

**GLOBAL ENVIRONMENT FACILITY
UNITED NATIONS DEVELOPMENT PROGRAMME
PROJECT BRIEF LETTERS OF SUPPORT
ARMENIA**

**Improving the Energy Efficiency of Municipal
Heat and Hot Water Supply in Armenia**

Operational Focal Point Endorsement - Vardan Ayvazyan, Minister, Ministry of Nature, February 12, 2003

World Bank (IDA Credit) - Letter from Roger Robinson, WB Country Manager for Armenia

USAID – Letter from Michael Boyd, Deputy Director, Office of Economic Restructuring and Energy, USAID Mission to Armenia, 11 February 2003

Government of Netherlands – Letter from Bob Schulte, Project Manager Armnedheat, 4 Nov 2002

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REPUBLIC OF ARMENIA
MINISTRY
OF NATURE PROTECTION

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(12)-02-04/166
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Mr. Joel Boutrouc
UNDP Resident Representative
UN Resident Coordinator
Fax: (374-1) 543-811
Tel: (374-1) 560-340

Subject: *Letter of Endorsement of the Full-Size Project Proposal on
"Armenia – Improving the Energy Efficiency of Municipal Heating and Hot
Water Supply".*

Dear Mr. Boutrouc;

In my capacity of the GEF Operational Focal Point of the Republic of Armenia, I would like to endorse my country's agreement to the full-size project "Armenia – Improving the Energy Efficiency of Municipal Heating and Hot Water Supply".

As you are aware starting from 1999 the Ministry of Nature Protection of RA as an executing agency with the support of the UNDP is implementing "Removing Barriers to Energy Efficiency in Municipal Heat and Hot Water Supply" PDF B Project. At present the full-size project proposal on "Armenia – Improving the Energy Efficiency of Municipal Heat and Hot Water Supply" is ready for the GEF submission for financing.

The funds provided by the GEF will allow Armenia to ensure the environmentally sustainable heat and hot water supply service provision and will cover incremental costs connected with the implementation of the heat strategy following the energy efficiency and environmentally sound technologies. The Government of Armenia has adopted the Urban Heat Strategy in 2002 aimed at to make the heating system of the Republic of Armenia sustainable, affordable to customers and to regulate environmental issues and contribute to poverty reduction. The full-size project will promote the transfer of specific technologies required for greenhouse gas emissions reduction both on technical and institutional level. It will contribute to implementation of the GHG mitigation strategy stated in the First National Communication of Armenia to the UNFCCC enhancing at the same time sustainable development of the country.

I hereby confirm that this full-size project corresponds to the sustainable development concept stated in the National Assessment Report of Armenia presented on the World Summit on Sustainable Development in Johannesburg.

I would greatly appreciate soon approval of funds so as to maintain the strategic partnerships and cooperation created during the Project preparation phase.

Accept, please, the assurances of my highest consideration. Looking forward to our further co-operation.

Sincerely Yours,

A handwritten signature in dark ink, appearing to read 'V. Ayvazyan', written in a cursive style.

Vardan Ayvazyan
GEF Operational Focal Point



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Mr. Joel Boutroue
UNDP Resident Representative
UN Resident Coordinator

Dear Mr. Boutroue,

The Decree 1384N "On Reforms in Urban Heating System of the Republic of Armenia" adopted in September, 2002 calls for the preparation of an investment program in co-operation with WB/IDA and for further negotiations with UNDP/GEF on the possibilities to provide complementary technical assistance for addressing the energy efficiency and environment related aspects of this restructuring process.

In line with the above, the World Bank is currently proceeding with the preparation of an IDA Credit with an estimated amount of USD 10 million and an objective of supporting economically and financially feasible heating sector investments. Recently the World Bank has provided to the Government a Project Preparation Facility (PPF) in the amount of US \$1million. The Credit is estimated to start in October 2003.

The Bank started its co-operation with UNDP/GEF during the project preparatory phase of your project "Removing Barriers to Energy Efficiency in Municipal Heat and Hot Water Supply", which was implemented by the Ministry of Nature Protection. We are looking forward to continue the co-operation with you in advancing the effective implementation of the Urban Heating Strategy, with an emphasis on aspects relating to climate change. We hope that complementary funds can be made available through UNDP/GEF for this purpose.

Sincerely Yours,

Roger Robinson,
Country Manager for Armenia
South Caucasus Country Unit
Europe and Central Asia Region

GEF - 09 BC/3/1

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U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
MISSION TO ARMENIA

Office of Economic Restructuring and Energy

February 11, 2003

Dear Mr. Deputy Minister,

I am writing to confirm that the USAID Mission to Armenia supports the Government of Armenia's (GOAM) proposed program "Armenia – Improving the Energy Efficiency of Municipal Heating and Hot Water Supply", which is being submitted by the Ministry of Nature Protection for consideration by the UN Development Program's Global Environment Facility (UNDP/GEF). Over the past ten years, USAID has actively supported Armenia's energy sector, providing humanitarian assistance during the period of the energy crisis through the mid-1990's and, over the past five years, supporting energy sector restructuring directed to lay the foundation for an economically sound and environmentally sustainable sector.

In particular, since 2000 USAID/Armenia has developed a focus in our energy program on providing support to promote energy efficiency and to develop Armenia's renewable energy resources. During this period, we have worked closely with other donors active in the areas of energy efficiency, including the World Bank and UNDP/GEF teams working on heat supply issues, and we intend to continue this active collaboration and coordination of our efforts. As a point of reference, during the past three years we have allocated roughly \$6 m. to energy efficiency and related activities, out of a total energy portfolio budget of approximately \$17 m.

During the period of the proposed UNDP/GEF program for improving energy efficiency of municipal heat and hot water supply, we anticipate that our support for energy efficiency, renewable energy resource development and related activities, which would be directly related to this program, will increase as a share of our total resources devoted to energy sector activities. Although we cannot predict the actual levels of funding that the U.S. Congress and Administration will make available to Armenia over this period, nor can we make any commitment of such funds until they have been authorized by the Congress, we can and do confirm that the level of parallel USAID financing stated in the proposal (\$7 m.) presents a realistic and reasonable estimate of our intentions.

His Excellency
Simon Papian,
Deputy Minister of Nature Protection of
The Republic of Armenia.

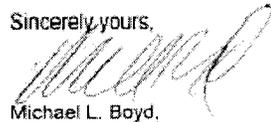


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To promote energy efficiency and to establish reliable heating options for all Armenians is a priority of the GOAM and USAID intends to continue our collaboration to support this objective. We strongly support the program being presented in this proposal, which will be a key part of a multi-donor effort to support the GOAM and we will continue to collaborate and coordinate our efforts actively with the GOAM and other donors in this effort.

I wish you the best of luck in this application and look forward to seeing this important program implemented in the future.

Sincerely yours,



Michael L. Boyd,
Deputy Director
Office of Economic Restructuring and Energy
USAID Mission to Armenia

Ministry of Nature Protection, Armenia
Moscovian str. 35
Yerevan 375002
ARMENIA

Attn. Mr. Samvel Amirkhanyan
Deputy Minister

Date: 4 November 2002
Your reference:
Our reference: E45174/BSc
Subject: Urban heating Armenia

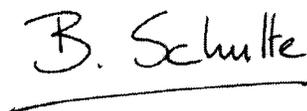
Dear Mr. Amirkhanyan,

On behalf of Ecofys and Senter International, Agency of the Ministry of Economic Affairs of The Netherlands, we would like to express our satisfaction by the collaboration established between the Armnedheat PSO 01/AM/2/4 project and the UNDP/GEF/ARM/98/G41/A/1G/99 project "Removing Barriers to Energy Efficiency in Municipal Heat and Hot Water Supply" executed by the Ministry of Nature Protection. The results of studies and surveys provided by the UNDP/GEF project to Ecofys, main partner of the Armnedheat project, in the initial phase of the project design were very useful and are appreciated.

Following your request we are glad to inform you that:

1. The Armnedheat project is in its first year of implementation. The main objective of the project is to establish production capacity for efficient district heating stations, as well as to promote a commercial approach to the heat supply sector, demonstrated in a decentralized district heating pilot project.
2. The 567,000 Euro budget is allocated for the Armnedheat PSO 01/AM/2/4 project which will be implemented during the period January 2002 till December 2003.

Yours sincerely,



Bob Schulte
Project Manager Armnedheat