



The European Commission - World Bank Partnership Program Part III for Europe and Central Asia Programmatic Single-Donor Trust Fund (TF0473423) - Public Finance Management Support Program for Ukraine (EUR4PFM) - Component 2 Activities

**UKRAINE**  
**Public Investment**  
**Management Diagnostic**  
**Assessment Report**

February 10, 2023  
Kyiv, online-event



This Photo by Unknown Author is licensed under [CC BY-NC-SA](#)



# WORLD BANK GROUP

## Public-Private Partnerships (PPP) assessment results

Martin Darcy  
International Consultant

# APPROACH TO ASSESSMENT OF PPP

- ❑ PPPs are still public investment projects - just implemented with private financing and management
- ❑ All Public Investment Projects including PPP should share a common approach to their identification and preparation
- ❑ Projects should be assessed for their need, utility value and priority status before decisions on the type of financing are made
- ❑ Essentially the same methodology as other projects whilst considering the additional requirements for PPP suitability

## PIM-indicators excluded from the PPP assessment

4. Selection & budgeting (PIM 9-13)	Because the capital is provided by the private sector, meaning budget matters would be considered only in the context of providing government support to PPPs (no practice in Ukraine)
5. Implementation (PIM 17-18)	These indicators are relevant only for conventional procurement
7. Service delivery (PIM 21)	Services are provided by the private partner under the PPP agreement, rather than the government
8. Evaluation (PIM 23)	The indicator does not include specific requirements covering PPP external audit reports

# MAIN STRENGTHS AND WEAKNESSES

## Strengths

- ❑ PPP legislation is generally in line with good international standards and allows the use of good practice approaches to structuring PPPs
- ❑ Unified procedure for PPP project initiation, regardless of the form of PPP (concession / 'user pays' or 'government pays') or the initiator of a PPP proposal (public authority or private business)
- ❑ Clearly defined institutional roles and responsibilities of various public entities through all phases of the PPP project cycle
- ❑ PPP process is clearly clarified in comprehensive PPP Manual developed with World Bank support
- ❑ First internationally recognized PPP infrastructure project had been signed prior to the war

## Weaknesses

- ❑ Weak overall strategy concerning the use of PPP
- ❑ Conflict of interests in MOE roles: 'promoter' and 'gatekeeper'
- ❑ Long-term commitments for budget support on PPP projects is not currently possible
- ❑ Widespread practice of classifying almost all information on PPPs as 'confidential information' = poor transparency
- ❑ Unwillingness of many public authorities to consider PPP implementation
- ❑ Low comprehension levels on PPP, and very low capacity
- ❑ Limited and not particularly successful experience in the practical implementation of PPP projects
- ❑ Almost no capacity to understand and assess fiscal costs and risks in PPPs

# CHALLENGES AND RECOMMENDATIONS: STRATEGY & SCREENING

## Main Challenges

- ❑ Sector analysis, demand forecasting and planning is below the standards required for PPP implementation
- ❑ No systematic approach to identifying priorities with PPP potential (weak strategy)
- ❑ No national PPP pipeline in key sectors such as health, energy and environment
- ❑ No practice in changing the proposed project implementation mechanism as result of findings in the pre-screening

## Recommendations

- ❑ A coherent and endorsed strategy for the use of private finance in the delivery of public service (PPP in the broadest definition) should be developed
- ❑ All public investment projects, including PPPs, should be appraised first for basic need and public value to the nation prior to decisions being taken about the form of financing
- ❑ PPP project pipeline should be pre-screened for incorporation in national and sector plans using strict eligibility (qualifying) criteria

# CHALLENGES AND RECOMMENDATIONS:

## FORMAL APPRAISAL

### Main Challenges

- ❑ Insufficient capacity in central agencies and sector MDAs to conduct PPP project preparation and appraisal work, and to fulfill the review and control functions necessary to protect the public finances
- ❑ The dual role of MoE as both regulator / 'gatekeeper' and 'project promoter' through the PPP Agency creates a conflict of interest and creates unnecessary risk
- ❑ Inadequate capacity to assess fiscal risks arising from PPP projects
- ❑ No requirement or practice for stakeholder consultation

### Recommendations

- ❑ The MoE should decide whether to retain the role of promoter or regulator in order to avoid the current conflict of interest
- ❑ A substantial program to improve the quantity and quality of staff in central agencies and key sector MDAs with a role in PPP activity, should be established
- ❑ The MoF needs to develop regulations, good practices and capacity to assess fiscal risks arising from PPP contracts ex-ante; and to monitor, report and disclose them ex-post

# CHALLENGES AND RECOMMENDATIONS:

## OTHER ISSUES

### Main Challenges

- ❑ Lack of database that can be used by public authorities for managing and analyzing data on PPP projects, including on fiscal risks issues
- ❑ So-called 'government-pays' PPP projects are not currently bankable
- ❑ Lack of transparency and disclosure on PPP activity in general

### Recommendations

- ❑ PPP database as a component of a broader PIM data base should be developed
- ❑ Budget Code should be amended to allow multi-year commitments for all areas of PPP implementation
- ❑ Transparency in the process of developing and appraising the PPP option should be dramatically increased with the 'confidential' status being reserved only for the (small amount) of genuinely commercially sensitive information of bidders

# PPP FOR POST-WAR RECONSTRUCTION

- ❑ Pinpoint the role for PPPs the recovery and rebuild (recommend only the most attractive projects from the investor / finance perspective to be pursued as PPPs)
- ❑ Amend the Budget Code, providing the opportunity to take long-term commitments under PPP not only at the expense of a special budget fund, but also the general budget fund, and provide for the possibility of government support for PPP through donor funds
- ❑ Provide for the possibility of political and military risk insurance to protect PPP projects for the recovery
- ❑ Simplify and speed up the procedures for initiating and launching PPP projects where necessary, whilst not violating basic quality management and control functions