and Single Project Pipeline registration [REDACTED].
Guarantees provided by the Guarantor and Donor guarantees for the benefit of the EBRD, client or co-financier	**Guarantee provided by the Guarantor:** Full guarantee from Rivne Region Council approved by the Ministry of Finance. **Guarantee provided by the Donor:** Guarantee from the EU under UIF MIIR.
Other donor-supported instruments other than guarantees	[REDACTED]
[REDACTED]	

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

The ongoing military invasion of the territory of Ukraine by the Russian Federation has caused severe damage to physical assets, disrupted municipal operations, and sharply increased the number of people relying on local services, including IDPs. In this setting, the Project addresses an essential public service need by ensuring the continued provision of safe and reliable wastewater treatment for Rivne and surrounding settlements.

The Project is aligned with Ukraine's recovery and reconstruction priorities and with the Bank's focus on restoring critical municipal infrastructure, improving environmental performance, and supporting resilient service delivery in wartime conditions. It addresses urgent needs of the Region by ensuring a reliable wastewater treatment for the Rivne urban area, including IDPs[3], while also responding to long-standing sector challenges such as ageing assets, underinvestment, and weak treatment performance. Overall, the Project is expected to benefit c. 240,000 people, including c. 32,000 IDPs in Rivne urban area.

The Project has a strong GET rationale and a significant transboundary impact as it aims to enhance the quality of effluent discharged into the Ustya River (the Prypiat and further Dnipro basin, the Black Sea catchment area), ensuring its full compliance with local and EU standards. Anaerobic digestion, biogas, and sludge management are important to reduce sludge volumes, recover energy, and make wastewater treatment more cost-efficient and environmentally sustainable. The Project will also lead to improved air quality in the region, reducing the odour nuisance from the obsolete WWTP. To ensure the effective operation of new technologies and systems installed under this Project, the Company will require upskilling of existing workforce. With EBRD's support, the Project will develop and introduce a capacity building training programme for the operation and maintenance of new equipment including modern wastewater treating systems, automated units, pumping and energy equipment.

It is also aligned with the interests of the Region and the utility by improving service reliability, reducing operating costs, and supporting compliance with national and EU environmental standards.

1.2 TRANSITION IMPACT

Primary Quality: Inclusive

Obj. No.	Objective	Details
1.1	*The sub-operation contributes to the Inclusive quality of the FW by promoting access to vital services and/or goods that enable people's livelihoods (e.g. food, energy, accommodation, infrastructure, communications, health services, basic utilities, and products), and by*	The Project contributes to the Inclusive quality of the RLF framework by improving access to wastewater services for residents of Rivne Region. The Project will directly benefit approximately 240,000 residents, including c. 32,000 IDPs in Rivne urban area. Through the rehabilitation and modernisation of infrastructure, the Project will help maintain reliable service delivery in a context of increased population pressure and infrastructure stress in the current context of military invasion of the territory of Ukraine by the Russian Federation. By strengthening service reliability and environmental performance, the Project will reduce health risks and improve overall quality of life for the residents of Rivne Region. Additionally, a key priority for the Company is addressing the skills gap arising from the modernisation of the wastewater infrastructure under this Project. Through EBRD's TC support, a targeted training programme will be introduced to equip the

[3] According to the fifth Rapid Damage and Needs Assessment for Ukraine prepared by the World Bank, approximately 6 million people fled the country while 4.6 million people in the country were registered as IDPs as of December 2025.

Obj. No.	Objective	Details
	promoting human capital development and access to employment and training.	existing workforce with the technical skills needed to operate and maintain the new technologies and systems, including modern wastewater treating systems, automated units, pumping and energy equipment. These skills are essential to ensure the efficient and sustainable operation of the upgraded infrastructure. The training programme will also incorporate a Train-the-Trainer ("**ToT**") component, enabling selected staff to build internal training capacity within the Company. This is particularly critical in the Ukrainian context, where workforce continuity is affected by ongoing mobilisation and staff turnover. The ToT approach will ensure that the Company is able to continuously train new employees and retain institutional knowledge over time, thereby supporting the long-term sustainability and resilience of service delivery.

Secondary Quality: Green

Obj. No.	Objective	Details
2.1	*The sub-operation supports the Green quality of the FW.*	Upon completion, the Project will deliver a new large-scale WWTP with a design capacity of 60,000 cubic metres per day and about 22 million cubic metres of wastewater treated to EU compliant standards each year. The Project is expected to reduce GHG emissions by around 50% through the introduction of modern treatment processes, anaerobic digestion and biogas-based energy recovery[4], while also achieving about 45% net energy savings through on-site renewable electricity generation and more efficient pumping. Sludge management through anaerobic digestion will lead to reduced amounts of sludge, enable energy recovery, and ensure more energy- and cost-efficient and environmentally sustainable wastewater treatment. The Project will also bring local environmental benefits by reducing odour nuisance and improving air quality around the treatment plant.

Delivery Risks: The main risks to the transition impact include: (i) war-related delays, political instability, and potential changes in regional leadership [REDACTED]. These risks are mitigated by the strong commitment to the Project from the Company and the Region, which aims to improve public services, water and air quality, reduce energy consumption, and serve as a model for the country. A PIU will be established at the Company and supported by a TC-funded PIS Consultant to ensure proper Project implementation, including compliance with EBRD PPR and E&S requirements.

1.3 ADDITIONALITY

Identified triggers	Description
No triggers identified.	N/A

Additionality sources
Financing Structure: − EBRD offers financing that is not available in the market from commercial sources on reasonable **terms and conditions**, e.g. a longer grace period. Such financing is necessary to structure the project. − EBRD offers a **tenor**, which is longer than available to the client in the market on reasonable terms and conditions. − EBRD offers a **large volume** instrument that fills a market funding gap and is required to structure the project. − Crisis response: EBRD financing **effectively bridges a financing gap** due to adverse market conditions.
Standard-setting: helping projects and clients achieve higher standards − Client seeks/makes use of EBRD expertise over **energy and resource efficiency and climate resilience**[5] financing via provision of energy and climate audits, minimum performance standards of technologies, climate-related strategies

[4] [REDACTED].

[5] Non-financial additionality will be delivered through TC support for detailed design, procurement support, contract administration and works supervision, alongside development of the PSC and monitoring of ESAP implementation (all in addition to FS and recommendations to design completed by FS consultant). The Project will introduce operational monitoring measures, including energy monitoring, wastewater performance monitoring, GHG accounting, methane leakage monitoring from facilities, and adjusted wastewater monitoring regimes. These measures will be supported by training and capacity building for RVK staff, climate risk mitigation actions implemented into the design, and improved operational control through SCADA-based supervision.

Additionality sources
and policies, monitoring, reporting and verification (MRV) systems etc. - **Gender SMART:** Client seeks/makes use of EBRD expertise for the adoption of **gender standards and/or equal opportunities action plans**[6]. - Client seeks/makes use of EBRD expertise on **best international procurement standards**. - Client seeks/makes use of EBRD expertise on **higher financial standards, including through financial covenants.**
Knowledge, innovation, and capacity building - EBRD provides expertise, innovation, knowledge and/or capabilities that are material to the timely realisation of the project's objectives, including support to strengthen the capacity of the client.

1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
War-related implementation disruption	High / High	**Continuing security risks, energy disruptions, logistics constraints, and potential escalation** may delay mobilisation, affect site access, interrupt supervision, and disrupt equipment delivery. The risk persists until the end of the military invasion of the territory of Ukraine by the Russian Federation but is partially mitigated through phased implementation, flexible procurement planning, and close coordination with the Region, RVK, and the PIS Consultant.
Macro-financial / sovereign risk	High / Low	Ukraine's economy remains weak and highly exposed to war-related shocks, energy insecurity, inflationary pressure, exchange-rate volatility, weak credit markets and delayed external financing. Fiscal buffers remain dependent on international support, and the broader macro-outlook is still constrained by the war. **Mitigation:** The guarantee from the Region reflects the strong external support to the Project. [REDACTED]
FX risk	High/ High	**While the currency of the proposed transaction is EUR, all the Region's inflows are in UAH**. [REDACTED]
Project Specific and Borrower's Risks		
Implementation capacity risk	Medium / Medium	[REDACTED] Mitigation comes from TC-funded technical assistance for design, procurement, and supervision, [REDACTED] contingency buffer [REDACTED], engagement of Advance Procurement Consultant and targeted staff upskilling via the PIS training programme.
Borrower's financial management capacity	High / Medium	**RVK's low creditworthiness** is mitigated by full Region's Guarantee. [REDACTED]

[REDACTED] The comprehensive guarantee structure, TC support, and phased implementation approach ensure that individual Project risk is contained while delivering critical infrastructure support aligned with EBRD's policy objectives in Ukraine and the Project satisfies sound banking criteria.

2. MEASURING / MONITORING SUCCESS

Transition Impact Monitoring Indicators
Primary Quality: Inclusive

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date	TC Related (Y/N)
1.1	Number of individuals with improved	The population of the Rivne urban area, including 32,000 IDPs, benefitting from improved wastewater services through	0	240,000	[REDACTED]	N

[6] The ongoing war in Ukraine has increased risks of GBVH. According to UNFPA's "Voices from Ukraine" (2024), women and girls, particularly those affected by displacement and economic stress, face heightened exposure to GBVH and reduced access to support services. The Company currently lacks a structured approach to addressing GBVH. With EBRD TC support, the Project will assist the Company in strengthening its institutional response to GBVH by introducing a GBVH training programme for all existing staff and new employees as part of the onboarding process, ensuring a systematic approach to preventing and responding to GBVH risks and incidents. Additionally, the TC will support the Company in reviewing existing policies and workplace practises and provide recommendations to support adoption of a comprehensive GBVH policy.

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date	TC Related (Y/N)
	access to municipal services	reduced pressure on water receptors and improved sludge handling and odour control				
1.2	Tailored training programme developed and implemented	[REDACTED]the Project will develop and introduce a training programme to upskill the Company's existing workforce with the technical skills needed to operate and maintain the new technologies and systems, including modern wastewater treating systems, automated units, pumping and energy equipment	N	Y	[REDACTED]	[REDACTED]
1.3	Number of individuals trained	The number of employees enhancing their skills as part of the above training, including women (total / women)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Secondary Quality: Green

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date	TC Related (Y/N)
2.1	Wastewater treated (m^3/year)	The Project is expected to treat 21,900,000 m^3 per year of wastewater to EU standards (annual volume at designed capacity).	0	21,900,000	[REDACTED]	N
2.2	CO_2 equivalent emissions reduced (tCO2e/year)	The Project is expected to result in an approximately 50% reduction of annual tCO_2 equivalents compared to the baseline.	[REDACTED]	[REDACTED]	[REDACTED]	N
2.3	Wastewater treatment sludge managed (m3 sludge/year) -	The sludge dewatering, thickening and drying will reduce the sludge volumes as a solid waste.	[REDACTED]	[REDACTED]	[REDACTED]	N
2.4	Renewable electricity produced (MWh/year)	Renewable generation from anaerobic digestion and biogas (Stage 2 completion).	[REDACTED]	[REDACTED]	[REDACTED]	N

Additional Indicators

Indicator type	Monitoring indicator	Details	Baseline	Target	Due date
Gender SMART	Tailored training programme developed and implemented	The Company, with TC support, will introduce a training programme on gender-based violence and harassment (GBVH) for all existing staff and new employees as part of onboarding process, aimed at strengthening the prevention of and respond to GBVH risks and incidents. Additionally, the TC will support the Company in reviewing existing policies and workplace practises and provide recommendations to support adoption of a comprehensive GBVH policy.	No	Yes	[REDACTED]
Gender SMART	Number of individuals enhancing their skills as a result of training	The number of employees receiving GBVH training [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]

3. KEY PARTIES

3.1 GUARANTOR

Rivne Region is located in northwestern part of Ukraine, and serves as an important administrative and service centre in Ukraine. The regional capital, Rivne City, is the main hub for public infrastructure, industrial activity and municipal services. The Region's population is c. 1.2 million, including over 240,000 in Rivne urban area.

Rivne Regional Council is the self-governing body representing the interests of the territorial communities of the Region, composed of 64 elected members, and acts as the Guarantor for the transaction. It is responsible for regional development and budgeting, with revenues mainly derived from tax income, state transfers, tariffs and fees, and income from assets; among these, tax revenue is the largest source, and personal income tax is the key local tax stream.

[REDACTED]

3.2 BORROWER

Rivneoblvodokanal provides centralised water supply and wastewater services to Rivne urban area, operating the Region's main municipal water and sewerage system. [REDACTED]

[REDACTED]**After modernisation**, RVK's role will shift from managing a fragmented and partly outsourced wastewater system to operating a modern, more autonomous municipal treatment complex. The new WWTP, SCADA, pumping station rehabilitation, sludge drying and biogas recovery are intended to [REDACTED] improve financial sustainability, reduce energy use, and strengthen compliance and service reliability.

[REDACTED]

4. MARKET CONTEXT

Wastewater Sector. [REDACTED] Ongoing reforms and EU integration commitments require substantial investments to align with EU Directives, particularly the Urban Wastewater Treatment Directive, the Drinking Water Directive, and the Water Framework Directive. In December 2022, the Government of Ukraine adopted the Water Strategy of Ukraine Until 2050. One of the key objectives of the Water Strategy is to modernise or rebuild WWTPs that should ensure proper nitrogen and phosphorus removal. The Project is fully in line with the adopted Water Strategy.

The Borrower's market share. The Borrower is the main municipal company responsible for centralised water treatment and supply and wastewater services in the Rivne urban area. According to the Law of Ukraine "On Natural Monopolies", the Borrower is considered a natural monopoly in the City of Rivne both in terms of water supply and wastewater collection and treatment [REDACTED].

Regulation. The activity of utility companies operating in the areas of wastewater collection, treatment and discharge is regulated by the Water Code of Ukraine, the Law of Ukraine "On Drinking Water and Drinking Water Supply", the Law of Ukraine "On Sewerage and Wastewater Treatment", the Law of Ukraine "On Housing and Communal Services", the Law of Ukraine "On State Regulation in the Sphere of Communal Services", the Law of Ukraine "On Environmental Protection", and the "Licensing Conditions for the Conduct of Business Activities in Centralised Water Supply and Centralised Wastewater" approved by the Decree of the National Energy and Communal Services

Regulatory Commission (the "Regulator") No. 307 of 22 March 2017. The Regulator issues licences and sets water and wastewater tariffs for water supply and wastewater companies that service municipalities with combined population of more than 100,000 people, water supply of more than 300,000 m^3 per year or wastewater treatment of more than 200,000 m^3 per year. [REDACTED]

Tariffs. Tariff setting for water and wastewater services follows the principles of full cost recovery, affordability, and transparency, and is based on a standardized methodology from NEURC that takes into account operational and maintenance costs, depreciation and capital investment needs, energy costs and chemical reagents, and social and environmental obligations. Tariffs may differ by consumer group, including population, budget institutions, and commercial entities. [REDACTED].

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 FINANCIAL PROJECTIONS

[REDACTED]

5.2 SENSITIVITY ANALYSIS

[REDACTED]

5.3 PROJECTED PROFITABILITY FOR THE BANK

[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT

Categorised B (ESP 2019). The Project is expected to generate significant environmental and social benefits by addressing critical water and wastewater infrastructure needs in Rivne city and surrounding areas. The Project will finance a PIP focused on the construction of a new WWTP with a capacity of 60,000 m^3/day, and the rehabilitation of key wastewater pumping stations. The Project will improve the reliability, efficiency and sustainability of wastewater collection and treatment services. It will substantially reduce pollution loads discharged into the Ustya River, improve effluent quality in line with EU standards, and reduce greenhouse gas emissions through more energy-efficient processes and elimination of long-distance wastewater pumping to external facilities. The modernisation of wastewater infrastructure will lead to reduced environmental pollution, improved sludge management, and optimisation of energy consumption.

The ESDD, undertaken by an independent consultant as part of the Feasibility Study, included an E&S assessment of the Project, review of the Client's current operations, and evaluation of its E&S management systems and institutional capacity. The assessment covered E&S risks and impacts, including labour, gender and stakeholder aspects, and examined the Project's ability to comply with national and EU standards and EBRD Performance Requirements. Environmental impacts during construction and operation are expected to be site-specific and manageable. Key environmental receptors potentially affected include air quality (dust and odour), water resources (surface and groundwater), soil, and the local community. Impacts on biodiversity and cultural heritage are expected to be limited as project activities will take place within existing and already modified area of the

existing WWTP. The ESDD confirmed that no land acquisition, resettlement or significant adverse social impacts are expected, as all works will be implemented within existing facilities. The Project will generate positive social benefits, including improved public health outcomes, enhanced service quality for approximately 240,000 residents, and temporary employment opportunities during construction.

A national EIA for the previously proposed WWTP design was approved in 2021. However, due to material changes in the treatment technology proposed under the current FS, a new EIA process is required under national legislation and will be completed prior to construction. In terms of past consultations for the 2021 EIA, in-person meetings were restricted during COVID time. Project documents were posted online, and comments were submitted via the government website or by email. The Project has developed a Stakeholder Engagement Plan that provides information on previous engagement, identifies key stakeholders and provides details of data gathering conducted during the feasibility study. Public consultations for the feasibility study were not conducted due to war time restrictions on sharing of information on critical infrastructure. Interviews were undertaken with a small number of community members living near the WWTP and pumping stations. The lack of widespread information sharing and meaningful engagement due to the war restrictions will be addressed with additional disclosure and the RVK have confirmed that disclosure will include in-person public consultation meetings over a period of 45 days with stakeholders able to review project information and provide feedback in a safe and secured way as part of the upcoming National EIA.

The ESDD identified that RVK has moderate but constrained environmental, health, safety and social ("**EHSS**") capacity. While the Company generally complies with national regulatory requirements and holds necessary permits, its management systems are not aligned with international standards (e.g. no ISO-certified ESMS or OHSMS), and contractor management, stakeholder engagement and grievance mechanisms require strengthening. Gaps were also identified in occupational health and safety practices, including inconsistent use of personal protective equipment and limited contractor oversight. The Project is specifically designed to achieve compliance with EU standards, including the updated EU Urban Wastewater Treatment Directive (2024/3019) and will meet discharge limits for BOD_5 (Biochemical Oxygen Demand), Total Suspended Solids, Nitrogen and Phosphorus with expected improvements allowing for 85-96% reduction in discharged pollutants.

An ESAP has been developed to ensure compliance with national legislation and EBRD Performance Requirements. The ESAP includes measures to strengthen RVK's environmental and social management systems, improve contractor management, implement construction ESMPs, address waste and sludge management, enhance occupational health and safety practices, and strengthen stakeholder engagement and grievance mechanisms. It also includes actions related to gender equality and prevention of gender-based violence and harassment, as well as capacity-building and training for staff. A Shareholder Engagement Plan and Non-Technical Summary have been prepared and will be disclosed by the Client.

The EBRD will monitor Project implementation and environmental and social performance through regular reporting and site visits, ensuring that the ESAP is effectively implemented and that identified risks are appropriately managed. The Project will also benefit from post-signing the PIS consultancy support, incl. Design & Works Supervision, technical skills development, and support with E&S capacity building and ESAP implementation.

6.2 INTEGRITY

In conjunction with OCCO, integrity due diligence was undertaken on the Rivne Regional Council and the Project company, CE "Rivneoblvodokanal", both new counterparties to the Bank, and their senior management.

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

ANNEXES TO OPERATION REPORT

ANNEX 1	Project Implementation
ANNEX 2	Green Assessments
ANNEX 3	Historical Financials

ANNEX 1 – PROJECT IMPLEMENTATION

Procurement classification – *Public sub-sovereign*

Project risk assessment

Overall risk rating - ***High**, based on [REDACTED]*
The Client's capacity assessment related risk - ***High***

The capacity of the Borrower to implement the Project was assessed by the PIA. There is a strong in-house technical expertise, including own certified design and technical supervision experts that are routinely involved in preparation and review of technical aspects of all procurement (technical specifications and requirements, evaluation of proposals, review of variation orders and contractor documentation, etc.). [REDACTED] To mitigate this risk, the Borrower will be supported by a TC-funded Project Implementation Support consultant, who will support the Borrower and the PIU throughout the entire procurement and implementation cycle, including preparation of procurement documents, carrying out tenders in accordance with the Bank's PPR and alternative procedures (as envisaged by the Procurement Plan), and subsequent contracts administration and works supervision. The Project Implementation Support Consultant will also make recommendations on the PIU staffing and deliver training on topics critical to implement the Project. The Advance Procurement Consultant will assist with the selection of the PIS Consultant.

Contracts risk assessment - ***High***

The contract for the Construction of the new WWTP involving a new treatment technology, as well as the use of the FIDIC form and conditions of contract, is assessed as high-risk. The ongoing war poses material risks for prospective contractors and suppliers of equipment, namely increased logistical difficulties, availability of labour, reduced subcontractor capabilities, etc., which leads to low competition levels. To mitigate these risks and test preliminary procurement and contractual assumptions, market consultations will be critical to ensure that market feedback is received and adequately addressed in the tender terms and contract conditions. The PIS Consultant will assist the Borrower in arranging the market consultations. The PIS Consultant will also act as a FIDIC Engineer, thus ensuring that contractual matters are resolved in efficient and timely manner in accordance with respective contract conditions.

Project implementation arrangements:

The Borrower has established a dedicated PIU. The PIU will manage all aspects of Project implementation, including procurement and monitoring of contractor performance. The Bank is satisfied with the proposed PIU composition, but the PIS Consultant will reassess skill gaps and the capacity and make recommendations on required enhancement and training, as appropriate.

The Borrower and the PIU will be supported by the PIS Consultant to assist with all aspects of procurement and contract administration in accordance with the Bank's policies and requirements of Project agreements.

Procurement arrangements:

The proposed operation is classified as public sector for procurement purposes.
[REDACTED]

ANNEX 2 – GREEN ASSESSMENTS

SUMMARY
The Project is a senior loan of up to EUR 34 million in two tranches combined with a EUR 10 million Investment Grant from E5P to finance wastewater infrastructure enhancements across Rivne urban area.

- The Project is determined **aligned with both mitigation and adaptation goals of the Paris Agreement.**
- The Project is attributed 100% **Green finance.**
- Climate-related financial risks have been assessed [REDACTED].

PARIS ALIGNMENT ASSESSMENT

For Direct finance projects

Alignment with the mitigation goals of Paris Agreement - General screening

The Project is determined as aligned with the mitigation goals of the Paris Agreement based on the application of the Bank's Paris alignment approach for direct finance.

- The Project's activity is included in the 'MDBs' aligned list' under the category water supply and wastewater.
- There are no activities included in the 'non-aligned list'.

Alignment with the adaptation goals of Paris Agreement

The Project is determined as aligned with the adaptation goals of the Paris Agreement as it satisfies all three steps of the assessment. All material physical climate risks have been addressed**.**

GREEN FINANCE ATTRIBUTION

The Project is attributed 100% green finance. This share has been calculated in line with the guidance for nature and climate mitigation activities.

Nature: The investments into Rivne's wastewater infrastructure deliver the treatment of 21.9 million m3 of wastewater per year to EU standards (Methodology to determine the green finance attribution of EBRD investments, Section 4.68.d.). The Project therefore qualifies for 100% nature finance.

Climate Mitigation: In line with the common principles for climate mitigation finance tracking, the Project delivers quantifiable GHG emission reductions in wastewater management. The introduction of improved wastewater management systems, including the improved sludge management through anaerobic digestion, will lead to an estimated reduction [REDACTED], equivalent to a 50% reduction against the current situation. The Project is expected to produce [REDACTED] renewable electricity, reducing the grid reliance of the wastewater treatment plant. It therefore qualifies for 100% climate mitigation finance.

[REDACTED]

ANNEX 3 – HISTORICAL FINANCIALS

[REDACTED]