

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

**OUTLINE DRAFT OF THE PPC'S PROPOSED CATEGORY II REPORT TO THE BELGRADE  
MINISTERIAL CONFERENCE**

**Fifth joint meeting of the Task Force for the Implementation of the Environmental Action Programme for  
Central and Eastern Europe (EAP Task Force) and the Project Preparation Committee (PPC)**

**15-16 March, Brussels**

*Agenda Item 10(ii)*

*This outline draft is presented for information and comment.*

*ACTION REQUIRED: EAP Task Force/PPC delegates are invited to:*

- consider the proposed structure of the outline draft report, and*
- provide guidance on how the final version should be developed.*

Please contact Mr. Craig Davies, PPC secretariat, +44 207 338 6661, e-mail: [daviesc@ebrd.com](mailto:daviesc@ebrd.com)

**Outline draft of the PPC's proposed Category II report  
to the Belgrade Ministerial Conference**

**TITLE PAGE**

**“PPC Report to the Sixth Ministerial Conference ‘Environment for Europe’,  
Belgrade, October 2007”**

**EXECUTIVE SUMMARY**

*[To be inserted]*

## CHAPTER 1: INTRODUCTION

1. The PPC was established in 1993 following decisions taken by Ministers at the Second Environment for Europe Ministerial conference in Lucerne. Since then, the PPC has provided a mechanism for dialogue and coordination between IFIs, donors and client countries. It has worked to support the identification and development of environmental investment projects across the region in a range of different environmental sub-sectors, playing a complementary role to its sister organisation under the EfE, the EAP Task Force. The PPC's mandate was subsequently renewed at the EfE conferences at Sofia (1995), Arhus (1998) and most recently Kiev (2003).

### 1.1. Mandate

2. The PPC's mandate was renewed most recently at the Kiev EfE Ministerial Conference in 2003. At Kiev the PPC reported that 219 projects had been subject to the PPC mechanism between 1998 and 2003, either (i) through presentation by an IFI, donor or client country at a PPC meeting; (ii) by receiving PPC-facilitated support from a donor and/or IFI; or (iii) through the direct involvement of a PPC Officer. Sixty-nine of these projects, at an accumulated investment value of €3,853 million, had been Board approved by IFIs at the time of the Kiev conference. These projects had benefited from financial support equal to €1,895 million in IFI loans and €904 million donor grants.

3. At Kiev Ministers agreed to renew the PPC's mandate but asked it to continue to concentrate its support on the countries of Eastern Europe, Caucasus and Central Asia (EECCA) and the non-accession countries of South-Eastern Europe (SEE) and to phase out its work in Central Europe by 2004. Ministers also asked the PPC to coordinate more closely with the EAP Task Force by holding joint annual meetings and establishing a common Bureau. It was also agreed that participation in both the PPC and the EAP Task Force should be open to a wider range of stakeholders including NGOs and the private sector, and that the EBRD and OECD should continue to provide Secretariats for the PPC and EAP Task Force respectively.

#### Key outcomes of the Kiev conference

*Box highlighting the main relevant outcomes of the Kiev EfE Ministerial Conference (2003)*

### 1.2. Organisation

4. Since Kiev the PPC has operated as a network open to donor governments, IFIs, UNECE countries, international environmental programmes, the private sector, NGOs and other stakeholders. As agreed at Kiev, the PPC and EAP Task Force have received overall guidance from a common Bureau consisting of representatives of donor and EECCA countries, and co-chaired by the EC. The United Kingdom continued to provide the Chair of the PPC and the PPC Secretariat continued to be hosted by EBRD. Funding for the two positions was provided by the EC, Finland, Switzerland and the UK. PPC Officers were recruited with financial support from the EC, Finland, Italy, Luxembourg, the Netherlands, Sweden and the USA. The organisational arrangements of the PPC and its stakeholders are illustrated in figure x.

**Figure: PPC organisational arrangements since the Kiev conference**

*Figure showing the PPC's relations with its stakeholders and staffing and management arrangements*

5. Since Kiev the PPC has aimed to strengthen its presence in its countries of operation by creating PPC Officer positions based in EECCA and SEE countries as well as in IFI headquarters. Since 2003 PPC Officers have been located in Belgrade, St. Petersburg, Tbilisi and Zagreb. The PPC has also explored alternative staffing arrangements, including the recruitment of an EC-funded PPC Consultant and locally hired PPC Officers.

**Figure: PPC mechanisms**

*Figure showing the role of the PPC within the IFI project cycle*

### **1.3. PPC objectives and targets since Kiev**

6. Following the renewal of the PPC's mandate at Kiev, a new PPC strategy for the period 2004-07 was developed in order to operationalise the commitments made at Kiev.

#### **1.3.1. PPC strategy 2004-07**

7. The PPC Strategy 2004-07 was guided by three key documents:

- i. The Declaration by the Environment Ministers of the region of the United Nations Economic Commission for Europe in Kiev, May 2003;
- ii. The Environment Strategy for Countries of Eastern Europe, Caucasus and Central Asia (Strategic Framework); and
- iii. The Millennium Development Goals (MDGs), especially the water and sanitation targets encompassed within MDG VII.

8. The Strategy was developed through a consultative process involving a wide range of PPC stakeholders and was approved at the Joint Meeting of the EAP Task Force and PPC in Tbilisi in October 2004. The Strategy was composed of three pillars:

*Pillar I: Project identification, preparation and financing*

- Working with international financial institutions to identify and prepare environmental investment projects
- Mobilising funds to support the preparation and implementation of projects

*Pillar II: Coordination, matchmaking and networking*

- Working with stakeholders to enhance coordination and facilitate investment activities
- Providing information on sources of finance and disseminating details of project financing needs

*Pillar III: Sharing good practice and capacity building*

- Providing good practice materials and ad hoc advice
- Helping to build capacity in project identification, preparation and finance.

**Figure: schematic representation of the PPC Strategy**

*Figure illustrating the component pillars of the PPC Strategy 2004-07*

9. A brochure summarising the 2004-07 PPC Strategy was prepared in both English and Russian and was widely disseminated to PPC stakeholders and other interested parties.

## CHAPTER 2: ACHIEVEMENTS SINCE THE KIEV CONFERENCE

10. In the four years since the Kiev conference the PPC has followed the recommendations made by Ministers and has promoted active coordination between stakeholders to support the financing of environmental projects. The PPC has been active in contributing to a wide range of environmental financing activities including environmental investment projects, environmental technical assistance projects and project preparation facilities to provide assistance for the development of environmental projects. These projects have been in a wide range of environmental sub-sectors including:

- municipal environmental infrastructure (water supply & sanitation, solid waste management, district heating, municipal transport);
- energy efficiency, renewable energy and emissions trading;
- biodiversity management and environmental mainstreaming.

11. In line with the 2004-07 PPC Strategy, the PPC has supported environmental projects in a number of ways. This has included the direct involvement of PPC Officers in project identification and preparation, assistance in project development through PPC-facilitated project preparation facilities, and the presentation of project ideas at PPC meetings and workshops for consideration by donors. Since Kiev a total of XXX projects have been subject to the PPC mechanism, with a total investment value of €XXX million. Donor grants amounting to €XXX million have been mobilised for technical assistance and co-financing in support of these projects.

12. As requested by Ministers at Kiev, the PPC has continued to shift the focus of its operations towards the countries of EECCA and SEE. During the period between 2003 and 2007, XXX of the total number of PPC-facilitated projects were in EECCA and XXX were in SEE. Of the remainder, XXX were regional projects covering several countries in the region.

### 2.1. Supporting environmental investment projects

13. Since Kiev the PPC has directly supported the identification and preparation of XXX environmental investment projects through the work of PPC Officers. These have been principally in the area of municipal environmental infrastructure, working in partnership with EBRD's Municipal & Environmental Infrastructure.

#### 2.1.1. *Municipal and environmental infrastructure*

14. Municipal and environmental infrastructure has continued to be a major focus of the PPC's work, focusing on supporting investment projects in water supply and sanitation, solid waste management, district heating and transport. Since 2003 the PPC has facilitated the development of XXX projects in these areas, at a total investment value of €XXX million.

##### *a) Water supply & sanitation*

15. The PPC has supported XXX water and sanitation projects in XXX countries, at a total investment value of €XXX million. Key challenges in this sector, especially in lower-income countries, is the identification of sufficient grant co-financing for capital expenditure to enable the investment to go ahead while maintaining the affordability of the water supply to the population.

**Box: case studies of PPC-facilitated projects in the water and sanitation sector**

*Details of several suitable case-study projects to be inserted*

*b) Solid waste management*

16. The PPC has been involved in the preparation of XXX solid waste management projects since 2003, at a total investment value of €XXX million. An additional challenge for solid waste projects is that institutional issues such as land acquisition can often slow down the process of project development.

**Box: case studies of PPC-facilitated projects in the solid waste management**

*Details of several suitable case-study projects to be inserted*

*c) District heating*

17. The PPC has also assisted with the development of XXX district heating projects since 2003, at a total investment value of €XXX million.

**Box: case studies of PPC-facilitated district heating projects**

*Details of several suitable case-study projects to be inserted*

*d) Transport*

18. The PPC has provided assistance for a small number of municipal transport projects. However, it has proved difficult to identify donor grants for capital expenditure, with the exception of Dutch funding for improvements in municipal transport systems in Tbilisi, Georgia (see box). In addition, it has proved difficult to secure sovereign guarantees for urban transport projects.

**Box: case studies of municipal transport projects supported by the PPC**

*Details of several suitable case-study projects to be inserted*

## **2.2. Environmental technical assistance projects**

19. In addition to investment projects, the PPC has also supported a number of stand-alone environmental technical assistance projects, financed through donor funds. All these projects have been in the area of biodiversity management and environmental mainstreaming. Some of these technical assistance projects were linked to EBRD investment projects in various sectors (energy, natural resources) to which they 'added on' environmental management components.

**Box: PPC-facilitated environmental technical assistance projects linked to EBRD investments**

*Details of PPC environmental TA projects to be inserted*

### 2.3. Project preparation facilities

20. In addition to providing direct support for project development, the PPC has also helped to set up specialised donor-funded project preparation facilities to provide technical assistance for the development of specific projects or groups of projects. These have been designed specifically to deal with particular difficulties related to the identification, preparation and implementation of environmental projects. An additional aim of these facilities was to assist in the development of local consultancy capacity, where possible. Since Kiev, a total of XXX project preparation facilities have been established with donor funds totalling €XXX million. XXX investment projects, with a total value of €XXX million, have benefited from these facilities.

#### 2.3.1. Municipal and Environmental Infrastructure

21. The PPC has helped to establish XXX project preparation facilities in the municipal and environmental infrastructure sector. These facilities have received donor funding totalling €XXX million and have helped in the preparation of XXX investment projects with a total value of €XXX million.

Facility	Contributing donor(s)	Thematic focus	Country/regional focus
<i>Details to be inserted</i>	<i>Details to be inserted</i>	<i>Details to be inserted</i>	<i>Details to be inserted</i>

#### 2.3.2. Energy efficiency, renewable energy and emissions trading

22. Energy efficiency, renewable energy and emissions trading have been a major focus of the PPC's work since the Kiev conference. The PPC's main contribution in these areas has been the establishment of a number of facilities and credit lines which have supported a wide range of EBRD investments in this sub-sector.

Facility	Contributing donor(s)	Thematic focus	Country/regional focus
<i>Details to be inserted</i>	<i>Details to be inserted</i>	<i>Details to be inserted</i>	<i>Details to be inserted</i>

**Box: PPC support for the Sustainable Energy Initiative**

*Box on the PPC's support for the EBRD's Sustainable Energy Initiative (SEI)*

### 2.3.3. *Biodiversity*

23. The PPC has also helped in the development of the Biodiversity Financing Technical Assistance Facility, which is intended to support the development of biodiversity projects.

**Box: Biodiversity Financing Technical Assistance Facility**

*Details of the facility to be inserted*

## 2.4. **Environmental and transition impact**

### 2.4.1. *Environmental impact*

24. The projects supported by the PPC since Kiev have contributed towards environmental improvements in a number of areas, most notably in improving access to safe drinking water and sanitation, reducing water pollution and air pollution, and the abatement of greenhouse gas emissions.

**Box: Example of a PPC-facilitated project that has improved access to safe drinking water and sanitation**

**Box: Example of a PPC-facilitated project that has contributed towards the abatement of greenhouse gas emissions**

### 2.4.2. *Transition impact*

25. Projects supported by the PPC have also contributed to the process of economic transition in EECCA and SEE countries by breaking new ground in terms of private sector participation in infrastructure projects, and encouraging improved corporate governance and the development of institutional capacity, for example in municipalities and public utilities.

**Box: Examples of PPC-facilitated projects that have contributed to the transition process**

## CHAPTER 3: PPC ACTIVITIES

26. Since 2004 the work of the PPC has been organised under the three pillars of the PPC Strategy for 2004-07:

- i. Project identification, preparation and financing;
- ii. Coordination, matchmaking and networking; and
- iii. Sharing good practice and capacity building.

### **3.1. Project identification, preparation and financing**

#### ***3.1.1. PPC Officers working inside IFI teams***

27. The PPC has facilitated the placement of a number of donor-funded PPC Officers inside IFI banking teams, where they have contributed to the identification and development of a wide range of environmental projects in environmental infrastructure, energy efficiency, renewable energy and emissions trading, and biodiversity and environmental mainstreaming. The funding for these positions has been provided by Belgium (Walloon region), the EC, Finland, Italy, Luxembourg, the Netherlands, Sweden, and the USA. Since Kiev all PPC Officers have been located inside the EBRD, where they have played catalytic roles within the Municipal and Environmental Infrastructure Team, the Energy Efficiency and Climate Change Team and the Environment Department.

28. The PPC has also explored alternative arrangements for PPC Officers in order to respond to the needs of different stakeholders. For example, during 2005-07 the EC funded a PPC Consultant to work with EBRD on water and sanitation projects in the Early Transition Countries. This was an innovative model which may provide some useful lessons on how the PPC could operate in the future. More recently, the PPC has also begun to recruit locally-hired PPC Officers, who bring with them a wealth of local knowledge and experience including knowledge of local languages.

#### ***3.1.2. Specific challenges for project preparation and financing in different sub-regions***

29. Through its involvement in the development of environmental projects the PPC has learned a number of important lessons on the specific challenges to the preparation of environmental infrastructure projects in EECCA and SEE countries. These vary across the different sub-regions in which the PPC has been active.

##### *North-Western Russia*

30. Project implementation is often lengthy due to unstable financial and regulatory frameworks, complex contract structures and a weak legal framework. Legislation and regulations that are unclear, transient or conflicting, as well as changes in the responsibilities of government and municipal organisations can slow down project progress. In order to avoid unrealistic expectations it is essential to spend adequate time and resources at the preparatory stage, to make sure that the project is both financially and technically viable.

*Early Transition Countries*

31. Weak institutions and centralised political and economic structures result in a lack of budgetary transparency which limits creditworthiness at the local level. Limited fiscal space due to country level borrowing limits established by the IMF constrains all but concessional borrowing in most ETC countries. Utilities and local authorities also often have limited capacity for project preparation and require significant help to manage international standard tendering and procurement. Affordability of environmental services such as water and sanitation is key. In most cases municipal environmental services are significantly subsidised; however, such subsidies are rarely transparent and do not target the poor. There is a real need to reform the tariff and the subsidy structures, so as to ensure that services are sustainable and operating on a cost-recovery basis and accessible to all, particularly the poor.

*Western Balkans*

32. Project implementation can be lengthy due to a lack of experience in project management and procurement and scarce engineering and management skills. Conflicts of interest between project partners (e.g. financiers, investors, donors, public utilities, local governments, regional administration and national ministries) can be avoided by clearly setting out roles and tasks in project documents. Institutional weaknesses continue to be a problem as most SEE countries have only recently embarked on local government reforms. Affordability of services is a key issue and tariff and subsidy policies must ensure that services are sustainable and operated on a cost-recovery basis and that they are provided to all, particularly the poor.

**3.2. Coordination, matchmaking and networking**

33. The PPC has continued to work with its stakeholders to enhance coordination and facilitate investment activities, provide information on sources of finance and disseminate details of project financing needs.

**3.2.1. Working with donors to identify funds for technical assistance and co-financing of environmental projects**

34. The PPC has worked with donor members to facilitate both the co-financing of IFI investments and the provision of donor funds for project related TA. This has been achieved through the work of PPC Officers to identify financing needs, and through the networking and information sharing activities led by the PPC Secretariat. The annual Joint Meetings of the EAP Task Force and the PPC, held in Paris (2003), Tbilisi (2004), Yerevan (2005), Berlin (2006) and Brussels (2007) have served as important opportunities for bringing together donor and IFI representatives, and have usually included sessions on mobilising finance, in which investment project ideas have been presented to donors.

**Box: trends in donor support for environmental investments**

*[Details to be provided of the surveys conducted by Triple Line Consulting for the PPC – including the trends reports prepared in 2004 and 2007]*

35. As detailed in Annex X, the PPC helped to mobilise €XXX million of donor funds for project-related technical assistance and €XXX million of grant co-financing was mobilised between 2003 and 2007. Some examples of PPC-facilitated projects that have benefited from donor support are shown in the boxes below.

**Box: Lake Sevan Environmental Project (Armenia)***[Details to be added]***Box: Archangelsk Municipal Water Services Project (Russia)***[Details to be added]***Box: Poti Water Supply (Georgia)***[Details to be added]***3.2.2. Working with the EAP Task Force**

36. Working more closely with the EAP Task Force has been an important objective of the PPC following the decision by Ministers at Kiev that the two organisations should work more closely together, including through holding joint annual meetings and reporting to a common Bureau. Following Kiev, the EAP Task Force and the PPC assumed joint responsibility for objective Five of the EECCA strategy (environmental financing), with the EAP Task Force as a facilitator and the PPC as a cooperating institution. The areas identified for cooperation were: improving the policy and institutional environment for environmental financing, supporting the more strategic use of EECCA financial resources, increasing increase capacity for project identification, preparation and implementation, and strengthening dialogue to create more realistic expectations between EECCA countries, donors and IFIs.

37. At the 2<sup>nd</sup> Joint Meeting of the EAP Task Force and PPC in Tbilisi in October 2004 a programme of cooperation was agreed. The objectives of this programme were to ensure that lessons learned at the policy and institutional level through the work of the EAP Task Force were reflected in the project-level work of the PPC and vice-versa, to ensure effective dissemination of lessons learned by the EAP Task Force and PPC amongst stakeholders in the Environment for Europe process, and to prevent overlaps in the work programmes of the two organisations. Since then, the PPC and EAP Task Force have worked together closely to implement this programme of cooperation through annual Joint Meetings (Paris, Tbilisi, Yerevan, Berlin, Brussels) and regular meetings of the joint Bureau, policy dialogue on environmental financing issues, operational coordination such as the coordinated planning of workshops and training events, and coordinated information sharing and communication activities including joint newsletters and the coordination of website information.

**3.2.3. Cooperation with other regional initiatives**

38. The PPC has also worked closely with a number of other regional initiatives active in the field of environmental financing in EECCA and SEE.

*a) Danube and Black Sea Task Force (DABLAS)*

39. The EC's Danube and Black Sea Task Force (DABLAS) was established in 2001 with the aim of providing a platform for co-operation for the protection of water and water-related ecosystems in the

Danube and Black Sea Region. The PPC has worked in partnership with the DABLAS initiative since its inception. More specifically, since Kiev the PPC has collaborated with DABLAS through the provision of advice on DABLAS work programmes, participation in annual DABLAS meetings and the meetings of the DABLAS Implementation Working Group, including by providing information on PPC projects that feature in the DABLAS pipeline. The Italian-funded PPC Officer covering the Western Balkans was specifically tasked with coordination with the DABLAS initiative. In addition, the PPC assisted with the recruitment of the EC-funded Black Sea Project Broker as part of the DABLAS initiative, and a former PPC Officer was selected for the post.

*b) EU Water Initiative*

40. The PPC has supported the EECCA component of the EU Water Initiative (EUWI), which was launched in 2002 to help meet the challenges of the water-related Millennium Development Goals (MDGs). Specifically, the PPC has collaborated with the Finance Working Group (FWG) of the EUWI through participation in FWG meetings including making presentations on PPC activities and related financing activities and information sharing on PPC project activities. The EC-funded PPC Consultant and Swedish-funded PPC Officer based in Tbilisi were both tasked with building on EUWI EECCA priority projects, where possible, as part of their work on municipal environmental infrastructure projects in the Early Transition Countries.

*c) Northern Dimension Environmental Partnership (NDEP)*

41. The NDEP was established in 2001 as an innovative international response to pressing environmental problems in north-west Russia, combining the expertise and resources of bilateral donors, the European Commission, the Russian Federation, EBRD, EIB, NIB and the World Bank in designing and implementing a pipeline of projects in water, wastewater, solid waste, energy efficiency and nuclear waste management. The PPC works with the NDEP to mobilise funds to finance priority projects in the NDEP pipeline. Finland has provided funding for two PPC Officers, based in the EBRD's Resident Office in St. Petersburg, who have assisted in the development of a number of NDEP-financed projects.

**Table: NDEP projects supported by the PPC (2003-2007)**

Name of project	Beneficiary	IFI	Project cost (€ million)	IFI loan (€ million)	NDEP Grant (€ million)

*d) Early Transition Countries Initiative*

42. The ETC Initiative (ETCI) was established in 2004 by EBRD, in partnership with donors, with the objective of enabling the EBRD to increase its impact and reach and volume of transactions in the seven poorest EECCA countries (Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Moldova, Tajikistan and Uzbekistan). In 2006 Mongolia became the eighth country to form part of the ETCI. The ETCI is based on three pillars: i) EBRD's readiness to take on more risk in these countries, while respecting sound banking principles; ii) EBRD's commitment to increase its dedicated resources (staff and budget) at headquarters and in Resident Offices; and iii) more efficient and deeper support from the donor community in terms of joint technical assistance and grant co-financing of EBRD-led programmes and projects.

43. The PPC has engaged with the ETCI through the appointment of an EC-funded PPC Consultant and a Swedish-funded PPC Officer to work on the identification and preparation of municipal environmental infrastructure projects in the ETC region. A PPC project financing workshop, with funding from the ETC fund, was delivered in Armenia in spring 2007 [outcomes of the planned workshop to be

inserted]. The PPC has also helped in the preparation and development of XXX projects that benefited from financial support from the ETC Fund, to a total investment value of €XXX million

**Table: Projects supported by the PPC with ETC funding (2004-2007)**

Name of project	Beneficiary	Project cost (€ million)	IFI loan (€ million)	ETC TA/grant (€ million)

*e) Regional Environment Centres*

44. The PPC has collaborated with the Regional Environmental Centres (RECs) in the region, including through active participation in Environment for Europe fora. For example, the PPC has worked with the REC for Central & Eastern Europe in developing the Priority Environmental Investment Programme (PEIP) for South-Eastern Europe.

*f) Other regional initiatives*

45. The Caspian Environment Program Investment and Donors' Forum was held on 19-20 November 2004 in Baku, Azerbaijan. The main aim of the event was to give the Caspian states a platform for presenting to potential investors and donors the priorities identified in their National Caspian Action Plans and the regional Caspian Strategic Action Program. The Forum was organised by the World Bank within the Caspian Environment Program (CEP) as a final activity of the Priority Investment Portfolio Project (PIPP) – part of a UNDP-implemented GEF regional project for the Caspian. The project was co-sponsored by Germany, through the PPC, and supported by the Asian Development Bank, European Commission and UNDP. The PPC provided a speaker for the session on Eco-tourism, as well as feedback on the agenda and assistance in the identification of participants.

**Box: PPC collaboration with the EC's Investment Support Facilities**

*Box on the PPC's involvement in the EC's Investment Support Facilities*

**3.2.4. PPC networking tools**

46. The PPC has used a number of networking tools to disseminate information and promote coordination and matchmaking.

PPC website: a new PPC website was launched in 2004 to provide an information portal for PPC stakeholders ([www.ppcenvironment.org](http://www.ppcenvironment.org)). Available in both English and Russian, the website provides a range of resources and information, including a database of grant finance sources, a project database with details of all projects being supported by the PPC and good practice documents, with links to documents on the EAP Task Force website.

PPC newsletters: newsletters were prepared jointly with the EAP Task Force and circulated to members of the PPC and EAP Task Force networks approximately every six months.

Stakeholder meetings: the PPC made use of the annual Joint Meetings of the EAP Task Force and PPC to present information on PPC activities and project financing needs to donor representatives and other members of the PPC network.

### **3.3 Sharing good practice and capacity building**

#### **3.3.1. Project Financing Workshops**

47. One of the major themes of the PPC's post-Kiev strategy was the intention to support the development of local capacity for project identification and preparation. The lack of such capacity was identified as one of the major obstacles to the financing of environmental improvements in EECCA and SEE countries. The PPC's own experience showed one of the best ways of ensuring that municipal entities are able to attract co-financing for their priority investment projects is to help build their capacity to develop sound project concepts. In response to this need, the PPC developed and delivered a programme of project financing workshops aimed at building capacity for project identification, preparation and financing skills in EECCA and SEE countries.

48. The development phase of the workshop programme was carried out during 2003-05, with funding from the United Kingdom. A competitive tender was carried out, and subsequently the Danish consultancy COWI A/S was awarded a contract for the development and implementation of the workshop programme. Work completed during this phase included the design of the workshop content and format and the development of the workshop training materials. Extensive consultation was carried out with IFIs and other stakeholders to ensure that the workshops met their needs as much as possible. A pilot workshop was carried out in Moscow in July 2004 and introductory seminars on the project financing workshops were held at the REC-CEE Workshop on Water Sector Investment Projects in Belgrade in November 2004 and at the DABLAS meeting in Karlovac, Croatia, in June 2005.

49. The overall purpose of the project financing workshops was to assist municipal project proponents in entering into a constructive dialogue with IFIs, donors and/or commercial banks about their project ideas. The main focus was on municipal, environmentally oriented, financially viable, stand-alone investment projects for which project proponents are seeking co-financing from IFIs, donors and/or commercial banks. The primary target group of the workshop were sub-sovereign and municipal investment project proponents, for example municipal authorities and public utilities. The workshops aimed to equip participants with the necessary tools to prepare project concepts on their own, ready for submission to potential co-financiers. The intended goal was to reduce the time needed to initiate and prepare a project concept facilitate and enhance communication between project proponents and financial institutions.

50. The implementation phase of the workshop programme commenced in spring 2006. Workshops were subsequently held in Georgia (July 2006) Volgograd (December 2006), FYR Macedonia (March 2007), Ukraine (April 2007) and Armenia (May 2007). The UK funded Phase I (development) and the first three workshops in Georgia, Volgograd and Macedonia, while the Ukraine workshop was funded by Germany and the Armenia workshop was funded by the ETC Fund.

51. The workshops provided a number of important lessons about building capacity for project preparation, which will be applied in future PPC capacity-building activities. In addition, they generated a number of potentially viable project concepts which were presented to IFIs for consideration for further development, as well as being posted on the PPC website. The main outcomes of each workshop are summarised in the following table:

**Table: outcomes of the PPC Project Financing Workshops**

Country	Funding donor	Host organisation	Attendees	Project concepts developed
Georgia	UK			
Volgograd (Russia)	UK			
FYR Macedonia	UK			
Ukraine	Germany			
Armenia	ETC Fund			

**Box: Municipal Investments Working Group (MIWG)**

*Box on how the PPC assisted the development of local capacity for project development through its support for the MIWG in Russia*

### 3.3.2. *Good practice documents*

52. The PPC has also prepared and disseminated a number of good practice documents on a number of themes related to project preparation and the financing of environmental investments. All these documents are available on the PPC website ([www.ppcenvironment.org](http://www.ppcenvironment.org)).

Good Practice in Project Preparation – Public Water Utilities (April 2005): This document provided summary guidance notes on good practice in project preparation for water and wastewater infrastructure investment. In addition to skeleton TOR for consultants, the document includes key lessons learned from PPC projects. Prepared by a former PPC Officer with funding provided by USAID, the document has been approved by DABLAS Task Force members and endorsed by the EBRD, EIB and World Bank. It has been published jointly with the DABLAS Task Force, in English and Russian and translated by the DABLAS Secretariat into various other local languages.

Public Services Agreement (Water) – Model (January 2005): This model public service agreement suitable for public water utilities was prepared by a former PPC Officer with funding again provided by USAID. It is supported with outline guidance notes for implementation.

Project concept document preparation manual: A manual entitled “*How to promote municipal infrastructure projects in the EECCA and SEE countries*” was prepared as part of the pilot PPC Project Financing Workshop. This specially designed stand-alone document provided guidance on how to prepare a project concept document for discussion with potential financiers.

Introductory Guide to Clean Development Mechanism Projects in the Early Transition Countries (2004): this guide was prepared by the consultancy Ecofys under the guidance of the PPC Officer for energy and climate change.

### 3.3.3. *Other best practice sharing*

53. The PPC has also facilitated a number of other best practice sharing events including:

CDM project financing workshops: A workshop on the Clean Development Mechanism (CDM) was held on 18 November 2005 as a side event to the 3<sup>rd</sup> Joint EAP Task Force/PPC meeting in Yerevan. The CDM was introduced as a financial instrument available to project sponsors who invest in emissions reduction projects. Presentations were given by the operation leaders from the EU TACIS funded project that assists these host countries in establishing the procedures and institutions needed to participate in the CDM. A presentation by the EBRD explained how the CDM could help to make emission reduction projects more bankable. The workshop was well attended, especially by project sponsors from the region who showed significant interest in the mechanism. As a direct result of the workshop, a number of new projects in the region have been identified.

Seminar on snow cooling technologies: a seminar in St. Petersburg on 27 May 2004, led by the local PPC Officer, was held to promote district cooling in general and snow cooling in particular in St. Petersburg and Russia. Snow cooling is a concept that has been "redeveloped" in Sundsvall in Sweden based on the age-old technology of storing ice and snow to be used for cooling purposes in the summer. The concept not only saves energy but also benefits the environment as dirty snow from city streets can be treated and obsolete freon-based cooling systems be reduced or replaced.

## **CHAPTER 4: OPTIONS FOR THE FUTURE OF THE PPC AFTER BELGRADE**

*[This chapter will be based on the final version of the PPC Review Synthesis Report, once it has been endorsed at the Joint Meeting of the EAP Task Force and PPC in March 2007]*

## ANNEXES

Annex I: IFI Board approved investment projects

*[To be inserted]*

Annex II: IFI investment pipeline and technical assistance projects

*[To be inserted]*

Annex III: Projects supported by PPC-facilitated project support facilities

*[To be inserted]*