

UPF 2019: The winners of the pilot tenders for the concession of state stevedores in the ports of Olvia and Kherson will register individual companies in Ukraine for the implementation of projects.

In the framework of the Ukrainian Ports Forum 2019, a round table on public-private partnership projects in Ukrainian seaports was held on May 31, 2019. Consultants from the International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD) informed investors about the latest changes that have been made to concession projects during preparation for the tenders, as a result of consultations with business and government representatives.

As the Minister of Infrastructure of Ukraine Volodymyr Omelyan noted, the main task of the pilot projects is to attract the best international practices and technologies to the Ukrainian ports. Therefore, a team of the Ministry and international experts is making every effort to ensure that pilot projects for the concession of state stevedores in the ports of Olvia and Kherson to be implemented soon.

It is planned that concession competitions will be announced in June-July 2019.

The tender documentation has already been developed and sent for approval to the Cabinet of Ministers of Ukraine. The current legislation gives a little more than three months to conduct the tender and determine the winner. Contracts will be signed with the winners, the parties to which will be: the Ministry of Infrastructure of Ukraine, the Ukrainian Sea Ports Authority, the company winner of the tender, as well as the company, which will be established and registered in Ukraine by the winner of the tender for the project.

Oleg Kudashov, IFC Senior Investment Advisor, recommended that investors who are planning to take part in the tender begin preparing applications now. "Many investors noted that 60 days for submitting applications is too short period, but since the new law on the concession has not yet been adopted, we have such a framework. Therefore, preparation should start now, the representative of the IFC said.

Also, the developers of the pilot projects informed investors that while preparing for the tender, the recommendations of business representatives and the USPA should be taken into account. "A concession project should be beneficial for all participants and a team of international consultants ensures ongoing dialogue with all parties. The Ukrainian Sea Ports Authority will transfer berths and other infrastructure to the concessionaire. For us, it is important that the future investor fulfills obligations for current and capital repairs throughout the entire project implementation period, as well as plans to increase cargo traffic through these ports." said Raivis Veckagans, head of Ukraine Sea Ports Authority.

In accordance with the views of potential participants in the framework of the IFC so-called market sounding to increase the number of potential bidders, the need for experience in cargo handling in the port industry has been expanded to include the entire range of cargoes into acceptable experience. Also, as part of the implementation of the concession project, a transition period of up to two years is expected during which the concessionaire will be able to prepare and approve an investment project directly, obtain licenses and other necessary permits, and take an inventory of the property transferred to the concession.

The main conditions of the pilot concession projects remained unchanged: mandatory investments in the development of both ports in the amount of about \$ 60 million for the project in Olvia and \$ 8 million for the project in Kherson, allocation of funds in the amount of not less than 5% of the volume of capital investments (CapEx) for the development of transport infrastructure of cities where ports are located and, of course, compliance with social obligations to employees of enterprises that are transferred to the concession. In addition to that, a significant increase in cargo traffic and increases in payments to local budgets are expected.