

October 2, 2015

**Approval by mail: Ukraine: District Heating Modernization Project (Revised Document) (EBRD) (CTF) –
Comments from UK**

Hi Mafalda,

Please see below some questions from the UK on this proposal. We'd like to receive responses before we approve the revised proposal.

- What are the main market barriers that the CTF finance is addressing in the public sector EE sector? Could the project team explain how the CTF resources will be used?
- EE savings are expected to be between 30% to 40%. What type of investment do these relate to?
- The results framework is unchanged compared to the original proposal despite EBRD's update in response to one of UK's comments back in April 2014, and the changes now proposed in the scope of the investments. Could the project team clarify the expected results from the project? What is the expected impact of the project in terms of job creation?
https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Approval_By_Mail_District_Heating_Modernization_response_EBRD.pdf
- The risks described in the document don't seem to correlate with the scale and severity of the political and security risks which have changed significantly since the original proposal, can you revise these sections to reflect the current risks?
- When we have previously sought comment from our embassy in Kiev, the primary risk they mention is corruption but this has not been mentioned as a risk here, could you explain why not?
- The document mentions that the EBRD is endeavouring to mobilise an IFI partner with an appetite for sub-sovereign risk in Ukraine and that there are discussions with two institutions that would consider investments in Donetsk and Luhansk. There is no mention of what the risk level of these investments would be. It would be useful to clarify this.

Please let us know if you have any questions on any of these.

Kind regards,
Kate