



“Support to the Ministry of Infrastructure for the Ukraine  
Urban Road Safety Project”

# **Kick-off meeting**

## **IFI co-financing and project implementation**

Kyiv, 14<sup>th</sup> November 2018



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# 1.1 Financing structure of the project



- ❖ Ukraine Urban Road Safety project is financed by:
  - ❖ EUR 75m framework loan by EIB
  - ❖ EUR 75m loan by the EBRD
  - ❖ EUR 4.1m technical assistance grant by the Neighbourhood Investment Platform (the European Union)
  - ❖ Local contributions by the participating cities covering costs that are not eligible for IFI financing

## 1.2 EIB and EBRD co-operation



- ❖ Under the project a 50/50 rule applies to IFI loan financing on a cumulative basis, i.e., at the project level. The co-financing rule is not tested at a city or sub-project level
- ❖ The two IFIs have a long and successful history of working together in Ukraine and other Eastern Partnership countries
- ❖ Both EIB and the EBRD are European IFIs that in many ways are similar, yet institutional differences do exist
  - ❖ In particular, this applies to finance contract and ongoing requirements
- ❖ During project implementation the objective is to avoid unnecessary duplication of work or procedures
  - ❖ The IFIs will agree on a mutually acceptable procurement procedure

## 1.3 EIB status update



- ❖ EIB framework loan of EUR 75m with Ukraine was signed on 9<sup>th</sup> of July 2018
- ❖ The ratification process for the EIB loan is under way. The ratification of the EIB loan is a key condition of loan availability
- ❖ In addition, EIB secured a 4.1m technical assistance grant by the Neighbourhood Investment Platform in December 2017
- ❖ EIB is working on mobilising the technical assistance in March/April 2019
  - ❖ Limited interim support provided by EGIS is available to the cities

## 1.4 EBRD status update



- ❖ EBRD is considering a sovereign framework loan in the amount of up to EUR 75m with Ukraine (co-financing the sovereign FW funded by the EIB) along with a sub-sovereign financing component (amount and participating municipalities yet to be confirmed)
  
- ❖ The EBRD preliminary timeline:
  - ❖ FW concept approval in December,
  - ❖ FW final approval/Board – 1Q 2019,
  - ❖ Sub-project approvals - throughout 2019
  
- ❖ In addition EBRD is considering TA to support associated Regulatory reform as well as TA to support DD required for the EBRD assessment (where relevant)

## 2.1 Sub-project allocation considerations



- ❖ EIB and EBRD are yet to decide who would be the Lead Financier under the Mutual Reliance Framework. This will likely be decided for each individual project/municipality
- ❖ TA of EUR 4.1m from the EU Neighbourhood Investment Platform secured by the EIB is expected to cover PIU and procurement support for both institutions

## 2.2 Sub-project allocation procedure



- Allocation request may be submitted anytime prior to Final Availability Date (4 years from effectiveness of Finance Contract, i.e. after ratification)
- Loan can be allocated to Sub-Projects identified as eligible in Technical Description → Allocation Request
- Loan shall be allocated to Sub-Projects which have been approved by Steering Committee (SC) and EIB in accordance with allocation and monitoring procedure
  - There needs to be sufficient information available about Sub-Project
  - Sub-Projects need to fulfil eligibility criteria in Project Procedures Manual (PPM)

*Note: This procedure is based on the EIB allocation procedure for precedent projects and subject to confirmation at the time of the approval of PPM*



## 2.2 Sub-project allocation procedure (cont.)



- ❖ Following documents necessary for Loan Allocation:
  - ❖ Evidence that Final Beneficiary has established PIU to manage implementation and monitoring of Sub-Project
  - ❖ If applicable, Environmental Impact Assessment (EIA)
  - ❖ For Sub-Project with impact on site of nature conservation importance protected under national or international agreements: evidence that Sub-Project will not have significant negative impact on site
  - ❖ Evidence that sufficient funds are available to the Borrower and Final Beneficiaries to meet investment costs
  - ❖ Evidence that credit allocated will not exceed usual proportion of the of total project costs (50% at the Project, not Sub-project level)

➔ If allocation approved EIB will issue **Allocation Letter**.

## 2.2 Sub-project allocation procedure (cont.)



- Reallocation at Request of Borrower
  - No later than Final Availability Date, Mol may propose reallocation of a loan (in whole or in part) – Condition: has not been spent or not been made available in full to Final Beneficiary
  - If reallocation is not possible or possible only in part, Borrower shall prepay immediately to the Bank the part of the Loan which has been disbursed by the Bank
  
- Reallocation at Request of EIB
  - EIB may require Mol to reallocate any part of the Loan which has been allocated in relation to Sub-Project if in EIB's opinion the Sub-Project is ineligible for financing by EIB or if Sub-Project no longer complies with requirements of Finance Contract

## 3.1 Possible procurement arrangements



- ❖ Under the EIB procurement rules various degrees of reliance possible in case of joint co-financing:
  - ❖ Use the procurement procedures of the co-financing institution
  - ❖ Entrust the co-financing institution with the supervision of procurement
  - ❖ Entrust the co-financing institution to appraise and/or monitor the project on its behalf: “Mutual Reliance”
  
- ❖ Under the Mutual Reliance the Lead Institution is fully in charge of procurement and applies its own rules and procedures, as long as they meet the Bank’s minimum requirements and standards
  
- ❖ EIB has a *Mutual Reliance Initiative* with EBRD and KfW: Operational Guidelines, describing more precisely how to handle, among other, procurement matters have been produced



# Questions and discussion