

UKRAINE RECOVERY RECONSTRUCTION FORUM 2.0

Denis Gaiovy, Associate Director, Sustainable Infrastructure Group, EBRD

Programmes of Support and Financing of Ukraine - Panel Discussion

Warsaw, 14 November 2023



European Bank
for Reconstruction and Development

EBRD in Ukraine: at a Glance

The largest institutional investor in Ukraine

- €3.0 billion invested in 122 projects during the last 3 years before the war
- A portfolio of €4.8 billion in over 220 projects

Deep knowledge of the market

- Cumulative investments amounting to €18.3 billion in over 500 projects across various industries of the Ukraine's economy since 1992
- Strong relationship with the government and wide network of clients
- >100 of employees in offices in Kyiv, Kharkiv, Lviv and Odesa*

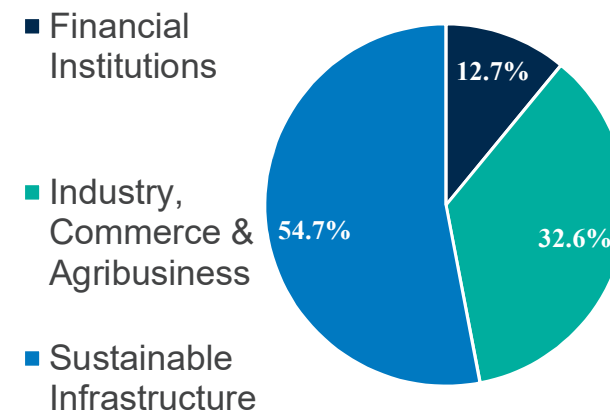
Strong commitment to support Ukraine

- The only Multilateral Development Bank taking Ukrainian risk on its own balance sheet during the war times

Holistic approach combining investments with active policy engagement and technical assistance

- Promotion of corporate governance, green transition, digitalization and necessary reforms for development of conducive business environment
- Strengthening public administration and facilitation reforms through the Ukraine Reforms Architecture program by supporting the work of 200 Ukrainian local staff embedded in the Government

Current EBRD portfolio
in Ukraine is €4.8bn



* The EBRD Ukrainian staff is now operating from abroad / remote locations (mostly Warsaw)

EBRD Response to the war on Ukraine



European Bank
for Reconstruction and Development

- **Strong commitment** to stand by Ukraine and invest **€3.0 billion in 2022-2023** to help Ukraine's business and economy keep functioning (already achieved –investments to be signed in 2023 are on top)
- In 2022, **total investments** in Ukraine reached **€1.7 billion (€0.2 billion** of grants and turnover of TFP).
- Constructive approach to **forbearance, deferrals** and **restructuring** of the existing clients
- Effective leverage of **donor funding** to maximize EBRD response to meet the country's urgent needs
- Active **policy engagement** redirected to address immediate challenges, incl. coordination of humanitarian support, relocation of businesses from conflict areas, damage assessment and preparation of the National Recovery Plan, integration to EU

Key Areas of Focus



Trade Finance and FI support

Increased envelope with local banks under the Trade Facilitation Program and resumed longer-term financing to local banks to boost their lending activities



Energy Security

Repurposed the existing loan to Ukrenergo for liquidity support and signed additional financing for emergency repairs and replacements; provided liquidity line to Naftogaz for natural gas purchases and additional financing is under preparation



Vital Infrastructure

Repurposed the existing loan to Ukrainian Railways for liquidity and extended a new emergency capex loan, repurposed capex loans to Avtodor. Extended to Lviv and Dnipro emergency liquidity loans, capex loans for Khmelnytsky, grant top-ups for Dnipro, Mykolayiv, Lutsk, are preparing financing to other Ukrainian municipalities



Food Security

Developed food security guarantees and risk sharing facilities with local banks and provided direct financial support to agriculture companies and food retailers



Private Sector Resilience

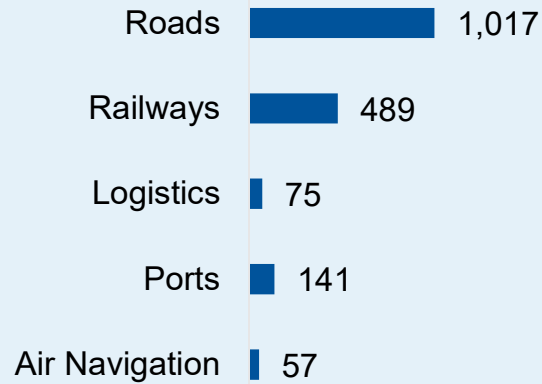
Extended financing to the Ukrainian pharmaceutical company to support production of essential medicines, invested in private equity fund, extended a loan to a metallurgy plant and is considering financing to other private sector companies



EBRD Portfolio in Ukrainian Infrastructure (1/2)

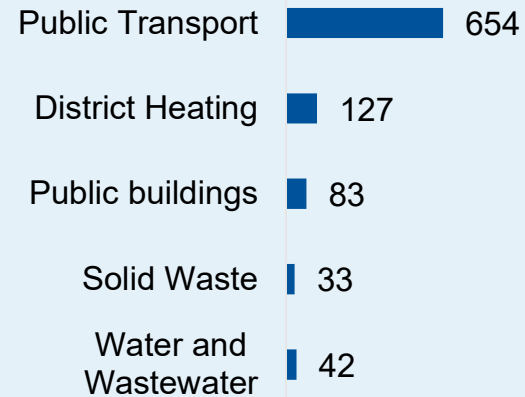
73 projects • € 2,718 million

Transport, EURm



30 projects | **€ 1,779 million**

Municipal Infrastructure, EURm



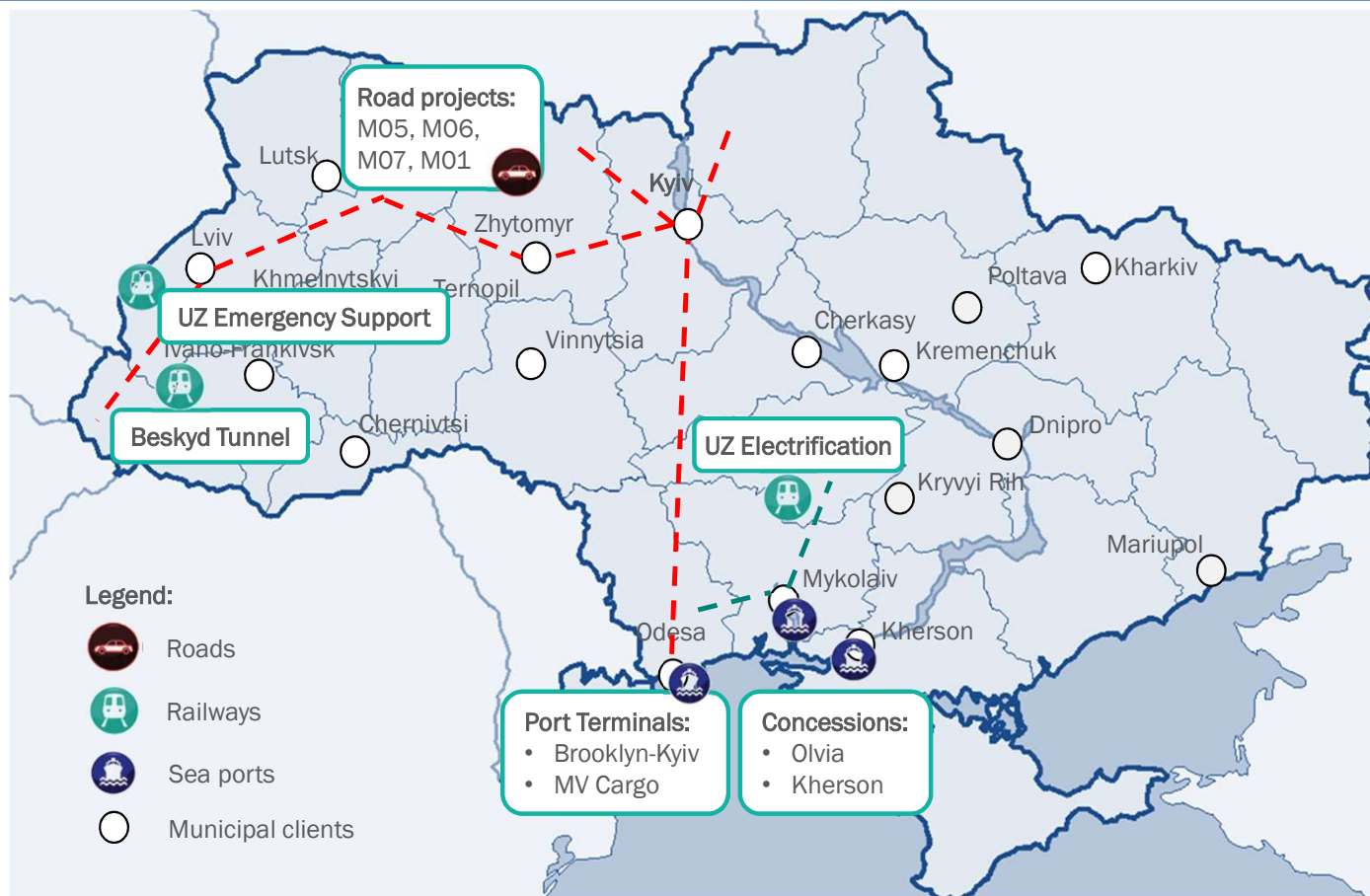
43 projects | **€ 939 million**

Public
57 projects
€2,503 million

Ownership

Private
16 projects
€215 million

EBRD Portfolio in Ukrainian Infrastructure (2/2)



Key state sector clients:

- Ukravtodor
- Ukraine Railways
- UkSATSE (air navigation provider)
- Ukrposhta

Municipalities:

- Kyiv
- Zhytomyr
- Lutsk
- Lviv
- Ivano-Frankivsk
- Khmelnytsky
- Ternopil
- Chernivtsi
- Vinnytsia
- Cherkassy
- Kharkiv
- Poltava
- Kremenchuk
- Dnipro
- Kryvyi Rih
- Mariupol
- Kherson
- Mykolayiv
- Odesa

Context, immediate needs in infrastructure sector - and short-term response



European Bank
for Reconstruction and Development

The military invasion of Russia in Ukraine launched on 24 February 2022 resulted in an economic and humanitarian crisis in Europe of unparalleled proportions since the World War II. Thousands of civilians have been killed. More than a quarter of the population of Ukraine has been displaced (circa 10 million people), including more than 4 million to the EU.

Correspondingly, both national infrastructure providers and municipalities in Ukraine need **emergency liquidity support loans** (for the next 12 months with 3-5 year maturity) and **grants** to:

1. renew and/or **ensure continued infrastructure operations and uninterrupted provision of essential services** for the national infrastructure providers - and for municipal subsectors of water and wastewater, district heating, public transport, and solid waste;
2. address the **increased pressure on municipal budgets in the context of increased number of IDPs** caused by the military aggression of Russian Federation against Ukraine;

There is also a need for urgent emergency capital expenditures program to address damages and/or increased demands on critical national infrastructure providers - and municipal infrastructure. For national transport critically important is ensuring improved export -import logistics with the EU.



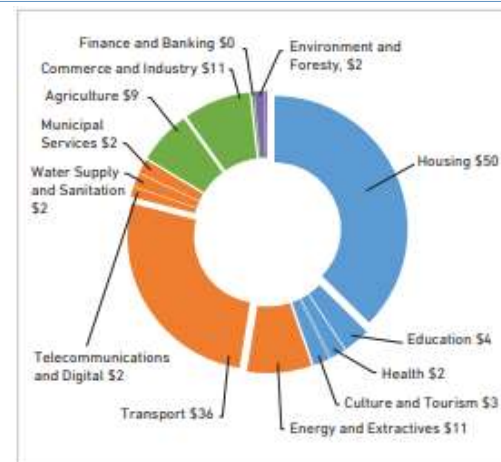
War damages to infrastructure in Ukraine (evolving, <https://damaged.in.ua>, KSE, World Bank RDNA2)



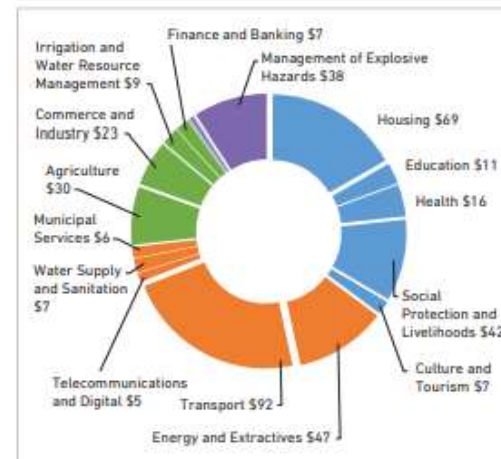
European Bank
for Reconstruction and Development

Total estimate of infrastructure damage by industry in monetary terms, as of September 1st, 2023

Property type	Damage, \$ billion
Housing	55,9
Infrastructure	36,6
Assets of enterprises, industry	11,4
Education	10,1
Energy	8,8
Agriculture and land resources	8,7
Forests	4,5
Transport	3,1
Healthcare	2,9
Utilities	2,7
Trade	2,6
Culture, sport, tourism	2,4
Administrative buildings	0,5
Digital infrastructure	0,5
Social sphere	0,2
Financial sector	0,04
Total	151,2



WB RDNA2 (February 23)
Total Damages
USD 135 billion



WB RDNA2 (February 23)
Total Recovery and Reconstruction Needs
USD 411 billion

Longer-term Response for Infrastructure in Ukraine



European Bank
for Reconstruction and Development

On a central level the longer-term response has been coordinated between the Government and IFIs and donors. There is a need to engage at the municipal level directly working with municipalities – done by EBRD, NEFCO and IFC.

In the longer-term national infrastructure providers and municipalities need **reconstruction support loans** (for the 3-5 years implementation with 13-15y maturity) **supported by the guarantees** and **co-financed with investment grants** to:

1. Rapidly renew and/or restore the damaged infrastructure and **modernise infrastructure - on a build back better basis - to ensure access to uninterrupted provision of essential services in national transportation and municipal services** - water and wastewater, district heating, solid waste, public transport and roads;
2. Support modernisation/expansion of the infrastructure to address the national transport development priorities – or, in case of municipalities - **increased pressure on municipal infrastructure in the context of increased number of IDPs that are expected to be permanently resettled;**

The national infrastructure and municipal investments are expected to support national and local economic recovery therefore supporting sustainable growth trajectory for Ukraine.



Municipal Infrastructure Reconstruction Project Example

– Mykolaiv Emergency Water



European Bank
for Reconstruction and Development



- In mid-April 2022, the massive shelling damaged the transmission pipeline and pump station and **left Mykolaiv's residents without a functional and reliable source of drinking water**. Mykolaiv started supplying brackish water from the Southern Buh River's estuary. As of Q2 2023, the damages of the water supply assets were assessed in the amount of **USD 46.9 million**¹. Kakhovka Dam destruction by the Russians worsened the situation.
- **Priority Investment Program:**
 - Reconstruction of water intake from Dnipro River
 - Water treatment and purification
 - Water and wastewater network rehabilitation
- In coordination with the Government of Ukraine, Government of Denmark, EIB, E5P, other bilateral and multilateral donors EBRD is working on the loan and grant financing in the amount of up to **EUR 25 million**. Investment grants are expected to come from the **Government of Denmark** and **E5P Fund**, subject to the respective institutions approvals.

¹ World Bank. *Ukraine Rapid Damage and Needs Assessment: February Q2022 - February 2023 (English)*. Washington, D.C. : World Bank Group. <http://documents.worldbank.org/curated/en/099184503212328877/P1801740d1177f03c0ab180057556615497>

Khmenlytsky Green City Action Plan (updated following War Impact and IDP assessment)



€227m

investment plan

21 GCAP Actions

Total funding requirement of **€227m**

10-year horizon (2023-2032)

Mixture of **investment** and **policy** actions

Estimate **GHG** reductions of 207,950 tCO₂e per year, an **18.8% reduction** on 2020 levels

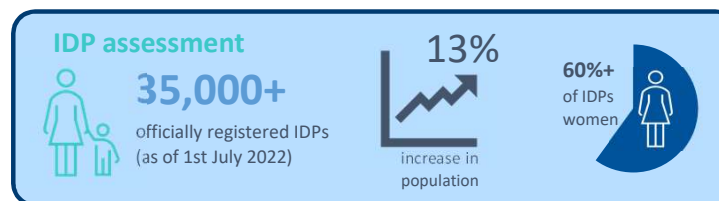
Estimated job creation potential: **700 - 1,250 new jobs**

Projects signed and under implementation:

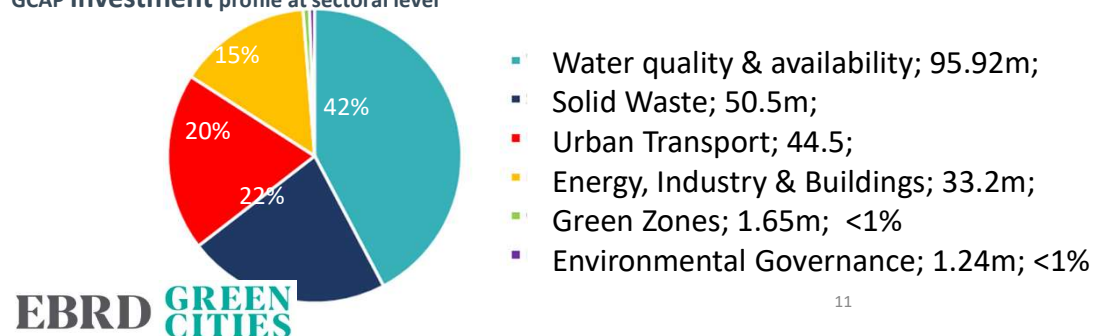
Khmelnytsky Solid Waste project – EUR 28.5m loan and EUR 5m grant from EU NIP

Khmelnytsky Trolleybus project, EUR 10.6m loan and EUR 4.4 grant from EU NIP and EBRD SSF

Rapid Appraisal of infrastructure condition and public service provision for Internally Displaced People (IDPs) in Khmelnytskyi was conducted across the summer 2022. A package of recommended measures were developed, which will contribute to the solution of the identified issues (housing of IDPs, employment opportunities and integration of IDPs, energy security, physical safety of the citizens, etc).



GCAP investment profile at sectoral level



Procurement in EBRD projects



European Bank
for Reconstruction and Development

- EBRD Procurement Policies and Rules (<https://www.ebrd.com/work-with-us/procurement/policies-and-rules.html>)
 - Client led procurement (Clients are responsible for all aspects of procurement, with Bank's oversight)
 - Focus on operations in public sector
 - Tendering and contracting via EBRD Client E-Procurement Portal (ECEPP - <https://ecepp.ebrd.com/>)
 - All procurement notices available from the homepage
 - Register for access to specific projects/tenders (all countries and projects)
- More flexible approach
 - Wider use of Advance Procurement procedure (tenders completed before signing of legal agreements with the Bank, PPR para 3.76)
 - Shorter tendering times, flexible tender conditions (e.g. no tender security)
 - More advantageous contract conditions (e.g. larger advance payments, EXW/FOB/FCA delivery terms etc.)
 - Direct Contracting where justified (permitted by PPR, para 3.24 = more efficient approval process, subject to verification of value for money)
 - *General Procurement Notices in ECEPP, notifications on EBRD website*
 - Possibility of financing reconditioned/'second hand' equipment (subject to compatibility, mandatory pre-shipment inspections etc.)
- EBRD Corporate Procurement Policy (<https://www.ebrd.com/procurement/corporate-procurement.html>)
 - Bank led procurement – including consultancy services in investment projects

EBRD – opportunities and support

What can you do?

- As a **Consultant** – Consultancy services for the Bank and Bank’s clients
 - Procurement support
 - Technical inspection (e.g. pre-shipment inspection, witnessing factory tests)
 - Lender’s monitor (e.g. review of proposals and value for money verification in directly awarded contracts)
 - Assessments (e.g. feasibility studies, damage/reconstruction assessment etc.)
- As a **Supplier** – participate in Bank financed projects (involving Bank’s loan and donor investment grants administered by the Bank)

What can we do?

- Support available from the Bank
 - Dedicated market consultation / outreach for the interested business circles
 - Training on EBRD procurement and use of ECEPP

Contacts



European Bank
for Reconstruction and Development

For all further enquiries, please contact:

- **Mark Magaletsky**, Deputy Head
Ukraine
Email: MagaletM@ebrd.com
- **Denis Gaiovy**, Associate Director
Email: GaiovyD@ebrd.com
- **Yulia Romanenko**, Principal Banker
Email: RomanenY@ebrd.com
- **Ihor Knyazev**,
Principal Banker
Email: KnyazevI@ebrd.com
- **Mykhailo Strelnikov**,
Principal Banker
Email: StrelniM@ebrd.com

