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TASK FORCE FOR THE IMPLEMENTATION OF THE ENVIRONMENTAL ACTION
PROGRAMME FOR CENTRAL AND EASTERN EUROPE, CAUCASUS AND CENTRAL ASIA**

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THE FUTURE OF THE PROJECT PREPARATION COMMITTEE

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*ACTION REQUIRED:
For discussion.*

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THE FUTURE OF THE PROJECT PREPARATION COMMITTEE

This note has been prepared in response to a request from the Bureau at its last meeting. It is aimed to facilitate an initial discussion as regards the future of the Project Preparation Committee (PPC) after the Sixth “Environment for Europe” (EfE) Ministerial Conference in Belgrade in 2007.

Background

The PPC was established in 1993 at the Second EfE Ministerial Conference in Lucerne as a networking mechanism to improve coordination between international financial institutions (IFIs) and donors and to facilitate the mobilisation of financial resources for environmental investment projects in Central and Eastern Europe. PPC Activities are managed and implemented by the Joint EAP Task Force/PPC Bureau, PPC Chair, PPC Secretariat and PPC Officers.

Following the renewal of its mandate at the Århus EfE Ministerial Conference in 1998, the PPC set a target of contributing to the approval of at least 10 to 12 IFI financed investment projects each year, five of which should be in the countries of the former Soviet Union or non-accession countries. Between Århus and the Kiev Ministerial Conference in 2003, 219 projects had been subject to the PPC mechanism. Sixty-nine of those, at an accumulated investment value of €3,853 million had been board approved and benefit from financial support equal to €1,895 million in IFI loans and €904 million in donor grants. Twenty-nine of the board approved projects were located in the EECCA region and 19 in south-eastern Europe. These results exceeded those presented to the Sofia and Århus Ministerial Conferences, despite the difficult macro-economic environments prevailing in much of the region.

The PPC’s mandate was renewed most recently at the 2003 Kiev Conference. The Ministers’ Declaration instructed the PPC to continue with its activities, but to focus on the countries of Eastern Europe, the Caucasus and Central Asia (EECCA), and other non-accession countries¹. Furthermore, the Ministers extended participation in the PPC’s activities to include all countries of the UNECE region, international organisations, Regional Environmental Centres (RECs), civil society and private sector representatives, and non-governmental organisations (NGOs), in addition to donor governments and IFIs. Cooperation with the EAP Task Force has been strengthened through joint annual meetings and a common Bureau.

Following the Kiev Ministerial Conference the PPC prepared a Strategy to frame its activities until the Sixth Ministerial Conference in 2007. As the PPC is a demand led mechanism its strategy is not a concrete set of activity proposals but rather a framework around which the PPC can respond to the needs and interests of its stakeholders as they arise.

The PPC continues to support the identification, preparation and financing of environmental investment projects, largely through the work of the PPC Officers. Specific technical cooperation facilities have been

1. The PPC’s principal clients are: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Croatia, FYR Macedonia, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Russian Federation, Tajikistan, Turkmenistan, Serbia and Montenegro, Ukraine and Uzbekistan.

designed and are managed by the PPC Officers to tackle particular difficulties related to project preparation, and to enable small and medium-sized municipalities to access loan capital and develop their environmental infrastructure.

Whilst continuing to focus on enhancing stakeholder coordination and matching financial resources with investment needs, the PPC also offers capacity building assistance in the form of materials and events, including the Project Financing Workshop that will be rolled out across the region. A number of resources have been developed to provide stakeholders with information on sources of grant finance and other initiatives involved in environmental finance. These are available on the PPC's new English/Russian website which also provides an ongoing project database.

An analysis of the PPC's funding shows that in recent years the annual budget of the PPC staff has been about €2.1m (committed funds). In 2002-04, three donors accounted for 60% of this amount budget (Finland, Sweden and United States). When Belgium, United Kingdom and the EC are added, six donors account for 88% of finance. The other contributions have come from Luxembourg, The Netherlands and Switzerland.

Future role

The PPC's main goal is to improve the environmental conditions in the EECCA region and south-eastern Europe. It was, however, set up as a transitional mechanism, with a mandate to be reviewed at each Efe Ministerial Conference.

The PPC Officers continue to play an active role in the identification and preparation of environmental projects. It remains a challenge for the PPC to support the preparation of projects, notably in the countries of the former Soviet Union and non-accession countries. The PPC is responding to this by establishing more PPC Officer positions in the region (one in St. Petersburg, and one in Belgrade, with future posts under negotiation, possibly for the Caucasus and for Central Asia).

The four current PPC Officers are all based at the EBRD. The World Bank is the only other IFI to have housed PPC Officers (three in total since 1993). The World Bank is currently considering the possibility of establishing another PPC staff position. In addition, the PPC recently supported the development of a "Project Broker" position, based at the Black Sea Secretariat in Istanbul.

As regards the PPC Secretariat, currently housed by the EBRD in London, Ministers at the 2003 Kiev Ministerial Conference indicated that at the next Conference in Belgrade they would consider opportunities to relocate the secretariat functions of the PPC and EAP Task Force to the EECCA region.

There are various recent initiatives developed by donors and IFIs with the objective of supporting (environmental) project development in the region, and the Bureau may want to review the role of the PPC in this light. Key initiatives include the various EC Investment Support Facilities (Black Sea ISF, Danube ISF, and Water ISF) and the EBRD Early Transition Countries (ETC) Initiative.

Positive feedback as regards the new PPC Project Financing workshop and good practice tools suggest that there remains a demand for capacity building in this regard.

Issues for discussion

Mainly through the PPC Officers, the PPC has achieved results that are substantial in terms of finance leveraged. Moreover, it has promoted a better understanding in the region of the requirements of project preparation and finance. The PPC is the only pan-European cooperation with an exclusive mandate to identify and prepare environmental investment projects.

The question that needs to be answered is whether the PPC should continue its work beyond 2007. If not, what would the exit strategy be? Should it be replaced with an alternative arrangement, for example involving the EECCA RECs?

If yes, in what modality should it continue? Could its role be strengthened by a modified institutional set-up and mandate, and/or a revised geographical focus?

In considering these issues, the PPC and the EAP Task Force may also wish to consider:

- Is there a need for the PPC to continue its role of “networking platform” for its stakeholders? (How) could the PPC better involve and work alongside its stakeholders, and support new initiatives such as the ETC Initiative and support facilities such as those developed by the EC?
- Should the PPC continue to develop and manage the in-house “facilities”? Is there a scope for continuing/increasing the focus on project preparation capacity building?
- Would the EBRD want to and should it continue to host the Secretariat?
- Could the “honest broker” role of the PPC be enhanced?
- Should indicators to measure the impact of PPC activities be re-visited?
- What role would the EECCA Environment Strategy play, and what would be desirable as regards PPC and EAP Task Force cooperation?