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PUBLIC-PRIVATE PARTNERSHIP DEVELOPMENT PROGRAM (P3DP) IN UKRAINE

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Acronyms and Abbreviations

AMDI	Agriculture Marketing and Development Institute
AMC	Anti-Monopoly Committee of Ukraine
AmCham	American Chamber of Commerce
ARC	Autonomous Republic of Crimea
AUC	Association of Ukrainian Cities
BOOT	Build-Own-Operate-Transfer
BOO	Build-Own-Operate
BOT	Build-Operate-Transfer
BPP	Biomass Power Plant
CCDS	Climate Change and Development Strategy
CDCS	USAID's Country Development Cooperation Strategy 2012 –2016
CLC	Commercial Law Centre
CMU	Cabinet of Ministers of Ukraine
COM	Cabinet of Ministers
DBFO	Design-Build-Finance-Operate
DESPRO	Swiss-Ukrainian Decentralization Support Project
DFAIT	Canadian Department of Foreign Affairs and International Trade
EBRD	European Bank of Reconstruction and Redevelopment
EC-LEDS	Enhancing Capacity for Low Emission Development Strategies
EEF	Eastern European Foundation
ENVSEC	Environment and Security Initiative
ESCO	Energy Service Company
FBOT	Finance-Build-Operate-Transfer
FBOOT	Finance-Build-Own-Operate-Transfer
FHI360	FHI Development 360
GCC	Global Climate Change
GCCI	Global Climate Change Initiative
GDP	Gross Domestic Product
GHG	Greenhouse gas
GHI	Global Health Initiative
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GOU	Government of Ukraine
IBRD	International Bank for Reconstruction and Development
IBSER	Institute for Budgetary and Socio-Economic Research
IFC	International Financial Corporation
IMF	International Monetary Fund
KEI	Kyiv Economic Institute
KCSA	Kyiv City State Administration
LAESM	Local Alternative Energy Solutions in Myrhorod Project
LEDS	Low Emissions Development Strategy
LGBT	Lesbian Gay, Bisexual, and Transgender
LROT	Lease-Renovate-Operate-Transfer
M&E	Monitoring and Evaluation
MARPs	Most-At-Risk-Populations
MEP	Ministry of Environmental Protection of Ukraine
MHR	Municipal Heating Reform
MOEDT	Ministry of Economic Development and Trade
MRDCH	Ministry of Regional Development, Construction and Housing
MLC	Municipal Law Center
MSFI	Municipal Finance Strengthening Initiative
NAESCO	National Association of Energy Service Companies
NAPA	National Academy of Public Administration

NATO	North Atlantic Treaty Organization
NCCSR	National Commission of Communal Services Regulation
NCMSR	National Commission on Municipal Services Regulation
NGO	Non-Governmental Organization
NPA	National Project Agency
OECD	Organisation for Economic Co-operation and Development
OSCE	Organization for Security and Cooperation in Europe
PPP	Public-Private Partnership
P3DP	Public-Private Partnership Development Project
REC	Regional Environmental Centre for Central and Eastern Europe
REDS	Resource Efficient Development Strategy
ROT	Rehabilitate-Operate-Transfer
RT	Round Table
SIP	[PPP development] Strategy Implementation Plan
SME	Small and Medium Enterprises
SPA	State Property Agency
SWM	Solid Waste Management
TA	Technical Assistance
U-Media	USAID's Strengthening Independent Media in Ukraine
UNDP	United Nations Development Programme
UNECE	United Nations Economic Commission for Europe
UNEP	United Nations Environment Programme
UNITER	National Initiatives to Enhance Reforms
USAID	United States Agency for International Development
USUBC	USUBC
VRU	Verkhovna Rada of Ukraine (Parliament)
WB	World Bank
WG	Working Group

Executive Summary

During Year 3, P3DP played a key role in advancing USAID’s Country Development Cooperation Strategy and its Global Climate Change and Development Strategy in Ukraine. P3DP’s primary goal, the development of an environment conducive to public-private partnerships (PPPs), is an essential tool that enables public-sector entities to partner with private-sector companies for the provision of public services and infrastructure. When properly structured, PPPs not only improve the quality of services, but also contribute to the mitigation of global climate change by increasing the use of renewable energy, improving energy efficiency, and introducing environmentally responsible policies and practices. Furthermore, they attract private investment and spur economic growth. P3DP’s work is helping the Government of Ukraine apply these mechanisms to achieve these important developmental objectives.

P3DP works with government partners, the business community, USAID and other donor funded developmental projects, international financial institutions, NGOs, and other stakeholders to improve legislation, establish institutional support, develop needed capacity, and guide selected, replicable pilot PPP transactions from concept to implementation. This multi-faceted approach creates the environment and instills the knowledge and skills necessary for municipalities and other government entities to mobilize private-sector finance and expertise to improve infrastructure and public services through economically viable, replicable PPP projects that accelerate climate-resilient, low-emission economic development in Ukraine. Because the use of PPPs has been included in Ukraine’s National Economic Reforms Program for 2010-2014, P3DP expects their important application to continue throughout the P3DP project period and beyond.

The following diagram summarizes P3DP’s approach:



Key achievements in Year 3 include the following:

Improving the Legislative and Policy Framework – As a result of our consultations, tailored research and policy recommendations, P3DP made significant progress in improving the PPP legislative and regulatory framework and building the essential institutional support needed for PPPs to become a viable tool for municipal and other government leaders. PPP-related laws are being improved so that renewable energy and energy efficiency PPPs can be introduced. Specific examples include:

- Developed the Government of Ukraine’s official PPP Concept, a policy document approved by the Council of Ministers in August 2013. This policy is guiding the creation of the National PPP Strategy and Implementation Plan, which includes provisions for promoting clean energy and energy efficiencies. It is expected to be approved in December 2013.
- Developed the *Draft Law On Amendments to the Law of Ukraine Regarding PPPs* and other changes focusing on improving PPP tendering, appraisal of PPP efficiency procedures, risk allocation, and licensing regulations. These include amendments to energy efficiency legislation that provide specific regulations making energy service company (ESCO) contracts viable for private sector participation.
- Proposed solid waste management (SWM) tariff reforms needed to accelerate the development and modernization of the sector to improve general environmental practices and introduce practices that reduce greenhouse gas (GHG) emissions.

Building Knowledge and Capacity – In addition to instilling PPP knowledge and skills into national, regional and municipal governments, P3DP demonstrates how the private sector can contribute to low emission, sustainable economic development through financing, technology, and managerial know-how:

- Conducted five practical workshops, two conferences, and multiple roundtables and other activities in Year 3 that enhanced the capacity of almost 500 government and municipal leaders to use PPPs. Trainings emphasized how to improve the quality of public services while making public service delivery more resilient to the negative impacts of growing budget constraints.
- Developed a specialized training program for municipal and other government officials, private companies, NGOs and the mass media on the role of PPPs in the energy efficiency and renewable energy sectors. These trainings are highly relevant to many P3DP’s pilot PPP projects involving the capture of landfill biogas emissions for power generation and use of renewable biofuels to generate heat for schools and other public buildings.

Pilot PPP Projects – P3DP’s is developing pilot PPP projects in municipalities throughout the country in key sectors such as renewables and energy efficiency, solid waste management, parks and recreation, healthcare, transport, and education. These are expected to improve public services and the economy while having a positive impact on greenhouse gas emissions and improved energy efficiency in Ukraine, and have the potential for replication nationwide.

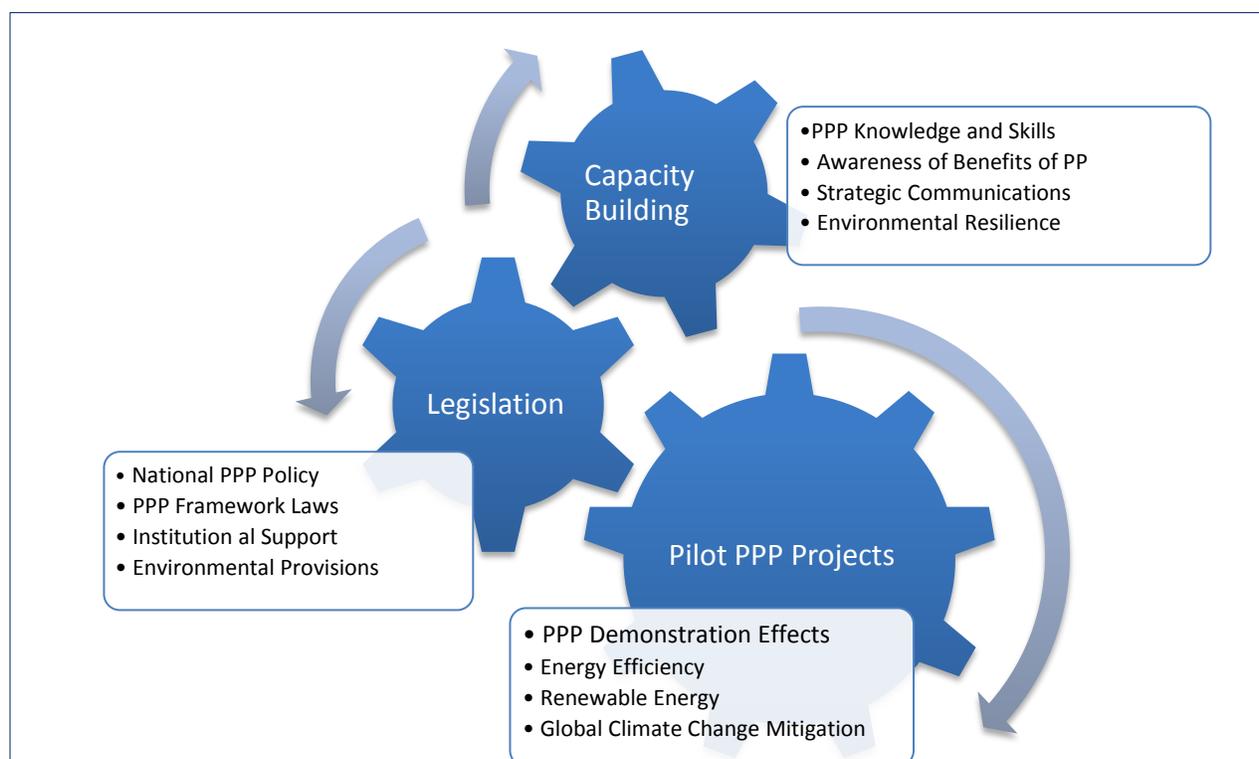
- In Kyiv, one PPP tender to build and operate a recreation facility was issued with P3DP assistance.
- PPP pilots in Zaporizhya, Simferopol and Malyn are expected to be submitted to the PPP Unit of the Ministry of Economic Development and Trade (MOEDT) of Ukraine for approval with tendering to be completed during the coming year.
- Pilots will demonstrate how PPPs can mitigate GCC through capture and use of landfill gas, utilizing biofuels and improving energy-efficiency in buildings and street lighting.
- Reductions resulting from U.S. Government assistance delivered through P3DP's pilot PPP projects is estimated to be equivalent to 998,159 metric tons of CO₂. Reductions of electricity consumption generated from non-renewable energy sources, such as oil or coal, are estimated to be 231,812 MWh.

Since research has determined that emissions of over 100 landfills in Ukraine can potentially be harnessed and utilized for power generation, the ultimate impact through replication of successful pilots is much greater.

In Year 4, P3DP will continue this momentum to further strengthen the legislative and institutional framework for PPPs, enhance the Government's skills and knowledge of PPPs, lay the foundation for continuation of future PPP capacity building and advisory support, implement pilot PPPs in key sectors, and enable PPPs to be a valuable tool for mitigating climate change. P3DP will demonstrate that economic development goals can be achieved through the effective use of PPPs that result in resilient, low-emission, sustainable development in Ukraine.

Introduction

For several decades, PPPs have been promoted as an effective tool for building infrastructure and delivering public services in emerging economies. Private sector partners have worked with governments to introduce or expand access to safe water, sanitation, electricity, transportation, healthcare, education and other services. These efforts have achieved measurable results in terms of economic development, better healthcare, more effective governance practices, and improved quality of life for millions of people.



In recent years, PPPs have also proven to be a powerful tool for mitigating climate change. Partnerships with the private sector have given governments access to the technology, know-how and financing needed to introduce projects that increase their environmental resilience while sustainably developing their economies. With effective legislative and institutional frameworks in place, PPPs can contribute to a reduction of greenhouse gases (GHGs) by increasing energy efficiency, reducing emissions from air, road and sea transport, and improving efficiency use by industry, the public sector, and consumers.

P3DP's goal is to expand the use of PPPs so that private sector finance and expertise can contribute to the development public infrastructure, the delivery of public services, and mitigation of global climate change in both urban and rural areas in Ukraine. With an enabling environment for PPPs and key institutional and individual capacities in place, the Government of Ukraine and municipalities will have the tools to:

- Increase power generation using renewable and alternate fuels, thereby reducing reliance on coal and gas;
- Improve energy efficiency in delivery of public services and use in public buildings, reducing GHG emissions; and;
- Lay the groundwork for encouraging low-carbon investment.

This goal is ambitious because PPPs imply a greater role for the private sector in areas which have been, for the better part of a century, firmly in the domain of an inefficient public sector. Making it possible to mobilize the private sector financing, technical expertise, and managerial skills to improve infrastructure, health, education and other public services is a herculean task requiring changes to legislation, modifications to government functions and processes, capacity building, engagement and coordination with multiple stakeholders, and successful examples on the ground.

But successful adoption of PPPs also brings great rewards. They deliver tangible benefits to Ukrainian citizens in terms of improved infrastructure and public services. They create private sector opportunities through open, fair and participatory processes that engage citizens. This in turn directly contributes to achieving the goal of a more stable, prosperous and democratic Ukraine.

Leveraging Partnerships to Maximize Impact

P3DP began this work in October 2010, when PPPs were almost entirely unknown in Ukraine. The program supports key municipalities in their efforts to engage the private sector in order to improve public services and infrastructure and promotes lessons learned and best practices through public and business associations. P3DP also cooperates with government agencies tasked with improving the PPP environment and providing support to these municipalities, including the Ministry of Economic Development and Trade (MOEDT); the State Agency for Investments and National Projects Management (NPA); the Ministry of Regional Development Construction, Housing and Communal Services; the Verkhovna Rada's PPP Working Group, formed under the Committee for Industrial and Regulatory Policy and Entrepreneurship; the National Commission for Communal Services Regulation and the Autonomous Republic of Crimea's Ministry of Economic Development and Trade.

Collaboration with these government agencies gave the concept of PPPs traction, making it possible to provide advice and training, recommendations to regulations, and input on proposed PPP processes. Strong interest in PPPs at the national level also filtered to Ukraine's municipalities, making it possible to implement pilot PPPs at the local level.

In addition to partnering with the GOU and municipalities, P3DP works other stakeholders interested in successful PPP development. These include the Association of Ukrainian Cities (AUC), the East European Foundation (EEF), the Kyiv Economic Institute (KEI), the Institute for Budgetary and Socio-Economic Research (IBSER) and the Agrarian Markets Development Institute (AMDI).

P3DP also cooperates with other USAID programs, including AgrolInvest (Chemonics), the Partnership for Sustainable Water Supply for Agriculture Development in Crimea (AMDI), and

the National Initiatives to Enhance Reforms (UNITER). It also regularly discusses PPP-related issues with the World Bank and its private sector development arm, the International Finance Corporation (IFC).

The PPP Development Program Approach

P3DP formed these strategic partnerships to lay the foundation for the comprehensive development of PPPs in Ukraine. With \$12.5 million in funding from USAID over a five-year period, the Program developed five interrelated, mutually-reinforcing objectives, each contributing to the development of PPPs in Ukraine in full alignment with USAID's Country Development Cooperation Strategy (CDCS) for Ukraine:

1. **Create a Legal and Regulatory Framework Conducive to PPPs** by strengthening legislation, regulations, and resolutions that support PPP initiatives at the national level.
2. **Strengthen the MOEDT's Capacity to Support PPPs** so that it serves as valuable resource for municipalities and government agencies seeking to improve the efficiency and quality of public services and infrastructure through private sector participation. The MOEDT coordinates its PPP support work through the newly-created PPP Unit.
3. **Develop Public Awareness and Municipal Capacity** in P3DP pilot municipalities in developing and executing PPPs and improving local governance. Training, workshops, seminars, conferences, and study tours contribute to the growing body of knowledge on PPPs at the local level. P3DP also demonstrates how strategic communication programs that reach out to the general public and media provide valuable input during the PPP development process.
4. **Implement Pilot PPPs** in key sectors by providing technical assistance to pilot municipalities in all phases of development, from concept through a transparent, competitive tendering process. Practical experiences and lessons learned provide valuable feedback to further improve the PPP environment and processes in Ukraine.
5. **Mitigate Global Climate Change and Support Use of Clean Energy** through crosscutting measures imbedded in all P3DP activities. P3DP integrates climate change prevention and mitigation into all programming activities at the national and local levels. While working with the GOU, municipalities, the private sector and other stakeholders, P3DP highlights the important consideration of the impact that the introduced policy changes and PPP initiatives can have on climate change.

Creating and Sharing Knowledge on PPPs



Governor Mykhailo Vyshyvaniuk of the Ivano-Frankivsk Region meets with P3DP on a potential solid waste management PPP that will generate electricity from landfill gas. P3DP has actively disseminated information about PPPs throughout Ukraine at both national and local levels.

Since its inception, the PPP Development Program has built an extensive body of practical knowledge and skills. P3DP has first-hand experience in:

- Developing and improving PPP-related legislation;
- Collaborating with government, the private sector and other stakeholders to develop PPPs;
- Providing training on PPP-related topics;
- Developing actual PPP projects in key sectors that can act as an impetus for other PPP initiatives; and
- Using PPPs to mitigate climate change and support clean energy use.

Collectively, this experience in changing policy and laws, building institutional capacity, and introducing innovative PPPs is accelerating Ukraine's transition to climate resilient low emission sustainable economic development.

P3DP is sharing knowledge and experiences with partners and other stakeholders through collaboration and cooperation. In the final two years of the Program, P3DP will also share its knowledge and experience through publications, through the internet, and by making training materials publically available.

Objective 1: Improving the Legal and Institutional Framework for PPPs

P3DP supports the development of Ukraine's legal and regulatory framework to make PPPs a viable tool for financing energy-efficient infrastructure, health, education, and public service projects. P3DP provides legal analyses, participates in policy discussions, contributes to draft legislation, and advocates for reform conducive to PPP development that encourages low-emission economic development in Ukraine. P3DP also supports PPP initiatives introduced in the Autonomous Republic of Crimea and local municipalities. P3DP has made significant contributions to the discussion and a number of its recommendations have been adopted, most recently in the new national PPP policy, which was approved by the Cabinet of Ministers in August. This work supports Ukraine's efforts to combat corruption, adopt energy-efficient technologies, increase financial and environmental resilience in a difficult environment, while benefiting all Ukrainian citizens.

The Government of Ukraine (GOU) has included Public-Private Partnerships as part of its long-term development strategy for developing infrastructure, health, education and other public services. This represents a major accomplishment for P3DP, which has played an important part in the dialogue leading to Ukraine's PPP policy and strategy. P3DP contributed by participating in the Verkhovna Rada's PPP Working Group, drafting legislation, amendments, and regulations, and through ongoing collaboration with the Ministry of Economic Development and Trade, Ministry of Regional Development, Construction, Housing and Communal Services and National Commission for Communal Services Regulation.

During the first two years of the program, P3DP analyzed existing laws and regulations governing PPPs in Ukraine and compared them with international best practices. Through this analysis, dialogue with public and private sector stakeholders, and lessons learned in the design and execution of pilot PPP projects (see Objective 4), P3DP targeted a number of areas where changes could improve the legal and institutional



P3DP's COP Mick Mullay and Anatoliy Maksiuta, First Deputy Minister of Economic Development and Trade of Ukraine, discuss the Year 3 action plan.

framework for PPPs. In addition, the MOEDT and the Verkhovna Rada have made requests for input on specific pieces of legislation. The key areas identified are:

- Clarifying ambiguities in laws on PPPs, concessions, leasing, communal services;
- Developing the overall PPP policy and strategy for Ukraine;
- Improving PPP tendering and PPP Implementation procedures;
- Modifications to the Budget Code;
- Strengthening legislation on communal utilities, with a focus on tariffs.

P3DP continually tracks legislative developments, prepares monthly legal assessment reports, and documents experiences gained during implementation of P3DP pilot transactions. These activities help identify and prioritize PPP legal reform issues, focus P3DP resources, and address stakeholder concerns with existing PPP legislation.

1.1 Improvements to the Legal Framework

P3DP has made numerous, specific, and actionable recommendations to government to improve numerous legislative areas that hinder the development of PPPs in Ukraine. During the reporting period, P3DP provided the following support in drafting amendments to the PPP Law and related legislation:

- **Draft Law #10228.** P3DP participated in drafting the law *On Amendments to the Law of Ukraine Regarding PPPs* at the request of the Parliamentary Committee on Industrial, Regulatory Policy and Entrepreneurship as a member of the PPP Working Group. P3DP based its recommendations on best practices and issues raised by stakeholders through working group meetings. P3DP's proposals aim to eliminate contradictions and clarify issues in the PPP law and related legislation and strengthen state support to PPPs in Ukraine. P3DP developed additional proposals and submitted them to the Parliamentary Committee, now named the Parliamentary Committee on Industry and Investment Policy. P3DP presented the revised draft law at a roundtable hosted by the American Chamber of Commerce Expert Group meeting on September 30, which

included government representatives and private sector experts.

- **Draft Law #0857.** The draft was prepared by the Ministry of Regional Development Working Group with P3DP's active participation. The draft seeks to make improvements regarding tendering, contract termination, including compensation, and other points of the law *On Amendments to the Laws on Leasing or Concessions of District Water, Heating Supply and Sanitation Communal Facilities*. The draft law was submitted to the Verkhovna Rada and passed in the first reading. The draft is currently under preparation for the second hearing in Verkhovna Rada. P3DP provided further input on September 30th, 2013, and participated in further public hearings, meetings, contributed expert opinions and recommendations, tracked developments and advocated for adoption of the draft law. This draft was originally registered as #9739). P3DP provided comments to MOEDT and recently submitted by people deputy draft law #2745, *On Concessions*, in conjunction with #8057.
- **Draft Laws #3013 and #3014.** The Draft Law #3014 *On Amendments to the Budget Code* (regarding energy efficiency in public buildings) and Draft law #3014 *On Amendments to Some Laws* (regarding energy efficiency in public buildings) aim to implement long term budget commitments and facilitate the use of Energy Performance Contracts (as a form of PPPs) by Energy Service Companies (ESCO)¹. P3DP was

¹ An ESCO, or Energy Service Company, is a business that develops, installs, and arranges financing for projects designed to improve the

requested to provide input by the Commission for Regulation of Communal Services. Most proposals to the Drafts and recommendations were accepted by the Commission, which has since submitted the draft laws to the Verkhovna Rada. If approved, this legislation will contribute the P3DP's goal of promoting long term budget commitments and energy efficiency.



When effective legislative and institutional structures are in place, PPPs can contribute to a reduction of greenhouse gases (GHGs) by increasing energy efficiency, reducing emissions from air, road and sea transport, and introducing efficiencies.



- **Draft law On Amendments to Some Laws on Solid Waste Management**, which calls for improvements in the approach to solid waste management affecting PPPs. On MOEDT request P3DP provided recommendations to the Draft.

P3DP also worked with the MOEDT to simplify procedures for PPP tender proposals. These efforts were drawn from P3DP's experiences in developing pilot PPPs

energy efficiency and maintenance costs for facilities over a seven to twenty year time period. Source: The National Association of Energy Service Companies (NAESCO).

and input from stakeholders. P3DP developed the Draft Amendments according to Cabinet of Ministers of Ukraine on the following:

- **Decree #384**, *On Efficiency Analysis Procedure* and
- **Decree #756** *On Licensing Conditions*

In addition, P3DP made preparations for amendments to Decree #232 *On Risk Assessment Procedure*. In September 2013, P3DP developed the TOR and issued a tender for consulting services for this work..

PPP-related areas where P3DP was asked by MOEDT to provide expert analysis on concession-related decrees were:

- **CMU Decree #639** *On Calculating Concession Fees*;
- **CMU Decree #642**, *On Concession Tendering*;
- **CMU Decree #643** *on Model Concession Contracts*;

P3DP continued providing support on local legislation development in pilot regions. Specifically, P3DP provided comments and proposals to the Draft Resolution *On PPP Development Program in Zaporizhia* and to Draft amendments to the Local Investment Tendering Procedure in Kyiv which is designed to outline processes and programs to encourage and facilitate the use of PPPs to improve public services and stimulate local economic development.

1.2 PPP Concept, Development Strategy and Implementation Plan

P3DP continued to work closely with the MOEDT throughout Year 3 to develop and adopt a national PPP policy for Ukraine,

including a strategy and implementation plan to develop public services in an open and transparent way, improve the quality of life for Ukrainians, and also encourage energy efficiency and preserve the environment.

This is important because Ukraine has only had a private sector for two decades: it does not have a tradition of private sector participation in the delivery of public services, is vulnerable to corruption, and has paid little attention to mitigation of climate change. A policy at the national level therefore provides a critical base of support for both government and private sector stakeholders looking to PPPs to address pressing public service needs in a sustainable way. It also supports the President of Ukraine's development goals as outlined in the *National Action Plan of the Economic Reforms Program for 2010-2014*.

P3DP developed a PPP policy, strategy and implementation plan and presented it to the MOEDT. P3DP adopted an inclusive approach that brought in all stakeholders, including officials from the Ministries of Justice and Finance, regional and local government officials, private sector representatives, NGOs, and international institutions. These efforts resulted in two key documents: *The PPP Development Concept for 2013-2018* and the *PPP Development Strategy*, which includes the strategy implementation plan.

Some key components embedded in the national PPP Concept and Strategy include:

- Working out a uniform approach to PPP implementation that efficiently coordinates government, the private sector, civil society and experts;
- Ensuring that PPP development in Ukraine preserves its natural environment;

- Introducing resource and energy efficiency improvements;
- Enabling the Ukrainian people to enjoy the benefits of better infrastructure and public services, thereby increasing the quality of the lives of ordinary citizens.



MOEDT presents key issues at a roundtable discussion on the PPP Development Concept, which was approved by the Cabinet of Ministers in August 2013.

In August 2013, the PPP Development Concept was approved by the Cabinet of Ministers of Ukraine, paving the way for the PPP strategy and further development of PPPs in the country. The adoption of this policy sends a clear message that the GOU intends to harness private sector expertise and financing to build and improve its infrastructure and public services, including transportation, water and sanitation, power, health, education, solid waste management and others. The PPP Concept was published in October 2013.

The draft PPP Development Strategy, also developed by P3DP, is expected to be passed by the Verkhovna Rada by the end of 2013. Upon its adoption P3DP will continue to support the Strategy Implementation Plan adoption in cooperation with MOEDT, and work

closely and coordinate efforts to see a national PPP policy through to completion.

1.3 Strengthening Budget Legislation

P3DP identified the budget issue in its report, *Most Critical Legislative Issues Relevant to PPP Project Startups in Ukraine (2011)*, which was based on its diagnostic review of the legal and regulatory framework for PPPs in Ukraine.

Consequently, P3DP introduced the concept of “contingent obligation” and “long term obligation” to budget legislation. Under current legislation, budget commitments are limited to one year, making PPPs unfeasible.

P3DP provided input to the draft law *On Amendments to the Budget Code*, developed by the Institute of Budgetary and Socio-Economic Research (IBSER): P3DP signed a Memorandum of Understanding with IBSER and provided proposals to the draft. P3DP organized consultations and meetings with IBSER to coordinate mutual efforts on supporting of the draft law. P3DP took active part in discussion of the Draft at the 11th Financial and Economic Forum on the topic of Energy Efficiency of Budget Expenditures, *A Road to Economic Prosperity*, organized by IBSER.

Also P3DP launched close cooperation with National Commission for Communal Services Regulation regarding implementation long-term budget commitments into Energy Efficiency Areas.

Draft Law #3014. Related to #3013 in section 1.1 above, this draft law, *On Amendments to the Budget Code of Ukraine* aims to facilitate the implementation of long-term budget commitments regarding energy performance contracts. Successful passage of this amendment will significantly

enhance the attractiveness of ESCO PPPs and contribute to P3DP’s efforts to promote energy efficiency in Ukraine. P3DP took an active part in discussions of the draft law, which was developed by the National Commission on Communal Services Regulation (NCCSR). P3DP contributed substantially by providing proposals and recommendations to the draft and ensuring that there would be no budget-related constraints for PPP project implementation in the energy efficiency sector. P3DP will continue to track further processing of the draft law and provide necessary support for its finalizing and adoption. The draft law has been submitted to the Verkhovna Rada.

1.4 Improvements of Legal Regulations for Communal Utilities

Clear, consistent and effective tariff regulation and application is essential to enable PPPs in communal utilities, including one of P3DP’s target sectors, solid waste management. In addition to stimulating private sector participation, effective use of economic instruments and practices can encourage development of pollution control technology and provide sources of revenues to support waste management programs. This can have a major impact on mitigating climate change. Sound tariffs provide necessary resources for investment into energy efficiency.

P3DP actively participates in enhancing public services tariff regulation policy through its close working relationship with the NCCSR. P3DP agreed to cooperate with the National Commission on development of the new methodology on calculating tariffs in solid waste management. This will become a regulatory document to be approved by the National Commission.

- **Tariff Legislation.** P3DP is working on recommendations on a tariff methodology for solid waste management. The Program provided an Aide Memoire to the National Commission for Communal Services Regulation on this topic and initial Draft Decree on methodology on calculating tariffs in solid waste management was suited to National Commission and discussed at the meeting with P3DP.

I.5 Year 4 Activities

P3DP will build on its successes up through Year 3 with an emphasis on institutionalizing the national PPP Strategy, addressing legislation that impacts pilot PPP projects, particularly those dealing with energy efficiency and mitigating climate change, and in improving and simplifying procedures for implementing PPPs. Specific goals are to:

- Promote the adoption of the Draft Law On Amendments to the Law of Ukraine Regarding PPPs ;
- Support development and adoption of the GOU PPP Development Strategy and Strategy Implementation Plan (SIP);
- Support the adoption of the Draft Law on amendments to energy efficiency (re ESCO) and Draft Law on amendments to Budget Code;
- Support the adoption of the Draft CMU Decree on amendments to PPP tendering, analysis and risk assessment

procedures. Upon the adoption of these acts P3DP will develop necessary drafts on amendments to the MOEDT orders (methodology of efficiency analysis etc.);

- Support the adoption of SWM Tariff Calculation Methodology.

To accomplish these objectives, P3DP will deepen its working relationship with the Ministry of Economic Development and Trade. P3DP will also collaborate closely the following agencies and working groups:

- Ministry of Economic Development and Trade;
- Ministry of Regional Development, Construction, Communal Services and Housing;
- National Commission for Communal Services Regulation;
- The International Technical Assistance Coordination Working group on drafting legislation and capacity building;
- The Communal Services Reforms Working Group;
- The Commercial Law Center, especially on P3DP events, roundtable discussions, and meetings on drafting legislation;
- The Interagency Working Group on PPPs;
- The Verkhovna Rada Committee on Communal Services and Committee on Industry and Investment Policy.

Objective 2: Improving PPP Support to the Ministry of Economic Development and Trade of Ukraine's PPP Unit

The Government of Ukraine (GOU) recognizes that public-private partnerships have an important role to play in the country's development. It has made environmentally sustainable PPPs a part of its long-term development policy. For that reason, it is actively developing the knowledge and skills necessary to support PPP projects for infrastructure, health, education and other public services. P3DP has partnered with Ukraine's Ministry of Economic Development and Trade (MOEDT), which is charged with PPP development in the country, to build its capacity, define its role in coordinating PPP implementation to other branches of government, and protect the public interest by establishing systems and processes to monitor the use of PPPs in Ukraine. Part of this effort was establishing the PPP Development Unit within the MOEDT. With a resilient legislative framework in place, the PPP Development Unit will continue to build institutional capacity and facilitate PPP transactions in Ukraine long after the P3DP program is completed.

To be effective, public-private partnerships must be led by government. A well-functioning, open, transparent system for the procurement of goods and services from the private sector to provide infrastructure, health, education and other public services in the best interests of government, citizens, and all stakeholders. Critically, decision-makers must be aware of how PPPs can be structured to mitigate climate change and encourage environmentally responsible development. A good environment for PPPs improves governance, reduces corruption, and lays the foundation for a fair economic system, all of which contribute to democracy building.

P3DP supports the GOU's efforts to develop the knowledge and skills necessary to achieve these goals. P3DP works with the national Ministry of Economic Development and Trade (MOEDT), the GOU's designated regulatory and administrative body responsible for PPP development. P3DP provides advice to



Opening of training workshop on preparation of the PPP feasibility studies and project appraisals. P3DP's training transfers PPP knowledge and skills to government officials

define governmental functions, roles and responsibilities, as well as develop its National PPP Strategy and Strategy Implementation Plan. Assistance targets capacity building and staff development within responsible GOU bodies, drawing heavily on successes in other countries through study tours, training seminars, conventions and directed technical assistance.

Since project inception, P3DP has:

- Enhanced MOEDT Staff's knowledge and skills of PPPs;
- Contributed to establishment of conducive legal and operational environment within the Ministry, including the establishment of a PPP Unit;
- Improved availability of PPP information within the Ministry.



The first PPP pilot project proposal was submitted to the MOEDT PPP Unit by the Malyn municipality of Zhytomyr Region for an alternative energy biofuel project that is expected to provide heating to local schools at lower cost, reduce energy dependency on imports, and reduce carbon emissions.



2.1. PPP Strategy and Implementation Plan

Ukraine's *National Plan for Implementation of the Economic Reform Program for 2010-2014: Prosperous Society, Competitive Economy, and Efficient State*, approved by Presidential Decree No.128/2013 dated March 12, 2013, calls for the approval of the PPP Development Concept by the Resolution of the Cabinet of Ministers before the end of 2013.

This objective was achieved with the support of P3DP in August 2013, when the

Cabinet of Ministers approved the PPP Concept. P3DP had significant input into the document and assisted the MOEDT's PPP Unit with its strategy communications efforts. It helped obtain input from stakeholders, analyze comments and amend the PPP Concept accordingly.

The approval of the PPP Concept lays the groundwork for the national PPP Strategy, which is expected to be approved by December 2013. P3DP facilitated stakeholder consultation with the CMU, Verkhovna Rada, MOEDT, NPA, MRDCH, World Bank, IFC, Ministry of Finance, Ministry of Justice, Ministry of Infrastructure, and representatives of NGOs. P3DP addressed stakeholder concerns and modified the drafts accordingly.

2.2. MOEDT PPP Unit Website

One role of the MOEDT and its PPP Unit is to promote, facilitate and accelerate the use of PPPs in Ukraine. In the information age, a website is an important tool for disseminating information about PPPs in Ukraine. P3DP helped the MOEDT design a web page to provide information about PPPs and answer frequently-asked questions, for example:

- What are PPPs and how do they work?
- What legislation governs PPPs in Ukraine?
- What is the legal procedure for PPP approval in Ukraine?
- What information (for example, from a feasibility study) is necessary?
- What information is available through the MOEDT's PPP unit, and how can they be contacted?

P3DP prepared material in anticipation of future demand, which is expected to rise

once the PPP model becomes better known. The web page includes:

- Information about GOU PPP rules;
- Sample of feasibility studies;
- News on PPP projects and PPP-related activities.

MOEDT's web page can be accessed at: <http://goo.gl/RyTH2> (Ukrainian).

2.3. MOEDT PPP Unit Capacity Development

The MOEDT is the central executive body in charge of PPP-related state policy and approvals, and includes the national PPP Unit. The MOEDT is tasked with developing state PPP policy, monitor and evaluate the effectiveness of its implementation, and to verify the implementation of PPP agreements.

The PPP Unit, established in 2011, is under supervision of the PPP and State Guarantees Division. This in turn is part of the Department for Innovation, Investment Policy and PPP Development. Its head, Victor Kovalenko, reports to the First Deputy Minister of Economic Development and Trade of Ukraine Anatoliy Maskiuta. The Deputy Director of the Department, Pavlo Pakholka, is in charge of PPP activities preparation and coordination.

A key accomplishment by the end of Year 3 has been the development of the full scope of the procedures required to lead through PPP project life cycle. The key milestones are:

- The **Project Identification Brief**, a summary of a proposal for a PPP. P3DP helped design the project application form. USAID must approve any PPP where P3DP acts as transaction advisor;

- **Feasibility Study** preparation and submission, which includes the technical and legislative reviews, market study, financial model, social and environmental impact assessment, and other studies relevant to the sector. It also includes a strategic communications plan to ensure that the concern of all stakeholders are considered in the design phase of the PPP. P3DP helped design a standard feasibility study format and a practical guide to simplify the process;
- **Appraisal Opinion**, which is the final approval of the feasibility study by municipal authority. It is then submitted to the MOEDT. P3DP helped design the structure of the Appraisal Opinion document to ensure that critical decision-making information would be included;
- **PPP Project Approval** by MOEDT. At this point, the municipality may proceed with preparation of tender and contract documents in line with Ukrainian legislation.
- P3DP provided **training to the PPP Unit** upon adoption of new policies or regulations to build their professional expertise. In Y3 the training workshop on Feasibility Study Preparation and Appraisal was conducted in January 2013 to prepare PPU Unit to manage upcoming pilot projects.

The first PPP pilot project proposal was submitted to the MOEDT PPP Unit by the Malyn municipality of Zhytomyr Region on September 10, 2013 for an **alternative energy biofuel** project that is expected to provide heating to local schools at lower

cost, reduce energy dependency on imports, and reduce carbon emissions.

One risk faced by P3DP is that of MOEDT staff rotation. During Year 3, many MOEDT PPP Unit staff trained through P3DP's capacity building training program moved on to new positions. There are some benefits to this; it spreads knowledge of PPPs more broadly throughout the Ukrainian government. However, in the short-term, it diminishes the capacity of MOEDT to help other agencies or answer questions from businesses, civil society, or the general public.



Business seminar on Municipal PPPs. International PPP Expert Chris Shugart presented major program achievements.

To mitigate this risk, P3DP is developing a systematic methodology for building capacity among government staff within the MOEDT or other agencies with a stake in PPP development. P3DP recognizes the critical need for a permanent system that can quickly instill necessary PPP knowledge and skills needed by new staff in order for them to perform effectively. This includes training in basic PPP topics and on-the-job support. Once institutionalized, such a system will create a sustainable and enabling environment that ensures continual support to agencies, municipalities and other stakeholders.

In response, P3DP is now reviewing alternative methods to establish a permanent PPP training and support program designed for public servants. Options under consideration include a basic course for PPP novices and skills development courses for working professionals managed by specialized training institutions, preferably providing core PPP training for governmental staff. P3DP will assist in the development of training methodology, training materials and conduct initial train-the-trainers activities for a selected institution or institutions.

Such PPP training courses can serve government staff from any agency or municipality. They may also serve civil society, potential business partners, financing institutions, the media or anyone from the general public with an interest in PPPs. P3DP has identified key stakeholders for training and has identified training institutions to work with in Year 4.

2.4. MOEDT PPP Unit Pamphlet

In this reporting period, P3DP designed a pamphlet for the MOEDT PPP containing basic information about PPPs. It includes the following information:

- What is a PPP under Ukrainian law?
- What are the key features of a PPP?
- Who can be a public partner?
- Who can be a private partner?
- What are the legal forms of a PPP?
- What are the core stages of the PPP process?
- How do PPPs differ from privatization?
- What legislation governs PPPs?
- What is the role of the MOEDT PPP Unit and what are their contacts, including its website, and link for online feedback?

The informational pamphlet was published and distributed at public events. The pamphlet's audience includes representatives of the municipalities and governmental institutions, potential private sector partners, NGOs and other stakeholders.

2.5 Support to the Ministry of Economic Development and Trade of the Autonomous Republic of Crimea

P3DP supports the MOEDT of the Autonomous Republic of Crimea (ARC) in its efforts to create investment opportunities in Crimea. The regional government has shown interest in PPPs as a possible mechanism for attracting investment in its key sectors, such as tourism. P3DP helped organize the second Donors Forum of International Technical Assistance conducted on May 30-31, where it the important role of quality infrastructure and public services in economic development and how PPPs can help ARC municipalities face these challenges.

P3DP's presentation and Q&A session was well received, with good audience participation and positive feedback. About 200 people attended, including representatives of the leading international donors: the European Union, UN/ UNDP, U.S. Embassy/USAID, Germany, Turkey, Canada, the United Kingdom, Switzerland, Poland, and the Netherlands.

P3DP will continue its cooperation with and support for the ARC's efforts. In October 2013, P3DP will participate in the International Black Sea Forum Investment Forum, where it will highlight the role PPPs can play in managing government-owned tourism facilities, including infrastructure.

2.6. Support to the National Commission of Municipal Services Regulation of Ukraine (NCMSR)

P3DP provides advisory support to the NCMSRU to create an enabling environment for municipal sector development, including PPPs. P3DP provided advice on amendments to two draft laws on the State Budget Code and the Energy Efficiency Law. As a follow-up on June 20, 2013 P3DP participated in the Open Meeting of the *Council on Methodological Support of the Law-Drafting Process under the NCMSRU* chaired by the head of the Commission Mr. Saratov. Deputies of the Verkhovna Rada of Ukraine (VRU) who initiated these draft laws at the VRU, and reputable experts attended. P3DP supported the NCMSRU as the authors of these draft laws. Such exercises are a part of law-drafting process, identifying weak points in draft laws and strengthening draft legislation prior to its submission for formal approval in the Ministries. P3DP also agreed to support to the NCMSRU in developing solid waste management tariff methodology. P3DP's international and local experts started this work in August 2013.

2.7. Support to Ministry of Regional Development, Construction and Housing (MRDCH)

P3DP provides advice to MRDCH on PPP development in the Housing-Municipal Sector through participation in technical meetings or input to proposed legislation. P3DP participated in a series of meetings of Representatives of the International Technical Assistance Projects and Programs, with discussion focusing on draft legislation and weaknesses in existing regulations.

2.8. Year 4 Objectives

P3DPs's strategic goal for Year 4 is to build sustainability of MOEDT's PPP support operations and transform its role from an approving and inspecting authority to one that also provides support and advice. This be accomplished by improving the legal framework to modify existing procedures; establishing a permanent training and skills development system to familiarize existing

staff with the P3DP pilot project preparation, appraisal and consulting operations, on-the-job training, study tours of best-practice PPP Units in other countries; and supporting its strategic communications efforts with potential PPP partners (public and private) through websites, publications, and the media.

Objective 3: Developing Public Awareness and Municipal Capacity

At program inception in 2010, the concept of PPPs was almost completely unknown in Ukraine, especially at the municipal level. Furthermore, many people were uncomfortable with the idea of private sector participation in the delivery of public services. This made it imperative to develop training programs to educate officials, potential private sector partners, NGOs, the media and members of the public about the benefits of PPPs, especially in municipalities where P3DP was developing pilot PPP projects. Training in energy-efficiency concepts has been made a core part of the training program. Introducing the idea of stakeholder communications as part of the overall PPP process also took on critical importance.

Year 3 saw a significant rise in inquiries from municipalities regarding PPPs, reflecting greater awareness of PPPs as a mechanism for financing infrastructure, health, education and other public services. This represents significant progress. However, further work to increase knowledge of how PPPs work and the need for strategic communications with key stakeholders remains important, especially in pilot PPP municipalities. P3DP has also begun to collect the knowledge gained through its work to improve the legislative environment, strengthen the MOEDT's PPP capacity, implement pilot PPP projects, and develop PPPs as a tool for mitigating climate change and promoting use of renewable energy.

In Year 3, P3DP built upon its successes in developing skills and capacity of government officials, which has improved their ability to develop and manage successful PPP projects. These skills have contributed to progress on the P3DP's ten municipal pilot PPP projects. Private sector representatives, NGOs, the media, and the general public also participated. P3DP also stepped up its



Practical PPP Guide training to Local Council Staff in Vinnytsia. P3DP works with municipalities all over Ukraine to raise awareness of PPPs as a tool for financing infrastructure and delivering public services.

stakeholder strategic communications efforts and launched a website which will serve as a platform for sharing PPP knowledge and resources to a broad audience in Ukraine.

3.1. Participation in PPP Conferences, Seminars and Events

Throughout Year 3, P3DP was an active participant in conferences, seminars and workshops related to PPP development in Ukraine. This raised the profile of PPPs as a financing mechanism for infrastructure and public services, and highlighted the role of P3DP and its partners in promoting greater use of PPPs in Ukraine.

- **The Second Annual Speed uPPP Ukraine Conference.** P3DP co-sponsored an international conference held in Kyiv, *Speed uPPP Ukraine*, which took place in April 2013. Over 150 participants from 11 different countries attended, including government officials, private sector representatives, and donor agencies. Nearly half of the participants, 45 percent, were women. This conference is one of the highest-profile PPP-related events in Ukraine. Its greatest value was in demonstrating global best practice in PPP development, with examples from Poland, Russia, Latin America and other regions. The conference, which was well-covered by the media, demonstrated that the private sector not only can, but should play a vital role in developing infrastructure, health, education and other public services.
- **Public-Private Partnership Seminar at the IX Ukrainian Municipal Forum in Yalta.** In June 2013, P3DP conducted a Public-Private Partnership Seminar within the IX Ukrainian Municipal Forum, organized by the Association of Ukrainian Cities (AUC) in Yalta for representatives of Ukrainian municipalities. Forty-four municipal leaders attended: 30 men (68 percent) and 14 women (32 percent).

The event focused on opportunities and potential benefits that cities can realize by engaging the private sector to improve public infrastructure and public services through PPPs, particularly in energy efficiency, renewable energy, landfill biogas extraction and healthcare.

- **Verkhovna Rada Information Fair 2013.** In March 2013, P3DP participated in the 6th Verkhovna Rada Information Fair 2013, organized by the USAID Parliamentary Development Project, where it provided information materials about its activities to the Members of Parliament, their assistants and Verkhovna Rada staff. Many of the fair attendees expressed great interest in P3DP's reports on the PPP legal and regulatory frameworks in Ukraine, for example, Diagnostic Review of Legal and Regulatory Framework for PPPs, Critical legislative issues relevant to Public-Private Partnership Project startups in Ukraine, and PPPs and tariff regulations in the water, sanitation, and district heating sectors.
- **Business Seminar on Municipal Public-Private Partnerships in Ukraine.** In November 2012, P3DP organized a business seminar to attract private investor interest in PPP projects in communal services and infrastructure. P3DP presented existing PPP pilot opportunities and obtained feedback from potential private partners. P3DP organized the event with the American Chamber of Commerce (AmCham) and the US-Ukraine Business Council (USUBC), which provided access to their extensive membership bases. The 70 participants included 17 investors and operators, 4 financiers, 17 transaction advisors, 6 representatives

of public sector and 7 donors. The seminar was an important milestone for P3DP in terms of engaging the private sector in Ukrainian PPPs.

In Year 4, P3DP will continue its involvement in conferences and seminars to promote the PPP message. In the first quarter of Year 4, P3DP will collaborate with USAID AgroInvest and the Water for Crimean AgriSector project on a conference on PPPs in the agricultural sector. P3DP will also organize a PPP panel for the high-profile Tiger Conference, an international event organized by the Kyiv Post to highlight economic issues facing Ukraine. It will also participate in the All-Ukraine PPP conference.

3.2. PPP Capacity Building and Training

P3DP's capacity building and training serves several important functions, especially for officials in cities where P3DP is developing pilot PPP projects. First, training focused on building the skills and knowledge needed for developing and managing successful PPP projects. Second, the training also served to train officials about Ukrainian legislative requirements and processes for PPP development. Third, the training provides specialized knowledge in key sectors where PPPs are expected to add significant value, such as energy efficiency or education. P3DP's capacity building and training directly supports its work to strengthen the legislative environment for PPPs, pilot PPP projects, mitigating climate change and promoting the use of renewable energy.

- **PPP Training for Ukrainian City Officials.** P3DP sponsored ten municipal representatives from pilot PPP project cities to participate in the international conference *Speed uPPP*

Ukraine. The conference covered opportunities, challenges and potential benefits of private sector participation in public services through PPPs. They also learned about the experience of developing PPP projects in Russian and Kazakhstan, as well as the role played by international financial institutions in supporting PPP development.



Strategic communications allows governments to identify stakeholders and seek their input, share information about planned PPP projects, identify potential issues, and ultimately design better PPP projects.



- **General PPP trainings.** P3DP has completed a series of general PPP trainings for its 10 pilot municipalities with training for the Kyiv City State Administration (in October 2012) and Zhytomyr and Malyn municipalities (in September 2013). Representatives of municipalities, the private sector, NGO and media learned about basic PPP concepts. In Year 4 P3DP will train key city officials and support staff in PPP project preparation, management skills, financial analysis and modelling. P3DP will draw from its own project development experience in Ukraine to highlight key lessons learned.
- **PPP Feasibility Study and Appraisal Training.** As Ukraine's

regulatory environment for PPPs improves, training officials about legislative requirements becomes more critical. To meet this need, P3DP conducted three training workshops on PPP Feasibility Study preparation and Appraisal Methodology application in cooperation with P3DP Objective 2 for public sector representatives from Vinnytsia, Simferopol, Zaporizhia and national level regulators in Kyiv in January 2013. Over 70 people were trained on the process of developing and appraising PPPs in accordance with current legislation.

- **Specialized PPP Training in Energy Efficiency and Renewable Energy.** P3DP has developed the program and materials for five advanced PPP training sessions on the role of PPPs in the energy efficiency and renewable energy sectors. The training will be held in Dnipropetrovsk, Ivano-Frankivsk, Kyiv, Zhytomyr and Vinnytsia, where pilot PPPs are under development. Training will take place in early Year 4. These trainings are highly relevant to some of P3DP's pilot PPP projects involving extraction of landfill biogas for power generation and use of renewable biofuel, straw pellets, to generate heat for schools. Both pilots, if successful, will have a powerful demonstration effect for replication elsewhere in Ukraine. These efforts fall within the framework of the USAID's Global Climate Change and Development Strategy.

P3DP will continue developing capacity during Year 4. Besides on-going training, the Program will conduct study tours of successful pilot PPP projects

3.3. Strategic Communications, Market Sounding, and Public Outreach

With pilot PPP projects well underway during Year 3, strategic communications and public outreach activities have become critically important. These efforts directly engage key stakeholders, including government agencies, the private sector, NGOs, the general public, and any group impacted by potential PPP projects. Strategic communications allows governments to identify stakeholders and seek their input, share information about planned PPP projects, identify potential issues, and ultimately design better PPP projects.



The people of Simferopol learned how PPPs can protect the environment at P3DP's booth at Simferopol City day. Public outreach and stakeholder communications are important part of successful PPPs.

In countries with a history of centrally-planned economies, including Ukraine and other states of the former Soviet Union, strategic communications is poorly understood. This increases the risks faced by proponents of PPPs: failure to communicate with key stakeholders can turn allies into opponents and prevent PPPs from reaching their full potential.

P3DP employs a comprehensive strategic communications effort in each pilot city to ensure that the general public and all key stakeholders are aware of the project. These activities include discussions with potential investors, opinion surveys, and

public outreach. Key activities are outlined in the table below:

Date	Topic of Event	Municipality	Participants (organizations)
August 2013	Consultations with potential investors in order to improve the financial model.	Vinnytsia	Vinnytsia municipalities; potential investor; P3DP staff.
July-August 2013	Individual consultations with potential investors in order to design project concept.	Dnipropetrovsk	P3DP consultant; potential investors.
July 2013	Individual consultations with potential private partners in order to improve financial model.	Kyiv	East Europe Foundation; potential investors.
July 2013	Consultations with potential investors to improve financial model, input for feasibility study, identify market players.	Zaporizhia	P3DP staff; potential investors; municipal staff.

- Strategic Communications for Kyiv Summer Sports and Recreation Facility PPP.** In May 2013, P3DP conducted a strategic communications campaign for the Kyiv Summer Sport and Recreation pilot PPP project. During Kyiv City Day, flyers were disseminated to inform citizens about the project specifics and the benefits engaging private sector involvement through a PPP. This was the first event in the broader Stakeholder Communication Strategy that P3DP proposed to the Kyiv City State Administration.
- Strategic Communications for Simferopol Park PPP.** P3DP, with support from the Kyiv Economic Institute (KEI), conducted a survey for Simferopol to obtain input for its stakeholder communication strategy and to obtain data for the feasibility study. It also determined which services citizens would like to see in the park and what issues or objections they may have.
- Market Sounding Events in Pilot Municipalities.** P3DP held consultations with potential investors, who provided invaluable input necessary for effective structuring of PPP transactions. These consultations led to

better financial modeling and project design of PPP pilot projects in Vinnytsia, Dnipropetrovsk, Zaporizhia and Kyiv. As pilot projects continue to develop, P3DP will conduct further market sounding events.

- **Public Opinion Survey in Zaporizhia.** Given public unease about private sector participation in public services, engagement with the public is critical to the success of PPPs in Ukraine. Preparatory work is underway to conduct a survey in Zaporizhia on the Healthcare pilot PPP project to be

conducted in early Year 4. Prior to these efforts, P3DP staff will participate in an International Research Ethics online course. Each survey for the Protection of Human Subjects Committee.

- **Public Events in PPP Project Cities.** P3DP participates in USAID Field Days, which take place on city days in Ukrainian municipalities. In Year 3, P3DP set up booths in USAID tent cities, providing information about pilot PPPs:

Date of Event	Name of Event	Municipality	Type of Support Provided by P3DP
June 2, 2013	Simferopol City Day, held in Gagarin Park, the site of the Pilot PPP Project.	Simferopol	Information board and flyers at the USAID tent city provided information about the proposed PPP project and environmental awareness.
September 5, 2013	Vinnytsia City Day. P3DP participated in the USAID Camp City together with other USAID projects working in the city.	Vinnytsia	Distributed fliers about the pilot PPP project, souvenirs with project information, developed and installed an information board on the pilot PPP project.

Strategic communications will play a bigger role during Year 4 than it has in the past, given that many of the pilot PPP projects will be in more advanced in the coming year.

3.4. Knowledge Sharing Publications.

Having accumulated significant experience on PPP development in Ukraine, P3DP has begun to develop materials in the Ukrainian language to promote PPPs and share the lessons of its experience. These will benefit

Ukrainian government officials at the national and municipal levels with an interest in developing PPPs.

- **PPP Guidelines and Examples from Ukraine.** P3DP published its first knowledge sharing guide in Ukrainian in collaboration with the Association of Ukrainian Cities and the MOEDT. It consists of a collection of cases describing cases where the public and private sectors collaborated to deliver public services in Ukraine. The

publication includes an introductory article on PPPs, the benefits they can bring, and the challenges that must be overcome in implementing successful long-term contracts between the public and private sector. The booklet aims to stimulate PPP interest and discussions among city leaders throughout Ukraine in how they can better engage the private sector.

- **PPP Municipal Manual.** P3DP is planning to publish a guidebook on successfully developed municipal PPPs in Ukraine, drawing from its experiences implementing pilot PPPs. The manual will be an important part of P3DP's knowledge sharing strategy during the final two years of the Program.

3.5. P3DP Website



P3DP's website provides information about PPPs and project activities in Ukrainian and English.

The P3DP Program launched a website which will serve as a platform for sharing information about P3DP's goals, objectives, activities and results; information the PPP environment in Ukraine and news about its development, and PPP opportunities and resources. It will connect readers to our implementing partners and complement the

MOEDT's PPP Unit's web page. The site is maintained in both Ukrainian and English and can be found at <http://ppp-ukraine.org>. In Year 4, P3DP plans to explore the use of Social Media to further disseminate information about PPPs in Ukraine.

3.6. Objective 3 Goals in Year 4

Although there is has been significant development in government capacity and public awareness in PPPs in recent years, P3DP recognizes that there will be a long-term need for ongoing work in this area.

- **Institutionalizing training in PPPs.** P3DP recommends that PPP training for government leaders at both the national and municipal levels be institutionalized. In Year 4, P3DP will identify institutions that could fulfill this role and partner with them. Possible institutional partners include institutes for post graduate education, targeting professionals through executive education in public-private partnerships; and/or institutions of higher learning, such universities. P3DP has already identified candidate institutions. These include:

- National Academy of Public Administration, Office of the President of Ukraine (NAPA) and its offices in Kyiv, Odessa, Lviv and Kharkiv;
- Kyiv Inter-industry Institute for Improvement of Qualification, which is currently contracted by MOEDT to conduct trainings for its staff;
- Kyiv School of Economics;
- The Kyiv-Mohyla Academy
- Taras Shevchenko University
- Kyiv Economic University

- **Greater Focus on Municipal Partners.** Since program inception, the goal of Objective 3 has been to ensure that all pilot municipalities have sufficient knowledge to be partners in preparing pilot projects and support with information materials PPP projects development. In this, P3DP has largely been successful, as evidenced by the many pilot PPP projects underway. In Year 4, however, this goal will be focused on specific tasks of Objective 3:
 1. Ensure that **key stakeholders** of the P3DP pilot PPP projects are **aware of the PPP projects** and their benefits for their communities. P3DP will actively facilitate public consultation to make sure that the key stakeholders' voices are heard.
 2. Enable pilot municipality staff to **analyze PPP proposals** and **manage PPP projects**. This includes skills such as monitoring private partner performance and resolving conflicts. P3DP will prepare focused training to accomplish this.
 3. **Collect and disseminate** P3DP's lessons of experience on PPP development.
- **PPP Media Study Tour.** P3DP will organize a media study tour to illustrate the principles and benefits of PPPs by example of one of its flagship PPP projects.
- **Greater Collaboration with USAID-Supported Media Project.** P3DP seeks to collaborate with other developmental institutions, particularly those financed by USAID. P3DP sees great benefits in collaborating with USAID's *Strengthening Independent Media in Ukraine* (U-Media) program, a five-year program implemented by Internews to support and develop the Ukrainian media sector. *U-Media* improves media monitoring and investigative journalism, increases media literacy and utilization of new media technologies, provides legal support to journalists and media outlets, and facilitates media and civil-society partnerships. P3DP could cooperate with U-Media to conduct a training session on covering PPPs in the media in pilot PPP cities. This would enhance the ability of journalists to write about PPPs in their cities. P3DP can also provide a trainer to contribute to U-media's regular trainings.

Objective 4: Pilot PPP Transactions

Successful PPP projects can accelerate the use of PPPs in Ukraine, rendering visible benefits to government, private enterprises, and the general public. When properly executed, PPPs improve governance through transparent procurement processes, support environmental efficiency, reduce carbon emissions, create new market opportunities for SMEs, strengthen local economies, empower citizens and ultimately deliver better infrastructure and public services. Critically, PPPs are well-suited to introduce of new, efficient technologies that mitigate climate change in sectors such as solid waste management, transportation, and power. For these reasons, P3DP is serving as transaction advisor on pilot PPP projects in Ukrainian municipalities. The lessons learned from these experiences will feed into P3DP's work to improve the legislative environment for PPPs, provide valuable information for developing better PPP training programs, and provide a roadmap for Ukrainian municipalities to implement PPPs after the Program ends in 2015.

Throughout Year 3, P3DP worked with Ukrainian municipalities to develop PPP pilot projects from project identification through tendering and contract award in accordance with Ukrainian legislation. Since program inception, approximately 100 potential PPP projects were proposed and evaluated by the P3DP team. Projects were selected on a number of criteria, chiefly:

- A clear need for the project by the public and the municipality;
- Commitment by municipal government to implementing an open, transparent PPP process;
- Benefit to the general public;
- Potential impact on climate change mitigation;
- High impact and replicability in other Ukrainian municipalities.

P3DP selected projects in ten Ukrainian municipalities in sectors with a high potential for impact: energy efficiency, renewable energy, solid waste management, parks & recreation, transportation, healthcare and education. The experience of developing these pilots is providing

valuable experience and knowledge about PPPs in Ukraine that is being used to improve P3DP's menu of assistance, such as identifying key legislative obstacles, designing training, and preparing materials for sharing knowledge about PPP development in Ukraine.

The PPP Process

Developing PPP projects anywhere in the world is complex, and subject to local regulatory and market conditions. The key steps involved in a P3DP pilot PPP transaction are as follows:

1. Project identification, requiring USAID approval;
2. Preparation of PPP concept papers, including a needs analysis;
3. Feasibility studies, including a technical and legal review, market analysis, financial modeling, risk assessment, and environmental and social impact studies;
4. Strategic communications with key stakeholders, including potential investors, NGOs and the general public;

5. Preparation of the Appraisal Opinion, outlining the recommended transaction structure, and Risk Matrix, showing how project risks should be allocated;
6. Project approval by the City Council and the Ministry of Economic Development and Trade of Ukraine;
7. Preparation of tendering and contract documents;
8. Open tender process and bid evaluation;
9. Contract award.

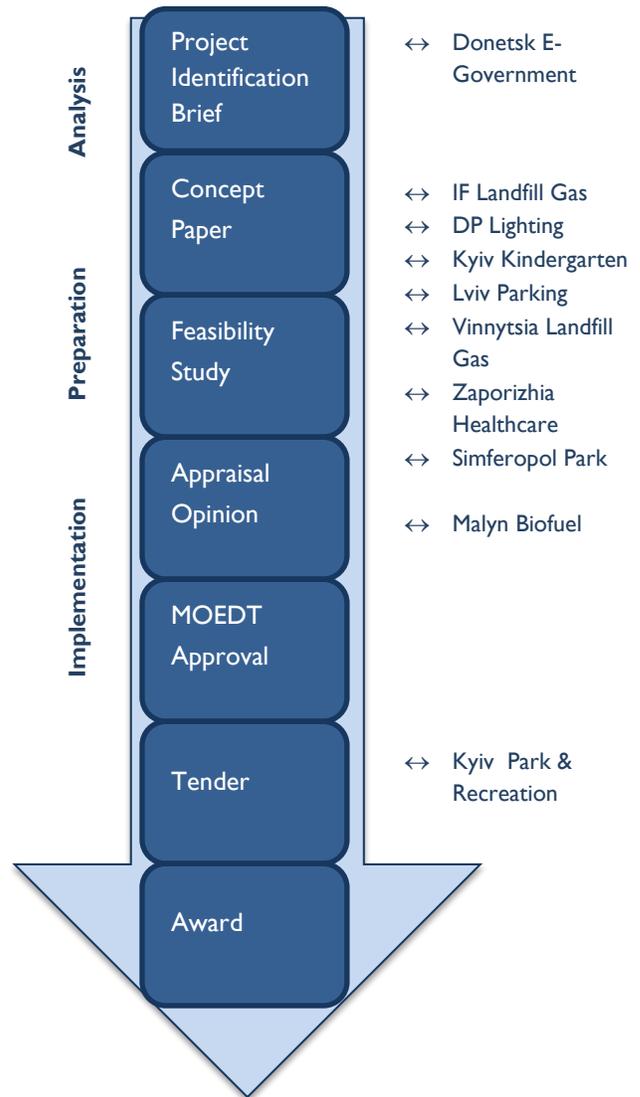
Summary of Pilot PPP Project Status

In Year 3, three new PPP projects proposals were prepared and approved by USAID for further development, followed by four completed concept papers. Three extensive feasibility reports were prepared in accordance with the structure required by the national MOEDT and Ukrainian legislation. During Year 3, the Kyiv City Investment Department conducted a PPP tender and selected the winning bidder with advice and support from P3DP.

The City Council Executive Committee of Malyn (in Zhytomyr Region) prepared full packages of PPP documents with P3DP's support, including feasibility studies, PPP appraisal opinions, and risk matrices. Once approved at the municipal level, they will be submitted to the national MOEDT for its clearance for tender. The City Councils of Zaporizhya and Simferopol are expected to approve PPP packages for submission to the MOEDT in late 2013.

The diagram provides a snapshot of the key milestones, and where each project stands within it. A detailed description of the P3DP pilot project pipeline process is included in the annexes.

Pilot PPP Process Milestones



The PPP implementation process involves many steps, including legislative analysis, market studies, environmental and social impact assessments, financial modeling, investor outreach, stakeholder communications, and more. A well-structured PPP transaction can deliver better infrastructure and public services to the public and contribute to the mitigation of global climate change by increasing the use of renewable energy, improving energy efficiency, and introducing environmentally responsible policies and practices.

The following table summarizes the status of the various P3DP pilot PPP projects at the end of Year 3 on September 30, 2013:

	PROJECT DESCRIPTION	YEAR 3 ACTIVITIES & ACCOMPLISHMENTS
RENEWABLES & ENERGY EFFICIENCY	<p>Malyn Municipal Heating with Alternative Fuel: Enables several municipal buildings, mainly schools, to be heated using straw pellets, an alternative fuel source abundant in Ukraine. Expected to reduce heating costs by up to 10%. Four jobs expected to be created. \$270,000 in investments expected.</p> <p>PPP Type: Build-Operate-Transfer (BOT)</p>	<ul style="list-style-type: none"> • MOU with city signed; • Completed legal assessment and feasibility study; assisted in financial modeling; • Full PPP package for the City Executive Committee; • City Council approval obtained in September 2013; • MOEDT approval expected Y4Q1; • Tender expected in November 2013.
	<p>Dnepropetrovsk Street Lighting: Proposed PPP will introduce energy-efficient lighting in one district of the city. Savings will come from decreased energy consumption and better management of the system. Lighting expected to increase by 30% at lower cost from reduced electricity consumption and greater efficiency. \$1 million or more in investments expected, with two new jobs created.</p> <p>PPP Type: Rehabilitate-Operate-Transfer (ROT)</p>	<ul style="list-style-type: none"> • PPP concept presented outlining an approach, payment mechanism, legal structure, and technical outline. • Business model with two PPP financing options proposed. • 10 market operators approached. • Feasibility study expected in May 2014.
SOLID WASTE MANAGEMENT	<p>Vinnitsia Landfill Gas Treatment: The proposed project will generate power from landfill gas at a municipal landfill. The energy produced will reduce the need for power from more polluting sources, reducing carbon emissions. Expected reduction of CO2 emissions of 20,000 tons, with six new jobs expected. UAH 60 million in tax revenue expected during life of project.</p> <p>PPP Type: Build-Own-Operate-Transfer (BOOT)</p>	<ul style="list-style-type: none"> • Legal assessment, financial model, environmental assessment completed; • Feasibility study in progress; expected Y4Q1; • Full PPP package to be submitted to city in Y4Q1; • Tender expected in December 2013.
	<p>Ivano-Frankivsk Landfill Gas: P3DP-supported tests indicate that there are sufficient gas emissions at a municipal landfill to generate electricity. Under a PPP, the city will construct the grid to the site and the private partner will build and operate a power generating facility. Investment expected up to \$3 million, with 10 new jobs created.</p>	<ul style="list-style-type: none"> • Concept paper developed and presented to city; • Obtained full support from regional governor; • Feasibility study expected May 2014; • All parties collaborating to allocate funds in the Regional Environmental Fund for the project.

	PPP Type: Build-Own-Operate-Transfer (BOOT)	
PARKS & RECREATION	<p>Simferopol Urban Park Renewal: Enables private operator to manage Gagarin Park, which will be divided into commercial and green zones and managed by a private operator under an agreement with the city. PPP expected to improve quality of park at no cost to the city. Up to \$27 million in investment expected, with 60 jobs created and 15 new objects or facilities added in the park for public use..</p> <p>PPP Type: Finance-Build-Operate-Transfer (FBOT)</p>	<ul style="list-style-type: none"> • MOU signed with ARC Council of Ministers; • Concept paper completed April 2012; • Environmental Assessment complete; • Feasibility study to expected in Y4Q1; • Working group resolved land use issues and draft terms of PPP contract; • Public opinion survey completed; • Tender expected in December 2013.
	<p>Kyiv Summer Sports and Recreation Facility: Establishes a sports and recreation zone on Dolobetsky Island in the Dnipro River in Kyiv. Investments of up to \$2 million expected, with 15 new jobs created.</p> <p>PPP Type: Build-Own-Operate (BOO)</p>	<ul style="list-style-type: none"> • P3DP provided input for developing tender documents and the PPP contract; • Supported public outreach campaign; • Project taken to tender in June 2013; • Tender issued and awarded in July 2013; • Contract signing expected by end of 2013.
TRANSPORTATION	<p>Lviv Parking Management: This PPP will reduce traffic congestion and pollution in the city center by building underground parking facilities. \$9.5 million in investment expected, with 10 new jobs created.</p> <p>PPP Type: Design-Build-Finance-Operate (DBFO)</p>	<ul style="list-style-type: none"> • MOU signed with City in 2011; • Concept paper completed; • Financial model completed, detailing six financial scenarios; • P3DP will prepare a market sounding memorandum and plan for technical studies, environmental review, and other documents necessary for tender in Year 4; • Feasibility study expected mid-2014; • Tender expected late 2014.
EDUCATION	<p>Kyiv Kindergarten Management: The project envisages a private operator reconstructing and managing a kindergarten that charges fees. This PPP would help reduce a serious shortage of preschool facilities in the city. Up to \$2 million in investments expected, with 19 new jobs created.</p> <p>PPP Type: Lease-Renovate-Operate-Transfer (LROT)</p>	<ul style="list-style-type: none"> • Business and Financial models completed; • Market testing meetings conducted; • Financial models prepared; • Legal issues analyzed and discussed with city; • Alternative financing models being explored.

HEALTHCARE	<p>Zaporizhia Healthcare: First healthcare PPP in Ukraine, opening the door for greater private sector participation in the public healthcare system. PPP expected to delivery better services to the public at competitive costs. Up to \$2 million in investments expected, with 50 new jobs created.</p> <p>PPP Type: : Lease-Renovate-Operate-Transfer (LROT)</p>	<ul style="list-style-type: none"> • MOU signed with municipality; • Legal structure and business model completed; • Additional medical services to be provided by private operator identified and investment obligations finalized; • Feasibility study completed and financial model drafted; • PPP Appraisal Opinion and PPP package completed; • Tender expected December 2013.
PUBLIC ADMINISTRATION	<p>Donetsk Oblast Municipal E-Government: This PPP aims to introduce E-Government to city in Donetsk region. This electronic system makes billing and payments of utilities more efficient and increases collection rates. It has been tested at several municipalities in Ukraine.</p> <p>PPP Type: TBD</p>	<ul style="list-style-type: none"> • P3DP requested to assist in PPP structure, strategic stakeholder communications, and train selected city in PPP management; • Next steps are to visit municipalities to evaluate potential and determine further P3DP assistance, including content of PPP E-Government Seminar.

P3DP’s experience in developing pilot PPPs is that Ukrainian municipalities lack the knowledge and skills needed to develop PPP projects on their own. External transaction advice and capacity building support, such as that provided by P3DP, is essential for municipalities to create bankable and viable PPP projects that build public confidence in PPPs as instruments capable of bringing significant benefits to communities.

Pilot PPP Project Details

ENERGY EFFICIENCY AND RENEWABLE ENERGY

Ukraine has adopted a number of regulations aimed at encouraging the production of power from renewable energy sources, and aims to increase the use of power from renewable sources by 2030. In a 2012 report on attracting investment in renewable energy, the OECD notes that “Ukraine’s substantial potential for producing energy from renewable

sources remains largely untapped.”² Public-private partnerships can help Ukraine meet this goal. By tapping into private sector financing and technology, heat and power can be produced more efficiently. This can reduce costs, increase energy independence, and cut greenhouse gas emissions—all attractive options in Ukraine, where energy use is highly inefficient and dependent on imports.

P3DP addresses energy efficiency and climate change in all its programming activities at both national and local levels, working within the framework of USAID’s Global Climate Change and Development Strategy. In addition to supporting legislative change to reduce emissions, P3DP is providing advice on two PPP projects that encourage renewable energy use and increase energy efficiency.

² Organisation for Economic Cooperation and Development, *PRIVATE SECTOR DEVELOPMENT POLICY HANDBOOK: Attracting Investment in Renewable Energy in Ukraine*, November 2012.

4.1. Malyn Municipal Heating with Renewable Energy

BACKGROUND

Although Ukraine is rich in natural resources, it is dependent on natural gas imports for heating and electricity. Many Ukrainian municipalities are hard-pressed to find the funds to pay for fuel, especially in cold winter months. This dire situation has increased interest in energy efficiency and alternative fuels. In Malyn, a town of 27,000 in Zhytomyr Region, city officials looked into using straw pellets as an alternative, renewable biofuel.

Straw is an agricultural by-product abundant in Ukraine. When compressed into pellets, it burns at a high temperature suitable for municipal heating. Furthermore, it doesn't contribute to greenhouse gas emissions, as the carbon released by burning equals the carbon absorbed by crops during the growing season. However, numerous technical and legal issues prevented Malyn from moving forward on a biofuel heating project. It turned to the Public-Private Development Project (P3DP) for help.

P3DP's ROLE

As transaction advisor, P3DP prepared the feasibility study, legal review, and environmental assessment for the project. It also brokered discussions between the municipality, producers of biofuel, and technical experts. It also drafted the PPP contract and tender documents in accordance with Ukrainian legislation.

Crucially, it communicated key information about the project to all affected stakeholders, including affected schools, government, the private sector and the general public. P3DP recommends a Build-Operate-Transfer (BOT) PPP.

PROJECT STATUS

P3DP's studies showed that using straw pellets as a substitute for natural gas is economically feasible and does not present health risks to the public. Furthermore, improved efficiency will enable Malyn to increase temperatures at its schools, which is expected to reduce absenteeism due to illness. The PPP has been approved by the Malyn City Council and submitted to the Ministry of Economic Development and Trade (MOEDT) for its concurrence. Once cleared by MOEDT, the PPP can move to tender, expected in November 2013.



Straw pellets are a potential renewable biofuel that could help Ukraine achieve greater energy independence.

EXPECTED RESULTS

- Municipal energy costs are expected to fall by at least 10 percent;
- Over 1,600 students and teachers will benefit from reliable, efficient heating several degrees warmer than at present;
- Carbon emissions will be reduced by over 11,000 tons;
- The feasibility of using straw pellets as a carbon-neutral renewable fuel source will have been demonstrated;

- The project is expected to attract nearly \$300,000 in new investments and create four new jobs;
- Ukraine’s energy independence will be strengthened using a highly replicable model.

4.2. Dnipropetrovsk Street Lighting

BACKGROUND

Dnipropetrovsk, with a population of approximately one million, is Ukraine’s third-largest city and a center for business and industry. Its administration has shown strong interest in partnering with the private sector to introduce energy-efficient street lighting in one district as a pilot. Savings from lower electricity consumption and more effective management of the system are expected to result in savings for the city. If successful, the model can be replicated in other city districts and elsewhere in Ukraine. The city administration requested P3DP’s support in preparing a PPP for an energy-efficient street lighting system using LED technology in its Frunzenskiy District on a rehabilitate, operate, and transfer (ROT) basis.

P3DP’S ROLE

P3DP consulted with market operators and were satisfied that the size of the project was appropriate proposed district. P3DP prepared a number of documents, including the concept paper that covers the PPP approach, two financing options, the legal structure, and key technical outline for the private partner’s activity. P3DP’s technical consultant is reviewing the feasibility of the transaction structure in light of Ukrainian legislation and municipal procedures to determine technical feasibility. P3DP also

approached ten market operators to better determine the terms of the bid. P3DP identified budget issues in legislation that prevent the city from making long-term budget commitments. Under Objective I, P3DP is addressing these issues in Budget Code of Ukraine by proposing legislative amendments.

PROJECT STATUS

P3DP expects to complete a full feasibility study in mid-2014 that will recommend the most appropriate business model for the PPP, including the legal structure, payment mechanism, principle of return of investments, financing sources, and technical features of future changes. The project may benefit from a €20 million municipal loan to the city provided by the European Bank for Reconstruction and Development (EBRD) for energy-efficient measures.

EXPECTED RESULTS

- A successful PPP will create a strong demonstration effect for other districts of the city and other cities in Ukraine, with the potential to significantly reduce energy consumption and costs, attract private sector financing, and create jobs.
- Savings will result both from reductions in power use and greater operation efficiency;
- Lighting quality is expected to increase by 30 percent;
- The private partner will assume the risks of using the new technology and financing the project;
- The project is expected to attract up to \$1 million in private finance and create two new jobs.

SOLID WASTE MANAGEMENT

Improving solid waste management (SWM) is a priority for the Ukrainian government. In addition to improving legislation related to waste management, the government is planning to improve the collection, processing and disposal of solid waste throughout the country. P3DP promotes the use of PPPs in the waste management sector to reduce costs, improve collection and recycling, and protect health and environment.

P3DP is working with the National Commission for Communal Services Regulation to establish a rational, clear, and consistent SWM tariff methodology, an essential factor for successful public-private partnerships in solid waste collection and disposal. P3DP is also working with municipalities to engage the private sector on other areas of their SWM strategy.

PPPs can also contribute to the use of biogas technology for generating power from landfill gases. Such technology can form an integral component of a sustainable solid waste management program suitable for both urban and rural areas. This approach enhances waste disposal while also producing energy and reducing environmental impact. P3DP is working with municipal governments in Vinnytsia and Ivano-Frankivsk to develop PPPs to develop biogas technology as part of their respective waste management systems.

4.3. Vinnytsia Biogas Treatment

BACKGROUND

Vinnytsia, a city of 370,000 located 260 km west of Kyiv, proposes to reduce its carbon

emissions and need for power from more polluting sources by generating electricity from burning landfill gas at an existing municipal landfill. The proceeds derived from selling electricity will be used to re-cultivate and close down the landfill once its capacity expires. The project will require installation of new equipment at the existing municipal landfill to combine the current biogas flaring system with a newly-built electrical generation system.



Landfill gas extraction systems can reduce emissions of methane, a powerful greenhouse gas, while also generating electricity. P3DP is working on biogas PPPs in Vinnytsia and Ivano-Frankivsk. With over 100 landfills throughout the country, Ukraine could generate significant economic and environmental benefits from landfill gas PPPs.

P3DP's ROLE

P3DP held numerous discussions with the mayor and city administration staff to explain how a PPP can help it achieve its goals. P3DP developed a financial model for the project to demonstrate how capital expenditures should be distributed between the public and the private partner, and to what extent the proceeds from electricity can cover landfill maintenance and re-cultivation activities at the landfill. P3DP also conducted an environmental assessment. P3DP hired local technical and legal consultants to prepare the feasibility

study and PPP tendering documents, as well as define key terms of the PPP agreement. P3DP recommended a Build-Own-Operate-Transfer PPP for the project.

PROJECT STATUS

The draft feasibility study was completed in by the end of September (it was subsequently approved in October) and submitted to the city for its approval. The Vinnytsia Executive Committee is expected to approve the PPP package in October 2013, at which time it will be submitted to the MOEDT. The tender is expected in December 2013.

EXPECTED RESULTS

- The project will result in significantly reduced gas emissions equaling 20,000 tons of carbon dioxide annually by utilizing methane, which is many times more hazardous than carbon dioxide.
- 380,000 citizens will benefit from better landfill maintenance and a healthier environment at and near the landfill;
- Investments of \$3 million are expected, with six new jobs created. The state will benefit from UAH 60 million in taxes during the life of the project;
- The private partner will assume responsibility of the existing landfill, freeing the city to build a new one;
- If successful, the project can be replicated elsewhere in Ukraine.

4.4. Ivano-Frankivsk Biogas Treatment

BACKGROUND

In April 2013, P3DP facilitated a visit by representatives of a private German company to Ivano-Frankivsk, a city of 220,000 in western Ukraine, to test the

technical viability of a biogas project at a landfill. The tests showed that the landfill has a sufficient amount of landfill gas with suitable composition for generating electricity. P3DP has built strong political support from the Mayor and Governor to develop the project as a PPP. To realize the project, the city will require construction of power lines to connect the new facility to the existing grid.

P3DP's ROLE

P3DP is now finalizing technical analysis needed to complete the PPP Concept Paper. The city has applied to the Regional Energy Authority to get a technical permit necessary for construction of electricity lines to the landfill, and is seeking the financing needed to achieve this. The next visit to the city is scheduled in July to update the Municipality on P3DP activities and find out where the project stands from the city's perspective. Commitment by the city to build the grid to the proposed site is a key factor for this project to move ahead. P3DP recommended that the government assume responsibility for constructing the electrical grid to take up electricity produced from landfill biogas. The private partner would be responsible for designing, financing, building and operating an electrical generation facility for a fixed term sufficient for extracting all produced biogas, estimated to be about 15 years after closure of the landfill.

P3DP recommended a Build-Own-Operate-Transfer (BOOT) PPP for the project.

PROJECT STATUS

P3DP prepared the PPP concept paper and is preparing the feasibility study, which is expected in mid-2014. The city has applied to the regional electric authority for construction of power lines to connect the site to the grid.

EXPECTED RESULTS

- 220,000 citizens will benefit from greater environmental safety;
- Investments of up to \$3 million are expected, with ten new jobs created;
- Generation of electricity using landfill gas will reduce the need for coal-powered electricity, reducing carbon emissions by over 450,000 metric tons of CO₂ equivalent.

PARKS & RECREATION

Ukraine is richly endowed with sports and recreation facilities. However, local governments do not always have the resources or management capacity necessary to maintain and operate them. Facilities in many public recreation areas are falling into disrepair. PPPs can provide the financing and operational expertise needed so that the public can enjoy national parks, sports facilities, and other recreational areas. P3DP is supporting two pilot PPP projects to demonstrate how this can be done: the Simferopol Urban Park Renewal PPP and the Kyiv Summer Sports and Recreation Facility PPP on Dolobetsky Island.

4.5. Simferopol Urban Park Renewal PPP

BACKGROUND

Simferopol, the capital Autonomous Republic of Crimea, aims to improve the quality of life for its 330,000 citizens and visitors to the city. However, Gagarin Park, located in the center of the city, is poorly maintained and has few facilities. The city has been working with P3DP and regional officials to identify a private operator to manage both commercial and green areas of

the park, thereby creating an environmentally and commercially sustainable recreational space. For many Ukrainian mayors and officials, it remains unclear how to attract long-term private operators for recreational areas with sufficient legal guarantees. The consequences of incorrect legal procedures can be costly and discourage investors.³ P3DP ensures that the structure of its PPP projects is in full compliance with legislation. The PPP Pilot in Simferopol will serve as a useful model for such PPPs, and is therefore on the radar of other Ukrainian municipalities.



Ukrainian citizens enjoy parks and recreational facilities. PPPs can harness private sector financing and managerial expertise to maintain and operate them, reducing strains on municipal budgets.

P3DP'S ROLE

Throughout Year 3, the Simferopol PPP Pilot made solid progress in moving towards the PPP tender stage. However, the project structure and deal preparation remain complicated, reflecting the fact that in Ukrainian cities, parks and recreational areas are communal properties with special status. Technical assistance is necessary for

³ In the municipality of Fastov, Kyivska Region, technical mistakes made by the city government resulted in a court case to have the tender cancelled.

this groundbreaking work to ensure smoother and more practical ways to bring in private operators to build and manage such assets. A key obstacle resolved by the project was clarifying ownership of park assets and transferring them to the city. P3DP worked with the Kyiv Economic Institute to conduct an on-site survey to gauge public opinion and determine what services are desired by the public. Almost half want better park facilities and over 30 percent want more facilities for children and families.

P3DP recommends a Finance-Build-Own-Operate-Transfer (FBOOT) PPP structure for this project.

PROJECT STATUS

The list of park services to be offered is completed and the assets have been identified for transfer to the city. P3DP is preparing the feasibility study and other PPP documents. The PPP package will be ready to submit to the MOEDT in October 2013, and the tender in December.

EXPECTED RESULTS

- Tourists and residents will enjoy an environmentally and commercially sustainable recreation area with restaurants, cafes, and entertainment facilities;
- The project may attract up to \$27 million in private sector investment and create 60 new jobs;
- Maintenance of the park will not require any municipal funding or management. It will save \$1.5 million in maintenance costs through the life of the project;
- Local businesses will have greater economic opportunities;

4.6. Kyiv Summer Sports and Recreation Facility

BACKGROUND

In 2013, the Kyiv City State Administration (KCSA) requested P3DP's assistance in developing a PPP project to create a sports and recreation zone at Dolobetsky Island, located in Kyiv in the middle of the Dnipro River. An area of 4.9 hectares will be made available to a private investor to construct several fields for summer sports and maintain existing objects such as first aid medical facility, trading pavilion, and several administrative buildings.

Kyiv has a well-established but simple mechanism for working with private companies on municipal-owned facilities; however, in this case it needed a more complex, long-term contract with investors that shares risks and requires capital investments to build and operating faculties. Furthermore, the island is an environmentally sensitive territory and public opinion about its development is strong.

P3DP's ROLE

Staff from the Kyiv municipality participated in a number of activities organized by P3DP, including conferences and seminars. In October 2012, P3DP conducted PPP training for about 30 representatives of the KCSA. P3DP agreed to assist with two components:

- Providing advice and recommendations on the bidding documents and to the contract; and
- Assisting in designing and conducting a stakeholder communication program.

Following P3DP's review of the project feasibility study conducted by the KCSA, the Economics and Investments Department requested P3DP to advise on the PPP tender and PPP contract preparation, as well as conducting public outreach activities to inform stakeholders about the project benefits. P3DP provided comments and recommendations for

the PPP tender documents and drafted the awareness activities plans, which were sent to KCSA. P3DP also developed the draft agreement and provided recommendations on the tender package.

P3DP recommended a Build-Own-Operate PPP contract.

PROJECT STATUS

The project went to tender in July 2013, making it the first P3DP project to reach this stage. A winner was selected and a 15-year contract is expected to be signed in October.

EXPECTED RESULTS

- Citizens of Kyiv will have access to quality facilities for beach soccer, football and other sports on Dolobetsky island;
- Total investments may reach \$2 million, with 15 new jobs created;
- Illegal bars and construction that could harm the environment will be dismantled.

TRANSPORTATION

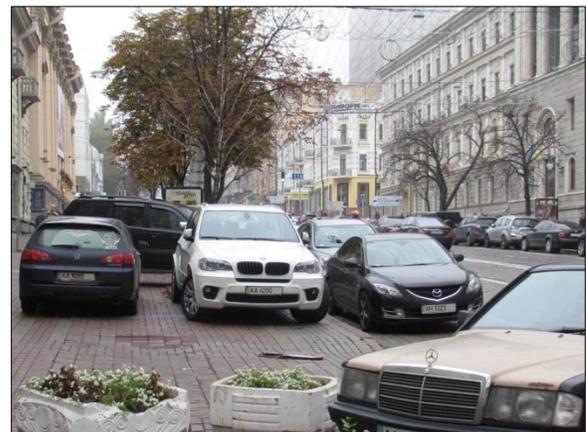
The volume of traffic in Ukraine has increased many times over in the last two decades. But transportation infrastructure has not kept pace. Roads designed for far less traffic struggle to accommodate a surge in car ownership.

With steady increases in the number of cars per capita and poor urban planning, driving in Ukrainian cities has become a herculean challenge. The problem contributes to congestion, contributes to pollution, and reduces the quality of life for Ukrainian citizens.

4.7. Lviv Parking Management

BACKGROUND

Lviv has not been spared from Ukraine's transportation challenges. Drivers in search of parking spaces in its old, narrow streets add to congestion, worsening the quality of life for drivers and pedestrians alike. The city administration recognizes that better parking facilities, for payment, could ease congestion and raise funds needed to build and maintain additional facilities. As a result, P3DP is supporting the Lviv city government in developing Ukraine's first parking management PPP for a multi-level underground garage. This will require revisions to legislation on parking, better enforcement, as well as a private sector partner to build and operate the facility.



Road transport and parking are becoming an increasingly serious problem in Ukraine. PPPs can help by building better road infrastructure and parking facilities.

P3DP's ROLE

P3DP has been working with the Communal Enterprise Lvivavtodor, which is responsible for municipal road and parking issues, and the city's Investment Department, to push for an accelerated process to implement an off-street parking facility using a PPP mechanism.

P3DP outlined a new technical assistance plan that is now being reviewed by the city. Planned assistance includes:

- Conducting an “express engineering” assessment of the location to construct a multi-storied, underground garage;
- Developing six financial scenarios;
- Conduct market testing in late 2013;
- Developing the feasibility study for mid-2014;
- Assisting in creating and implementing a communication strategy that includes stakeholder consultations, outreach and the media.

The Program recommended a Design-Build-Finance-Operate (DBFO) PPP structure for this project.

PROJECT STATUS

The project has been delayed in the past, but in recent months the city has shown renewed interest in the project. The city may consider a demand guarantee in the contract or guarantee a certain minimum level of demand to make the project more attractive to investors. P3DP is aiming to for a tender launch date in late 2014.

EXPECTED RESULTS

- The project may attract up to \$9.5 million in private sector investment, with 10 new jobs created;
- Traffic congestion will improve in the city center while adding to pedestrian areas;
- On-ground parking for 200 bicycles will be created;
- Lviv’s pilot method for controlling off-street parking while providing for-pay parking may be adopted by other Ukrainian cities.

EDUCATION

Since the late 1990s, there has been a steady reduction in Ukraine’s network of kindergartens due to lack of funds, low disposable incomes and a declining birth rate. The closure of preschools has become a regular phenomenon, with many preschools being converted for other municipal uses or sold to private organizations.

According to the Education and Science Ministry, only 75 percent of children under six have the opportunity to attend preschools in Ukraine, and almost 1,000 no longer function at all.

Education PPPs can help governments obtain financial resources necessary for modernizing and reopening preschools as well as transfer managerial responsibilities to private sector partners. P3DP is developing the Kyiv Kindergarten Management PPP to demonstrate how government and the private sector can address these issues, leaving preschools free to focus on what they do best: teaching.

4.8. Kyiv Kindergarten Management

BACKGROUND

The project envisages a private operator building and managing a kindergarten that charges fees. This PPP would help reduce a serious shortage of preschool facilities in the city. Up to \$2 million in investments expected, with 19 new jobs created.

P3DP’s ROLE

P3DP has completed business and financial models, market testing meetings, and legal reviews. The Program presented its findings to the Kyiv authorities in June 2013.

Further discussions with city officials and potential investors will be necessary to determine terms for a potential PPP. P3DP recommends a Lease-Renovate-Operate-Transfer (LROT) for this project.

PROJECT STATUS

Financial models show that some kind of subsidy will be necessary in order for the project to be attractive to private investors. Further discussion on financial scenarios will take place in October. A draft feasibility study is expected in April 2014.

EXPECTED RESULTS

- Up to 160 new spaces for preschoolers would be created;
- Up to \$2 million in investments could be mobilized, with 19 new jobs created.

HEALTHCARE



Mick Mullay meeting with Ukraine 3000, an NGO, regarding a hospital reconstruction pilot project.

Although free to citizens, the state-run healthcare system in Ukraine faces serious constraints. Facilities, equipment and medical supplies are inadequate. Doctors are in short supply and poorly trained. Funding and healthcare management skills are in short supply. As a result, the

Ukrainian healthcare system provides poor service and is a heavy financial burden to the state.

Private sector funding, expertise and technology mobilized through public-private partnerships can help address these issues and improve the overall quality of medical services.

4.9. Zaporizhia Healthcare PPP

BACKGROUND

P3DP is working with the municipal government of Zaporizhia to create Ukraine's first healthcare PPP. The project envisages sharing hospital space with a private partner, which will renovate facilities, procure modern equipment, and introduce new surgical techniques. The project is expected to attract \$2 million over the 25-year life of the project. More importantly, the Zaporizhia healthcare PPP could pave the way for similar projects elsewhere in Ukraine, thereby delivering modern, efficient healthcare services that are affordable to both patients and local governments. Critical to success is good communication with the public, which is unaccustomed to private sector involvement in communal healthcare.

This is a high-profile project for many stakeholders because it breaks new ground for the healthcare sector in Ukraine. P3DP's preliminary work demonstrates what kinds of PPPs are possible in this sector, identifies the needs of private operators and requirements from the public sector, and clarifies the views of patients and the public opinion of private sector involvement in communal healthcare.

P3DP's ROLE

P3DP was central to this project. In close collaboration with the city, P3DP designed and structured the project that provides the city and citizens with significant benefits without imposing additional costs to the city.

The hospital will not reduce medical services, but acquires new assets, including new equipment and the rehabilitation of the building. The amount and quality of medical services in the hospital will increase, taxes and other financial benefits will accrue to local and state budgets, and most importantly, patients will benefit from a broader spectrum of treatments. Specific activities and accomplishments on this project include:

- Completed the feasibility study, including the legal review, business model, and financial model;
- Facilitated attendance by municipal representatives to PPP conferences to build their capacity;
- Conducted awareness and training activities for the benefit of municipal, non-profit and healthcare representatives of the city.

The feasibility study was prepared by a professional group of advisors from an NGO experienced in healthcare reform, business projects in medicine and pre-PPP initiatives for communal and state clinical institutions. The study was circulated to members of the working group, which includes city departments, medical institutions, medical NGOs, and city officials for input.

P3DP recommends a Lease-Rent-Operate-Transfer (LROT) structure for this project.

PROJECT STATUS

The feasibility study is under review by the Executive Committee of the Municipality. Once approved, the Committee will prepare the PPP Appraisal Opinion for submission and approval to the MOEDT. The tender is expected in December 2013.

EXPECTED RESULTS

- This will be the first healthcare PPP in Ukraine, opening the door for greater private sector participation in the sector;
- Up to \$2 million in private investment may be mobilized, creating 50 new jobs;
- Citizens of Zaporizhia will benefit from higher quality healthcare services;
- Tax revenues could bring UAH 100 million to the city and national government over the life of the project.

PUBLIC ADMINISTRATION

E-government has been successfully implemented in several municipalities in Donetsk region, enabling citizens to pay for utilities electronically. Besides simplifying a once-complex process, e-government also improves collection rates for utilities. The system has proven effective for improving public administration and has the potential to be expanded beyond utilities.

However, the capital investment, technology and other resources required to successfully introduce the system and processes prevents most Ukrainian cities from using the system. PPPs may prove to be a viable option to overcome these challenges.

4.10. Donetsk Oblast E-Government

BACKGROUND

E-Government is a method of administering utility billing and payments whereby customers get a single bill and pay all or part of them electronically. It allows for easy payment for heat, water, maintenance of apartment, solid waste collection and utilization, post, telephone, and other services. At present, customers receive bills for each service separately and pay them individually, usually through the Post Office or banks.

Donetsk region is expanding this system to other municipalities, providing a model for cities throughout Ukraine. P3DP is in discussion with Donetsk about potential involvement in its stakeholder communications efforts and project documentation. If successful, the project could serve as a model for municipalities throughout Ukraine.

P3DP's ROLE

In May 2013, P3DP representatives visited Donetsk to meet a number of stakeholders involved in a project "Municipal E-Government". P3DP met the private operator, the Investment Agency of Donetsk oblast, and local institutions facilitating the project. P3DP evaluated how

the activity might be structured as a PPP and discussed the private firm's views on their concerns and how to best structure the contract. The stakeholder communication strategy and PPP contract management have been identified as areas where P3DP might help the viability of the effort.

PROJECT STATUS

P3DP is in discussion with Donetsk officials about holding stakeholder consultations or conducting a public outreach seminar. No conclusions were reached at the end of Year 3.

EXPECTED RESULTS

- Up to 90 additional cities may get improved collection of payments and actual utility services if participate in the project;
- Participating municipalities could realize up to a 30% increase in collection of utility payments;
- The project has the potential to reduce the difficulty of utility payment for citizens while increasing revenues for utilities.

Objective 5: Global Climate Change (GCC) and Clean Energy

Public-private partnerships not only bring private sector investment for infrastructure and public services, but also new technologies and managerial skills that play a major role in increasing energy efficiency and mitigating climate change. Long dependent on fossil fuels and gas imports from Russia, Ukraine is a major contributor of carbon emissions on a per-capita basis. This can increase Ukraine's climate resilience, enables low-emission economic development, and increases the country's energy independence. The development of PPPs can therefore hasten the reduction of greenhouse gas emissions and pollution by making power generation and distribution more efficient, increasing efficiencies in transportation, and introducing renewable energy sources. By developing PPPs in Ukraine, P3DP is making a long-lasting contribution to Ukraine's ability to mitigate climate change and increase its energy security.

Ukraine, like other countries of the former Soviet Union, inherited highly inefficient, energy-intensive and polluting infrastructure and industry. Inefficient heating systems contribute to the problem, which is exacerbated by poorly-insulated buildings. The high cost of energy in Ukraine is a drain on the economy and makes it energy-dependent on Russia, making it uncompetitive and vulnerable.

Ukraine is also a leading contributor to carbon emissions on a per capita basis, even in comparison with other countries of the former Soviet Union. According to World Bank data, Ukraine has produced more CO₂ emissions per capita than the average developing country in Europe and Central Asia.

This inefficient use of energy has the potential to cause more harm than waste resources, increase pollution, or contribute to global climate change. According to a



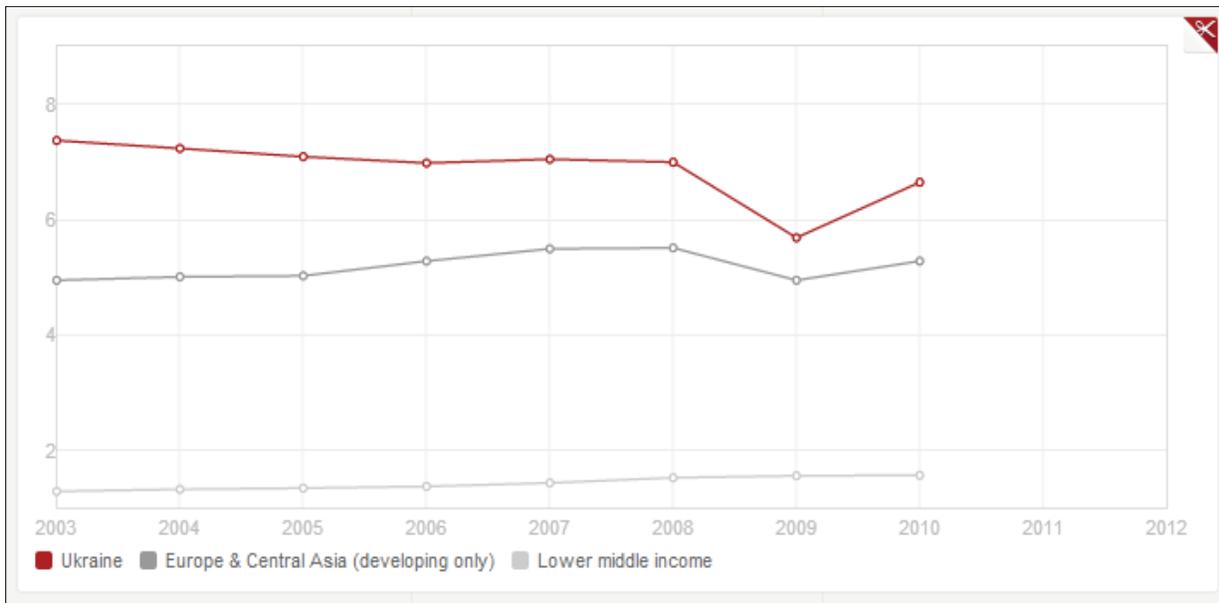
Ukraine has the potential to significantly reduce carbon emissions through energy efficiency and use of renewable energy sources.

report by the Environment and Security initiative (ENVSEC), an organization that addresses environmental and security risks in Eastern Europe and the former Soviet union, Ukraine, being dependent on its agricultural sector, is at risk of increased

droughts, flooding, and irregular rainfall.⁴ Public-private partnerships, by increasing government capacity to address climate-related issues in infrastructure and public services, are an important part of the solution in reducing these risks.

emissions and pilot PPP projects that increase energy efficiency and introduce renewables.

CO₂ emissions (metric tons per capita) – Ukraine Comparison



Source: World Bank

P3DP addresses energy efficiency and climate change in all its programming activities in Ukraine at both national and local levels. This cross-cutting work forms P3DP's Objective 5, which works within the framework of USAID's Global Climate Change and Development Strategy. P3DP supports both legislative changes to reduce

5.1. P3DP Integrates Reduced Emissions and Clean Energy into Ukraine's PPP Policy

An important part of P3DP's contribution to mitigating climate change was ensuring that Ukraine's PPP policy, strategy and action plan includes requirements for reduced emissions and support for clean energy. P3DP provided significant input to the MOEDT as it developed its PPP policy and strategy for Ukraine through 2018. The Cabinet of Ministers approved the PPP policy in August 2013, and is expected to approve the strategy before the end of the year. This document stipulates that energy efficiency in the delivery of communal services and the energy sector is a priority

⁴ENVSEC consists of the Organization for Security and Cooperation in Europe (OSCE), the Regional Environmental Centre for Central and Eastern Europe (REC), the United Nations Development Programme (UNDP), the United Nations Economic Commission for Europe (UNECE), the United Nations Environment Programme (UNEP), and the North Atlantic Treaty Organization (NATO) as an associated partner. The full report can be found online here:

<http://www.zoinet.org/web/sites/default/files/publications/CCEE-English-web.pdf>

area for the PPPs in Ukraine. It also says that the PPP mechanism should be extended to environmental protection.

The inclusion of measures to mitigate climate change as part of Ukraine's overall PPP policy and strategy results from its work on Objective I, *Improving the Legal and Institutional Framework for PPPs*.



The development of PPPs can therefore hasten the reduction of greenhouse gas emissions and pollution by making power generation and distribution more efficient, increasing efficiencies in transportation, and introducing renewable energy sources.



5.2. Draft Law on Changes to the Budget Code Supports Energy Efficiency

One type of PPP, energy service agreements, will be easier to implement in Ukraine because of P3DP's inputs to the draft law *On Changes to the Budget Code*. These changes allow municipal budgets to accommodate long-term PPP arrangements. P3DP made substantial contributions to the development of the draft law, particularly in ensuring that PPPs will not be hindered by budget-related constraints when implementing PPP projects in energy

efficiency. Prior to these changes, such PPPs could not be implemented without exposing potential private sector partners to unacceptable levels of risk.

The energy services-based PPP model is crucial for attracting private sector financing and technical expertise necessary to bring energy efficient solutions to as Ukraine's infrastructure is modernized. This in turn will reduce consumption of heat and electricity, and consequently, greenhouse gases emission. This work was in support to the *National Commission of Communal Services Market Regulation of Ukraine*.

These budget code amendments resulted from lessons learned from the **Dnepropetrovsk Street Lighting PPP Pilot Project**, which expects to reduce use of electricity in one district by up to 30 percent. During the life of the PPP, more energy-efficient street lighting is expected to reduce over 1,000 metric tons of CO₂ equivalents and reduce electricity consumed by non-renewable sources by over 800,000 kWh. If adopted in other districts and cities, these effects will be significantly multiplied.

5.3. Support Efforts to Reduce Greenhouse Gas Emissions and Improve Energy Efficiency

Nearly half of P3DP's pilot PPP projects have a positive impact on greenhouse gas emissions and greater energy efficiency. A study by the Environmental (Green) Investment Fund LLC to calculate anticipated reductions in greenhouse gas emission from P3DP pilot PPP projects in Vinnytsia, Ivano-Frankivsk, Dnipropetrovsk and Malyn demonstrated that PPPs in Ukraine support climate mitigation efforts. Greater use of PPPs in Ukraine will amplify these effects and contribute to the GOU's

objectives in this area. PPPs also contribute to USAID's Global Climate Change and Development Strategy.

The estimated reductions resulting from U.S. Government assistance delivered through the P3DP Program will be equivalent to 998,159 metric tons of CO₂. The estimated reduction of electricity

consumption generated from non-renewable energy sources, such as oil or coal, is 231,812 MWh. These reductions are due to energy efficiency measures and substitution for non-renewable sources of energy. The table below provides details on each project's figures and calculation periods.

Anticipated greenhouse gas emissions reduction and decrease in consumption of electricity generated from non-renewable energy sources due to energy efficiency measures and substitution for renewable sources of energy reduced in four P3DP pilot cities:

Project name	Estimated Reduction in GHG (Metric tons of CO ₂ equivalent)	Estimated reduction of electricity consumed, generated from non-renewable sources (kWh)	Period
Landfill biogas extraction PPP in Vinnytsia	459,016	79,393,973	2019-2029
Landfill biogas extraction PPP in Ivano-Frankivsk	456,705	78,994,325	2015-2025
Renewable energy for district heating in Malyn, Zhytomyr region	11,429	72,601,136	2013-2038
Energy efficient street lighting PPP in Dnipropetrovsk	1,008	822,188	2015-2024
TOTAL	928,158	231,811,622	

Besides anticipated emission reductions calculated for four pilot projects in the energy efficiency and renewable energy sectors, other projects also have carbon reduction effects. For example, all projects, which involve public building renovations (Zaporizhia Healthcare and Kyiv

kindergarten), will lead toward greater energy efficiency of renovated public buildings.

5.4. Renewable Landfill Gas and Biofuel



P3DP's work supports the USAID's Climate Change and Development Strategy and President Obama's Global Climate Change Initiative. P3DP is helping Ukraine become climate resilient and encourage low-emission sustainable economic development through legislative reform.

P3DP's pilot PPP projects aim to generate electricity from landfill gas. The gas consists mostly of methane, a greenhouse gas that traps much more heat than CO₂.

Generating power using methane from landfills greatly reduces its impact on the environment and reduces the need to use coal or natural gas. The two landfill gas projects are expected to reduce CO₂ equivalent emissions by almost 1 million metric tons. The pilots are also highly replicable in other municipalities.

Another plentiful renewable alternate fuel, straw, is a waste product from Ukraine's agricultural sector. Straw can be easily and cheaply processed into compressed pellets, which burn at high heat with little smoke. In Malyn, a town in Zhytomyr Region, the city plans to use a PPP to generate heat for schools and other municipal buildings. This approach will reduce fuel costs to the city, freeing funds for other uses, while also reducing CO₂ emissions.

In Year 3, P3DP selected qualified trainers and developed a training program for five specialized training events on energy efficiency and renewable energy PPPs targeting municipal officials. The training will provide the skills needed by municipal officials to design and implement PPPs in the energy efficiency and renewable energy sectors within the framework of USAID's Global Climate Change and Development Strategy. The training will be conducted in Year 4 in Dnepropetrovsk, Ivano-Frankivsk, Kyiv, Zhytomyr and Vinnytsia, and will contribute to pilot PPP projects underway in those cities.

P3DP Coordination with USAID and Other International Donors

After three years of developing PPPs in Ukraine using a participatory approach, P3DP has become a valuable partner to IFC, the World Bank, the European Union, and other international institutions seeking a role for the private sector in their own projects. P3DP's ongoing work with the Ministry of Economic Development and Trade has given us unequaled depth of experience in PPP policy and legislative issues. Our collaborative approach and strategic communications skills help P3DP leverage its experience with that of other developmental institutions to maximize the impact of our work. This helps Ukraine lay the foundation for a strong economy and build transparent, democratic institutions necessary for long-term prosperity.

P3DP's collaborative approach and strategic communications skills have made it a valuable partner on PPP-related issues. During Year 3, P3DP reached out to and was approached by numerous organizations to collaborate on PPP-related issues, including policy, legislation, and investment projects. Recent examples include:

- IFC, the private sector arm of the World Bank Group, requested P3DP's support on legislative review of the road concession laws related to a multi-year, multi-million dollar transportation project;
- Chief of Party Mick Mullay was invited to speak at a conference in Poland along with IFC, EBRD and other institutions about the PPP environment in Ukraine and how PPPs can contribute to changing the procurement culture in a historically difficult and corrupt business environment ;
- P3DP and the US American Chamber of Commerce agreed to work toward establishing an expert PPP support center that will unite investors, lending institutions, NGOs and other private sector operators in influencing government policies and facilitating PPP project development;

- The World Bank invited P3DP to contribute insights at a workshop on solid waste management in Ukraine. P3DP's work on two solid waste management projects, ongoing policy support to regulatory agencies tasked with introducing rational SWM tariffs, and familiarity with related legislation enabled us to make valuable contributions to the activity;
- The European Union engaged P3DP to lead discussions at a recent forum about the potential role of PPPs in tourism development in Crimea. Continued follow-on collaboration is planned.

Our approach has made P3DP the “partner of choice” for practical work focused on achieving tangible results involving PPPs in Ukraine. By collaborating with government and integrating our efforts with the private sector, NGOs and other development institutions, we expect to leave a lasting and positive mark on Ukraine.

The following table details P3DP's collaborative relationships with other USAID-funded and international organizations:

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT	
AgroInvest	P3DP is cooperating with USAID AgroInvest and USAID Water for Crimean Agri Sector projects in supporting the development of PPPs in the agriculture sector. They will present at a joint conference <i>PPPs in Agriculture</i> in November 2013.
Commercial law Center (CLC)	CLC partners with P3DP on developing legislation to enhance the regulatory environment for PPPs in Ukraine. In the last year, cooperation between P3DP and CLC included participation and coordination in the Parliament PPP Working Group, development of the national PPP policy, adopted by the CMU on August 14, 2013, and the drafting of the Law on PPP Strategy and amendments to the current PPP Law.
DIALOGUE	P3DP led a Public-Private Partnership seminar at the IX Ukrainian Municipal Forum, organized jointly by the DIALOGUE project and the MLED in June 2013. The seminar provided an overview of private sector experience in sectors where P3DP is developing its pilot PPP projects, such as energy efficiency, renewable energy, landfill biogas extraction, and healthcare. Discussion focused on opportunities and benefits of involving private companies in delivering infrastructure and public services through PPPs.
Local Alternative Energy Solutions in Myrhorod Project (LAESM)	LAESM has is cooperating with P3DP on developing PPP mechanisms in energy efficiency and on using alternate fuel sources to heat public buildings. P3DP and LAESM are preparing a MoU to strengthen their cooperation.
Municipal Finance Strengthening Initiative (MSFI)	MSFI's role is critical for P3DP's activities in light of current budget legislation constraints. P3DP provided input to MSFI legislation development activities, such as Budget Code and other legislative amendments regarding long-term budget obligations. P3DP advocated for MSFI's recommendations in its discussions with local governments.
Municipal Heating Reform (MHR)	P3DP and MHR's collaboration included a review of the regulatory and legislative framework supporting municipal PPP projects, participation in key working groups on communal sector reforms, and direct collaboration with PPP projects such as Dnepropetrovsk PPP Street Lighting.
Partnership for Cleaner Energy Project	P3DP is cooperating with the USAID Partnership for Cleaner Energy Project, implemented by the East Europe Foundation, on global climate change by sharing its experience in implementing clean energy solutions through PPP mechanisms.
Water for the Crimean Agri Sector	P3DP cooperated with the USAID Water for Crimean Agri Sector Project by inviting representatives of its pilot municipalities to participate in the P3DP PPP trainings and local study tour in 2012.
CANADIAN DEPARTMENT OF FOREIGN AFFAIRS AND INTERNATIONAL TRADE (DFAIT)	
Ukraine Municipal Local Economic Development (MLED)	MLED and P3DP worked together in cooperation with a private company, DTEC, on solid waste management in Pavlograd. P3DP will provide its transaction support for this complex project. In addition, both projects participated in public events on critical economic, financial, and social issues.
DEUTSCHE GESELLSCHAFT FÜR INTERNATIONALE ZUSAMMENARBEIT (GIZ) GMBH	

Energy Efficiency in Buildings	The GIZ project provided information and consultations regarding the legal framework for potential PPPs in public building management and energy efficiency. This information was used for Malyn PPP project development (heating, energy efficiency and alternative fuel) and may be applicable to similar projects in the future.
SWISS COOPERATION OFFICE UKRAINE	
Swiss-Ukrainian Decentralization Support Project (DESPRO)	P3DP supported DESPRO through consultations in solid waste management and on improving local governance and the municipal environment.
INTERNATIONAL FINANCIAL INSTITUTIONS	
European Bank for Reconstruction and Development (EBRD)	EBRD provides consultation on PPP pilot project development especially in the sector of energy efficiency, and municipal infrastructure.
International Bank for Reconstruction and Development/ The World Bank Group (IBRD)	IBRD has been active in promoting PPPs since 2006, but these activities were limited to road construction and preparations for the Euro 2012 Soccer Competition. At present, IBRD is working on the preparation of the Second Urban Infrastructure Project. IBRD plans to promote PPPs as a tool for some components of the project. P3DP provides significant input to this activity with PPP-related consultations, information exchange and legislation development, for example, in the methodology for setting tariffs in solid waste management.
International Financial Corporation (IFC)	IFC provides advice on developing PPP projects, best practices and transaction support. P3DP and IFC will cooperate on providing support to the National Project Agency regarding Kyiv Ring Road Construction Project.

Program Administration

P3DP recognizes the importance of a well-functioning administrative support system that enables program staff and experts to get the job done. Effective hiring and staff development is a priority for P3DP to ensure that its finance, compliance, procurement, logistics, human resources and other administrative functions help the program meet its objectives. Program administration also ensures that P3DP complies with both USAID and Ukrainian regulations.

P3DP Administrative Staff Training - Washington D.C.

P3DP staff Olga Petrenko, Senior Program Coordinator and Natalia Logvinova, Finance Manager were trained in a course *USAID Rules and Regulations: Grants and Cooperative Agreements* conducted by InsideNGO between September 28- October 6, 2013 in Washington D.C. During the three-day training session, P3DP trainees improved their skills and knowledge of project administration managed under grants and cooperative agreements. They also deepened their skills in program administration, cost principles, procurement of commodities and services financed by USAID federal program funds, and financial audits of USAID Contractors and Recipients.

During other two days of the visit, Ms. Petrenko and Ms. Logvinova met with a number of FHI360 colleagues at headquarters, including FIELD-support LWA management, Contract Manager, Operation Manager, HR Manager, and Compliance Officer to discuss program administration practices, and share concerns and experiences.

P3DP Compliance Review

Between August 11-14, P3DP undertook an annual Internal Compliance Review

implemented by FHI360 Regional Compliance Officer Yasser El-Said Luxor. During the review the auditor evaluated P3DP compliance with FHI360 and USAID policies and procedures in the areas of procurement, contract administration, human resources, bank operations, cash management, etc. The final Review Statement was submitted to FHI360 Home Office. P3DP's response to the review is due by November 30, 2013.

Program Registration

P3DP completed the procedure of re-registration with the Ukrainian authorities due to the change of the official name of the implementing company from *FHI Development 360 LLC* to *FHI360*. New registration card and accreditation card were issued on August 6, 2013 and August 8, 2013, respectively. FHI360 accreditation card includes both P3DP and MARPS projects. On September 4, 2013 a new bank account in the name of FHI360 was opened with ProCredit Bank and the previous bank account closed. P3DP completed the procedure of revising all sub-agreements and sub-contracts in the name of FHI360. The project vehicle was registered with the local traffic police (Derzhavtoinspektsia) under the name of FHI360 and a new vehicle registration certificate was obtained on October 2, 2013.

Staff Changes

David Lawrence began on May 1 as Senior Technical Assistance Coordinator, the role previously filled by Mr. Mullay. Mr. Lawrence also consults with the International Finance Corporation's PPP Advisory Services Department and will support P3DP on an as-needed basis.

The Program's Financial Assistant, Anastasiia Walsh, left the project on May 20 for family reasons. She was replaced by Olena Potapova on June 17.

Viktoriiia Opryshko joined P3DP on July 1 to fill the role of receptionist/secretary. She also assists in translation of documents.

Annexes

- Annex 1: P3DP Performance Monitoring Report – Year 3
- Annex 2: Methane Extraction from an Existing Landfill in Vinnytsia
- Annex 3: Methane Extraction from and Existing Landfill in Ivano-Frankivsk
- Annex 4: Biofuel District heating Plant in Malyn
- Annex 5: Change in Dnipropetrovsk City Street Lighting for Energy Efficiency Light Bulbs
- Annex 6: Concept on Public Private Partnership Development in Ukraine for 2012-2017
- Annex 7: Public Private Partnership Development Strategy and Implementation Plan for 2012-2017
- Annex 8: PPP Related Laws and Secondary Legislation Needing Revision
- Annex 9: P3DP Program Organization Chart
- Annex 10: PPP Project Pipeline