

“TAIEX ECRAN Multi-beneficiary Workshop on Actions Toward Good Status of the Water Framework Directive”

11 – 13 July 2016

ECRAN 62669

Environmental Heavy-Cost Investment Planning to reach good water status



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Structure of the presentation

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EU Environment Policy – the Challenge

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wastewater and agricultural measures

Financing requirements

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Financing of the Program of Measures

Financing of the Programme of Measures will be needed for:

- Investment in Urban WWT
- Investment in Non-point Pollution Reduction
- Investment in Navigation Improvement
- Investment in Energy (Hydropower)
- Investment in Flood Protection
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EU Environment Policy – the Challenge

Adoption of EU environment legislation is a major challenge:

– Legislative

- more than 270 pieces of legislation; 80 Major Directives

– Institutional

- strengthen administrative structures: ministries, agencies but also implementation and enforcement institutions
- improve intra-ministerial co-ordination
- environmental management in business needs attention

– Financial

- High estimates of compliance costs.



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Financial challenge – how to address it

Key issues to be considered:

– Compliance with the environment acquis

- Heavy investments Directives (UWWTD, DWD, Landfills, WFD, IED, etc.)
- EIA, Habitats and Birds Directives

– Strategic planning and prioritisation

- Approximation Strategies for Environment
- Financing Strategies for Environment

– Building capacity

- To define strategic documents
- To mobilise financial resources (attracting donors, national co-financing)
- To absorb financial assistance available (PPFs)



ENV Financing Strategies – EC approach (1)

EFS plays a number of important roles:

- **Defines the projects needed to achieve compliance with specific directives**
 - Overall estimates for investments needed
 - Cost estimates for specific projects
- **Considers affordability issues**
 - Nationally
 - For specific projects (focus on Operation & Maintenance costs)
- **Proposes a credible time frame for implementation**



ENV Financing Strategies – EC approach (2)

Preparation of EFS – process:

– Identification of key stakeholders

- Ministries, Agencies, National Funds, Regional and Local authorities (Ministry of Finance plays crucial role)

– Establishment of sectoral working groups

- Coordination amongst sectors

– Steps in the process

- Assessment of the existing situation
- Description of requirements and making presumptions (e.g. sensitive waters)
- Definition of measures needed and costs hereof
- Plan for investments and realistic financing (affordability criteria)
- Agreement of all relevant institutions



Financial challenge – EC assistance (1)

- **Identifying and prioritising** investment infrastructure projects in line with EU acquis
- Developing **a list of priority** environmental projects
- Assistance in formulating **bankable** investment project proposals
- Facilitating **dialogue with IFIs**
- Facilitating **exchange of expertise** between SEE countries' experts



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Financial challenge – EC assistance (2)

Instrument for Pre-Accession (IPA):

– Component I

- Technical assistance available for **the preparation of Approximation and Investment strategies** for ENV
- **Capacity building** of the relevant institutions
- **Infrastructure investments** in potential CCs

– Component II

- Cross-Border Cooperation (CBC)

– Component III „Regional development“ (available only to CCs)

- **Investments** in the field of transport, **ENVIRONMENT (OP ENV)** and regional competitiveness
- Technical assistance for **projects' preparation**



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Issues to be considered (1)

- **The implementation of the WFD is a national obligation!**
- The RBMP/PoM is firmly based on the **national programmes of measures**, which shall be made operational and should describe the expected improvements in water status by 2015.
- Through the PoM, the IFIs, donors or sponsors may be **better informed about the investments needs**
- **Sectoral and cross-sectoral integration of concerns and targeted discussion for PoM implementation is crucial** for the effective conservation and sustainable utilization of natural and financial resources (for instance between hydropower, navigation, agriculture, industry, environment).



Issues to be considered (2)

- To make known the **funding needs** for the actions identified in the programme of measures,
- To explore **existing potential funding** of the actions needed,
- Determine any **obstacles that donors and ifis face**, which hinder enhanced engagement in terms of financing many projects,
- See what **role the IFIs and bilateral donors should play in order to facilitate large private sector engagement**, and
- To brainstorm and discuss at national level the actions needed for securing the long term matching of needs and funds for the measures identified in the Programme of Measures.



Investment plan

The directive-specific investment plans (DSIPs) for the most costly environmental directives.

These plans illustrate the cost, the timing, the financing, and the necessary transition periods for the implementation of EU directives.

These plans should be discussed in a high-level government steering committee with the aim to prepare a government negotiation strategy.



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The challenges in financing the development of urban wastewater

The recipe for financeability of environmental objectives resides in:

- **Building up a water sector** that can fulfill its environmental role and be a framework for viable investment in environmental protection!!
- Ensuring **active policies by governments** towards financeability of the water sector (prioritization, medium-term investment planning, enforcement and facilitating access to funding)
- Collect as much **revenue from users** as they are able to pay
- Blending **different sources of finance** and
- Making full use of available **EU grant resources**.
- **Regulatory framework** (such as WFD) – essential!, and need for clear technical guidelines (such as discharge permits)
- **Sustainability issues and cost recovery** as stipulated by the WFD (Cost reflective tariffs for water are critical for sustainability of measures)
- Need to elaborate **transparent and consistent national affordability guidelines** for projects.



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The challenges in financing the agricultural measures (1)

- Agriculture and land use are the key contributors in nutrient pollution
- All types of agricultural pressures on water are identified in the RBMP and PoM can be used to reduce the pressures from agriculture
- Natura 2000 zones and Nitrate Vulnerable Zones - important drivers in targeting RD measures.
- **Rural development 2014-2020**



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The challenges in financing the agricultural measures (2)

RD = 2nd CAP Pillar policy helps the rural areas to meet economic, environmental and social challenges.

- Improved for period 2014-2020 through CAP reform + legislative acts.
- In line with Europe 2020 and the overall CAP objectives **three long-term strategic objectives** for EU RD policy 2014-2020 are:

- fostering the **competitiveness** of agriculture;
- ensuring the **sustainable management of natural resources**, and **climate action**; and
- achieving a **balanced territorial development of rural economies and communities** including the creation and maintenance of **employment**.

Still as for 2007-2013, the National and/or regional rural development programmes (RDPs) will run for seven years.



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The challenges in financing the agricultural measures (3)

The **2013 reform** brings change by:

- improving the strategic approach to constructing RDPs;
 - strengthening the content of rural development measures;
 - simplifying rules and / or reducing the related administrative burden
 - linking rural development policy more closely to the other funds.
- Each rural development priority identifies areas of intervention ("**focus areas**").
 - Within their RDPs, Member States should:
 - set **quantified targets against these focus areas**, on the basis of an analysis of the needs of the territory covered by the RDP
 - set out which **measures** they will use to achieve these targets
 - Decide on how much **funding** they will allocate to each measure.

Funding is drawn partly from the European Agricultural Fund for Rural Development (EAFRD) and partly from national / regional and sometimes private sources.



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Financing requirements (1)

- There are a lot of possibilities of financing (visibility).
- Ensure co-ordination with European Commission: co-financing & advises for funding programmes
- Attractive topics for financing - climate changes!!
- Favorable lending conditions
- Ensure financial ability of the water sector
- Investigate co-financing opportunities with other IFIs and bilateral
- Recognised need for alternative finance, management and technical approaches - role of PPP – political sensitivity, private sector involvement, tariff affordability issue



Financing requirements (2)

- Clear policy frame providing long term security for environmental investments
- Reinforce the capacity of the countries to identify and prepare environmental investment projects
- Building stakeholders' (municipalities and enterprises) institutional capacity to develop project pipelines and to develop and finance investment projects
- Improving access to good practice studies - development of investment projects
- Realistic planning of investments
- Knowing the costs of achieving various environmental objectives - training environmental authorities with methodologies of calculating costs of environmental policies
- Prepare cost estimates (including cost effectiveness analysis) for heavy investments in public infrastructure.



Financing requirements (3)

Need of innovative financing instruments

- Water sector provides a big investment opportunity for long-term investment in water infrastructure
- The main problem will be how to mobilize the necessary funds, given the fact that domestic resources are limited and that funds provided by the international donors or private companies are insufficient.
- The distribution of funding sources in the last decade shows that the domestic public sector contributed 65–70%, domestic private sector 5%, and the remaining 30% equally distributed between the international donors and private companies.



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EU Financial instruments (1)

- Financial instruments represent a resource-efficient for reaching Europe 2020 Strategy objectives.
- Financial instruments provide support for investments by way of loans, guarantees, equity and other risk-bearing mechanisms, possibly combined with technical support, interest rate subsidies or guarantee fee subsidies within the same operation.



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Financial instruments (2)

Financial instruments have been used for delivering investments for Structural Funds since the 1994-1999 programming period.

Now represent around 5 % of total European Regional Development Fund (ERDF) resources. Financial instruments are expected to play an even stronger role in cohesion policy in the 2014-2020 programming period.



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Financial instruments (3)

- European Structural and Investment Funds and
 - European Fund for Strategic Investments
- complementarities: Ensuring coordination, synergies and complementarity



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The EU's main investment policy: Regional Policy (1)

- Regional Policy targets all regions and cities in the European Union in order to support job creation, business competitiveness, economic growth, sustainable development, and improve citizens' quality of life.
- In order to reach these goals and address the diverse development needs in all EU regions, € 351.8 billion put for Cohesion Policy for 2014-2020.



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The EU's main investment policy: Regional Policy (2)

How funding is delivered

Regional Policy is delivered through three main funds:

- the **European Regional Development Fund (ERDF)**
- the **Cohesion Fund (CF)** and
- the **European Social Fund (ESF)**.

Together with the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF), they make up the **European Structural and Investment (ESI) Funds**.



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The EU's main investment policy: Regional Policy (3)

Regional Policy and the Commission's political priorities

- The European Structural and Investment Funds are directly **contributing to the Investment Plan and the Commission's priorities.**
- Regional Policy provides the necessary investment framework to meet the goals of the Europe 2020 Strategy for smart, sustainable and inclusive growth in the European Union.

There are five targets for the EU in 2020 (Employment, Research & Development, Climate change and energy sustainability, Education, Fighting poverty and social exclusion).



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News on financing (1)

The EC adopted (July 2016) two new "off-the-shelf", i.e. "ready-to-use" financial instruments for ESI Funds investments, to ease access to funding for young businesses and urban development project promoters.

1) A **co-investment facility** to provide funding to start-ups and SMEs.



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News on financing (2)

2) Urban development funds will support sustainable urban projects, in public transport, energy efficiency or the regeneration of urban areas, for example. Projects must be financially viable and part of an Integrated Sustainable Urban Development strategy. Total investment combining public and private resources can amount to up to €20 million per project.



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Thank you!



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