**Annex: Management Response and Tracking Template**

**Evaluation Title: Mid-Term Project Evaluation - Removing barriers to energy efficiency in municipal heat and hot water supply**

**Evaluation Completion Date: June, 2009**

**Management Response document last updated: October, 2009**

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| **Key issues and Recommendations** | **Management Response\*** | **Tracking\*\*** |
| **Response**  | **Key Actions**  | **Timeframe**  | **Responsible unit (s)\*\*\*\***  | **Status \*\*\*** | **Comments**  |
| 1. Involve private sector ESCOs in project activities. The project activities and outputs (including building audits and feasibility studies) currently directed to Almaty Municipality ESCO (not yet established) should be adapted for implementation by private sector ESCOs. This will facilitate the realization of energy efficiency improvements in demonstration projects according to the project schedule and the broader application of the successes already demonstrated in pilot projects. Planned training activities should be open to private sector ESCOs to improve their capacity to realize EE projects in the public and private sector. The ESCO business plan already prepared under the project should be revisited and encompass the local experience of private sector ESCO operation
 | The Project Implementing Group (PIG) is agreed with that the project activities and results within the second component, aimed solely at municipal ESCO in Almaty, can not ensure achievement of project results, in particular, effective approbation of ESCO model for finance leverage into energy efficiency. Uncertainty on the part of Almaty Akimat according to the ESCO creation, funding difficulties on the part of city Akimat, longer period of documents approval for ESCO registration in Almaty than expected are the factors complicating the implementation of result within the terms specified in the project. Moreover, as it was turned out, the work with the private sector on ESCO establishment (with the contribution of private capital) was more effective than with Akimat: private business is more flexible, there is a considerable interest in ESCO creation, fewer barriers related to regulatory issues. In these circumstances, the idea of revolving fund at the saved expense from energy saving measures, adapted to the implementation by private ESCOs, looks even more attractive than its implementation by means of ESCO established within local administrations (Akimats). To this end, the project has already started to provide its assistance in establishment of private ESCOs |  - Holding of an open tender and support in establishment of private ESCOs in Kazakhstan, training and assistance in the preparation of business plans, initiation and implementation of projects in the buildings, as well as the establishment of a counsulting centre for consumers,- Revision of the business plan for Almaty, with the possibility of involvement of private ESCOs for its implementation- Organization of training of the established private ESCO,- Participation in monitoring of the projects implementation in private ESCOs, supported by the UNDP | November 2009November-December 2009 January-February 2010 3-4 quarter 2010  | Procurement Specialist ESCO expert, National Technical AdvisorESCO expert, Chief Technical Advisor, PR-specialist Procurement specialist, ESCO expert, expert on social issues |   |  |
| 2. Identify and engage financial institutions to support project activities. The EBRD has recently provided training and capacity support regarding EE investment to 2 local banks in Kazakhstan. These banks should be informed and, where possible, involved in activity planning and implementation. In particular, the financial management support for ESCO activities and EE programme implementation should be attained | The project is agreed with the recommendation to attract new financial institutions for the implementation of EE projects in the buildings. In Kazakhstan, the European Bank for Reconstruction and Development (EBRD) has trained and provided support to two banks in Kazakhstan (Bank Center Credit and Alliance Bank) concerning the investments in energy efficiency. These banks are informed and ready to be involved in planning and implementation of energy efficiency activities.To attract the funds of banks into EE projects in the buildings, the meetings with representatives of the above-mentioned banks, as well as with representatives of the EBRD and Fund KazSEFF will be held for organization of funding of EE activities in the building sector by means of private ESCOs mechanism created by the UNDP project  | - Meeting with representatives of KazSEFF, presentation of ESCOs work models using the example of the pilot cities of the Republic of Kazakhstan, the promotion of the idea of inclusion of funding ESCO as a priority of the Fund work in Kazakhstan.- Preparation of a report for banks, cooperating with KazSEFF regarding the implementation of the ESCO model in Kazakhstan and prospects for raising funds for capitalization of ESCO- Presentation of results of the pilot demo-projects on the ESCO model in Karaganda, further - in Almaty and Astana for local banks | November 2009 — February 2010 March - May 2010 June-August 2010  | Project Manager, National Technical Advisor Project Manager, ESCO expert PR-specialist, ESCO expert  |  |  |
| 3. Implement first 'pilot projects' with billing by consumption at the apartment level (pilot should provide the the opportunity of individual regulation of heat supply by each tenant of multi-apartment) | The project is agreed with that the transparent balance of community charges to individual – actual - energy consumptionis an important incentive for energy saving in multi-apartments. To this end, a necessary condition is availability of opportunities for each consumer to regulate heat consumption in order to control their payments for public services, especially heating and hot water, making up a significant share of community charges of the average family in Kazakhstan. In this regard, thermostatic valves on radiators in apartments and individual heat meters are the devices that allow people to control and measure heat consumption in different rooms of an apartment. Project experts are agreed with that this pilot measure should include training and operational assistance for Association of Apartments Owners to provide an accurate and transparent calculation of consumption and fair billing according to international experience.PIG will focus its efforts on the implementation of one pilot project with obligatory enforcement of the door-to-door (room-to-room) regulation system and measuring of heat consumption in order to identify the economic and technological expediency of implementation of such an approach in the buildings over 10-15 years | - preparation of the pilot project for the individualization of heat consumption and payments for heat energy in multiapartment- pilot project implementation- monitoring of the pilot project implementation- a report reflecting the expediency of application of means for heat consumption individualization and heat calculation individualization in each apartment- organization of media coverage of the efficiency of carrying out of pilot projects to inform Association of Apartments Owner and tenants about the benefits of collective energy saving and to raise awareness on calculations for heat energy | December-March 2009\2010 April-August 2010 September 2010-Septermber 2011 October 2011 April-September 2011  | AAOs expert, Expert on social issues AAOs expertAAOs expert, Expert on social issuesAAOs expert, Expert on social issuesPR-specialist  |  |  |
| 4. Strengthen project management. Ensure the Project Manager has the following capacities;* uses Result-based Management and Risk Assessment to achieve the project objective and outcomes.
* has an excellent overview of budget and scheduling constraints
* has adequate technical, financial and management capacity to direct the institutional and financial models being implemented

Project team needs further training to improve knowledge of UNDP/GEF project management, monitoring procedures and requirements | The contract with the current project manager has been completed in April of this year for this reason the contest for a new project manager was organized. The project is complex and new for Kazakhstan, as well as the bounded potential of experts in the given field, lack of skills in the sphere of international projects management have defined the renewal of the contest until the end of October 2009. In absence of a manager, manager’s duties temporarily are exercised by a national expert on institutional models in the field of energy efficiency. Also, with the view of further improvement of the GEF projects management, training for all the GEF projects has been organized and conducted in the Regional office in Bratislava, and the acting project manager has taken part in the training.From the 1st of April 2009, the International Technical Advisor, responsible for monitoring in the progress of the project implementation and provision of objective quality control and accountability has been employed. The work with him will be activated in the field of receiving of consultation according to the main project directions, particularly legal issues on ESCO creation, tariff policy and investment. To this end, the project manager will systematically inform the employed Adviser on the progress and problems of the project implementation to provide information from quarterly and annual reports of the project | - to hire the project manager and provide relevant trainings- participation of the project staff in the retreats organized by the UNDP- informing of the International Technical Adviser about the project activities and taking his consultation on continuing basis - development of ToR and employment of a national technical advisor for improving the regulatory framework EE in buildings | November 2009ConstantlyConstantlyNovember 2009  | UNDP CO,Project Manager Project Manager Project Manager, Procurement Specialist |  |  |
| 5. Establish project cooperation with Ministry of Energy and Mineral Resources (MEMR) in the implementation of the Integrated Plan of Energy Saving for 2009-2010 (1st stage). The programme is designed to achieve a minimum reduction in energy consumption of 10% by 2015. Capacity building and training activities of the UNDP-GEF project have the potential to increase the effectiveness of actions and increase energy savings by up to 14% | The project is agreed with that capacity building and training activities, organized on behalf of the UNDP\GEF project for the MEMR and local administrations have the opportunity to increase the implementation efficiency of developed energy saving plans. Increase of the implementation efficiency of these plans may be achieved only in case of inclusion in plans of effective financial and institutional mechanisms for attracting of investment in energy efficiency. Such models are currently practiced by the project on pilot sites. Inclusion in regional plans of the measures for further development, improvement and approbation of such models in the pilot objects will enhance the effectiveness of the implementation of these plans.However, increasing in energy saving up to 14% instead of encumbered 10% with the help of measures proposed by the project may only be achieved under condition the second phase of the comprehensive plan for energy saving to be implemented, where a sufficiently considerable funding from the national budget will be provided. It is possible only after adoption of the corresponding legislation on energy saving and other necessary legal regulations.Also the MEMR intends before the end of 2009 to develop the Republican Energy Saving Plan for the 2nd stage. The MEMR appealed for support in this matter to the UNDP/GEF Project  | - Workshops on training of municipal planning for local administrations (Akimats of Astana, Almaty, Karaganda) and the new Department of the MEMR (the Department of Energy Saving, Energy Efficiency and Renewable Energy Sources),- Rendering of expert assistance, consultation for the MEMR on working out of the Republican Energy Saving Plan (Stage 2) to reflect in it the events with the application of models developed by the project for attraction of investment in EE buildings  | March 2010 November- December 2009  | EAExpert on EE Program, National technical advisor  |  |  |
| 6. Bring an International Building EE Expert on board to calculate CO2 emission reduction targets with direct reference to Logframe activities and outcomes and to ensure indicators and mechanisms which validate progress towards targets | The project has already completed a scope of work on the arrangement of monitoring of greenhouse gas emissions reduction at the heat point source based on carrying out of the measures for modernization of buildings heating facilities. The recommendation on the necessity of the evaluation of other measures in the buildings sector for the achievement of the project objective - the reduction of GHG emissions, is fair. For this purpose, an international consultant will be employed to assess the capacity of various energy saving measures in buildings (measures in heating facilities, on the heat consumption systems, on improvement of building envelopes, etc.) for the reduction of GHG emissions at the heat point source. According to the assessment the necessary mechanisms, most effectively leading to achievement of the project objectives, will be selected. | - employment of international consultants on assessment the measures in buildings for the reduction GHG emissions at a source- selection and replication at the pilot projects of mechanisms for the effective achievement the objective for GHG reduction at a source | October-November 2009 January-March 2010  | Project Manager, Procurement Specialist Project Manager, AAOs expert, Expert on EE program  |  |  |
| 7. It is recommended to update the project website. The webpage offers a useful source of base knowledge for municipalities and AAOs | The project is agreed with the necessity to update and amendment of the web-site, for what the necessary actions have been already taken. In the near future, the web-site will be added with materials for consumers, municipality, Association of Apartments Owners with the aim to increase their capacity, training “how to make decisions” within the current project awareness strategy of target groups. Also its English version will be expanded, reports and reviews of the project will be arranged, the version of the site in Kazakh language will be developed. For efficient implementation of these objectives the position of an PR-specialist will be changed from the category of short-term for the permanent one, a highly qualified expert will be hired | - employment of an PR-specialist, meeting the necessary criteria of competence, -plan on update and improvement of the web site, update - work on updating and addition of the web site project | November 2009 December 2009 December-March 2009/2010, further - constantly | Project Manager, Procurement Specialist PR-specialist PR- specialist |  |  |
| 8. Because of a shift in the project focus from heat and hot water supply side issues towards demand side issues, AREM is no longer considered the optimal national executing partner for this project. As a government agency, AREM's field of responsibility does not encompass the current key objective pursuits of the project - namely reduced heat consumption in municipal and residential buildings. It is recommended that a new national executing partner with definitive common interest to cooperate on the project outcomes and objective be identified and brought on board. The newly formed Agency for Construction and Housing Utilities (CHU Agency) is one potential candidate. The Agency has been delegated responsible for state management of building and construction activity, housing relations and communal services as well as the development of state regulation policy in the areas of energy and heat supply | The project has already established partnerships with the new Agency for Construction and housing and public utilities (Agency for CHPU). Several presentations of the project were carried out in this Agency. The letter of appointment of a new Executive Agency from the Government for the implementation of the UNDP/GEF project was received from the GEF National Coordinator in Kazakhstan. The public awareness efforts were carried out with the Agency for CHPU on the implementation and management of the project, the agreement for determination of the Agency as an executive body was received. A national coordinator of the project from the Agency will be appointed; a new project SC will be formed soon. | - formation of the SC of the project, scheduling of meetings, - organization of systematic work of the project with the Agency for CHPU | November 2009 From November 2009  | Project ManagerProject Manager |  |  |
| 9. Cooperation with government counterparts, particularly with the MEMR, needs to be intensified to ensure the legal and regulatory recommendations are agreed upon, incorporated in laws and amendments and submitted for adoption. Subsequently, a lobbying mechanism should be in place to support adoption of laws and amendment | The project work closely with state bodies – the MEMR and others in the development of new legal and financial frameworks to ensure achievement of objectives in improving of EE buildings and reduce GHG emissions at heat supply source. Evidence of this are the participation in the working group for development of the Energy Saving Law and participation in thematic conferences and seminars held by the state bodies and the project.In the near future the cooperation with the Ministry of Industry and Trade will be enhanced concerning the support of innovative approaches to heat saving; with the MEP - in the part of implementation of projects under the Kyoto Protocol; with the MEMR and Agency for CHPU - in the part of insurance of a regulatory basis for the successful implementation of the models for attraction of investments to EE buildings; with Akimats of the pilot areas, as well as Pavlodar, Karaganda, Kokshetau for the effective replication of project results and objectivation of the interest to invest the capital from the budget in EE of buildings instead of donations to energy companies to cover the unreasonable costs on compensation of heat energy loss. In order to achieve the last mentioned, an international consultant will be employed who, together with an employed national expert and a national expert, will evaluate opportunities to reduce budget expenses (of Karaganda, Astana, Almaty) to cover costs connected with misallocation of heat energy, by means of increasing of attention to the processes of EE in the buildings sector | - employment of an international and a local advisers for the assessment of the possibility of reduction the budget expenses (of the cities of Karaganda, Astana, Almaty) to cover costs connected with misallocation of heat energy, by means of increasing the attention to the processes of EE in the buildings sector.- holding of a round table with participation of stakeholders on the energy efficiency issues of buildings and financing ways of the activities for their energy efficiency enhancing  - taking consultations, recommendations and suggestions of international and national advisers with the view to add necessary provisions in the regulatory documents on energy saving, increasing capacity and effectiveness of the implementation of EE measures in the buildings sector, bringing these proposals to the attention of MEMR and other stakeholders  | November 2009 November-December 2009 December-June 2009/2010  | Project Manager, Procurement Specialist Project Manager, expert on EE programProject Manager |  |  |

\* Unit(s) assigned to be responsible for the preparation of a management response will fill the columns under the management response section.

\*\* Unit(s) assigned to be responsible for the preparation of a management response will be updating the implementation status. Assigned with an oversight function monitors and verifies the implementation status.

\*\* \* **Status of Implementation:** Completed, Partially Completed, Pending