

Unofficial Translation

CABINET OF MINISTERS OF UKRAINE

RESOLUTION

dated May 19, 2021 No. 515

Kyiv

On Approval of Requirements for the Feasibility Study of an Investment Project with Significant Investments

In accordance with paragraph 1 of Article 7 of the Law of Ukraine “On State Support for Investment Projects with Significant Investments in Ukraine”, the Cabinet of Ministers of Ukraine **decrees:**

To approve Requirements for the Feasibility Study of an Investment Project with Significant Investments which is attached.

Prime Minister of Ukraine

D. SHMYHAL

REQUIREMENTS
for Feasibility Study of an Investment Project with Significant Investments

General requirements for preparation and submission of feasibility study of an investment project with significant investments

1. Feasibility study of an investment project with significant investments (hereinafter – the feasibility study) shall be submitted by an applicant to the Ministry of Economy in one copy in paper form, as well as in electronic form in PDF format or in electronic form through the Unified state web electronic services portal (if technically possible). Pages of the feasibility study shall be strung together, certified by the signature of an applicant's authorized person, and sealed (if available). Each page of the feasibility study shall be numbered.

The financial model of an investment project with significant investment (hereinafter – the project) is an integral part of the feasibility study. It is submitted in electronic form in XLS (X) format according to paragraphs 6 and 7 of these requirements. Guidelines for the preparation of the project's financial model are approved by the Ministry of Economy.

2. An applicant is responsible for the accuracy of the information provided in the feasibility study.

3. The information provided in the feasibility study shall comply with the provisions of a draft special investment agreement submitted by an applicant to the Ministry of Economy together with the feasibility study in accordance with Article 7 of the Law of Ukraine “On State Support for Investment Projects with Significant Investments in Ukraine” (hereinafter – the Law).

4. An applicant has the right to determine the information contained in the feasibility study as confidential in accordance with the provisions of the legislation of Ukraine on the information.

If an applicant determines the information contained in the feasibility study as confidential, an applicant shall provide in the application agreement to the dissemination of such information in the framework of the project evaluation in accordance with Article 8 of the Law.

Information on the name of an applicant, the name of the project, the amount of investment in the project, the total amount, and the form of state support for the project cannot be defined as confidential.

Requirements for the content of the feasibility study

5. Feasibility study should contain the following information about the project:

1) summary of the feasibility study:

information about an applicant (name, business location, contact, and registration data of the legal entity (entities), list of business entities related to an applicant by control relationship (name, business location, registration data);

a scheme of control relationship of an applicant and business entities related to an applicant by control relationship;

Unofficial Translation

information regarding the project purpose and expected effect from its implementation;

the field of economic activity for the project implementation (in accordance with subparagraph 1 of paragraph 1 of Article 5 of the Law);

a brief description of investment objects, types, and amount of significant investment by areas (construction, modernization, technical and/or technological re-equipment of investment objects, purchase of necessary equipment and components for it, construction of related infrastructure facilities at the expense of an investor with significant investments necessary for the project implementation);

a number of new jobs planned to be created during the project implementation period, indicating the average salary of employees in the field of economic activity of the project implementation;

an implementation period and stages of the project implementation determining the total amount of significant investment to be made within the project implementation period;

the total amount of state support for the project and its ratio in relation to the planned amount of significant investment in the project (percentage);

2) assessment of technical feasibility of the project and description of technical solutions:

information regarding the investment object, its technical parameters, a description of the technologies to be used (if available), and other information, in particular:

- information regarding an applicant's assets necessary for the project implementation (if available) including information regarding its condition and types of use in the project implementation process;

- information regarding the description of design solution, in view of the requirements of state construction standards (if applicable). The level of detail of design solution must correspond to at least the stage of feasibility study in accordance with the provisions of state construction standards;

- information regarding requirements related to the project technical preparation, in particular, if necessary, on the land assessment (topographic, geodetic, cartographic, etc.), assessment of engineering networks, assessment of the need for related infrastructure facilities, including transport facilities, electricity, water, heat supply facilities, etc.;

- information regarding the project main technical and qualitative indicators (expected productivity, indicators of product quality (goods, works, services) and other indicators that can be measured and evaluated as the results of the project implementation);

justification of technical solution reliability and proven experience in its use in other projects to implement similar tasks;

information regarding the land plot(s) required for the project implementation, including a description of minimum requirements for such land plot(s) sufficient for an applicant's needs (size, location, availability of infrastructure, etc.), in particular:

- list of measures necessary to ensure full compliance of the land plot(s) with the requirements of an applicant (in case of preliminary determination by an applicant of the land plot(s), indicating its (their) approximate cost, time, and other characteristics, expected performer of such measures;

Unofficial Translation

- information regarding the form of ownership of the formed land plot, cadastral number of the land plot (if available), as well as a list of measures to be taken to obtain land plots for use (lease) and/or establishment of land servitude on the land plot(s), necessary for the project implementation;

in case of absence of the formed land plots necessary for the project implementation – desirable locations and sizes of unformed land plots, information on their use with the corresponding graphic materials;

information regarding the location of electricity, water, and heat supply facilities in relation to land plot(s) necessary for the project implementation;

- information regarding preliminary studies of significant risks associated with land plots (if available) and an assessment of the probability of their occurrence and possible consequences.

3) the amount of significant investment and estimated cost of maintenance (operation) of the investment object:

calculation of the amount of significant investment for the project implementation, namely:

- information regarding capital expenditures, in particular, for planning, design, acquisition of land plot(s) (if applicable); construction, modernization, technical and/or technological re-equipment of investment objects; purchase of necessary equipment and components for it; construction at the expense of the investor with significant investments of necessary related infrastructure facilities;

- information regarding the approximate schedule of capital expenditures during the project implementation;

the estimated cost of operation (maintenance) of the investment object (operating costs, in view of the cost of maintenance of the investment object and any other costs that may arise during the project implementation considering the probability of risks associated with the operation of the investment object);

4) the results of the project legal analysis:

analysis of the legislation applicable to the project implementation, in particular:

- legislation governing the relevant field of economic activity;

- legislation related to land use and environmental legislation;

analysis of other industry-specific regulations;

a list of licenses and permitting documents required for the project implementation (in case the investor with significant investments was established prior to the feasibility study submission in accordance with paragraph 1 of Article 12 of the Law and already obtained necessary licenses and permitting documents, it shall be specified in the project feasibility study);

analysis of the project compliance with respective urban planning documentation;

a list of executive bodies and local authorities to be involved in the project implementation;

Unofficial Translation

5) analysis of the project social and economic indicators and assessment of the project implementation social effect based on the results of cost-benefit analysis:

identification of population groups inhabiting and/or working in the zone of the project direct influence;

analysis of social problems that may be solved or may occur within the project implementation:

assessment of the current (initial) state of social problems before the project implementation;

- assessment of the project impact on certain population groups by forecasting changes in the current (initial) state in the future with and without the project implementation (providing a classification of each identified impact in terms of its relative importance, in view of the number of affected individuals and the scale of social consequences (social benefits and costs);

- a strategy to mitigate negative effects identified in the previous stages and a basic estimate of costs for the strategy implementation (including costs specification in terms of time periods), including proposals for actions to avoid, minimize or compensate for negative social consequences of the project implementation (if applicable), as well as measures to mitigate such consequences, which may result in changes in technical requirements, the project design or other aspects of the project;

number of jobs to be created during the project implementation period, on a yearly basis;

amount of the average salary of employees during the project implementation period;

amount of the average salary in the respective region and the field of economic activity;

economic indicators of the project implementation, in particular, economic net present value (ENPV), economic rate of return (ERR), benefit-cost ratio (BCR);

6) market analysis:

a description of an applicant's existing and potential key competitors and their market shares (indicating names of legal entities, place of business, code according to the Unified State Register of Enterprises and Organizations of Ukraine (if available), their market share (if available);

assessment of the current and projected volume of the relevant markets;

a forecast of demand for goods, works, services (amount at the beginning of the project implementation and its growth rate) that will be provided/produced within the project implementation including assessment of effective demand (willingness and ability of consumers to pay for services the price specified in the project feasibility study) and assessment of price elasticity of demand;

demand analysis including a description of demand projected scenarios and relevant assumptions for each of the scenarios as well as a description and justification of such assumptions for each scenario;

a detailed assessment of the project income in case it provides for payment for services by consumers (for example, dependence on the expected traffic intensity for projects in the transport industry, etc.);

Unofficial Translation

7) results of commercial attractiveness analysis of the project:

assessment of the project attractiveness for creditors (if applicable), in particular:

- stability of income from the project implementation;
- an applicant's ability to ensure fulfillment of debt obligations (especially at the construction stage);
- ratio of the funds received as a result of the project implementation and the total amount of funds required to service the debt (in particular, debt-service coverage ratio (DSCR));

assessment of the project commercial feasibility, in particular:

- calculation of net present value and internal rate of return on the cash flow of equity;
- internal rate of return of the project, in view of the return of project cash flow in comparison with cash flow of equity;
- nominal or discounted payback period;
- amount of investments in terms of an applicant's willingness to provide the required amount of financial resources.

8) results of the project fiscal impact (budget efficiency) analysis:

results of analysis of the project fiscal impact on state and local budgets in the long term (including the impact of state support proposed for the project implementation);

9) analysis of financial indicators and financial analysis of the project based on the results of the analysis of the financial model of the project:

explanation of sources of basic input data (for example, estimated construction costs, operating costs, loan conditions, etc.);

results of testing the project for sensitivity to adverse or favorable fluctuations in fixed costs and/or revenues including an assessment of expected and actual sensitivity;

financial indicators of the project implementation, in particular, financial internal rate of return (FIRR), financial net present value (FNPV), payback period (PP), discounted payback period (DPP);

10) general information on state support, description of forms, and the total amount of state support proposed for the project implementation:

information of proposed forms and amount of state support on a yearly basis for each form separately;

sources of state support (at the expense of the state, local budgets, and other sources not prohibited by law);

information on engineering and transport infrastructure necessary for the project implementation including a description and minimum required characteristics of such infrastructure facilities, as well

Unofficial Translation

as a list of measures necessary to ensure full compliance of such facilities with an applicant's requirements indicating their cost, timing, and other characteristics, expected performers of such measures, in view of the requirements of legislation;

justification of the amount of state support and the expected result of state support;

a proposed period of state support.

11) results of the project ecological aspects analysis:

a description of ecological aspects of the project and natural resources necessary for its implementation;

analysis of the project impact on the environment (direct and indirect, short-term and long-term), including in terms of ensuring compliance with the legislation establishing the legal regime of territories and objects of the nature reserve fund, their protection zones, forests, waters, their coastal protection zones, water protection zones, floodplains and basins of small rivers, other areas of the ecological network and the Emerald Network objects, compliance with other requirements of environmental legislation, as well as temporary and permanent consequences for the environment and its separate components (biodiversity (objects of flora and fauna), lands and soils, waters, air, etc.) in case of the project implementation;

a description of a strategy of minimizing an impact of environmental factors on the project in order to provide measures to mitigate negative consequences of its implementation and potential costs of their implementation;

information regarding the need for environmental impact assessment in accordance with the Law of Ukraine "On Environmental Impact Assessment" including a required justification;

information regarding the need to develop state planning documents and carry out their strategic environmental assessment in accordance with the Law of Ukraine "On Strategic Environmental Assessment";

a list of all stakeholders, executive bodies, local authorities to be consulted on environmental issues;

analysis of a need to obtain permits required by environmental legislation;

12) a list of the revealed risks of the project, their assessment, and risks management:

results of analysis of identification, quantitative and qualitative assessment of risks (assessment of the probability of their occurrence and possible consequences);

a description of fiscal consequences of risks and proposals for their management (risk mitigation strategy and risk management plan demonstrating that all risks assessments are within the limits of the respective plan);

13) period and stages of the project implementation, results of preliminary assessment of organization and management of works:

the project implementation plan with an indication of implementation stages and date of its completion;

Unofficial Translation

assessment of timing and resources (project team, advisors, and other participants with a description of their functions and responsibilities);

a list of stakeholders and beneficiaries.

6. Spreadsheets of the project financial model shall contain three general parts: “Assumptions and input data”, “Calculations and reflection of their results” and “Analytical results”:

7. While preparing the project financial model the following is taken into account:

1) cash flow modeling based on assumptions about:

macroeconomic indicators and key parameters for long-term forecasting: headline inflation, relative inflation, baseline discount rate, risk-free interest rate, exchange rates (if the results of the financial model are particularly sensitive to some of these indicators, their impact should be examined in the frame of a sensitivity test);

period of construction;

preliminary period of the project implementation;

expected date of the beginning of the project implementation and income generation;

period of operational activity (operating income and expenses, maintenance costs);

requirements of tax legislation and accounting regulations including the depreciation period of assets, in view of their useful life (operation), determined in compliance with the minimum allowable useful life of fixed assets established by tax legislation (except for the application of the production method of depreciation), and all taxes that are expected to be levied;

2) technical data of the project, in particular:

minimum required production standards expressed in quantitative terms for goods, works, services to be provided within the project implementation;

basic data on a forecast of demand for sales of goods, works, services to be provided within the project implementation;

reference data on a current state of assets, a need for their replacement, restoration, modernization, etc.;

proposed or possible location of an investment object;

3) data on capital and operating costs;

4) income data indicating a method of setting a tariff/price for products (goods, works, services);

5) data on financing (borrowed or own funds).