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Ukraine Sustainable Energy
Lending Facility

EBRD/USELF

“USELF-1. Important Lessons”

(based on experience of processing applications for financing)



**Aleksey Romanov, USELF, Presentation of launching the second tranche of the Facility,
27 June 2014, Kyiv**

Problems connected with organizational and legal structure of business (ownership and organization), transparency of financial standing of the borrower

- Complex organizational structure of the companies controlled by the borrower
- Lack of clear communication between the engineering company-borrower and project beneficiaries
- Lack of clear sharing of assets required for the project implementation and other assets of owners
- Lack of engineering company's title to a part of assets required for the project implementation
- Instability of contractual relationships in the use of assets for the project implemented by the borrower
- Lack/inadequate transparency of financial statements allowing the assessment of the financial condition of the borrower and beneficiary



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The simpler the better !



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Problems connected with the project concept

- Lack/insufficiency of information for analysis of the technical concept of the project:
 - WPP – certified measurements of wind potential
 - SHPP – hydrological data , key engineering decisions
 - Landfill gas – assessment of potential
- Inadequate reliability and testing of equipment and technologies
- Problem of involvement of skilled designer having experience in developments in the relevant sphere



Problems connected with the competition rules compliance

- Lack of project price comparability with similar projects
- Unfair/non-transparent granting of the state and communal property to the borrower in case of its use by the borrower in the process of the project implementation
- Main reason of the problem – imperfect state regulation of the industry



Non-compliance with legal requirements

- Inappropriate designated use of land plots
- Inappropriate type of contractual relationships when using the land plots of various purpose
- Inappropriate category of complexity of construction facility
- Invalid sequence of obtaining permits
- Breach of legislation in substance, not only in form
- Failure to carry out all procedures as provided for in the legislation

Risks of low-quality implementation of construction, installation and commissioning

- Problem of involvement of experienced contracting organizations which are well-reputed on the market and financially responsible for the results of their activity
- Impossibility to involve the contractor capable of performing the whole package of works on a turnkey basis
- In case of involvement of separate contractors or performance of the new type of works by the contractor, lack of employer's own experienced team for project management or involved experienced consultant for control of contractors' work
- No guarantees accepted in business practice and responsibility of the contractor stipulated in contracts for carrying out works and delivery of equipment, absence of the contract for maintenance in operation

Lack of stable and long-term contractual relationships, insufficient supply of feedstock

- Lack of long-term contractual relationships (for a term providing the possibility for smooth construction and operation of facilities):
 - For the use of land plots (for all types of facilities)
 - For the use of real estate properties (primarily, for SHPP projects)
 - As regards the counterparty's rights to possession (primarily, landfill gas, rights to SDW landfill)
 - For supply of feedstock (biogas and biomass)

Incomplete compliance with environmental and social policies of the EBRD

- Lack of serious study (in substance, not in form) of all project impacts on environment, population and other vulnerable audiences, even in a part stipulated by the Ukrainian legislation
- Incomplete study of issues of environmental and social policy of the EBRD
- USELF experts provide support to developers in identification of problems, their elimination and preparation of all necessary documents

Free technical assistance to developers in preparation of projects, with financial support from the Swedish International Development Cooperation Agency (SIDA)



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Thank you for your attention!

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