

EU COHESION POLICY: IS UKRAINE READY FOR MAJOR INVESTMENT?

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SUMMARY

Would Ukraine be ready to make effective use of cohesion policy funds if it were to become an EU member soon or gain broader access to instruments based on a similar approach? This is the key question of this study.

Over the past year, Ukraine has taken a significant step in this direction. The system for managing public investment has undergone the most significant changes. From now on, strategies must align with future investment projects and include financial justification, expected outcomes, and measurable indicators. A medium-term plan for priority public investments for 2026–2028 has been introduced. DREAM is taking on a greater role in monitoring projects. Final and post-investment evaluations are also being introduced (see Table 1 for a detailed description of recent reforms).

However, to ensure the effective use of cohesion policy funds, separate instruments must be integrated into a single cycle: from strategic planning and project selection to financing, monitoring, auditing and evaluation of results. Public investment management units can improve project preparation, evaluation and monitoring, but they do not replace programme management bodies, intermediate bodies, payment functions, audit and financial correction mechanisms within the [CPR](#) framework¹. DREAM still needs to be integrated with the Treasury, Prozorro, beneficiary registers, GIS and other systems. Checklists and strategy compliance criteria bring Ukraine closer to the enabling conditions² approach; however, they currently function as a filter at the document preparation stage rather than as a continuous control mechanism throughout the entire implementation cycle.

Therefore, the answer to the main question is as follows: Ukraine already has some of the necessary rules and tools but does not yet have a fully integrated system for managing cohesion policy funds.

Key recommendations:

- integrate the strategies, the Medium-term public investment plan, the Budget declaration and the future Medium-term fiscal-structural plan into a single cycle;
- make checklists and compliance criteria a permanent monitoring mechanism;
- define a model for managing future EU funds, including programme management bodies, payment functions and audit;
- establish rules on financial corrections and liability for breaches;
- integrate DREAM with other government IT systems;
- strengthen the capacity of local authorities and regions to prepare high-quality projects.

¹ The CPR framework refers to the EU's Common Provisions Regulation, which sets common rules for the management, programming, monitoring, evaluation and financial control of several EU funds, including the ERDF, ESF+, Cohesion Fund and Just Transition Fund. The framework is updated for each multiannual financial period and currently applies to the 2021–2027 programming cycle.

² Enabling conditions are the prerequisites that the state must fulfil so that EU funds can be used effectively and in accordance with cohesion policy rules. They relate not to individual projects, but to the quality of the entire management system: the existence of strategies, institutional capacity, transparent project selection, monitoring, and compliance with EU horizontal requirements. In this sense, Ukrainian checklists and strategy compliance criteria serve a similar function: they transform strategies from formal documents into a tool for assessing readiness for funding.

Table 1. Status of implementation of the acquis under Chapter 22

Required step	Adopted act / instrument	Practical outcome	Compliance with the EU acquis and residual risks
Introduce multi-annual strategic planning	Resolution of the Cabinet of Ministers of Ukraine No. 361 of 25 March 2026 ‘On the Approval of the Procedure for the Development, Monitoring and Evaluation of the Results of the Implementation of Strategies Forming the Basis for the Formulation of Proposals for Public Investment’ ; Order of the Cabinet of Ministers of Ukraine No. 360-r of 22 April 2026 ‘On the Approval of the Action Plan to Ensure a Unified Approach to the Development, Monitoring and Evaluation of the Results of the Implementation of Sectoral Strategies, Which Form the Basis for the Formulation of Proposals for Public Investment’	<p>Uniform requirements for the development, monitoring and evaluation of strategies have been introduced. Strategies must include a financial justification, expected outcomes and measurable indicators, and their content must be linked to future public investment.</p>	<p>This approach brings Ukrainian strategic planning closer to the logic of multiannual programming under Regulation 2021/1060. At the same time, the link between strategic priorities, the Budget declaration and realistic project portfolios remains a weak point. The Budget Declaration is a medium-term framework but does not yet fully fulfil the role of an integrated Medium-term fiscal-structural plan³ (MFSF), which combines the fiscal trajectory, reforms and investment priorities.</p>
Identify institutions for the management of public investment	Order of the Ministry of Economy of Ukraine No. 2942 of 6 August 2025 ‘On the Approval of Model Regulations on Public Investment Management Units’	<p>A standard model for public investment management units at central, regional and local levels has been introduced. These units are responsible for overseeing the preparation, evaluation, selection and monitoring of investment projects.</p>	<p>The creation of specialised units is consistent with the general principle of institutional separation of functions in EU fund management systems. At the same time, these units are not audit bodies within the meaning of Regulation 2021/1060, and their staffing capacity and actual independence during the evaluation process remain limited.</p>

³ A plan that brings together all significant investments and sets out the trajectory of public expenditure for the country over 4 or 5 years (depending on the country’s electoral cycle). See details in the CES study [‘The EU has changed the rules of medium-term fiscal planning. What does this mean for Ukraine?’ – Centre for Economic Strategy](#)

<p>Introduce a mechanism for ex ante conditions and compliance criteria</p>	<p>Resolution of the Cabinet of Ministers of Ukraine No. 361 of 25 March 2026 ‘On the Approval of the Procedure for the Development, Monitoring and Evaluation of the Results of the Implementation of Strategies Forming the Basis for the Formulation of Proposals for Public Investment’</p>	<p>Checklists and procedures have been introduced to verify that strategies comply with general criteria, the territorial dimension and other requirements. This should reduce the risk of poorly justified or strategically inconsistent projects being included in programmes.</p>	<p>The mechanism brings Ukraine closer to the ‘<i>enabling conditions</i>’ approach set out in Article 15 of Regulation 2021/1060. However, it does not ensure ‘continuous monitoring’ of compliance with these conditions, as required by Article 15(6) of the CPR, since the checklist serves only as a one-off filter during the document’s approval.</p> <p>Monitoring of strategy implementation does exist, but it does not entail consequences analogous to those under the CPR, in particular the automatic restriction or suspension of funding in the event of non-compliance with the conditions.</p>
<p>Linking strategic planning to the budgetary process</p>	<p>Law of Ukraine No. 4225-IX of 16 January 2025 and Resolution of the Cabinet of Ministers of Ukraine No. 361 of 25 March 2026 ‘On the Approval of the Procedure for the Development, Monitoring and Evaluation of the Results of Strategy Implementation, Which Form the Basis for the Formulation of Proposals for Public Investment’</p>	<p>Strategic documents and investment proposals must now be better aligned with budgetary constraints. The role of financial justification and verification of the resource allocation for strategies is being strengthened.</p>	<p>This approach is consistent with the general logic of Directive 2011/85 on budgetary frameworks and medium-term planning. At the same time, Ukrainian fiscal rules do not yet fully cover the entire general government sector, in particular the local level and its associated obligations.</p>
<p>Introduce measurable performance indicators</p>	<p>Resolution of the Cabinet of Ministers of Ukraine No. 361 of 25 March 2026 ‘On the Approval of the Procedure for the Development, Monitoring and Evaluation of the Results of Strategy Implementation, Which Form the Basis for the Formulation of Proposals on Public Investment’</p>	<p>For strategies, the requirement to define measurable outcomes and report on their implementation has been strengthened. This should reduce the declarative nature of strategic documents and better link objectives to practical results.</p>	<p>This approach is consistent with the performance-based logic of cohesion funds. At the same time, the quality of KPIs depends on the availability and reliability of underlying data. Due to the war, the limited publication of official statistics and the fragmentation of IT systems, some indicators may remain purely formal or difficult to verify independently.</p>

<p>Create a digital platform for monitoring investment projects</p>	<p>Resolution of the Cabinet of Ministers of Ukraine No. 612 of 1 May 2026 ‘On Amendments to Resolution of the Cabinet of Ministers of Ukraine No. 294 of 28 February 2025’</p>	<p>DREAM is established as the key digital tool for monitoring the medium-term plan for priority public investments. The platform organises data on projects, their status and the implementation process.</p>	<p>DREAM creates the conditions for more transparent monitoring of recovery projects and future alignment with EU reporting standards. At the same time, this does not yet constitute full integration with the European SFC2021 system. The platform requires further refinement: in particular, there is currently a lack of comprehensive information on the actual status of project implementation, as well as full integration with the Treasury, Prozorro and other state IT systems. This creates risks of data fragmentation and complicates end-to-end monitoring of the entire investment cycle – from project preparation to procurement, financing, implementation and evaluation of results.</p>
<p>Strengthen regular digital reporting by contractors</p>	<p>Order of the Ministry of Finance of Ukraine No. 50 of 20 January 2026 ‘On Amendments to Order No. 22’</p>	<p>The requirement to regularly submit information on the physical and financial progress of projects is being strengthened. This improves oversight of project implementation and the use of funds.</p>	<p>This approach is in line with the principles of transparency, accountability and sound financial management in accordance with Regulation 2024/2509. At the same time, the manual entry of some data creates risks of errors, delays and manipulation.</p>
<p>Develop a territorial typology for investment planning</p>	<p>Resolution of the Cabinet of Ministers of Ukraine No. 1493 of 19 November 2025 ‘On the determination of the list of functional types of territories and requirements for indicators for classifying territories into different functional types’</p>	<p>Functional types of territories have been introduced, including regeneration areas and growth poles, along with requirements for the indicators used to define them. This helps to better target regional policy and public investment.</p>	<p>This approach is consistent with the European logic of territorial cohesion, according to which support must take into account the different needs of territories rather than relying solely on administrative divisions. It is aligned with the provisions of Article 174 of the TFEU and Regulation 2021/1060 on integrated territorial development and territorial strategies. At the same time, the Ukrainian typology is currently a tool for targeting regional policy rather than a comprehensive system of territorial programming: it still needs to be integrated</p>

			into project selection criteria, investment portfolios, results monitoring and budget planning.
Consolidate the principles of partnership and consultation	Resolution of the Cabinet of Ministers of Ukraine No. 361 of 25 March 2026 ‘On the Approval of the Procedure for the Development, Monitoring and Evaluation of the Results of the Implementation of Strategies, Which Form the Basis for the Formulation of Proposals for Public Investment’	Public consultations and stakeholder engagement are becoming integral to the preparation of strategic documents. This should improve the quality of planning and ensure that the needs of communities, businesses and civil society are taken into account.	This approach is consistent with the European code of conduct on partnership (set by the Regulation No. 240/2014). However, the provisions of the general law have been deferred until the end of the war.
Introduce a preliminary assessment of projects for risks of receiving state aid	Resolution of the Cabinet of Ministers of Ukraine No. 232 of 28 February 2025 ‘Certain Issues Concerning the Allocation of Public Investment’ and the related procedures for the management of public investment.	The procedures for allocating public investment now take into account the risks associated with budgetary support for business entities, particularly municipal enterprises, SMEs, industrial parks, or infrastructure projects with a commercial impact. This helps to identify potential state aid issues as early as the project selection stage.	This approach helps identify, at an earlier stage, those projects where state aid issues may arise: for example, where budgetary funds are channelled to a public utility, an SME, an industrial park, or an infrastructure facility for commercial use. At the same time, this screening does not replace a full analysis in accordance with the Law of Ukraine ‘On State Aid to Economic Entities’ and EU rules, in particular the GBER (General Block Exemption Regulation). It should therefore be regarded as a preliminary filter within the public investment management system, rather than as a separate reform of the state aid regime.
Restoring competition and strengthening control in public procurement	The Law of Ukraine “On Public Procurement”, adopted by the Verkhovna Rada on 27 May 2026 pursuant to draft law No. 11520⁴ and the Order of the Cabinet of Ministers of Ukraine of 3 December 2025 No. 1390-r ‘On the Approval of the Roadmap for	The new law comprehensively updates public procurement rules, expands the range of competitive procedures, enhances transparency and brings the system closer to EU standards. Roadmap No. 1390-r focuses specifically on	This is a step towards Directive 2014/24 and the standards for transparent reconstruction. A residual risk remains in the retention of exemptions and direct contracts for certain categories of procurement, par-

⁴ As of 1 June 2026 – submitted to the President of Ukraine for signature.

	Strengthening Control over Public Procurement and the Approval of the Action Plan for its Implementation for 2025–2027 .	strengthening control, risk indicators and the role of the State Agency for Public Procurement (SAPP).	particularly during wartime and the implementation of reconstruction projects.
Take into account the DNSH principle and the environmental impacts of investments	Order of the Ministry of Economy of Ukraine No. 353 of 28 August 2025 ‘On the Approval of Methodological Recommendations for Conducting an Analysis of the Environmental Impacts and Effects of a Public Investment Project on the Natural Environment, and an Analysis of Compliance with Requirements Regarding Inclusivity and Accessibility, as well as on compliance with the Sustainable Development Goals during the preparation of public investment projects at national, regional and local levels’	The methodological guidelines introduce an approach to analysing environmental and climate impacts during the preparation of public investment projects. This provides a basis for incorporating the ‘do no harm’ principle into the project cycle.	The approach aligns project preparation with the DNSH (Do No Significant Harm) framework and environmental screening practices in the EU. At the same time, the document takes the form of methodological guidelines; therefore, DNSH does not yet function as a fully-fledged, legally binding requirement, analogous to the rules of EU funds or the Taxonomy ⁵ .
To establish a framework for communities’ participation in international territorial cooperation	Resolution of the Cabinet of Ministers of Ukraine No. 1647 of 12 December 2025 ‘On the Approval of the State Programme for the Development of International Territorial Cooperation for 2025–2027’	The programme strengthens the framework for international territorial cooperation and local authorities’ participation in cross-border initiatives. It creates better conditions for the preparation and implementation of projects in line with the Interreg framework.	This approach brings Ukraine closer to the rules on territorial cooperation set out in Regulation 2021/1059 . At the same time, the full implementation of the SCO requires further regulation of budgetary procedures, eligibility rules for expenditure, and control and audit mechanisms.
Prioritising projects according to transparent criteria	Resolution of the Cabinet of Ministers of Ukraine No. 527 of 28 February 2025 ‘Certain Issues of Public Investment Management’ ; Resolution of the Cabinet of Ministers of Ukraine No. 294 of 28 February 2025 ‘On the Approval of the Procedure for the Development	A more formalised approach has been introduced to the assessment and prioritisation of investment projects, taking into account read-	This approach is consistent with the European ‘value for money’ principle, as it introduces formalised assessment, portfolio planning and medium-term prioritisation rather than a one-off political selection process. At the same time, the system will remain vulner-

⁵ The EU Taxonomy is a system for classifying environmentally sustainable economic activities, established [by Regulation 2020/852](#). It sets out the criteria according to which an activity can be considered environmentally sustainable: in particular, it must make a significant contribution to one or more environmental objectives, not cause significant harm to other environmental objectives – the DNSH principle – and comply with minimum social safeguards.

	and Monitoring of the Implementation of the State's Medium-Term Plan for Priority Public Investments'; Order of the Cabinet of Ministers of Ukraine No. 671-r of 2 July 2025 'On the Approval of the State's Medium-Term Plan for Priority Public Investments for 2026–2028'	iness, strategic relevance, expected impact and other criteria.	able to manual intervention if the criteria, their weightings, the grounds for including projects in portfolios and changes to priorities are not sufficiently transparent, stable and publicly justified.
Introduce an assessment of the financial risks of investment projects	Order of the Ministry of Finance of Ukraine No. 316 of 23 June 2025 'On the Approval of the Methodology for Calculating the Cost of a Public Investment Project'	The methodology is intended to improve the quality of project cost estimates and risk assessment during the preparation phase. This is important for avoiding underestimated budgets, subsequent cost overruns and unrealistic feasibility studies.	The approach is consistent with the principles of sound financial management and EU legislation. At the same time, risk assessment is not a comprehensive system of risk insurance or guarantee. Military risks, the destruction of assets and a sharp rise in project implementation costs remain separate issues.
Strengthen the role of the coordinating body in managing the investment portfolio	Resolution of the Cabinet of Ministers of Ukraine No. 549 of 14 May 2024 'On the Establishment of the Strategic Investment Council'	The Strategic Investment Council plays a role in formulating and agreeing on a unified approach to priority public investments. This should reduce fragmentation between different ministries and project lists.	Such a body is consistent with the general logic of investment policy coordination. At the same time, it cannot be equated entirely with the bodies that manage EU funds. Some projects or sources of funding may remain outside the full control of a single portfolio.
Introduce a post-investment evaluation	Resolution of the Cabinet of Ministers of Ukraine No. 491 of 10 April 2026 'On the Approval of the Procedure for Conducting a Post-Investment Evaluation of a Large-Scale Public Investment Project'	A mechanism has been introduced to evaluate results following the implementation of large-scale public investment projects. This should help to compare the expected impact with the actual outcome and use these findings for further planning.	The approach is consistent with the general logic of performance evaluation under Regulation 2021/1060 . At the same time, there remains a risk that the independence of the evaluation may be compromised if it is carried out or prepared by the project initiator itself.
Standardising the final evaluation of projects	Resolution of the Cabinet of Ministers of Ukraine No. 189 of 11 February 2026 'On the Approval of the Pro-	A procedure for the final evaluation following the implementation of a public investment project has been established. It is intended to demonstrate the extent to which the actual re-	This is an important element of the full investment management cycle and final reporting. At the same time, questions remain regarding responsibility for significant deviations from the initial feasibility study (FS)

	cedure for Conducting a Final Evaluation of the Implementation Status of a Public Investment Project	sults align with the initial parameters, cost, timelines, and expected impact.	and regarding the use of the assessment results for future project selection.
Strengthen internal control, risk management and managerial accountability	Resolution of the Cabinet of Ministers of Ukraine No. 217-r of 25 February 2026 ‘On the Approval of the Strategy for Reforming the Public Finance Management System for 2026–2030 and the Approval of the Operational Plan of Measures for its Implementation’	The Strategy for Reforming the Public Finance Management System provides for the strengthening of internal control and risk management, and the enhancement of managerial accountability. This lays the foundation for the further introduction of management declarations and management assurance.	This approach brings Ukraine closer to the logic of management declarations and assurance in the EU’s financial management system. At the same time, a fully-fledged operational mechanism for verifying such declarations still requires further regulatory and institutional development.
Separating the functions of initiation and evaluation	Resolution of the Cabinet of Ministers of Ukraine No. 232 of 28 February 2025 ‘Certain Issues Concerning the Allocation of Public Investment’	Public investment management procedures provide for the separation of roles in the preparation, evaluation and selection of projects. This is intended to reduce the risk of conflicts of interest, where the initiator effectively evaluates their own project.	This approach is in line with EU internal control standards. At the same time, in small communities and local authorities, the separation of functions may be difficult due to staff shortages, so a formal requirement does not always guarantee the actual independence of the evaluation.
Introduce monitoring of inclusivity and accessibility	Order of the Ministry of Economy of Ukraine No. 353 of 28 August 2025 ‘On the Approval of Methodological Recommendations for Conducting an Analysis of the Environmental Consequences and Impact of a Public Investment Project on the Natural Environment, and an Analysis of Compliance with Requirements Regarding Inclusivity and Accessibility, as well as compliance with the Sustainable Development Goals at during the preparation of public investment projects at national, regional and local levels’	The methodological guidelines provide for the consideration of inclusivity and accessibility during the preparation of public investment projects. This integrates social and non-discriminatory criteria into investment planning.	This approach is consistent with the horizontal principles of non-discrimination and accessibility in the EU’s cohesion policy. At the same time, due to the document’s advisory nature and the lack of practical verification, accessibility audits may remain merely formal.
Introduce an ex-ante assessment of	Order of the Ministry of Finance of Ukraine No. 616 of 14 July 2016 ‘On the Approval of the Procedure for As-	Assessing the financial capacity of beneficiaries should help to weed out projects that lack	This approach is consistent with the principle of financial sustainability of funding recipients. At the same

<p>the financial capacity of local authorities and beneficiaries</p>	<p>sessing the Financial Standing of a Potential Beneficiary of an Investment Project, the Implementation of Which Is Envisaged on Terms of Financial Self-Sufficiency, as well as the determination of the type of security for the servicing and repayment of a loan provided from the funds of international financial organisations, the servicing of which will be carried out using the beneficiary's funds'; Order of the Ministry of Finance of Ukraine No. 131 of 28 February 2025 'On the Approval of the Methodology for Determining the Sources and Mechanisms of Financial Security for Public Investment Projects and Public Investment Programmes'</p>	<p>a sufficient financial basis for implementation or subsequent maintenance.</p>	<p>time, assessment models must be adapted to the context of war: the destruction of assets, falling community revenues, population migration and security risks may render standard financial indicators insufficient.</p>
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1. OVERALL PROGRESS ASSESSMENT

Over the past year, Ukraine has made significant progress under Chapter 22 of the EU acquis, moving from predominantly declarative strategic planning to a more procedurally formalised system for the preparation, selection, monitoring, and evaluation of public investments. New regulations adopted in 2025–2026 establish links between strategic documents, investment proposals, medium-term planning, digital monitoring and the evaluation of results. The most notable progress relates to three areas: public investment is gradually being linked to strategic planning; medium-term investment planning is being given its own procedure; and requirements for project assessment, financial justification, environmental analysis, reporting and subsequent evaluation of results are being strengthened.

The EU's cohesion policy does not function as a set of individual investment decisions. It is based on multi-annual programming, a clear definition of responsible institutions, *ex-ante* conditions, project selection based on transparent criteria, monitoring of results, financial control and the possibility of making adjustments in the event of breaches or inefficiency. For Ukraine, the key challenge is that whilst individual elements of such a system already exist, they have not yet been fully integrated into a single management cycle. The new reforms for 2025–2026 partly address this challenge by strengthening the link among strategic planning, public investment, digital monitoring, performance evaluation, and control.

At the same time, progress is uneven. The most significant progress has been made in the areas of public investment management, strategic planning and digital monitoring. Less advanced areas include the institutional architecture for the future management of EU funds, a fully-fledged system of financial corrections, independent audit, sustainable partnership mechanisms, the full integration of territorial statistics, and the link between medium-term investment plans and the budget.

Consequently, over the past year, Ukraine has not yet completed the development of a system compatible with the logic of the EU's cohesion policy but has taken an important step towards its formation: individual reforms in the areas of strategy, public investment, digital monitoring and performance evaluation are beginning to function as interlinked elements of a single cycle.

2. DEVELOPMENT STRATEGIES WITHIN THE FRAMEWORK OF MULTI-ANNUAL PROGRAMMING

One of the key changes has been the introduction of clearer requirements for the strategies underpinning proposals for public investment. Resolution No. 361 of the Cabinet of Ministers of Ukraine set out the procedure for their development, monitoring and evaluation of results, whilst Order No. 360-r established an action plan for harmonising approaches to sectoral and industry-specific strategies. This changes the practical role of the strategic document: it must set out general objectives, the implementation logic, expected outcomes, measurable indicators, and a financial justification.

This change is significant in the context of Chapter 22 of the EU acquis, as strategic planning must be linked to the investment cycle and budgetary constraints. The new rules do not eliminate this gap, but they establish a certain sequence: investment proposals must be based on prepared and verified strategies, rather than emerging as isolated project ideas outside the planning system. This brings Ukraine closer to the logic of multi-annual programming, where projects are selected within the framework of agreed priorities.

Checklists and requirements for strategic compliance are intended to act as a preliminary filter for documents that may subsequently form the basis of investment proposals. They help to weed out strategies lacking proper financial justification, measurable outcomes or a link to territorial needs. In its logic, this approach is similar to the EU enabling conditions: access to funding should depend on the quality of the strategic framework, rather than merely on the existence of a formally approved document. At the same time, the current mechanism does not yet meet the requirement of Regulation 2021/1060 regarding the continuous monitoring of compliance with these conditions throughout the implementation period

3. MEDIUM-TERM INVESTMENT PLANNING

Resolution No. 294 established the procedure for developing and monitoring the state's medium-term plan for priority public investments, whilst Order No. 671-r approved the plan for 2026–2028. Resolution No. 612 further strengthened DREAM's role in monitoring the plan's implementation. As a result, investment planning is gradually shifting from the annual or *ad hoc* selection of individual projects towards a multi-year approach to setting investment priorities.

The EU's cohesion policy is based on multi-annual planning. The medium-term public investment plan brings Ukraine closer to this approach by creating a framework for setting priorities not just for a single financial year but for the medium term.

Resolution No. 294 links the development of the medium-term plan to the process of preparing the Budget declaration. Therefore, the problem lies not in the absence of a formal link to the budget cycle, but in its practical effectiveness. The Budget declaration sets out medium-term guidelines for budgetary policy, but in practice does not create sufficiently binding commitments for subsequent budgetary decisions. Consequently, strategic priorities and investment portfolios may be defined on paper but fail to exert sufficient influence on the actual allocation of resources, the sequencing of funding and the review of projects in subsequent budget cycles.

Under the new European framework, medium-term fiscal-structural plans (MTFSPs) combine the fiscal trajectory, macroeconomic forecasts, reforms and public investment over a period of 4 or 5 years (depending on the electoral cycle). For Ukraine, this means that medium-term public investment planning must align with both strategic priorities and real budgetary constraints. Unlike the Budget declaration, the MTFSP should set a more rigid medium-term framework, within which annual budgets, reforms and investment decisions are assessed for compliance with the agreed fiscal trajectory.

Ukraine is currently establishing an investment mechanism, including a medium-term plan, project portfolios, and evaluation procedures. The next step is to ensure that this mechanism is aligned with the macro-fiscal framework, in particular the Budget Declaration and the forthcoming MTFSPs.

4. INSTITUTIONAL CAPACITY: PUBLIC INVESTMENT MANAGEMENT UNITS WITHOUT A COMPREHENSIVE MODEL FOR MANAGING EU FUNDS

Ministry of Economy Order No. 2942 approved model regulations on public investment management units. Such units are to operate at the central, regional, and local levels and support the preparation, evaluation, selection, and monitoring of investment projects. This helps assign investment management functions to specific bodies with defined mandates, rather than leaving them scattered across various departments.

PIM units can strengthen project preparation and investment portfolio formation; however, they do not replace the institutional architecture for managing EU funds. Ukraine has yet to determine which bodies will be responsible for programming, programme management, the selection of operations, payment functions, auditing, monitoring, and financial corrections. Without such a division of roles, the PIM units will remain a tool for investment preparation, but not a comprehensive model for managing cohesion policy funds.

The actual capacity of these units will depend on their staffing, access to data, methodological support and practical experience in preparing investment projects. Local authorities need specialists capable of preparing technical and economic feasibility studies, cost-benefit analyses, financial models, DNSH analyses, procurement documentation and reporting on indicators. This is particularly important for communities and regions affected by the war, where the need for investment is often greatest, whilst the human and financial resources required to prepare high-quality projects are at their lowest.

The next stage should involve the practical strengthening of these units. Training, methodological support, standard document templates, access to high-quality data, advisory assistance for communities and, where necessary, regional project offices are required. Otherwise, the new units may remain merely formal structures with a defined mandate but without sufficient tools to prepare and manage projects.

5. FUNCTIONAL TYPES OF TERRITORIES AND TERRITORIALLY DIFFERENTIATED POLICY

Resolution No. 1493 introduced a list of functional types of territories and criteria for classifying communities into different types. This is an important step towards a more differentiated regional policy. Support must consider not only the administrative status of a territory, but also its actual needs, functions, constraints and development potential.

For Ukraine, this typology has clear practical relevance. The war has altered the country's economic, demographic and infrastructural landscape: some territories require basic reconstruction, whilst others need support for economic specialisation, the development of transport accessibility, the integration of internally displaced persons, or the strengthening of their role as centres of growth. A one-size-fits-all support model for all communities will not work in such circumstances.

Functional types of territories can make strategic planning and the allocation of public investment more precise. Recovery areas, growth poles, border regions and other specific territories have different objectives and require different tools. In this sense, Resolution No. 1493 lays the foundation for better targeting of regional policy: investments must be tailored to the type of territory, rather than being allocated according to the same logic for all communities.

At the same time, the typology will only have practical significance if it influences management decisions. It needs to be integrated into strategy development, investment portfolio formation, project selection criteria, results monitoring, work with GIS, DREAM, and budget planning.

6. DIGITAL MONITORING

Resolution No. 612 established DREAM as a mandatory monitoring tool for the medium-term plan for priority public investments. Furthermore, changes to financial reporting requirements reinforce the regular submission of information on the physical and financial progress of projects. In the context of cohesion policy, a project's digital footprint is a key prerequisite for transparency, control and subsequent audit.

DREAM could form the basis of a future audit trail⁶ : from the project idea through to preparation, assessment, inclusion in the portfolio, financing, implementation, changes, procurement, completion and evaluation of results. If the system is comprehensive, open and integrated with other government IT systems, it could significantly reduce the risks of manual intervention. From now on, the system is intended to record key details about a project: when it was submitted, who initiated it, what documents were attached, what assessments it received, on what grounds it was included or excluded from the portfolio, and how its cost and implementation deadlines have changed.

⁶ Audit trail – a documented chain of decisions, data and supporting evidence that makes it possible to verify the legality, regularity and effectiveness of the support provided to a specific operation or project. Within the EU funds system, such a trail must cover the key stages of selection, financing, implementation, reporting, payments and control; its elements are set out in Annex XIII to Regulation (EU) 2021/1060.

However, DREAM should not yet be equated with a fully fledged electronic management system for EU funds, such as SFC2021. There remain risks of incomplete integration with the Treasury, procurement systems, beneficiary registers, GIS and other data sources. It is also important that data is not only entered but also standardised: unique identifiers are required for projects, beneficiaries, locations, funding sources and contracts.

7. PARTNERSHIP AND CONSULTATIONS

Decree No. 361 provides for consultations to be held during the preparation of strategies that form the basis for formulating public investment proposals. This is important for Chapter 22 of the EU acquis, as cohesion policy relies not only on decisions by central authorities, but also on the participation of local authorities, social partners, business, the expert community and civil society.

This approach is in line with the logic of the European code of conduct on partnership. In the EU, partners must be involved in the preparation, implementation, monitoring and evaluation of programmes. For Ukraine, this means that consultations should not be limited to a formal collection of proposals for a document that has already been drafted. At the same time, a significant implementation gap remains in practice: the Law of Ukraine ‘On Public Consultations’ has been adopted, but most of its provisions will enter into force only 12 months after martial law in Ukraine is terminated or lifted.

There is a risk that consultations may remain a procedure with no real impact. If participants submit proposals but cannot see which have been taken on board, which have been rejected, and why, trust in the process will be low. Therefore, the next step is to introduce a public consultation matrix, a brief justification for accepting or rejecting proposals, and minimum quality requirements for consultations.

8. INTERNATIONAL TERRITORIAL COOPERATION

Resolution No. 1647 approved the State programme for the development of international territorial cooperation for 2025–2027. It sets out areas of focus for the participation of local authorities and regions in cross-border and other joint projects with partners from EU countries.

In the EU, this area is regulated by Regulation 2021/1059, which covers joint programmes and projects involving participants from different countries. Participation in such programmes requires agreed rules for project preparation, funding, monitoring, reporting, and cooperation among partners.

The Ukrainian programme lays the groundwork for this area, but it needs to be supplemented with practical rules. Local authorities need clear requirements regarding eligible expenditure, co-financing, proof of expenditure, auditing, monitoring, reporting and working with foreign partners. Without this, participation in joint programmes will remain challenging even with political support.

9. HORIZONTAL REQUIREMENTS: PROCUREMENT, STATE AID, DNSH AND FINANCIAL SUSTAINABILITY

Progress has been made on horizontal requirements, which do not relate exclusively to Chapter 22 but are critical to the future management of EU funds.

First, Ukraine's new Law 'On Public Procurement' and the Roadmap for Strengthening Control over Public Procurement for 2025–2027 are intended to enhance competition, oversight, risk indicators and the role of the State Audit Service. This is important because the greatest corruption risks in investment projects often arise not at the strategy stage, but during the tendering process, contract amendments, additional works and contract implementation.

The second area is state aid. Resolution No. 232 of the Cabinet of Ministers of Ukraine of 28 February 2025, 'Certain Issues Concerning the Allocation of Public Investment', and the related procedures for managing public investment make it possible to identify at an earlier stage those projects where questions regarding the provision of state aid may arise. This applies to projects involving municipal enterprises, SMEs, industrial parks, or infrastructure with potential commercial use. At the same time, such a preliminary check does not replace a full analysis in accordance with the Law of Ukraine 'On State Aid to Economic Entities' of 1 July 2014 No. 1555-VII and EU rules, in particular the GBER. Therefore, it should be regarded as an element of preliminary screening within the UPI system, rather than as a separate reform of the state aid regime.

The third area covers DNSH, environmental impacts, inclusivity and accessibility. Order No. 353 of the Ministry of Economy introduces methodological guidelines for analysing environmental impacts and effects, as well as inclusivity, accessibility, and alignment with sustainable development goals, in the preparation of public investment projects. The act is methodological in nature; therefore, DNSH does not yet function as a fully-fledged, legally binding condition for funding, analogous to the rules of EU funds or the criteria for environmentally sustainable investments under Regulation 2020/852.

The fourth area is the assessment of projects' financial sustainability and cost. Ministry of Finance Order No. 316 on the methodology for calculating the cost of a public investment project, as well as related methodologies concerning financial backing and the financial capacity of beneficiaries, is intended to reduce the risk of underestimated budgets, unrealistic feasibility studies and subsequent cost overruns. However, these tools need to be adapted to wartime conditions: the destruction of assets, falling community revenues, population migration and security risks may render standard financial indicators insufficient.

10. MONITORING AND EVALUATION

Resolution No. 189 of the Cabinet of Ministers of Ukraine standardised the final assessment of the implementation status of public investment projects, whilst Resolution No. 491 standardised the post-investment assessment of large-scale projects. Furthermore, the Strategy for reforming the public finance management system for 2026–2030 provides for the strengthening of internal control, risk management and managerial accountability. These changes bring Ukraine closer to the EU approach, in which fund management is based on internal control, risk management, and managers' accountability for the accuracy of reporting.

Resolution No. 189 also provides for a separation of functions between the departments that prepared the project and those conducting the assessment; the reform is intended to reduce the risk of conflicts of interest. At the same time, in practice, such a requirement may remain merely formal, particularly at the local authority level, where there is a shortage of staff and external independent verification of technical and economic justifications is not always available.

The question is whether the results of the evaluation will influence future decisions. Resolution No. 189 and Resolution No. 491 stipulate that the evaluation findings must be considered when preparing subsequent projects and proposals for the medium-term public investment plan. However, this requires a functioning feedback mechanism. If the evaluation merely records deviations from the initial feasibility study, its impact will be limited. Instead, it should shape the next planning cycle: readiness criteria, approaches to cost calculation, requirements for demand forecasts, and an assessment of the initiators' capacity.

The next step is to link the results of the final and post-investment evaluations to DREAM and future project selection procedures. Typical cost overruns should be taken into account when updating the cost calculation methodology; unrealistic demand forecasts when revising the feasibility study requirements; systemic delays when defining readiness criteria; and poor implementation quality by individual initiators when assessing their capacity. The assessment will then serve not only as a final report but also as a tool for improving future investment decisions.

11. NEXT STEPS

Over the past year, Ukraine has made notable progress in establishing a procedural framework for Chapter 22. The next stage should focus on integrating the elements already in place into a unified system for planning, selection, financing, monitoring and control.

- The strategic, investment and macro-fiscal components need to be brought together into a single hierarchy. The National development strategy, regional and sectoral strategies, the medium-term public investment plan, the Budget declaration, and the future Medium-term fiscal-structural plan should function as a single cycle, rather than as parallel documents. To this end, it is worth clearly defining which strategic documents form the basis for including projects in portfolios, how their financial feasibility is assessed, and how budgetary constraints influence the order of funding.

- Checklists and compliance criteria should become a permanent mechanism for ensuring enabling conditions. Requirements related to strategies, partnerships, environmental standards, state aid, and data quality should be verified not only at the document preparation stage but also during project implementation. It is also necessary to define the consequences of failing to meet such conditions: project revision, temporary suspension of funding, additional verification or exclusion from the portfolio.
- An institutional model for managing future EU funds must be established. This can be achieved through a separate framework act or a roadmap for institutional preparation to manage cohesion policy funds. This roadmap should define the coordinating body, programme management bodies, intermediate bodies, payment functions, audit arrangements, procedures for addressing irregularities and financial corrections. PIM units are important for preparing and supporting investments, but they do not replace a comprehensive management architecture for EU funds.
- Digital integration must be completed. DREAM, GIS, the Treasury, Prozorro, beneficiary registers and financial reporting systems must be linked via common identifiers for projects, beneficiaries, locations, contracts and funding sources. Without this, the audit trail will remain incomplete, and data verification will continue to rely on manually cross-referencing information from different systems.
- The capacity of communities and regions to prepare high-quality projects needs to be strengthened. Communities with weaker capacity should receive practical support: standard document templates, methodological guidelines, training, a consultation helpdesk and, where necessary, regional project offices. Otherwise, the selection system may, in practice, favour communities with already strong administrative capacity, rather than those areas with the greatest needs.
- Rules on financial corrections and the liability for breaching them should be clearly established. For the future management of cohesion policy funds, it is important to determine who decides on corrections, in which cases they are applied, how their amount is calculated, and who bears financial liability for breaches. This should apply not only to clear cases of misuse of funds, but also to breaches in procurement, conflicts of interest, inaccurate data, weak controls or significant deviations from the approved project parameters.