

ORGANISATION
FOR ECONOMIC
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ORGANISATION DE
COOPÉRATION ET
DE DÉVELOPPEMENT
ÉCONOMIQUES



STAKEHOLDER MEETING AND TRAINING WORKSHOP

ON THE PROJECT

**PROMOTING GREEN GROWTH AND LOW-CARBON DEVELOPMENT IN EASTERN EUROPE,
CAUCASUS AND CENTRAL ASIA: ANALYSIS AND SUPPORT TO POLICY DIALOGUE ON KEY
GOVERNANCE ELEMENTS OF THE GREEN ECONOMY CONCEPT**

DESIGN AND COSTING OF A GREEN PUBLIC INVESTMENT PROGRAMME IN KAZAKHSTAN

13-14 December 2016, Astana, Kazakhstan

ANNOTATED AGENDA OF THE EVENTS

The stakeholder meeting and the training workshop will be held at:

Hotel Kazzhol

213 Balqantau St., Conference Room Miras

Starting at 9:00 am on the first day

DESIGN AND COSTING OF A GREEN PUBLIC INVESTMENT PROGRAMME IN KAZAKHSTAN

Background

The implementation of the Green Economy Concept in Kazakhstan is designed to contribute to the economic growth of the country while ensuring a more rational use of natural resources and a reduction of negative environmental impacts. While most of the resources needed to support the greening of the economy are expected to come from the private sector, the public sector still has a crucial role to play, particularly in creating incentives and supporting new technologies.

The government of Kazakhstan has considered different scenarios for achieving low-carbon economic growth and combatting climate changes. The costs of these scenarios vary but greening the economy will require significant public domestic and international support.

To combat climate change, green its economy and achieve its targets, the Kazakh government will need to ensure that they put in place low-carbon programmes which will identify the most cost-effective projects to be supported with public funds. In this context, the Ministry of Energy, as a major player in green and climate change policy in Kazakhstan, will need to prepare economically robust public investment programmes which will be in a position to effectively compete for support from the budget and other financial sources.

To increase the capacity of the government to prepare and implement such programmes, the Ministry of Energy has requested the OECD to help with the design and costing of a selected investment programme which can serve as a model in further programmatic exercises. The main objective of the Programme, as identified by the Ministry of Energy, was reducing air pollution from the transport sector.

In further discussions with the Ministry of Energy, two pilot cities in Kazakhstan were selected to be included in the investment programme, namely Kostanay and Shymkent. It was agreed that the main focus of the Programme will be on promoting and supporting the purchase of clean buses that run on clean fuels (compressed natural gas, liquefied petroleum gas and diesel EURO6) and that will be used in the public transport sector.

Based on identified objectives and targets, the OECD Project Team estimated the financial envelope of the programme and its cost to the public purse as well as determined the optimal level of subsidy that could motivate potential public and private beneficiaries to invest their own resources and participate in the Programme. While the technical analysis underpinning the Programme is a first and necessary condition to justify the need for public support in this sector, further efforts will be needed by the Government of Kazakhstan to make the Investment Programme operational and ensure its practical implementation.

This project is financially supported by the Government of Kazakhstan, through the Ministry of Energy, and is implemented as part of the Kazakhstan-OECD Country Programme.

Objectives of the stakeholder meeting and the related training workshop

Two events will be organised to present the Investment Programme designed and costed as part of the project. The first event is a **stakeholder meeting** where policy relevant issues related to the design and future implementation of the Programme will be discussed. The stakeholder meeting will be held on **13 December 2016**.

Following this meeting, a short **training workshop** will be organised to discuss in more detail some of the technical issues related to the design and identification of investment projects that can be potentially financed through the Investment Programme. The training will be rooted in and based on the Investment Programme designed as part of the project. The training will be held on **14 December 2016 in Astana**.

The stakeholder meeting and the training workshop will be held **at Hotel Kazzhol** in Astana.

a. The main objectives of the *stakeholder meeting* are to:

- Present, discuss and agree on the major elements of the Programme as proposed by the Project Team (e.g. environmental priorities for potential project pipelines, targets, major beneficiaries and major project types to be supported through the Programme) and have a reality check of the assumptions made for these elements;
- Identify and discuss potential challenges to Programme financing and implementation. Identify and agree on a set of priority policy actions for legal and regulatory changes that need to be put in place in order to enable the implementation of the Programme;
- Discuss and agree on the next steps in project completion.

Simultaneous English-Russian interpretation will be provided during the stakeholder meeting. The report, the model and the model user guide as well as presentations will be provided to participants in both English and Russian.

b. The main objectives of the *training workshop* are to:

- Improve the capacity and understanding of government officials and other relevant experts in the design and costing of medium to long-term green public investment programmes by providing them with access to modern management tools developed in accordance with good international practices;
- Improve the capacity and understanding of government officials and other relevant experts of programme implementation and more specifically of appraisal and selection techniques of investment projects that will be financed through the Programme.

Practical information about the training

- The optimal number of trainees is 15 and not more than 20. The trainees could include government officials from different ministries, agencies but also local governments, preferably with experience in designing and managing environmentally-related public programmes or programmes in the transport sector. Ideally participants in the training should also participate in the stakeholder meeting so that they get a better understanding of the policy discussion that surrounds programming;
- Training language: English with a Russian interpretation;
- Training materials in English and Russian will be provided to all participants;
- The training will be delivered through a mix of presentations, computer-based exercises and interactive discussions;
- Coffee-breaks and lunches will be provided by the OECD.

STAKEHOLDER MEETING AGENDA

Day One, Tuesday, 13 December 2016

Presentation of the Investment Programme on Clean Public Transport in Selected Cities of Kazakhstan

9:00 – 9.15 Registration

Session 1 Introductory session

9:15 – 10:00 **Welcoming remarks, adoption of the agenda and round of introductions**

- Welcome from the Ministry of Energy – Olga Melnik, Head of Division on Green Economy Concept Implementation of the Department of Green Economy
- Objectives of the meeting and adoption of the agenda – Nelly Petkova, OECD
- Round of introductions

10:00 – 10:30 **Review of Green Public Investment Programmes in Kazakhstan** – Bakhyt Bayanova, Chief Expert, JSC Center for Trade Policy Development

The presentation will review existing Public Investment Programmes in Kazakhstan: Their scope, budget, targets and implementation arrangements.

10:30 – 10:45 Coffee break

Session 2 What is a green public investment programme and why its design matters to the public financier?

10:45 – 11:00 **Introduction to the Green Public Investment Programme in Kazakhstan: Clean Public Transport in Selected Kazakh Cities**

The presentation will introduce the proposed Investment Programme: Programme objectives, scope and targets.

Nelly Petkova, OECD

11:00 – 12:00 **Overview of clean fuels and technologies in public transport: CNG, LPG, Diesel Euro6 and electric buses**

The main clean fuels and technologies in public transport that exist in the market will be discussed. The reasons for pollution coming from traditional buses will be explained as well as in what ways clean transport differs from traditional and what its main economic and environmental advantages are.

Rafal Stanek, SST/KPC

12:00 – 13:00 **Why conducting a Market Study is important in justifying the need for public investments in the transport sector and what are its main elements?**

The Market Study conducted as part of the Programme justifies the need for public intervention in the transport sector and analyses among others: the levels of air pollution in Kazakh cities, current state of public transport, including the number and age of buses, access to clean fuels and clean technologies (bus production in Kazakhstan/import). The analysis provides the basis for the estimation of the financial envelope of the Investment Programme and the optimal level of subsidy to potential beneficiaries. It also discusses possible legal and regulatory challenges that public transport operators are facing in modernising their fleet.

David Toft, SST/KPC

13:00 – 14:00 **Lunch**

Session 3 **Main elements of the Investment Programme and what it takes to operationalise the Programme**

14:00 – 14:45 **Programme costing and environmental impact – Presentation of the model for estimating the cost of the Clean Public Transport Programme in Selected Kazakh Cities stemming from agreed environmental objectives**

Costing of the investment programme is a de facto optimisation exercise aimed at maximising environmental and other positive outcomes that can be achieved through the Programme in an effective way. The presentation will review the method used to estimate the costs of individual buses as well as the public costs of the entire Programme. The reduction of major pollutants (e.g., CO₂, CO, NO_x, SO₂, PM) achieved as a result of Programme implementation will also be discussed.

Rafal Stanek, SST/KPC

14:45 – 15:15 **Possible institutional arrangements to support programme implementation**

In order to get implemented, the Investment Programme will need government support. An effective institutional arrangement at national and local levels will need to be put in place in order to ensure sound management of the Programme. This presentation will review a set of options for government support and institutional set-ups that can be employed in Programme management. It will also discuss possible procedures that can be used in Programme implementation related to the selection of target cities and individual investment projects.

David Toft, SST/KPC

15:15 – 15:45 **Who will finance the investment programme?**

Main domestic and international public sources that can be approached to finance the Investment Programme. Requirements to access major international climate funds

The implementation of the Programme requires significant public resources. The state budget is one possible major source of finance but other options, including international sources, exist as well.

Martin Gauss, KPC

15:45 – 16:00 **Coffee break**

Session 4 Plenary session and open discussion

16:00 – 17:00 Discussion on the Green Public Investment Programme in Kazakhstan: Clean Public Transport in Selected Kazakh Cities

Main questions for discussions:

- *Do you agree with the main thrust of the Investment Programme on Clean Public Transport? Do you think it is economically robust, convincing and realistic? Do you agree with the main findings and conclusions of the Market Study?*
- *What are the most realistic public sources of financing (domestic and international) that can be approached with requests to finance the Programme?*
- *What is the best institutional set-up to manage the Programme? Which institution has the best capacity to manage and oversee the implementation of the Programme?*
- *What could or should the Government of Kazakhstan do to implement the Programme? How can the OECD support the Government in its efforts to further promote the Programme domestically and internationally?*

Session 5 Wrap-up and adjourn of the meeting

- 17:00 – 17:30
- Summary of key conclusions of the meeting and discussion on next steps to finalise the project – Nelly Petkova, OECD
 - Concluding remarks – Olga Melnik, Ministry of Energy

Documents that will support meeting discussion:

- Report of the market study (English, Russian)
- Costing model and explanatory guide (English, Russian)
- Draft report on the design of the individual elements of the Programme (English, Russian)
- Presentations (English, Russian)

TRAINING AGENDA

Day Two, Wednesday, 14 December 2016

Training Workshop Related to the Investment Programme on Clean Public Transport

Session 1 **Introductory session – Programming cycle**

9:00 – 10:00 **Case studies of Green Public Investment Programmes: Examples from selected EU countries**

How are green public investments in the transport sector financed in the EU countries? An example of a Green Public Investment Programme implemented in one of the EU member states will be presented. The focus of the discussion will be on programme goals, targets, level of subsidy and programme implementation set-up.

Martin Gauss, KPC and Rafal Stanek, SST/KPC

10:00 – 11:15 **Programming cycle, setting programme priorities and targets, monitoring, reporting and evaluation of the Programme**

Programme definition, relation between strategic documents and programmes, translating policy aims into expenditure/investment programmes will be in the focus of this presentation.

David Toft, SST/KPC

11:15 - 11:30 **Coffee break**

Session 2 **Programme costing and setting the optimal level of subsidy**

11:30 – 12:00 **Cost estimation and link with MTEF (Medium-term expenditure framework)**

One of the key elements of the green investment programme is a clearly defined budget that will need to be spent in order to achieve targets defined in the programme. The presentation will discuss how to best estimate the costs of a multi-year green public investment programme. It will also present major methods for the estimation of programme costs and the links between total programme financial envelope and the annual programme budget. Short discussion of programme revenue projections will also be included.

Rafal Stanek, SST/KPC

12:00 – 13:00 **Setting the optimal level of subsidy and the choice of eligible form of subsidy**

Short explanation of the EU financial gap analysis. Understanding the financial gap concept may help in setting the optimal level of subsidy from the perspective of the public financier.

Review of different forms of project subsidies will also be included: grants, soft loans, interest-rate subsidy, loan guarantees, equity investments.

Rafal Stanek, SST/KPC

13.00 – 14.00 **Lunch**

Session 3 **Project cycle management and achieving cost-effective outcomes from the Programme**

14:00 – 14:30 **Introduction to Project Cycle Management (PCM)**

General presentation of PCM – What are the main PCM stages and milestones and how to organise the PCM process?

David Simek, OECD

14:30 – 15:45 **Methods for appraisal of environmental investments – Cost-effectiveness analysis (CEA), including Dynamic Generation Cost and Annualised Costs**

Cost-Effectiveness Analysis (CEA) seeks to ensure that a project should achieve its environmental objectives at the lowest possible cost. CEA is used to select the cheapest approach to addressing a given environmental problem. It assumes that all projects produce homogenous environmental benefits and on this basis the projects competing for support from the Programme can be meaningfully compared.

Rafal Stanek, SST/KPC

15:45 - 16:00 **Coffee break**

16:00 – 16:30 **Methods for appraisal of environmental investments - Multi-Criteria Analysis (quantifiable and non-quantifiable) - Scoring systems**

Investment evaluation using the method of Multi-Criteria Analysis involves the development of a finite number of criteria against which all project proposals will be compared. The criteria themselves may vary in their detail, ranging from simple questions (yes or no) (eligibility criteria) to more detailed and graded criteria (appraisal criteria) depending on the degree to which the criterion is met (such as the extent to which some desired effect has been achieved). In practice, each criterion is assigned a weight corresponding to its relative importance among all criteria.

The essence of this evaluation method is the project's consistency with a set of defined appraisal criteria. Each proposed project is evaluated against the same criteria. Each investment project gets a score (sum of points) reflecting its importance relative to other proposals.

David Toft, SST/KPC

Session 4 **Plenary session**

16:30 – 16:45 **What have we learnt from the analysis and what needs to be done to operationalise the programme?**

Nelly Petkova, OECD

16:45 – 17:00 **Closing of the training**

- Olga Melnik, Ministry of Energy
- Nelly Petkova, OECD