

On the concept of enhancing the performance of projects implemented jointly with IFIs

Dear colleagues!

Herewith the public union “Interstate Consultants Engineers Guild” provides you with the latest update on implementation of projects funded by international financial institutions in Ukraine with reference to [the information of the Ukrainian Ministry of Finance](#).

As of December 1, 2018, the current IFIs portfolio (including KfW and Euroatom) consists of **34 projects** totaling to **USD 2.4 billion** and **EUR 5.3 billion**, which were attracted as a state loan or sovereign loan, in particular:

8 projects funded by the World Bank, including 3 projects with the Clean Technology Fund financing;

8 projects financed by the EBRD, with 1 project financed jointly with Euroatom;

15 projects funded by the EIB;

3 projects funded by KfW.

Yet, the disbursement level for the ongoing IFI projects is non-uniform and **amounts to 48.22% for the EBRD, 27.02% for the World Banks, 15.6% for the EIB, and 4.9% for KfW** (disbursement level calculated for ongoing projects only).

Being responsible for coordinating the development and implementation of IFI's projects, the Ministry of Finance of Ukraine **determined the reasons** why IFI-funded projects are implemented unevenly and the disbursement level is low both on the part of Ukraine and IFIs, i.e.: low project development and implementation capacity at the national and local level; long-lasting and complicated tendering procedures under IFIs' rules; slow processing of documents and payments, etc. **As a consequence, this results in** paying a commission on liabilities for the outstanding

loan amount and extra losses of project beneficiaries and state budget, and also partial termination of loan funds.

To settle this issue, on December 27, 2018, the Ukrainian Cabinet of Ministers approved a “**Concept of enhancing the performance of projects implemented jointly with IFIs,**” which stipulates a pivotal **goal** of the Ministry of Finance in terms of cooperation with IFIs for 2018-2021 to be enhancing the performance and effectiveness of cooperation with IFIs.

The Concept envisages changing the approaches to selecting the IFI-funded projects as well as higher compliance of projects with current priorities of Ukraine. It contains options of solutions to increase the average level of available IFIs’ funds disbursement and improve the project management at different levels, including development of instruments to minimize currency risks, setting up a platform for information exchange and a multilevel project monitoring system, regular checks of credit portfolio, and creating an open register of IFI-funded projects.

In particular, the Concept sets out the following **key tasks for 2019**:

- to increase the average level of available IFI funds disbursement up to 70% for EBRD projects, 35% for IBRD projects, 20% for EIB projects, and 10% for kfW projects by the end of June 2019 and up to 75% for EBRD projects, 40% for IBRD projects, 25% for EIB projects, and 12% for kfW projects by the end of 2019;
- to ensure the first-priority preparation of IFI projects in the sectors recognized as preferential in the national strategic and program documents;
- to introduce a cascade approach to improve the project evaluation and selection procedure;
- to enlarge the coverage of investment projects funded by IFIs with a purpose of supporting the decentralization process in Ukraine;
- to change the existing approach to developing the IFI-funded projects: from directing the funds through the state budget and with governmental guarantees to crediting the local self-government bodies and providing local guarantees, thus lessening the state debt and sovereign debt and promoting regional development;
- to build up project management capacity at different levels;

- to improve the system of monitoring the implementation of IFI projects;
- to increase the share of projects funded by IFIs in the national currency.

As expected, realization of the Action Plan approved in the Concept will allow as soon as in 2019 make the IFI-funded projects disbursements significantly bigger, thus increasing the amount of investments and credits for projects on energy efficiency, transport and infrastructure development, small and med-sized businesses, municipal and local projects, and privately-owned companies.

We hope that the joint effort of the Interstate Consultants Engineers Guild and national consulting engineers associations with which ICEG signed or is about to sign Memorandums of Understanding will facilitate establishing relationships between our member companies, which will enable the foreign companies to find reliable partners among the ICEG members in Ukraine and will make it possible for Ukrainian companies, ICEG members, to participate in investment projects implemented with funding from international financial institutions.

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