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## PUBLIC-PRIVATE PARTNERSHIPS BRIEFS Ukraine: Odessa Port



### Overview

The Government of Ukraine has awarded HPC Ukraina a contract to expand the capacity of the Container Terminal Odessa (CTO), located at the state-owned Odessa Sea Commercial Port (OSCP), the largest seaport in Ukraine and one of the largest on the Black Sea. The total container capacity of all Ukrainian ports is 2,250,000 TEUs; the CTO extension will add another 700,000 TEUs, significantly raising the international transport capacity of the country. The project will help to reduce the cost of transportation by servicing larger vessels that have lower unit costs, therefore benefitting shippers, shipping lines, and consumers. It will also strengthen the country's port sector by increasing competition in the market and encouraging other terminal operators to improve efficiency and service standards. IFC is supporting Hamburger Hafen und Logistik Aktiengesellschaft (HHLA), a leading European port company, with a financing package for HPC Ukraina.

This series showcases how the World Bank Group supports the development and implementation of public-private partnerships. This support comes in the form of public sector loans, private sector finance, sector and transaction advice, guarantees, and output-based aid.

## Background

The CTO expansion is one of the largest public-private partnerships in Ukraine. The Government of Ukraine approved the project in 2009, and OSCP Administration and HPC Ukraina signed an investment memorandum for construction of a deep-water container terminal in September 2010. Construction began after that and had reached nearly 65 percent completion by 2014. Both the Government and HPC Ukraina expect the port terminal's new capacities to be in demand; however, demand has recently suffered due to conflict in the region.

## Project Description

HPC Ukraina is 100 percent owned by HPC Hamburg Port Consulting, which is a fully owned subsidiary of HHLA. The project is to expand the CTO through construction and operation of additional berths at Quarantine Mole (QM), adjacent to the existing CTO. The new CTO will have a capacity of 850,000 TEUs upon completion of Phase 1 and 1,250,000 TEUs following completion of Phase 2. The current capacity is 550,000 TEUs. HPC Ukraina's portion of the expansion project includes land reclamation, construction of the access dam and pavement of the quay and access ways, and purchase and installation of container handling and related equipment.

In addition, the company will replace equipment and conduct maintenance civil work at CTO. The total project cost is around \$119 million.

## World Bank Group Role

The IFC investment comprises an IFC A Loan of \$32 million, for IFC's own account. IFC provided long-term financing at a tenor that is unavailable in the commercial market. IFC is also supporting a global player in the port sector to implement its capital expenditure plan in a relatively difficult market

that is in the process of bouncing back from a major economic downturn.

## Outcomes

Ukraine's competitiveness and international trade outlook will increase by adding capacity to CTO. HPC Ukraina will help reduce the cost of transportation by serving larger vessels with lower unit costs, benefitting shippers, shipping lines, and consumers. It will also strengthen the country's port sector by increasing competition in the market and encouraging other terminal operators to improve the efficiency and service standards of their own terminal facilities. The port's success will also have a demonstration effect, encouraging private infrastructure investments in Ukraine.



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