

ANNEX 1

P3DP Y5Q3 Performance Monitoring Report

P3DP Performance Monitoring Report Three quarters of Y5 (October 2014 – June 2015)

The Kyiv Economics Institute prepared this report to assist the PPP project development team in evaluation of its performance, identification of the possible delays and risks in the implementation of the Program objectives.

Years 2014 and 2015 have seen big changes in Ukrainian political landscape, combined with considerable economic hardship, which adversely affected cooperation of Ukrainian officials with P3DP. Local elections scheduled for October 2015 can lead to even slower development of pilot projects in the regions where they result in replacement of local government officials. Nevertheless, two pilot projects (Malyn and Vinnytsia) are already successfully operating, and others have practically reached the final stage.

The good news is that current government and parliament members seem to be more reform-oriented and inclined to adopt modern public service mechanisms. Besides, the decentralization reform launched at the end of 2014 (changes to the Budget Code aimed at greater financial independence of regions) provides new possibilities and incentives for local governments to optimize public services provision. A number of workshops and conferences, as well as an online learning course launched in Year 5, will provide local government with knowledge and tools for this optimization in the form of PPP projects.

Another positive trend in 2014-2015 developments in Ukraine is highly active civil society that participates in development of more liberal and business-friendly legislative changes and supports their adoption by the parliament.

During Y5Q1-Y5Q3, P3DP staff implemented all the activities that depended on their own effort, while some activities that depend on cooperation with central or local government are delayed. However, recently the GOU representatives showed a renewed interest in PPP-development activities, so we can expect that by the end of Year 5 the majority of the planned activities will be accomplished.

The rest of this report is structured as follows. For each of the four objectives of the Program, first, the objective is formulated according to the Work Plan, and then activities foreseen by this objective for the entire Year 4 (Y4) and their implementation are described. Next, the relevant performance indicators, their targets and actual values are presented. Activities implemented in full scope and in time are highlighted in **green**, activities implemented with delay or only partially – in **yellow** and activities not implemented – in **red**. The report ends with concluding remarks.

Since Y4Q4, P3DP is using an updated matrix of POIs in order to better reflect the progress on its activities.

List of Tables

Table 1. Implementation of Activities under Objective 1.....	4
Table 2. Performance indicators for Objective 1.....	8
Table 3. Documents that P3DP developed during Y4.....	10
Table 4. Implementation of Activities under Objective 2.....	13
Table 5. Performance indicators for Objective 2.....	15
Table 6. Analytical documents related to POI 2.2, 2.3, 2.4	16
Table 7. Implementation of Activities under Objective 3.....	17
Table 8. Performance indicators for Objective 3.....	20
Table 9. Projects pursued by P3DP.....	25

List of abbreviations

AMC – Anti-Monopoly Committee of Ukraine
AmCham – American Chamber of Commerce
ARC – Autonomous Republic of Crimea
CLC – Commercial Law Centre
CMU – Cabinet of Ministers of Ukraine
EEF – Eastern European Foundation
GIZ – Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
GOU – Government of Ukraine
IBSER – Institute for Budgetary and Socio-Economic Research
IFC – International Financial Corporation
MEP – Ministry of Environmental Protection of Ukraine
MoEDT – Ministry of Economic Development and Trade
MRDCH – Ministry of Regional Development, Construction and Housing
NCCSR – National Commission of Communal Services Regulation
NCMSR – National Commission on Municipal Services Regulation
NPA – National Project Agency
PIEC - Public-Private Partnerships & Infrastructure Expert Centre
PPP – Public-Private Partnership
P3DP – Public-Private Partnership Development Project
RT – Round Table
SIP – [PPP development] Strategy Implementation Plan
SPA – State Property Agency
SWM – Solid Waste Management
TA – Technical Assistance
VR – Verkhovna Rada (the Parliament) of Ukraine
WG – Working Group

“Objective 1. Legal Framework Enhancement. P3DP assists the GOU to create a legal environment of national level PPP laws, regulations, and resolutions that support of PPP initiatives. P3DP works with GOU ministries, the PPP Interagency Work Group (PPP IWG), the Working Group on PPPs under the Parliament Committee for Industrial and Regulatory Policy and Entrepreneurship, and government bodies with formally assigned PPP functions, roles or responsibilities.”

Table 1 presents the list of activities as they appear in the Work Plan and their implementation during three quarters of the Year 5. The first column defines activity, the second compares planned and actual timing of the activity implementation, the third column lists the events held (or documents drafted) for each activity. The last column shows the performance indicator where a particular event (document) is recorded.

During three quarters of the Year 5, P3DP continued to issue weekly and monthly updates on legislation. In the first two quarters of the year, P3DP took active part in discussions of changes to legislation that would facilitate PPPs in different spheres (general PPP draft law, two draft laws on long-term budget commitments (adopted in Y5Q3), draft laws on SWM and energy efficiency).

The draft law on PPPs that has been in the parliament for the last three years was adopted in the first reading and received support both from the parliament and from the President’s Administration. It was even included into VR Agenda for the final vote, but the deputies did not have a chance to vote on it, distracted by more “politically urgent” issues such as local elections or discussions of some populist draft laws (like the one on converting FX loans at a lower than market rate).

Table 1. Implementation of Activities under Objective 1

<i>Activity</i>	<i>Timing: planned/actual</i>	<i>Output/outcome</i>	<i>POI</i>
1.1 Improve PPP policy and legal environment			
1.1.1& 1.2.1 Monitor policy and legal initiatives, track and update previous P3DP recommendations, review existing PPP legislation, including tariff regulations of communal services	Y5 Y5Q1 – Y5Q3	Weekly Highlights on new developments in PPP legislation and Monthly Legislation Assessment issued during the year	
	2014-10-22	Memo on international experience in concession fee calculation methodology provided to the MoEDT.	
	2014-10-28	Recommendations to the Draft Law “On Single System of Electronic Cooperation” provided upon the request of E-Governance Working Group within the Ministry of Regional Development	
	2014-11-18	Comments to the Draft Law “On Single System of Electronic Cooperation” submitted to AmCham upon their request	
	2014-11-17	P3DP (on USAID request) submitted comments to “PPP in E-Procurement” project and the Advisory Note to this project funded by the European Union and implemented by a Consortium led by Crown Agents Ltd	
	2014-10-13, 2014-11-27	P3DP provided recommendations and comments to the Draft Kyiv City Council Resolution “On PPP Development Procedure in Kyiv”	
	2014-12-03	P3DP provided recommendations on the Draft healthcare reform strategy to the Health Reforms Strategy Advisory Group within the Ministry of Health	
	2014-12-10	P3DP provided a short Memo to the MoEDT on the activities regarding the PPP Projects compliance with the legislation requirements	
	2014-12-19	P3DP provided recommendations to the MoEDT PPP Reform Plan taking into account the Coalition Agreement and GOU Program	
	2015-01-15	P3DP provided to the VR committee proposals to the Draft Law #1566 “On Energy Efficiency of Buildings” concerning compliance with EU directives and improvement of legal terminology (this law is intended to facilitate the private investment into energy efficiency, including PPPs).	
	2015-01-22	P3DP provided to KSCA proposals and recommendations to the Draft PPP Development Policy of Kyiv	
	2015-02-23	P3DP submitted another set of recommendations to the Draft PPP Development Policy of Kyiv	
2015-02-02	P3DP submitted to the Deputy Prime Minister H. Zubko the recommendations for the CMU comments to the Draft Law #1058 (on PPP laws)		

	<i>2015-04-29</i>	P3DP provided to KSCA final proposals and recommendations to the Draft PPP Development Policy of Kyiv	
	<i>2015-05-18</i>	Draft resolution #255 submitted to CMU	1.3, 1.4
1.1.2 Law “On amendments to some Laws On PPPs”	Y5Q1 – Y5Q2	It was expected that the Draft Law would be adopted by the parliament in Y5Q2	
	<i>2014-11-27</i>	The Draft Law #4237a with a new #1058 was resubmitted to the new Verkhovna Rada.	
	<i>2014-12-10</i>	The Draft Law was supported by the Parliamentary Committee on Industrial Policy, and recommended for the first reading, and the next day it was included into the Parliamentary agenda.	
	<i>2015-01-30</i>	P3DP submitted the Letter of Support for this Draft Law to the Parliamentary Speaker	
	<i>2015-02-04</i>	P3DP submitted the Letter of Support to the Head of the Presidential Administration	
	<i>2015-02-06</i>	P3DP submitted the Letter of Support to the Head of the Anticorruption Committee of the Parliament.	
		P3DP received replies to all three letters from the parliament and the President Administration stating support of the PPP draft law	
	<i>2015-02-12</i>	The Draft Law #1058 was adopted by the parliament in the first reading.	
	<i>2015-03-10</i>	PIEC discussion of the draft: participants of the meeting addressed the key issues and stakeholders’ concerns in the PPP development area, and shared opinions regarding recommendations to the Draft Law that should be provided to the Parliamentary Committee responsible for the Draft. Based on the meeting results, P3DP developed recommendations to improve the Draft Law for the second reading and bring it in compliance with the best practice and EU legislation.	
	<i>2015-03-04</i>	P3DP submitted to the Parliamentary Committee on Industrial Policy, responsible for the Draft Law, the finalized version of the Draft for the second reading, based on stakeholders and experts feedback received upon discussions at PIEC	
	Y5Q3	The second reading of the law has been included into the agenda for plenary sessions four times, however has not been presented/voted.	
1.1.3 Finalization of the draft CMU decrees #384, 232, 639, and 756.	Y5Q1 Y5Q1	All these draft decrees were finalized. For the Draft Decree #232, P3DP provided comments on legal terminology and received feedback from the MRDCH and other GOU agencies.	
	Y5Q1	Draft decree #384 approved	
	Y5Q3	Draft decree #232 received approval of the Ministry of Finance but Ministry of Justice has some reservations about it, so P3DP is working on that	
1.1.4 to assist the MoEDT in development, processing and	Y5Q1 – Y5Q3 <i>2014-12-09</i>	P3DP resubmitted to MoEDT the Concept Paper on amendments to the CMU Decree #81 regarding PPP contracts performance monitoring to initiate the discussion with the newly	

further adopting of the Draft CMU Decrees on amendments to Decrees #279 and #81		appointed minister.	
	2015-03-30	P3DP developed and submitted to MOEDT the Draft CMU Decree on amendments to the Decree #81 on PPP contracts performance monitoring. The amendments provide sound regulations, eliminate current contradictions in the legislation and provide flexibility for the parties in identifying the form and essence of contract performance monitoring. Development of this Draft is in line with the GOU Action Plan for 2015 developed together with P3DP.	
		Amendments to the Decree #279 can be developed upon adoption of the Draft Law #1058	
1.2.2 Supporting of SWM Tariff Calculation Methodology adoption by the CMU.	Y5Q1- Y5Q2	P3DP met with representatives of the MRDCH department dealing with SWM	
	2014-10-29		
	2014-11-06	P3DP provided the Draft SWM Tariff Calculation Methodology and supporting explanatory documents to the MoEDT.	
	2014-11-20 – 2014-11-21	P3DP participated in the Waste Management Conference in Lviv. At the conference, P3DP made a presentation “Enabling PPPs in SWM areas”.	
	Y5Q2	The Draft SWM Tariff Calculation Methodology resubmitted to the MoEDT.	
	Y5Q3	Since SWM law has not been adopted, there were no developments under this Activity in Y5Q3.	
1.2.3. Providing support to the draft laws on amendments to SWM laws, on amendments to some laws on alternative energy sources, support development and adoption of draft amendments to secondary SWM legislation	Y5Q1 – Y5Q2	Under this activity, P3DP participated in the SWM Strategy Group meetings to support developments in SWM areas.	
	Y5Q2		
1.2.4 & 1.2.5 Providing support to Draft Law on Amendments to the Budget Code and Draft Law on Amendments to Energy Efficiency Legislation (ESCO contracts); processing and adopting in VR	Y5Q1- Y5Q2	In Y5Q2, P3DP submitted a letter of support to the Parliamentary Committee regarding the Draft Laws #1313 and #1409 on ESCO implementation and Budget Code amendments providing reasoning for the necessity of adoption of these Drafts.	
	Y5Q2		
	2015-02-03	Draft Law #2010 “On Amendments to Some Laws on Competitiveness Conditions for Electricity Production from Alternative Sources of Energy” was submitted to VR by peoples’ deputies. The submitted Draft Law is based on the Draft Law developed with P3DP participation in April 2014, when P3DP submitted the legal recommendations on green tariff mechanisms in SWM (alternative energy produced from biogas).	
	2015-02-05	Draft Laws were adopted by the parliament in the first reading. These Drafts introduce incentives for energy modernization through Energy Performance Contracts and Long-Term Budget commitments implementation.	
	Y5Q3 (April 2015)	Draft Laws #1313 and #1409 adopted by the parliament	1.6x2

1.2.6.1 & 1.2.6.2 Develop and submit to VR the draft law on amendments to the motorway concession laws; develop and submit to VR secondary legislation on the issue	Y5 (draft adopted) Y5Q2	P3DP worked on the draft law within the GOU group developing the draft	
1.2.7.1 & 1.2.7.2 Develop and submit to VR the draft law on amendments to industrial park laws; develop and submit to VR secondary legislation on the issue	Y5 (drafts adopted)		
	Y5Q2	P3DP worked on the draft	
	Y5Q3	P3DP published ToR and selected a consultant to write the analytical paper which will be submitted to VR Committee on Industrial Policy and Entrepreneurship at the end of August (Y5Q4).	
<i>1.3. Support of GOU and other State Stakeholders affecting PPP implementation</i>			
1.3.1 Participation in conferences, round tables, workshops on national and regional levels, providing trainings, consultations and other types of assistance to facilitate PPP legislation development in relevant areas	Y5		
	2014-10-01	Doing Business ranking WG meeting at the State Regulatory Committee	
	2014-10-02	Kyiv International Economic Forum	
	2014-10-08	Meeting with the Economic Department of the Kyiv City Administration	
	2014-10-09	Round Table "Financing of Healthcare System" PIEC, AmCham	
	2014-10-17	Inaugural meeting for the Working Group on PPP in Healthcare, AmCham	
	2014-10-29	Meeting with the representatives of Department dealing with SWM, Ministry of Regional Development	
	2014-10-30	The Conference "Energy Performance Contracts - way to the Energy Efficiency"	
	2014-11-07	Round table "PPPs in the sphere of water supply and water distribution: French experience in the context of Ukraine"	
	2014-11-07	The Chamber COI Event on Coalition Agreement Discussion with Mr. Volodymyr Groysman and Mr. Dmytro Shymkiv, AmCham	
	2014-11-12	Donors' Coordination Meeting on E-Governance	
	2014-11-17	Conference "Healthcare Reform in Ukraine"	
2014-11-20-21	Waste Management Conference, Lviv		

	2014-11-24	Working meeting at the MoEDT on PPP legislation development	
	2014-11-28	PIEC meeting "Reforming the Investment Policy of Ukraine: Application of the Best Turkish PPP Investment Practices"	
	2014-12-05	Strategy of the healthcare system reform in Ukraine for 2015-2025, public discussion	
	2014-12-19	Round Table regarding ESCO, Reanimation Package of Reforms	
	2014-12-22	Meeting of the Working group on energy saving in public buildings at the Parliamentary Committee	
	2015-01-13	Working group meeting at the VRU Committee on Construction, Urban Development, Housing and Communal Services	
	2015-01-30	Meeting with Kyiv City Administration officials	
	2015-02-26	Working Meeting at the Ministry of Agriculture	
	2015-03-03	Meeting with COWI (an international consulting company) and EBRD technical experts regarding PPP in heating supply sector in Ukraine	
	2015-03-10	AmCham Public-Private Partnership & Infrastructure Expert Center meeting regarding Draft Law on amendments to PPP Laws #1058	
	2015-03-31	Myrhorod Round Table re PPP in biogas Projects	
	2015-04-15	Participation in the RT meeting organized by the Association "Ukrainian environmental alliance" on Kyiv SWM.	
	2015-04-29	Participation in the RT meeting organized by the Association "Ukrainian environmental alliance" on SWM in Ukraine.	

Table 2. Performance indicators for Objective 1

#	Definition	Y5Q1 actual	Y5Q2 actual	Y5Q3 actual	Y5Q4 actual	Y5 actual	Y5 target	% of target implementation
POI 1.2	# of actions implemented under PPP Strategy Implementation Plan	0	0	0			TBD	-
POI 1.3	# of policy reforms/regulations/ administrative procedures drafted and presented for public/ stakeholder consultations to enhance sector governance and/or facilitate private sector participation and competitive markets as a result of USG assistance (F 4.4.1-13)	3*	1*	0			3	133
POI 1.4	# of P3DP legal reforms (based in part on the GIDE review) that are submitted in final recommendation form to the relevant GOU (state) entity	0	0	2*			4	50
POI 1.5	Number of policy reforms/regulations/administrative procedures drafted by/with support of P3DP and adopted by public stakeholder to enhance sector governance and/or facilitate private sector participation and competitive markets as a result of USG assistance	2**	0	1 [†]			3	100
POI 1.6	Number of laws, policies, strategies, plans, agreements or regulations addressing climate change officially proposed/adopted/implemented as a result of USG assistance	0	0	2 ^{††}			2	100

* See Table 3

** (1) Decree of CMU #585 On Amendments to Decree #384 and (2) CMU program

[†] Plan of Legislative Support of Reforms #2986 adopted as a resolution by the Parliament on 2015-06-04

^{††} ESCO laws adopted in April 2015

Table 3 presents the list of documents developed by P3DP staff during Y4 together with legal reforms that these documents contain.

<i>Table 3. Documents and legal reforms</i>		
<i>Quarter</i>	<i>Document (POI 1.3)</i>	<i>Legal reform (POI 1.4)</i>
Y5Q1	Draft Resolution of Verkhovna Rada On Cabinet of Ministers of Ukraine Program of Activities (also POI 1.5)	
Y5Q1	Draft Resolution of the Kyiv City Council on PPP Development Procedure in Kyiv	
Y5Q1	Recommendations to the Draft Law “On Single System of Electronic Cooperation”	
Y5Q2	Draft CMU Decree on amendments to the Decree #81 on PPP Contracts Performance Monitoring	
Y5Q3	The Law of Ukraine "On Amendments to Budget Code of Ukraine to facilitate new investment opportunities, private investor guarantees during energy modernization projects.” This draft law was developed by IBSER, but P3DP made a series of comments on this	Easing procedures for PPP development in the energy efficiency
Y5Q3	Draft amendments of Resolution #255 (PPP Appraisal Methodology) submitted to MoEDT.	Streamlining procedures for PPP projects evaluation (ministries do not need to evaluate PPPs which do not require State budget financing)

“Objective 2. PPP Unit(s) Establishment. P3DP assists the GOU to create its designated regulatory and administrative bodies, defining functions, roles and responsibilities, as well as to develop its National PPP Strategy and Strategy Implementation Plan. Assistance targets capacity building and staff development within responsible GOU bodies, drawing heavily on successes in other countries through study tours, training seminars, conventions and directed technical assistance.”

Table 4 provides the list of activities performed under Objective 2. The first three columns of the Table 4 are the same as in Table 1. The fourth column provides the number of participants of an event where relevant, and the last column shows performance indicators.

Many activities foreseen under this Objective were disrupted by internal reorganization of the Ministry of Economy – the main P3DP counterpart in the GOU.

Nevertheless, P3DP organized numerous discussions of PPP issues and pilot projects experience with representatives of local government, business and civil society organizations. Upon results of these meetings and workshops held under Objective 3, P3DP collected a number of potential PPP projects (project pipeline), which can be further developed by local governments and businesses with the help of MoEDT.

Besides, P3DP submitted a number of draft changes to GOU decrees regulating operations of PPP Unit, and a few analytical papers on PPP issues (Table 6).

Table 4. Implementation of Activities under Objective 2				
<i>Activity</i>	<i>Timing: planned/ actual</i>	<i>Events</i>	<i>Participa nts (M/F)</i>	<i>POI</i>
2.1 Contributing to various GOU WGs and other entities with PPP related responsibilities				
2.1.1 Working Groups	YS			
	2014-11-19	MoEDT, WG on PPP development	6/3	
	2014-12-03	MRDCH, WG on Communal Utilities Reform development	13/5	
	2014-12-12	National Commission for State Regulation of Communication and Informatization, WG on Information Services Investment Strategies	8/2	
	2015-02-17	State Agency on E-Government in Ukraine	8/4	
	2015-02-19	Meeting at the department of communal Utilities, Kharkiv Mayor's Office	14/10	
	2015-02-20	Kharkiv Regional Council IDP Support Working Group	19/35	
	2015-05-14 – 2015-05-15	Working Meeting in Dnipropetrovsk Regional Council (oblrada)	34/8	
	2015-05-25	Shelter/NFI Cluster (UNHCR)	16/18	
	2015-06-12	State Agency of E-Government in Ukraine	11/4	
2.1.2 PIEC	YS			
	2014-10-10	A discussion “PPPs in Healthcare sector in Ukraine”.	30/38	DC 2.1
	2014-11-14	A discussion “Economic and investments opportunities, existing potential of natural resources in Chernihiv region”.	15/10	DC 2.1
	2014-11-28	A follow-up round table for study tour participants. Discussion topic - “Reforming of Investment Policy in Ukraine: Application of the best Turkish PPP practices”. As a result of the meeting, an Aide Memoire was prepared.	31/28	DC 2.1
	2014-12-17	A discussion on “Practical experience of involving private partners into heating supply system on PPP basis” – based on Malyn pilot project. After the event, an Aide Memoire was prepared.	51/25	DC 2.1
	2015-03-10	A discussion at PIEC on the Draft Law #1058 on amendments to PPP Laws. There were 19 Parliament representatives at the meeting	13/6	DC 2.1
	2015-05-31 – 2015-06-02	P3DP managers participated in the regional round table of International Chamber of Commerce in Odessa together with 32 business representatives.	2/0	DC 2.1
	2015-06-20	P3DP staff participated in the PPP Investment Conference organized by AmCham PIEC, of which P3DP was a co-organizer		
2.2 Support the MOEDT				
2.2.1 International study tour for GOU and municipalities	YSQ1	Conducted in Y4Q4		

2.2.2 Developing PPP Unit development Action Plan according to PPP Dev. Concept for 2013-2018	Y5Q1 2014-12-18	The first draft Action Plan was completed.		
	Y5Q2	PPP Unit has not identified its interest in discussing the document, perhaps due to internal reorganization – it is not yet clear how much staff would remain in the Ministry and who will be responsible for PPP development.		
	2015-06-29	The Action Plan signed by the MoEDT		
2.2.3 Support the implementation of the National PPP development Concept for 2013-2018	Y5	During Y5Q1 – Y5Q3, no activities were initiated in this respect because amendments to CMU Decrees #232 and #639 remain unapproved by the Cabinet of Ministers due to rotation in the Cabinet.		
2.2.4. Publish a number of articles on PPP Unit role	Y5 2014-10-30	Cabinet of Ministers Resolution #585 from October 30, 2014 (Amendments to CMU Decree #384, On Efficiency Analysis and Tender Procedures of Public-Private Partnerships) was approved		2.2
2.2.5.1 PPP project identification, evaluation and tendering (provide updated Appraisal Methodology and Practical Guide for it)	Y5Q2-Y5Q3	Neither Appraisal Methodology , nor Practical Guide can be updated until approval of CMU Decree #232, which was delayed because of internal reorganization process at the MoEDT. Nevertheless, P3DP developed an updated Appraisal Methodology. Currently, draft Decree #232 is being considered by the Ministry of Justice, which is the final stage of the approval process.		2.4x2
	2015-03-25	P3DP provided to MoEDT its comments on the Feasibility Study development for modernization of one of the Motor Sich plants (Zaporizhzhia region).		
	Y5Q2-Y5Q3	P3DP worked on creation of the PPP projects pipeline, which would allow follow up on project ideas at various stages of development submitted to P3DP for technical advice/assessment. P3DP created a spreadsheet file with these projects. A number of project ideas were collected during communication seminars in April 2015. Later P3DP plans to make this project pipeline publicly available.		
	Y5Q2-Y5Q3	P3DP was unable to provide any assistance to PPP Unit due to reorganization of MoEDT and its PPP department. However, a number of meetings have been conducted in July 2015 to facilitate several capacity development activities during Y5Q4.		
2.2.6 General Guidance Tools for municipalities	Y5Q1 – Y5Q3			
	2014-12-03 (submitted)	Guidance Note #3 “Dispute Resolution and Municipal Public Private Partnerships in Ukraine”		2.3
	Y5Q2-Y5Q3	P3DP prepared the draft of PPP General Guidance Tools for Municipalities. Plans to complete the document by the end of Y5		

POI 2.5: two project ideas were submitted to the P3DP. Since under amended CMU Decree #384, MoEDT does not have to approve

Feasibility Studies, P3DP supports municipalities but does not provide these ideas to the MoEDT.

The project ideas P3DP is currently supporting (and the PIBs for them are ready) are as follows:

- 1) Reconstruction of the recreation Zone (Myrny Blvd in the centre of Kherson) submitted by Kherson City Council on **2015-06-18**
- 2) MR-imaging for the public hospital submitted by Vinnytsia City Council on **2015-06-09**

Table 5. Performance indicators for Objective 2

#	Definition	Y5Q1 actual	Y5Q2 actual	Y5Q3 actual	Y5Q4 actual	Y5 actual	Y5 target	% target implementation
POI 2.1	# of top level participants in familiarization study tours re: PPP Unit(s) implementation and operations	0	0	0			0	
POI 2.2	# of drafted legislative acts/regulations specifying PPP Unit(s) activities	1*	1*	0			5	40
POI 2.3	# of analytical documents related to PPP transaction design, implementation and monitoring drafted together with the PPP Unit(s)	1*	3*	1*			2	250
POI 2.4	# of desired Operational Polices drafted for the PPP Unit(s)	1*	0	1*			2	100
POI 2.5	# project ideas submitted by public bodies (line ministries/municipalities) to the designated responsible GOU PPP entity (MoEDT/NPA)	0	0	2**			10	20
DC 2.1	# of stakeholders (lawmakers, public officials) attending consultations, conferences annually re: regulatory operations/implementation of the designated responsible PPP GOU entity and PPP Strategy Implementation Plan or modification	265 M154/ F111	109 M54/F55	249 M142/ F107			N/A	-

* see Table 6

** Vinnytsia and Kherson (see above)

Table 6. Analytical documents related to POI 2.2, 2.3, 2.4

<i>Submission/ completion date</i>	<i>Document name</i>	<i>POI</i>	<i>Quarter</i>
2014-10-30	Cabinet of Ministers Resolution #585 from October 30, 2014 (Amendments to CMU Decree #384, On Efficiency Analysis and Tender Procedures of Public-Private Partnerships) was approved	2.2	1
Y5Q1	Amendments to draft CMU Decree #232	2.4	1
2014-12-03 (submitted)	Guidance Note #3 “Dispute Resolution and Municipal Public Private Partnerships in Ukraine”	2.3	2
2015-03-30	Suggested Amendments to CMU Resolution #81 (of 2011-02-09) “On approval of the order of submission by a private partner PPP agreement implementation data to a public partner”	2.2	2
2015-02-23	“PPPs in E-Government Training Activities Deliverables Report”	2.3	2
2015-02-25	“Use of PPPs and Other Approaches to Solve Increasing Social and Economic Needs in Ukraine” Activity Deliverables report	2.3	2
2015-03-18	“PPPs in E-government Follow-up Survey Analytical Report”	2.3	2
2015-05-27	Analytical document submitted to GOU on amending Tax and Budget Codes	2.3	3
Y5Q3	Draft of amended Appraisal Methodology	2.4	3

“Objective 3. Awareness and Capacity-Development. P3DP builds capacity in high-potential municipalities that want to implement and manage PPPs, utilizing the full range of tools to increase municipal leaders’ capabilities to successfully identify, select, contract, and manage ongoing PPPs. P3DP provides assistance for public awareness programs to educate consumers on the benefits of engaging private sector players in the delivery of infrastructure and communal services.”

Table 7 presents the activities organized by P3DP during the Year 4. It has the same structure as Table 4 for Objective 2.

Since implementation of Objective 3 activity depends more on P3DP staff rather than GOU (compared to other Objectives), the majority of planned activities were implemented fully and on time. Namely, P3DP organized stakeholder communication workshops and PPP media trainings in 8 regional centers of Ukraine, developed a PPP e-learning course (with new materials uploaded frequently) and took part the National Waste Management Seminar.

Final PPP awareness survey showed increased awareness on PPP issues compared to both 2011 (initial survey) and 2014 (follow-up survey). Also, the majority of respondents indicated great usefulness of workshops/trainings and manuals on PPPs. The full survey report will be provided separately.

The majority of target indicators for this Objective are overfulfilled, and all POIs for Year 5 will be met.

Table 7. Implementation of Activities under Objective 3

<i>Activity</i>	<i>Timing: planned/actual</i>	<i>Event</i>	<i>Number of participants: male/female</i>	<i>POI</i>
3.1. Develop Stakeholder capacity				
3.1.1 PPP stakeholder communications workshops and consultations	Mar – July 2015			
	Y5Q2	P3DP selected trainer and developed materials for the PPP Stakeholders Communication Workshop for 15 representatives of local governments in eight cities.		
	2015-04-02	Stakeholder communication workshop, Vinnytsia	6/9 (U15)	3.2, 3.3
	2015-04-08	Stakeholder communication workshop, Lviv	2/13 (U15)	3.2, 3.3
	2015-04-09	Stakeholder communication workshop, Ivano-Frankivsk	8/7 (U15)	3.2, 3.3
	2015-04-15	Stakeholder communication workshop, Zaporizhzhya	5/10 (U15)	3.2, 3.3
	2015-04-16	Stakeholder communication workshop, Dnipropetrovsk	5/10 (U15)	3.2, 3.3
	2015-04-22	Stakeholder communication workshop, Kharkiv	8/7 (U15)	3.2, 3.3
	2015-04-24	Stakeholder communication workshop, Kyiv	7/8 (U15)	3.2, 3.3
	2015-04-29	Stakeholder communication workshop, Odesa	4/11 (U15)	3.2, 3.3
3.1.2 PPP media training	May – July 2015			
	Y5Q2	P3DP selected a trainer and developed materials for the Role of Media in PPPs for 15 representatives of mass media in eight cities.		
	2015-04-02	PPP Media Training, Vinnytsia	4/11 (M15)	3.2, 3.4, 3.8
	2015-04-02	PPP Media Training, Lviv	1/2 (M3)	3.2, 3.4, 3.8
	2015-04-08	PPP Media Training, Ivano-Frankivsk	5/10 (M15)	3.2, 3.4, 3.8
	2015-04-15	PPP Media Training, Zaporizhzhya	6/9 (M15)	3.2, 3.4, 3.8
	2015-04-16	PPP Media Training, Dnipropetrovsk	8/7 (M15)	3.2, 3.4, 3.8
	2015-04-22	PPP Media Training, Kharkiv	2/11 (M13)	3.2, 3.4, 3.8
	2015-04-24	PPP Media Training, Kyiv	5/2 (M7)	3.2, 3.4, 3.8
	2015-04-29	PPP Media Training, Odesa	3/1 (M4)	3.2, 3.4,

				3.8
3.1.3 PPP e-learning course	Y5			
	Y5Q1	The e-learning course developed, tested by P3DP staff and posted on http://moodle.ppp-ukraine.org/ .		
	Y5Q2	The course launched but not publicized		
	Y5Q3	Course available to the public in the testing mode. In addition to the core materials, Malyn educational video case study was added. However, the course is not widely publicized until more materials are uploaded.		
3.1.4 Train- the-trainers Workshop	Y5Q1 – Y5Q2 2014-11-03 – 2014-11-07	Train-the-trainers workshop	7/14 (Academia 21)	3.4, 3.5
	2015-06-08 – 2015-06-10	Train-the-trainers follow-up workshop	8/13 (Academia 21)	3.4, 3.5
3.2 Building PPP awareness and support				
3.2.1 National seminar on PPPs in Waste Management	Y5Q1 2014-11-20 – 2014-11-21	National Seminar on PPPs in Waste Management was held in Lviv.	94/56 (U96/R25/N29) U: M30/F69 Non-gov: M19/F35 R25/N29	3.2, 3.3, 3.4, 3.5
3.2.2 XIV International Economic Forum - Lviv	Y5Q1	P3DP did not participate in the XIV International Economic Forum (Lviv) due to the emphasis of the 2014 Forum on Ukraine-EU Association and regional development strategy, where organizers did not see a room for PPPs as an instrument for implementation of the strategy.		
3.2.3 All-Ukrainian municipal forum	TBD	The forum was focused on decentralization, so there was no room for a PPP panel in it		
3.3 Measuring results and roadmapping for the future				
3.3.1 PPP awareness, attitudes and needs survey	Y5Q3 – Y5Q4	Survey Questionnaire was developed and submitted to the FHI360 Office for approval.		
	Y5Q2			
	Y5Q3	Survey conducted by KEI (fieldwork conducted by KIIS)		
3.3.2 video series highlighting PPP issues in Ukraine	Feb – June 2015	P3DP has selected a Video production consultant and started working on the video development.		
	Y5Q2			
	Y5Q3	Video on Malyn prepared and added to online learning course http://ppp-ukraine.org/2015/ppp-in-ukraine-heats-schools-with-biofuel/ https://www.youtube.com/watch?v=6aUgoXr84XY		

	Y5Q3	Videos on other 5 pilot projects and 1 general teaching video are in progress (will be prepared by the end of August.)		
Activities rescheduled from Y4	Y5Q1	The event on Lviv Parking Project planned for November 2014 was not organized. P3DP developed the Stakeholder Communication Strategy, which contains a series of cohesive activities and discussed it with Lviv municipality.		
	Y5Q1	A press event in Malyn planned for November 2014 was not organized. However, the USAID visit on 2014-11-19 generated a number of press articles initiated by the municipality.		

Table 8. Performance indicators for Objective 3

#	Definition	Y5Q1 actual	Y5Q2 actual	Y5Q3 actual	Y5Q4 actual	Y5 actual	Y5 target	% target implem.
POI 3.1	# of individual events held to promote PPP understanding	2	0	17			19	100
POI 3.2	# of persons attending major events held to promote PPP understanding	171 M101/F70 U96/R25/N50	0	228 M87/F141 U228			650	61
POI 3.3	# of targeted government trainees completing PPP training sessions during the reporting period	0	0	120 M45/F75			100	120
POI 3.4	# of targeted non-government trainees completing PPP training sessions during the reporting period	21 M7/F14 Ac.21	0	108 M42/F66 M87/Ac.21			70	184
POI 3.5	# of individuals who received USG-assisted training, including management skills and fiscal management, to strengthen local government and/or decentralization (F - 2.2.3-1)	0	0	120 M45/F75			100	120
POI 3.6	# of sub-national government entities receiving USG assistance to improve their performance (F 2.2.3-5)	8	0	8			8*	200
POI 3.7	Number of stakeholders with increased capacity to adapt to the impacts of climate variability and change as a result of USG assistance	0	0	8			6	133
POI 3.8	# of people receiving training in global climate change (clean energy) as a result of USG assistance (former 5.3)	0	0	108 M42/F66			170	64
DC 3.1	Index of development in capacity of the public sector representatives to prepare and implement PPP projects. Survey based data	-	-	58.9		58.9	-	-
DC 3.2	Index of raised awareness about PPPs among key stakeholders. Survey based data	-	-	65.6	-	65.6	-	-

M - Male, F - Female, U - pUblc, R - pRivate, N – NGO, M – Media, Ac. - Academia

*- only pilot municipalities are included into this indicator. But in SWM conference there were participants from 40 local government units

“Objective 4. Pilot Project Transactions. Objective 4 receives the greatest attention and resources and includes assistance with all phases of preparing to take pilot PPPs to the market through competitive tenders, using the experiences gained as valuable feedback to further refine the PPP environment and processes in Ukraine.”

Within this Objective, P3DP helps Municipal governments to implement PPP projects to improve local business climate and attract investments to rehabilitate depreciated assets and create new infrastructure using the PPP model.

Malyn (Zhytomyr oblast) municipal heating with biofuel project:

Y4Q1

During October-November 2014, private operator installed all the necessary equipment to start supplying heat for the current heating season. To share this experience, P3DP held an event at the PIEC dedicated to Malyn success story and identified the list of interested municipalities and bidders for replication of the project.

Y4Q2:

During Y5Q2, P3DP has been accumulating information about interested regions and municipalities that could use lessons learned from this project and implement similar PPPs in their communities. Information about 25-30 prospective locations was obtained.

Y4Q3

Monitoring visit (April 2015); video about the project experience prepared.

Vinnysia LFG (landfill gas) treatment and electricity production

Y4Q1:

At the request of the municipality, P3DP updated the financial model to include new currency exchange rate, inflation, costs, solid waste collection and utilization tariffs, projected revenues, and provided the updated model to the city. The updated financial model changed the project scope and required certain political decisions (related to landfill operations) from the City Council.

Y4Q2

The city selected the winner by a non-transparent and uncompetitive procedure. This case can be used by P3DP to draw lessons for future SWM PPPs and legislative reform initiatives.

Y4Q3

The project is operating and is under P3DP monitoring.

Zaporizhzhya Healthcare project

Y4Q1

The project was temporarily delayed due to engagement of local authorities in assisting refugees and solving security issues related to popular protests aimed at resignation of the Mayor and local political instability.

Y4Q2

P3DP team visited the site and held negotiations with Mayor's office and Deputy Mayor, resulting in an agreement to ensure consideration of PPP package in the closest months. The next stage after such decision will be proceeding with PPP tender drafting.

Y4Q3:

Currently, the mayor is under political pressure and there is no "PPP leader" in the municipality, as soon as the municipality is ready, the tender can be announced.

Kyiv Education Project

Y4Q1

Education Department of the KCSA officially applied to Finance Department and Podil rayon administration for approval to initiate adoption of the Kyiv city budgetary program that will provide a long-term support to the PPP project and ensure payback of the investment. P3DP was working with the Education Department, Finance Department and Podil rayon state administration to complete the process and proceed with drafting of the program.

Y4Q2

P3DP examined Kyiv 2015 budgetary expenditures and identified that PPP Pilot Project of kindergartens maintenance would be financially unfeasible. However, after KSCA adopted the decision to lease depreciated kindergarten buildings for 1 UAH, P3DP updated the financial model for the project suggesting to return to the initial project model – renovation of old kindergarten buildings.

Y4Q3

Currently, the city is undecided which model to use (initial – renting and repairing kindergarten premises or the second one – maintenance).

Ivano-Frankivsk Solid Waste Management Project (biogas extraction and electricity production):

Y4Q1

P3DP finalized the feasibility study taking into account comments of the municipality. In addition, P3DP completed the Environmental review for this project.

Y4Q2

The municipality was drafting the first political decision for it – the approval of the PPP project by the City Executive Committee and the City Council. Preparation of this decision was discussed with the city during Y5Q2. P3DP has been drafting tender documents that could be provided to the city after political decisions are made.

Y4Q3

With support of P3DP, Ivano-Frankivsk City Council completed tender package. The City Council reviewed the Project Feasibility Study and approved it in general. Now City

Council needs to issue a decision on tender commission and tender announcement. The problem is, however, that currently city does not have the money to construct the electric grid from the project site to the city.

Lviv parking management

Y4Q1

P3DP met with the city representatives and discussed further steps related to market sounding meetings and public outreach campaign. Parties agreed to distribute the Market Sounding Note package among prospective operators (conducted) and start public outreach campaign in 2015 after positive feedback from bidders and identification of due interest in the PPP project.

Y4Q2

P3DP provided all the PPP Project documents to local City Council deputies. However, given the size and technical complexity of the project, the PPP tender is unlikely to be issued within the next 3-6 months because of local elections scheduled for October 2015 (the City Council deputies will be busy with election campaigns and will not launch a large-scale project just before the elections).

Y4Q3

P3DP team visited the city in June 2015 and provided the full package of documents to the newly appointed deputy mayor who will be responsible for the PPP. The city government promised to perform archeological and geological investigation necessary before the start of the project.

Table 9 presents project activities and performance indicators in aggregated form.

Table 9. Progress with the projects pursued by P3DP

	POI	Sector	Healthcare	Sports & Recreation	Altern. energy	Education	Biogas treatment		Transport	Actual values for Y5				Y5 plan	% plan impl.
							Vinnytsia	Ivano-Frank.		Q1	Q2	Q3	Q4		
Stage 2	4.4	Environmental review prepared	Y3Q1	Y4Q3	Y3Q4	Planned	Y3Q4	Y5Q1	Planned	1	0	0		1	100
	4.5	Feasibility report (FR) initiated	Y3Q1	Y3Q2	Y3Q3	Planned	Y3Q4	Y4Q2	Y4Q2	0	0	0		1	0
	4.6	FR completed	Y3Q3	Y3Q3	Y3Q4	Planned	Y4Q1	Y4Q4	Y4Q4	0	0	0		1	0
Stage 3	4.8	Tender package is being drafted	Y5Q1	Y3Q3	Y3Q3	Exp. in Y5	Y4Q2	Exp. in Y5Q2	Exp. in Y5	1	0	0		1	100
	4.9	Tender issued	Exp. in Y5Q2	Y3Q3	Y4Q2	Exp. in Y5	Planned	Exp. in Y5	Exp. in Y5	0	0	0		2	0
	4.10	PPP contract executed	Exp. in Y5	Y4Q1	Y4Q4	Exp. in Y5	Planned	Exp. in Y5	Exp. in Y5	0	0	0		2	0
	4.11	Project under P3DP monitoring		Y4Q4 - 1st monitoring visit	Y5Q1, Y5Q3 - 2 monitoring visits		Y5Q3			1	0	2		3	100
Stage 4	4.12	# of days of USG funded TA in climate change								0	0	0		2	0
	DC 4.1	# of jobs created			2					2	0	6		40	20
	DC 4.2	Investment, \$ equivalent		4.5	0.15					4.65	0	2.2		10	68.5

Concluding remarks

During three quarters of the Year 5, P3DP drafted quite many documents (changes to legislation, analytical notes, feasibility studies and tender packages for pilot cities) that, if adopted, could have led to a great progress in the PPP development in Ukraine. However, political situation (namely, reorganization of central government units and looming local elections scheduled for October 2015) are not favorable for long-term projects (such as PPPs).

At the same time, as showed by the survey, PPP awareness in the Ukrainian society has greatly increased with the help of P3DP events and other activities, so perhaps after the elections more municipalities will launch some PPP projects using PPP materials available online.

ANNEX 2

Legislation and Policies Developed with P3DP Input

P3DP supports the development of Ukraine’s legal and regulatory framework to make PPPs a viable tool for financing infrastructure, health, education, and public services for the benefit of all Ukrainian citizens. P3DP provides legal analyses, participates in policy discussions, contributes to draft legislation, and advocates for reform conducive to PPP development. The following summarizes the Program’s activities and successes:

National PPP Policy	<p>POLICY SUCCESS: PPP Concept Paper on PPP Development in Ukraine approved.</p>	<p>P3DP and the Ministry of Economic Development and Trade (MOEDT) developed a national PPP policy for Ukraine adopted in August 2013 under CMU Decree #739. A national PPP policy provides a critical base of support for both government and private sector stakeholders. The policy also supports Ukraine’s development goals as outlined in the National Action Plan of the Economic Reforms Program for 2010-2014.</p>
	<p>POLICY DEVELOPMENT: PPP Strategy and Implementation Plan under review by the Verkhovna Rada.</p>	<p>The PPP Strategy and Implementation Plan were jointly developed by P3DP and the MOEDT based on the PPP Concept but have not yet been adopted.</p>
Legislative Framework for PPPs	<p>POLICY SUCCESS: Practical Guide for Preparing PPP Feasibility Studies and Appraisal Methodologies accepted.</p>	<p>P3DP developed and MOEDT approved the Methodology for Development of Feasibility Study for PPP Projects. P3DP prepared the Practical Guide to PPP Feasibility Study Preparation and Appraisal Methodology.</p>
	<p>POLICY SUCCESS: Cooperation between P3DP and GOU defined and approved.</p>	<p>Prepared an Aide Memoire dated December 19, 2012 defining further steps of cooperation with GOU.</p>
	<p>POLICY SUCCESS: Amendments to Cabinet of Ministers Decree #384 on tender procedures.</p>	<p>P3DP achieved a significant policy success with the approval of amendments developed, recommended and advocated by P3DP to CMU Decree #384, <i>On Efficiency Analysis and Tender Procedures of Public-Private Partnerships</i> in July 2014. The amendment simplifies tendering and project appraisal procedures and resolves numerous legislative contradictions. These measures mitigate corruption and remove major hindrances to private sector participation in PPPs.</p>
	<p>POLICY ENGAGEMENT: Amendments to PPP Law under revision (#10228).</p>	<p>At the request of the Parliamentary Committee on Industrial, Regulatory Policy and Entrepreneurship, P3DP developed Draft law #1058 <i>On Amendments to Specific Laws of Ukraine</i>. The proposed amendments simplify the general PPP framework, define the powers of government institutions involved at all stages of the PPP process, establish state support for PPP projects, establish rights related to the use of land plots, and establish a system for arbitration. The draft law was passed in the first parliamentary reading in March 2015.</p>
	<p>POLICY DEVELOPMENT: Amendments to Cabinet of Ministers Decree #232.</p>	<p>The PPP Risk Assessment Resolution (draft CMU decree on amendments to CMU decree #232), authored by P3DP, regulates the activities of municipalities or other public partners regarding PPP risk assessment and management. The draft decree was finalized and approved by the Ministry of Finance; it is now being reviewed by the Ministry of Justice before it can be submitted to the CMU for approval and adoption.</p>

	POLICY DEVELOPMENT: Amendments to Cabinet of Ministers Decree #756.	Amendment developed by P3DP on licensing conditions clarifies which types of documents are necessary for certain activities. Under consideration.
Green Tariffs	POLICY SUCCESS: Passage of Draft Law #2010 on tariffs for electricity produced from alternative energy sources.	P3DP played an important role the development of Draft Law #2010, <i>On Amendments to Specific Laws on Competitiveness Conditions for Electricity Produced from Alternative Resources of Energy</i> , which was approved by the Verkhovna Rada on June 3, 2015. The legislation improves methods of energy payment calculations for companies and facilitates PPP projects in solid waste management.
Amendments to Concession and Licensing Legislation	POLICY SUCCESS: Laws on Leasing or Concessions of District Water, Heating and Sanitation Communal Facilities amended (#0857).	Adopted October 2013. P3DP provided input to a legislative amendment that provides for fair payments upon early termination of concession agreements. This amendment reduces the risks of entering into PPPs.
	POLICY SUCCESS: Passage of Draft Law #0934 on licensing procedures.	On March 26, 2015, President Poroshenko signed Draft Law #0934 <i>On Licensing of Certain Types of Economic Activity</i> . The law provides simplified licensing procedures, including in the heating and water sectors. P3DP addressed many issues covered by the law identified in the P3DP legal diagnostic report done early in the project as an obstacle to PPP development through its work on CMU Decree #756.
	POLICY DEVELOPMENT: Amendments to Cabinet of Ministers Decree #639.	P3DP provided recommendations to the draft decree on amendments to CMU Decree #639 on concession fee calculation methodology. The draft recommends an economically viable methodology for concession fee calculation, which will make the use of concessions more attractive to investors. In August 2014, MOEDT published the proposed amendments and recommended adoption of a more streamlined method for calculating concession fees.
	POLICY DEVELOPMENT: Amendments to Cabinet of Ministers Decree #642.	P3DP provided proposals on concession tendering. Under consideration.
	POLICY DEVELOPMENT: Amendments to Cabinet of Ministers Decree #2745.	P3DP provided proposals to the Concession Law. Under consideration.
	POLICY DEVELOPMENT: Amendments to Cabinet of Ministers Decree #643.	P3DP provided proposals on model concession contracts. Under consideration.
Budget Code	POLICY SUCCESS: Amendments to the budget code (#1409).	The Commission for Regulation of Communal Services requested P3DP support in amending budget laws that will enable better energy efficiency in public buildings by allowing long-term budget commitments. Developed with the Institute of Budgetary and Socio-Economic Research (IBSER). Passed in April 2015.

	<p>POLICY SUCCESS: Amendments to law on energy performance contracts (#1313).</p>	<p>The Commission for Regulation of Communal Services requested P3DP support in amending laws to facilitate use of energy performance contracts. This will enhance the attractiveness of PPPs with energy service companies (ESCOs). Passed in April 2015.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Solid Waste Management</p>	<p>POLICY DEVELOPMENT: Tariff calculation methodology for Landfills.</p>	<p>P3DP proposed a Draft Methodology on calculating tariffs in solid waste management that increase incentives to invest in modern landfills. These were reviewed with the National Commission on Communal Services in November 2013.</p>
	<p>POLICY DEVELOPMENT: Draft law #5129 on SWM.</p>	<p>Draft law #5129 <i>On Amendments to Certain Laws of Ukraine in the Solid Waste Management Sector</i>, developed with P3DP input, was registered in the Verkhovna Rada. The proposed amendments transfer approval authority for landfill tariffs from the National Communal Services Commission to municipal authorities; introduces penalties for breaching SWM regulations on SWM collection; introduces a mechanism to broaden participation in solid waste management collection contracts; and better align practices with those of the European Union.</p>

Last update: July 27, 2015

ANNEX 3

Article in *Business Ukraine*:

Public-Private Partnerships and the Turkish Experience

Public-Private Partnerships and the Turkish experience

Turkey's PPP success story could provide Ukraine with practical model to emulate



Turkey is one of the most prolific users of private sector partnerships in Eastern Europe and Central Asia to improve infrastructure. According to newly-released data from the World Bank's Private Investment in Infrastructure database (PPI), Turkey came in second place globally for public-private investment in infrastructure in 2014, with USD 12.5 billion in investment in 17 new projects in the energy and transportation sectors.

Turkey's experience can serve as a useful model to stimulate broader use of public-private partnerships (PPPs) in Ukraine, which faces major challenges in rebuilding its infrastructure and economy. To accelerate this process, the USAID Public-Private Partnership Development Program is joining the American Chamber of Commerce in organizing a conference on PPPs in Turkey and Ukraine on June 22, 2015. The event in Kyiv follows a successful study tour to Istanbul and Ankara in 2014, also organized by P3DP, which gave Ukrainian national, regional and municipal officials the opportunity to learn from their Turkish counterparts while having a first-hand look at PPPs in action.

The conference will showcase a number of successful cases of PPPs in Turkey in sectors of great interest to Ukrainian officials and private investors, including projects in healthcare, transportation, marinas and industrial park development. Government officials from Turkey and Ukraine, as well as the United States, will be joined by international PPP experts and leaders of business to learn how significant barriers were overcome in Turkey to achieve amazing results and, most importantly, how these approaches can potentially be adapted

and applied in Ukraine to address the rapidly growing need to rehabilitate existing or build new infrastructure.

With strong growth expected in the region, the Turkish government is improving infrastructure to accommodate increasing demand that is both a requirement for and a result of a thriving economy. With its strategic location on the Bosphorus Straits linking European and Asian trade routes, Turkey stands to gain solid returns from investment into sectors also of great import to Ukraine.

Turkish PPP experience: road transport

The Eurasia Tunnel Project is one of the most ambitious PPPs underway in Turkey today. A 14.6KM tunnel will connect Asia and Europe under the Bosphorus Straits. This greenfield Build-Operate-Transfer (BOT) project will reduce travel time from 100 to 15 minutes. A consortium of Turkish and South Korean firms won the tender in 2008 for a period of 29 years and ten months. The tunnel will be transferred to the government after the operating period. Total investment cost is estimated at USD 1.245 billion.

The Gebze-İzmir Highway Project is the biggest PPP in Turkey to date. Tendered in 2010, the project aims to construct a 433KM motorway from Gebze, a town on the Sea of Marmara 65 kilometers from Istanbul, to İzmir; a major port city on the Aegean Sea. The USD 7.3 billion project will shorten the existing route by over 140 kilometers, cutting travel time between Istanbul to İzmir by more than half. The PPP is structured as a 22-year, four-month BOT con-



currently aims to develop 18 integrated healthcare facilities located throughout Turkey using the PPP model. One example is the Bilkent Integrated Health Campus Project, which envisions the design, construction and operation of a 3,804-bed hospital in a 25-year PPP. Total investment cost is USD 850 million.

PPP success factors in Turkey

PPPs have not been a success in Turkey by accident. This success is the result of a deliberate policy to increase private sector participation in infrastructure and public services. The Turkish authorities have understood the potential and have acted accordingly by establishing the legal framework to make it possible. One key factor has been government commitment. Turkish policymakers recognize that partnering with the private sector can significantly boost the government's ability to provide infrastructure and public services.

A strong legislative framework for PPPs has also helped. Turkey was an early implementer of PPPs in the region and has developed a solid framework for PPPs. In 1984, it passed a law allowing private sector participation in the power sector. Turkey passed further legislation to allow Build-Operate-Transfer (BOT) PPPs for other sectors, including transportation and power. By 2001, Turkey had already built 30 power plants under PPPs, providing 8,500 megawatts of power. The PPP model is also allowable for privatization. Over time, Turkish legislation has steadily improved to make PPPs easier to develop and implement in a fair, transparent way. PPP contract violations can be addressed through the judicial system or international arbitration. There is still room for further improvements in the legal framework - some international lenders were unable to obtain full guarantees, for example - but overall, the Turkish PPP environment is positive.

Strong demand has also been important in driving Turkey's PPP success story. A strong economy that depends greatly on transportation infrastructure has helped ensure that demand for infrastructure services will attract interest among potential investors. The Turkish authorities have also sought to use PPPs to meet public needs. PPPs in Turkey serve the public interest in visible ways, for example, by reducing traffic congestion, contributing to job growth, and providing critical services such as healthcare.

Turkish lessons can help Ukraine

Ukraine has much to gain by learning from Turkey's PPP experience. Since 2010, interest in PPPs among Ukrainian officials has grown, a development reflected in development strategies, policies, and legislative amendments. Ukraine, like Turkey, lies on important trade routes, which will fuel demand for improved infrastructure. Ukrainian citizens also stand to benefit from improved healthcare and education systems that take advantage of private sector investment, technology and resources.

▶▶ tract with annual income guaranteed by the General Directorate of Highways, a state-owned enterprise. Nine banks, including Deutsche Bank and leading Turkish banks, provided USD 5 billion loans in June 2015. The project is being implemented by a consortium of four Turkish companies, and is expected to be completed in 2018.

The Third Bosphorus Bridge PPP Project in Istanbul, consists of construction of a 1.4KM suspension bridge and 115KM of the Northern Marmara Motorway. The total project cost is USD 2.5 billion.

Airports and ports

Turkey has had success introducing the PPP model in the airport and port sectors. For example, Turkey's major airports - including two in Istanbul, one in Ankara and one in Izmir - have been developed and operated under the PPP model. The Third Istanbul Airport Project is the most recent airport PPP initiative. Expected to cost over USD 9 billion, the new airport will have an annual capacity of 150 million passengers.

Another major PPP is a new greenfield container terminal at Asyaport on the Marmara Sea, approximately 70KM from Istanbul. It will serve as a transshipment hub with an annual capacity of 1.9 million twenty-foot equivalent units (TEUs). The terminal is expected to begin operations at the end of June 2015. Total project cost is estimated at USD 415 million. The project will help Turkey develop its water transport infrastructure, which will increase shipping capacity and lower cost with a smaller environmental impact than road shipping.

Power sector PPPs

Turkey is expected to double its energy infrastructure in the coming decade. In 2014, it launched 13 new projects with private sector investment in the sector. Much of this was driven by three large-scale privatizations of thermal power plants. Government incentives have also stimulated investments in the wind sector, which increased as a total of energy output from 0.8% in 2010 to two percent in 2012. Turkey aims to have 20,000 megawatt of installed wind-power capacity by 2023, and seeks to build 600 megawatts of solar power plans to quadruple investment in geothermal energy.

Solid waste management

Mamak Landfill Waste Management Project in Ankara uses a variety of solid waste management practices to minimize the volume of waste being dumped in the landfill, including recycling, capturing landfill gas to generate 26 megawatts of electricity, and using waste heat for greenhouses. Operations are managed by a private operator selected through a tender, who benefits from income derived from managing the site. Up to 85% of waste at the landfill is recycled.

Industrial and technology parks

Industrial and technology parks have also been successfully developed in Turkey using the PPP model. These include the ODTÜ Teknokent Science and Technology Park, founded in 1991 as the result of collaboration between the Middle East Technical University, the Ankara Chamber of Industry and Commerce, and several private companies. Also of interest is the OSTIM Industrial Zone, a large industrial park in Ankara serving 5,000 small and medium enterprises in 17 sectors. A green technological and research hub is also being planned in Ostim.

Turkish healthcare PPPs

The Turkish government recently turned to PPPs to raise the standards in healthcare facilities by increasing diversity of services provided in light of technological developments and new medical trends. The Ministry of Health