

## UKRAINE: URBAN INFRASTRUCTURE PROJECT

### Key Dates:

**Approved:** August 28, 2007

**Effective:** November 10, 2008

**Closing:** December 31, 2013 [expected to be extended]

### Financing in million US Dollars\*:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IBRD	140.00	87.99	52.01
<b>Total Project Cost</b>	<b>140.00</b>		

\*Source: World Bank BW data as of September 9, 2013

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



**The Project Development Objective** is to improve the quality of water and wastewater services and increase the energy efficiency of select water and sanitation utilities.

**The Project** addresses (i) institutional strengthening for utilities towards improved operational efficiency; (ii) rehabilitation investments needs in water and wastewater in Odessa, Ivano-Frankivsk, and Chernihiv; and (iii) the need to finance urgent energy-efficiency investments in 14 water and sanitation utilities.

### Results achieved:

Project started implementation slowly due to low readiness of investment projects for financing, a reflection of the low capacity in many municipalities and utilities. However, most recently the project has a steady implementation progress, meeting the expected objectives.

- Energy-efficiency investments sub-projects were completed in 5 participating cities – Kolomyia, Novo Kakhovka, Drogobych, Cherkasy and Kamyanets-Podilskiy – and in each city the obtained results exceeded a target of having at least 15 percent of energy savings.
- Specifically, energy efficiency improved by 35 percent in Kolomyia, 30 percent in Cherkasy, 25 percent in Drogobych, 21 percent in Kamyanets-Podilskiy and 20 percent in Nova Kakhovka.
- In Kolomyia a new water pumping station was opened, resulting in fewer breakdowns in the water supply system. The water utility company, which is owned by the city council, estimates annual savings of about one million-kilowatt hours of electricity.
- Business plans have been developed by three participating utilities to improve their strategic planning and enhance their decision-making practices, and ultimately are expected to have a positive impact on the utilities' financial situation.
- In total, the project is expected to reach 4 million people, who will have better access to clean, safe, and reliable water.

**Key Partners:** (i) the Ministry for Regional Development, Construction, Housing and Communal Services is responsible for the overall policy setting as well as for project implementation; (ii) the municipal authorities of Odessa, Ivano-Frankivsk, and Chernihiv, which have regional Project Management Units; and (iii) 11 other municipal utilities in participating cities.

**Key Development Partner** is the Swedish International Development Cooperation Agency (SIDA), which has provided SKr 35,844,217 [an equivalent of about US\$5.5 million] in support of institutional strengthening and energy efficiency under the Urban Infrastructure Project.

## UKRAINE: SWEDISH TRUST FUND FOR URBAN INFRASTRUCTURE PROJECT

### Key Dates:

**Approved:** October 10, 2008

**Effective:** October 10, 2008

**Closing:** December 31, 2013

### Financing in million US Dollars:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
Swedish Trust Fund (SIDA)	5.4	1.3	4.1
<b>Total</b>	<b>5.4</b>		

**\*Source:** World Bank BW data as of September 9, 2013

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



**Project Development Objectives:** The objective of the Swedish Trust Fund for Urban Infrastructure Project (SIDA UIP TF) is to strengthen the capacity of the municipal services sector (water supply and sanitation, solid waste management, district heating, and other municipal services) by cofinancing with the Bank-financed Urban Infrastructure Project (UIP). The UIP is a US\$140 million investment project, financing water and sanitation infrastructure rehabilitation and energy-efficiency investments in 14 Ukrainian cities.

The following components are included in the project: (i) technical assistance (TA) for sector reform and capacity building; and (ii) TA for design supervision and an energy-efficiency assessment/audit.

### Achieved and expected results in sector reform and capacity building:

- Several training activities and study tours (to Turkey and Sweden) were completed in 2008–09 and had a strong positive impact on the capacity of the line ministry and the PIU. These study tours were critical at the early phase of project implementation for institutional capacity strengthening.
- Dissemination of the Study on Demand for Good Governance in the Water Sector has been completed.
- District heating study is underway (Gas and District Heating Tariff Reform in Ukraine: Mitigating the Impact of Tariff Increases through Targeted Cash Transfers and Energy Efficiency Measures). This will build the Government's capacity to develop and implement sector reforms efficiently.
- Comments on tariff setting methodology for Water and Sanitation are underway. This contributes to building the capacity of the National Regulatory Commission of Communal Services in water and sanitation sector regulation.
- Sector Study on Solid Waste Management is underway and to be finalized in October 2013. The study is expected to contribute to informing solid waste sector policies.

### Results in assisting Government in Preparing Water and Sanitation Sector Investment subproject:

- Detailed designs and tender documents were produced for financing an investment project in Ivano-Frankivsk's water and sanitation utility, which served the investment project.
- Procurement of consultants for preparation of priority investments (feasibility studies and detailed designs) in five cities has been completed and the assignment is underway. This assignment will result in investment subprojects to be financed under the Urban Infrastructure Project 2, which currently is under preparation.

**Key Partners:** The Ministry of Regional Development, Construction, Housing and Communal Services is the implementing partner for the UIP investment as well as for the subject UIP SIDA Trust Fund. The National Regulatory Commission of Communal Services and the utilities involved in the UIP are also major partners and beneficiaries under the activity.

**Key Development Partners:** SIDA, through funding the subject Trust Fund, is the key partner in the implementation of the UIP investment.

## UKRAINE: POWER TRANSMISSION PROJECT

### Key Dates:

**Approved:** August 2, 2007

**Effective:** December 5, 2008

**Closing:** December 31, 2014

### Financing in million US Dollars\*:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IBRD Loan	200.0	109.72	90.28
Borrower	38.0		
Total Project Cost	<b>238.0</b>		

\*Source: World Bank BW data as of September 9, 2013

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



**The Project Development Objective** is to improve the security, reliability, efficiency, and quality of the power supply through the rehabilitation of transmission substations and the strengthening of the power transmission network. The project targets improved services to consumers through a reduction in transmission losses and improved voltage quality in transmission substations. The project also aims to improve the institutional capacity and technical capabilities of the transmission system operator, UkrEnergo (UE), so that it can ensure the secure and reliable operation of the high-voltage power grid, and therefore provide an improved quality of services to consumers.

**The Project** addresses a range of interconnected sector issues by (i) the rehabilitation of transmission substations, which includes replacement of outdated high-voltage equipment and the installation of modern protective relaying and substation automation systems; (ii) the strengthening of the transmission network, which includes expansion of the existing 330-kilovolt Bar substation and construction of the 72.9 km-long, 330-kilovolt transmission line; (iii) the stabilization of the Crimea Electric Power Grid; (iv) institutional development for UE, which includes the establishment of a corporate-wide management information system (MIS) in UE; and (v) the implementation of the Grid Code.

### **Results achieved:**

- The project had a slow start, but by mid-2012 managed to finalize all tender packages and sign contracts. Two major contracts for the reconstruction of Bar substation and construction of 72.9 km-long Dniester-Bar transmission line have been completed.
- These completed upgrades will have significant benefits to the UkrEnergo Company and Ukraine. They will make the Ukrainian power grid more reliable and efficient as they will help improve the company's services and reduce significantly power losses and outages in the transmission network.
- Moreover, the improvements at the Bar Substation will ensure more stable voltage in the grid through continuous power transmission, using the resources of the Dniester Hydro Power Plant to full capacity, which will generate savings of about UAH250 million [US\$31.2 million] a year.

Key expected results to be achieved by end-2014 are: (i) reduction in energy by 35 gigawatt hours per year (this is a measure of the amount of energy demanded by consumers, but not available because of overload in the system at peak hours); (ii) reduction in transmission losses by 14 megawatts (a measure of power supplied but lost in transmission because of outdated equipment); and (iii) voltage quality improvements in transmission substations (important for the reliability and stability of the power transmission system).

### **Key Partners:**

The Bank team worked closely with (a) the **Ministry of Energy and Coal Industry**, which was responsible for overall policy setting; (b) **UkrEnergo (UE)**, the ultimate beneficiary of the loan and implementing agency of the project in the rehabilitation of the transmission system; (c) the **National Energy Regulatory Commission (NERC)**, the independent power sector regulator charged with implementation of the new Wholesale Electricity Market Model; and (d) the **Energy Program Coordination Unit (EPCU)**, responsible for implementation of the Energy Sector Reform and Development Program at the Ministry of Energy and Coal Industry.

**Key Development Partners** included the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB), which are also working with UE on transmission projects, and the European Commission (EC), with which the Bank team coordinated closely on policy issues.

## UKRAINE: HYDROPOWER REHABILITATION PROJECT

### **Key Dates:**

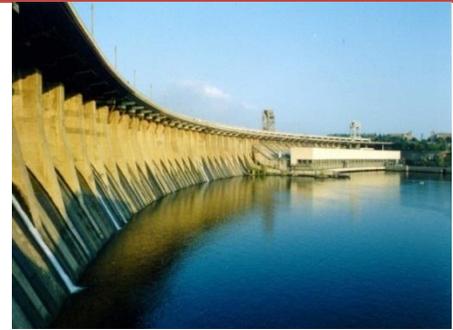
**Approved:** June 21, 2005

**Effective:** February 03, 2006

**Closing:** June 30, 2014

### **Financing in million US Dollars\*:**

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IBRD Loan	166.0	93.04	72.96
Borrower	274.5		
<b>Total Project Cost</b>	<b>440.5</b>		



**\*Source: World Bank BW data as of September 9, 2013**

**Note:** *Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*

From 2007 to 2012, Ukraine increased hydropower production from 5.2 to 5.5 percent in the total energy mix, producing 10.8 terawatt hours (out of 198 terawatt hours of total power produced) and in first six month of 2013 doubled production to 9.2 terawatt hours or 9.5 percent in the total energy mix. These investments enabled the power system to keep its supply costs low, as the rehabilitation of hydropower assets was a low-cost supply option.

**The Project Development Objective** is to improve operational stability and the reliability of the power supply by increasing the regulating capacity, efficiency, and safety of hydroelectric plants, and therefore, facilitate the unimpeded operation and opening up of the electricity market in Ukraine.

**The Project** addresses a range of interconnected sector issues by (1) rehabilitation of hydroelectric plants through the refurbishment of 73 hydroelectric units and associated plant equipment at nine hydroelectric plants; (2) rehabilitation and upgrading of the existing dam safety monitoring systems, as well as the installation of new dam safety monitoring systems and rehabilitation of drainage facilities and spillway gates on six dams on the Dnipro River and one dam on the Dnister River; (3) institutional development of UkrHydroEnergO (UHE) through the establishment of a corporate-wide management information system (MIS); (4) implementation of the Energy Sector Reform and Development Program; and (5) implementation of the new Wholesale Electricity Market (WEM) concept.

### **Results achieved:**

- The up-to-date rehabilitation of 55 hydropower units in four hydroelectric plants has been completed under the project and the installed capacity of the rehabilitated hydroelectric plants increased by about 120 megawatts by August 2013.
- The energy generated by Ukraine's hydropower stations is the cheapest source of electricity (12.92 kopeks per kilowatt hour compared with more than 126 kopeks per kilowatt hour generated by wind power). The project also pioneered the concept of carbon financing in Ukraine, as it was the first Joint Implementation Project under the Kyoto Protocol in the country.
- Bank studies are also contributing to improving the legal framework of the energy sector. The National Energy Regulatory Commission has successfully completed work on the new WEM model and has started to gradually implement it, which will bring many benefits such as: new investments and security of supply, real competition, possibility for demand-side participation, investments in own generation, and better utilization of generation and transmission capacities. Recently a new WEM law was submitted to the Verkhovna Rada (Ukraine's parliament) and is expected to be ratified by end-2013.

**Key Partners:** The Bank team worked closely with (a) the Ministry of Energy and Coal, which was responsible for the overall policy setting; (b) UkrHydroEnergO, the ultimate beneficiary of the loan and implementing agency of the project; (c) the National Energy Regulatory Commission, charged with implementation of the new WEM model; and (d) the Energy Program Coordination Unit, responsible for implementation of the Energy Sector Reform and Development Program at the Ministry of Energy and Coal Industry.

**Key Development Partners** include the EBRD and the EIB, which are also working with UHE on the rehabilitation of hydropower stations, and the EC, with which the Bank team has coordinated closely on policy issues.

## UKRAINE: ENERGY EFFICIENCY PROJECT

### **Key Dates:**

**Approved:** May 17, 2011

**Effective:** November 9, 2011

**Closing:** March 31, 2016

### **Financing in million US Dollars:**

Financier	Financing	Disbursed	Undisbursed
IBRD Loan	200.00	35.15	164.85
<b>Total Project Cost</b>	<b>200.00</b>		



**\*Source:** World Bank BW data as of September 9, 2013

**Note:** Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Ukraine is among the most energy intensive economies in the world. For example, energy consumption to heat buildings is estimated to be roughly 3–5 times that of Western Europe, and the energy consumption of Ukrainian buildings is estimated to be about 2–2.5 times worse than in Western Europe. Low energy prices encourage high energy consumption and create unsustainable fiscal subsidies. For example, gas prices for district heating companies and households remain artificially low, creating a significant deficit for the integrated oil and gas company and sizeable fiscal subsidies. In addition, limited metering and the absence of consumption-based billing in the heating sector further encourage energy waste.

The Government of Ukraine has made it a strategic priority to reduce Ukraine's energy intensity. The industrial sector, particularly heavy industry, is expected to be the primary source of energy savings if the country's production technologies could be updated. In the steel sector, for example, this could reduce energy consumption per unit of output more than fourfold. Other sectors, such as chemical, agricultural, and food production, are estimated to potentially benefit from equally significant energy savings, as are municipalities. Energy savings at the municipal level can be realized in public buildings and municipal services (district heating, water, waste management). Financing for these types of industrial and municipal energy-efficiency projects has been constrained by the financial crisis, which brought lending to a virtual standstill.

**The Project Development Objective** is to contribute to improved energy efficiency by industrial and commercial companies, municipalities, municipally owned enterprises, and energy service companies by facilitating sustainable financial intermediation for the financing of energy-efficiency investments. The project is a Financial Intermediary Loan to UkrEximBank, which has a successful track record in lending to industrial companies for energy-efficiency projects. In addition, UkrEximBank will on-lend the funds to participating banks (PB) to create a financial market for energy-efficiency projects. The project will also help develop energy efficiency projects in the municipal sector by identifying and financing bankable pilot projects.

**The project** has one component: financing energy-efficiency investments in the industrial and municipal sector. The Ministry of Regional Development and Housing will benefit from capacity-building measures to prepare municipal energy-efficiency projects under a Clean Technology Fund grant.

**Expected Results:** The project is expected to reduce energy consumption by industrial end users and municipalities as well as increase lending for energy-efficiency projects.

Four subprojects in the industrial sector have been approved with a record financing of US\$ 30 million, helping to change the production technology of a cement factory to a more energy-efficient dry production method.

**Key Partners:** (i) UkrEximBank, the executing agency for the credit line as a financial intermediary and implementer of the proposed project; (ii) State Agency of Ukraine for Efficient Use of Energy Resources (SAER), which is responsible for developing energy-efficiency policies in Ukraine and overseeing their implementation; and (iii) commercial banks, which could become PBs under the project.

**Key Development Partners:** The World Bank team has been closely coordinating with the International Finance Corporation (IFC), EBRD, the U.S. Agency for International Development (USAID), the EIB, the EC, and private sector representatives on policy issues and ongoing TA activities related to energy efficiency, particularly at the municipal level.

## UKRAINE: CTF FOR DISTRICT HEATING ENERGY EFFICIENCY PROJECT

**Key Dates:**

**Approved:** October 3, 2012

**Effective:** November 8, 2012

**Closing:** June 30, 2014

**Financing in million US Dollars:**

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
Clean Technology Fund (CTF)	1.00	0.1	0.9
<b>Total</b>	<b>1.00</b>		

**\*Source:** World Bank BW data as of September 9, 2013

**Note:** Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



**Project Development Objectives:** The objective of the Clean Technology Fund (CTF) Project Preparation Grant is to support the implementation of an Energy Efficiency (EE) Project under the CTF Investment Plan for Ukraine and in particular, the scaling-up of municipal EE financing by helping to identify and resolve the potential implementation issues, and ensuring that municipal EE investments are based on sound analytical work and aligned with country priorities for poverty alleviation and social objectives. The proposed activities will also help strengthen consensus in setting and achieving Ukraine's EE target among key national stakeholders and development partners, as well as enhance the capacity of concerned national agencies for policy reform and the delivery of results.

**Results achieved:**

- A proposal template and guidelines for district heating EE projects have been developed; and district heating companies were selected for feasibility studies.
- Preparation of feasibility studies for six district heating EE projects was completed, which led to signing contracts with consultants.
- As part of the grant, stakeholder mapping, communications plan, and related information materials have been developed; planning and organizing of three regional consultation/training workshops was completed.
- CTF Project Preparation Grant activities: Bank-prepared District Heating Energy Efficiency Project has been based on the findings of Feasibility Study, which was developed within this grant.

**Key Partners:** The Ministry of Regional Development, Construction, Housing and Communal Services is the implementing partner for the Ukraine District Heating Project and Implementing entity for CTF Grant. The utilities involved in the District Heating Project are also major partners and beneficiaries under the activity.

**Key Development Partners:** The CTF, through funding the subject Trust Fund, is the key partner in the implementation of the District Heating Project; EBRD and EIB, which also implement similar projects on the ground.

## UKRAINE: ROADS AND SAFETY IMPROVEMENT PROJECT

### **Key Dates:**

**Approved:** April 7, 2009

**Effective:** September 3, 2009

**Closing:** December 31, 2013

### **Financing in million US Dollars\*:**

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
WB Loan	400.0	320.10	79.90
<b>Total Project Cost</b>	<b>400.0</b>		



**\*Source:** World Bank BW data as of September 9, 2013

**Note:** Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

As Ukraine moves to gain market share in Europe and other developed markets, especially for high value added products, some transport will inevitably shift from rail to road. At present, the modal split of freight transport remains typical of a Soviet era economy: road transport contributes relatively little. Official statistics show that less than 10 percent of freight traffic (in ton kilometers) is by road, but this is changing quickly, leading to capacity constraints on parts of the road network. According to 2005 data, about 13 percent of the state network was in poor or very poor condition and requiring urgent investments, and about 26 percent of the state network was in fair condition, still needing to be upgraded to European technical and safety standards. Road safety is a serious issue in Ukraine, which has one of the worst records in the ECA region in terms of road accidents and fatalities.

**The Project Development Objective** is to improve the condition and quality of sections between Boryspil and Lubny of the M-03 road, and increase traffic safety on roads.

**The Project** addresses the development objective mostly through (i) the upgrade of 150 kilometers of the Kiev-Kharkiv road between Boryspil and Poltava, and (ii) the elimination of about 40 “accident black spots” through a variety of measures.

### **Results achieved:**

- With six months before the project’s closure, most of the rehabilitation and upgrade works have been completed or are at advanced implementation stage.
- The upgrade works on M-03 road between Boryspil and Lubny have been completed for a total of 140 kilometers, exceeding the initial plans, and bringing the road’s quality in line with international standards for motorways.
- Similarly, the safety upgrade works led to the elimination of critical spots and improved safety of the corridors both on M-03 and on other roads, particularly, on the road between Simferopol and Alushta.
- On M-03 in particular, the number of road accidents per year has already been reduced by 15 percent, while overall, the country is progressing towards EU standards in road safety with reduction of fatalities per 10,000 vehicles from 8 to 4.
- Finally, the technical assistance (TA) provided to the state road agency UKRAVTODOR has focused on introducing performance-based road maintenance contracts in Ukraine. These contracts are helping UKRAVTODOR to modernize the management and maintenance of the national road network. Thanks to this TA, the first performance-based contract for rehabilitation and maintenance, financed by the EBRD, should be initiated in 2014.

### **Key Partners:**

The World Bank team is working closely with **UKRAVTODOR**, the Government’s road agency in charge of managing and maintaining the main road network.

**Key Development Partners** include EBRD, which is planning to fund the performance-based road contracts that are being prepared with funding from the World Bank loan for this project.

## UKRAINE: SECOND ROAD AND SAFETY IMPROVEMENT PROJECT

### Key Dates:

**Approved:** September 20, 2012

**Effective:** December 25, 2012

**Closing:** December 31, 2016

### Financing in million US Dollars\*:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
WB Loan	450.0	43.64	406.36
<b>Total Project Cost</b>	<b>450.0</b>		



**\*Source:** World Bank BW data as of September 9, 2013

**Note:** The amounts of disbursed funds may differ from the volume of financing due to exchange rate fluctuations at the time of disbursement.

The Second Road and Safety Improvement Project, aimed at improving the transport and operational status of the international highway M-03 Kyiv-Kharkiv-Dovzhansky in the section Lubny-Poltava. It is a logical continuation of the first Roads and Safety Improvement Project, and it is expected to improve the transportation operational status of this road in the previous section Boryspil-Lubny.

The need for urgent repair and rehabilitation of highway M-03 Kyiv-Kharkiv-Dovzhansky in the section Lubny-Poltava is due to the critical condition of the road surface: about 64 percent does not meet the strength requirements and needs increased solidity, 23 percent does not meet the requirements for evenness and requires additional leveling layers and new asphalt pavement. That means that almost 70 percent of the road needs overhaul and every year this number will rapidly increase. In addition, more than 36 percent of the surfaced portion does not meet the requirements of traffic safety for the coefficient of adhesion.

In some sections potholes, cracks and rutting are responsible for slowing traffic down to 40-50 km/h while the project provides for an estimated safe speed of 100-140 km/h, or the maximum speed permitted by the traffic rules, 90 -110 km/h.

Improving traffic conditions on this road is extremely important because it provides the maintenance and development of trade and economic, cultural, tourist and other transport links of Ukraine with Russia, Belarus, the European Union and other European countries.

**The project objective** is to bring the transport and operating condition of the road M-03 Kyiv-Kharkiv-Dovzhansky in the section of Lubny to Poltava to the European level and improve the transport and operating condition of principal roads by using the risk map and protocols of assessment of the International Road Assessment Program (iRAP).

**The project** performs the tasks of (1) bringing the design, technical and geometrical parameters of the road M-03 Kyiv-Kharkiv-Dovzhansky in the section of Lubny to Poltava, the bridges, overpasses and other structures on it in line with the requirements of applicable regulations, and (2) improving road safety in sections of principal roads in Ukraine.

### Results achieved:

- Contracts amounting to US\$230.7 million have been awarded. It is planned to sign a contract for black spots elimination, identified under the iRAP.
- After upgrading the M-03 road, traffic will improve in the section between Lubny and Poltava. Black spots elimination will improve road safety on the principal roads of Ukraine.
- The technical assistance provided to UKRAVTODOR (the State Agency of Highways of Ukraine) was focused on the ways to modernize the management and maintenance of the national road networks.

### Key Partners

UKRAVTODOR is responsible for the management and maintenance of the main road network.

**Key partners for development** include the EBRD, the EIB and the EU, which are actively involved in addressing the problems of the road sector. Industry experts of the WB, the EBRD and the EIB on a regular basis, every six months, make joint visits to Ukraine, during which they discuss with the Government the problems of the road transport sector.

## UKRAINE: AUDITING ROAD INFRASTRUCTURE PROJECTS

**Key Dates:**

**Approved:** December 17, 2010

**Effective:** December 17, 2010

**Closing:** December 04, 2013

**Financing in US Dollars\*:**

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
Trust Fund	476,000	261,897.48	214,102.52
Total	476,000		

**\*Source:** World Bank BW data as of September 9, 2013

**Note:** Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



**Project Development Objectives:** to increase local capacity for technical auditing of road infrastructure projects in Ukraine. The main outcome of the program will be improved internal controls primarily within the State road agency UKRAVTODOR but it is expected that other Government departments and organizations with responsibilities for managing procurement and assuring the technical quality of road infrastructure projects in Ukraine will also introduce internal control mechanisms as a result of this project.

The audit will be conducted in accordance with International Standards on Auditing (ISA) as published by the International Auditing and Assurance Standards Board of the International Federation of Accountants (IFAC), with special reference to ISA 800 (Auditor's Report on Special Purpose Audit Engagements) and to relevant World Bank guidelines.

The following components are included in the project: (i) technical auditing and (ii) opinion on Financial Statements of road infrastructure project "Road and Safety Improvement Project".

**Results achieved:**

- Improved capacity for detection of potential cases of collusion during the implementation of the Road and Safety Improvement Project.
- Early detection of potential weaknesses in the supervision of road works.
- Improved local capacity of staff of UKRAVTODOR and other agencies for the assessment of (i) procurement aspects of project implementation and (ii) technical audits of road works, through on the job training by the consultant/auditor.
- Strengthened systems for internal control and management of procurement progresses related to project management.

**Key Partners:** UKRAVTODOR is responsible for the management and maintenance of the main road network.

**Key Development Partners:** activities are closely coordinated with the EBRD, the EIB and the EU, which are actively involved in addressing the problems of the road sector.

## UKRAINE: SECOND EXPORT DEVELOPMENT PROJECT (EDP2)

### **Key Dates:**

**Approved:** July 27, 2006

**Effective:** March 20, 2007

**Closing:** December 31, 2014

### **Financing in million US Dollars\*:**

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IBRD	304.5	193.60	110.60
<b>Total Project Cost</b>	<b>304.5</b>		



**\*Source: World Bank BW data as of September 9, 2013**

**Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.**

**The Project Development Objectives** are to (i) serve as a catalyst to support export and real sector growth in Ukraine during the EDP2 implementation period (2006–14) and beyond, by providing medium- and long-term working capital and investment finance to Ukrainian private exporting enterprises; and, (ii) further improve the ability of the Ukrainian banking sector to provide financial resources to the enterprise sector through the greater development of intermediation, and by expanding the sector's depth and breadth through more and better lending products.

**The Project** addressed some interconnected sector issues by (i) mandating the participating banks to undergo International Financial Reporting Standards (IFRS)-based audits as a prerequisite for participation in EDP2, a relative novelty in Ukraine at the time, and (ii) developing strategic alternatives for the borrower, UkrEximBank, to play the role of a full-fledged export credit and guarantee agency.

### **Results achieved:**

- To date, 45 loans have been approved for an amount totaling US\$176.2 million, covering a variety of industries and geographical regions. Nearly all borrowers under the project permanently and substantially expanded their export volumes.
- Currently, two banks along with UkrEximBank participate in the project, and several others are in the pipeline of potential participants. In spite of significant lending constraints following the financial crisis of 2008–10, direct lending to exporters by Ukraine ensured an uninterrupted flow of export support to the market from the EDP2 and Additional Finance credit line.
- The EDP2 credit line has been instrumental in providing long-term foreign currency financing to eligible exporters during the economic and financial crisis and ensuing credit crunch.

**Key Partners:** The Bank team has been working closely with (i) the Ministry of Finance as a guarantor to the World Bank on behalf of Ukraine; (ii) UkrEximBank, the state-owned bank, which serves as the borrower and the main implementation agency under the project, and other participating banks (Megabank, Credit Dnipro Bank), and (iii) the Ministry of Economic Development and Trade as a key coordinator of World Bank projects in Ukraine and a key state policy-making institution that oversees economic and export development in Ukraine.

**Key Development Partners** include the EBRD and IFC, with which the Bank team coordinates closely in order to provide consistency and complementary approaches.

## UKRAINE: PUBLIC FINANCE MODERNIZATION PROJECT

### Key Dates:

**Approved:** January 8, 2008

**Effective:** October 23, 2008

**Closing:** June 30, 2015

### Financing in million US Dollars\*:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IBRD Loan	50.00	3.55	46.45
Government of Ukraine	15.00		
<b>Total Project Cost</b>	<b>65.00</b>		

\* Source: World Bank BW data as of September 9, 2013

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



**The Project Development Objective** is to strengthen public financial management in terms of operational efficiency and transparency. This would include elaborating the medium-term budget framework (MTBF); improving the access of decision makers to budget data through the use of an integrated management and information platform; and enhancing the quality and timeliness of reporting on budget execution.

**The Project** aims to achieve its objectives through strengthening the institutional capacity of the Ministry of Finance (MoF), State Treasury Service of Ukraine (STSU), and State Financial Inspection of Ukraine (SFIU) for implementing public finance modernization (PFM) reform actions; developing new PFM methodologies and procedures; and providing a sustainable PFM solution that allows an integrated, modern, web-based system that comprehensively covers all stages of the budget process, in order to facilitate a reliable and timely exchange of information necessary for transparency, efficient decision making, and financial control. Creation of such a system would be completed by 2015 with support from the World Bank.

### Results achieved:

- Budget economic and functional classifications are compliant with the Government Finance Statistics 2001, resulting in better informed policy making and improved international comparability.
- Proposed budgets now are published in the same detail as executed budgets, as opposed to just a summary of proposed and executed budgets, leading to the improved transparency of the budget process.
- The MTBF for 2012–14 was elaborated and approved, and since 2010, budget laws have been approved consistently with the MTBF, enabling the use of the budget as a policy instrument.
- Seventeen International Public Sector Accounting Standards (IPSAS) were made compliant, revised, and approved by the MoF and STSU as part of the implementation of the Accounting Reform Program (aimed at transition to accrual-based accounting compliant with IPSAS until 2015) that allows the production of financial statements that are understandable and comparable across countries.

### Key Partners:

**Ministry of Finance of Ukraine; State Treasury Service of Ukraine, and State Financial Inspection of Ukraine.**

**Key Development Partners** include the EU, the Netherlands Ministry of Finance, USAID, the U.S. Treasury, the French Treasury, SIDA, the United Nations Development Programme (UNDP), and the International Monetary Fund (IMF).

## UKRAINE: DEVELOPMENT OF THE STATISTIC SYSTEM FOR MONITORING THE SOCIAL AND ECONOMIC TRANSFORMATION PROJECT

### Key Dates:

**Approved:** March 25, 2004

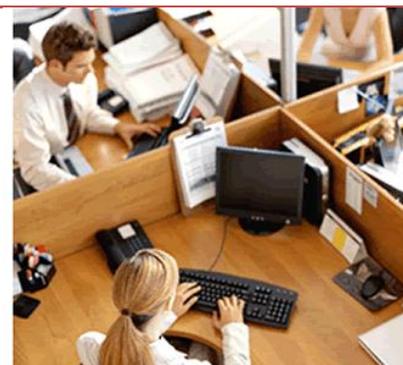
**Effective:** June 15, 2005

**Initial Closing:** December 31, 2009

**Revised Closing:** December 31, 2013

### Financing in million US Dollars\*:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IBRD Loan	42.00	34.13	7.87
Government of Ukraine	5.94		
<b>Total Project Cost</b>	<b>37.94</b>		



**\*Source: World Bank BW data as of September 9, 2013**

**Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.**

**Total amount includes original loan and additional financing.**

**The Project** is one of the first operations approved under the Statistical Capacity Building Program (STATCAP) that envisaged a broad and comprehensive institutional reform of statistical systems in developing countries.

**The Project Development Objective** is to build a sustainable state statistical system that efficiently provides timely and accurate data for policy evaluation and decision making.

**The Project** addressed a range of interconnected sector issues and mainly aimed at the improvement of the institutional capacity of the State Statistics Service of Ukraine (SSSU), involving issues such as independence, confidentiality, and the dialogue with data users; the development of a statistical infrastructure, including such aspects as business registers, sampling frames, classifications, database structures, and the Integrated Statistical data processing System (ISDPS) including the upgrading and development of statistical, physical infrastructure, and equipment. In response to the request of the Government the Bank provided additional funds to extend the results of the well-performing projects.

The Additional Financing will help the SSSU to roll out the ISDPS nationwide and replace the census-based system with the sample-based version to make it compliant with international standards.

The project also provided assistance to improve Government finance statistics as well as monetary and balance of payment statistics. The appropriate activities were successfully completed in 2010.

### **Results achieved:**

While the complete and sustainable results of the project will be ensured by the implementation of the Additional Financing, the project has already supported improvements in the statistical system of Ukraine, allowing the achievement of a full observance score (3.3 out of 4) under the PARIS21/IMF statistical capacity index that evaluates the efficiency of a statistical system based on a number of criteria (including access to, timeliness, and accuracy and reliability of data). Some of the important results achieved are as follows:

- Data collection improvements have been made reducing both the reporting and processing burden. For example, the number of processed forms reduced by 70 percent after the introduction of the small enterprises sample survey. Time spent on filling in the structural business survey reduced from 9.6 to 8.6 hours.
- 74 percent of surveys are implemented using electronic data collection methods compared to none at the beginning of the project.
- Availability of data for monitoring structural changes in the economy has improved with the introduction of the unified statistical classification system and establishment of the statistical business register.
- The mid-term macro-forecasting model has been upgraded to improve the decision-making process within the Ministry of Economic Development and Trade.
- An IDPS is under development to upgrade technology for producing statistical data and creating a unified information and analytical database.

**Key Partners:** The Bank team worked closely with the **State Statistics Service** as the main implementation agency, the **Ministry of Finance**, the **Ministry of Economic Development and Trade**, and the **National Bank of Ukraine**, which are all beneficiaries of the project.

## UKRAINE: ASTARTA

### Key Dates:

**Approved:** August 13, 2012

**Signed:** November 6, 2012

**Invested:** December 5, 2012

### IFC financing (million US Dollars):

<i>Financier</i>	<i>Amount</i>	<i>Fiscal Year</i>
IFC	40.0	2013



Founded in 1993, Astarta is a vertically integrated agro-industrial holding specializing in sugar and agricultural production. It is one of the top 25 Ukrainian crop producers, with 245,000 hectares of land under cultivation. IFC's value addition stems from its ability to engage strategically with Astarta by providing long-term capital funding, technical expertise, and global knowledge in the areas of corporate finance and environmental and social standards.

### **Project Development Objective**

IFC's financing will support Astarta in its plans to increase the production capacity of grains and oil seeds, diversify its operations through the construction of a soybean-crushing facility, and continue improving efficiency in sugar production. This program will contribute to the growth of the Ukrainian economy and to global food security by increasing the production of key crops exported from Ukraine, while supporting direct and indirect employment in rural areas where alternative job opportunities remain scarce. Employing about 14,000 people in small towns and villages in central Ukraine, with IFC's investment Astarta plans to create about 3,400 new jobs in rural areas in the next four years.

### **Key Expected Results:**

It is expected that with the IFC financing the project will help achieve:

- Growth and diversification of one of the leading farm enterprises in Ukraine, engaged in the production of crops, sugar, and milk;
- Construction of a soybean crushing facility to process locally grown soybeans into meal for the local market and into oil, potentially for export;
- Construction of a biogas facility that will both reduce GHG emissions and improve energy efficiency in processing;
- Improving resource efficiency will allow annual savings of 84,730 MWh of energy, that can cover annual electricity needs for about 90,000 urban citizens; 110,000 tons solid waste avoided – equal to carrying capacity of 1,400 railroad cars; and avoiding 115,500 tons of GHG – equal to annual emissions of taking 38,000 cars off the road;
- Support to a viable economic activity and new jobs creation in some of the poorest frontier rural regions of Ukraine (Vinnytsya and Khmelnytskyi among others).

**Key Partners:** Astarta

## UKRAINE: JV EAST

### **Key Dates:**

**Approved:** December 18, 2012

**Signed:** December 20, 2012

### **Financing (million US Dollars):**

<i>Financier</i>	<i>Amount</i>	<i>Fiscal Year</i>
IFC	30.0	2013
FMO, UniCredit	55.0	



JV East is a joint venture between ADM Capital and a leading Ukrainian fuel retailer Galnaftogaz. With headquarters in Lviv, Galnaftogaz is a long-standing IFC client, receiving advisory and investment services since 2003. Historically, its core market was the western part of Ukraine, and it wanted to expand and become a nationwide network. Now it has a significant presence in central and southern Ukraine and aspires to further expand in the east, where there are fewer modern format gas filling stations. ADM Capital, together with IFC, will be providing the necessary patient equity and funds to unlock this market potential for Galnaftogaz.

**Project Development Objective.** IFC is helping provide the joint venture with a long-term financing package that is currently not possible to secure from commercial banks or capital markets locally, bolstering the infrastructure for petrochemicals distribution and expanding access to high-quality fuel services across the country. Through the project IFC supports companies, which continue to invest, expand, and create jobs despite the challenging economic environment in the country. IFC's mobilization efforts also help increase flows of commercial financing into Ukraine and contribute to the country's economic development. This is IFC's fourth engagement with Galnaftogaz, which owns and operates a network of 390 fuelling stations and employs over 5,500 people. When IFC first engaged with GNG, it employed 2,000 people.

### **Key Expected Results:**

It is expected that with the new IFC financing, the project will help achieve:

- Support for the development of Ukraine's infrastructure according to modern and safe standards and the introduction of higher service standards in the region through Galnaftogaz' OKKO filling stations and convenience stores;
- Provision of reliably cleaner high-quality fuels to Ukrainian automotive consumers;
- Employment generation/preservation;
- Linkages to local suppliers: the stations' convenience stores, automotive services, and fast-food restaurants will provide opportunities for local suppliers who supply the goods sold.

**Key Partners:** ADM Capital, the Dutch development bank FMO, and UniCredit bank.

## UKRAINE: IFC ADVISORY FOR AGRIBUSINESS

### Investment Climate for Agribusiness

**Project start:** January 1, 2012

**Project closure:** January 1, 2015

### Ukraine Agri-Insurance Development Project

**Project start:** January 1, 2007

**Project closure:** June 30, 2013

### Agri-Finance Project

**Project start:** November 1, 2010

**Project closure:** October 31, 2014

### Ukraine Resource Efficiency Program

**Project start:** January 10, 2010

**Project closure:** December 31, 2014

### Ukraine Agri-Aggregator

**Project start:** July, 2013

**Project closure:** 2018



Considering Ukraine's export potential in agribusiness and its ability to play a global role in food security, IFC is implementing several advisory programs in the sector aimed at (i) improving the business environment by developing transparent and consistent regulations, improving access to finance for farmers by developing agri-insurance, and building the capacity of local banks through an agri-finance program; and (ii) enhancing the competitiveness of local producers by improving their food safety and resource efficiency practices and developing local supply chains.

**Investment Climate for Agribusiness:** improves the business environment in the agricultural sector by developing transparent and consistent regulations.

**Ukraine Agri-Insurance Development Project:** aims to boost the use of agri-insurance as a risk-management tool fostering access to finance via the use of insured crops as collateral.

**Agri-Finance Project:** helps increase access to finance for Ukrainian farmers through financial institutions.

**Ukraine Cleaner Production Program:** promotes better practices and increased investments in water, energy, and other resource-efficient projects in agribusiness.

**Ukraine Agri-Aggregator Project:** The project will promote improved crop and horticultural farming methods to be implemented by medium and small-scale farmers in Ukraine helping maximize its farming potential and increase output, a key for global food security.

### Programs Development Objective

IFC Advisory work for agribusiness aims at helping Ukraine maximize its potential in the sector. The key areas of focus include:

- improving agricultural productivity by transferring technologies and practices and increasing economies of scale in farm production and processing;
- developing and adopting modern financial instruments for agriculture and for food retail;
- linking farmers to markets;
- reducing risk and vulnerability;
- facilitating agricultural entry and exit;
- enhancing environmental services and sustainability.

**Key partners:** The IFC advisory programs in Ukraine's agribusiness sector are implemented in partnership with the Governments of Austria, Canada, Finland, the Netherlands, and Switzerland.

## UKRAINE: IFC ENERGY EFFICIENCY ADVISORY FOR RESIDENTIAL AND INDUSTRIAL SECTORS

### Ukraine Residential Energy Efficiency project

**Key dates:**

**Project start:** January 1, 2010

**Project closure:** June 30, 2014

### Ukraine Sustainable Energy Finance

**Key dates:**

**Project start:** July 1, 2010

**Project closure:** June 30, 2015



Ukraine is among the most energy intensive economies in the world. The Ukrainian government has made it a strategic priority to reduce Ukraine's energy intensity. IFC is implementing advisory programs aimed at helping the country improve energy efficiency in the residential and industrial sectors and support a better access to finance for companies and owners of the multifamily buildings implementing energy efficient improvements.

**Ukraine Residential Energy Efficiency project** is designed to create an effective legal and institutional platform to support local Ukrainian homeowner associations in obtaining access to financing of the energy efficient modernization projects in multifamily residential buildings. Through the project, IFC aims to facilitate investment in energy efficiency in Ukraine's residential sector.

**Ukraine Sustainable Energy Finance** project seeks to establish a sustainable market for sustainable energy finance (SEF) products in Ukraine targeted to the industrial sector by supporting the development of financially viable sustainable energy finance lending products through local financial institutions; strengthening the capacity and effectiveness of local technical experts; and building awareness and demand for sustainable energy finance.

**The Projects Development Objective:** The projects are building off of IFC's experience implementing similar energy efficiency projects in the ECA region and will contribute to increasing investments in sustainable energy, energy efficiency and climate change related projects across the region. The work will help create a platform to support local banks to develop and market energy efficiency products to the industrial and residential sectors and strengthen the capacity and effectiveness of local experts.

In close cooperation with government agencies **Ukraine Residential Energy Efficiency project** developed legislation to enable local homeowner associations companies to access finance to improve energy efficiency in residential buildings. The project is also working with two pilot cities - Vinnitsa and Lviv - to increase awareness about residential energy efficiency improvements.

**Key Partners:** These programs are implemented in Ukraine in partnership with the Governments of Austria, the Netherlands, and Switzerland