

TRANSPORT

LOWER MIDDLE INCOME \*

TRADE-ENABLING

# UKRAINE

## Port Olvia and Port Kherson

### GIF FUNDING & LEVERAGE

GIF Project Preparation  
and Structuring Activity:

**\$1,047,500**

Potential Private Investment  
Mobilized:

**\$250 million**

Ukraine's ports and inland waterway system plays a key role in export and trade, particularly in the agricultural sector, and the Government seeks to involve the private sector to improve the country's seaport infrastructure. The GIF is working with EBRD and the IFC to prepare and deliver two concessions that aims to expand, modernize, and operate the Black Sea ports of Olvia and Kherson.

### EXPECTED PROJECT OUTCOMES

- ◆ Increase trade volumes and users at both Port Olvia and Kherson Sea Commercial Port
- ◆ Improve the service quality and handling times at both ports with dedicated terminals and specialist equipment
- ◆ Reduce overall transport costs through improved efficiency and productivity at the ports
- ◆ Develop climate resilient terminals with climate-smart features and renewable sources of energy

### TECHNICAL PARTNERS



European Bank  
for Reconstruction and Development



\* Based on World Bank Group classification by income

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## BACKGROUND

Growth of the Ukrainian economy is heavily dependent on exports of commodities, most of which are shipped via the country's ports. The Government of Ukraine (GoU)'s 'Sea Ports Development Strategy 2038' defines the technological development of the maritime sector as one of its major priorities, and foresees attraction of private investment and transfer of port industry facilities to the private partners as the main instruments for sea ports development and modernization. Port Olvia and Port Kherson, in southern Ukraine with easy access for the Ukrainian economy to the Black Sea, have been identified by the Ministry of Infrastructure as pilot concessions to test the implementation phase of the Port Strategy. The potential concessions aim to increase cargo flows through the two ports, and key to the success of these pilot concessions will be establishing options with clear technical and commercial viability, and ensuring the concessions are consistent with Ukraine's legal and institutional framework. In 2016/2017 GIF provided PDA support to the GoU to better understand market demand and assess the pre-feasibility of the concessions, showing positive net present value for the country's economy, additional revenues to the operators, support for agri products in the country, and creation of jobs.

## PROJECT FEATURES

Following the successful GIF PDA prefeasibility activity, EBRD and IFC requested GIF PPSA funding to support the Ministry of Infrastructure and the Sea Ports Authority of Ukraine to prepare and deliver a package of two port concessions worth \$250 million, of which 70% financed privately. For Port Olvia, the activity assumes a transfer into concession of the port's currently unoccupied land. For Port Kherson, the activity assumes a transfer into concession of the Port's territory with the existing facilities.

These would be the first PPP in seaports' infrastructure in Ukraine.

Tasks will include:

- ◆ Project preparation and investment feasibility: developing detailed feasibility and financial viability analysis, recommending optimal contractual structures and tender processes that will attract competitive bids from the private sector.
- ◆ Transaction support: preparing bidding document and marketing to investors, managing the transaction and negotiation with the preferred bidder.
- ◆ Post-transaction/financing support: capacity building for Ukrainian officials, including the PPP Certification Program and study tour.

## WHY GIF

The concession projects at Port Olvia and Port Kherson continue as the first PPP style initiatives in the seaport sector of Ukraine. The legal framework behind PPPs is changing and the projects will need to be in line with this regulatory evolution. Several entities would be involved in the project preparation and development including EBRD, IFC, Cabinet of Ministers of Ukraine and three Ministries, four State Enterprises and other entities as specified by Ukrainian legislation. Since the GoU has a lack of financial resources to engage experienced technical partners and high-quality advisors and consultants, the GIF is requested to provide financial, technical and coordination support for the collaboration with international financial institutions in preparing and structuring these projects. GIF value added stems from providing a continuation of support from prefeasibility and facilitating the smooth transition from an initial PDA led by WB and EBRD, to this PPSA activity implemented by EBRD and IFC.

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*The Global Infrastructure Facility, or GIF, is a partnership of governments, multilateral development banks and private sector financiers that facilitates private-sector investment in complex infrastructure projects in emerging economies. We serve as a platform through which governments collaborate with international financial institutions and private sector investors to design, structure and implement these complex projects.*

*The comprehensive project-preparation support provided by the GIF draws on the expertise of its advisory partners which includes commercial banks and institutional investors. The broad partnership ensures that well-structured and bankable infrastructure projects are brought to market in a way that meets the needs of governments and service users in a sustainable way.*