REPORT NO.: RES34908

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

SUPPORT TO UKRTRANSGAZ PIU

APPROVED ON FEBRUARY 21, 2017

TO

UKRAINE

ENERGY & EXTRACTIVES GLOBAL PRACTICE

EUROPE AND CENTRAL ASIA REGION

Regional Vice President: Cyril E Muller
Country Director: Satu Kristiina J. Kahkonen
Senior Global Practice Director: Riccardo Puliti
Practice Manager: Sameer Shukla
Task Team Leader: Fabrice Karl Bertholet
ABBREVIATIONS AND ACRONYMS

AA  Administration Agreement (between the EC and WB) for "Policy Advice to Ukrainian Gas Sector Reforms and Infrastructural Support."
EBRD  European Bank for Reconstruction and Development
EC  European Commission
EIB  European Investment Bank
EU  European Union
IFI  International Financial Institutions
PIU  Project Implementation Unit (within UTG)
WB  World Bank
UTG  JSC Ukrtransgaz
The development objective of the proposed grant is to strengthen the capacity of Ukrtransgaz’s Project Implementing Unit.
I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

1. Since the grant became effective on May 4, 2017, overall project implementation has progressed in a satisfactory manner. The major component of the project supports Training and Capacity Building for Ukrtransgaz’s (UTG) Project Implementation Unit (PIU). The main objective is to enable the PIU to implement investment projects financed by International Financial Institutions (IFIs) in accordance with the applicable IFIs’ policies, rules and procedures with regard to: (a) finalization of technical designs and technical project support; (b) procurement; (c) management and finalization of the required environmental and social impact assessment process and assistance in the development and implementation of required environmental and social mitigation measures and instruments; (d) setting up a project accounting and financial management system; (e) setting up a project control and quality system; (f) contract and claim management including final acceptance/testing; and (g) compliance with IFIs’ documentary requirements for project preparation and implementation issues.

2. The specific focus of the support to the PIU has been on the implementation of emergency gas transit rehabilitation investments (pipeline sections and compressors replacement) co-financed by the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB). The support in the areas highlighted above has been provided through a contract with an implementation consultant (firm Su-Yapi). This support was intended to be of a temporary nature and to help prepare the PIU to carry out the implementation. After consultation with EBRD, EIB and the PIU, it was agreed that the contract with Su-Yapi would not be extended beyond its original term and that the PIU would, as originally envisioned, take over the primary responsibility for investment project implementation. However, in order to facilitate this transfer of responsibility, it was agreed that the PIU would benefit from temporary support from individual experts in a few critical implementation areas for an additional 12-month period. The proposed extension would allow UTG to use remaining funds (currently...
around US$ 100,000) under the grant to finance continued support from individual experts related to procurement and technical translation related to ongoing procurement of natural gas pipeline replacement.

3. The Project is in compliance with financial reporting obligations and there is no overdue audit report.

II. DESCRIPTION OF PROPOSED CHANGES

4. The change proposed under this restructuring is the extension of the closing date from December 31, 2018 to July 31, 2019 as requested by the authorities. This would be the second extension of the closing date.

5. A request to extend the Closing Date from July 31, 2018 to July 31, 2019 has been received from the Ministry of Economic Development and Trade, which is the official representative of the Recipient (letter № 4005-06/29986-04 dated July 10, 2018). In response, a first extension from July 31, 2018 to December 31st, 2018 was approved in July. At the time, this revised closing date was the latest possible under the Administration Agreement (AA) with European Commission (EC) and preceded by 4 months the end of disbursement date under the AA (April 30, 2019). However, discussions between the Bank and the EU to amend and extend the AA were ongoing at the time. The restructuring paper for the first extension indicated that a further extension of the grant to July 31, 2019, in line with the request received from the Recipient, would be sought after effectiveness of the amendment of the AA. The Amendment to the AA was signed by the EU and Bank representatives on respectively November 1st and November 2nd 2018, and became effective on November 2nd, date of the last signature. The revised end disbursement date under the amendment is March 31st, 2021.

III. SUMMARY OF CHANGES

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<td>Loan Closing Date(s)</td>
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<td>Implementation Schedule</td>
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<td>Implementing Agency</td>
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<td>Project's Development Objectives</td>
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<td>Cancellations Proposed</td>
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<td>Reallocation between Disbursement Categories</td>
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IV. DETAILED CHANGE(S)

LOAN CLOSING DATE(S)

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<th>TF</th>
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<th>Revised Closing(s)</th>
<th>Proposed Closing</th>
<th>Proposed Deadline for Withdrawal Applications</th>
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