

EAP Task Force

Second Meeting of the NIS Environmental Funds Network December 3-4, 1997, Kiev, Ukraine

Summary of the Meeting

1. The second meeting of the Newly Independent States' Environmental Funds Network, organised under the auspices of the Environmental Action Programme Task Force, was attended by over 40 participants from the New Independent States (NIS) and OECD member countries. The participants included representatives of the NIS and CEE environmental funds, NIS ministries officials, western donor agencies, experts and other organisations concerned with environmental financing in NIS countries. The meeting was hosted by the Ukrainian Ministry for Environmental Protection and Nuclear Safety and supported by the US Environmental Protection Agency.
2. The major objectives of the meeting were: 1) to provide a forum for facilitating the cooperation in the area of environmental financing among the NIS, the international donor community, IFIs and experts; 2) to help NIS participants share and deepen their understanding of key problems and opportunities facing environmental funds and, more generally, the financing of environmental investments in the NIS; 3) to help NIS participants learn about the experience of other countries in strengthening environmental financing capacity and the operations of the funds and 4) to identify main obstacles and effective measures for strengthening environmental financing in the NIS.
3. The agenda of the meeting focused on specific priority issues identified by participants in the First NIS Environmental Funds Network meeting in Almaty in November 1996, namely: 1) economic instruments and other possible revenue sources for environmental financing/funds in the NIS, and 2) legal foundations and institutional arrangements for environmental financing mechanisms, including funds.

Economic Instruments and other Possible Revenue Sources for Environmental Financing/Funds

4. CEE and NIS representatives/experts were invited to share their countries' experience with economic instruments as revenue sources for environmental funds, Ukraine, the Russian Federation, Latvia, Poland, amongst others. The problems, identified in the presentations, were further discussed and analysed in the small working groups. Various aspects of revenue-raising were cited and discussed as major challenges for the funds and ministries: narrow revenue base and low charge rates; poor and inefficient revenue collection; widely dispersed resources; loss of revenues due to inflation and ineffective indexing of charge rates; extremely complicated and burdensome system of emission charges, levied on a large number of pollutants, making the administration of these charges very costly, relative to the revenue they generate; low enforcement of pollution charges creating opportunities for polluters to evade payments, etc.
5. It was pointed out that without sufficient, predictable and stable revenues Funds cannot fulfil their basic mandates and their viability as institutions will be seriously undermined. It was also stressed

that existing instruments need serious improvement and much better enforcement (e.g. increase of basic charge rates, certain concentration of resources on a national and regional level, strict control on pollution charge exemptions, etc.). The development and introduction of new revenue sources (e.g. product charges, loan repayments, foreign assistance) can greatly increase Funds' domestic environmental financing capacity. It became clear from the discussions that further analysis and methodological support on the design and implementation of economic instruments need to be provided to the NIS countries. Although many of these issues are common across the region, a need was expressed not only for region-wide but also for country-specific studies on that matter.

Legal Foundations and Institutional Options for Environmental Financing/Funds

6. During the second day of the meeting, participants shared their understanding of key challenges and opportunities facing funds as far as their legal set-up and institutional status are concerned. Although not all NIS have environmental funds, most of the existing funds often have an ambiguous and not clearly defined legal foundations which greatly hinders their effectiveness and allow political interference. Funds officials from the Russian Federal Environmental Fund, the Kyrgyz Republican and the Latvian Environmental Funds as well as finance experts from Russia, Lithuania and Poland were invited to present their countries' experience and the ways they deal with such obstacles. It was pointed out that better formulated legal foundations and decision-making structures and procedures can greatly help Funds' managers achieve institutional independence necessary for disbursing resources in an objective and cost-effective manner. Two countries, Ukraine and Russia, reported on technical cooperation projects on strengthening environmental funds systems in the two countries, both supported by the Danish EPA and implemented in cooperation with the Danish consultancy COWI. Participants from other countries expressed great interest in the possibility of having similar projects conducted in their countries as well. Hence, donors are encouraged to take a more pro-active stance and work with these countries on projects aimed at strengthening environmental financing capacities of the Funds in the region.

Future of the Funds Network

7. Participants discussed the funds' priority needs for institutional strengthening and the future of the NIS Funds Network, first in small groups and later in the closing plenary session. Continuance of the Network was strongly supported by all participants, who cited the Network's value as a forum for informal discussion of issues important to the funds' functional operations. As some of the countries do not have environmental funds, it was suggested that a broader perspective on environmental finance issues be taken at the future meetings of the Network.

EAP Task Force

First Meeting of the Ukrainian Environmental Funds 2 December, 1997, Kiev, Ukraine

Summary of the Meeting

1. A one-day meeting of the Ukrainian Environmental Funds, organised back-to back with the Second Meeting of the NIS Environmental Funds Network, was held under the auspices of the EAP Task Force, in cooperation with the Ukrainian Ministry for Environmental Protection and Nuclear Safety, and supported by the US Environmental Protection Agency. The meeting was attended by about 40 participants, representatives of the regional and Republican funds of Ukraine, the Ministry of Environment and selected fund officials and experts from other NIS, CEE and OECD countries. This meeting supports activities carried out under the Kuchma-Gore Commission.
2. The major objectives of the meeting were: 1) to provide a forum for facilitating the cooperation in the area of environmental financing among the NIS, the international donor community, IFIs and experts; 2) to help participants share and deepen their understanding of key problems and opportunities facing environmental funds and, more generally, the financing of environmental investments in the NIS; 3) to promote exchange of information and sharing of experience of other countries in strengthening environmental financing capacity and the operations of the funds and 4) to identify main obstacles and effective measures for strengthening environmental financing in the NIS.
3. The agenda of the meeting focused on the following issues: 1) presentation and discussion of the St. Petersburg Guidelines on Environmental Funds and the experience of funds in other countries, 2) overview of environmental funds/financing in Ukraine and, 3) identification of key obstacles and institutional strengthening needs.
4. The meeting started with a review of and a discussion on the St. Petersburg Guidelines on Environmental Funds and continued with presentations on the experience of the Russian Federal Fund and the Polish environmental funds in the practical application of these Guidelines. The afternoon session was devoted to the experience of the Ukrainian funds themselves, beginning with a presentation on the Republican Fund and followed by two case studies of the Lvov and Donetsk oblast Funds, which are considered to be the most successful regional funds in Ukraine at least as far as their project cycle management procedures are concerned. Participants were then split up into working groups where they focused their attention on the main obstacles and priority institutional strengthening needs for environmental funds/financing in Ukraine.
5. The meeting was also attended by representatives of the Danish EPA and the Danish Consultancy Group COWI Consult who had the opportunity to present a technical cooperation project recently launched jointly with the Ukrainian Ministry of Environment and Nuclear Safety on "Strengthening Environmental Funds in Ukraine". The two sides had the chance to meet and discuss problems and challenges to the project and possible ways to improve its implementation through working together. It was recognised that under the severe economic difficulties, Ukrainian funds can make a significant

contribution to the overall environmental improvements in the country, provided they are properly designed and operated. However, this requires fundamental changes in Ukrainian environmental legislation, which is pretty old and does not reflect the economic changes the country has undergone. To this end, one of the objectives of this Ukrainian-Danish project is to assist Ukrainian environmental authorities in drafting new legislation on the Republican fund of Ukraine in accordance with the recommendations set out in the St. Petersburg Guidelines.

6. At the end of the meeting participants expressed their appreciation of the effort made by the organisers and thanked for the support provided by the US EPA which made it possible for them, for the first time, to gather together, talk to each other and learn from foreign experience.