

4/9/2014

Approval by mail: Ukraine: Second Urban Infrastructure Project (UIP-2) CTF (IBRD)

Dear CTF Trust Fund Committee members:

Please find attached a proposal entitled, *Ukraine: Second Urban Infrastructure Project (UIP-2)*, submitted by the Government of Ukraine and International Bank for Reconstruction and Development (IBRD), for your review and approval of a CTF allocation of USD 50.0 million in concessional loans.

IBRD would like you to note that the *Ukraine: Second Urban Infrastructure Project* will contribute to Ukraine's strategic goal of reducing its energy intensity by 50% by 2030. The proposed UIP-2 Project is designed to improve the quality and efficiency of water, wastewater, and solid waste services in selected cities in Ukraine. This will be achieved through a combination of investments in energy efficient infrastructure, rehabilitation of existing assets, and capacity building initiatives.

The CTF financing will be used to introduce energy efficient technologies for water and wastewater systems, as well as finance a municipal landfill site with biogas collection system that allows for gas recovery and electricity generation. The latter will become the first investment of its kind in Ukraine, and will provide important lessons for future replication. Because much of the sector's infrastructure is aged and inefficient, the transformational impact of the project will encourage other water and sanitation utilities in Ukraine to invest in energy efficient technologies to save on energy costs and generate additional streams of revenue, while increasing productivity and limiting environmental degradation.

The Trust Fund Committee's attention is brought to Annex 7 which summarizes how the project meets the CTF investment criteria. In addition, please find attached comments and team responses to the external independent review of the project.

Negotiations for this project will start on April 15, and that the World Bank board approval is scheduled for end May 2014.

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

The CTF Trust Fund Committee approves a CTF allocation of USD 50.0 million in concessional loans for the proposal entitled, *Ukraine: Second Urban Infrastructure Project (UIP-2)*, submitted by the Government of Ukraine and the International Bank for Reconstruction and Development (IBRD).

For your information, the following table summarizes the allocation of resources for the endorsed investment plan. The Trustee has confirmed that there are sufficient resources available for the commitment requested.

Ukraine: CTF Investment Plan		USD million	
CTF Allocation (endorsed March 15, 2010, Revised August 5, 2013)		350.000	
Approved CTF funding			
District Heating Energy Efficiency (IBRD)		50.000	
Ukraine Renewables Direct Lending Facility (EBRD)		27.603	
Novoazovsk Wind Farm (EBRD)		20.689	
Ukraine Energy Efficiency Project (IBRD/IFC)		65.000	
Loan		64.030	
Grant		0.300	
Project implementation and supervision services		0.670	
Project Preparation Grants Approved		1.575	
Energy Efficiency Project (UEEP) (IBRD)*		1.000	
Energy Efficiency Project (UEEP) (IBRD)*		0.050	
Ukraine: Smart Grid Project (IBRD)		0.500	
Ukraine: Smart Grid Project (IBRD)*		0.025	
Gender Assessment Grant approved		0.056	
Current funding request(s)			
Ukraine District Heating Modernisation (EBRD)****		50.000	
	EUR	USD million	
Loan	36.5**	49.25**	
Grant - Advisory Services		0.133	
Project Implementation and supervision services		0.617	
Ukraine Sustainable Energy Lending Facility (EBRD)****		27.500	
	EUR	USD million	
Loan	20.0**	27.0***	
Grant		0.135	0.135
Project implementation and supervision services		0.365	0.365
Second Urban Infrastructure Project (UIP-2) (IBRD)		50.000	
Total allocation if above funding request is approved		292.423	
Total allocation remaining		57.577	

Figures as of April 9, 2014.

*Project implementation support and supervision services

***For the purposes of this table, an exchange rate of 1 EUR = 1.35 USD is used

****Projects sent to Trust Fund Committee on March 25 and April 9, 2014

If we do not receive an objection to this proposed decision by close of business on **April 22, 2014**, the decision will be approved.

Sincerely,

Patricia Bliss-Guest
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