

Letterhead of Donor

Mr Carlo Monticelli
Governor
Council of Europe Development Bank
55, avenue Kléber
75116 Paris, France

[•] 2023

CONTRIBUTION AGREEMENT **with respect to the Ukraine Solidarity Fund (USF)**

Dear Governor,

I refer to the Terms of Reference (the "**ToR**"), as in force as of the date of this letter, of the Ukraine Solidarity Fund (the "**Fund**"), established as a trust account at the Council of Europe Development Bank ("**CEB**") by virtue of its Administrative Council Resolution 1650 (2022).

I am pleased to confirm that Lithuania wishes to make a voluntary contribution to the Fund in an amount of EUR [•] (the "**Donor Contribution**"). The Donor Contribution will be paid in a single instalment. Lithuania agrees that the ToR shall apply to the Donor Contribution and hence the Donor Contribution shall be used exclusively for the objectives and in accordance with the management principles set forth in the ToR.

The Donor Contribution will be paid in Euro on [•] into the following account:

Holder name: Council of Europe Development Bank
Address: 55 Avenue Kléber 75116 Paris
Bank name: Deutsche Bank AG Frankfurt
Bank address: Taunusanlage 12, 60325 Frankfurt am Main, Germany
Swift code: CEFPPRPP
IBAN: DE44500700100928738400
Reference: Ukraine Solidarity Fund

The Contribution Agreement will become effective upon its counter-signature by the Bank and will continue in effect until the Fund is terminated in accordance with the ToR.

The terms used in this Contribution Agreement have the meaning attributed to them in the ToR. Lithuania acknowledges that this Contribution Agreement is subject to and incorporates by reference the ToR.

Sincerely yours,

[•]
[Insert title]

Acknowledged and agreed by

For the **COUNCIL OF EUROPE DEVELOPMENT BANK**

Carlo Monticelli
Governor
[•] 2023

**Terms of Reference
of the
Ukraine Solidarity Fund (USF)**

1. Purpose

Since its inception, the primary mandate of the Council of Europe Development Bank (“**CEB**” or the “**Bank**”), as stated in its Articles of Agreement, has been to help European countries addressing the social problems resulting from the presence of refugees and internally displaced persons, by providing resettlement solutions and rebuilding shattered social infrastructures. In line with this mandate, and under the initial sponsorship of Ireland, the Bank has decided to establish a dedicated fund to deal with the refugees and internally displaced persons flows resulting from the Russian invasion of Ukraine and to support Ukraine in its reconstruction efforts.

To this end, the CEB establishes the Ukraine Solidarity Fund (the “**Fund**”) dedicated to supporting projects under the conditions set forth below. The Fund, endowed with an initial contribution of EUR 1 million from Ireland, is open to voluntary contributions from the Bank’s member states (the “**Member States**”) and, subject to the approval of CEB’s Governing Board, non-Member States and international institutions (the “**Donors**”).

2. Operations

2.1 Use of Fund resources

The Fund may support projects in the following ways:

- a. grants to finance investment or operating costs of projects, up to EUR two and a half (2.5) million per project (“**Grants**”), either on a stand-alone basis or blended with the Bank’s loans,
- b. technical assistance grants related to the preparation and implementation of projects, up to EUR half (0.5) a million per project (“**TA Grants**”),
- c. where the project is financed by a Bank’s loan, interest subsidies, up to EUR half (0.5) a million for every EUR ten (10) million loan amount (“**Interest Subsidies**”); and
- d. where the project is financed by a Bank’s loan, loan guarantees with a marginal additional risk of up to EUR two and a half (2.5) million per project (“**Loan Guarantees**”).

2.2 Eligibility criteria

To be eligible for support by the Fund, requests for support shall comply with the following criteria:

- a. *Eligible projects*: The Bank will use the Fund to support projects eligible to CEB financing in accordance with the Bank’s Loan and Project Financing Policy, including for emergency assistance, resettlement and integration of refugees and internally displaced persons as well as for the reconstruction of critical social infrastructure.

All projects will have to comply with the European Convention on Human Rights and the European Social Charter.

- b. *Eligible countries*: The Fund will support projects in Ukraine and in Member States hosting refugees from Ukraine.

- c. *Eligible beneficiaries*: The end-beneficiaries of the Fund will be internally displaced persons and, where applicable, other residents of Ukraine, refugees from Ukraine as well as, where applicable, their host communities.
- d. *Eligible costs*: Costs eligible to funding by Grants will be investment costs, such as expenses related to the construction and upgrading of social infrastructure, as well as operating costs, such as current expenditures, emergency aid and cost of dedicated staff. Costs eligible to funding by TA Grants will include advisory and support services related to the preparation and implementation of projects.

2.3 Requests for Fund support

Requests for Grants/TA Grants will be submitted to the Bank for approval by Ukraine's national authorities, Member States or, if submitted by different entities (such as regional/local authorities, international organisations or non-governmental organisations), with the approval of the Ukraine's national authorities or the relevant Member State.

Requests for Interest Subsidies and Loan Guarantees will be submitted to the Bank in accordance with the applicable procedures for loan applications.

3. Resources

3.1 Fund resources

The Fund resources will consist of:

- a. *Ireland's initial contribution of EUR 1 million.*
- b. *Donor contributions*: Member States and, subject to the prior approval of the Governing Board, non-Member States and international organisations may contribute to the Fund by making a voluntary contribution (together with Ireland's initial contribution, a "**Donor Contribution**"). Any Donor may make a Donor Contribution to the Fund by signing a Contribution Agreement (see template in Annex 1).
- c. *Bank contributions*: the Bank, upon approval by the Administrative Council, may also contribute to the Fund.
- d. *Interest*: The Bank will pay interest accrued on the credit balances of the Fund account in accordance with paragraph 4.5,

(Donor Contributions, Bank contributions and Interest, together the "**Fund Resources**").

3.2 Separation of resources

The Fund Resources will at all times and in all respects be kept in a separate Fund account.

Under no circumstances will the Bank's resources be charged with, or used to discharge, losses or liabilities arising out of the operations or other activities of the Fund.

In the operation and other activities of the Fund, the Bank's liability shall be limited to the Fund Resources at its disposal.

4. Governance and Administration

4.1 Nature of the Fund

The Fund has no separate legal personality and is set up in the form of a fiduciary account; it will be managed by the Bank in accordance with these Terms of Reference.

4.2 Approval of requests for support

The Governor shall approve each request for support. The approval process will follow the Bank's internal project committees' procedures and requirements.

The Governor will inform regularly all Donors as well as the Bank's Administrative Council, including through an annual report, on the use of Fund Resources.

4.3 Role of the Bank

The Bank will have two main roles:

- a. identify, in coordination with Ukraine's national authorities and Member States, potential projects, screen the requests for support submitted for approval and monitor the implementation of projects,
- b. administer the Fund Resources and report on the use of the Fund Resources to the Donors and the Administrative Council of the Bank.

In managing the Fund and the Fund Resources, the Bank will exercise the same amount of care and diligence as it exercises with respect to its own resources and shall have no further liability to any Donor in respect thereof.

4.4 Management fee

The Bank will receive a management fee, corresponding to four per cent (4%) of the total amount of the Fund Resources paid into the Fund. The management fee will be payable to the Bank upon transfer of any Fund Resources into the Fund account.

When awarding a Grant or a TA Grant to an implementing entity, the Bank may decrease its management fee in respect of that grant from four per cent (4%) to a minimum of one per cent (1%) and return the corresponding amount of resources into the Fund. The Governor will decide the level of the Bank's management fee to be charged, considering the operating expenses charged by the implementing entity.

4.5 Remuneration of the Fund account

Interest shall be calculated on the basis of the daily outstanding credit balances of the Fund account. Such interest is calculated on the basis of the monthly average of the Euro Short-Term Rate ("€STR") defined as the interest rate representing the wholesale euro unsecured overnight borrowing costs of banks located in the euro area administered by the European Central Bank (or any other person which takes over the administration of that rate) and quoted by any financial news provider acceptable to the Bank minus 21.5 basis points (-0.215%). For non-business days, €STR of the preceding business day shall apply. The interest amount is calculated on an actual/360 day-count-fraction.

Interest shall be credited to the Fund account at the end of each month. In case the result of the interest rate formula stated above is negative, the Fund account shall be debited accordingly.

4.6 Accounts and audit

The Bank will maintain the accounts of the Fund in Euro in accordance with the same accounting principles it follows in respect of its other fiduciary accounts.

The financial statements of the Fund will be audited on an annual basis by Bank's external auditors. The costs of the audit will be paid from the Fund Resources.

4.7 Applicable policies and procedures

Projects supported by the Fund will be implemented and monitored in accordance with the Bank's applicable policies and procedures.

4.8 Visibility

The Bank will ensure that appropriate visibility is given to the Fund and its Donors in its publications and communications with stakeholders.

4.9 Liability

No Donor will assume liability in respect of (i) any third party claims for damages arising out of the implementation of a project supported by the Fund, or (ii) any damage or injury sustained by the Bank's staff or property arising out of the management and/or administration of the Fund.

5. Termination

5.1 Termination of the Fund

The Fund will remain active until 31 December 2027 (the "Termination Date"). If not all of the Fund Resources have been committed by the Termination Date, the Governor will make a proposal on the use of the remaining Fund Resources.

5.2 Termination of a Contribution Agreement

Each Donor may at any time terminate its Contribution Agreement upon sixty (60) days prior written notice.

5.3 Disposal of Fund resources upon termination of a Contribution Agreement

Upon termination of a Contribution Agreement:

- a. the Bank will immediately cease all activities relating to such Donor Contribution, except those relating to the orderly realisation, conservation and preservation of such Donor Contribution and the settlement of the direct or contingent obligations to which it may be subject;
- b. subject to sub-paragraph (c) below, the Bank will distribute any funds received pursuant to the relevant Contribution Agreement and not yet committed at the time of termination of the Contribution Agreement to the relevant Donor.

- c. any distribution to a Donor will be subject to prior settlement of all outstanding claims by the Bank against such Donor in respect of its Donor Contribution.

6. Dispute resolution

All differences and disputes arising out of, or in connection with any Contribution Agreement, these Terms of Reference or the use of Fund Resources shall be settled amicably.