

Reporting Agency: UNDP
Country: Kazakhstan

ANNUAL PROJECT PROGRESS REPORT

No. and title: UNDP-GEF Project «Sustainable cities for low-carbon development»
Period: 2016

I. PURPOSE

Project title: Sustainable cities for low-carbon development (Nationally Appropriate Mitigation Actions for Low-carbon Urban Development)

UNDAF Outcome(s): Environmental Sustainability. By 2015, communities, national and local authorities use more effective mechanisms and partnerships that promote environmental sustainability and enable them to prepare, respond and recover from natural and man-made disasters.

UNDP Strategic Plan Primary Outcome:

Outcome 1: Growth and development are inclusive and sustainable, incorporating productive capacities that create employment and livelihoods for the poor and excluded

Output 1.4. Scaled up action on climate change adaptation and mitigation across sectors which is funded and implemented

Expected CP Outcome(s): The Government, industries and civil society take steps to adapt to climate change and mitigate its impact through energy efficiency measures and climate change adaptation policies.

Expected CPAP Output (s): Government and energy consumers are better equipped with knowledge, policies and pilot cases on energy efficiency in sectors with high carbon dioxide emission levels.

The Project will promote the determination, development and implementation of measures to minimize the impact on climate change, complying with the national conditions (NAMA), in the urban sector. These measures, including investment in the efficient infrastructure, as well as capacity building, awareness raising and technical assistance, will encourage both the improvement of municipal services' operation and improvement of the population quality of life in cities and towns of Kazakhstan, and the achievement of voluntarily taken country goals on GHG reduction.

The Project will strengthen the potential of urban (regional) services in the comprehensive urban (regional) planning, development of goals on prioritization of urban (regional) measures, reducing the impact on climate changes (Component 1), grant support for the establishment and strengthening of institutional structures to provide public-private investments in certain infrastructure facilities and technical assistance delivery (Component 2); grant support for the funding of urban NAMA within the limits of the special fund (Component 3); implement pilot urban NAMA in the Prigorodniy district of Astana by investing in the upgrade and improvement of the urban infrastructure (Component 4).

The Project provides for the achievement of the following indicators, as the reduction of direct GHG emissions - 370,000 tCO₂e (tons expressed in CO₂), reduction of direct emissions upon completion of the project 275,000 tCO₂e and reduction of indirect GHG emissions - from 1 to 5 mln. tCO₂.

II. RESOURCES

- GEF for 2016 - \$ 673,035
- UNDP for 2016 - \$ 12,320

III. TARGETS vs. RESULTS

Under Component 1 “Integrated municipal planning, targets and prioritization for urban mitigation actions”:

This component provides for the delivery of technical and methodological support to 15 cities (regions) in the collection, processing and analysis of data on the urban low- carbon planning. The priority measures in the urban sector, which contribute to energy preservation and the raise of power efficiency, are determined in the selected cities.

14 cities, as Shymkent, Taraz, Temirtau, Lisakovsk, Kokshetau, Stepnogorsk, Aktobe, Kapshagai, Semey, Uralsk, Pavlodar, Petropavlovsk, Kostanay, Satpayev, were selected to participate in the project for this component. Astana, the capital city, is now considered as the 15-th city (the decision on its enlistment will be adopted at the regular meeting of Steering Committee, i.e. in January, 2017). Memorandums of Cooperation have been concluded with the 5 pilot cities, as well as contact working groups, including local executive agencies, utility enterprises and UNDP experts, were established. The draft Memorandums with the rest of the cities are in progress.

The first six pilot cities (Shymkent, Taraz, Temirtau, Lisakovsk, Aktobe and Kostanay) have elected their local coordinators, who render support to activities of the project implementation group in these cities; they contributed to the collection of the primary statistical material on municipal services to develop comprehensive low-carbon plans and investment proposals, which will be finalized in the first half of 2017.

Priority projects, resulting in the reduction of energy consumption and GHG emissions, were identified in the cities of Lisakovsk, Satpayev, Kapshagai, Shymkent and Temirtau. These are the projects on modernization of heat consumption and building illumination, outdoor and indoor lighting and pump equipment. In the context of these projects, there were estimated the required investments, recoupment periods and profitability; assessment of capability for debt funding attraction for their implementation was conducted, as well as consultations with energy service companies (ESCO) - potential performers of future projects, and Mayor’s offices of these cities were held.

A pilot initiative “Development of a low-carbon strategy for the small settlements” (Arnasai village, Akmola region) was implemented to test the preparation of low-carbon plans for settlements. The Greenhouse gas emissions inventory is prepared; the priority measures to reduce emissions are indicated, and emission reduction rates are established and agreed with local community.

Under Component 2 “Institutional framework for urban NAMAs”:

The component is aimed at the assistance in the construction/change of the organization scheme of investments’ attraction into the urban infrastructure within the proposed concepts in the regions. It is suggested to focus on the attraction of debt funding to implement urban low-carbon projects.

Selected pilot cities have a list of standard projects in the municipal services’ area, which will contribute to energy preservation and the raise of power efficiency. Cost estimates on typical projects are performed, and risks and actions on their minimization are defined. Development of standard documents (concepts and

contracts) on PPP-projects on energy efficiency (modernization of heat supply, building illumination, replacement of pumping equipment, upgrade of boilers rooms, etc.). As of December 1, there have been developed the drafts of two of the five standard concepts – on modernization of heat supply and building illumination. Currently, the work on finalization of these draft concepts is in progress. Other 3 standard concepts, according to the implementation schedule, will be ready by the middle of 2017.

There is prepared the register of companies (ESCO companies), which can act as project contractors in the pilot cities. Coordinators in the pilot cities shall raise the awareness of these companies on the opportunities of low-carbon projects' implementation and the terms of granting technical and financial support by UNDP within the mandate of the UNDP-GEF running project.

As part of the PPP-model testing for energy efficiency aims, the project delivered expert assistance in preparation for the implementation of the PPP-project on the lighting system upgrade in the "Transport Towers" building. The future implementation project concept was developed and submitted to the Ministry of Investments and Development of Kazakhstan.

In order to promote the PPP models, there were held three republican workshops to explain the PPP mechanisms for the urban wastes, electro/heat power engineering and transport sectors.

To remove barriers to the implementation of EE projects in the housing sector using the pilot example of Shymkent, implementation of a joint initiative of UNDP and the Mayor's Office of Shymkent "Building the System of Shymkent Housing Control and Energy Efficient Maintenance" was launched. The goal is to create a housing control system in Shymkent that will allow implementing projects on EE in residential multi-apartments as per ESCO model.

Under the Component 3 "Financing for urban NAMAs":

This component is aimed at the attraction of investments in urban infrastructure, including rendering necessary assistance to increase the attractiveness of the projects for funding through borrowings according to the proposed schemes.

As a result of the consultations, held with the Ministry, "Damu" Fund, second-level banks and other parties concerned, there were formed models of three mechanisms to support the implementation of low-carbon urban projects:

- Model of bank interest rate subsidization,
- Model of guarantee provision,
- Model of subsidizing of a part of investment expenses.

All three models provide mechanisms of urban projects' implementation support from UNDP (as part of the grant funds, given by GEF, in the amount of 3 mln US dollars) in case of implementation by the projects' applicants of a number of conditions. In particular, compliance of the project to one of the identified thematic areas and the appropriate threshold level of energy preservation, which must be achieved as the result of the project implementation.

The developed models were presented in the Ministry and "Damu" Fund and were discussed at a special round table in Almaty that was attended by the parties concerned, including ESCO, second-level banks, etc.

The analysis of the private sector's real interest in participation and funding of the projects of EE in municipal services was carried out. It showed the presence of

such interest and needs in funding of energy-efficient projects via banks, as well as the desire of the business to have any preferences in the form of subsidies and so forth.

One of the ultimate goals on the third component implementation in the long view is the transformation of the selected mechanism of support of EE projects into the existing support system, implemented through the Business Road Map-2020 state program.

Under Component 4 “Implementation of pilot urban NAMA to demonstrate the economic feasibility of urban CO₂ reduction for future replication”. *The Project provides about 700 thousand US dollars to implement this component, including technical assistance and participation in the project implementation.*

The component provides for the implementation of 1 pilot urban project, i.e. carrying out a comprehensive upgrade of the micro-district of one of the pilot cities, including modernization of buildings, constructions, utility networks, waste management system and transport infrastructure. This component will test a combined funding of a low-carbon project.

Currently, the draft criteria to select a pilot project are developed. This implies the obligatory participation of the city in the project co-funding (first of all, to upgrade the municipal infrastructure), involvement in the project of private companies to implement the recoverable part of the project using debt funding mechanisms with the proposed support measures. Also, participation of private companies (including foreign ones), wishing to demonstrate more efficient technologies and provide investments, as well as grants, is welcome.

The grant part of UNDP-GEF will be used to coordinate the project preparation, as well as part of funding of the hardly-paid back costs for modernization (primarily, for heating-up of building envelopes).

At the end of December, the Mayor's offices will receive the letter, containing the offer to submit the list of the facilities suitable for the implementation of this component. The district selection will be performed by the special commission and approved at a meeting of the Steering Committee.

Potential pilot sites for the implementation of the pilot project in Shymkent, Taraz, Temirtau, Aktobe, Kostanay, Lisakovsk, Kapshagai and Astana have been visited in 2016.

Under Component 5 “Monitoring, verification and knowledge management”:

The quarterly project news bulletin “Sustainable Cities” is published.

The Facebook account for timely informing on the project work is formed.

The design of the “Sustainable Cities” Section that will be placed at the “Energy Efficiency+” web-portal, intended for UNDP-GEF projects, is developed.

The mobile application named “CO₂. Calculate your carbon trace”, allowing to calculate the value of GHG emissions, generated by households, is launched. In 2017, it is planned to show the application within the “EXPO-2017” exhibition.

The project infographics to be demonstrated to key target groups and explaining the project implementation is published.

The workshop trainings on capacity building of public councils and involvement of the public for the construction of the sustainable cities in Kazakhstan are held in five pilot regions. It is expected that, following the results of the conducted training, members of the regionally-formed public councils will enter into the created working

groups to promote projects in the area of low-carbon development and coordinate future low-carbon plans.

The scheme of possible introduction of future reductions of GHG from the pilot cities in the existing system of trade in quotas for GHG emissions in Kazakhstan is formed. Proposals for improvement of the system of the trade in quotas for emissions, including possibilities of the cities' participation, are prepared.

The Competence Centers for Sustainable Development are opened in Shymkent and Taraz. The opened centers will render consulting services to the population and entrepreneurs on various available technologies, the introduction of which really improves the life and household activities of citizens and will reduce the city's impact on the environment.

V. FINANCIAL IMPLEMENTATION

The disbursement for 2016 was 553 415\$ or 83%.

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