

THE MINISTRY OF COMMUNITIES AND TERRITORIES
DEVELOPMENT OF UKRAINE

HOUSING REPAIR FOR PEOPLE'S EMPOWERMENTS PROJECT (HOPE),
FINANCED FROM THE GRANT OF UKRAINE RELIEF, RECOVERY,
RECONSTRUCTION AND REFORM MULTI-DONOR TRUST FUND NO.
TFOC2310 AND FUNDS OF THE IBRD LOAN NO. 9589-UA

SPECIAL PURPOSE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2023, AND FOR THE PERIOD FROM
SEPTEMBER 05, 2023 TO DECEMBER 31, 2023

Together with Independent Auditor's Report

HOUSING REPAIR FOR PEOPLE'S EMPOWERMENTS PROJECT (HOPE)

SPECIAL PURPOSE FINANCIAL STATEMENTS

For the period from September 05, 2023 to December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Ministry of Communities and Territories Development of Ukraine

Opinion

We have audited the special purpose financial statements of Housing Repair for People's Empowerments Project (HOPE), financed from the grant of Ukraine Relief, Recovery, Reconstruction and Reform Multi-Donor Trust Fund No. TF0C2310 and funds of the IBRD loan No. 9589-UA as of December 31, 2023 and for the period from September 05, 2023 to December 31, 2023, which comprise:

- Summary of sources and uses of funds;
- Statement of withdrawals from loan and grant accounts;
- Statement of expenditures in the national currency;
- Reconciliation of records by category of the PMT and the Bank;
- Notes to the special purpose financial statements.

In our opinion, special purpose financial statements give true and fair view of the sources and uses of the funds of Housing Repair for People's Empowerments Project (HOPE), financed from the grant of Ukraine Relief, Recovery, Reconstruction and Reform Multi-Donor Trust Fund No. TF0C2310 and funds of the IBRD loan No. 9589-UA as of December 31, 2023 and for the period from September 05, 2023 to December 31, 2023, in accordance with the regulations of the Bank.

External funds have been used as required by the relevant general terms and conditions, financial arrangements, and have been used only for the corresponding purposes.

Accounting and storing of the necessary supporting documents, accounting data and accounts regarding all Project transactions, including those concerning the expenditures are performed in a due manner. There is a clear interconnection between accounting data and the financial statements provided to the World Bank.

The prepared special purpose financial statements comply with the requirements of generally accepted accounting principles and practices, and the instructions from the World Bank, and give true and fair view of the financial position of the Project as at December 31, 2023, as well as the resources and expenditures for the period from September 05, 2023 to December 31, 2023.

Separate opinion on expenditures

In addition, with regard to the expenditures for the period from September 05, 2023 to December 31, 2023, proper supporting documentation was maintained to confirm applications submitted to the Bank for reimbursement of the expenditures incurred, and that the expenditures stated in the withdrawal applications are to be financed in accordance with the terms and conditions of the Grant No. TF0C2310 and the Loan No. 9589-UA.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the special purpose financial statements section of our report. We are independent of the Ministry of Communities and Territories Development of Ukraine in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and ethical requirements applied in Ukraine to our audit of special purpose financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

Closing date for the Loan disbursement

We draw attention to Note 2 to the special purpose financial statements, which states that the closing date for the use of funds of the Grant No. TF0C2310 and the Loan No. 9589-UA is April 30, 2026, or such later date set by the Bank. Our opinion is not modified in respect of this matter.

Military aggression of the russian federation against Ukraine

We draw your attention to Notes 6 and 7 to the special purpose financial statements of the Project, which state that during the Project implementation, the military aggression of the russian federation against Ukraine took place, which became the basis for the introduction of martial law in Ukraine from February 24, 2022, in accordance with the Law of Ukraine "On Approval of the Decree of the President of Ukraine "On the Introduction of Martial Law in Ukraine" No. 2102, which continues until its official end.

These events indicate that a material uncertainty exists that may cast significant doubt on the Ministry of Communities and Territories Development of Ukraine's and the Project's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibility of Management and Those Charged with Governance for the Special Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with World Bank's regulations, and for such internal control as management determines is necessary to enable the preparation of the special purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose financial statements, management is responsible for assessing the Project ability to continue as a going concern within the period of uses of funds, i.e., by April 30, 2026, or such later date set by the Bank disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Project.

Auditor's Responsibility for the Audit of the Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose financial statements on the are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the special purpose financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Project to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the special purpose financial statements, including the disclosures, and whether the special purpose financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The audit was performed under the supervision of the Key Audit Partner Nikolayenko O.M.

Key Audit Partner

Nikolaenko O.M.

Number of registration with the Register of Auditors and Audit Companies: 101534

October 28, 2024

Kyiv

Limited Liability Company BDO. Identification code under EDRPOU: 20197074. Number of registration in the Register of Auditors and Audit Companies: 2868. Legal address: 4, Lazar Globa Street, Dnipro, 49070, Tel. 044-393-26-87.

BDO LLC is included in the Register of auditors and audit companies in section 4 "Auditing companies entitled to perform statutory audits of financial statements of public interest entities". Link to the Register: <https://www.apu.com.ua/subjekty-audytorskoj-dijalnosti-jaki-majut-pravo-provodyty-obovjazkovyj-audyt-finansovoi-zvitnosti-pidpryjemstv-shho-stanovljat-susplnnyj-interes/>

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE PREPARATION AND APPROVAL OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditor's report set out on pages I-III, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the special purpose financial statements of Housing Repair for People's Empowerments Project (HOPE) financed from the grant of Ukraine Relief, Recovery, Reconstruction and Reform Multi-Donor Trust Fund No. TF0C2310 and funds of the IBRD loan No. 9589-UA from September 05, 2023 to December 31, 2023.

Management of the Ministry of Communities and Territories Development of Ukraine (the Ministry of Infrastructure) and the Project is responsible for the preparation of the special purpose financial statements that give true and fair view of the financial position of the Project as at December 31, 2023, and for the period from September 05, 2023 to December 31, 2023.

In preparing the special purpose financial statements, management of the Ministry of Infrastructure and the Project is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures in notes and annexes when compliance with the accounting policies set out in Note 3 is insufficient to understand the impact of particular transactions, other events and conditions on the special purpose financial statements of the Project;
- Assessing the ability of the Ministry of Infrastructure and the Project to continue as a going concern.

Management of the Ministry of Infrastructure and the Project is also responsible for:

- Developing, implementing and maintaining an effective and sound system of internal control over the Project;
- Keeping adequate accounting records that are sufficient to disclose with reasonable accuracy at any time the financial position of the Project and which enable them to ensure that the special purpose financial statements for the Project comply with the accounting policies;
- Taking measures within its competence to ensure the safety of the Project assets;
- Preventing and detecting fraud and other irregularities.

The special purpose financial statements as at December 31, 2023 and for the period from September 05, 2023 to December 31, 2023, were approved on October 28, 2024.

Signed on behalf of the Ministry of Communities and Territories Development of Ukraine:

Head of the PMT



O.Yu. Koliieinikov

HOUSING REPAIR FOR PEOPLE'S EMPOWERMENTS PROJECT (HOPE)

SUMMARY OF SOURCES AND USES OF FUNDS

As at December 31, 2023 and for the period from September 05, 2023 to December 31, 2023

In US dollars

	<i>Actual</i>	
	<i>For the period</i>	<i>Aggregate</i>
Opening balance	-	-
Special account – US dollars	-	-
Transit account in UAH	-	-
Sources of funds:	-	-
Loan funds of the International Bank for Reconstruction and Development	175,000	175,000
Grant funds of Ukraine Relief, Recovery, Reconstruction and Reform Multi-Donor Trust	52,424,313	52,424,313
TOTAL	52,599,313	52,599,313
PROJECT EXPENDITURE:		
Category 1: Payments for Minor Repairs under Part 1.1	52,424,313	52,424,313
Category 2: Payments for Medium Repairs under Part 1.2	-	-
Category 3: Goods, Works, non-consulting services, Operating Costs and Training under Part 3 of the Project	-	-
Category 4: Goods, works, non-consulting services, consulting services under Part 2.1 of the Project	-	-
Front-end Fee	175,000	175,000
TOTAL	52,599,313	52,599,313
Closing balance	-	-
Special account – US dollars	-	-
Transit account in UAH	-	-

Signed on behalf of the Ministry of Communities and Territories Development of Ukraine:

Head of the PMT



O.Yu. Kolieinikov

Notes on pages 6-13 are an integral part of the special purpose financial statements.

HOUSING REPAIR FOR PEOPLE'S EMPOWERMENTS PROJECT (HOPE)

STATEMENT OF WITHDRAWALS FROM THE ACCOUNTS OF THE GRANT AND THE LOAN

For the period from September 05, 2023 to December 31, 2023

In US dollars

<i>Application number</i>	<i>Category</i>	<i>Date of withdrawal</i>	<i>Payment</i>		
			<i>Currency</i>	<i>Amount</i>	<i>USD Equivalent</i>
FRONT END FEE		23.10.2023	USD	175,000	175,000
1A	1	15.12.2023	USD	22,816,965	22,816,965
2A	1	15.12.2023	USD	29,607,348	29,607,348
Total:					52,599,313

Summary by category:	
Category 1, total	52,424,313
Category 2, total	-
Category 3, total	-
Category 4, total	-
FRONT END FEE	175,000
Total	52,599,313

Notes on pages 6-13 are an integral part of the special purpose financial statements.

HOUSING REPAIR FOR PEOPLE'S EMPOWERMENTS PROJECT (HOPE)

STATEMENT OF FACTUAL EXPENDITURES IN NATIONAL CURRENCY

For the period from September 05, 2023 to December 31, 2023

In US dollars

EXPENDITURE BY CATEGORIES

	----- Payment-----		USD Equivalent
	Currency	Amount	Amount
Category 1: Payments for Minor Repairs under Part 1.1	UAH	1,912,817,209	52,424,313
Category 2: Payments for Medium Repairs under Part 1.2	UAH	-	-
Category 3: Goods, Works, non-consulting services, Operating Costs and Training under Part 3 of the Project	UAH	-	-
Category 4: Goods, works, non-consulting services, consulting services under Part 2.1 of the Project	UAH	-	-
Expenditures for the period, total:		1,912,817,209	52,424,313

Notes on pages 6-13 are an integral part of the special purpose financial statements.

HOUSING REPAIR FOR PEOPLE'S EMPOWERMENTS PROJECT (HOPE)

RECONCILIATION OF RECORDS BY CATEGORY OF THE PMT AND THE BANK

For the period from September 05, 2023 to December 31, 2023

In US dollars

Amount of the loan and the grant		232,500,000
Less:		
Balance on the Project accounts as at 05.09.2023		
Special account – US dollars	-	
Current account – UAH	-	
Total:	-	
Less:		
Project expenditures:		
Category 1: Payments for Minor Repairs under Part 1.1	52,424,313	
Category 2: Payments for Medium Repairs under Part 1.2	-	
Category 3: Goods, Works, non-consulting services, Operating Costs and Training under Part 3 of the Project	-	
Category 4: Goods, works, non-consulting services, consulting services under Part 2.1 of the Project	-	
Front-end Fee	175,000	
Project expenditures, total		(52,599,313)
Balance on the Project accounts as at 31.12.2023		
Special account – US dollars	-	
Current account – UAH	-	
Total:		-
Sub-total:		(52,599,313)
Balance as at December 31, 2023		179,900,687

Notes on pages 6-13 are an integral part of the special purpose financial statements.

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

As at December 31, 2023, and for the period from September 05, 2023 to December 31, 2023

In US dollars

1. PROJECT DESCRIPTION

Housing Repair for People's Empowerments Project (HOPE) (further – the Project) is financed within the Loan agreement between Ukraine and the International Bank for Reconstruction and Development (further – IBRD) dated September 05, 2023 No. 9589-UA (further – Loan Agreement) and the Grant Agreement of Ukraine Relief, Recovery, Reconstruction and Reform Multi-Donor Trust Fund between Ukraine and the International Bank for Reconstruction and Development and the International Development Association acting as an administrator of Ukraine Relief, Recovery, Reconstruction and Reform Multi-Donor Trust Fund, dated September 05, 2023 No. TFOC02310. The Grant and the Loan Agreements became effective on October 23, 2023.

The objective of the Project is to increase households' access to repaired housing units damaged by Russia's invasion of Ukraine.

The Project consists of the following parts:

Part 1. Repair of Residential Units with partial damage

1.1. Repair of residential units with minor damage

Carrying out minor repairs on residential houses for eligible beneficiaries.

1.2. Repair of residential units with medium damage

Carrying out medium repairs on residential houses for eligible beneficiaries.

Part 2. Design and capital repair of partially damaged multi-family buildings

2.1. Preparation of design and project documentation for partially damaged multi-family buildings

Providing technical assistance for the preparation of design and project documentation for partially damaged multi-family buildings ("Selected MFBs") in the territory of the selected local self-governments, including, inter alia:

- a) detailed structural engineering assessments;
- b) technical studies to define structural and non-structural performance standards to be followed in design;
- c) feasibility studies to determine design options;
- d) design documentation with costs estimates, bill of quantities and tender documents for capital repair of each selected MFB.

2.2. Capital repair of partially damaged MFBs

Carrying out capital repairs selected MFBs based on the approved design and project documentation developed under Part 2.1. of the Project.

2.3. Support for integrated housing and urban recovery

Providing technical assistance and capacity building to the selected local self-governments for the formulation and updates of recovery planning documents and data, including, inter alia, preparation of the Comprehensive Recovery Program ("CRP") and Comprehensive Plan of Spatial Development ("CPSD") or General Plan of the Settlement ("GPS").

Part 3: Project management and capacity strengthening

- a) Providing support for Project implementation and management, including:
 - i) support for procurement, financial management, environmental and social risk management, monitoring and evaluation, external audit and reporting, including services of the third-party monitoring agency;
 - ii) recruitment of PMT and training of PMT, local PIUs and technical consultants;
 - iii) Operating costs of the Ministry of Infrastructure.
- b) Providing technical assistance for:
 - i) building capacity of the Ministry of Infrastructure in applying the applicable legal framework;

HOUSING REPAIR FOR PEOPLE'S EMPOWERMENTS PROJECT (HOPE)

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

As at December 31, 2023, and for the period from September 05, 2023 to December 31, 2023

In US dollars

- ii) preparing and disseminating interim repair, reconstruction and recovery guidance documents;
- iii) formulating necessary housing recovery processes to complete the housing recovery program.

2. PROJECT FINANCING

The following agreements were concluded to finance the Project:

- On September 05, 2023, the Loan Agreement No. 9589-UA between Ukraine and the International Bank for Reconstruction and Development in the amount of USD 70,000,000 was concluded
- On September 05, 2023, the Grant Agreement No. TF0C2310 was concluded between the International Bank for Reconstruction and Development and the International Development Association, acting as administrator of Ukraine Relief, Recovery, Reconstruction and Reform Multi-Donor Trust Fund, in the amount of USD 162,500,000

Loan

To finance the Project, on September 05, 2023, the Loan Agreement No. 9589-UA was concluded between Ukraine and the International Bank for Reconstruction and Development to assist Ukraine in financing the Project. The Loan Agreement entered into force for Ukraine on October 23, 2023.

The Borrower and the Bank have agreed as follows:

- The Bank agrees to lend to the Borrower the amount of seventy million U.S. dollars (70,000,000) (the "Loan") to assist in financing the Project.
- The front-end fee is one quarter of one per cent (0,25 %) of the Loan amount.
- The commitment charge is one quarter of one per cent (0,25 %) per annum on the unwithdrawn loan balance.
- The interest rate is the reference rate plus the variable spread or such rate as may apply following a conversion; subject to section 3.02 (e) of the General Conditions.
- The payment dates are April 15 and October 15 in each year, beginning from 2030 to 2055; the last payment on April 15, 2056.
- The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

Procedure for withdrawal of Loan proceeds

The Borrower may withdraw the proceeds of the Loan to:

- a) finance Eligible Expenditures; and
- b) pay:
 - i. the Front-end Fee; and
 - ii. each Interest Rate Cap or Interest Rate Collar premium; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Categories and budget of the Project:

Category	Amount of the Loan allocated (in USD)	Percentage of expenditure to be financed (inclusive of taxes)
(1) Payments for minor repairs under Part 1.1	69,825,000	up to 100 %
(2) Payments for medium repairs under Part 1.2	-	up to 100 %
(3) Front-end fee	175,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) Of the General Conditions
(4) Interest rate cap or interest rate collar premium	-	Amount due pursuant to in accordance with Section 4.05 (c) Of the General Conditions.
TOTAL	70,000,000	

HOUSING REPAIR FOR PEOPLE'S EMPOWERMENTS PROJECT (HOPE)

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

As at December 31, 2023, and for the period from September 05, 2023 to December 31, 2023

In US dollars

Withdrawal of Loan proceeds conditions, Project closing period and term of use of proceeds

No withdrawal shall be made for payments made prior to the Signature date, except that withdrawals up to an aggregate amount not to exceed 69,825,000 USD, may be made for payments made prior to this date but on or after May 30, 2023, for Eligible expenditures under Category (1).

The Closing date is December 31, 2025. The term for using the proceeds is April 30, 2026. The Project period may be extended with the approval of the World Bank.

Repayment schedule

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment share").

Principal Payment Dates of the Loan	Installment share
On each April 15 and October 15, beginning October 15, 2030, through October 15, 2055	1,92 %
On April 15, 2056	2,08%

The Grant

To finance the Project, on September 05, 2023, Grant Agreement No. TF0C2310 was concluded between Ukraine and International Bank for Reconstruction and Development and International Development Association, acting as administrator of Ukraine relief, recovery, reconstruction and reform multi-donor trust fund Grant Agreement to assist Ukraine in financing of the Project. Grant Agreement entered into force for Ukraine on October 23, 2023.

The Bank agrees to extend to the Recipient a grant in an amount not to exceed one hundred sixty-two million five hundred United States Dollars (USD 162,500,000) ("Grant") to assist in financing the Project.

The Grant is funded out of the abovementioned trust fund, for which the Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

Procedure for withdrawal of Grant proceeds

The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of:

- Article III of the Standard Conditions; and
- to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of Grant allocated (in USD)	Percentage of expenditures to be financed (inclusive of Taxes)
(1) Payments for minor repairs under Part 1.1	150,000,000	up to 100 %
(2) Payments for medium repairs under Part 1.2	-	up to 100 %
(3) Goods, works, non-consulting services, operating costs and training under Part 3 of the Project	2,500,000	100%
(4) Goods, works, non-consulting services, operating costs and training under Part 2.1 of the Project	10,000,000	100%
TOTAL	162,500,000	

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

As at December 31, 2023, and for the period from September 05, 2023 to December 31, 2023

In US dollars

Withdrawal conditions; Withdrawal period

No withdrawal shall be made for payments made prior to the Signature date, except that withdrawals up to an aggregate amount not to exceed 92,925,000 USD, may be made for payments made prior to this date but on or after May 30, 2023, for Eligible expenditures under Category (1).

The Closing date is December 31, 2025. The term of use of funds is April 30, 2026. The Project period may be extended upon agreement of the World Bank.

Agreement on the irrevocable transfer of grant funds

Subject of the Agreement

In accordance with the Grant Agreement, the Ministry of Finance provides for the irrevocable transfer of the Grant funds to the Ministry of Infrastructure to support the financing of Part 3 of the Project. The Ministry of Infrastructure agrees to take all actions provided for in the Grant Agreement with due diligence, this Agreement and the legislation of Ukraine to implement the Project, to ensure the targeted use of the Grant funds in accordance with the provisions of the Grant Agreement, the legislation of Ukraine and this Agreement.

The Grant funds shall be transferred by the Ministry of Finance to the Ministry of Infrastructure in accordance with the requirements, conditions and terms specified in the Grant Agreement and the Agreement on the irrevocable transfer of Grant funds.

Term and purposes to be covered by the Grant funds

The Ministry of Infrastructure receives the Grant funds by selecting funds within the amount specified in clause 1.2 of this Agreement.

The Grant funds shall be provided for a period not exceeding the period established by part B.3. of section III of Schedule 2 to the Grant Agreement, or such later period as may be established by the Ban.

Procedure for granting access to the Grant funds

The Grant funds are provided in accordance with the procedure specified in part A.1. of section III of Schedule 2 of the Grant Agreement and in the manner provided for in this Article.

To achieve the objectives of the Grant Agreement, the Ministry of Infrastructure opens and maintains a special account in US dollars and a transit account in the national currency in the Joint Stock Company "State Export-Import Bank of Ukraine" (further – JSC Ukreximbank). Crediting of the Grant funds to the special account and transfer of funds from it is carried out in accordance with the provisions of Section III of Schedule 2 to the Grant Agreement, additional instructions for making payments that the Bank is entitled to provide periodically, as well as in accordance with the legislation of Ukraine.

The funds on the day they are debited from the Grant Account, which is confirmed in the Client Connection system, shall be considered by the Parties as the Grant funds transferred by the Ministry of Finance to the Ministry of Infrastructure on the same day, currency and amount.

Responsibilities of the Ministry of Infrastructure

The Ministry of Infrastructure is obliged to:

- Use the Project funds in accordance with the objectives agreed between Ukraine and IBRD/IDA, exclusively to finance the expenditures provided for in Part 3 of the Project.
- To control the targeted use of Project funds, to implement the Activities with all possible diligence and efficiency, to provide the IBRD/IDA and the MoF with all information on the implementation of the Activities and the use of Project funds that the IBRD/IDA and/or the MoF may request, and to periodically exchange views with representatives of the IBRD/IDA and the MoF on the progress and results of the Activities.
- In accordance with the Procedure for the preparation, implementation, monitoring and completion of economic and social development projects of Ukraine supported by international financial organizations, approved by the Resolution of the Cabinet of Ministers of Ukraine No. 70 dated January 27, 2016, provide the MoF with the necessary reports on the implementation of the Project, as well as provide the MoF with the copies of reports provided to the Secretariat of the Cabinet of

HOUSING REPAIR FOR PEOPLE'S EMPOWERMENTS PROJECT (HOPE)

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

As at December 31, 2023, and for the period from September 05, 2023 to December 31, 2023

In US dollars

Ministers of Ukraine in accordance with the Procedure for attracting, using and monitoring international technical assistance approved by the Resolution 153 dated February 15, 2002.

3. PROCEDURE FOR FUNDS USE

The implementation of the Housing Repair for People's Empowerments Project (HOPE) is carried out in accordance with the requirements of the resolutions of the CMU, namely:

Resolution No. 1090

The Resolution of the CMU No. 1090 of September 05, 2007 approved the Procedure for treasury services of funds provided for in the special fund of the state budget for the implementation of budget programs aimed at the implementation of economic and social development projects supported by the International Bank for Reconstruction and Development and the International Development Association.

The Procedure defines the mechanism of treasury services of funds provided for in the special fund of the state budget for the implementation of budget programs aimed at the implementation of economic and social development projects supported by IBRD and/or IDA, implemented by administrators and recipients of budget funds and entered into force in accordance with the procedure established by law starting from July 01, 2007.

Resolution No. 70

Resolution No. 70 of January 27, 2016 approved the Procedure for the preparation, implementation, monitoring and completion of economic and social development projects of Ukraine supported by international financial organizations.

The Procedure regulates the preparation, implementation, monitoring and completion of projects for the economic and social development of Ukraine, supported by the financial resources of international financial organizations, except for the International Monetary Fund, which are attracted as a loan or credit by the state or under state guarantees, or as a grant.

4. MAIN PROVISIONS OF ACCOUNTING POLICIES

Special Accounts

For the purposes of Categories 1 and 2 of the Project, no special accounts were opened, as the Bank transfers funds to the general fund of the state budget of Ukraine (to the account of the STSU opened by the Ministry of Finance with the NBU) as reimbursement of eligible expenditures within the established limits.

For the purposes of Category 3 of the Project, the MoF opens a special account with JSC Ukreximbank.

For the purposes of Category 4 of the Project, the MoF opens special accounts in the Public Joint Stock Company "State Export-Import Bank of Ukraine" Kyiv, Ukraine (Ukreximbank) for each local self-governments (LSG), to which funds for the respective subprojects are transferred.

Withdrawal of allocated funds and subsequent withdrawals to replenish the Special Account shall be carried out by the Recipient, who shall submit to the Bank applications for the transfer of funds to the Special Account.

Recognition of income and expenditure

Accounting of receipts and expenses and preparation of financial reports for the Project is carried out on a cash basis.

Receipts are shown when they were made in bank accounts supported by advances from the Bank. Expenses are recorded on the date on which withdrawals take place.

In case of financing of eligible expenditures are financed by reimbursement of expenses from the loan/grant Account to the General Fund of the State Budget of Ukraine to the STSU account opened with the National Bank of Ukraine, and are recognized as Project expenses on the date when funds are withdrawn from the loan/grant account.

Receipts are recorded when they are deposited into bank accounts supported by advances from the Bank. Expenditures are recorded on the date when the funds are withdrawn from the accounts.

HOUSING REPAIR FOR PEOPLE'S EMPOWERMENTS PROJECT (HOPE)

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

As at December 31, 2023, and for the period from September 05, 2023 to December 31, 2023

In US dollars

Reporting currency

According to the Bank's requirements, the reporting currency is US dollar.

Revaluation of expenses in national currency

Expenses actually incurred during the reporting period in the national currency, the Ukrainian hryvnia, were converted into euros and reflected in the special purpose financial statements at the the official foreign currency exchange rate of the National Bank of Ukraine (NBU) as of the last date of each month of payment.

Reporting period

According to the requirements of the Bank, this report includes the period from September 05, 2023 to December 31, 2023.

5. LOAN ACCOUNT

In accordance with the terms of the Loan Agreement No. 9589-UA dated September 05, 2023 between Ukraine and the Bank, immediately after the date of entry into force of the Agreement, the Bank, on behalf of the Borrower, withdraws the Loan from the account and pays itself a front-end fee in the amount of one quarter of one percent (0.25%) of the Loan amount.

6. ECONOMIC ENVIRONMENT

Ukraine is still being engaged in a full-scale war with the Russian Federation and is subject to martial law. During 2023, the economy recovered due to the high adaptability of businesses and the population to the war and loose fiscal policy, supported by large-scale international financing. According to NBU estimates, GDP grew by 5.7% in 2023. Despite the war, economic growth will continue. In 2024, real GDP will grow by 3.6%, primarily due to continued high fiscal spending amid expected sufficient international assistance.

However, if the active phase of the war lasts longer, the economy is likely to grow more slowly. Russia does not stop trying to destroy the country's economic potential, evidenced by the terrorist attack on the Kakhovka Hydroelectric Power Plant, the intensification of barbaric shelling of port infrastructure, the blockade by Russia of "grain corridor" in the Black Sea, and eventually its withdrawal from the grain deal. Thus, the risks to the economy, as well as the need for international assistance, were significant. The main assumption is that high security risks will decrease significantly starting in 2025. If high security risks persist for longer, they will have a negative impact on business and consumer sentiment, exchange rate and inflation expectations. This will also increase pressure on public finances and deepen problems in the labor market. Under this scenario, economic growth potential will be lower and inflationary pressures will be higher than currently expected.

Thanks to external support and the NBU's consistent policy, Ukraine's international reserves grew by 42% in 2023 to reach USD 40.5 billion. Despite delays in the flow of international aid in early 2024, it is expected to resume in the coming months. Under the baseline scenario of the NBU's forecast, Ukraine will receive about USD 37 billion in 2024 in external loans and grants.

Since the beginning of 2023, inflation has been falling faster than expected. The easing of inflationary pressures was facilitated by an ample supply of food and fuel, as well as a rapid recovery of the energy system from the effects of Russian terrorist attacks. An important factor was the improvement in inflation expectations since the beginning of the year amid the cessation of emission financing, the strengthening of the hryvnia cash exchange rate, and the increased attractiveness of hryvnia assets. As a result, in 2023, consumer inflation slowed to 5.1% year-on-year (26.6% in 2022).

In July 2023, the NBU Board decided to cut the key policy rate to 22% from 25% set in June 2022. Given the improvement in inflation expectations and the further slowdown in inflation, the current and projected rate cuts are consistent with maintaining the attractiveness of hryvnia savings. In September 2023, the NBU decided to cut the key policy rate from 22% to 20%, in October to 16%, and from December 15, 2023 to 15%. These steps support economic recovery while not posing a threat to macrofinancial stability.

On October 3, 2023, the National Bank of Ukraine switched to a regime of managed exchange rate flexibility, continuing to implement its strategy of easing currency restrictions. The official exchange rate is determined on the basis of the interbank market rate and is no longer set by the NBU, as it was since February 24, 2022. In doing so, the NBU continues to monitor the situation in the interbank foreign exchange market and seeks

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In US dollars

to significantly limit exchange rate fluctuations, preventing both a significant weakening and a significant strengthening of the hryvnia.

The war between Ukraine and the Russian Federation continues, resulting in significant destruction of property and assets in Ukraine and other material consequences. The consequences of the war are evolving daily and their durable impact is not possible to determine. Further impact on the Ukrainian economy depends on the outcome of the full-scale war, successful implementation of new reforms by the Ukrainian government, the country's strategy of recovery and transformation with the aim of gaining EU membership, and cooperation with international funds.

The management and staff of the Ministry and the Project are located outside the area of open hostilities and continue to operate in a relatively normal mode.

These factors will have an impact on the Ministry and the Project performance in future periods. The management of the Ministry and the Project monitors the current situation and takes measures to minimize any negative effects to the extent possible.

In preparing these special purpose financial statements for the Project, the known and estimable effects of the following factors on the special purpose financial statements for the Project in the reporting period have been considered.

Management of the Ministry and the Project cannot predict all developments in the wider economy and what effect they might have on the special purpose financial statements for the Project and the Ministry in future. The management of the Ministry and the Project believes it is taking all the measures necessary to support the sustainability of the business. However, a further unstable business environment could negatively affect the results of operations and financial position of the Ministry and the Project in a manner not currently determinable. These special purpose financial statements for the Project reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Ministry and the Project. The future business environment may differ from management's current assessment. As at the date of authorization of these special purpose financial statements for the Project for issue, there is a material uncertainty about the going concern.

7. EVENTS AFTER THE REPORTING PERIOD

Budget

By letter dated 18.03.2024, the Bank approved the loan cancellation in accordance with Section 7.01 of the General Conditions. Thus, the Bank cancels the amount equal to USD 69,825,000 from category 1 of the table in Section III.A of Schedule 2 to the Loan Agreement effective March 11, 2024. No obligations for this amount are accrued starting from March 11, 2024. The updated Budget by category is presented in the table below:

Category	Amount of Loan allocated (in USD)	Percentage of expenditures to be financed (inclusive of Taxes)
(1) Payments for minor repairs under Part 1.1	-	up to 100 %
(2) Payments for medium repairs under Part 1.2	-	up to 100 %
(3) Front-end fee	175,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(4) Interest rate cap or interest rate collar premium	-	Amount due pursuant to Section 4.05 (c) of the General Conditions.
Cancelled amount as of March 11, 2024	69,825,000	
TOTAL	70,000,000	

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As at December 31, 2023, and for the period from September 05, 2023 to December 31, 2023

In US dollars

By the Letter dated June 11, 2024, the Bank proposes to amend the Grant Agreement to increase the amount of the Grant to reflect an additional commitment of sixty-two million USD (62,000,000) from the Donors. The updated Budget by category is presented in the table below:

Category	Amount of Grand allocated (in USD)	Percentage of expenditures to be financed (inclusive of Taxes)
(1) Payments for minor repairs under Part 1.1	124,000,000	up to 100 %
(2) Payments for medium repairs under Part 1.2	86,000,000	up to 100 %
(3) Goods, works, non-consulting services, operating costs and training under Part 3 of the Project	2,500,000	100%
(4) Goods, works, non-consulting services, operating costs and training under Part 2.1 of the Project	12,000,000	100%
TOTAL	224,500,000	

Conclusion of the agreement on the irrevocable transfer of grant funds

On March 01, 2024, the Ministry of Finance of Ukraine and the Ministry of Communities and Territories Development of Ukraine entered into the Agreement No. 13110-05\68 on the irrevocable transfer of grant funds regarding the use of grant funds provided to Ukraine by the IBRD. See Note 2 for more detailed information on the terms of the agreement.

Full-scale war with russia continues

As described in Note 6, to these special purpose financial statements under the Project, Ukraine is engaged in a full-scale war with russia and is subject to martial law. Going forward, the key risk is the prolongation of the war, even if the hostilities are localized. This will require the economy to operate for a long time in extreme conditions, threaten to deepen its decline, and increase the need for assistance from partners. The impact of the war on the global economy will also increase.

In addition, there are significant risks of systematic disruptions in the rhythm of international aid and/or a significant decline in its volume.

The situation continues to evolve, and its consequences are still uncertain. It is currently impossible to predict all changes that may have an impact on the general economy. Management continues to monitor the possible impact of these developments on the Ministry of Communities and Territories Development of Ukraine and the Project and will take all possible measures to mitigate any consequences.

Management and personnel of the Ministry of Communities and Territories Development of Ukraine and the Project are located outside the area of open hostilities and keep working as usual.

CHECKLIST OF THE BANK'S AUDIT DOCUMENTATION

Name of loan/credit/grant:	HOUSING REPAIR FOR PEOPLE'S EMPOWERMENTS PROJECT (HOPE)
Loan/grant #:	# 9589-UA, # TF02310
Audit Report:	for the period from September 05, 2023 to December 31, 2023

	Check if Included	Check if N/A
I. Audit report (Opinion):		
A. Applicable accounting standards noted	<input checked="" type="checkbox"/>	<input type="checkbox"/>
B. Applicable auditing standards noted	<input checked="" type="checkbox"/>	<input type="checkbox"/>
C. Opinion rendered on all forms of withdrawals:		
1. Statement of Expenditures	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. Designated Account	<input checked="" type="checkbox"/>	<input type="checkbox"/>
D. All sources of financing for the project are noted	<input checked="" type="checkbox"/>	<input type="checkbox"/>
II. Financial Reports:		
A. Revenue Earning Entity (all of the following are required):		
1. Balance sheet	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2. Cash Flow Statement	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3. Income Statement	<input type="checkbox"/>	<input checked="" type="checkbox"/>
B. Non-Revenue Earning Entity (all of the following are required):		
1. Balance sheet	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2. Summary of Sources and Uses of Funds	<input checked="" type="checkbox"/>	<input type="checkbox"/>
C. If applicable (refer to Loan/Grant Agreement):		
1. Statement of Expenditures	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. Designated Account Statement	<input checked="" type="checkbox"/>	<input type="checkbox"/>
III. Notes to the Financial Statements	<input checked="" type="checkbox"/>	<input type="checkbox"/>
IV. Reconciliation between World Bank records and project records	<input checked="" type="checkbox"/>	<input type="checkbox"/>
V. Management Letter	<input checked="" type="checkbox"/>	<input type="checkbox"/>

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