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EU4Environment
Water and Data in Eastern Partner Countries

EU4Environment in Eastern Partner Countries: Water Resources and Environmental Data

SUMMARY REPORT

REGIONAL WORKSHOP

Facilitating the financing of water and environmental resilience in the Eastern Partnership Countries

Date:
28 June 2023

Venue:
Talent Garden, Vienna, Austria

Time:
14h00 – 18h00 (Hybrid)

Background: This meeting aimed to provide representatives of the EU4Environment Water and Data programme an occasion to exchange on the challenges and opportunities for financing water and environmental improvements in the EaP countries, as well as the goals of the EU's Economic and Investment Plan (EIP) towards environmental resilience. It also provided a space to discuss the implementation of River Basin Management Plans, the potential for new technologies and approaches, including Nature-based Solutions, and the opportunities presented by a "Team Europe" approach to the water and zero pollution thematic. A full day of [site visits](#) to learn about EU good practices and how Nature-based Solutions can be effectively implemented was organised by experts from the Environment Agency Austria (UBA) on June 29.

[Meeting Agenda](#) | [List of Participants](#)

The Summary Record and the meeting documentation were prepared by the Implementing Partners (the Organisation for Economic Co-operation and Development, the United Nations Economic Commission for Europe, the Austrian Environment Agency, the Austrian Development Agency and The International Office of Water).

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MAIN DISCUSSION POINTS

Item 1. Opening Remarks

Mr. Gérald AUDAZ, Team Leader on Economic Development, Connectivity, Digital and Green Transitions at the Directorate General for European Neighbourhood East Policy and Enlargement Negotiations, European Commission (DG NEAR), welcomed participants and opened the meeting. In his keynote presentation, Mr. Audaz highlighted the EU support provided to the partner countries in conjunction with the Economic and Investment Plan (EIP), including investments in the water sector. He emphasised that guarantees, and blending are critical instruments of the EIP, helping to facilitate and de-risk projects which may not be sufficiently attractive to investors. He also explained the process for accessing finance, noting the role of various stakeholders and the importance of banks' assessment of the financial viability of specific projects and whether they are worth doing. The presentation is available [here](#).

Mr. Audaz invited His Excellency, Mr. Gernot PFANDLER, Ambassador, Special Envoy for Eastern Partnership, Austrian Ministry for European and International Affairs, to provide his welcome remarks. Mr. Pfandler highlighted Austria's involvement and support of the Eastern Partnership countries' initiatives on water management. He further stated Austria's support to Ukraine, condemning Russia's unjustified war of aggression and its consequential human and environmental damages, including after the attack on the Kakhovka dam. He further stated the financial support provided by Austria to Ukraine as a contribution to the country's reconstruction efforts.

Mr. Audaz proceeded to open the floor for interventions from the EaP Country Delegations and other stakeholders on their needs, opportunities, and challenges on investments in the water sector and the "water and zero pollution" thematic.

Ms. Tamara KUTONOVA, Environmental Affairs Officer, United Nations Economic Commission for Europe (UNECE) stressed on a need to sensitise the IFIs to invite water authorities to their bilateral meetings with the governments and suggested closer cooperation with EU-funded projects on local development. Mr. Audaz clarified that EIP implementation is based on a close interaction with national governments, local actors and banks. He also noted that facilities exist to support due diligence and feasibility studies for projects, and bridge capacity gaps.

Mr. Arvo NERMAN, Project Manager, Finnish Water Forum, noted that water monitoring is not commercially viable in water utility initiatives, especially at its initial stages, making obtaining financing for such activities difficult. He also asked whether part of the financing was allocated to the initial stages of a project. Mr. Audaz responded that the request for EU support needs to be made through an eligible IFI for the EU to provide the funds. Opportunities exist to accommodate financing of the initial stages of a project, recognising the challenges at these stages.

Mr. Martiros NALBANDYAN, Water Committee of the Ministry of Territorial Administration and Infrastructure, Armenia, called for increased capacity building activities for the public and private sectors in EaP countries to ensure proper procedures for financing requests are followed. He welcomed efforts by banks to provide more training on this.

Item 2. Experience and status updates from EaP Countries

Mr. Martiros NALBANDYAN, Water Committee of the Ministry of Territorial Administration and Infrastructure, Armenia, provided a list of recent achievements and noted the importance of diversifying co-operation with different IFIs. He mentioned that despite ambitious plans for the RBMPs – including construction of reservoirs and the rehabilitation of irrigation systems – new funding sources were needed. In that context, he welcomed the initiative on the assessment of Armenia’s enabling environment for water finance. He also underlined some challenges around accessing finance, including capacity and knowledge for applying for loans.

Mr. Faig MUTALLIMOV, Head of Environmental Policy Division, Ministry of Ecology and Natural Resources of Azerbaijan, outlined the need to invest in modernising water supply infrastructure for drinking water, sanitation, and irrigation; announcing that ten new water supply assets are to be built with the assistance of public-private partnership financing. He noted that the NPDs have helped enhance cooperation amongst water stakeholders and was optimistic that the newly established water agency will help increase the pace of implementation. Mr. Mutallimov concluded that re-introducing sturgeon, salmon, and other fish into rivers as a Nature-based Solution has been successful in Azerbaijan.

Ms. Maia JAVAKHISHVILI, Deputy Head of Environment and Climate Change Department, Ministry of Environmental Protection and Agriculture of Georgia, highlighted several infrastructure projects with the financial assistance provided by private-public partnerships. She also stated that once Georgia’s Water Resources Management legislation reform is adopted, financing for further infrastructure projects in the water sector will be facilitated. Ms. Javakhishvili also pointed out that the OECD currently supports Georgia in reforming surface water abstraction fees, but that further assistance is needed to identify and implement Nature-based Solution projects.

Ms. Marina LUNGU, Head of Environmental reference laboratory, Environmental Agency, Republic of Moldova, stated that Moldova has limited resources to address environmental issues, as focus on the country’s economic development is the main priority for the current government. However, she highlighted that implementing RBMPs has led to the adoption of new laws and regulations. She further noted that 35% of measures from PoM of RBMPs have been fully implemented, while noting that more than 90% of measures were financed through international donors. Ms. Lungu called for assistance in capacity building as new government agents have not been replaced, though she was optimistic that the recent salary increase for officials should create more stability. Assistance from international financing institutions to implement environmental protection projects will remain vital.

Ms. Maria SHPANCHYK, Head of the Department of Water Resources Management, State Agency of Water Resources of Ukraine, highlighted that given the current situation, the financing currently available in Ukraine accounts for 90% from international partners. She further stated that the water strategy includes recovery plans, but the water tariff structure needs to be revised, noting that charges and taxes are not more than 1% of water tariffs while electricity costs account for 80% of the water tariffs. However, she noted that tariffs are a highly politicised issue in Ukraine with major social implications. Noting that the OECD recently opened an office in Ukraine, Ms. Shpanchyk suggested a closer collaboration with the organisation to address this issue with the Ministry of Finance in order to put financing instruments to reimburse water-related costs in place, noting that the current scheme has major social implications.

Mr. Matthew GRIFFITHS, Programme Manager, Environment Directorate, OECD, highlighted the OECD's commitment to supporting Ukraine on the water tariffs issue through the EU4Environment Water and Data programme in order to provide sound policy recommendations.

Mr. Dumitru DRUMEA, Representative EaP Civil Society Forum, emphasised the important role that civil society institutions play, especially because at the local level they are the ones implementing RBMPs. He underlined that according to estimates in the region, a significant portion of total RBMP activities are the responsibility of local public authorities but there is a gap on data, finance, and human and technical capacity. In addition, he further called for regional cooperation, while noting that transboundary cooperation remains challenging when governments and local authorities lack the necessary expertise.

Item 3. Experience and plans from EU Member States and multilateral and bilateral providers

Mr. Roman HAVLÍČEK, Director General, Water Directorate, Ministry of Environment of the Slovak Republic, presented Slovakia's experience in water planning and financing towards compliance with the EU acquis. He emphasised that it was a long and significant process, and that planning itself is challenging – especially the transition from the top-down approach in the 1970s, which focussed on large water projects driven by senior officials, towards EU good practice. He highlighted several lessons learned, including the need to reduce dependence on external financing in the water sector as it is not sustainable. He further recommended not to postpone measures and investments that are necessary for the implementation of EU legislation. Finally, Mr. Havlíček recommended having a clear national strategy for the water sector, which is in line with EU policies, as well as having an ambitious yet realistic programme of measures included in the water plans. Finally, he concluded by advising to keep public control over the water sector in the country and ensure that river basin plans are actually integrated with plans, strategies and budgeting processes for other sectors. The presentation is available [here](#).

Mr. Gheorghe CONSTANTIN, Deputy Director General, Water Directorate, Ministry of Environment, Water and Forests of Romania, presented the country's experience developing the RBMP financing programme. He echoed Mr HAVLÍČEK, noting the importance of planning underpinned by accurate data, and discussed the challenges with rehabilitating the Romanian section of the Danube valley, and enhancing wastewater treatment levels nationally. The presentation is available [here](#).

Mr. David TYLER, Associate Director, Head of Project Preparation & Implementation, Sustainable Infrastructure Group, European Bank for Reconstruction and Development (EBRD) gave an overview of the EBRD's water investments in the EaP countries, as well as information on the analytical and advisory services that the EBRD provide in addition to traditional lending. The presentation is available [here](#).

Ms. Ewa MANIK, Associate Director, Eastern Europe Energy Efficiency and Environment Partnership (E5P), (EBRD), shared an overview of the E5P Fund including the opportunities available for EaP countries to participate and access financing for environmental and water projects. The presentation is available [here](#).

Mr. Raphael JOZAN, Director for the South Caucasus (Armenia, Azerbaijan, Georgia), Agence Française de Développement (AFD), shared the outcomes and lessons learned from Georgia's irrigation project. He highlighted that funding was obtained through a sector development approach and in co-ordination with various ministries (Finance, Environment, and Agriculture). This policy-based loan approach in partnership with other IFIs has potential for replication. Mr. Jozan further stated that a similar project with Armenia might be initiated.

Mr. Marco BEROŠ, Lead Engineer, Water Management Division, European Investment Bank (EIB), presented the EIB's Nature-based Solution projects and case studies. The presentation is available [here](#).

Mr. Raimund MAIR, Sr. Water Resources Management Specialist, Water, Europe and Central Asia, World Bank, outlined various water and environmental financing projects. He also discussed how the WB selects projects to fund, including the critical role of the national enabling environment. The presentation is available [here](#).

Ms. Birgit VOGEL, Executive Secretary, International Commission for the Protection of the Danube River, provided the experiences on implementing the Danube River wastewater treatment and monitoring and the continuity of fish migration in the Danube River Basin. She highlighted the importance of a functioning monitoring system to track progress in the implementation of measures. The presentation is available [here](#).

Item 4. Financing water and environmental resilience in EaP Countries – EU support and finance for biodiversity and Nature-based Solutions

Ms. Angela BULARGA, Programme Manager, DG NEAR, European Commission, noted that during the development of the EU4Environment Water and Data programme, Nature-based Solutions were included as an example of a cost-effective, innovative approach in water management. Ms. Bularga noted that NbS should be an essential part of all water management plans if countries are to implement the Water Framework Directive and achieve the SDGs. She mentioned that the EU plans several NbS demonstration projects in 2023-24 and additional finance may be dedicated to biodiversity related projects. Ms. Bularga concluded by mentioning the work done under the EU4Environment Green Economy programme in co-operation with the World Bank on the financing aspects needed to implement forestry and protected area projects, as well as a project on green bonds.

Mr. Matthew GRIFFITHS provided an overview of OECD plans on supporting financing in EaP countries in the next phase of implementation of EU4Environment Water and Data. He reported an EaP focused OECD Roundtable on Water financing which will be planned for Q2 2024 and invited all participants in session 3 to consider participation. Mr. Alexander ZINKE, EU4Environment Water and Data Action Leader, Environment Agency Austria, provided details of the [all-day site visits organised for June 29](#).

Item 4 – Concluding remarks

Mr. Gérald Audaz provided the concluding remarks and thanked participants for their rich interventions, noting the attention from IFIs on the water sector and the opportunities to continue the EU4Environment Water and Data programme.

Meeting conclusions included:

- Climate change pressures are driving financing needs in EaP countries, putting pressure on water supply and creating demand for strategic storage and water efficiency measures. Novel technologies and approaches must be considered as part of the response to these pressures, including desalination and wastewater effluent reuse.

- Significant financing is needed for water and environmental resilience including for Programmes of Measures of officially adopted River Basin Management Plans.
- Partnerships with banks and donors need to be enhanced, as does regional cooperation, particularly on shared water bodies and basins in order to optimise overall regional financing needs. EaP countries also called for capacity development, including building institutional capacity and understanding the requirements of IFIs and donors for accessing finance .
- The EU's EIP aims to unlock €17Bn of public/private investments over the 2021-27 period, with €5.3Bn already unlocked in EaP countries across 8 priority areas. €850M is anticipated for water and environmental resilience.
- Integrating Programmes of measures with planning and budgetary processes came out as a strong recommendation. A number of funds and programmes are available to EaP countries and could inspire progress with regards to River Basin Management Plan implementation.
- Nature based Solutions (NbS) were presented as an “emerging” technology with potential to contribute to a number of policy areas in EaP countries including water management, disaster risk reduction and improving biodiversity. NbS have their own management and financing challenges and there is opportunity for EaP countries to learn from EU experience and practice.