



Project Preparation Committee

Mobilising Finance for Environmentally Related Projects

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PPC Executive Secretary

Joint Meeting of the EAP Task Force's EECCA Finance Network
and the EU Water Initiative's EECCA Working Group
Amity, 26-28 April 2006

Overview (1)

- Sources of finance for environmental projects
- Barriers to accessing IFI finance
- Role & function of the PPC
- PPC structure & organisation

Overview (2)

- Current PPC priority areas
- Future challenges
- Project Financing Workshops

What are the main sources of finance for environmental projects? (1)

- Domestic resources
- Grants
- Loans
- Credit guarantees

What are the main sources of finance for environmental projects? (2)

- Bonds
- Equity
- Private sector participation (PSP)
- Or combinations of the above

Sources of finance most relevant to EEC CA countries

- Domestic sources of finance
- Grants (mainly from donors such as EC, USAID, DFID etc.)
- Loans (from FIs such as EBRD, World Bank, AsDB)

What are the barriers to IFI lending for environmentally related projects? (1)

- Identification of suitable projects
- Costs of project preparation (feasibility studies, institutional reforms etc.)
- The bankability of the project (for the IFI)

What are the barriers to IFI lending for environmentally related projects? (2)

- The affordability of the loan (to the borrower)
- The capacity of the project proponent to develop the project concept

The PPC aims to help project proponents and IFIs overcome these barriers

Role and function of the PPC

- Identifying and preparing environmentally related investment projects
- Mobilising donor support for project preparation
- Matchmaking and coordination
- Capacity building
- Spreading best practice & lesson learning

PPC structure and organisation

- PPC Officers - based in IFI regional offices and headquarters
- PPC Secretariat - located in EBRD's head office in London
- PPC Chair - Rod Mathews, DFID
- Joint Bureau of the PPC and EAP Task Force

Current PPC priority areas (1)

Municipal and environmental infrastructure

- Water & sanitation
- Solid waste management
- District heating

Current PPC priority areas (2)

Energy efficiency and renewable energy

- Carbon credit trading
- Clean Development Mechanism in ETC countries
- Energy efficiency and renewable/sustainable energy

Current PPC priority areas (3)

Environmental mainstreaming & biodiversity

- Financing for biodiversity projects
- Adding on 'environmental TA to investment projects

Future challenges: capacity building

- Project proponents (ie. municipalities & public utilities) are not always able to develop project concepts that can be submitted to FIs for co-financing
- This is a major barrier to accessing FI finance
- PPC has developed Project Financing Workshops to address this problem (more later..)

Future challenges: presence in the EECCA region

- PPC Consultant working in ETC countries (Moldova, Armenia & Tajikistan) – WSS/EUWI focus
- PPC Officer in Georgia from summer 2006
- Currently exploring options for a possible PPC Officer based in Central Asia

Future challenges: co-financing

- Even when project preparation costs are met, bans are not always affordable to prospective borrowers
- Grant co-financing is one way of making bans more affordable
- More work needed with donors and IFIs to explore options for more co-financing

Future challenges: smaller and riskier investments

- Addressing many environmental challenges involves making smaller and riskier investments
- Rural water supply is a good example - investments are less attractive to FIs
- What innovative ways can be found to encourage FIs to
 - i) make smaller investments and
 - ii) take more risks?

Future challenges: PPC strategic review

- Strategic review of the PPC to be carried out during 2006
- Will assess the PPC's work over the past three years and make recommendations for its future work
- Findings will be fed into the Environment for Europe ministerial conference in Belgrade in October 2007



PPC Project Financing Workshops

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Potential project proponents often find it difficult to:

- develop project concepts that can be submitted to FIs for financing
- engage in dialogue with FIs about project financing

This is a major barrier to the mobilisation of FI finance for environmentally related projects

Project Financing Workshops: purpose

PPC is implementing a programme of Project Financing Workshops designed to

- reduce the time needed to initiate and prepare a project concept
- facilitate and enhance communication between project proponents and financial institutions

Participants and types of projects targeted

- Participants: representatives of municipal or other sub-sovereign investment project proponents in EECCA and (non-accession) SEE
- Projects: municipal, environmentally oriented, financially viable stand-alone investment projects for which co-financing from IFIs, donors and/or commercial banks is sought

Project Financing Workshops: implementation

- A total of 8-9 workshops will be run during 2006-07
- Workshops are planned for spring-summer 2006 in Georgia, Armenia, Moldova and Russia (Volgograd oblast)
- Further workshops are planned for Bosnia & Herzegovina, FYR Macedonia, Kazakhstan, Kyrgyz Republic, Tajikistan and Ukraine
- Further suggestions welcome!

Project Financing Workshops: funding

- United Kingdom (DFID) has offered to fund the first four workshops
- Sweden and Germany have also expressed their interest in funding workshops
- Other donors will be approached with requests for funding for further workshops

Project Financing Workshops: coordination

- PFW s will be coordinated with related activities
- PPC and EAP Task Force will work to ensure that PFW s complement ongoing work on financing strategies
- IFIs (EBRD , W B and others) will be involved in workshop planning and implementation

PPC contact details

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