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UKRAINE PUBLIC PRIVATE PARTNERSHIP DEVELOPMENT PROGRAM (P3DP)

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Executive Summary

P3DP promotes public-private partnerships (PPPs) as a model to improve communal services and infrastructure in Ukraine, in accordance with international best practices. P3DP directly supports selected municipalities desiring to implement PPP projects and directly assists the Ministry of Economic Development & Trade (MOEDT) to develop policies, procedures and regulations. In addition, P3DP contributes to legal reform through its active participation in the Verkhovna Rada's PPP Work Group, formed under the Committee for Industrial and Regulatory Policy and Entrepreneurship. P3DP also addresses policy issues on improving energy efficiency, urban planning, tariff calculation methodology, procurement procedures and delivery of communal services through membership in the Sector Reform Committee and Technical Assistance Coordination Committee at the Ministry of Regional Development, Construction, Housing and Communal Services. P3DP maintains close working relationships with the State Agency for Investments and National Projects Management (also known as the National Projects Agency, or, NPA) and works directly with NPA's Clean City program on solid waste disposal solutions for municipalities.

P3DP improves the environment for PPP development in Ukraine by pursuing its four interrelated program objectives of: 1) enhancements to the legal and regulatory framework; 2) establishment of oversight and approval procedures for the national-level PPP Unit; 3) raising awareness and developing capacity at the national and municipal levels; and, 4) implementation of pilot PPPs that can serve as models in select industry sectors of importance throughout Ukraine.

During the past year, P3DP made determined progress toward improving the Ukrainian PPP environment, with expanded sector-specific support to municipalities to develop PPP solutions that improve delivery of goods and services to their communities (activities that were traditionally the sole responsibility of Government). P3DP's technical assistance and capacity development initiatives laid the foundation for private sector participation in PPP projects. P3DP increased knowledge at the municipal and national levels by utilizing a series of workshops, tailored trainings, and study tours. In addition, P3DP industry experts led the development of national-level regulations and municipal-level PPP implementation analysis¹. The importance of this foundational work is highlighted by progress through the PPP project lifeline that will result in taking 2 to 4 PPP pilots to the private market through public tenders in the year ahead. Additionally, P3DP's active involvement in all phases of PPP implementation, from regulatory to transactional, and across the spectrum of governance levels from national to municipal, has resulted in substantial knowledge awareness for P3DP and other stakeholders, thus generating feedback to improve the overall PPP process; the type of results specifically envisioned in FHI360's Cooperative Agreement.

P3DP activities during the year focused on contributions to municipalities to move them closer to the PPP tendering stage, or, alternatively, identifying those obstacles which prevent a PPP-type structure from being utilized. A primary goal of P3DP is to use pilot PPPs as learning experiences to provide feedback on positive and negative aspects of PPP implementation and define corrective actions that are needed to create a PPP-friendly environment. Both the successful and unsuccessful efforts in pursuit of PPP implementation are valuable knowledge-building experiences to share with other municipalities and provide feedback to positively influence new national level regulations and policies. In that regard, P3DP is helping Ukraine to overcome

¹ PPP implementation analysis refers to a variety of analytical activities required by decision authorities, such as, concept papers, legal analysis, tariff analysis, action plans and financial models.

some of its most significant challenges to PPP implementation: excessive regulations, unclear PPP laws, uninviting business climate and municipal limitations².

During year 2, P3DP's key contributions in achieving progress toward PPP tendering included:

1. Established formal assistance plans with six municipalities working in four different economic sectors, with PPP implementation analysis¹ completed or substantially underway for PPP pilots in solid waste, private healthcare, city park and street parking. Additionally, initial activities also began for potential pilots in kindergarten care, energy efficiency and water supply sectors;
2. Organized international study tours for Ukrainian officials to accumulate knowledge on international PPP best practices with visits to landfills, hospitals, parking garages, parks and PPP units in neighboring countries of Poland, Croatia, Russia, Hungary and Austria to learn from their experiences in developing and implementing PPP projects;
3. Cosponsored one international conference and two national PPP forums that were heavily attended by municipal and private sector leaders interested in local economic development: "Speed UPPP Ukraine", an internationally attended PPP conference held in Kiev, "First Ukrainian Forum on Public Private Partnerships" held in Lviv, and, "Ukrainian Municipal Forum" held in Yalta;
4. Delivered capacity development by industry PPP experts to both national and subnational entities, including financial training to MOEDT and the MOEDT of the ARC. At the subnational level, workshops and training seminars were conducted for 205 municipal and oblast leaders, with 55 private firms and 26 NGOs also participating in the capacity development events.
5. Provided technical experts to develop "PPP Appraisal Methodology" procedures (a top priority for MOEDT), adopted as the formal approach for evaluating and approving PPP projects in Ukraine;
6. Contributed to developing documents needed for the operational capacity of MOEDT's PPP Unit, three of the most important being a national level "PPP Strategy", "PPP Strategy Implementation Plan" and "PPP Practical Guidelines", all of which encountered delays as a result of politically-driven personnel turnover within MOEDT;
7. Published analyses and recommendations for the PPP legal framework in Ukraine detailed in two published reports, "Diagnostic Review of Legal and Regulatory Framework for PPP" and "Most Critical Legal Issues" and directly contributed to legislative and regulatory PPP reforms through active involvement in the Vekhovna Rada's PPP Working Group;
8. Completed a Baseline Survey detailing awareness of and attitudes about PPPs among a broad spectrum of stakeholders in central, oblast and local government offices, business community members and local NGOs representing key stakeholder groups;
9. Concluded sub-awards with three Implementing Partners: Association of Ukrainian Cities (AUC), East Europe Foundation (EEF) and Kyiv Economic Institute (KEI), each selected for their abilities to be P3DP legacy institutions and continue supporting PPP implementation at the city and municipal levels across Ukraine beyond just the existence of P3DP. To facilitate general PPP awareness and provide information regarding P3DP products, the following implementing partners created PPP page on their site to disseminate P3DP produced materials:
 - AUC: <http://www.auc.org.ua/page/programa-rozvitku-derzhavno-privatnogo-partnerstva>
 - EEF: <http://eef.org.ua/index.php?page=catalog&id=136&pid=1&prj&lang=ua>

KEI prepares quarterly "Performance Monitoring Reports" that track performance measures approved by USAID in P3DP's annual workplan and identify possible delays/risks in the implementation of program

² These challenges and P3DPs interventions are described in greater detail in the "Exceptional Issues and Challenges" section of this report.

objectives. Year 2 results through September 30, 2012 show that P3DP's performance targets were achieved in full or exceeded for 21 of its 24 indicators. The only exceptions being POI 4.5 (that reached 75% of target) and POI 4.6 and POI 4.7 (which could not be performed by the PPP Unit because it did not obtain the legal authority or resources to dispense PPP advisory services). P3DP's results were achieved despite a major operational constraint created when the Government of Ukraine (GOU) amended VAT exemption procedures, restricting program procurements including previously signed contracts with P3DP's implementing partners, and two factors highly distracting the attention of GOU officials – EURO 2012 and parliamentary elections. KEI's analysis of specific activities in Year 2 shows that, while some delays occurred, implementation mostly proceeded within the planned timeline³.

P3DP Summary Performance Results			
For Year 2 of Program			
(Oct 1, 2011-to-Sept 30, 2012)			
Definition of Performance Indicator	Year 2 Target	Year 2 Actual	Percent of Target
Objective 1 Indicators: enhancement to legal/regulatory framework			
POI 1.1 - Number of expert consultations with municipal officials, private businesses and other stakeholders.	20	23	115%
POI 1.3 – Number of policy reforms, regulations or administrative procedures drafted to enhance governance, facilitate private sector participation and competitive markets.	4	4	100%
POI 1.4 – Number of P3DP-led legal reforms submitted to relevant GOU entity.	4	5	125%
Objective 2 Indicators: procedures for national-level PPP Unit			
POI 2.1 – Number of top level participants in familiarization study tours.	10	17	170%
POI 2.2 – Number of drafted legislative acts or regulations specifying PPP Unit activities	5	6	120%
POI 2.3 – Number of analytical documents related to PPP transaction design, implementation and monitoring drafter in cooperation with PPP Unit representatives.	3	7	233%
POI 2.4 – Number of operational policies drafted for the PPP Unit.	3	3	100%
POI 2.5 – Percent of drafted operational policies adopted by the PPP Unit.	30	30	100%
POI 2.6 – Number of events, meetings and consultations held in cooperation with PPP Unit representatives.	8	28	350%
POI 2.7 – Number of project ideas submitted by line ministries, municipalities and other public bodies to the designated GOU PPP entity.	3	3	100%
Objective 3 Indicators: raising awareness & developing capacity			
POI 3.1 – Number of events to promote an understanding of PPPs.	24	26	108%
POI 3.2 – Number of people at events to promote an understanding of PPPs.	650	799	123%
POI 3.3 – Number of targeted government trainees completing PPP training sessions.	300	591	197%
POI 3.4 – Number of targeted non-government trainees completing PPP training sessions.	100	208	208%
POI 3.5 – Number of individuals trained in management and fiscal skills to strengthen local government and decentralization.	250	612	245%
POI 3.6 – Number of sub-national government entities (e.g. municipal mayor's office or city council) receiving assistance to improve their performance.	20	394	1970%
POI 3.7 – Number of mass media publications related to PPP projects and P3DP.	30	104	347%
Objective 4 Indicators: implementation of pilot PPPs			
POI 4.1 – Number of potential PPPs at the municipal level identified by P3DP.	20	20	100%
POI 4.2 – Number of PPP initiatives identified and submitted by P3DP to USAID for	10	10	100%

³ The "P3DP Performance Monitoring Report" produced by KEI showing the detail activities, timeline and outputs is included in the electronic folder of reports accompanying this report.

concurrency.			
POI 4.3 – Number of PPP initiatives approved by USAID to pursue using P3DP resources.	5	6	120%
POI 4.4 – Number of Project Identification Briefs (PIBs) fully completed for decision-making on concept of PPP.	5	6	120%
POI 4.5 – Number of Feasibility Studies authorized.	4	4	100%
POI 4.6 – Number of potential new PPP initiatives pursued by PPP Units.	2	0	0%
POI 4.7 – Number of actual PPP initiatives being actively fostered by PPP Units.	1	0	0%

P3DP seeks to cooperate with other donors when possible in order to increase the program impact and results. For example, when P3DP began development of the parking PPP concept paper with the city of Lviv, it built on the prior work completed under an EBRD-funded Louis Berger contract, thus saving P3DP the cost of several months of technical assistance. As another example, P3DP jointly cooperated with the Canadian International Development Agency (CIDA) to organize and sponsor the Ukrainian Municipal Forum, with CIDA providing funds to organize the first day's activities and P3DP providing funds and organizing the second day's activities focused on PPPs. P3DP co-organized the "Speed Uppp Ukraine" international PPP conference with the Institute for Public-Private Partnerships, a Polish PPP support NGO. P3DP closely cooperated with the Municipal Heating Reform Project (MHRP) in developing the "Public Private Partnerships and Tariff Regulation in the Water, Wastewater and District Heating Sectors" report to avoid duplication of efforts, and, P3DP and MHRP regularly provide speakers for each other's events.

In order to broaden P3DP's private sector professional network and exposure to businesses interested in PPP transactions, P3DP became a member of the American Chamber of Commerce (ACC) and a member of US-Ukraine Business Council (USUBC). P3DP collaborated with ACC to establish a PPP Expert Center that has attracted member representation from EBRD, IFC, CIDA, Ministries and local law firms.

Implementation Chronology of Notable Programmatic Activities:

Date	Y2Q1 Activity Summary
October 3, 2011	P3DP executed Implementing Partner sub-agreement with KEI.
October 3, 2011	P3DP secures co-sponsorship of the planned PPP Conference from the VR Committee on Industrial Policy and Entrepreneurship in a meeting with its Chair, Natalia Korolevska.
October 5, 2011	Gide Loyrette Nouel (GLN) representatives present summary of diagnostic legislative review to USAID in the morning and representatives of MOEDT in the afternoon.
October 7/8, 2011	P3DP representatives attend the Black Sea Economic Forum at which P3DP executes an MOU with the head of the Council of Ministers of ARC.
October 10, 2011	NPA formally adds two P3DP representatives to its Working Group on Solid Waste Management.
October 13, 2011	P3DP executed an MOU with the Mayor of Lviv regarding Lviv's potential PPP pilot project in parking management.
October 17, 2011	Characteristics of PPP Baseline Survey discussed between P3DP and KEI representatives.
October 19, 2011	P3DP representatives meet with the new MOEDT liaison Pavlo Pakholko regarding PPP initiatives and areas of cooperation.
October 20, 2011	PPP Conference held to publically present the GLN Diagnostic Review of Legal and Regulatory Framework for PPPs in Ukraine and several other PPP implementation-focused presentations.
October 21, 2011	Sub-agreement executed with AUC as a P3DP Implementing Partner, supporting municipal level access, initiatives and promotion.
October 28, 2011	Workshop at the Rus Hotel regarding PPP Unit functions, roles and responsibilities – wrap up for the two previous Study Tours for stakeholders.
October 31, 2011	P3DP registration/accreditation documentation amended by MOEDT to reflect FHI 360 as implementing agent and NPA as both a Beneficiary and Recipient. The Ukrainian translation of the name of the project

	was also changed.
November 7, 2011	P3DP's local Appraisal Methodology Consulting Team meets with MOEDT.
November 8-11, 2011	P3DP co-sponsors VII International Congress on Institutional and Technical Aspects of Reforming Housing and Communal Services, and Alan Pieper, COP delivered a presentation on the USAID-funded P3DP initiative.
November 14-15, 2011	P3DP-sponsored Study Tour to Poland for Lviv representatives seeking PPP solutions to communal services issues, and to the PPPs in Urban Management conference.
November 16-17, 2011	P3DP delivers case study training to MOEDT and other ministry representatives, setting the stage for additional technically-focused training in the future.
November 18, 2011	P3DP resolves issues and finalizes amended Work Plan for Year 2 with USAID.
November 21, 2011	Tatiana Korotka represents P3DP at the Autonomous Republic of Crimea Donor Coordination Roundtable.
November 29, 2011	Formal letter to Mr. Gnatsov, Head of Investments, Innovation and PPP Department of MOEDT, finalizing the MOEDT Action Plan with P3DP.
November 30, 2011	Coordination meeting with LINC on land issues and experience with various municipal entities throughout Ukraine.
December 7-9, 2011	P3DP representatives meet in Simferopol and Zaporizhia to resolve initial outstanding issues related to PPP pilot projects in park development/operations, regional municipal solid waste facilities and healthcare.
December 8, 2011	P3DP held a tariff regulation coordination meeting with a representative of MHRP.
December 9, 2011	Sub-agreement executed with EEF as a P3DP Implementing Partner, supporting awareness and capacity development at the municipal level.
December 12, 2011	Held initial coordination meeting with local expert sub-contracted to assist P3DP with certain tariff regulation activities.
December 13, 2011	P3DP representatives visit Vinnytsia to assess two potential PPP pilot projects, confirming acceptance of the SWM initiative as an "active" project.
December 20, 2011	Various MOEDT and P3DP comments regarding the draft Appraisal Methodology document are resolved, with the final results being incorporated for formal delivery to MOEDT.
December 21, 2011	P3DP delivers awareness workshop on multiple PPP topics to over 50 people in Poltava, including city, rayon and oblast personnel, private sector and NGO representatives.
December 23, 2011	Tatiana Korotka delivered a presentation on The Use of PPPs for Development of Municipal Infrastructure at USAID/IBSER conference on Improving the Efficiency of Budget Processes.
December 28, 2011	PPP pilot project summary documents for 2011 transmitted to USAID.
Date	Y2Q2 Activity Summary
February 9, 2012	P3DP team participated in the International Technical Assistance Coordination Working Group of the Ministry of Regional Development and Construction and Communal Services.
February 14, 2012	P3DP and National Project "Clean City" representatives meet with the Mayor of Vinnytsia to outline coordination of efforts in solid waste management.
February 21-24, 2012	P3DP's Tatiana Korotka attended PPP Days Conference in Geneva organized by UNECE, the World Bank, and the Asian Development Bank. P3DP supported participation of 3 representatives of MOEDT.
February 28, 2012	P3DP's Ruslan Kundryk participated in a Warsaw PPP conference focused on legal issues of waste incineration and energy efficiency projects.
March 1, 2012	P3DP becomes member of the International Technical Assistance Coordination Working Group within the Ministry of Regional Development, Construction Housing and Communal Services.
March 2, 2012	PPP workshop conducted in Lviv for municipal leaders and private sector representatives.
March 14, 2012	Representatives of P3DP, LINC and other donor projects met with the MOEDT to make recommendations related to the official State Procurement Strategy.
March 15, 2012	PPP Appraisal Methodology completed by P3DP, reviewed by Dept. of Investment, Innovation Policy and signed by Acting Minister of the MOEDT.
March 20, 2012	PPP workshop conducted for Municipal Leaders in Vinnytsia.
March 25-29, 2012	A PPP Poland Study Tour to 3 cities and 5 PPP sites is conducted for municipal leaders from 4 host pilot cities.
March 26, 2012	P3DP met with MOEDT Deputy of Investment, Innovation and PPP Policy Department to outline cooperation and a work plan for the next quarter.
March 28, 2012	PPP workshop conducted for Municipal Leaders in Ivano-Frankivsk.
March 30, 2012	PPP workshop conducted for Municipal Leaders of Simferopol and other key cities of Crimea.

Date	Y2Q3 Activity Summary
April 3-6, 2012	Valeriy Dobrovolskiy and Philippe Fichaux, SWM Consultant to P3DP, conducted a field trip to ARC to collect data for the Western Crimea SWM PPP Pilot Project Concept Paper.
April 5, 2012	P3DP presented a PPP Parking Management concept paper to the Lviv Municipality outlined future project development steps.
April 5, 2012	P3DP presented a concept paper on Simferopol City Park Management PPP to both municipal and ARC Ministry leaders.
April 6, 2012	USAID approved P3DP's Procurement Plan.
April 11-12, 2012	Valeriy Dobrovolskiy and Philippe Fichaux, SWM Consultant to P3DP, conducted a field trip to Ivano-Frankivsk to collect data for the Ivano-Frankivsk SWM PPP Pilot Project Concept Paper.
April 13, 2012	Jason Czyz, Alan Pieper and Valeriy Dobrovolskiy visited Lviv 2012 to finalize the Lviv Parking Management concept paper and identify future P3DP involvement.
April 19, 2012	Tatiana Korotka, Valeriy Dobrovolskiy, and Jason Czyz met with representatives of the International Financial Corporation (IFC) to discuss potential cooperation in the sphere of Pilot PPP projects implementation.
April 20, 2012	P3DP PSG travelled to Zaporizhia to review with city and hospital officials the legal and constitutional constraints that must be overcome for the potential PPP healthcare facility to be realized.
April 23-24, 2012	P3DP team members participated in the "Speed UPPP Ukraine" International conference. Olena Maslyukivska presented findings of the recently completed PPP Baseline Survey at the event.
April 23, 2012	Valeriy Dobrovolskiy met with Polina Shaganenko, Corporate Social Responsibility Director, MetInvest., P3DP was invited to attend the follow up meeting in Donetsk in May.
April 24, 2012	P3DP hosted a Working Meeting on solid waste management with representatives of three pilot PPP regions - Vinnytsia, Ivano-Frankivsk and the Autonomous Republic of Crimea.
April 26-27, 2012	P3DP organized and participated in the first Ukrainian PPP Business Forum in Lviv. The round table sessions examined PPP opportunities in the areas of transportation, municipal parking, recreational and city parks, and waste management.
April 26, 2012	P3DP's paper on "PPPs and Tariff Regulation in Water, Wastewater and District Heating Sectors" was completed by consultants Chris Shugart and Alyona Babak.
April 27, 2012	P3DP finalized its draft of a paper on legal issues impacting healthcare PPPs, conducted by Prudence Law Firm. This concept paper explores various PPP options and defines legal parameters of potential PPP healthcare projects.
April 23, 2012	P3DP became a member of the American Chamber of Commerce in Ukraine.
May 7, 2012	The first draft of "Solid Waste Management in Vinnytsia" concept paper was provided by P3DP consultant Philippe Fichaux.
May 15, 2012	Tatiana Korotka traveled to Sumy to participate in the joint conference "Modernization of Housing and Communal Services with PPP". Tatiana delivered a presentation dedicated to P3DP activities in the pilots.
May 16, 2012	Alan Pieper, Tatiana Korotka and Olena Maslyukivska attended the USAID Environmental Compliance & Sustainability Procedures training session, dedicated to USAID Environmental requirements.
May 17, 2012	Tatiana Korotka and Valeriy Dobrovolskiy met with the Head of Kyiv City Educational Department in regard with potential pilot project "PPP in kindergarten".
May 18, 2012	Tatiana Korotka, Valeriy Dobrovolskiy and Ruslan Kundryk met with IFC's PPP Advisory Board Member Dmytro Kryshchenko to discuss potential cooperation between P3DP and IFC.
May 18, 2012	P3DP submitted the Action Plan of "PPP Gagarin Park Management in Simferopol" to the Council of Ministers of the ARC and Simferopol Local Council for further approval and implementation.
May 23, 2012	Valeriy Dobrovolskiy met with the Education Department of Kyiv Municipal State Administration (KMDA) in the Obolon district to discuss potential PPP Pilot Project in kindergarten management.
May 25, 2012	P3DP met with USAID Senior Development Outreach and Communications Officer, Olga Myrtsalo, to discuss and clarify internal procedures on communications and public diplomacy events.
May 25, 2012	Alan Pieper and Tatiana Korotka met with Ernst and Young to discuss potential areas of interest within the Global Cooperation Initiative between USAID and Ernst and Young.
May 29, 2012	Tatiana Korotka and Valeriy Dobrovolskiy delivered a presentation at a MetInvest meeting that included representatives from partner regions and Donetsk State Regional Administration.
May 29, 2012	Olena Maslyukivska participated in the Hot Water Supply Round Table organized by International Center of Perspective Research.
May 30-31, 2012	Alan Pieper, Tatiana Korotka and Olexandra Chala participated in the Forum of International Technical

	Assistance Donor Programs, organized by the MOEDT of ARC. Tatiana Korotka delivered a presentation on P3DP Technical Assistance Projects Initiatives and Offers.
June 1, 2012	Alan Pieper, Tatiana Korotka and Olexandra Chala met with representatives of LINK project and conducted a site visit to a potential PPP water supply project in Sakhy district, the Autonomous Republic of Crimea.
June 8, 2012	Valeriy Dobrovolskiy will meet with representatives of Siemens Ukraine to discuss potential ESCO Pilot PPP Project.
June 7, 2012	Valeriy Dobrovolskiy and Olena Maslyukivska met with Mr. Andriy Ginkul, the CEO of Navigator Consulting Union, to explore the pilot project opportunities in the area of energy efficiency in Ternopil.
June 7, 2012	Ruslan Kundryk participated in the regular meeting of the Committee of Reforms at the Ministry of Regional Development and Construction of Ukraine.
June 8, 2012	Valeriy Dobrovolskiy met with representatives of Siemens Ukraine. Siemens is active in energy efficiency, urban transportation and infrastructure projects in developed countries.
June 8, 2012	P3DP PSG was included in the Working Group on communal services issues within the Committee on Economic Reforms of the Ministry of Regional Development and Construction of Ukraine.
June 12, 2012	Alan Pieper, Tatiana Korotka and Ruslan Kundryk participated in the Conference Call with potential STTA healthcare expert to discuss further steps in Zaporizhia PPP Pilot.
June 13, 2012	P3DP financial modeling consultant, Nadezhda Yermolenko, completed financial model assignment for two Pilot PPP Projects. Development of SWM financial models was discussed with PSG this week.
June 20, 2012	P3DP PSG team met with Vadim Koverda, Director of National Projects Agency's Kyiv Oblast Unit, to discuss potential PPP cooperation in the towns of Bila Tserkva and Fastiv in the areas of wastewater treatment and energy efficiency.
June 27, 2012	Alan Pieper met with Guido Bertrani, the Head of Swiss Development and Cooperation Agency (SDC), to explore potential PPP cooperation in Ukraine and explain the concept of a Project Development Facility.
June 27, 2012	Alan Pieper and Tatiana Korotka participated in PPP Expert Center meeting, organized by American Chamber of Commerce. Parties discussed ways to strengthen PPP implementation processes. Participants at the meeting included representatives of ACC, EBRD, IFC, CIDA, Ministries and several local law firms.
Date	Y2Q4 Activity Summary
July 2 – 6, 2012	CEPA was contracted by P3DP to provide feasibility analysis for establishing a Project Development Facility.
July 3, 2012	East Europe Foundation organized a one day site specific PPP training in the city of Zaporizhia for local state and self-government authorities.
July 6, 2012	P3DP organized a Round Table dedicated to discussion of the draft of PPP Development Plan prepared by P3DP consultants Mr. Geyets, Ms. Efimenko, and Mr. Cherevykov. PPP Development Plan will be submitted to MOEDT and serve as the base for PPP Strategy and PPP Action Plan.
July 8, 2012	FHI Development 360 LLC's healthcare specialist Nilufar Rakhmanova arrived to participate in Zaporizhia Round Table on Economics of Healthcare in regards to potential Healthcare PPP pilot project in this region.
July 12-13, 2012	P3DP PSG team attended Ukraine Municipal Forum, jointly organized by P3DP and AUC. P3DP coordinated the PPP Day within a two day Forum and focused on PPP development in Ukraine.
July 13-14, 2012	P3DP organized the Media Tour in Simferopol, one of Pilot PPP cities, in order to raise awareness about PPPs within Ukrainian media.
July 16-20, 2012	Ned White, PPP consultant and trainer, delivered a 5-day training course in Kyiv on building and using Excel-based financial models for representatives of MOEDT and supporting agencies.
July 23, 2012	P3DP PSG conducted a field trip to Fastiv to meet with the Mayor, Oleksandr Penkovyy and Director of Fastiv Vodokanal, Ivan Solomakha. Two potential PPP pilot projects were explored: reconstruction of local waste water treatment facility and city park management project.
July 23-27, 2012	PPP Expert, Edward White, held a workshop for 11 key officials and staff members of ARC line ministries and Simferopol City Council. The workshop introduced the basics of financial modeling process.
July 24, 2012	Alan Pieper and Valeriy Dobrovolskiy met with Director of Educational Department of Obolon Rayon Administration to discuss potential PPP projects in the area of kindergarten management.
July 24, 2012	Mick Mullay and Natasha Boyko met with Igor Skytskiy, Simferopol Deputy Mayor, and his team to discuss further steps of developing PPP Pilot Project that aims to renovate Gagarian Park in Simferopol.
July 25, 2012	Svitlana Pavlysh, P3DP's Gender Specialist, provided the final draft P3DP Gender Evaluation Report and conducted a gender workshop for P3DP staff members.
July 30, 2012	Olena Maslyukivska, Valeriy Dobrovolskiy and Ruslan Kundryk met with Svitlana Selezneva, a private kindergarten operator to consult on the potential of Kyiv kindergartens pilot PPP project. Valeriy prepared the PIB on the project for P3DP PSG team to discuss and review.

August 6, 2012	The National Commission on Regulation of Communal Services posted the Draft Decree on methodology of tariff calculation based on RAB approach ⁴ . P3DP recommended to implement RAB approach.
August 10, 2012	Tatiana Korotka, Ruslan Kundryk, Valeriy Dobrovolskiy, and Olena Maslyukivska met with the President of Ukrainian Association of Vodocanal "Ukrvodocanalecologiya" to discuss opportunities and barriers for PPPs in water sector in Ukraine and explore potential cities for PPPs in water area.
August, 23-27, 2012	Ned White, PPP consultant and trainer, delivered the second training session in Kyiv to representatives of MOEDT and supporting agencies on building Excel-based financial models.
August 31, 2012	P3DP submitted comments to the Draft Decree on methodology of tariff calculation based posted on the website (on RAB approach) to the National Commission on Communal Services Regulation.
August 31, 2012	P3DP PSG completed the draft of Zaporizhia Healthcare PPP Pilot Project business model with several options for private partner involvement with specific lists of medical and non-medical services.
September 10-12, 2012	P3DP PSG held meetings with stakeholders of Zaporizhia Healthcare Pilot PPP project. P3DP presented the draft business model to the Project to Healthcare Department of Zaporizhia Local Council.
September 21, 2012	P3DP and East Europe Foundation jointly organized a PPP local study tour to Saki, ARC. The event focused on PPPs in municipal solid waste management for representatives of 10 Ukrainian municipalities.

Program Activities and Results

Objective 1: Improving PPP Legal Environment and Public Policy

P3DP is assisting the GOU to create a legal environment conducive to introducing PPP initiatives to improve infrastructure and delivery of municipal services. Issues are identified during development of P3DP pilots, daily tracking of legislative activity, and regular monitoring of GOU websites. To address recognized constraints hindering the successful implementation of PPPs, P3DP conducts analytical research and contributes to multiple PPP working groups tasked with drafting proposals for amendments to existing legislation or introducing new laws and regulations affecting PPPs.



P3DP's Legal Advisor, Ruslan Kundryk, presents PPP concepts to MOEDT

P3DP also led a cooperative effort with the MOEDT in drafting a PPP Development Concept which will, when finalized, provide a framework for creating the national PPP Development Strategy and accompanying Strategy Implementation Plan. These documents will guide a comprehensive set of GOU actions designed to advance PPP development in Ukraine.

During Year 2, P3DP activities and assistance resulted in improvement of the PPP legal framework and the production of legal review documents to use as resources to guide actions toward additional positive changes.

⁴ RAB approach – Regulatory Assets Base approach.

1.1 PPP Legal Environment

During the past year, P3DP conducted a comprehensive analysis of existing laws and regulations governing PPP development in Ukraine. This “Diagnostic Review of Legal and Regulatory Framework for PPPs” assessed the broad set of laws and regulations relevant to PPPs in Ukraine in light of international best practices and identified the first, second and third priorities of needed legal reforms, explaining how the changes will ease the use of PPPs to improve infrastructure and public services in the future. An accompanying position paper entitled “The Most Critical Legislative Issues relevant to PPP Start-ups in Ukraine” identifies and prioritizes the issues that need to be addressed.

P3DP contributed to drafting a broad range of documents impacting laws and regulations through active participation in the PPP Interagency Work Group, the working group on PPPs under the Verkhovna Rada Committee for Industrial and Regulatory Policy and Entrepreneurship, and working with other government bodies assigned with PPP development and monitoring responsibilities.

Ukraine’s Framework Law on Public Private Partnerships Improved

One such effort was drafting recommendations to amend the primary PPP law in Ukraine. These recommendations are now included in the draft law “On Amendments to Some Laws (Regarding Public Private Partnerships)” that was registered in the Verkhovna Rada in March of 2012. The document is available to interested parties on the website of the Verkhovna Rada of Ukraine at the following link: http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=42891.

Specific recommendations included:

1. Designating the PPP framework law to be the dominate law governing PPP transactions, taking precedence over the application of other relevant laws, and reducing the need to “shop” for laws permitting the transaction;
2. Making commercial arbitration applicable to concession contracts in order to realize cost and time reductions related to dispute resolution;
3. Allowing the declaration of land “right of use” status in the PPP contract, eliminating the need for an additional lease arrangement;
4. Modifying tariff regulations related to recovery of the capital investment component of rate calculations;
5. Clarifying the roles of GOU and local institutions in conducting feasibility studies and tendering processes; and
6. Clarifying the types of governmental support that are possible for PPP projects (reflecting common international practices).

The Verkhovna Rada returned the Draft to the Committee with several additional recommendations for consideration. Additionally, during the last quarter of the year, the P3DP team provided supplemental recommendations addressing constraints related to the introduction of PPPs in the health care sector.

Unfortunately, due to vacations and preparing for upcoming elections, the Verkhovna Rada convened for only three sessions of minimal activity during the last half of the year and the new draft amendments to laws on PPPs were not considered. It is anticipated that members of the Verkhovna Rada that are elected in October 2012 will formally adopt these amendments into law within their first six months of activity. Adoption of this

set of recommendations will significantly improve the legislative environment for PPPs which should result in increasing the number of PPP projects being pursued by Municipalities throughout Ukraine.

Constraints for Private Business to Deliver Public Services Removed or Reduced

The Ministry of Regional Development, Construction, Housing and Communal Services requested P3DP to review the Draft Law “On Amendments to Various Laws on Leasing or Giving in Concession of Communal Facilities of District Water and Heat Supply and Sanitation” and make recommendations to improve a set of laws governing leasing or concessions related to supplying water and heating services to communal entities. P3DP responded by providing a set of amendments to the Draft Law that clarified application of PPPs and the private sector use, maintenance, and investment in communal facilities. In January, the Draft Law “On Amendments to Various Laws on Leasing or Giving in Concession of Communal Facilities of District Water and Heat Supply and Sanitation” registered in the Verkhovna Rada reflected these suggestions, and it was passed on the first reading, available to interested parties at the website of the Verkhovna Rada at the following link: http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=42371.

P3DP is a member of the International Technical Assistance Coordination Working Group and the Committee on Sectorial Reforms of the Ministry of Regional Development, Construction, Housing and Communal Services. These groups provide the platforms to coordinate P3DP and Ministry efforts in legislation development addressing issues impacting PPP relationships and other issues. During this past year, a “Memo” was prepared recommending changes to legislation and policies that allow private partners to be granted licensing required for them to provide specific public services.

In June, the Draft Cabinet of Ministers Decree “On amendments to Decree #756 “On the List of Documents for the Application for Obtaining a License for Certain Types of Activities” was completed and submitted to the MOEDT for discussion. These draft amendments will remove a crucial obstacle to PPP implementation in Ukraine by adding the PPP-type contract to the list of contracts allowed to get a license. P3DP provided additional recommendations to MOEDT regarding this law in July.

Economically Rational Tariff Levels Permitted

Tariff regulation is an extremely sensitive and important issue in most PPPs in the communal services sector, as expected revenues govern the bankability of most projects. P3DP representatives were active in communal-related working groups under the Committee on Industrial Policy and Entrepreneurship, the Ministry of Regional Development, Construction, Housing and Communal Services and the National Projects Agency.

These venues offered opportunities to provide valuable recommendations having significant impact on the ability of Ukraine to introduce the PPPs in communal services. For example, P3DP conducted an analysis and developed a set of specific comments and recommendations for improving legislation and policies governing tariffs. Ukraine’s current practices were analyzed from the perspective of the private sector interested in expected revenues, risks and return on investment. A set of specific recommendations for new laws or amendments related to the Draft Methodology on heating tariff calculation, developed by The National Commission on Communal Services Regulations.

The report “PPPs and Tariff Regulation in the Water, Wastewater and District Heating Sectors” examines regulations and practices in key areas of Ukraine needing private expertise, experience and financing. A private company that operates in any of these services is dependent for its revenue on the periodic decisions of a regulatory body of some kind – either a national regulator or a municipality. It becomes crucial to assess *regulatory risk* and determine the degree to which it does, or does not, constitute an obstacle to PPPs in these sectors. This full report can be accessed at: <http://eef.org.ua/index.php?lang=en>

1.2 National Policies and Strategy for Development

To support the creation of a national “Strategy of PPP Development in Ukraine,” P3DP closely cooperated with the MOEDT in preparing the PPP Development Concept that now serves as a framework for creating the PPP Development Strategy and accompanying Strategy Implementation Plan. An outline of the Strategy of PPP Development in Ukraine was developed by P3DP and presented to MOEDT for discussion. On the basis of the agreed approach, efforts began to develop the Concept and Strategy of PPP Development in Ukraine, along with a Strategy Implementation Plan. The draft Concept and general approach was presented during a round table to allow multiple stakeholders from the GOU, Municipalities, private business and others to provide input. Their viewpoints are reflected in the final Concept which guided drafting of the Strategy and Action Plan. This work to finalize and officially adopt these important documents will continue during Year 3 of P3DP project activity.

1.3 Supporting Efforts of the GOU and Municipalities involved in PPPs

In addition to continuing to advocate for needed changes identified through legislative analysis, P3DP addresses obstacles uncovered during implementation of PPP pilot projects. During Year 2, P3DP conducted legal analyses and advised municipalities on specific legal and procedural aspects of PPP projects governing solid waste management, urban parking projects, city park projects, and health care. Efforts also supported pilots being pursued by the National Projects Agency and Clean City.

Practical Issues and Risks Identified through Pilot PPP Projects Mitigated

PPPs in Solid Waste Management (SWM) are now being supported by P3DP in Vinnytsia, Western Crimea, and Ivano-Frankivsk. While each SWM project is unique, they do share common challenges that must be addressed. These include such issues as land designations, tariff policies, licensing, and environmental regulations. P3DP conducted various researches and contributed recommendations addressing these issues.

Pursuit of an urban parking project in Lviv revealed that inadequate parking is a high priority issue being faced by municipalities across Ukraine. It was discovered that for the PPP Parking Project to be successful, amendments to the Code of Administrative Offenses regulating collecting fines for “nonpayment for parking” must be adopted. The absence of consequences for nonpayment of parking fees or penalties significantly jeopardizes expected revenues and financial viability of the envisaged project.⁵ P3DP has teamed with groups

⁵ On March 22, a Draft Law of Ukraine “On Amending Certain Legislative Acts of Ukraine on Vehicle Parking and Liability for Violation of Vehicle Parking Rules”, developed by The Ministry of Regional Development was submitted to the CMU for consideration and further submitting to the Verkhovna Rada. The Draft Law addresses enforcement of penalties and collection of fines for avoiding payment for parking services.

such as the Association of Ukrainian Cities in sharing expert analysis and advocating for needed changes in legislation.

Preparation of the Simferopol Park PPP Project revealed a need to cancel the prohibition of concessions in recreation areas (Law “On concessions”). This is essential to facilitate developing PPPs in recreation areas.

In conducting the prefeasibility study for introducing a PPP in healthcare in Zaporizhia, the P3DP analysis had to examine not only the applicable laws and regulations, but the constitution of Ukraine. P3DP identified critical areas of legislation needing changes to make Health Care PPPs legally viable. The analysis “Legal Concept of Health Care in Zaporizhia” identified the background for PPP implementation in the area and critical limitations in Health Care PPP development.

GOU Efforts in PPP Project Development Supported

Cooperation between P3DP and Ukraine’s National Projects Agency (NPA) is guided by a Memorandum of Understanding signed in August of 2011. While participating in P3DP study tours to PPP projects and support units in Russia, Croatia, Hungary and Austria, NPA representatives improved knowledge and developed skills needed to effectively design PPPs and create government support programs essential for their successful implementation. P3DP also shared research findings and contributed ideas and recommendations to the design of national events organized by GOU focused on economic development and use of PPPs. Like P3DP, NPA is active in developing PPPs in the area of solid waste management.

Unfortunately, despite this cooperation and assistance during Year 2, NPA has not been able to achieve their stated goal of launching PPPs in Ukraine. P3DP will continue its assistance to this “Beneficiary” and “Recipient.”

Objective 1 Performance Indicators: enhancement to legal/regulatory framework								
	Definition of Performance Indicator	Y2Q1 Actual	Y2Q2 Actual	Y2Q3 Actual	Y2Q4 Actual	Year 2 Actual	Year 2 Target	Percent of Target
POI 1.1	Number of expert consultations with municipal officials, private businesses and other stakeholders.	3	6	5	9	23	20	115%
POI 1.3	Number of policy reforms, regulations or administrative procedures drafted to enhance governance, facilitate private sector participation and competitive markets.	1	0	1	2	4	4	100%
POI 1.4	Number of P3DP-led legal reforms submitted to relevant GOU entity.	0	4	1	0	5	4	125%

Objective 2- Establishing a PPP Unit and the GOU Capacity to Support PPPs

P3DP is assisting the development of the National PPP Unit within the Ministry of Economic Development and Trade (MOEDT) which is tasked with creating an environment conducive to PPPs and supporting the efforts of municipalities and other state bodies to create PPPs focused on improving infrastructure and the quality of public services. Expert consultants are fielded to closely work with MOEDT representatives to establish and improve policies and procedures for their PPP Unit, and create resources that help guide city and State officials through the PPP project lifeline. These tools provide support from initial concept through the tendering and implementation stages. Additionally, knowledge and skills of the staff of the PPP unit are being enhanced through training series comprised of tailored workshops, study tours, consultations, roundtables, and national and international conferences.



P3DP Team discussing Best Practices with MOEDT's PPP Unit

At the beginning of each P3DP project year, a cooperative effort between P3DP and the MOEDT produces a plan of technical assistance. The assistance delivered during Year 2 resulted in the creation and approval of a PPP appraisal process and feasibility study framework, as well as guidelines for the general operation and support services of the PPP Unit. The ability of management and key staff members to fulfill these responsibilities was also significantly enhanced.



Tatiana Korotka presenting P3DP Program activities at the International Technical Assistance Donor's Forum, Simferopol

2.1 Public Private Partnership Unit of the MOEDT

Progress achieved with P3DP assistance during Year 2 of the P3DP program includes clearly defining the role and responsibilities of the PPP Unit, drafting its policies and guidelines, creating a PPP Appraisal Methodology and establishing a set of written standards for PPP feasibility studies. During the period, the structure of the MOEDT Department responsible for the PPP Unit was strengthened to 11 people, divided in two divisions.

PPP Unit Policies and Procedures Drafted



P3DP's International PPP Expert Chris Shugart explaining the PPP lifecycle at PPP Workshop for MOEDT

During Year 1 of P3DP, key representatives of the MOEDT and other GOU bodies learned about PPP Unit support services through study tours to PPP Units in Russia and Croatia. During Year 2, this knowledge was built upon through a follow-on seminar that helped participants to consolidate lessons learned and apply international best practices while designing the parameters of the roles and responsibilities of their “PPP Unit” authorized by Ukraine’s PPP Law. The results of this seminar framed subsequent assistance and interactions with newly-appointed MOEDT personnel with whom P3DP now engages: namely, Mr. Vadim Kopylov - the First Deputy Minister, Ministry of Economic Development and Trade; Mr. Oleg Gnatsov - Head of Department, Department of Innovation and Investment Policy, and Public-Private Partnerships; and Mr. Pavlo Pakholko - Deputy director, Investment and Innovation Activities and PPP Department, who is the primary liaison with P3DP. An additional 2-day practical workshop delivered by an international PPP expert, Chris Shugart, led participants through the PPP project lifeline process while identifying key aspects of needed support, guidance and monitoring typically provided by PPP units.

PPP Appraisal Methodology Created and Officially Adopted

During Year 2, P3DP staff and a local team of experts completed a draft for the “PPP Appraisal Methodology” that adhered to the format and specifications outlined by an agreement with the MOEDT. The completed draft and an accompanying Feasibility Study format created by P3DP were reviewed by the MOEDT and the Ministry of Justice. Based on feedback, P3DP and MOEDT adjusted the drafts and the PPP Appraisal Methodology was ultimately approved on March 15, 2012 by the MOEDT Administrative Order #255. The document provides guidelines and required methodologies to be used by all public institutions that plan to implement PPP projects throughout Ukraine. This document is available at the following website: <http://zakon2.rada.gov.ua/laws/show/z0399-12>

During the 4th quarter, P3DP began to develop a set of clear, concise, chronologically structured guidelines, also referred to as “Practical Guide” that can be used by various stakeholder groups involved in proposing, approving and ultimately implementing PPPs in Ukraine. This guide will be a tool that the MOEDT, regulators,

municipalities and private applicants of PPPs can use to fully understand the requirements of complying with the previously approved “Feasibility Study” and “PPP Appraisal Methodology”. During the next period, practical workshops will be delivered to key stakeholders on the use of this guide.

PPP Strategy and Implementation Plan Drafted

The MOEDT powers and authorities include creation and implementation of the State policy toward promoting, supporting and monitoring the use of public private partnerships to improve infrastructure and deliver public services. To achieve this, a national PPP strategy that specifies priorities of the State, planned technical support, required processes, and the envisaged scope of private participation must be created. After extensive discussions between P3DP and MOEDT on creating a “Strategy of PPP Development in Ukraine”, it was agreed that two documents will be created to guide the GOU in their efforts to accelerate the use of PPPs in improving public sector infrastructure and services - a “PPP Development Concept” and a “PPP Strategy and Implementation Plan.



P3DP COP, Alan Pieper, MOEDT Head of Investments Department, Oleg Gnattsov, and P3DP Senior Program Coordinator, Olga Petrenko, discussing lessons learned at follow-up study tour workshop.

A team of local experts having required qualifications, reputation, experience and skills were fielded to assist the P3DP team in completing the tasks. A roundtable was organized during the process to ensure stakeholder’s views were incorporated. The resulting documents will be designed in the form of a regulation (secondary legislation), taking into account its need for official approval and adoption.



Tatiana Korotka delivering a PPP awareness presentation at USAID/IBSER conference on “Improving the Efficiency of Budget Processes”

Significant work toward completing the “National PPP Concept and Strategy” was achieved during Year 2. When it is completed, the document will guide government programs and policy makers in future actions. The accompanying Strategic Implementation Plan will provide additional guidance for continuing P3DP assistance, focused on improving legislation, raising stakeholder awareness of the PPP Unit responsibilities and services, and supporting the PPP Unit’s efforts to facilitate the creation of PPP projects. These documents will be completed during the first quarter of Year 3.

2.2 GOU Staff Development

A primary task of the P3DP is enhancing the capacity of the MOEDT to establish a national level PPP Unit that will facilitate the creation of PPPs by bridging the gap between the government and private sector interests. To achieve this, P3DP is delivering a systematic training program that instils the knowledge and skills necessary for the effective operation of the PPP Unit.

A two-day practical workshop using a PPP case study led participants through the PPP project lifeline from concept to financial closure, enhancing their capacity to identify, prepare, tender, contract and effectively manage PPP relationships.

Building on this knowledge, P3DP supported participation of two representatives of MOEDT in the “PPP Days” conducted in Geneva, Switzerland during February. P3DP’s Tatiana Korotka, Director of Professional Services joined the group. Hosted by the United Nations Economic Commission for Europe, the World Bank Institute and the Asian Development Bank, the event provided the opportunity for practitioners to establish professional relationships with peers and counterparts from other countries while learning how they are working to facilitate the use of PPP to address public sector needs. Representatives presented an analysis of the current PPP environment and potential for future project development in their respective countries and debated how to best overcome common obstacles and attract needed investment and management expertise. One day was devoted to a Business Forum that allowed the private sector to share their experiences and expectations when pursuing PPP opportunities. The final day examined various case studies of successful and unsuccessful PPP



P3DP COP, Alan Pieper, and First Deputy Prime Minister of ARC, signing Memorandum of Understanding regarding development actions, at Yalta International Business Conference

projects, lessons learned, and best practices. To successfully create a financial picture of an envisaged PPP project opportunity, an array of actions must be put into motion - input variables must be identified, numbers crunched and forecasts created to determine financial viability. Without this comprehensive financial planning, review, and analysis, PPP projects will inevitably fail. A primary area of interest is the preparation of comprehensive feasibility studies, including development of a financial model that allows assessment of the PPP project.



P3DP Financial Modeling Training for representatives of the MOEDT of ARC, Simferopol

During Year 2, P3DP together with partner organization WDI – University of Michigan, developed a training series of practical workshops that introduced basic PPP financial modelling concepts and practical skills to key management and staff members of the MOEDT in Kyiv and the MOEDT of the Autonomous Republic of Crimea

located in Simferopol. Additionally, representatives of line ministries directly involved in PPP preparation and selected instructors of leading institutions of higher education attended the trainings.

P3DP also contributed to developing the staff capacity of the National Projects Agency during the year through supporting their participation in roundtables, international conferences seminars, study tours and workshops. Specific trainings included the solid waste management study tour to Hungary and Austria and the series of financial modeling workshops. Additional cooperation included exploring the Solid Waste Management solution for the municipality of Vinnytsia.

Objective 2 Performance Indicators: procedures for national-level PPP Unit								
	Definition of Performance Indicator	Y2Q1 Actual	Y2Q2 Actual	Y2Q3 Actual	Y2Q4 Actual	Year 2 Actual	Year 2 Target	% of Target
POI 2.1	Number of top level participants in familiarization study tours.	10	0	0	7	17	10	170%
POI 2.2	Number of drafted legislative acts or regulations specifying PPP Unit activities	3	0	1	2	6	5	120%
POI 2.3	Number of analytical documents related to PPP transaction design, implementation and monitoring drafter in cooperation with PPP Unit representatives.	2	0	3	2	7	3	233%
POI 2.4	Number of operational policies drafted for the PPP Unit.	1	0	0	2	3	3	100%
POI 2.5	Percent of drafted operational policies adopted by the PPP Unit.	0	30	0	0	30	30	100%
POI 2.6	Number of events, meetings and consultations held in cooperation with PPP Unit representatives.	4	4	9	11	28	8	350%
POI 2.7	Number of project ideas submitted by line ministries, municipalities and other public bodies to the designated GOU PPP entity.	0	0	2	1	3	3	100%

Objective 3: Capacity and Awareness Development

P3DP conducts events to instill the knowledge and skills needed for municipal leaders to launch and manage successful PPP projects. In addition to training activities, assistance is provided to raise community awareness and improve stakeholder communications during the planning and implementing of projects. Implementing Partner agreements with the Association of Ukrainian Cities (AUC) and the East Europe Foundation (EEF) were completed early during Year 2, and both organizations subsequently assisted P3DP in designing and delivering activities under Objective 3. These capacity building and awareness efforts are primarily dedicated to host cities of P3DP pilot PPP projects.



P3DP's Olena Maslyukivska delivering a presentation on advantages of PPPs for municipal infrastructure to Poltava Local Council

3.1 Capacity Development

Early during Year 2, a national survey on PPP awareness and attitudes was conducted by P3DP to provide a framework for the assistance and a gauge to measure an evolvement of the PPP environment. The information was used in designing the PPP capacity development trainings and awareness rising, as well as preparing the ground for development of P3DP pilot projects. The results of this survey can be viewed at http://eef.org.ua/img_collection/file/PPP%20Awareness%20Survey%20ENG.pdf

The menu of assistance under Objective 3 includes practical training workshops, seminars, study tours, and general information roundtables, surveys, public hearings, market sounding events, and PPP promotion activities.

PPP Knowledge and Skills Developed Through Workshops

During Year 2, nine general PPP trainings were conducted in the pilot cities of Lviv, Vinnytsia, Ivano-Frankivsk, Zaporizhia, Simferopol (2), relevant ARC communities, Dnipropetrovsk and Poltava. The trainings reached 205 municipal and oblast leaders tasked with attracting investment and improving communal services, 55 private firms, and 26 NGOs. Dr. Eugen Cherevykov, an economist and PPP research specialist, and Ms. Natalia Datsenko-Bilous, an attorney with Vasil Kisil & Partners, a law firm experienced in PPP transactions, each delivered four of the trainings and P3DP's staff PPP Specialist, Ms. Olena Maslyukivska, delivered one training session. Key elements of PPPs were presented within the context of Ukrainian national legislation which regulates the cooperation between public and private sectors. Participants learned about the general benefits of PPPs, how to identify "bankable" projects, and about the long process from concept to tendering. The

participants grew to understand that PPPs provide one of few alternatives for the public sector to attract the capital and expertise needed for municipal or oblast level projects. Training materials can be accessed at: <http://eef.org.ua/index.php?page=catalog&id=136&pid=1&prj&lang=ua>

In addition to general PPP training, two specialized trainings on financial modeling were delivered. These two-week trainings focused on the introduction of basic PPP financial modeling concepts and practical skills, and were delivered to 22 key management and PPP-related staff members of the MOEDT in Kyiv and the MOEDT of the Autonomous Republic of Crimea, as well as representatives of other ministries involved in PPP preparation and selected instructors of leading institutions of higher education were invited and participated (see report in Annex 16).

Lessons from Practical Experiences Learned From Through Study Tours

In November 2011, March 2012 and September 2012, P3DP organized International Study Tours to Poland, Hungary and Austria to learn from the experience of respective municipalities in developing and implementing PPP projects.

In Poland, Ukrainian representatives of current or potential pilot PPP host cities and P3DP team members learned from the practical experience of Polish municipalities how to prepare, tender and implement projects while overcoming legal, contractual and financial obstacles in an environment similar to Ukraine. The group visited PPPs in the sectors of city parking, sports and recreation, public building management and energy efficiency, and health.

A study tour to Hungary and Austria focused on solid waste management. Having identified regional landfill and solid waste treatment as key areas of possible PPPs in the sector in Ukraine, P3DP coordinated with AVE Group, one of the most prominent and professional private solid waste operators in central and Eastern Europe, to host a combined group of Ukrainian cities and Government agencies in its PPP facilities. The group of 11 participants from 4 Ukrainian pilot regions and municipalities and central government agencies visited two regional landfills with additional waste activities and one waste incineration enterprise. The group learned how PPPs are structured, how the projects have been developed and brought to tendering, financial side of the project, technical and administrative background of facilities, government/EU subsidies required, etc. (see report in Annex 16).

On September 21, 2012, P3DP organized a local study tour on PPP in Municipal Solid Waste (MSW) management in Saki, ARC for the representatives of 10 Ukrainian municipalities that are P3DP partners. The participants learned about the experience that Saki has in attracting a private partner to the entire cycle of the MSW collection, recycling and disposal/landfill management and exchanged their own experiences in this area.

International Best Practices Learned Through Conferences and Seminars

P3DP also supported delivery of one international PPP conference during the past year, as well as two major local conferences: the First PPP Forum and the PPP Day during the Ukrainian Municipal Forum.



Olena Maslyukivska participating in P3DP's jointly sponsored "Speed UPPP Ukraine" international conference in Kyiv

International Conference "Speed UPPP Ukraine"

On April 23-24, the International Conference "Speed UPPP Ukraine", organized by the Polish PPP Institute and co-sponsored by P3DP, united over 50 representatives of national agencies, municipalities, and international organizations to share experiences and learn international best practices. Experts from Poland, Kazakhstan, France, and Japan presented PPP methods and trends in their countries, and Ukrainian authorities presented recent developments in Ukraine. Results of the Baseline Study on PPP

Awareness in Ukraine, conducted by P3DP with the support of KEI and Kyiv International Institute of Sociology, were also presented and discussed. P3DP sponsored the attendance of eight representatives of PPP pilot cities so they could learn how to adapt and apply the best approaches in their cities.

First Ukrainian Forum on Public Private Partnership

On April 26-27, 63 participants attended the "First Ukrainian Forum on Public Private Partnerships", organized by P3DP and the Association of Ukrainian Cities. Over 40 city officials joined 19 owners and managers of private businesses, as well as NGO and media representatives, to share experiences and learn about developing PPP opportunities in Ukraine. Presenters highlighted obstacles encountered in their efforts to engage the private sector in the improvement of public services and how those obstacles were addressed. Representatives of local authorities, business and P3DP provided their outlook on the progress of PPP



Lviv Mayor Andriy Sadovy, P3DP COP Alan Pieper, and Myroslav Pitsyk, Head of AUC at the "First Ukrainian Forum on PPPs"

development in Vinnytsia, Lviv and Simferopol. In particular, discussions focused on approaches and PPP models used in sectors where P3DP is developing pilot projects: solid waste management, street parking and urban park management. All materials from the Lviv Forum are available for download from the AUC website: <http://auc.org.ua/news/pidsumki-pershogo-forumu-derzhavno-privatnogo-partnerstva-v-ukraini-yakii-vidbuvsya-u-lvovi>.

PPP Day at the Ukrainian Municipal Forum



PPP Day at the Ukrainian Municipal Forum in Yalta

On July 13, 2012 P3DP organized a PPP Day at the Ukrainian Municipal Forum in Yalta, where the project presented foreign and Ukrainian case studies of PPPs for maintenance and expansion of infrastructure and improvement of communal service delivery. Mayors of 300 Ukrainian cities, representatives of the Ministry of Economic Development and Trade, State Agency for Investment and Management of National Projects, donor organizations and private businesses discussed the opportunities for and challenges to using the PPP mechanism in Ukraine. International experts presented successful international examples in the area of PPPs and highlighted how lessons could be applied to the Ukrainian context. PPP Day was comprised of a plenary session and 4 workshops, where PPP projects in several areas were discussed: settlements improvement, recreational development and leisure; city parking management and public transportation; solid waste management; energy efficiency and water supply.

3.2 PPP Awareness and Stakeholder Communication

P3DP completed a Baseline Survey to assess current levels of awareness and attitudes about PPPs among central, oblast and local government officials, business community members and local NGOs representing other Ukrainian stakeholder groups. A telephone survey was conducted in 80 cities (including 25 oblast centers, Kyiv, Sevastopol, and 53 oblast-subordinated cities) and 80 rayon centers (administrative units that have local governments subordinated to oblasts). A separate study used face-to-face interviews of relevant central government ministries and agencies. The findings of the analysis were used to help tailor P3DP awareness and stakeholder communication activities and measure their results.

P3DP monitored media reports and stories on the national level (through EEF) and pilot cities (through AUC) to track perceptions of PPPs in general and P3DP pilot PPP projects specifically. This allows early identification and timely response to mitigate any negative reactions of key stakeholders. To date, no negative media stories have been reported in the pilot cities of Ivano-Frankivsk, Lviv, Simferopol, Vinnytsia, Zaporizhia and Western Crimea.

To facilitate general PPP awareness and provide information regarding their cooperation with P3DP, each implementing partner has created a PPP page on their site:

- AUC: <http://www.auc.org.ua/page/programa-rozvitku-derzhavno-privatnogo-partnerstva>.
- EEF: <http://eef.org.ua/index.php?page=catalog&id=136&pid=1&prj&lang=ua>

Media Study Tour

A Media Study Tour to various PPP sites in Ukraine was conducted for 10 media representatives to develop capacity of local media to write about PPPs.

Stakeholder consultations and round tables

P3DP organized five roundtables and stakeholder consultations devoted to the use of PPPs. During the events, P3DP stimulated stakeholder participation and moderated consensus building on the pilot PPP project. This work will be continuing in the Year 3. Following P3DP public events over 100 mass media appearances were registered, especially following the PPP Day in Yalta and Media Study Tour.



P3DP-organized Media Study Tour of pilot PPP at Simferopol City Park

Much of the Objective 3 assistance delivered during Y3 will be tailored to needs of municipalities hosting the current PPP Pilots. Topics and timing of the workshops will reflect the specialized skills, knowledge and communication needed to move the pilots through the project lifeline toward tendering and implementation.

Objective 3 Performance Indicators: raising awareness & developing capacity								
	Definition of Performance Indicator	Y2Q1 Actual	Y2Q2 Actual	Y2Q3 Actual	Y2Q4 Actual	Year 2 Actual	Year 2 Target	% of Target
POI 3.1	Number of events to promote an understanding of PPPs.	5	9	2	10	26	24	108%
POI 3.2	Number of people at events to promote an understanding of PPPs.	150	153	71	425	799	650	123%
POI 3.3	Number of targeted government trainees completing PPP training sessions.	81	100	31	379	591	300	197%
POI 3.4	Number of targeted non-government trainees completing PPP training sessions.	69	53	40	46	208	100	208%
POI 3.5	Number of individuals trained in management and fiscal skills to strengthen local government and decentralization.	81	100	31	401	620	250	245%
POI 3.6	Number of sub-national government entities (e.g. municipal mayor's office or city council) receiving assistance to improve their performance.	36	41	24	293	394	20	1970%
POI 3.7	Number of mass media publications related to PPP projects and P3DP.	9	21	27	47	104	30	347%

Objective 4 - Implementing Pilot PPP Project Transactions

Assistance being delivered through Objectives 1, 2 and 3 is creating the institutional capacities and the legal and legislative environment necessary for successfully implementing PPP activities in Ukraine. In addition to the significant progress being made in these areas, P3DP recognizes that achievement of real PPP transactions –creating, tendering, and managing projects– is the essential “catalyst” needed to accelerate and expand the use of PPPs throughout the country.

P3DP is introducing PPP pilot transactions in a broad spectrum of sectors to demonstrate how PPPs can be used in Ukraine to engage the private sector in improving infrastructure and public services. The transactions will effectively define needed criteria, address challenges unique to Ukraine, and model the processes required to achieve successful PPP initiatives. Our assistance activities throughout Year 2 confirmed that it is feasible to implement PPPs in sectors such as transportation and parking, recreation, solid waste management, and healthcare. However, it was also learned that each sector involves significant gaps in terms of necessary legislation, municipal capacity, market interest, and access to needed finance. Unsuccessful experiences of many municipalities attempting to implement PPPs demonstrate a general inability to identify high potential projects and an absence of the skills needed to plan and manage the PPP process. P3DP efforts to guide the Municipalities and the PPP pilots through the project lifeline must overcome these deficiencies by playing a leadership role, helping municipalities to identify “high potential” projects and then continually monitoring and motivating actions needed to speed up the process, as well as providing trainings that ensures that key staff develop essential knowledge and skills.

During Year 2, P3DP’s resources under Objective 4 were mainly directed at advancing six “high potential” PPP Pilot Projects. These include:

- Lviv City Parking Management
- Simferopol Urban Park Renewal
- Zaporizhia Healthcare
- Vinnitsa Solid Waste Management
- Western Crimea Solid Waste Management
- Ivano-Frankivsk Solid Waste Management

A seventh PPP Pilot focused on Solid Waste Management in Lviv is being pursued in close cooperation with the IFC.

Each project is characterized by willing and capable Municipal leadership, a well-understood project idea, and good indications of private market interest (based on overall knowledge, business contacts and operators meetings). As can be expected, each of these PPP Pilot Projects presented challenges to be overcome.

In addition to these Pilots, P3DP evaluated a number of other PPP ideas but removed them from consideration due to lack of local commitment, inappropriateness of project or concept to market realities. For example, a Poltava District Heating PPP Pilot being evaluated was removed from consideration due to the insufficient municipal leadership and inability to overcome restrictive legislation.

4.1 Active P3DP PPP Pilot Projects

Throughout Year 2, P3DP fielded multiple consultants having the specialized expertise and experience needed to advance the Pilot PPPs through the project lifeline. Prefeasibility studies or “Concept Papers” were completed on parking management in Lviv, and on revitalization and management of a city park and recreational area in Simferopol. Initial assessments and evaluation of applying alternative PPP approaches began for solid waste management projects in Vinnytsia, the ARC region, and Ivano-Frankivsk, as well as an analysis of the legal environment for developing a PPP healthcare project in Zaporizhia. A summary of the work completed and progress made on each active PPP Pilot is provided below.



Participants of PPP SWM Study Tour to Poland, organized by P3DP

Lviv Parking Facility and Management

Early during Year 2, P3DP consultant David Jarrett and the P3DP staff completed a prefeasibility study “Concept Paper” that addresses legal issues, technical aspects and economic features of various alternatives for the envisioned PPP parking facility project. Consultant Chris Shugart and P3DP’s Valeriy Dobrovolskiy joined Mr. Jarrett in Lviv to meet with Lviv city council officials, key administrative staff, and local stakeholders for their review and input. The Concept was adjusted and a financial model and “action plan” defining the next steps to shepherd the Pilot through the PPP lifeline were created.

Through discussions during the Lviv “Annual Business Forum” conducted in April, it was determined that municipalities throughout Ukraine share similar problems of insufficient parking and excessive traffic. Participants agreed that inadequate legislation regarding enforcement of violations and collection of parking fines appears to create the primary obstacle to implementation of PPPs in this sector. Legislative changes are essential. Only when the Draft Law (Administrative Code of Ukraine, introducing fines for non-payment for parking) currently in the Verkhovna Rada is passed will it be possible to define the ultimate scope of the project (number of on-street parking places, location of off-street parking facilities, duration of the PPP contract, market sounding actions, etc.). P3DP and the city’s established Working Group are monitoring progress of key legislative processes. If and when the legislative constraints are removed, a survey of stakeholder’s perceptions of the project and their willingness to pay for parking services will be initiated.

In October, the Deputy Head of Transportation Department, Mr. Andriy Bilous, was assigned to be the Project Manager responsible for the city’s Working Group activities, from determining final scope of the project through tendering and project launch. A major decision impacting the scope of the project was to designate the central part of Lviv (the UNESCO part) a pedestrian area, meaning that in the future no parking will be allowed. The Working Group subsequently tailored the project scope of on-street parking with one or two off-

street parking facilities (where on-street would cross-subsidize the off-street, and the latter will decrease traffic pressure on city center and disable illegal parking) down to a project limited to off-street parking. The City now wants to establish a 400-places off-street parking facility in a high demand area. The location is surrounded by 10 streets that prohibit on-street parking, with no-parking signs and enforcement agencies upholding the restrictions, and near multiple public transportation lines.

P3DP is currently evaluating the financial viability of the new business model as a PPP. Preliminary analysis indicates the required capital investment will dictate a need of relatively high tariffs (100-200UAH per day per parking spot) or an exceptionally lengthy PPP contract of 20 to 50 years with low tariffs, which might not be in the best interests of the city. P3DP will create several potential scenarios and discuss with the city the alternative payment mechanisms and required tariff levels. It must be determined whether such tariffs might be realistically accepted by the public or if the city must consider providing payment guarantees. Should this stage be successful, P3DP will conduct additional consultations with the private sector to assess market interest and requirements. If it is believed that their expectations can be satisfied and financing attracted, P3DP will continue providing technical assistance needed to prepare technical documentation and proceed through the procurement stage.

Simferopol City Park and Recreational Area

In January, a team comprised of P3DP staff and international consultants met with ARC and Simferopol city officials to collect data and information necessary to prepare a prefeasibility study “Concept Paper” for a PPP that transfers the responsibility for improving and maintaining a major city park area in exchange for the right to establish and manage commercial entertainment and services facilities. A number of potential legal obstacles, sensitive land issues, and other concerns quickly became apparent through meetings with departments responsible for land resources, communal services, parks, and the environment. Additional meetings with a number of private operators and technical advisers identified explored other issues such as safety and impact on existing businesses in or near the park.

In April, P3DP met with the municipality to finalize the Concept Paper and create an action plan that is now being used to guide the pilot through the project lifeline. A Working Group was formed at the municipal level to implement the Action Plan and guide lead efforts through multiple levels of government decisions and a complex collage of legal and administrative issues related to land resources, communal services, parks, and the environment. A Financial Model for the project, which helps to identify issues, measure impacts of commercial decisions, and quantify the risks from viewpoints of the public sector, private partner and lender, was prepared. It highlights that the project can be self-sustainable only with a very effective private partner, as certain desired objects, such as a zoo and amusement park, require significant investments needing high customer usage to generate an acceptable return on investment. Additionally, the private partner will possibly be required to finance the upgrading and maintenance of the green areas. The required USAID “Environmental Review” was completed for the Simferopol Gagarin Park PPP, along with the corresponding Environmental Mitigation and Monitoring Plan.

In July, a break-out session focused on urban park renewal during the 8th Annual Ukrainian Municipal Forum presented the PPP pilot approach and assessed common experience and interests of other municipalities. Following the event, a media tour of Gagarin Park raised public awareness about the pilot PPP project and the benefits it can bring to the community.

During the last months of Year 2, P3DP has been encouraging action from government bodies responsible for the many decisions required to address land issues and authorize building and operating commercial facilities on the park property, and transfer specific rights and obligations to a private party. P3DP regularly drafts letters on behalf of the City to facilitate their inquiries regarding legal interpretations and requests for decisions and actions needed by other government bodies. Concurrently, P3DP is leading the effort to prepare an initial draft of the expanded Feasibility Study necessary to conduct public hearings and broaden the stakeholder communication program. The completed draft financial model is now being expanded to provide more accurate cost estimates, revenue projections, targets and forecasts based on additional research. Findings are to be included in the Feasibility Study and presented to the City during the first quarter of Year 3, and shared during a public hearing. This will be followed by a “soft” market testing event to cross-check current views with those of private sector specialists, including contractors, lenders and equity investors. Tendering documents will be prepared after addressing key concerns identified through these events, with an expectation that the pilot PPP project will be tendered during the second quarter of Year 2.

Zaporizhia Healthcare Facility

Zaporizhia municipal leaders requested P3DP assistance in creating a PPP project to engage private sector expertise and financing to improve medical facilities and the quality of health services. As this is a significant area of interest and city leaders demonstrated a strong commitment to the project, P3DP hired a local team to review the legal environment and identify opportunities and constraints to applying a PPP approach in the sector. Although the study identified many obstacles created by the Ukrainian Constitution and the laws of Ukraine, it also identified and explored alternative ways to overcome the obstacles. The report was completed in April and presented to the municipal team tasked with creating the project.

Later, the city team, together with P3DP, approached the Ministry of Economy and Trade of Ukraine and the Ministry of Healthcare of Ukraine to obtain clarification regarding certain legislative and relevant procedural issues. The information gained helped mitigate project risks and determine the most appropriate PPP contractual mechanism. Findings indicate that the most appropriate pathway will be a type of PPP cooperation agreement. Additional constraints suggested that a project involving all or some of existing hospital units would be too problematic. An FHI 360 expert in healthcare service visited Ukraine to provide essential advice on project design and recommend actions to accelerate the project through the lifeline and toward tendering. Thus, the scope of the project was created that envisages introduction of new, fee-based clinical and non-clinical services, which will be delivered in unused areas of the hospital needing improvements. This preliminary business model and form of PPP contract is now being considered by the Working Group and the city’s leadership.

P3DP conducted market testing of the project, where private operators (managers and owners of Zaporizhia private hospitals and clinics) expressed their opinions regarding PPPs in healthcare. In general, the sector is very promising for investments and PPP is an interesting mechanism which has to be tested before PPPs are more actively pursued by private operators. Some sectors of healthcare are very profitable (e.g. diagnostics), some are viable only with state money (e.g. stationeries in hospitals), and some are low cost-recovery (e.g. emergency). Private operators provided valuable input as to how the project should be structured and what services to include and to ensure long-term sustainability. Early during Year 3 a financial model will be developed to measure various alternatives and help test them during market sounding events.

P3DP conducted individual meetings with all hospital stakeholders to share information, identify and address concerns, and avoid misunderstandings. The discussions also helped prioritize a list of clinical and non-clinical services to be potentially provided by the private partner and identify and measure the capital needs of the hospital where the private partner may be obligated to invest. A general awareness event was also conducted with hospital management to discuss the PPP approach, its benefits, and how it will impact hospital operations. P3DP will work with management to design and implement a broad stakeholder communication program to ensure understanding and public support for the project.

Solid Waste Management Projects - Vinnytsia, Ivano-Frankivsk, Lviv and Western Crimea

Many Ukrainian municipalities expressed interest in creating PPPs to address existing and emerging problems in solid waste management, a growing issue throughout the country. Early in Year 2, P3DP collected extensive information related to waste production, collection and hauling, processing, landfills, and private sector participation in the sector. A qualified solid waste management expert having extensive experience in Ukraine was then contracted to build on this research and examine the technical, commercial and environmental aspects of SWM in specific municipalities and regions that appeared to have the most potential for introduction of successful PPPs. In April, P3DP hosted a round for representatives of these cities, industry experts and representatives of the National Project Agency's "Clean City" project to share experiences, information about international best practices, and exchange views on applying PPP practices in SWM in Ukraine. Represented were the cities of Vinnytsia and Ivano-Frankivsk, as well as the region of Western Crimea.



Solid Waste Management workshop, organized by P3DP for representatives of Vinnytsia, Ivano-Frankivsk and Crimea

Vinnytsia Solid Waste Management

In addition to the initial research and roundtable discussions, representatives of P3DP, "Clean City", and the Mayor of Vinnytsia have met to explore various approaches to address the solid waste issues in and around the Municipality and discuss potential cooperation between the parties. The PPP approach being advocated by "Clean City" focuses on construction and operation of a solid waste treatment complex, as opposed to establishing a new landfill. P3DP is helping the Municipality to explore other approaches and which is most suited to be pursued as a PPP, from only establishing a new landfill to expanding the territory of collection and introducing other services.

P3DP has drafted a pre-feasibility "Concept Paper" that can guide decisions and help determine how P3DP technical assistance can best be used to help shepherd the PPP pilot through the project lifeline toward tendering. "Clean City" has prepared their own feasibility study focused on the technical aspects of establishing a solid waste treatment enterprise in Vinnitsa, with only minimal information related to commercial aspects of the approach. P3DP is examining and comparing different PPP approaches to be proposed in the final version of the Concept Paper. A financial model has been created to address cost and

revenue aspects of collection, sorting, utilization. Additional input data must be collected and verified to enable the model to be a useful tool for the city to decide the ultimate scope of the project and deciding which components to include in the PPP. The final Concept Paper will provide an overview of Vinnitsa's current solid waste collection and disposal situation, review potential alternatives for addressing problems, examine regional landfill issues (concession for construction and operation of a new landfill according to sanitary standards, transfer stations, potential rough sorting), and outline the process needed to lead the PPP project to the tender.

During September, representatives of Vinnitsa participated in the study tour to Hungarian and Austrian waste utilization facilities and learned about best practices from their Eastern European colleagues. Of special interest were operations in how the private sector was engaged in Miskolc and Tatabanya regional landfills, where the private partner is also involved in collection of waste from the whole territory, thus, having full vertical integration of solid waste utilization: collection-sorting-utilization. City representatives expressed a high level of interest in the approach, which provides greater commercial viability for the private partner rather than only landfill operations. During Year 3, P3DP will conduct additional research and address this alternative in depth in the final version of the Concept Paper financial model.

Ivano-Frankivsk Waste Management

Ivano-Frankivsk city representatives participated in the April round table and expressed high interest in cooperating with P3DP to solve their problems in solid waste management through application of PPP approaches. At their request, the P3DP team traveled to their city to meet with officials, visit existing waste management facilities, and speak with representatives of the municipal enterprise tasked with providing related public services. Based on the findings, P3DP began evaluation of possible approaches and gathering data needed to prepare a Concept Paper for Ivano-Frankivsk SWM project that addresses issues in landfill management, leachate treatment, and collection and utilization of waste on the landfill.

An Ivano-Frankivsk delegation also visited Hungary and Austria to learn about PPPs in regional landfills and solid waste treatment and the pros and cons of using PPPs in each component of the solid waste management. Lessons learned will be of great value in determining the final scope and approach to research preparation of the feasibility study. The Concept Paper is planned to be completed and presented to the city early during Year 3, with a more detailed Feasibility Study being completed later in the year prior to entering the tendering phase.

Lviv Solid Waste Management

The PPP Pilot Project on Solid Waste Management in Lviv was initiated by the IFC. Lviv is in desperate need of a new landfill and, based on an IFC assessment, the preconditions of doing a successful PPP are present. IFC is acting as the lead adviser to the city in preparation of the Project. P3DP plans to support the preparation of tendering documents, market testing, and the procurement and contracting process.

IFC has completed a prefeasibility study which was provided to the city and P3DP. The city has identified a desired land plot and is currently working with Lviv Oblast Administration to allocate it to the project and obtain all necessary approvals and permits. This phase may be completed during the first half of Year 3, after which IFC will prepare the feasibility study while P3DP will conduct an ability to pay survey and prepare for market testing and procurement.

Western Crimea Solid Waste Management

P3DP conducted a field trip to a number of municipalities and rayons of the Autonomous Republic of Crimea (ARC). Visits to existing solid waste facilities in Simferopol, Yalta, Saki and Evpatoriya, as well as Chernomorskiy, Saksyiy and Rozdolnenksiy rayons were followed by meetings with representatives of communal enterprises active in solid waste collection. Information gathered was used to determine current needs and initiate exploration of the viability of a PPP Pilot Project focused on the establishment of a regional sanitary landfill capable of serving multiple municipalities and rayons.

A preliminary concept paper was drafted and a basic financial model completed in order to frame discussions with the ARC authorities that would be tasked with initiating the formal process of preparation and development of the project. The project requires strong commitment from these authorities and the participating administrative units – rayons and municipalities. Additionally, since the resolution of multiple land issues was identified as a prerequisite for pursuing this PPP pilot, P3DP requested that the Council of Ministers of ARC provide information about the designation of the land plot preselected to serve as a regional landfill, or identify an alternative land plot. P3DP expects the ARC to confirm availability of the land and its ownership information early in Year 3. Typical problems and documented experiences of Crimean investment projects also mandate additional research prior to committing P3DP resources to pursuit of the project.

P3DP plans to meet with the ARC early in Year 3 to present and discuss the concept paper, determine the possible scope and related risks of the PPP, and determine if commitment of future P3DP resources to move the project ahead is justified. If so, an action plan will be developed and implemented accordingly.

Objective 4 Performance Indicators: implementation of pilot PPPs								
	Definition of Performance Indicator	Y2Q1 Actual	Y2Q2 Actual	Y2Q3 Actual	Y2Q4 Actual	Year 2 Actual	Year 2 Target	% of Target
POI 4.1	Number of potential PPPs at the municipal level identified by P3DP.	10	0	10	0	20	20	100%
POI 4.2	Number of PPP initiatives identified and submitted by P3DP to USAID for concurrence.	8	0	0	2	10	10	100%
POI 4.3	Number of PPP initiatives approved by USAID to pursue using P3DP resources.	5	0	1	0	6	5	120%
POI 4.4	Number of Project Identification Briefs (PIBs) fully completed for decision-making on concept of PPP.	4	2	0	0	6	5	120%
POI 4.5	Number of Feasibility Studies authorized.	0	0	0	3	3	4	75%
POI 4.6	Number of potential new PPP initiatives pursued by PPP Units.	0	0	0	0	0	2	0%
POI 4.7	Number of actual PPP initiatives being actively fostered by PPP Units.	0	0	0	0	0	1	0%

Program Administration

Administration

P3DP requested and received approval from USAID and MOEDT to make amendments to registration and accreditation documents, effective October 31, 2011, as follows:

- 1) The named holder of the Cooperative Agreement with USAID for P3DP was changed to FHI Development 360 LLC.
- 2) The State Agency for Investments and National Projects (National Projects Agency or NPA) was added as both a beneficiary and a recipient of P3DP.
- 3) The “official” name of P3DP in Ukrainian was changed to Програма розвитку державно-приватного партнерства.

The “novation” of the Cooperative Agreement and the change in P3DP registration/accreditation documentation required concomitant changes in local banking and payroll support documentation. On December 7, 2011, P3DP concluded new banking relationships, and on November 17, 2011, a revision to relevant documentation at the General Directorate for International Representative Offices (GDIP) was finalized, and all P3DP local staff has been “transferred” to new employment documentation both with FHI 360 and GDIP.

A key operational constraint persisted for about two months when the GOU amended VAT exemption procedures, thus preventing P3DP from obtaining VAT waivers for procurements of goods and services. Thus, procurements were greatly restricted and previously signed contracts with P3DP’s implementing partners (KEI, EEF and AUC) were partially suspended, jeopardizing P3DP’s planned deliverables.

EURO2012 activities in Ukraine during June 2012 partially hindered implementation of P3DP program activities, primarily due to the unavailability of hotel accommodation for STTA consultants.

P3DP became a member of the American Chamber of Commerce and the US-Ukraine Business Council. Both organizations provide key contacts and influence with the private sector, government and other stakeholders.

P3DP attended the USAID Environmental Compliance & Sustainability Procedures training session, dedicated to USAID Environmental requirements, and participated in the meeting with USAID Regional Environmental Advisors to discuss P3DP potential input in USA state LEDs policy.

P3DP met with USAID Senior Development Outreach and Communications Officer, Olga Myrtsalo, to discuss and clarify internal procedures on communications and public diplomacy events.

P3DP completed the Gender Assessment report and submitted it to USAID, as required by FHI360’s Cooperative Agreement covering P3DP contractual obligations. Also, the gender consultant conducted a gender workshop for P3DP staff members, as required by the Cooperative Agreement.

Personnel

Larry Hearn, DCOP and Director of Professional Services resigned on February 17, 2012. Tatiana Korotka was promoted to Director of Professional Services and assumed the related activities of that function. P3DP partner WDI furnished technical assistance support through Mick Mullay to cover many of the other responsibilities of Larry's position, assist in developing and implementing a detailed capacity building and awareness program for municipalities, and provide direct support to Tatiana Korotka as she works into her new role.

Other personnel changes and additions were needed as the level of P3DP activities continue to accelerate and expand, as follows:

- Natasha Boyko was promoted from Administrative Assistant to Contract Administrator
- Olexandra Chala was promoted from receptionist to Administrative Assistant to the COP
- Anastasia Yurchenko was hired to fill the role of secretary/ receptionist
- Maryna Kulykova joined the team as event coordinator/translator.

Exceptional Issues and Challenges

Several important changes at the Ministry of Economic Development and Trade potentially effecting P3DP were: 1) Mr. Poroshenko was appointed as Minister by President Decree, replacing Mr. Kluyev who was reassigned to other duties; and, 2) Mr. Anatoliy Maksyuta replaced Vadym Kopylov, a strong supporter of P3DP, as First Deputy Minister. P3DP has previously had positive relations with Mr. Maksyuta who is now responsible to coordinate PPP issues for MOEDT.

The EURO 2012 activities in Ukraine during June briefly hindered implementation of P3DP program activities.

The primary challenges to PPP implementation in Ukraine are:

- 1) **Excessive Regulation:** Onerous national-level bureaucracy, coupled with complex, often incoherent laws, continues to be one of the biggest problems for PPP implementation at the Municipal level in Ukraine, controlling everything from collection of parking fees to land-use allocation. And, almost no national-level authorities are willing to push corrective actions. Many PPP industry experts describe this condition as being that Ukraine lacks “political will” for utilizing PPPs in the delivery of communal services and infrastructure. P3DP is collaborating with the Association of Ukrainian Cities to identify issues facing Municipalities that have collective support for political action resolutions.
- 2) **Unclear PPP Law:** The PPP framework law that was adopted by the Verkhovna Rada in the Summer of 2010 is unclear as to its application at the Municipal level and is in potential conflict with several related laws, such as the law on concessions and law on leases. Also, it leaves the opportunity for Municipalities to circumvent the PPP law by using joint-ventures, concessions or leases. P3DP published an analysis of PPP-related laws and the legal constraints in “Diagnostic Review of Legal and Regulatory Framework for PPPs”. This analysis identified a multitude of problems with both the structure and utilization of the PPP Laws, and P3DP is using this as a basis for legal modifications recommended through the Verkhovna Rada’s PPP Work Group.

- 3) **Uninviting Business Climate:** Foreign investors are met with regulatory obstacles and low levels of confidence in the legal system, as reflected in the “Ukrainian Government Performance Report 2011” showing conditions worsened during the calendar year 2011 on most performance indicators, including investment climate, conditions for business, small and medium business, corruption and economic freedom. Ukraine is distinguished as having one of the worst conditions for business in Europe. In order to enhance private sector participation, P3DP is working through its membership in the American Chamber of Commerce in Ukraine and the US-Ukraine Business Council to engage private sector businesses and promote opportunities for PPP investments.
- 4) **Municipal Limitations:** PPPs require long term contractual commitments, often with financial responsibilities from Municipalities. However, Municipalities in Ukraine can only commit to budgetary resources one year in advance, thus undermining the financial foundation of the PPP contract. Also, the overwhelming majority of Municipalities is facing budgetary shortfalls and have limited, if any, options to raise capital through issuance of Municipal Bonds. P3DP is actively supporting 6 Municipalities to resolve constraints and implement PPPs, and, will double its assistance to Municipalities in 2012. Through these initiatives, issues are identified and feedback provided for potential broad-based solutions at the national level.

Annexes

Provided below is the list of documents, associated with P3DP Y2 Annual Report that are contained in the electronic folder accompanying this report:

1. *Annex 1 Most Critical Legislative Issues relevant to Public Private Partnership (PPP) Projects Start-ups in Ukraine*
2. *Annex 2 Making Ukrainian Public Private Partnerships Work - Next Steps for Legal and Regulation Reforms: Conference Report*
3. *Annex 3 Follow up Workshop on Study Tours for Ukrainian National Government Officials*
4. *Annex 4 Training Interest Survey Results*
5. *Annex 5 P3DP Baseline Survey and Governmental Survey*
6. *Annex 6 Study Tour of Lviv City Representatives and P3DP to Poland*
7. *Annex 7 International Study Tour of Ukrainian municipalities, Government Agencies and P3DP to Hungary and Austria*
8. *Annex 8 PPP Appraisal Methodology*
9. *Annex 9 Public Private Partnerships and Tariff Regulation in Water, Waste Water and District Heating Sectors*
10. *Annex 10 Legal Concept of Healthcare PPP in Zaporizhia*
11. *Annex 11 Public Private Partnership Development Concept in Ukraine for 2012-2017*
12. *Annex 12 P3DP Gender Report*
13. *Annex 13 PPP Legislative Assessment*
14. *Annex 14 PPP Financial Modeling Training Report*
15. *Annex 15 P3DP Y2 Performance Monitoring Report (October 2011- September 2012)*
16. *Annex 16 P3DP Y2 Performance Monitoring Report (October 2011- September 2012)*
17. *Annex 17 P3DP PPP Pilot Project Pipeline*
18. *Annex 18 Trip Report Yalta Forum*
19. *Annex 19 Study Tour to Sakhi in Crimea*
20. *Annex 20 trip Report to Zaporizhia Healthcare PPP*