

EBRD Financing for Ukraine Railway Development

III UKRAINIAN INFRASTRUCTURE FORUM

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European Bank
for Reconstruction and Development

EBRD - Ukrzaliznytsia

Summary of Cooperation

COMPLETED PROJECTS

- ✓ \$51.9 MM 15-year sovereign guaranteed loan signed in December 1999 for procurement of **track maintenance machines**
- ✓ \$120 MM 18-year sovereign guaranteed loan signed in 2004/2007 for **Beskyd tunnel construction** and additional track maintenance machines
- ✓ \$125 MM 12-year senior loan signed in 2009/2012 for **rolling stock renewal** (open freight wagons)



NEW PROJECTS

- ✓ €150 MM 15-year sovereign guaranteed loan signed in December 2017 for financing of **electrification of Dolynska-Mykolaiv-Kolosivka railway line**
- ✓ \$150 MM 10-year senior loan to be signed in 2018 for financing of **the Rolling Stock Renewal Program** (freight gondola wagons)



UZ Electrification: Signing of the Project Agreements

December 2017

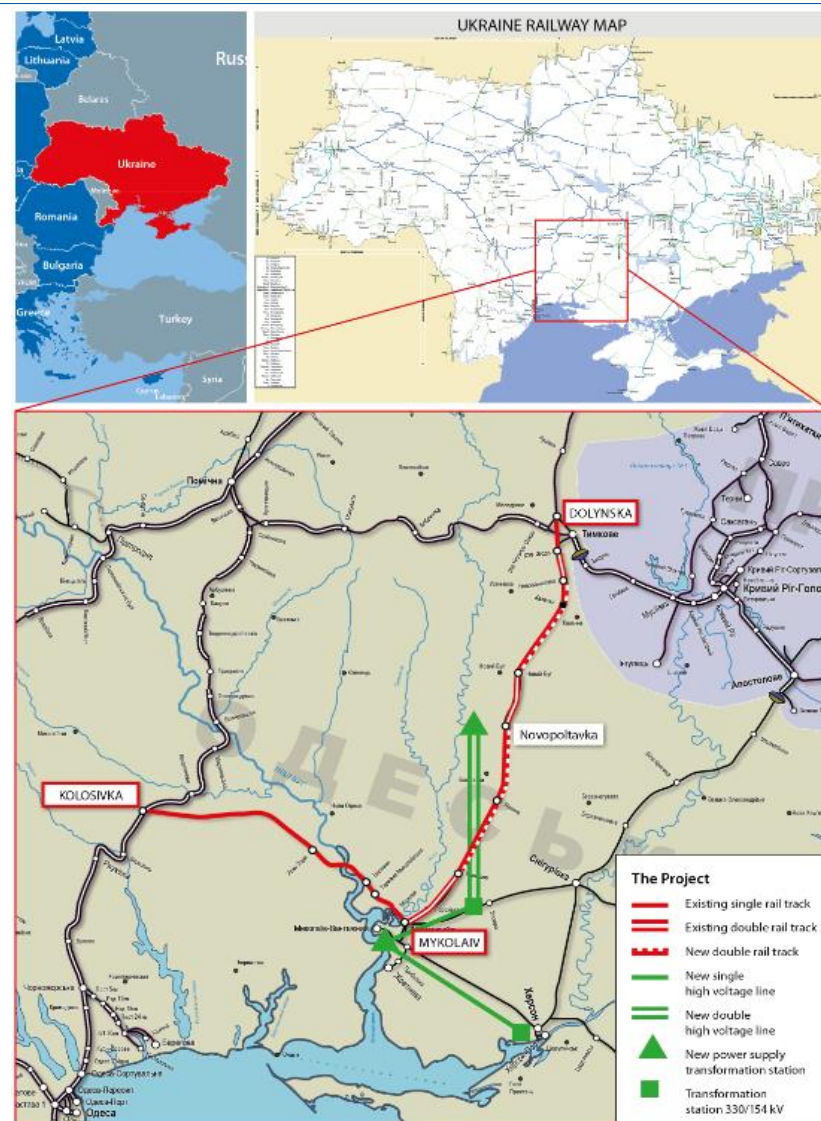


UZ Electrification: Key Parameters



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- ✓ Electrification and double tracking of **Dolynska-Mykolaiv-Kolosivka railway section** will improve connection of the main agro and industrial clusters in the central Ukraine with the key Black sea ports in the area of Mykolaiv and Great Odesa
- ✓ The Project includes two sections of **253 km**
- ✓ The total project cost is **€367.3 MM** to be financed by:
 - **EBRD** – €150 MM sovereign guaranteed loan;
 - **EIB** – €150 MM sovereign loan;
 - **EU's NIF** – €7.3 MM grant
 - **Ukrzaliznytsia**– €60 MM contribution
- ✓ Construction is planned to begin in **2019** and take **4 years**



UZ Electrification: Benefits



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The Project significantly improves operating efficiency of the railway operations reducing running cost ca 4 times by switching from diesel to electric traction

Other benefits:

- ✓ ***Operational:*** speed increase (from 30 to 60 km/hr); time saving (90 min); increase of capacity to the Black Sea ports (by 35 MM tons per year)
- ✓ ***Financial:*** High project EIRR (21%) and 7-year payback due to improved efficiency and substantial capacity increase
- ✓ ***Economic:*** benefit to the national economy through elimination of the significant transport bottleneck in the area of Mykolaiv ports cluster
- ✓ ***Environmental:*** reduction of CO2 emissions by more than 140,000 tonnes per annum; adoption of an Energy Efficiency Investment Plan, Energy Management Strategy and ISO 50001 certification



UZ Electrification: Procurement

✓ **Main works split in three lots:**

- Electrification and double tracking of Dolynska-Mykolaiv line section;
- Construction of high voltage network connection;
- Electrification of Mykolaiv-Kolosivka line section;

✓ **Technical assistance package** (total of €7.3 MM), incl. consultancy supervision (€6 MM) and TA support (€1.3 MM)

✓ **Contractual and Tendering Authority is Ukrzaliznytsia**

✓ **Procurement via open international tender according to the EBRD's Procurement Policies and Rules (PP&R) and EIB's Guide to Procurement**

✓ **The tender invitation is expected in July 2018 with the results to be announced in December 2018**

✓ **The project to be implemented in two Phases by February 2023:** Phase I - Dolynska-Mykolaiv section, and Phase II - Mykolaiv-Kolosivka section



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Reforms in Railway Sector

EBRD Support to UZ reforms under the Project:

- ✓ Reform of the **corporate governance** of the **JSC Ukrzaliznytsia** based on OECD Guidelines on Corporate Governance of State-owned Enterprises
- ✓ Establishment of the **Supervisory Board** with duly qualified independent directors
- ✓ **Tariff deregulation**, introduction of the **new tariff setting methodology**, to be developed in accordance with EU Directive 2001/14
- ✓ Development and adoption of the **Energy Efficiency Investment Plan**, **Energy Management Strategy** and obtaining certification under ISO 50001.



Thank You!

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