

April 01, 2011

**Confirmation by mail: Revised Kazakhstan District Heating
Modernisation Framework (DHMFF).**

Dear CTF Trust Fund Committee Members,

On January 20, 2011, the CTF Trust Fund Committee approved a CTF allocation of \$42 million for the project entitled, *Kazakhstan District Heating Modernisation Framework (DHMFF)*, submitted by EBRD. Due to changes in the project, EBRD is re-submitting the *Kazakhstan District Heating Modernisation Framework* project to the CTF Trust Fund Committee for confirmation of the CTF allocation of \$42 million.

EBRD has provided a revised version, attached below, with the changes highlighted for easy reference. In addition, they have provided the following explanation for the changes:

"The reason for the changes are a clerical error that as we progressed in our appraisal of the projects, it became clear that the financial constraints of the borrowers are requiring us to aim for a lower than expected leverage ratio.

The changes are:

a) a clarification that we will approve sub-projects at Board level, and that CTF funds will then be requested for this sub-project only; and

b) a correction of two errors:

(i) Where we originally stipulated that the ratio of EBRD:CTF funds would not be lower than 4:1 (page 2), what we meant was (EBRD+co-finance+project sponsor):CTF would not be lower than 4:1.

(ii) where it was stated that the overall ratio CTF:EBRD/Project Sponsor was to be 1:5 (table page 8), this was a typo, and as in the text on page 2 this was meant to say 1:4, and all other calculations (e.g. lifetime cost) were based on a 1:4 assumption.

These corrections do not breach the rule that CTF funding should not be above 20% of the total funding in any project, but primarily address the composition of the 80% of non-CTF funding in a project.

c) A clarification that EBRD funds alone (excluding co-finance and project sponsors) are expected to be invested on a ratio of 1:2.4 (CTF:EBRD).

d) A clarification that the CTF cost effectiveness of the programme refers to lifetime emissions reductions."

The Trust Fund Committee is requested to approve the following decision:

The CTF Trust Fund Committee, having noted information submitted by EBRD on changes in the project financing, confirms a CTF allocation of \$42 million for the revised project entitled, *Kazakhstan District Heating Modernisation Framework (DHMFF)*.

If we do not receive an objection to the proposed decision by close of business on April 15 , 2011, the decision will be approved.

Sincerely

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