

ROAD PPP PROGRAM
IN UKRAINE

An aerial photograph of a two-lane asphalt road winding through a landscape. To the left of the road is a field of harvested corn, showing distinct rows. To the right is a dense forest with trees in various shades of green and yellow, suggesting autumn. The road has white lane markings and a shoulder on the right side.

ROAD PPP PROGRAM

Partnering for Better Roads








ROAD PPP PROGRAM

Partnering for Better Roads



- Attract and deploy private financing in addition to public financing
- Benefit from private sector's know-how and efficiency
- Develop the road construction and maintenance market



	 \$	 
	Cost overrun*	Delay*
Traditional procurement	27%	25%
PPP	9%	10%

Source: Averages from 6 recent international studies

PPP projects can provide substantial added value



	Traditional procurement	PPP
Contract duration	<ul style="list-style-type: none">• Short-term	<ul style="list-style-type: none">• Long-term (20+ years)
Incentive to optimize total project cost	<ul style="list-style-type: none">• Focused on construction	<ul style="list-style-type: none">• Life-cycle cost management approach lowers total project cost
Project risks	<ul style="list-style-type: none">• Largely borne by the public sector	<ul style="list-style-type: none">• Design, financing, construction, O&M risks borne by the private partner
Financing	<ul style="list-style-type: none">• Sovereign debt	<ul style="list-style-type: none">• Private debt + Equity
Payments to Contractor	<ul style="list-style-type: none">• Paid upfront	<ul style="list-style-type: none">• Spread over time



Key features of the proposed PPP Program

	Phase 1	Phase 2	Phase 3
# Projects	▪ 6 projects	▪ 7-9 projects	▪ 8-10 projects
Timeline	▪ 2020-2023	▪ 2023-2025	▪ 2025-2030
Total length	▪ 1,300+ km	▪ 1,400-1,600 km	▪ 1,600-1,800 km
Potential investments	▪ USD 1.5-2 bln	▪ USD 2-3 bln	▪ USD 4-5 bln



Key features of the proposed PPP Program

Phase 1

Projects

▪ **6 projects**

Timeline

▪ **2020-2023**

Total length

▪ **1,300+ km**

Potential investments

▪ **USD 1.5-2 bln**

- Start with **2-3 pilot projects**
- Remaining Phase 1 projects to start with **6 to 9-month lag**

Project complexity will increase gradually



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- **Build up capacity** of key players
 - potential concessionaires
 - lenders
 - insurance providers
 - subcontractors
 - equipment and materials suppliers
- Allow potential investors to make **long-term plans** based on the timing of the Program's phases
- Ensure **sufficient competition** among potential bidders

Phase 1 will consist of only brownfield projects

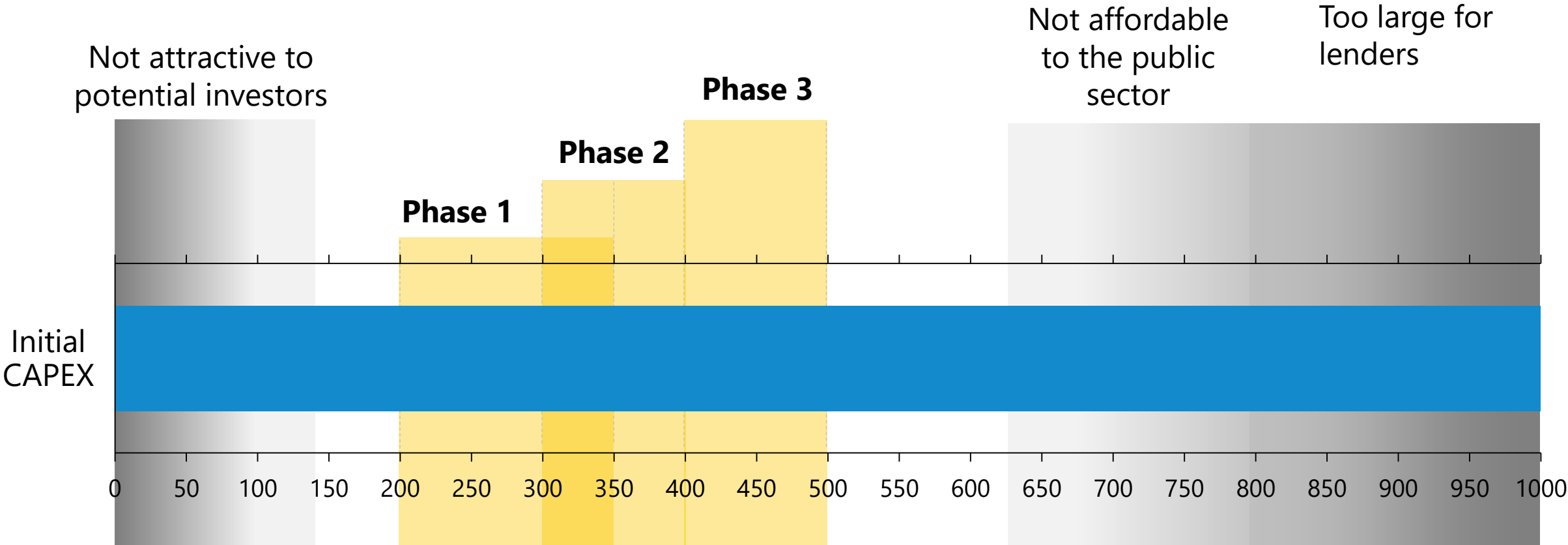


- Existing road network is already extensive, so the focus is on **rehabilitation**
- Brownfield projects have a **lower risk profile** compared to greenfield projects
- Some projects will have a limited number of **new construction elements** (bypasses, additional lanes, etc.)



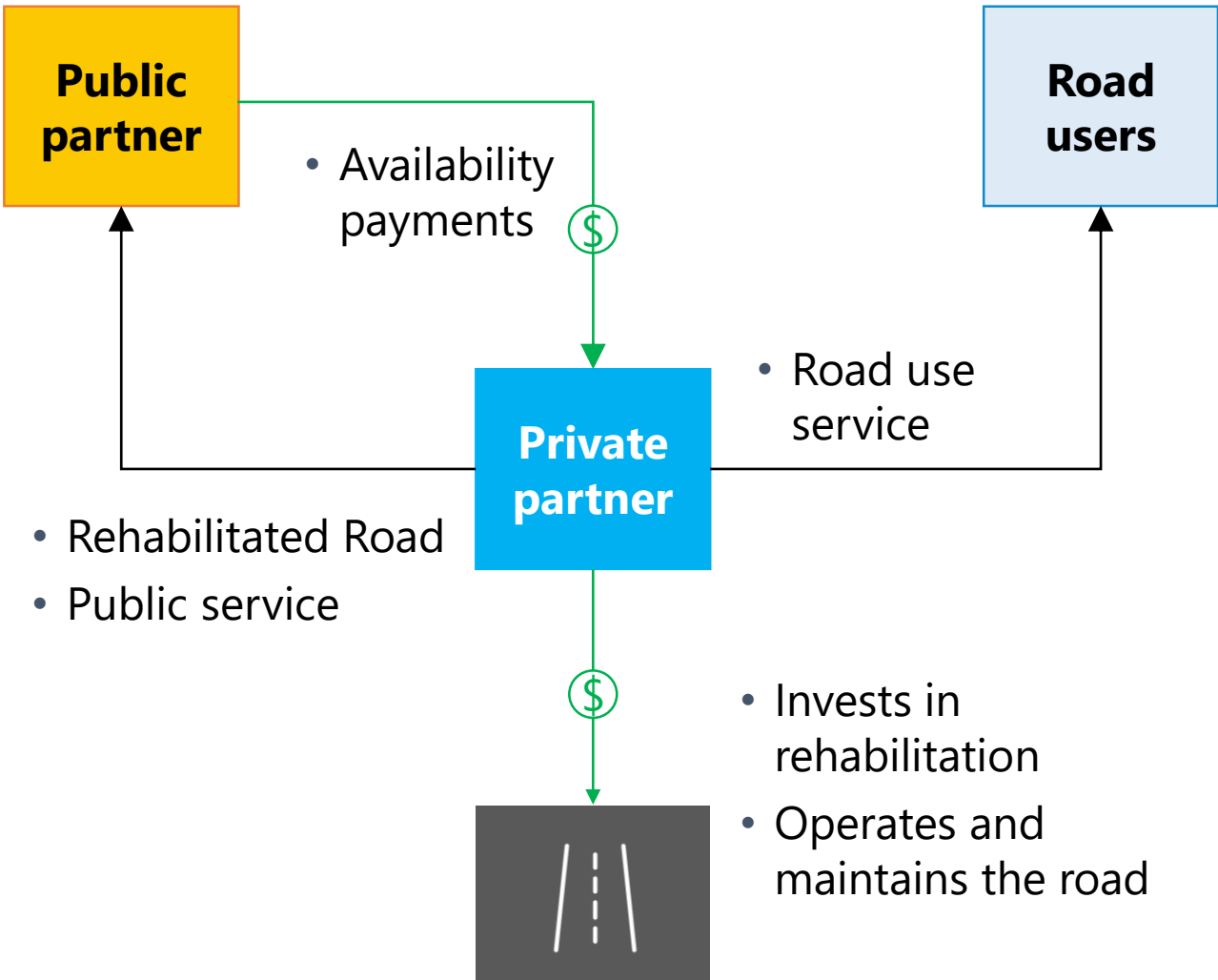
Optimal range for initial CAPEX for road PPP projects

USD mln

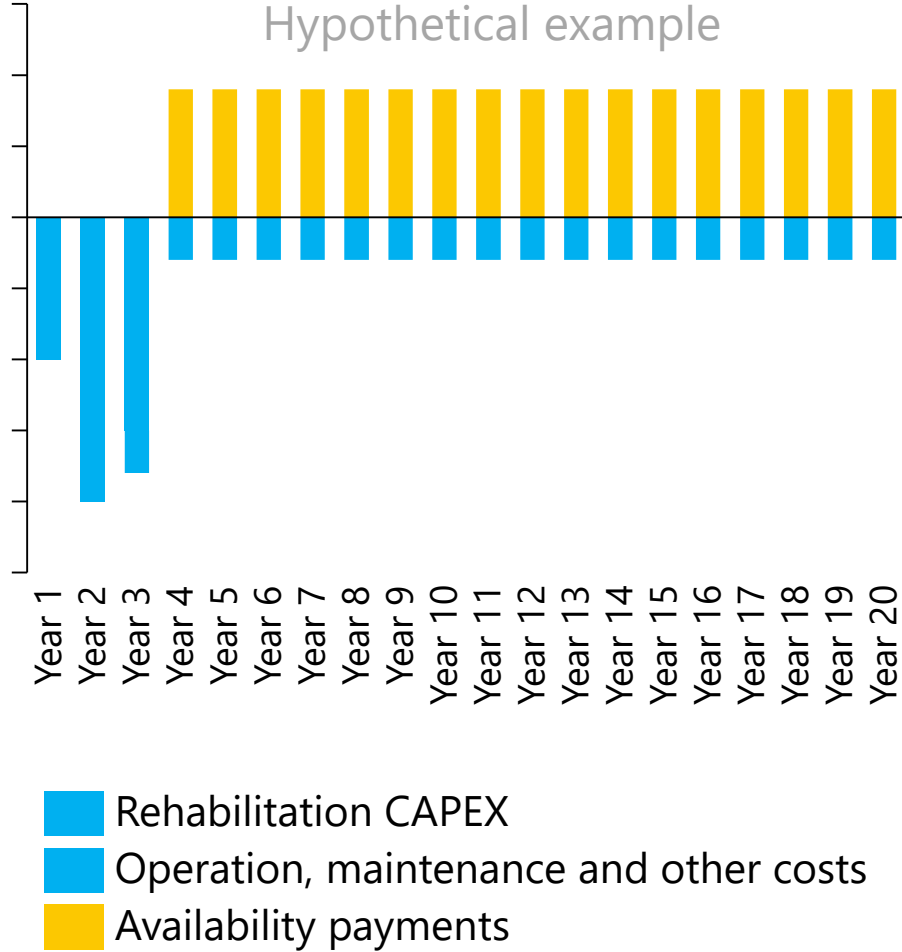




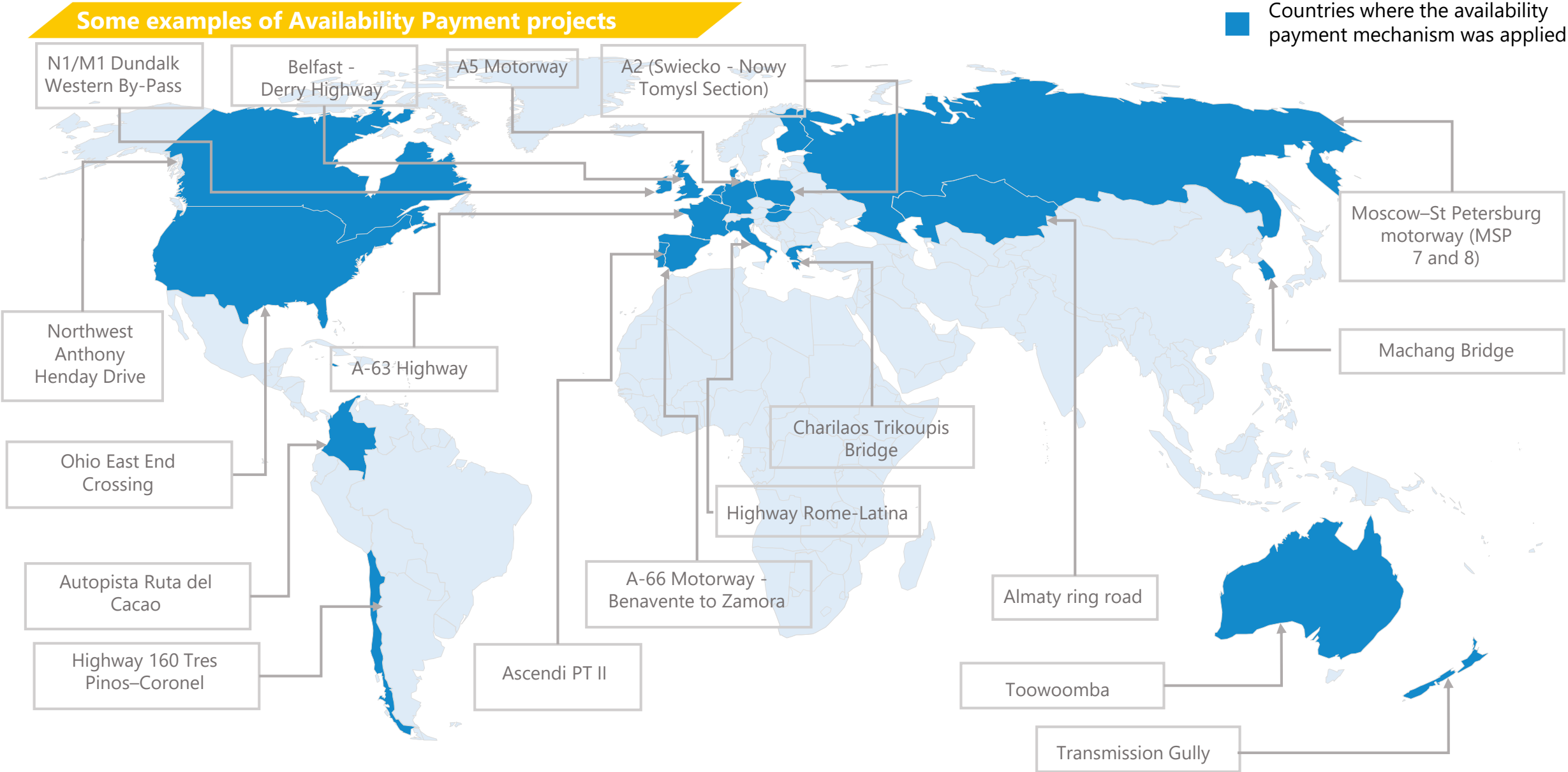
Availability Payment structure



Cash flows of the Private partner



Availability Payment mechanism is widely applied throughout the world



Source: Deloitte





Compliance with performance standards

- Road availability
- Summer quality requirements
- Winter quality requirements
- Reporting requirements
- Other requirements

Payment to the private partner  100% of Availability Payments

Compliance with performance standards

- Road availability
- Summer quality requirements
- Winter quality requirements
- Reporting requirements
- Other requirements

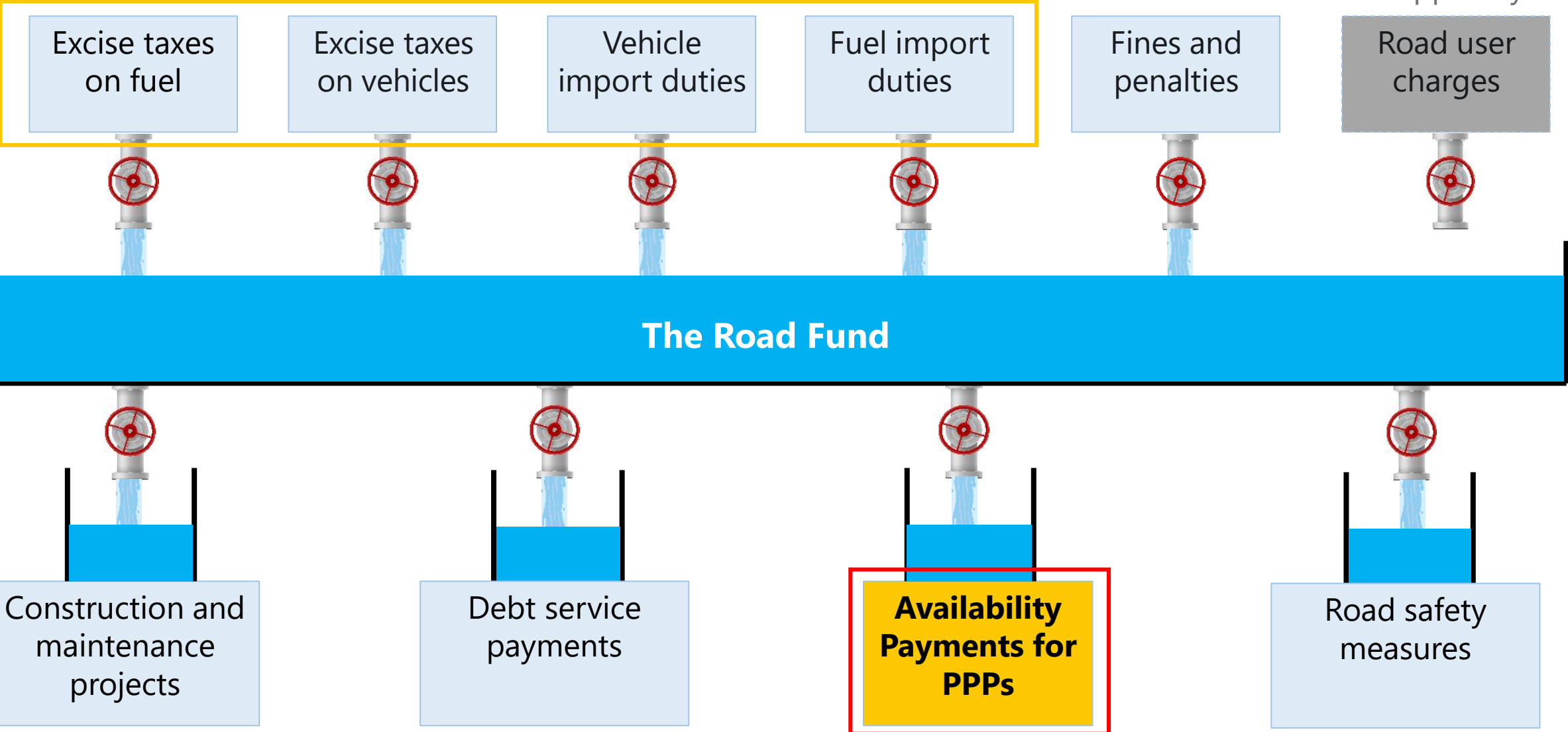
Payment to the private partner  100% of Availability Payments  Penalties

Availability Payments will be paid from the Road Fund



Linked to hard currency

Not applied yet



Excise taxes on fuel

Excise taxes on vehicles

Vehicle import duties

Fuel import duties

Fines and penalties

Road user charges

The Road Fund

Construction and maintenance projects

Debt service payments

Availability Payments for PPPs

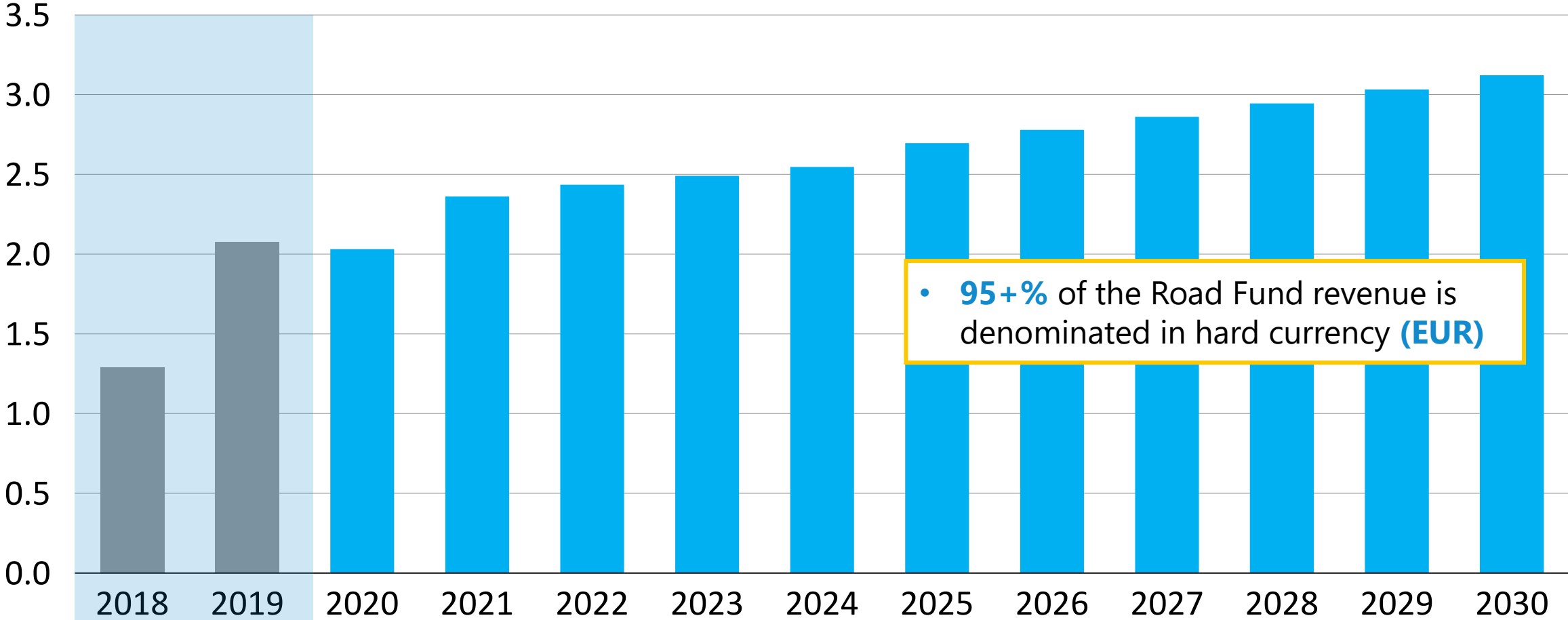
Road safety measures



Historical and projected revenue of the Road Fund

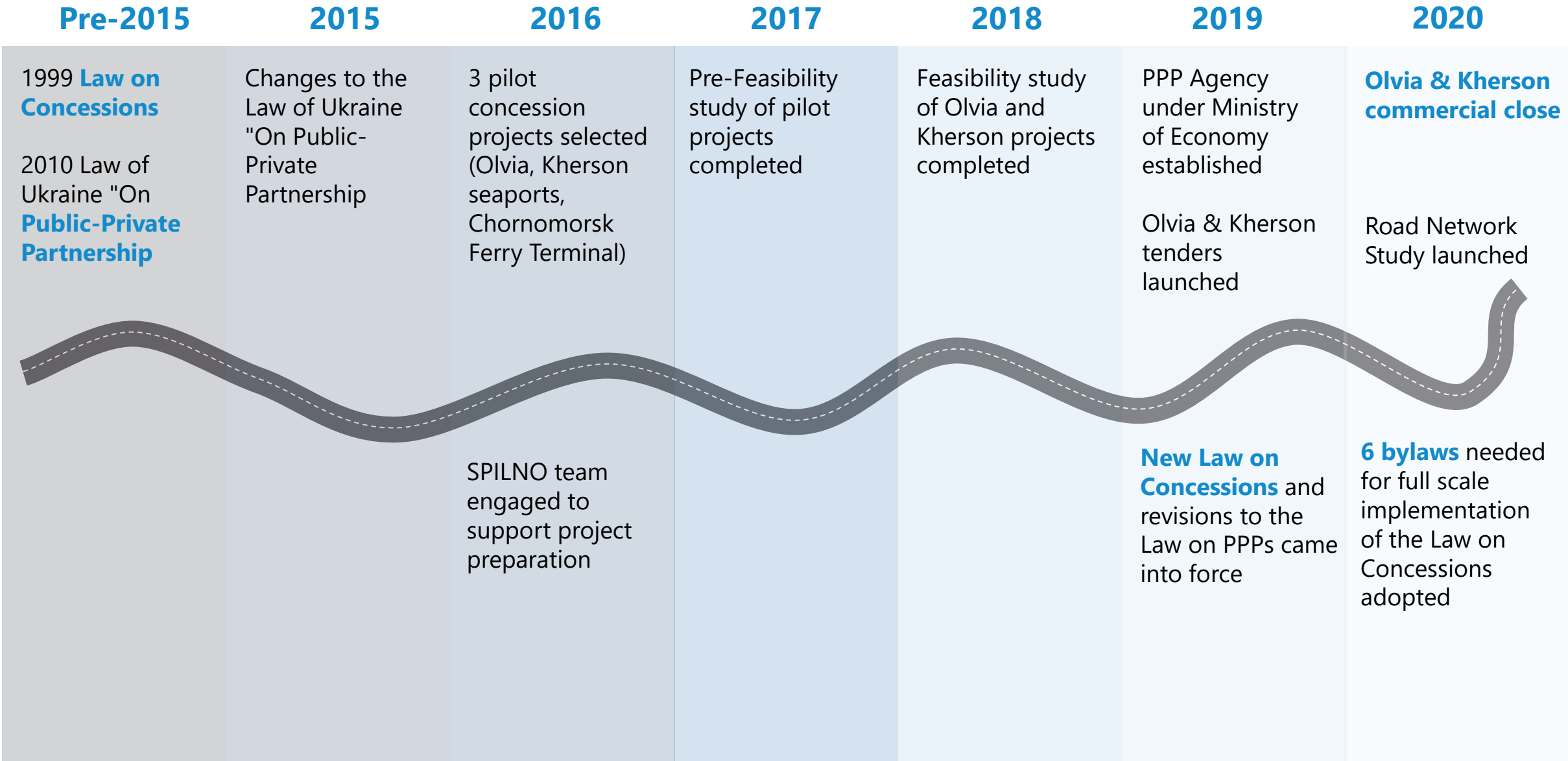
USD bln

■ Historical ■ Projected



• 95+% of the Road Fund revenue is denominated in hard currency (EUR)

Ukraine's PPP framework has been tested and is continuing to improve



WBG can provide comprehensive support to the Program



Public policy

THE WORLD BANK
IBRD • IDA

Political risk insurance

MIGA | Multilateral Investment Guarantee Agency
WORLD BANK GROUP

Investment & Advisory

IFC | International Finance Corporation
WORLD BANK GROUP
Creating Markets, Creating Opportunities

<p>Concession</p> <p>Upgrading and O&M of the BR-116 highway in Brazil</p> <p>633 km Completed</p>	<p>PPP</p> <p>Construction and O&M of Ruta del Sol Motorway in Colombia</p> <p>1071 km Completed</p>	<p>Concession</p> <p>Construction and O&M of NAIA Expressway in the Philippines</p> <p>8 km Completed</p>
<p>Concession</p> <p>Upgrading and O&M of the Milot-Morine Highway in Albania</p> <p>115 km Completed</p>	<p>PPP</p> <p>Construction and O&M of the Almaty Ring Road in Kazakhstan</p> <p>66 km Completed</p>	<p>PPP</p> <p>Construction and O&M of the Yangon Elevated Expressway in Myanmar</p> <p>25 km Ongoing</p>