



Ukraine No. 2 (2024)

Framework Agreement

between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Ukraine on Official Credit Support for the Development of Ukraine's Defence Capabilities

London, 19 July 2024

[The Agreement is not in force]

*Presented to Parliament
by the Secretary of State for Foreign, Commonwealth and Development Affairs
by Command of His Majesty
September 2024*

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**FRAMEWORK AGREEMENT BETWEEN THE GOVERNMENT OF
THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN
IRELAND AND THE GOVERNMENT OF UKRAINE ON OFFICIAL
CREDIT SUPPORT FOR THE DEVELOPMENT OF UKRAINE'S
DEFENCE CAPABILITIES**

The Government of the United Kingdom of Great Britain and Northern Ireland (hereinafter referred to as “the UK Party”) and the Government of Ukraine (hereinafter referred to as “the Ukrainian Party”, together referred to as “the Parties”),

WISHING to foster defence and security cooperation in furtherance of the Agreement on Security Cooperation between the United Kingdom of Great Britain and Northern Ireland and Ukraine dated 12th January 2024 and the Framework Arrangement between the Secretary of State for Defence of the United Kingdom of Great Britain and Northern Ireland and the Ministry of Strategic Industries of Ukraine and the Ministry of Defence of Ukraine Concerning Cooperation in the Field of Defence Materiel dated 8th April 2024 (the “Framework Arrangement”),

SEEKING to establish a sustainable industrial base enabling Ukraine to restore its territorial integrity, acting as a major driver in economic recovery, contributing to effective deterrence of future aggression and capable of responding to emergencies,

REAFFIRMING cooperation objectives set by the Parties in the Framework Arrangement,

RECOGNISING the growth potential and mutual benefits of closer ties between defence industries of the Parties,

NOTING the intent to continue developing and enhancing Ukraine’s future force capabilities, as well as supporting Ukraine’s current defence and security requirements,

HAVE AGREED AS FOLLOWS:

ARTICLE 1

Definitions

The terms used in this Framework Agreement have the following meanings:

- (a) Agent-Bank – JSC “Ukreximbank”, which controls the disbursements of the Credits on behalf of the Borrower;

- (b) Bank Loan: a loan granted to the Borrower by a bank or consortium of banks, guaranteed by UKEF;
- (c) Borrower: Ukraine, represented by the Minister of Finance of Ukraine or the Head of Debt Agency of Ukraine (in case of the latter – acting upon duly authorised instructions of the Minister of Finance of Ukraine), depending on circumstances;
- (d) Contract: each contract, agreement or instrument (or a number of related contracts, agreements or instruments) for implementation of the Project, signed between the Purchaser(s) and the Suppliers;
- (e) Credit Agreement: each English law governed loan facility agreement laying down the procedures for use and repayment of the Bank Loan(s);
- (f) Credits: one or several Bank Loans;
- (g) Existing Treaty: the framework agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Ukraine on Official Credit Support for the Development of the Capabilities of the Ukrainian Navy, done on 12th November 2021;
- (h) Lender(s): a bank or consortium of banks, who will provide the Bank Loan(s);
- (i) OECD Arrangement: OECD Arrangement on Officially Supported Export Credits;
- (j) Project(s): any state investment project(s) for procurement of defence materiel, equipment, transfer of technology or licencing, provision of works and services or other goods (including intangible assets) in the defence sphere including but not limited to projects aimed at development of Ukraine's defence industrial base, subject to agreement between the UK Party and the Ukrainian Party;
- (k) Purchasers: the Ministry of Defence of Ukraine and/or authorised bodies of Defence Forces of Ukraine;
- (l) Suppliers: the Ministry of Defence of the United Kingdom of Great Britain and Northern Ireland (in its own capacity or acting through its agencies or authorities), state-owned or private companies (including joint ventures or partnerships between United Kingdom of Great Britain and Northern Ireland and Ukrainian legal entities);

- (m) UKEF Support Fee: the fee due to UKEF in return for guaranteeing the Bank Loan;
- (n) UKEF: His Britannic Majesty's Secretary of State acting through the Export Credits Guarantee Department (operating as UK Export Finance), acting in the name of and for the account of the UK Party.

ARTICLE 2

Amount and Purpose of the Financial Support

1. The UK Party intends to grant the Ukrainian Party official credit support in the form of Credits for the implementation of the Project(s) subject to the relevant parties agreeing satisfactory Credit Agreement terms.

2. The overall amount of Credits used for financing the Contracts shall not exceed £2,000,000,000 (two billion pounds sterling) or equivalent in USD/EUR, to which may be added the UKEF Support Fee.

3. The Parties have agreed that the overall amount of Credits may be increased at the sole discretion of the UK Party which shall be notified to the Ukrainian Party in writing through official channels. For the avoidance of doubt, such increase shall not require amendment of this Agreement.

4. For the implementation of the Projects the Suppliers and the Purchaser(s) will need to sign Contracts necessary for their fulfilment.

5. The Credits shall be used for the financing of Contracts, signed with the Suppliers, which shall include goods and services of UK origin representing at least 20% of the value of the relevant Contract, and for the financing of the UKEF Support Fee.

6. The Agent-Bank fees shall be paid by the Purchaser(s).

7. The relevant Purchaser(s) shall monitor and manage the Project(s).

ARTICLE 3

Composition of the Financing

1. The official support granted for financing of the Project(s) comprises Bank Loan(s) amounting to a maximum of £2,000,000,000 (two billion pounds sterling) or equivalent in USD/EUR.

2. The UKEF Support Fee corresponding to the Credits will be borne by the Borrower. The UKEF Support Fee may be financed by the Lenders, at the request of the Borrower and subject to approval by UKEF. In such case, the total amount of the Credits shall be increased as necessary by the amount of the UKEF Support Fee.

ARTICLE 4

Financing Arrangements

1. For the implementation of the Project(s), the Purchaser(s) intends to purchase from the Supplier(s) goods, works and/or services (in accordance with the relevant Contract) which are eligible for the Credits being granted on terms and conditions set out in Article 5 of this Framework Agreement. Each Contract shall be executed prior to execution of the relevant Credit Agreement.

2. The amount of Credits allocated shall cover the value of each Contract, which is financed under this Framework Agreement, and, if needed, cover the UKEF Support Fee if the Borrower requests the financing of such amount, and such request is accepted by UKEF.

3. Utilisations under any Credit Agreement shall be made in favour of the Suppliers (and UKEF where the UKEF Support Fee is financed) on the basis of the documents submitted by the Suppliers in accordance with the relevant Contract and the relevant Credit Agreement.

ARTICLE 5

Terms and Conditions of the Financial Support

1. Each relevant Contract shall be financed by the support referred to in Article 2. The repayment period of any Credit shall be determined by UKEF and shall not exceed fifteen (15) years. The Credit principal is repayable in equal and successive instalments, with the first instalment fixed at six (6) months after the repayment starting point, which is fixed in accordance with the features of the relevant Contract, or any other date, confirmed by UKEF. The Borrower's debt obligations under each Credit Agreement are separate and independent to the performance of the relevant underlying Contract.

2. For any Credit, a Credit Agreement shall be signed between the relevant Lender(s) and the Borrower. Each Credit Agreement shall provide for allocation of Contracts as provided for in Article 7 of this Framework Agreement. Each Credit Agreement shall specify the general terms of financing, including the terms for drawing and repayment of the Credits as agreed between the relevant parties.

3. The interest rate applicable to any Bank Loan shall be the relevant C.I.R.R. (Commercial Interest Reference Rate), determined by UKEF in accordance with the rules of the Organisation for Economic Co-operation and Development Arrangement in force on the date on which such Credit Agreement is signed, and increased by a margin not exceeding 2.5% per annum, or the relevant Bank Loan currency benchmark, for US dollars the 6-month Secured Overnight Financing Rate (SOFR), for UK pounds the Sterling Overnight Index Average (SONIA) compounded in arrears, for euro the 6-month Euro Interbank Offered Rate (Euribor), or the rate which replaces it in each case, and increased by a margin not exceeding 3% per annum.

4. The interest on each Credit shall be calculated on the outstanding principal; it shall run from the date of each drawing and shall be paid half-yearly. Any instalment of the principal or interest which is not paid when due shall give rise to default interest with effect from the due date for payment until the date of the actual payment.

5. Any costs, disbursements and fees, duly justified and documented, relating to this Framework Agreement and any action resulting from it, and more specifically the costs and fees of legal advisers and all costs incurred in connection with proceedings or inquiries made necessary by the action of the Ukrainian Party or its failure to act under this Framework Agreement shall be borne by the Ukrainian Party.

ARTICLE 6

Currency for Reporting and Payment

The currency for reporting and payment under this Framework Agreement is pounds sterling, euros or US dollars.

ARTICLE 7

Allocation of the Contract

1. Allocation of a Contract to be financed by the Credits is subject to the following conditions:

- (a) agreement between the Parties that such Contract and relevant Supplier(s) and Purchaser(s) are eligible to be supported under the relevant Credit Agreement;
- (b) completion of any applicable conditions set out in the relevant Credit Agreement;
- (c) compliance with the commitments made in Article 8 of this Framework Agreement; and

(d) where relevant, Contracts shall be allocated pursuant to the provisions of the Framework Arrangement.

2. After UKEF has verified that the aforementioned conditions have been met, each relevant Contract to be financed by the support referred to in Article 2 of this Framework Agreement shall be allocated to a Credit Agreement.

3. As from the date this Framework Agreement enters into force, no further Credits (as defined in the Existing Treaty) shall be granted or made available pursuant to the Existing Treaty. Any existing Credits (as defined in the Existing Treaty) subject to Credit Agreements (as defined in the Existing Treaty) granted pursuant to the Existing Treaty shall remain unaffected.

ARTICLE 8

Commitments to Combat Corruption

1. In each Credit Agreement, the relevant parties will set out terms to reflect their commitment to the fight against corruption in international commercial transactions.

2. The parties to any Contract allocated to this Framework Agreement may not, for their benefit or that of another party, offer or give to a third party, ask for, accept or obtain promise of, directly or indirectly, any undue pecuniary or other advantage, which constitutes or may constitute an illegal or corrupt practice.

3. The Ukrainian Party shall take reasonable measures to ensure that there are no corrupt acts during the implementation of the Project(s). Save where such notification would, or might reasonably be argued to, constitute the equivalent of the offence of “tipping off” under relevant legislation for either Party, the Parties undertake to inform each other if they become aware of information giving rise to any suspicion of corruption.

4. In the event of failure to comply with the obligations set out in this Article, the UK Party reserves the right to refuse to allocate any relevant Contract and/or to suspend disbursements of the Credit to the Borrower in relation to the relevant Contract.

ARTICLE 9

Deadlines for Granting Credits

1. To benefit from the Credits, the relevant Credit Agreement must be signed within the validity period of UKEF’s commitment for financing as

communicated by UKEF to the Ukrainian Party, as amended or extended from time to time, and all Contracts must be allocated not later than 31 December 2027.

2. This deadline may be extended, after mutual agreement via an exchange of letters between the Parties.

ARTICLE 10

Taxes and Duties

1. Any goods, works or services bought under any Contract allocated pursuant to this Framework Agreement, are exempt from any tax, charge, customs duty and other compulsory levies applicable within the territory of Ukraine, in accordance with Ukrainian national legislation.

2. Transactions involving the import of goods into the customs territory of Ukraine under any customs regime (which goods were purchased from the Suppliers, their representative offices, their contractors or subcontractors and are financed under any Contract allocated pursuant to this Framework Agreement) shall be exempt from any taxes, duties, customs duties, and any other mandatory payments levied in Ukraine in accordance with the laws of Ukraine.

3. Transactions involving supply of goods, works, and services in the customs territory of Ukraine (save for the import transactions contemplated under paragraph 2 of Article 10) that are carried out directly by a Supplier, its representative offices registered in the customs territory of Ukraine, and their contractors, subcontractors (which transactions are financed under any Contract allocated pursuant to this Framework Agreement) shall be exempt from value-added tax.

4. Income realised in connection with the supply of goods, works, and services in the customs territory of Ukraine as a result of performance under any Contract allocated pursuant to this Framework Agreement and received directly by the Suppliers, their representative offices, their contractors or subcontractors shall be exempt from any taxes, duties and any other mandatory payments levied in Ukraine in accordance with the laws of Ukraine. This exemption shall not apply to corporate income tax, personal income tax and other identical or substantially similar taxes and duties, in particular the military duty; such taxes and duties shall apply at the rates envisaged by the laws of Ukraine.

5. This Framework Agreement shall not affect the provisions of the Convention between the Government of Ukraine and the Government of the United Kingdom of Great Britain and Northern Ireland for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on

income and capital gains, signed on 10 February 1993 (as amended), or any amendments thereto.

ARTICLE 11

Entry into Force

This Framework Agreement shall enter into force on the date of receipt of the later of the written notifications from the two governments, sent via diplomatic channels, confirming completion by each Party of all constitutional and legal procedures required for entry into force of the Framework Agreement.

ARTICLE 12

Amendments to the Framework Agreement

Amendments may be made to this Framework Agreement by mutual written agreement between the Parties.

ARTICLE 13

Dispute Resolution

All disputes relating to the interpretation or implementation of this Framework Agreement shall be settled by means of consultation or negotiation between the Parties.

IN WITNESS WHEREOF, the undersigned, being duly authorised for this purpose by their respective Governments, have signed this Framework Agreement.

Done in London, on the Nineteenth of July 2024, in two original copies, in English and Ukrainian, both being equally authentic.

**For the Government of the
United Kingdom of Great
Britain and Northern Ireland:**

For the Government of Ukraine:

JOHN HEALEY

RUSTEM UMEROV

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