

Cover Page for CTF Project/Program Approval Request ^[a] Dedicated Private Sector Programs (DPSP-III)			
1. Country/Region	Ukraine	2. CIF Project ID#	[CIF AU will assign ID]
3. Public or Private		Public	
		Private	X
4. Project/Program Title	Sustainable Urban Infrastructure		
5. Is this a private sector program composed of sub-projects?		Yes	X
		No	
6. Financial Products, Terms and Amounts			
Financial Product		USD (million)	EUR (million) ^[b]
Grant			
Fee on grant			
MPIS (for private sector only)		0.6	
Public sector loan	Harder terms		
	Softer terms		
Senior loan		around 24.4	21
Senior loans in local currency hedged			
Subordinated debt / mezzanine instruments with income participation			
Second loss guarantees			
Equity ¹			
Subordinated debt/mezzanine instruments with convertible features			
Convertible grants and contingent recovery grants			
Contingent recovery loans			
First loss guarantees			
Other (please specify)			
Total		around 25.0	21
7. Implementing MDB(s)	IFC		
8. National Implementing Agency	Private sector		

¹ Possibly in local currency equivalent

9. MDB Focal Point	Andrey Shlyakhtenko, CTF coordinator; Joyita Mukherjee, CIF focal point
10. Brief Description of Project/Program (including objectives and expected outcomes)^[c]	
<p>The <i>Sustainable Urban Infrastructure Sub-Program</i> (the <i>Sub-Program</i>) seeks to support municipal governments of several cities (with the focus on Ukraine) in undertaking sustainable city planning. The proposed <i>Sub-Program</i> is a part of the CTF’s <i>DPSP III</i> envelope that was endorsed by the CTF Trust Fund Committee (TFC) in December 2017². Activities under this <i>Sub-Program</i> will deliver cross-sectoral benefits across three of the DPSP III Windows: <i>Window 1 on Energy Efficiency</i>, <i>Window 2 on Renewable Energy+</i> and <i>Window 3 on Sustainable Transport</i>.</p> <p>The <i>Sustainable Urban Infrastructure Sub-Program</i> will leverage and support IFC’s cross-sectoral “Sustainable Cities” platform that aims to establish strategic partnerships with creditworthy municipalities to facilitate investments and develop sustainable solutions across a range of urban infrastructure sectors – including urban transport and waste management – that generate particularly high development impact. This partnership offers municipal clients strategic advice, technical assistance, financial structuring, and mobilization of financing on a more strategic and programmatic basis, beyond individual transactions.</p> <p>As traditional models of governance and management of cities can no longer fully address financial and innovation gaps, meeting the current urban infrastructure demand does require a radical rethinking of governance, management, and financing approaches. As a result, accelerated development of sustainable urban infrastructure critically depends on the ability of the public sector to “graduate” itself from implementer and service provider to regulator and enabler of services. If conditions are right, the private sector can then provide scaled-up financing and introduce know-how, innovation and technology as essential elements to achieve sustainable and resilient urban services delivery models. The first successful urban infrastructure projects, implemented by private sector, will help municipalities move in the right direction.</p> <p>Overall, cities’ ability to move to a more sustainable and low-carbon development path significantly relies on progress in three key infrastructure sectors: public transport, municipal waste (solid and water) management, and water supply. This <i>Sub-Program</i> aims to provide support to a pipeline of projects across the first two sectors with the focus on Ukraine, where the recent fiscal decentralization reforms have prompted municipalities to intensify their search for private sector investments in urban infrastructure, while in parallel creating more attractive conditions for private sector companies to consider undertaking urban infrastructure projects.</p> <p>Ukraine is highly urbanized, but fiscal constraints and weak governance have led to constant underinvestment in maintaining and modernizing infrastructure, especially public transport, waste management, and other municipal systems. At the moment, the need for investment in urban infrastructure systems in general is estimated at around EUR 25 billion, much of which needs to go into municipal transport and waste management projects – areas that require urgent and significant support and where improved practices can have major development impact in terms of GHG emission reductions, local pollution reduction, and efficiency improvements.</p> <p>This <i>Sub-Program</i> will help municipalities increase bankability of these types of projects and</p>	

² Climate Investment Funds, *CTF DPSP III Proposal*, 2017. Accessed in February 2018 at https://www.climateinvestmentfunds.org/sites/default/files/meeting-documents/ctf_tfc.20_5_ctf_dpsp_iii_proposal.pdf

attract non-sovereign financing, thereby complementing scarce public-sector resources. The *Sub-Program* will target 2-4 selected creditworthy cities with the pressing need in modernization of the existing transport and waste management sectors. As a result, cities will not only increase access to urban services and improve quality and/or efficiency of urban services, but also strengthen their competitiveness through job creation, economic growth and enhanced operational efficiency. Successful implementation of first-of-its-kind sustainable urban infrastructure projects in Ukraine will help achieve demonstration effect that could be replicated by a broader number of municipalities and private companies.

The *Sub-Program* will utilize the CTF concessional finance to help lower the financing cost, improve affordability and support implementation of first-of-its-kind sustainable infrastructure projects, which will build capacity of local players, create the potential for sector-wide replication, generate a critical demonstration effect, and promote the uptake of interest from investors, financiers, suppliers, and ultimate end-users. The *Sub-Program* will also support the efforts of central and municipal governments to establish conducive regulatory conditions.

Based on the rough shape of the current pipeline of projects and expected needs of these projects, it is estimated that this *Sub-Program* could leverage approximately USD 75 million of financing (including financing from IFC and other financiers) and lead to GHG emission reductions of 41,250 tCO₂e/year and about 1,025,000 tCO₂e over the life of the assets. IFC expects that the first sub-project may reach Board approval in October 2018 and financial closure shortly after.

11. Consistency with CTF investment criteria

(1) Potential GHG emissions savings	Please see Section 2.1 of the <i>Sustainable Urban Infrastructure</i> proposal
(2) Cost-effectiveness	Please see Section 2.2 of the <i>Sustainable Urban Infrastructure</i> proposal
(3) Demonstration potential at scale	Please see Section 2.3 of the <i>Sustainable Urban Infrastructure</i> proposal
(4) Development impact	Please see Section 2.4 of the <i>Sustainable Urban Infrastructure</i> proposal
(5) Implementation potential	Please see Section 2.5 of the <i>Sustainable Urban Infrastructure</i> proposal
(6) Additional costs and risk premium	Please see Section 2.6 of the <i>Sustainable Urban Infrastructure</i> proposal

Additional CTF investment criteria for private sector projects/ programs	
(7) Financial sustainability	Please see Section 2.7 of the <i>Sustainable Urban Infrastructure</i> proposal
(8) Effective utilization of concessional finance (including a detailed analysis on how the proposal meets the minimum concessionality principles, and on how it is aligned with the blended concessional finance principles)	Please see Section 2.8 of the <i>Sustainable Urban Infrastructure</i> proposal For analysis on how the proposal meets the minimum concessionality principles and on how it is aligned with the blended concessional finance principles please see Section 2.9 of the <i>Sustainable Urban Infrastructure</i> proposal
(9) Mitigation of market distortions	Please see Section 2.9 of the <i>Sustainable Urban Infrastructure</i> proposal
(10) Risks	Please see section 2.10 of the <i>Sustainable Urban Infrastructure</i> proposal
12. For DPSP projects/programs in non-CTF countries, explain consistency with FIP, PPCR, or SREP Investment Criteria and/or national energy policy and strategy	
The <i>Sub-Program</i> will focus on Ukraine – the country where other CIF funds are not present, at the time of submitting this <i>Sub-Program</i> for the Trust Fund Committee review.	
13. Stakeholder Engagement	
Stakeholder engagement will take place at the sub-project development stage and will follow the IFC rules and procedures.	
14. Gender Considerations	
Gender aspects will be given thorough consideration and addressed at the sub-project level depending on the issues and opportunities that are identified at the appraisal stage for each sub-project.	
15. For projects/programs with activities in countries assessed as being at moderate or high risk of debt distress, macro-economic analysis to evaluate the potential for the CTF project or program to impact the country's debt sustainability	
Investments undertaken by IFC are not expected to require sovereign guarantees and, therefore, will not necessarily be reflected in the country's debt service requirements, thereby not affecting the country's debt sustainability.	
16. For public sector projects/programs, analysis of how the project/program facilitates private sector investment	

17. Indicators and Targets		
Project/Program Timeline		
Expected start date of implementation ^[d]		N/A
Expected end date of implementation ^[d]		N/A
Expected investment lifetime in years (for estimating lifetime targets)		15-25
Core Indicators		Targets ^[e]
GHG emissions reduced or avoided over lifetime (tons of CO ₂ -eq)		1,025,000
Annual GHG emissions reduced or avoided (tons of CO ₂ -eq/year) (specify: upon completion of the project/program / on the maximum year / on a representative year)	In a representative year	41,250
Installed capacity of renewable energy (MW)		TBD
Number of additional passengers using low-carbon transport per day		27,100 paying passengers
Energy savings cumulative over lifetime of investment (MWh)		539,000
Annual energy savings (MWh/year) (specify: upon completion of the project/program / on the maximum year / on a representative year)		21,560
Identify relevant development impact indicator(s)		Targets
18. Co-financing		
	Please specify as appropriate	Amount (in million USD)
MDB 1	IFC	25
MDB 2 (if any)		
Government		
Private Sector		50
Bilateral		
Others (please specify)		
Total		75
19. Expected Date of MDB Approval		
<p>IFC expects that the first investment under the <i>Sustainable Urban Infrastructure Sub-Program</i> could reach IFC Board approval as soon as in October 2018, with the other sub-projects following later, but in any event complying with the CTF Pipeline Management and Cancellation Policy.</p>		

NOTES:

[a] This cover page is to be completed and submitted together with the MDB project/program proposal when requesting CTF funding approval by the Trust Fund Committee.

[b] For products denominated in EUR, please also provide USD equivalent in the column to the left

[c] Please provide the information in the cover page or indicate page/section numbers in the accompanying project/program proposal where such information can be found.

[d] Insert “not applicable” (N/A) if dates cannot be determined at the time of submission (e.g. private sector programs)

[e] Insert value N/A if indicator is not applicable to the project/program.

Version March 2, 2018