

First Meeting of the Newly Independent States' Environmental Funds Network
November 27-28, 1996
Almaty, Kazakstan

Meeting Summary and Possible Follow-Up Activities for the Network

1. The first meeting of the Newly Independent States' Environmental Funds Network, organized under the auspices of the Environmental Action Programme Task Force, was attended by over 50 participants from the Newly Independent States(NIS) and OECD member countries. The participants included representatives of NIS environmental funds and environment ministries, as well as a number of international institutions (World Bank, UNDP and the Harvard Institute for International Development) and other organizations concerned with environmental financing in NIS countries. The meeting was hosted by the Kazakstan Ministry of Environment and Bioresources.
2. The Network is envisioned as a forum for and of the funds, involving the active participation and initiative of fund officials. The Network's basic objectives are: 1) to support the dynamic evolution of funds as environmental policy and financing mechanisms in the transition to market-based economies; 2) to help the funds develop and employ tools and procedures enabling more effective and efficient financing of environmental protection activities; 3) to strengthen the management and other human resource capacities of the funds, and; 4) to facilitate dialogue and cooperation between the funds and with donors and international financial institutions.
3. In addition to introducing and launching the NIS Environmental Funds Network, the meeting focused on three issues of key importance to the functioning of the funds and the Network: 1) revenue sources for environmental funds/financing; 2) good management practices for the disbursement of fund money, and; 3) the identification of activities which the Network could support to help strengthen fund performance.
4. The morning of the first day focused on general information exchange, with the funds giving brief presentations during a plenary session and discussing their main challenges during working group sessions. The afternoon started with a review of the St. Petersburg Guidelines on environmental funds, and continued with presentations and discussion about revenue mechanisms used by funds in Russia and Central and Eastern Europe (CEE). The morning of the second day was devoted to "good practices" for evaluating and selecting environmental projects for financing and included a presentation of a project cycle management manual and reports of practical experience from Poland and Kazakstan. The working group and closing plenary sessions on the afternoon of the second day focused on possible follow-up activities of the Network.
5. Substantial consensus emerged from the working group and plenary discussions as to the main areas of interest for follow-up. Some consideration was also given to the most effective mechanisms for addressing the priority issues, such as plenary meetings of the full Network, smaller meetings for sub-groups of funds, training workshops, and peer reviews of the funds. Other activities in support of information and experience exchange were also proposed. Three countries volunteered to host the next full meeting of the NIS Funds Network.

6. Of the many issues discussed for possible follow-up through the Network, the following three received the highest priority from participants:
 - *The legal status and institutional arrangement of funds* - The legal status of funds in many NIS countries is very unclear and some of the funds have been consolidated into the state budget. Such circumstances create many obstacles for the funds as the legal authority to conduct certain activities is not clear, use of fund money for environmental purposes is not guaranteed and current institutional arrangements may be hindering more effective and efficient use of resources.
 - *Revenue sources for funds and environmental financing more generally* - All aspects of revenue-raising were cited as major challenges for the funds and ministries: revenues are too low and unreliable; revenue base is too narrow; revenue collection is inefficient; revenues are too widely dispersed; value of revenues is lost due to inflation; revenues do not “revolve” (no loans); etc. Without sufficient and stable revenues the funds simply cannot fulfill their mandates and their viability as institutions is put in doubt.
 - *Appraising and selecting projects for financing* - The funds are apparently lacking practical tools and procedures for objectively evaluating projects and selecting those which will offer the greatest environmental benefits for the least cost. Furthermore, fund staffs have little experience with such procedures and lack the skills necessary to implement them.
7. For each of the above issues the participants expressed strong interest in learning more about how such matters are addressed by environmental funds in CEE countries and they requested assistance in collecting information from those funds, learning of their practical experience and receiving training and expert advice for improving their own capacities in these areas.
8. Other issues identified by many of the participants as possible subjects for follow-up assistance to the funds include the following:
 - *Establishment of environmental priorities and criteria*- In many of the countries national environmental priorities are not clearly established or are still in the process of being established. Under such conditions it is difficult for the funds to set their own priorities for spending. Interest was expressed in learning more about methodologies for establishing environmental priorities and setting criteria for investment decisions.
 - *Communications among funds, with potential applicants and the general public* - A number of participants explained that communications between funds (at the domestic and international levels) were very weak and that awareness and support of the funds among potential applicants and the general public was very low. Interest was expressed in improving cooperation and coordination between funds and in developing public relations strategies.
 - *Good environmental investment projects* - Though not principally the responsibility of the funds, the lack of good, well-conceived and prepared environmental projects for financing was also identified by many participants as a challenge to the funds. Both

fund applicants and the funds themselves could benefit from greater skills and expertise in project preparation and financing.

9. There was consensus that follow-up activities should be focused more on the specific priority issues and, to the extent possible, tailored to the needs and circumstances of the individual countries. Of the various mechanisms and fora which could be used to address the priority issues, those most favored were:
 - *Seminars/workshops* - Intensive training and experience sharing sessions were requested for addressing specific issues, particularly the first two priorities listed above (legal status and institutional arrangement of funds, and; revenue sources for funds and environmental financing).
 - *Peer reviews* - Reviews performed by colleagues from other funds and outside experts were welcomed as an effective mechanism for addressing the specific needs of individual funds and for facilitating the exchange of experience between funds.
 - *Development and implementation of "good practice/policy guides"* - These could go hand-in-hand with the above-mentioned seminars, and would serve as practical reference guides to fund and ministry officials. The guides would describe the various policy and procedural options available with strengths and weaknesses of each, and use examples from CEE and western countries where appropriate. Such guides should be developed and implemented with extensive consultation in each country.
 - *Staff exchange programs for fund officials* - The concept of staff exchanges among NIS funds, between CEE and NIS funds, as well as between the funds and western/international institutions involved with environmental financing was also supported. The World Bank has indicated its willingness to support such initiatives as another option for know-how exchange. Exchange programs could also be linked to other ongoing or planned training activities.
 - *Information exchange and clearing-house services* - Strengthening of the funds would be aided by an improved access to, and flow of information concerning key issues. Participants were especially interested in learning more about the policies and procedures used by other funds, in both NIS and CEE, and in gaining more information about the activities of various international organizations. The proposals of a fund sourcebook and information clearing-house services were well-received.
10. The next full meeting of the NIS Funds Network was proposed to take place in early autumn of 1997. Other events, such as training workshops, peer reviews and information exchange are expected to take place before then. A questionnaire has been developed with this summary to enable further prioritization of follow-up activities and to assist formulation of a workplan for the Network.