

Ukraine

Gas Supply Security Facility Project

October 18, 2016

Chair Summary*

The Executive Directors approved a guarantee in the amount of the Euro equivalent of US\$500 million in support of the Ukraine Gas Supply Security Facility Project (R2016-0188) to be implemented by Public Joint Stock Company “National Joint Stock Company Naftogaz of Ukraine” (Naftogaz). The guarantee was approved on the terms and conditions set out in the President’s Memorandum. Mr. Lushin wished to be recorded as abstaining.

Directors expressed broad support for the operation, which aims to enhance Naftogaz’s ability to increase Ukraine’s security of gas supply by facilitating access to cost-effective financing and improving the terms of the gas supply contracts supported under the project. Directors appreciated the innovative guarantee structure design, which provides needed short-term financial liquidity to Naftogaz. Directors underscored the importance of security of energy supply and energy sector performance for Ukraine’s economic situation. They welcomed the adoption of energy sector laws, the creation of incentives for risk management, transparent procurement processes, and payment discipline, in line with broader sector reform objectives.

Directors noted the project’s contribution to financial sustainability, institutional capacity, and contracting by Naftogaz. They stressed the need for continued attention to social protection measures, including social safety net reform and access to energy by the poorest and most vulnerable. Directors also emphasized the need for effective targeting of subsidies to needy households and effective payment collection for sustainable energy provision.

Directors highlighted risks that could undermine the sustainability and the impact of the operation. They urged close monitoring of risks and decisive implementation of gas sector reforms. Directors encouraged continued dialogue with the Ukrainian authorities and collaboration with development partners to address critical energy sector issues such as competition, commercialization, and governance and anti-corruption, noting the importance of expanding private sector and international investment. Directors urged continued coordination across the World Bank Group and with the IMF, EIB, and EBRD on macroeconomic and sector-specific issues.

*This summary is not an approved record.