

Minutes of meeting

Title: Training on Financing and Economic Instruments for Climate Proofing and Green Infrastructure

Moderator: Sonja Gebert (UNEP) and Maja Kurtagić-Hadžić (CENER 21)

MoM prepared by: Amina Begić and Maja Kurtagić-Hadžić, CENER 21

Date: June 13, 2022

Time: 09:30 – 12:30, on-line, Zoom platform

Aim of the Training:

- To enhance national capacities for replicating EU best practices regarding financing and economic instruments in the field of climate proofing and green infrastructure, as well as to review possibilities for establishment of a regional facility dedicated to climate-proofing of road infrastructure.

Participants response:

The meeting was attended by a total of 51 participants. The list of participants is given in Annex 1 of these minutes.

Agenda:

Time	Session / theme	Presenters
09:30 - 09:45	Opening remarks and introduction	Sonja Gebert, UNEP
MODULE 1		
09:45 - 10:15	Developing risk and vulnerability assessments: understanding how to identify hotspots and prepare an investment program in the Western Balkans countries to climate proof road assets	Mark de Bel, Deltares
10:15 - 10:45	Climate adaptation project development: developing a concept note / application for funding - formulating needs	Sabine McCallum, UNEP
10:45 - 11:00	Coffee break	
MODULE 2		
11:00 - 11:30	Potential of a regional facility dedicated to climate-proofing of road infrastructure: setting out an approach to get access to financing to climate proof road assets	Michel Leushuis, Rebel Group
11:30 - 12:00	ClimaProof – Guideline on EU best practices for financing climate proofing through economic instruments – presentation of the first draft	CENER 21
12:00 - 12:20	Q&A	
12:20 - 12:30	Concluding remarks	

Course of the Meeting:

In the introduction part of the Training, the participants were welcomed by Ms Sonja Gebert, Associate Programme Management Officer on behalf of UNEP. Ms Gebert informed participants about the objectives, activities and results of the ClimaProof project, emphasizing the need for financing climate proofing of infrastructure in the Western Balkans (in particular road infrastructure) and the necessary alignment with the best EU practices and recommendations. Ms Gebert presented participants with more details relevant to Component 3 of the ClimaProof project as well as with the aim and purpose of the Training itself. She also took the opportunity to inform participants of the two project outputs being developed: Regional Strategy for Climate Proofing Infrastructure, being in the final phase of development and the first draft of the Guidelines on Financing

Climate Proofing Measures, to be presented at the training. Ms Gebert in particular pointed out the importance of receiving relevant feedback from stakeholders in the course of development of the abovesaid documents.

MODULE 1 was opened by Mr Mark de Bel, Senior Economist from Deltares. Mr de Bel presented the method of identification of hotspots and preparation of investments for climate proofing of road assets in the Western Balkans. Mr de Bel elaborated on the general methodology (including risk assessment and the difference between damages and losses), thereby presenting a practical example on a case study - economic analysis of road assets in Albania (including approach, risk profile, criticality, cost-benefit analysis), and lessons learned. He noted that the desktop studies, which are based on global data with coarse traffic data (corridor level), can produce useful and strategic results at a network level. However, in order to execute the action plan, a field validation is very important. Also, Mr de Bel noted that finding reliable input and data (on damages, repair costs, downtimes, etc.) is sometimes difficult, which is why national input (from local partners and stakeholders) is of great importance.

Ms Valbona Berisha, National Consultant for Kosovo*, asked Mr de Bel if there were difficulties with the roads with negative rationale during the development of the Action Plan. Mr de Bel explained that the approach to the Action plan development was the vulnerability and resilience of the road network and, accordingly, the analysis of an economic rationale behind a possible intervention. If the economic rationale is negative, it means that damages are smaller in comparison to the potential investments.

Ms Sabine McCallum, Senior Strategic Advisor and Climate Change Expert from UNEP presented the process of preparation of funding proposals and formulating investment needs from the technical aspect. Ms McCallum elaborated the project development and planning through 3 main steps: development of a theory of change (ToC), design of a logical framework and identification of potential risks. She emphasized that Project Managers need to monitor and analyse project risks on a regular basis and implement the management responses as the risks emerge during project implementation.

Ms Sonja Gebert (UNEP) noted that the Guidelines contain an overview of available financing instruments and therefore may be of help and ease the process of preparation of the funding proposals. She also noted the importance of receiving relevant feedback from WB countries on the specific needs and focus areas for climate proofing.

MODUL 2 was opened by Mr Michel Leushuis, Senior Finance Expert from Rebel Group. Mr Leushuis presented funding mechanisms for climate-proofing of investments, with a focus on the following topics: financing need for climate-proofing of road infrastructure, an overview of current funders and their practices, the potential of private finance as a funding source, and the possibility of setting up a separate financing mechanism. Mr Leushuis clarified the difference between Greenfield and Brownfield projects in the context of their relevance to climate-proofing. He noted that accessing financing for climate-proofing of road infrastructure within Greenfield projects is not such a big challenge (since this aspect is only a couple of percentage points of total project cost), while the same access within Brownfield projects is harder to achieve since these projects are relatively small and entail dispersed investments. In addition, he emphasized that the Western Balkans Investment Framework (WBIF) is the main factor for implementation of the EU's Economic and Investment Plan for the WB, and one of their key priorities for the next years is sustainable transport. By the end of the presentation, Mr Leushuis elaborated on the advantages and disadvantages of setting up a separate regional facility dedicated to climate-proofing of road infrastructure / financing mechanism.

Ms Sonja Gebert (UNEP) pointed out that the emphasis of the current project is not so much on how to build financing mechanisms, but rather on the general idea of mainstreaming climate proofing as well as on gaining insight on how to move forwards and how to tailor further discussions with WB countries on this topic.

Ms Maja Kurtagić-Hadžić, Project Manager on behalf of CENER 21, presented a brief overview of the draft version of Guidelines on Financing Climate Proofing Measures. She informed that the Guidelines were developed in close collaboration with Rebel Group, with a contribution of colleagues from Deltares and pointed out that all identified stakeholders would receive the final draft of Guidelines, once completed, as the opinions of stakeholders are valuable and useful in the process of drafting and tailoring the final version of the document. Ms Kurtagić-Hadžić explained that, in the course of development of the document, the more the team investigated, the more they questioned the need of coexistence of a separate funding mechanism at the WBs level. However, the team conducted research through interviews with representatives of EBRD, EIB and WBIF and has accordingly structured a matrix of pros and cons relevant to the possible establishment of such a mechanism. She concluded that in the given context, when it comes to financing of climate proofing in the WBs, the Guidelines are to be used as a roadmap for possible future establishment of either a separate funding mechanism, governed by an institution with a political mandate, or a facility within the current available funding mechanisms in the WB.

Dr. Baskim Kastrati, Hydrologist from Kosovo Hydrometeorological Institute, kindly made himself available and at disposal, should there be a need for cooperation and help in the development of both the Strategy and the Guidelines. Ms Kurtagić-Hadžić invited Dr Kastrati to give his contribution in reviewing the national input for Kosovo* Strategy and pointed out it might be of strategic importance.

Conclusions:

- Mainstreaming climate proofing gives us an insight into how to move forwards and how to tailor further discussions with WB countries on the topics of climate proofing infrastructure.
- All relevant comments and feedback received upon reviewing of the Regional Strategy and the Guidelines will be accordingly considered and used for the development of the final version of the said documents.
- Within Guidelines, pros and cons for establishing a regional fund-raising mechanism are presented. Pros and cons are presented as the matrix arising from the previously conducted research/interviews with financing institutions with already established funding mechanisms.
- Final drafts of the Regional Strategy and the Guidelines will be presented to relevant regional stakeholders during the in-person meeting in Vienna, scheduled for 7th July of 2022.

Annex 1: Attendee Report

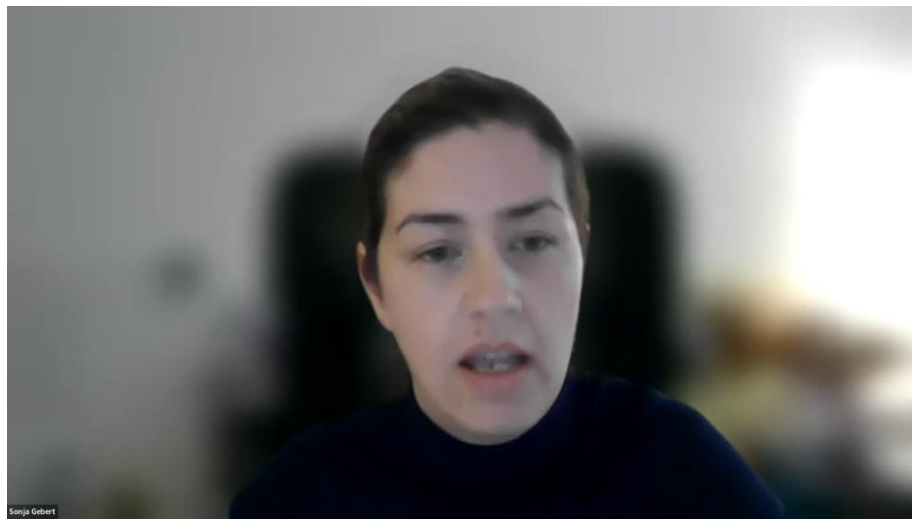
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* This designation is without prejudice to positions on status and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

Annex 2: Photo Material



01a Problem and situation analysis



Developing risk and vulnerability assessments

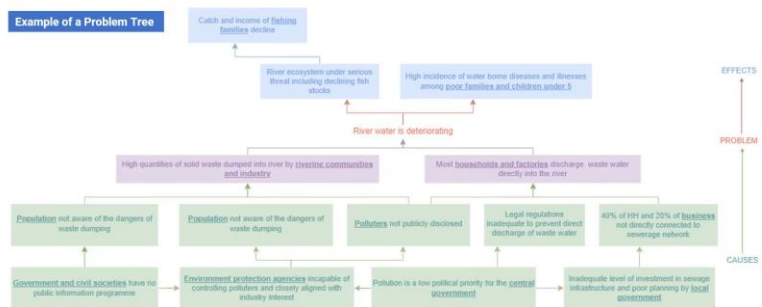
Identifying hotspots and investment preparation for climate proof road assets in the Western Balkans

Mark de Bel

13 June 2022



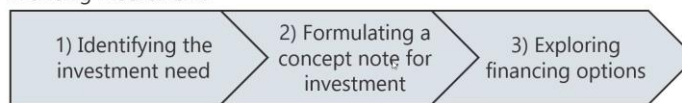
Example of a Problem Tree



Goal of this presentation

Links with previous presentations in webinar

- ▶ Looking back at the **previous presentations**, we have today discussed:
 - Understanding how to identify hotspots and prepare an investment program in the Western Balkans countries to climate proof existing brownfield road infrastructure assets.
 - Preparing a project proposal for potential financiers.
- ▶ Now we look in more depth into the need for financing and options for project developers in terms of accessing funds* – potentially through a dedicated financing mechanism.



*the Guidelines that are currently being developed offer an overview of the various funding and financing sources available



Guideline_EU practices outline_full draft_2a presentation

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countries. While sustainable energy issues will be a priority over time, energy and other natural resources are currently being used inefficiently in the public and private sectors, and significant investments in energy efficiency and climate change adaptation are needed. A climate proof path offers the Western Balkans to avoid the mistakes of the past and seize the opportunity to leapfrog to a better form of growth that can deliver on both its development and climate goals. It will require, however, investments in climate proofing measures. Non-investment will cost even more in the long-term.

The countries of the Western Balkans are making slow progress in reforms, especially when it comes to purposeful spending of funds. Collected tolls and fuel taxes are not spent entirely on highway construction. Also, the inclusion of funding for climate change recovery, in the maintenance phase, is often not planned at the level of annual activities of road infrastructure management companies.

An underdeveloped operating environment is a key issue in the process of withdrawing funds from bilateral, multilateral and international financing institutions. Some problems common to all Western Balkan countries are: underdeveloped institutions, low civil service capacities, and a weak judiciary. Since the costs of tackling climate change in developing countries could reach some hundreds of billions of USD annually in the coming years, there is no doubt that appropriate reforms are needed to reduce administrative barriers for the withdrawal of international funding.

In the transport sector, EU financial institutions seek to fund projects that promote sustainable transport. Such institutions have their own environmental requirements, including climate and climate change, that must be met in order for the project to be ultimately funded. Infrastructure and public transport should be accessible, efficient, environmentally friendly, and safe.

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ClimaProof - Training on Financing and Economic Instruments for Climate Proofing and Green Infrastructure

13 June 2022; 9:30 - 12:30 CET
Zoom platform

CLIMA PROOF AUSTRIAN DEVELOPMENT COOPERATION

Seima Totic

Dr. Bashkim Kastrati - KHM