

2017  
Annual Performance Report (APR)  
**Energy Efficient Building Retrofits**

**UNDP**

***FPFP010: De-risking and Scaling-up Investment in Energy Efficient Building Retrofits in Armenia***

***Annual Reporting Period Covered in this Report: 01-01-2017 to 31-12-2017***

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SUBMITTED BY	
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## SECTION 1: GENERAL INFORMATION

1. <b>Funded Activity title:</b>	De-risking and Scaling-up Investment in Energy Efficient Building Retrofits in Armenia
2. <b>Funding Proposal Number:</b>	FP010
3. <b>Date of approval by the Board:</b>	Jun 30, 2016
4. <b>Accredited Entity:</b>	United Nations Development Programme (UNDP)
5. <b>Focal point of the Accredited Entity for this project:</b>	Ms. Milou Beerepoot ( <a href="mailto:milou.beerepoot@undp.org">milou.beerepoot@undp.org</a> )
6. <b>Executing Entity:</b>	Ministry of Nature Protection of Republic of Armenia
7. <b>Implementation period:</b>	Jun 30, 2017 - Jun 30, 2023
8. <b>Current year of implementation:</b>	Year 1
9. <b>Closing Date:<sup>1</sup></b>	Jun 30, 2022
10. <b>Investment Manager:</b>	n/a
11. <b>Investment Period:</b>	n/a
12. <b>Date of Submission of the report:</b>	1 March 2018 resubmitted on 23 March 2018
13. <b>Annual reporting period covered in this report:</b>	1 January 2017 - 31 December 2017
14. <b>Total Project Budget (USD):</b>	116,070,000.00
15. <b>Total amount of GCF proceeds approved (USD)</b>	20,000,000.00
16. <b>Total amount of GCF proceeds disbursed (cumulative) to AE (USD):</b>	729,000.00

<sup>1</sup> Refers to the date on which the Accredited Entity's right to receive Disbursements in respect of the Funded Activity will terminate, as defined in the relevant Funded Activity Agreement.

## SECTION 2: IMPLEMENTATION PROGRESS REPORT

### 2.1 OVERALL (SUMMARY) PROJECT PROGRESS REPORT

The overall performance of this project is moderately satisfactory, as it is now over 6 months since the project's signature thus progress against the development objective has been modest. The project started implementation in July 2017 while the first tranche of project budget became available after the Annual Workplan was signed mid-September 2017. The expenditures of the first disbursement of the GCF grant in this reporting period therefore only cover a period of less than half a year of project implementation.

In Outcome 1 (MRV Framework) a start was made in developing MRV systems being tested in the first retrofit done for a kindergarten in cooperation with Yerevan Municipality, the Responsible Party in the project. The MRV system includes ex-ante energy performance data collection, as well as instrumental data collection of the impact of retrofitting works. That said, this is a small step and there are limits to the number of technologies that can be used in a single demonstration project. The implementation of planned activities under Component 1 will be accelerated through recruitment of an International Expert on MRV.

Outcome 2 (Policy) has yet to be fully initiated, and it is in this area where the project is expected to have developed more quickly. The performance of this project rests heavily on successive policy and financial de-risking activities, which are essential for the creation of an enabling environment for financial risk mitigation for residential sector, including for appropriate involvement of ESCOs. Whereas implementation of activities under Component 2 faced a delay, the project started supporting the development of the new law on the management of multi apartment buildings in the current reporting period. In combination with the development of the principles/tools for identification of the vulnerable households eligible for the subsidies this should lead to more progress under Component 2 in the next reporting period.

Financial de-risking (Outcome 3) has started with moderate progress as the project made a start with setting up financial agreements between national beneficiaries and IFIs but has yet to make more progress on establishing the full blend of grants and loans in the financial packages designed to stimulate the market. Under Outcome 3, the project supported the development of demonstration projects with Yerevan Municipality for which the municipality has entrusted 0.8 MUSD to the project for retrofitting 2 public buildings. To this end, the municipality of Yerevan and the EIB have signed a financial agreement in December 2017; the purpose of this is to fund retrofits of public buildings (kindergartens), for which the project is providing technical assistance. This is an essential first step in developing the enabling activities that are necessary to stimulate the market.

As the implementation progress of this project is only covering the first six months of project implementation thus far, it is expected that the implementation will get full traction in the next reporting period. Recruitments of technical expertise on MRV as well as a Chief Technical Expert are underway and discussions with financial institutions to further elaborate financial mechanisms to support the project activities are ongoing. Preparations to fulfill the conditions 8.01 (b-i) and 9.02 (c) and (d) are in progress so that a consistent trajectory towards developing and implementing the activities under Outcome 4 (Financial Incentives, to be started in 2019) is foreseen.

## 2.2 PROJECT OUTPUTS IMPLEMENTATION STATUS

Project Output	Project Activity	Status <sup>2</sup>	Deliverable/Milestone for the current reporting period <sup>3</sup>	Deliverable/Milestone for the next reporting period <sup>4</sup>	Remarks (as applicable) <sup>5</sup>
Output 1: MRV systems for the buildings sector in Armenia established	Activity 1.1.1. MRV system	<i>Activity Started - progress on track</i>	Meetings and discussions held with newly appointed director of EPIU of the Ministry of Nature Protection. Development of the TOR for the international Consultant on MRV.	Recruitment of the international consultant for MRV  Development of the roadmap for the MRV component  Initiate the development of the buildings' database	
	Activity 1.1.2. EMIS implementation	<i>Activity Not Yet Due</i>	n/a	Monitoring the energy performance of fully renovated pilot building and reopened Kindergarten #160 in Yerevan is launched for the 2017-2018 heating season.  Reopening of another building retrofitted with energy efficiency measures is expected in the year 2018.	
Output 1.2: Knowledge management and MRV information disseminated	Activity 1.2.1. Stakeholder engagement	<i>Activity Started - progress on track</i>	Local consultant was tasked to develop the communication strategy and plan in late 2017.  Draft communication strategy and plan developed and currently under review.	Communication strategy finalised and adopted.  Two workshops on energy efficiency standards  Activities according to the communication strategy developed and approved.	
	Activity 1.2.2 Website	<i>Activity Started - progress on track</i>	Begin preparation of website.	Website to be developed.	

<sup>2</sup> Activity Not Yet Due; Activity Started -ahead of schedule; Activity started – progress on track; Activity started but progress delayed; Activity start is delayed.

<sup>3</sup> Please provide all relevant specific inputs, milestones and deliverables relevant to the reporting period.

<sup>4</sup> Please provide all relevant specific inputs, milestones and deliverables relevant to the next reporting period.

<sup>5</sup> For Activities delayed, provide the respective explanation/justification.

	Activity 1.2.3 Formats for dissemination	<i>Activity Started - progress on track</i>	Project factsheets developed	Activities according to the communication strategy developed and approved	
	Activity 1.2.4. Information provision	<i>Activity Started - progress on track</i>	News published on the social media, stakeholders' websites etc.	Activities in the project continuously communicated through appropriate media channels.  Activities according to the communication strategy developed and approved	
Output: 2.1 Public instruments for the promotion of investment in EE selected	Activity 2.1.1 Public instrument selection	<i>Activity Not Yet Due</i>	n/a	Provision of support to policymakers in selection of public instruments in supporting the sustainable energy investment.	
Output: 2.2 Support provided to on-going legal reform in the field of EE	Activity 2.2.1 Support to authorities	<i>Activity Started - progress on track</i>	International expert with an in-country mission provided recommendations on Legislative and Energy Efficient Retrofitting Aspects of Multi-Apartment Buildings Management. A study tour in Estonia was organized with 10 representatives from state and municipal institutions.	Finalize the development of the law, support to the development of the outstanding codes and standards/regulations which refer to EE in buildings.	
	Activity 2.2.2 Introduction of legislation	<i>Activity Not Yet Due</i>	n/a	Support the introduction of the legislation on energy audits and certification	
	Activity 2.2.3 Public building legislation	<i>Activity Not Yet Due</i>	n/a	Raising awareness on the new law on the management of multi apartment buildings	
Output: 2.3 Support provided for the creation of an enabling policy framework for EE	Activity 2.3.1 Support for Home Owner Associations (HOAs)	<i>Activity Not Yet Due</i>	International expert with an in-country mission provided recommendations on drafting the law of "On Management of Multi-Apartment Buildings".	Finalization of the new law, support in the enforcement and awareness raising.	

retrofits in multi-owner residential buildings					
Output: 2.4 Support provided to building owners / managers / owner associations / ESCOs on legal matters related to EE retrofit projects	Activity 2.4.1 Support for multi-owner buildings	<i>Activity Started - ahead of schedule</i>	Expert collected and analyzed baseline information on multi-owner buildings with recommendations for law development, results transferred to inter-agency working group.	Development of support documents related to collective decision-making processes, ownership, business models and affordability.	
	Activity 2.4.2 ESCOs	<i>Activity Not Yet Due</i>	n/a	Support to establishment of ESCOs and transformation from “quasi” ESCO towards real ESCO	
Output: 2.5 Exit strategy measures implemented	Activity 2.5.1 Exit strategy	<i>Activity Not Yet Due</i>	n/a	n/a	
Output: 3.1 Technical assistance provided to banks and other financial institutions	Activity 3.1.1 Market facilitation	<i>Activity Started - progress on track</i>	Banks actively involved in early discussions and stakeholder consultations;	Support to banks to develop and market products, including training and knowledge transfer for banks on appraising EE investments	
Output: 3.2 Technical assistance for HOA market facilitation provided to banks:	Activity 3.2.1 Support to banks	<i>Activity Started - progress on track</i>	Banks actively involved in early discussions and stakeholder consultations on financial products for HOAs;	Support to banks to develop SOPs for lending to HOAs, including technical assistance in developing products	
Output: 3.3 Technical assistance provided to local government to develop EE retrofit projects for publicly-owned buildings:	Activity 3.3.1 Publicly-owned buildings	<i>Activity Started - progress on track</i>	Preliminary experience gained through kindergarten project	EE retrofit of “Youth and children cultural centre”  Support to local governments in technically and financially feasible EE retrofits of public buildings	
Output: 3.4 Access to affordable capital for EE retrofits provided	Activity 3.4.1 Technical structure for financial instruments	<i>Activity Started -</i>	Agreement is signed between Yerevan Municipality and UNDP on testing new modality of financial cooperation. Negotiations are held with international	Implementation of the Financial Agreement between EIB and Municipality of Yerevan.	

		<i>progress on track</i>	financial institutions - EIB, KfW. Financial agreement on implementation of energy efficiency measures is signed between Yerevan Municipality and EIB.	Finalisation of agreement with KfW loan to be implemented by the National Mortgage Company (NMC).	
	Activity 3.4.2 Verification	<i>Activity Not Yet Due</i>	n/a	n/a	
Output: 3.5 Marketing platform created	Activity 3.5.1 Marketing support	<i>Activity Not Yet Due</i>	n/a	Development of marketing materials on the advantages of EE retrofits	
Output: 4.1 Targeted financial incentives provided to vulnerable groups to help address the affordability gap	Activity 4.1.1 Targeted incentives	<i>Activity Not Yet Due</i>	Preparations for drafting the Operational Manual for implementation of financial incentives.  Received first draft of ToR for Technical Review from GCF and in process of reviewing applicability for meeting conditions 9.02 (c).	Completed Operational Manual for implementation of financial incentives  Completed ToR for Technical Review  Conducted Technical Review with regard to condition 9.02 (c)	

## 2.3 PROGRESS UPDATE ON PROJECT INDICATORS OF THE LOGIC FRAMEWORK

### 2.3.1 PROGRESS UPDATE ON FUND-LEVEL IMPACT INDICATORS OF THE LOGIC FRAMEWORK

Fund-level impact Core indicators	Baseline Level	Current value	Target level at mid-term	Target level at end of project	Variances from target	Variances from proposed methodology (if any):
Tonnes of carbon dioxide equivalent reduced or avoided as a result of Fund-funded projects	0	0	100 kt CO2e / year	Direct 1.4 Mt CO2e over 20-years	No variances. The Project is in its Inception phase. The results are expected starting from mid of the Project.	
Cost per t CO2eq. Defined as total investment cost / expected lifetime emission reductions	0	0		14.4 USD / tCO2e for GCF	No variances. The results are expected at the end of the Project.	
Volume of finance leveraged by the project and as a result of the Fund's financing, disaggregated by public and private sources	0	750,000 USD		US\$ 100 million	No variances. The results are expected at the end of the Project.	

### 2.3.2 PROGRESS UPDATE ON PROJECT/PROGRAMME LEVEL INDICATORS OF THE LOGIC FRAMEWORK

Project Outcome indicators	Baseline Level	Current value	Target level at mid-term	Target level at end of project	Implementation Status	Variances from target	Remarks
Institutional and regulatory systems that improve incentives for low-emission planning and development and their effective implementation.	34	34	64	91	Activity Started - progress on track	No variances.	Support provided on drafting the law of "On Management of Multi-Apartment Building" to Inter-Agency Working group established by the decision of the Prime-Minister of



							Republic of Armenia. Recommendations by International expert with an in-country mission and study tour to Estonia on Legislative and Energy Efficient Retrofitting Aspects of the Multi-Apartment Buildings Management Sector in Estonia was organized for 10 representatives from state and municipal institutions.
Energy intensity / improved efficiency of buildings, cities, industries and appliances as a result of Fund support.	Residential buildings: 185 kWh / m <sup>2</sup>  Public buildings: 200 kWh / m <sup>2</sup> annually	Reported data from project monitoring component		Reduced by 50%	<i>Activity Started - progress on track</i>	No variances. The results are expected starting from mid of the Project.	The original baseline figure of 160 kWh/m <sup>2</sup> was revised during the inception phase to differentiate in residential buildings and public buildings.  Energy efficiency performance is being monitored for the fully renovated Kindergarten #160 in Yerevan re-opened in December 2017
Number of new development partnerships with funding for improved energy efficiency and / or sustainable energy solutions targeting underserved communities / groups and women.	0	0		5	<i>Activity Started - progress on track</i>	1 Statement of Intent (Cost-Sharing Agreement) with Yerevan Municipality.	Statement of Intent and Cost-Sharing Agreement on cooperation for implementation of new sub-projects in the city of Yerevan are signed between UNDP and Yerevan Municipality.
Establishment of a web-based, publicly-accessible MRV database	No MRV in place	No change	Website established and fully web-accessible	5,000 website hits per year	<i>Activity Started - progress on track</i>		
Value of loans for building renovation provided	0	Reported data from project	US\$22 million	US\$100 million	<i>Activity Not Yet Due</i>	No variances. The results are expected starting from mid of the Project.	

		monitoring component					
Number of vulnerable beneficiaries (lowest quintile of household income) with improved building EE	0	Applications submitted for the financial incentives scheme	10,000	50,000	<i>Activity Not Yet Due</i>	Component 4-Financial incentives component to be accessible per FAA.	

## 2.4 IMPLEMENTATION TIMETABLE/MILESTONES FOR THE NEXT REPORTING PERIOD

Updated implementation timetable: [FP-UNDP-120116-5684-Annex X\\_ENG\\_DRupdated.docx](#)

TASK	2017		2018			
	Q3	Q4	Q5	Q6	Q7	Q8
<i>Output 1.1 MRV systems for the buildings sector in Armenia established</i>		X	X	X	X	X
1.1.1 MRV framework		X	X	X		
1.1.2 EMIS implementation					X	X
<i>Output 1.2 Knowledge management and MRV information disseminated</i>		X	X	X	X	X
1.2.1 Stakeholder engagement		X	X	X		
1.2.2 Website			X	X	X	X
1.2.3 Formats for dissemination		X	X	X	X	X
1.2.4 Information provision						
<i>Output 2.1 Public instruments for the promotion of investment in EE selected</i>		X	X	X		
2.1.1 Public instrument selection		X	X	X		

TASK	2017		2018			
	Q3	Q4	Q5	Q6	Q7	Q8
<i>Output 2.2 Support provided to on-going legal reform in the field of EE</i>			X	X	X	X
2.2.1 Support to authorities			X	X	X	X
2.2.2 Introduction of legislation					X	X
2.2.3 Public building legislation						
<i>Output 2.3 Support provided for the creation of an enabling policy framework for EE retrofits in multi-owner residential buildings</i>		X	X	X	X	X
2.3.1 Support for HOAs		X	X	X	X	X
<i>Output 2.4 Support provided to building owners / managers / owner associations / ESCOs on legal matters related to EE retrofit projects</i>			X	X	X	X
2.4.1 Support for multi-owner buildings			X	X	X	X
2.4.2 ESCOs			X	X	X	X
<i>Output 2.5 Exit strategy implemented</i>						
2.5.1 Exit strategy						
<i>Output 3.1 Technical assistance provided to banks and other financial institutions</i>		X	X	X	X	X
3.1.1 Market facilitation		X	X	X	X	X
<i>Output 3.2 Technical assistance for HOA market</i>		X	X	X	X	X

TASK	2017		2018			
	Q3	Q4	Q5	Q6	Q7	Q8
<i>facilitation provided to banks</i>						
3.2.1 Support to banks		X	X	X	X	X
<i>Output 3.3 Technical assistance provided to local government to develop EE retrofit projects for publically owned buildings</i>		X	X	X	X	X
3.3.1 Publicly-owned buildings		X	X	X	X	X
<i>Output 3.4 Access to affordable capital for EE retrofits provided</i>			X	X	X	X
3.4.1 Technical structure for financial instruments			X	X	X	X
3.4.2 Verification						
<i>Output 3.5 Marketing platform created</i>			X	X	X	X
3.5.1 Marketing support			X	X	X	X
<i>Output 4.1 Targeted financial incentives provided to vulnerable groups to help address the affordability gap</i>						
4.1.1. Targeted incentives						
Inception report (including baselines assessment)	X	X	X			
First Annual Project Report (APR)			X			
Interim Independent Evaluation Report						
Project Completion Report (last APR)						

## 2.5 IMPLEMENTATION CHALLENGES AND LESSONS LEARNED

Challenge encountered	Type <sup>6</sup>	Measures adopted	Impact on project implementation <sup>7</sup>	Lessons learned and other remarks
Recruitment of project staff (full staffing of PMU is expected in March 2018) resulting in delays in implementation and possible loss of contingency funds.	Other	The staffing issue has been partly addressed by recruitment of short term consultants and the alignment / synergies issue has been addressed by meeting with all stakeholders (including development partners) to ensure no overlap exists with planned activities.	The staffing issues resulted in delays in implementation and possible loss of contingency funds.	
Ensuring alignment/ synergies of activities with other development partners.	Political	Information exchange and intensified communication was sought with other development partners in order to avoid overlap and create synergy instead.	No impact yet due to early phase of project implementation.	

## 2.6 REPORT ON CHANGES DURING IMPLEMENTATION

No changes

<sup>6</sup> Implementation; Legal; Financial; Environmental/Social; Political; Procurement; Other; AML/CFT; Sanctions; Prohibited Practices.

<sup>7</sup> Minor/Solved; Moderate; High.

### SECTION3: FINANCIAL INFORMATION

Overview of the Funded Activity	For the Reporting Period USD	Cumulative USD
<b>Total Project Cost<sup>8</sup>:</b>	116,070,000	116,070,000
<b>Total GCF financing to the Project:</b>	20,000,000	20,000,000
<b>Total Amount of GCF Proceeds Disbursed to AE:</b>	729,000	729,000
Grant component:	729,000	729,000
Loan Component:		
Equity Component:		
Guarantee Component:		
<b>Total Amount:</b>	729,000	729,000
<b>Total Amount of Funds used for the Funded Activity<sup>9</sup>:</b>	1,210,107	1,210,107
By Executing Entity 1:		
By Executing Entity 2, etc.:		
<b>Total amount:</b>	1,210,107	1,210,107
<b>Total Amount of Expenditures on the Funded Activity:</b>	244,107	244,107
<b>Total Amount of funds Committed to the Funded Activity:</b>	52,080	52,080
<b>Amount of Other Inflows received by the AE</b>		
<b>Total Amount of Reflowed Funds to GCF from AE:</b>		
<b>Closing balance of the AE for the Funded Activity:</b>		
<b>Closing balance of the Executing Entity(ies) for the Funded Activity:</b>		
<b>Absorption Capacity</b>		
<b>Please provide a brief explanation in the case of variances between the executed budget (annual and cumulative) and the approved project cost/budget/approved amount absorption capacity</b>		
<b>COUNTRY SPECIFIC INFORMATION</b>		
<b>Total Amount of GCF Proceeds Disbursed by the AE for each Target Country of the Project:</b>		
Country 1:		
Country 2, etc.:		
<b>Date of First Cash Disbursement of GCF Proceeds by the Executing Entity:</b>		

<sup>8</sup> Total project cost/budget including GCF proceeds and co-financing. In reference to the approved amount (for each relevant year and cumulative) as per the FAA.

<sup>9</sup> Including GCF Proceeds and co-financing.

**SECTION 4: REPORT PROJECT SPECIFIC ON ENVIRONMENTAL AND SOCIAL SAFEGUARDS & GENDER**

**4.1 IMPLEMENTATION OF ENVIRONMENTAL AND SOCIAL SAFEGUARDS AND GENDER ELEMENTS**

<p><b>Social and Environmental Screening Procedure (SESP) (Annex VIa):</b> <a href="#">FP-UNDP-290715-5684-Annex VI.zip</a></p> <p><b>Gender assessment and action plan (Annex XIId):</b> <a href="#">FP-UNDP-301115-5684-Annex VIc.docx</a></p> <p>There have been no changes to the project's environmental and social risk categorization and the risks are being monitored. Updates to be submitted in the next APR.</p>
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**4.2 GENDER AND SOCIAL ACTION PLAN**

<p>See Action Plans linked above</p>
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**4.3 PLANNED ACTIVITIES ON ENVIRONMENTAL AND SOCIAL SAFEGUARDS**

<p>See Environmental and Social Management plan linked above.</p> <p>In 2018 the following activities are planned to be implemented based on the Environmental and Social Management Plan: commissioning of retrofit works only to legally registered contractors who will need to proof experience and track record prior to award of the retrofit work. Rewarded contractor(s) will be required to conduct orientation and training for workers on EE building retrofits, particularly multi-family apartment buildings and public buildings. For the testing of MRV in the retrofitted buildings, capacity building will be provided in establishing MRV, data collection and analysis, and procurement/installation of EMIS. Recipients of financing for EE building retrofits will be required to dispose of the waste generated from civil works following the applicable regulations. Management of waste/construction debris will be part of the conditions</p>
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**4.4 PLANNED ACTIVITIES ON GENDER**

<p>See Gender Action Plan linked above.</p> <p>In 2018 the following activities are planned to be implemented based on the Gender Action Plan: ensuring gender balanced employment: contracting women in civil works, financial and customer services, and female engineers; liaise with the local labor bureau and construction companies to help inform women of the availability of jobs (direct and indirect) during construction; encourage contractors or Energy Service Companies to employ local labor including women, as appropriate.</p>
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## SECTION 5: ANNEXES

**Updated implementation timetable:**

[FP-UNDP-120116-5684-Annex X ENG DRupdated.docx](#)

## SECTION 6: ATTACHMENTS

**Other attachments:**

[5864 Project signing event 7 Jul 2017.zip](#)

[IW\\_5684\\_31 Aug 2017.zip](#)

[LPAC\\_5684\\_30 June 2017.zip](#)

### Co-financing

Type	Name of Co-financier	Amount	Amount spent in the reporting period	Comments
Grants	UNDP	420,000	41,000	The implementation of Preparatory Assistance Project.
Grants	UNDP (Parallel funding)	1,000,000	75,000	Survey on energy efficiency in buildings within "Green Urban Lighting" Project; development of building code design; salary of UNDP Armenia Climate Change Programme Coordinator; IT services; car, driver; expertise.
Grants	Yerevan Municipality	8,000,000	800,000	Used to pilot renovation of public buildings (Kindergarten & Youth Centre). See contract attached as evidence of financial commitment from EIB.
In Kind	Government	400,000	50,000	Office space
Loans	European Investment Bank	86,250,000	0	In progress, with strong indication of commitment from EIB & Yerevan Municipality; Negotiations ongoing; EIB committed to pilot projects as per "Yerevan Municipality" co-financing.
		<b>96,070,000</b>	<b>966,000</b>	

**Summary of progress toward meeting project conditions and covenants:**

FAA 9.a) Co-financing has been reported in the APR.

FAA 9.b) A loan agreement of \$7M between the EIB and Yerevan municipality was signed in December 2017. A copy of this is provided herein.

FAA 9.f) This has been reported under implementation challenges as well as in Safeguards section.

FAA 9.g) During the reporting period, the project has not yet come to the point where project funds are transferred to the Responsible Party.