**The Project Management Responses**

**to key issues and recommendations of the Midterm Evaluation team for the UNDP/GEF project “Kazakhstan-Wind Power Market Development Initiative”.**

The following key issues are highlighted in the midterm evaluation report of the UNDP/GEF project “Kazakhstan-Wind Power Market Development Initiative”:

* By drafting this draft Law on RES and together with the resource assessment and capacity building activities and bringing together a critical mass of representatives in government and business community interested in renewable energy, the project is laying the groundwork for future commercial renewable energy development in Kazakhstan. **However, the project’s sustainability and replicability** **will critically depend on the Government and Parliament accepting the Law on RES** and, based on the Law, to have adequate regulations for the proposed quota obligations and renewable energy certificate (REC) system to make renewable energy investments commercially attractive for project developers.
* **The project component “Djugar Gate pilot wind farm” is delivered partially due to the delay in signing contracts and power purchase agreements with the investors.** The main reason for the delay in the planned Djungar Gate wind farm pilot project is simply that the Government has not been able to deliver the promised purchase power agreement (PPA).

The project management has the following response to the recommendations made by the evaluation team:

* *Law for RES.* The project should put all possible resources into ensuring that the Law is passed with no significant changes from the draft, including organizing political coordination between governmental entities as well as diplomatic missions to ensure political pressure in favor of RES at the highest level.

The recommendation is accepted.

The following actions are proposed into the project WP to support the draft RES Law adoption:

- study tour of Kazakhstan officials to UK to get information and knowledge about the RES regulation and RES application in UK (PIU, UNDP);

- a seminar with Government to present of the draft RES Law and experience of UK on Renewable Certificate System ( PIU, UNDP, MEMR, MEP);

- support of Parliament hearing of the draft RES Law (PIU, UNDP, MEP).

Additional funding of GOF in a sum of USD 204,000 is mobilized for implementation of the actions; Proposal to support start up of the Certicicate Program after adoption of the RES Law is planned to develop and submit for GEF funding (UNDP, PIU)

* *Djungar Gate pilot wind farm.*

Implementation of the Djungar Gate project could be advanced if somehow the Government (MEMR) would provide some additional financial support, for example, in the investment itself or in guaranteeing a certain level of wind power sales at a tariff that would make Djungar Gate financially feasible; The case could be made, since showing results is important by having the first demonstration of a wind farm in Kazakhstan.

The recommendation is accepted. At present the political support of MEMR to the pilot wind farm is provided and the Protocol of Intend for purchase of power of the pilot wind farm is signed by the investor and the regional power supply company. The investor starts development of the pilot wind farm.

The project management agrees that it will take some years to get the project started after PPA conclusion. In this regards a delay of the expenditure of the US $1 million (destined as support for Djungar Gate) should be considered until the pilot wind farm will be commissioned somewhere to the end 2009.

The following actions are proposed to support the pilot wind farm:

* support of negotiation of the PPA between the investor and TATEK and connection of the wind farm to grid (MEMR);
* to consider increasing of capacity of the pilot wind farm up to 50 MW in order to make the project economically viable ( MEMR);
* negotiation of contract between UNDP and the investor for the USD 1 mln financing grant (UNDP, PIU);
* regular monitoring of status of the pilot wind farm at SC meetings and provide necessary support up to the commission of the pilot wind farm ( MEMR, UNDP, PIU,);
* prepare plan for monitoring of the pilot wind farm in 2009 and relocate of part the project budget to 2009 to monitor and verification of commission of the wind farm (PIU, UNDP, MEMR)
* *Budget and prioritization of activities.* If the above-mentioned interim support options for Djungar Gate (to cover the period up to when certificates can support its commercial performance) cannot be negotiated, the question becomes urgent what to do with the US$ 1 million originally destined in the UNDP/GEF budget for supporting the Djungar Gate pilot. An alternative option for the money could be to support feasibility studies on wind power farms in other areas of the country, so these can be presented to project developers and investors (once a functioning REC system is in place). Also, if the Law on RES would approved soon, some funds could be spent on defining the regulations for the certificate system and to elaborate generic PPAs.

The project management response is that the recommendation is not actual because progress with the PPA signing.

* The *Project Steering Committee* (and especially MEP and MEMR) should play a stronger role in providing political support (e.g., an urgent agreement of the additional GOF funding for support of the legislation is needed) as well as providing stronger guidance to the PIU on the Djungar Gate project. An urgent Project Steering Committee (PSC) meeting will have to be called for to agree on what to do in the remaining period of 2007-2008, based on the above-mentioned options. Maybe higher level staff of the Ministries should participate in the PSC to enable such important decisions on budget and priorities.

The recommendation is accepted. The PSC meeting with participation of high level of MEMR, MEP and UNDP management is proposed to adopt the actions to be taken in 2008 in a line with the recommendations of the midterm evaluation. (MEMR, UNDP, PIU)

* Based on the PSC’s decision regarding budget and activity priorities, the PIU needs to draft a sound work plan for the remaining period of 2007-2008. The should include a good *exit strategy is defined regarding the transfer and dissemination of the project information*, wind data and reports and the ownership of the wind measuring equipment. Some projects funds should be dedicated top set up a good website at an existing institute in Kazakhstan were the project information can be downloaded.

The recommendation is accepted.

The following actions *regarding the transfer and dissemination of the project information and equipment* are proposed to be implemented in 2008:

* appointment of local organization to transfer the measurement equipment and the project data and to continue wind monitoring program and support of development of new wind projects on permanent base after the end of the project (MEMR, PIU, UNDP);
* transfer the measurement equipment and the project data to the appointed local organization and support the next round wind monitoring program (PIU, UNDP, MEMR);
* summarizing the project results and disseminating of the project information through seminars, publications and other outreach activities (PIU).
* set up a website to present and disseminate the project information and wind data (PIU);

**A list of actions to be taken to respond to the recommendation of the Midterm Evaluation team**

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| **#** | **Recommendations** | **Actions** | **Responsible party** | **Timeframe** |
| 1. | *Law for RES* | 1.1. Study tour of Kazakhstan officials to UK to get information and knowledge about the RES regulation and RES application in UK | PIU, UNDP | Oct. 2007 |
| 1.2. A seminar with Government to present of the draft RES Law and experience of UK on Renewable Certificate System | PIU, UNDP, MEMR, MEP | January 2008 |
| 1.3. Support of Parliament hearing of the draft RES Law | PIU, UNDP, MEP | Feb-Mart 2008 |
| 1.4. Mobilization of GOF fund to support the Draft RES adoption | UNDP, PIU | Sept- Nov. 2007 |
| 1.5 Proposal for GEF to support start up the Certificate progranne after adoption of the RES Law | UNDP | Dec. 2007- 2008 |
| 2 | *Djungar Gate pilot wind farm* | 2.1. Support of negotiation of the PPA between the investor and TATEK and connection of the wind farm to grid | MEMR | 2008 |
| 2.2. Consideration of increasing of capacity of the pilot wind farm up to 50 MW in order to make the project economically viable | MEMR | 2008 |
| 2.3 Negotiation of contract between UNDP and the investor for the USD 1 mln financing grant | UNDP | Dec.2007- 2008 |
|  |  | 2.4. Monitoring of status of the pilot wind farm at SC meetings and provide necessary support up to the commission of the pilot wind farm | MEMR, UNDP, PIU | Regular at SC meetings |
| 2.5. Prepare plan for monitoring of the pilot wind farm in 2009 and relocate of part the project budget to 2009 to monitor and verification of commission of the wind farm |  |  |
| 3. | The *Project Steering Committee* | 3.1. PSC meeting to adopt the actions to be taken in 2008 in a line with the recommendations of the midterm evaluation | MEMR, UNDP, PIU | Dec 2007 |
| 4. | *Transfer and dissemination of the project information and equipment* | 4.1. Appointment of local organization to transfer equipment and the project data | MEMR | Dec. 2007 |
| 4.2. Transfer the measurement equipment and the project data to the appointed local organization and support the next round wind monitoring program | PIU, UNDP, MEMR | 2008 |
| 4.3. Summarizing the project results and disseminating of the project information through seminars, publications and other outreach activities | PIU | 2008 |
| 4.4. Set up a website to present and disseminate the project information and wind data | PIU | 1 q-r 2008 |