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Role of financial advisers in cooperation with financial institutions: EBRD and Grant Thornton experience in Ukraine

Grant Thornton Ukraine is a member firm of Grant Thornton International Ltd - one of the world's leading organizations of independently owned and managed accounting and consulting firms. These firms provide assurance, tax and specialist advisory services in more than 100 countries, offering their clients professional knowledge supported by international expertise and methodologies.

One of the most important business activities of Grant Thornton in Ukraine is the development of good relations with financial institutions operating on Ukrainian market, including European Bank for Reconstruction and Development, International Bank for Reconstruction and Development, TACIS, USAID and other major donors and investment institutions.

The main idea of such cooperation is to promote and to support the development of corporate culture elements in Ukrainian companies in order to facilitate their further cooperation with financial and investment institutions and donors. From the other side, we help those institutions to understand their potential borrowers, to assess risks related to project financing and to develop an effective and efficient investment/development country programs and to implement those successfully.

Grant Thornton Ukraine already has a significant track record in cooperation and support of EBRD in preparation and analysis of potential borrowers, operating mainly in utility and municipal sector of Ukraine, financial sector.

In the municipal sector the Bank focuses on financing energy efficiency in district heating, water/wastewater, solid waste and public transport investments in large and medium-sized cities. In the preparation of municipal projects, the Bank promotes institutional reforms and corporatisation of municipal utilities, financial and operational performance improvements and full cost recovery through tariffs, taking into account affordability constraints. Following the EBRD strategy we have been participating and consulting the Bank in more than 8 projects for the last 2 years and participate in tenders for even more future projects. Our experience and knowledge of local economics help to develop a common and effective approach in

assessment of project risks and to develop appropriate strategy and instruments, which help to minimise costs of projects and assess quality and readiness of clients to implement EBRD projects, from one side, from the other side to give some assurance to the Bank as to the future of their funds and project success.

We have to admit that it is not an easy task for consultants and for the Bank to implement projects in municipal sector due to a number of reasons, including political and social issues related to tariff regulation policies in utility sector, quality of corporate governance and financial situation of the major part of the companies operating in utility sector, potential conflicts and threats of hidden privatisation and funds inefficient use, etc.

The other significant problem, we have to admit, is a sustainability of the potential improvements and use of consultants job in day to day companies' operations, an implementation of the corporate governance pillars and corporate culture elements. We have to accept the fact that there is still a lot to be done in this area and this strategy is to be supported by general approach to utility sector development and should include common efforts of donors, financial institutions, municipal authorities and management of the companies. Our experience has shown that the management attitude, municipal authorities' support and commitment to the projects are major elements of the success of those projects, their efficient preparation and implementation.

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