

EU-Central Asia Platform for Environment and Water Cooperation
6th Meeting of the WG on Environmental Governance and Climate Change

10-11 July 2017, Astana, Kazakhstan

Discussion paper

On

Improved environment and water infrastructure, access to Climate Change Financing and eco-innovation – in collaboration with EUWI EECA.

Background

Outcome of the 5th meeting of the WG, Brussels, 15-16 December 2016

Based on the Joint Declaration of the EU-CA High Level Ministerial Conference in Milan in October 2015, the Action Plan for the Platform for 2017-2018 was developed, subsequently discussed and approved by the 5th meeting of the EU-CA Working Group on Environment and Climate Change (WGECC) held in Brussels on 15-16 December 2016. The main priorities for the Action Plan are as follows:

- 1. Strengthened institutional commitments to multilateral environmental agreements through adherence to international conventions with particular attention paid to implementation.
- 2. **Improved environment and water infrastructure, access to climate financing and eco-innovation.**
- 3. Enhanced regional and transboundary cooperation in CA.
- 4. Improved capacity of main stakeholders in CA.

The main EU-CA high profile regional meetings planned in 2017-2018 in support of the above priorities are listed below:

- 6th EU-CA WGECC meeting on 10-11 July 2017 in Astana, Kazakhstan
- 7th EU-CA WGECC meeting in February 2018 (venue & date TBC)
- 8th EU-CA WGECC meeting in June 2018 (venue & date TBC)
- EU-CA High Level (Ministerial) Meeting in Central Asia in Nov 2018 (venue & date TBC)

Objective of this paper

This paper introduces recommended developments regarding the implementation of Item 2 of the Action Plan, i.e “Improved environment and water infrastructure, access to Climate Change Financing and eco-innovation – in collaboration with EUWI EECCA”, notably foreseeing the establishment of a “discussion forum on environment and water infrastructure projects, access to Climate Financing (with a particular focus on Green Climate Fund) and eco-innovation”.

This paper introduces the main outcome of preliminary consultations conducted by the representatives of the EU Delegation to Kazakhstan (assisted by the consultants of the WECOOP2 Project) with the representatives of the CA countries in the framework of the EU-funded “NEXUS I” project implemented by CAREC. The main discussion took place in Almaty at CAREC premises on 18 and 19 May 2017.

Analysis

Establishment of a discussion Forum – Role of the EU: The discussion forum will be established at the meeting of the WG of 10 July 2017 (see session 2 of the draft Agenda). Although all CA countries have an established relationship with IFIs, it is expected that in this Discussion Forum the EU will play the role of an honest broker facilitating where relevant and possible a more fruitful exchange between the CA countries and the International Financing Institutions (IFIs) active in the region, notably those eligible to request the IFCA Board to consider funding projects in which they participate as Lead Institutions.

Discussion Forum on accessing to Green Climate Fund

A specific stream of the discussion forum will be dedicated to how to maximise the access of the Central Asian countries to the Green Climate Fund. This topic is of particular interest now, because the roadmap for the definition of the pipeline for Central Asia and Eastern Europe recently started with the GCF May 2017 workshop in Tbilisi. Moreover, CA countries are already coping with the Fund's requirements to strengthen their ownership with regards to it. The WG meeting will be an occasion to showcase some countries' advancements in the readiness preparation, as well as to exchange information and foster cooperation for GCF projects within the Central Asian region.

How the success of the Discussion Forum be measured?

The Discussion Forum will be deemed successful when a specific project / request for funding presented by a given country will raise the interest of an IFI. This interest will be considered as attained when both the country and the IFI will confirm to the Discussion Forum that they will conduct specific consultation on the given project / request for funding but, of course, outside the Discussion Forum.

Doing like this will also permit establishing grounds for qualifying in the forthcoming Ministerial Level Communique of November 2018 the success of the implementation of the Action Plan regarding the facilitation of infrastructure projects.

Should the countries be recommended to come with specific type of projects to the Discussion Forum and in which sectors of activities in this case?

First, the countries should propose projects in sector of activities which are those eligible for Investment Facility for Central Asia (IFCA).

Second, the countries should not come with difficult or contentious concepts which may necessitate years of protracted political negotiations in order to put forward a proposal for funding.

Given (a) there is a good number of municipalities in all CA countries still in need of refurbishing their water/district heating system and/or equipping / refurbishing their waste management infrastructure, (b) there are a number of successful IFCA projects in this field, which rely on generic business models; (c) the opportunity to build up an exchange of best practices between the CA countries on how to best set tariffs in order to ensure the economical sustainability of these projects;

The representatives of the Delegation have recommended that the countries should carry out the selection of 2 national projects which they wish to **conduct at municipal level in the field of water/district heating and waste management.**

In addition to the above, CAREC will identify, outside the Working Group, within the frame of the EU-funded NEXUS 1 Action, projects of regional nature in the nexus on water, energy, food security and climate change. It is proposed to bring these projects in the framework of the Discussion Forum of the WG at some point in time when such projects will be better identified.

What will be practically proposed to the countries of CA in session 2 of the 6th meeting of the WG on 10 July 2017?

The 'NEXUS' representatives of the countries have already indicated their (informal) endorsement of the overall approach above during the meeting at CAREC premises on 18 and 19 May 2017.

In this light, the following course of action is suggested for Session 2 on infrastructure, which Jean-Louis Lavroff will in principle moderate as per the current draft agenda:

- Two presentations by IFIs on successful projects in the area of water/heating system and waste management at municipal level detailing the related generic business models. EBRD could do both presentations, but we would prefer one presentation by EBRD (i.e., renovation of the water/heating system in the town of Kyzylorda in Kazakhstan) and another presentation by another IFI on a successful waste management infrastructure.

These presentations by IFIs will also outline the key policy elements which the country/region/municipality has to take into account in order to obtain a loan. This includes, of course, the setting up of adequate tariffs to ensure the economical sustainability of the projects, but also the authorisation granted by the competent national authorities to the municipal utility company to enter into a loan agreement with an IFI and the overall approach on subsidies. It is therefore anticipated that the countries would find interest in sharing best practices in the areas.

- Presentation by the consultant of the WECOOP II project of an investor guide recalling the conditions by the most active IFIs in the CA region in their appraisal of projects. The countries will be indicated that they should conduct their own self-assessment of their would-be projects along these criteria in order to develop a more fruitful exchange with the IFIs. (This investor guide will be presented to all IFIs for comments before its release in the WG).
- Presentation by the WECOOP II project of the suggested schedule of work between the 6th and 7th meeting of the Working Group towards the identification of 2 projects by each country and their presentation at the 7th meeting of the WG in February 2018.
- Identification by the CA countries of the best practices on which they would like to conduct specific exchanges between the 6th and the 7th meeting of the WG. The work regarding these best practices will be carried out by CAREC through specific thematic working groups. CAREC indicated it could manage up to 5 specific thematic working groups. CAREC will nominate one country responsible to monitor and to report on the work carried out in each WG.
- Presentation by a representative of the Green Climate Fund of the current state of affairs with CA request for (pre) financing received / being processed.
- Identification of specific training needs by the CA countries.
- Message to the CA countries that each country is expected to come with two projects maximum for presentation / discussion at the forthcoming session of the Discussion Forum taking place during the 7th meeting of the WG in February 2018. The on-going results of the specific WGs on regional best practices will be also reported there.