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MOBILISING FINANCE: INTRODUCTION, BACKGROUND AND PROJECTS

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Agenda Item 6

*ACTION REQUIRED:
For discussion.*

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MOBILISING FINANCE: INTRODUCTION, BACKGROUND AND PROJECTS

Agenda Item 6 will provide an introduction to current PPC project preparation and investment activity in the region, and to one of the PPC's main capacity building tools: the Project Financing Workshop. The session is structured to deliver a number of presentations, followed by discussion.

This document provides:

- background technical information on the subjects covered during Item 6 of the agenda; and
- a more detailed outline of how the various sub-items will be structured.

Annex A presents the PPC project pipeline and highlights current financing gaps.

1. PPC project pipeline and specific financing gaps

The first part of Agenda Item 6 will examine specific financing gaps in five of the geographical and themed areas where the PPC is currently active:

- Russia, where the PPC works in partnership with the Northern Dimension Environmental Partnership (NDEP)
- Central Asia, Caucasus and Moldova, where the PPC is working in partnership with EBRD's Early Transition Countries (ETC) Initiative
- South-Eastern Europe, where the PPC works in partnership with the Danube and Black Sea (DABLAS) Task Force and the CARDS Priority Environmental Investment Project (PEIP)
- Carbon Finance for Environmental Projects
- Biodiversity

The first three presentations will be divided into three parts:

- *Current status of investments, and challenges* – a brief overview of the key lessons learned and key barriers to increased investment;
- *Partnership with other initiatives* – a brief overview of how the PPC and other initiatives are working in partnership;
- *Plans for the future and project pipeline* – a brief overview of future plans to facilitate the mobilisation of investments, and an introduction to the current project pipeline with specific financing gaps.

The final two presentations, on carbon finance and biodiversity, discuss more specifically the potential for carbon credit and PPC activity towards establishing a Multilateral Carbon Credit Fund, and PPC effort towards establishing a Biodiversity Financing Facility.

1.1 Russia

Current status of investments, and challenges

The PPC is working closely with the EBRD to prepare and implement a large pipeline of investment projects in Russia. Based on project implementation experience of these ongoing projects, the key lessons learned are provided in *Box 1*.

Box 1: Lessons learned

Project coordination and stability - The time to implement projects from pre-planning to implementation is very long in Russia, especially in municipal infrastructure projects. Factors that prolong implementation include unstable financial and regulatory framework, complex contract structures and weak legal framework.

Regulatory and institutional framework - Rapidly changing legislation and regulations pose a challenge for any project. In Russia the legislative framework and regulations have improved significantly over the past years. However, there are still many regulations that are unclear, changing or conflicting and challenge the implementation of the project. Additionally, changes within governmental institutions and reorganisations of responsibilities in governmental and municipal organisations tend to slow down progress.

Conflict of interest - Most projects involve a number of partners, including financiers, investors and donors as well as local utilities, local administration, regional administration and ministries. Although all parties may agree upon completing the project, the policies and interests of the participators differ and are potentially a source of conflict both during preparation of the project and during the implementation phase.

Unrealistic expectations - If the project plan is not thoroughly prepared the expectations of the parties involved can easily be diminished during the implementation stage of the project. It is vital to spend enough time and resources at the preparatory stage, to make sure that the project is both financially and technically viable.

Resources - As in any project, sufficient and skilled resources to carry out the tasks of the project are vital to success.

Partnership with the NDEP

In North-West Russia the PPC works in partnership with the Northern Dimension Environmental Partnership (NDEP). The NDEP Support Fund provides both investment and technical assistance (TA) grants, while the PPC (Finland) provides a PPC Officer (Lena Sjöblom) who works to accelerate project preparation and implementation.

At the end of 2004 a total of eight environmental investment projects in key cities of NW Russia were approved for co-financing from the NDEP Support Fund. These are priority projects that the NDEP was able to move forward through the provision of small amounts of TA and investment grant co-financing. The NDEP Fund has committed €43.55 million in support of these projects. The investment leverage effect of these TA and co-financing grants has been considerable. A total of €903 million in investment capital has been mobilised, of which €491 million has been provided by international financial institutions (IFIs).

The projects cover the geographical scope of NW Russia, from Kaliningrad to Murmansk, Archangelsk and Komi Republic. Most of the projects are in the public sector. For environmental projects in water, waste management and energy efficiency the local sponsors are typically municipalities or Oblast administrations.

Table 1: Approved NDEP supported projects (in € millions)

Name of project	<i>Beneficiary</i>	<i>IFI</i>	Project cost	IFI loans	NDEP grant
St. Petersburg South-West Wastewater Treatment Plant	St. Petersburg Vodocanal	NIB	188.7	96.5	5.8
St. Petersburg Flood Protection Barrier	Rosstroj	EBRD	492.2	277.5	1.0
St. Petersburg Northern Wastewater Treatment Plant Incinerator	St. Petersburg Vodocanal	EBRD	90.4	58.2	6.4
Municipal Environment Investment Programme in Leningrad Oblast, Phase I	Cities of Gatchina, Kirovsk, Pikalevo and Tikhvin	NIB	23.3	5.3	4.0
Komi Municipal Services Improvement Programme	Cities of Syktyvkar and Vorkuta	EBRD	31.8	15.0	5.9
Kaliningrad District Heating Renovation and Reform	City of Kaliningrad	EBRD	21.8	12.0	7.3
Archangelsk Municipal Water Services Project	Archangelsk Vodocanal	EBRD	25.3	10.0	8.2
Murmansk District Heating Project	Murmansk municipal energy utility	NIB	29.6	16.6	5.0
Total			903	491	43.55

Plans for the future and the project pipeline

The PPC is now working with the NDEP to increase the level of financing that is available for financing of investment projects in NW Russia. The PPC Secretariat would like to be able to raise finance to enable the expansion of funds available for environmental projects, whilst also ensuring the continuity of PPC Officer support for these projects. Projects in the pipeline are provided in *Annex A*.

Discussion points

1. *What action should the PPC take to support the NDEP pipeline and other projects in North-West Russia?*
2. *How should this be reflected in the work programmes of the PPC and EAP TF?*

1.2 Central Asia, the Caucasus and Moldova*Current status of investments, and challenges*

To date the PPC has not had a significant pipeline of investment projects in Central Asia, the Caucasus or Moldova. The investment climate in these countries is complicated by two fundamental issues:

Weak institutions – most of these countries have only recently embarked on local government reform. They tend to have centralised political and economic structures, which often leads to a lack of budgetary

transparency and this limits creditworthiness at a local level. Furthermore, country level borrowing limits established by the IMF limit all but concessional borrowing in most of these countries. The utility and local authorities also often have limited capacity for project preparation and require significant support to manage international standard tendering and procurement.

Affordability – 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 (a) services are sustainable and operating on a cost-recovery basis; and (b) services are provided to all, particularly the poor.

Table 2: EBRD experience in Early Transition Countries (in € millions)

Country	Operation Name	Sector	Total Cost	EBRD Financing
Georgia	Tbilisi Public Transport	Transport	5.6	3.1
Moldova	Energy Efficiency	District Heating	18.3	7.6
Moldova	Chisinau Water Services	Water	31.7	17.0
Tajikistan	Khujand Water Supply Improvement	Water	4.2	1.0
Uzbekistan	Tashkent Water Supply	Water	11.3	8.1
Uzbekistan	Tashkent Solid Waste	Solid Waste	39.0	5.5
Uzbekistan	Andijan District Heating	District Heating	23.3	2.1
Total			133.4	44.4

Partnership with the EBRD's Early Transition Countries (ETC) Initiative

The EBRD's ETC Initiative covers all areas of the Bank's business and focuses on seven countries which have been identified as being in early transition: Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Moldova, Tajikistan and Uzbekistan.

Within the field of environmental infrastructure, the EBRD intends to focus on smaller projects designed to accommodate the affordability constraints of resident populations, and the creditworthiness and institutional constraints of city governments in the ETC. Implementation of municipal projects is expected to be TA- and grant-intensive. Total TA requirements are expected to be in the order of €6.1 million, and possibly more if project identification assistance is provided. Investment co-financing grants needed to address affordability constraints in the order of €9 million have been identified. Such grant co-financing would also be required to bring EBRD municipal operations in line with the concessional lending rules of the IMF, which apply to most ETC countries.

This project model – smaller loan investments blended with grant investment co-finance – is based on a model developed by the EBRD, in partnership with the PPC, in Khujand, Tajikistan. A PPC Officer was involved in the design and structuring of the project and provided specific public finance expertise. In addition, the PPC network was instrumental in raising the grant investment co-financing and TA funds required to prepare the project for implementation.

Plans for the future and the project pipeline

The PPC is continuing to work directly with the EBRD to mobilise additional funds, but also to actively support the development of projects in the ETC region, which requires significant resources and expertise. An EC-funded PPC Consultant took up the task in November 2005 to assist the PPC and EBRD's Municipal Environmental Infrastructure (MEI) team and ETC Initiative, in close partnership with the EU Water Initiative, with project identification and preparation in the region. In addition, a new PPC Officer, funded by Sweden/SIDA, is expected to be recruited in 2006 to be located in the region and specifically to support project development as part of the ETC Initiative.

The exploratory project pipeline summary is provided in *Table 3*. Details regarding specific projects can be discussed with the PPC Secretariat during the meeting.

Table 3: MEI pipeline in Early Transition Countries (in € millions)

Country	Operation Name	Sector	Total Cost	EBRD Financing
Georgia	Poti Water Supply Project	Water	5.0	2.5
Georgia	Kutaisi	Water	11.5	5.0
Georgia	Adjara region	Solid Waste	10.35	2.0
Tajikistan	Dushanbe Municipal	Solid Waste	9.0	3.1
Total			35.85	12.6

Discussion points

1. What action should the PPC take to support the ETC Initiative and other projects in the countries included in the ETC group?
2. How should this be reflected in the work programmes of the PPC and EAP TF?

1.3 South-Eastern Europe*Current status of investments, and challenges*

The PPC is working closely with the EBRD to prepare and implement a pipeline of investment projects in SEE. In addition to the projects already signed and under implementation, ten new investment projects have been identified.

Despite significant differences among the countries of the region, the investment climate in the area as a whole is showing encouraging signs of improvement. This applies also to municipalities, local entities and Public Utility Companies, who are the main institutional counterparts in any dialogue aimed at the implementation of environmental projects. Nevertheless, there are regional difference in terms of readiness to adopt environmentally-friendly policies and the degree to which a country embraces a market-oriented approach to the provision of public services to the citizens. In Croatia, for example, the EBRD has financed projects in the water, wastewater and solid waste sectors in several municipalities across the country. In

Bosnia and Herzegovina, investment in the municipal and environmental sector continues to be hampered by a lack of environment- and market-oriented culture and political interference.

Box 2: Lessons learned

Project coordination and implementation - The time to implement projects from pre-planning to implementation is often long, especially in municipal infrastructure projects. This is due to a number of factors, among which: (i) lack of experience in managing large projects financed by international financing institutions; (ii) lack of experience in dealing with complex procurement processes; (iii) lack of skills in both the engineering and management field. A key lesson learnt is that to address these problems it is advisable to select an experienced international consultant responsible for the supervision of the overall cycle of the project, from design through to procurement through to physical completion.

Conflict of interest - Most projects involve a number of partners, including financiers, investors and donors as well as public utilities, local governments, regional administration and national ministries. Although all parties may agree upon completing the project, the policies and interests of the participants differ and are potentially a source of conflict both during preparation of the project and during the implementation phase. Experience teaches us that such conflicts can be avoided by clearly setting out roles and tasks in the relevant legal documents.

Institutional weaknesses - Most of the SEE countries have only recently embarked on local government reforms. They tend to have centralised political and economic structures, which often leads to a lack of budgetary transparency and limits creditworthiness at a local level. In addition, as a consequence of a recent fiscal autonomy, local governments often do not possess adequately skilled human resources able to efficiently manage the budget resources and to forecast, prioritise and plan capital expenditures. Furthermore, borrowing thresholds established by the national laws and backed by the IMF limit local governments' borrowing capacity in most of these countries. The ability of local management to deal with limited room for budget manoeuvring is therefore crucial. Experience has shown that in environmental projects where the client is a local government or a public utility, international consultants should be used to train the local officials to more efficiently deal with limited resources. This goal can be achieved through Creditworthiness Enhancement Programmes, Public Debt Management Programmes or Financial and Operational Performance Improvement Programmes.

Affordability - The provision of services is usually subsidised, but subsidies are rarely transparent. In addition, local entities need to increase tariffs to be able to afford capital investments in environmental facilities. Therefore, a reform of the tariff and subsidy structures is a pre-condition to capital investments. In particular, tariff and subsidy policies must ensure that: (a) services are sustainable and operated on a cost-recovery basis; and (b) services are provided to all, particularly the poor.

Partnership with the DABLAS Task Force

In the SEE region the PPC works in partnership with the Danube and Black Sea (DABLAS) Task Force and develops investment projects to be funded by the IFIs. The EBRD expects three projects to reach board approval by 2006.

Due to the economic climate in the region, the EBRD is open to the possibility of financing smaller environmental infrastructure projects. This is deemed to be necessary particularly in those areas where affordability constraints of resident populations and creditworthiness constraints of local governments do not allow for larger financial burdens. On the other hand, there are areas where the improved economic scenario and the increased competition between financing institutions make investing in unexplored market segments more attractive; this is the case with smaller municipalities and their public utilities who can afford to borrow for the financing of environmental infrastructure projects.

Plans for the future and the project pipeline

The PPC is continuing to work directly with the EBRD to mobilise funds, but also to actively support the development of projects in SEE, which requires significant resources and expertise. Furthermore, the PPC Secretariat would like to be able to raise additional finance aimed at the expansion of funds available for environmental projects.

The exploratory project pipeline is contained in *Annex A*. Details regarding specific projects can be discussed with the PPC Officer for SEE, Gaetano Massara, during the meeting.

Discussion points

1. *What action should the PPC take to support the DABLAS, PEIP, and other projects in the countries included in the SEE country group?*
2. *How should this be reflected in the work programmes of the PPC and EAP TF?*

1.4 Carbon Finance

Current status of investments, and challenges

The Carbon Credit idea is simple: a project investment leads to greenhouse gas emission reductions compared to a baseline, which emission reduction performance, monitored and certified, can be sold to countries and companies with a shortage of rights to emit greenhouse gases. Most project sponsors in the ETC will need the assistance of a consultant to develop such a baseline study in the form of a Project Design Document (PDD). Also a formal Letter of Approval from the Early Transition Country is needed, in which the country acknowledges that the project is carried out on a voluntary basis, that it helps in the country's sustainable development and that there is a transfer of technology. The PDD together with the Letter of Approval is subsequently validated by a so-called Validator, which is an organisation accredited by the Clean Development Mechanism Executive Board (CDM EB). The CDM EB is an authority operating under the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol. The Validator is to be hired by the Project Sponsor. Once the validated PDD is accepted and registered by the CDM EB, the Project Sponsor is then able to sell its Certified Emission Reductions (CER), commonly referred to as Carbon Credits. One Carbon Credit is 1 ton of CO₂ emission reductions. Only an operational CDM project is then able to generate Carbon Credits by submitting validated monitoring reports to the CDM EB, which will issue these Carbon Credits upon acceptance.

There is a large potential market for project based credits originating from the EECCA countries. Given that most EU-15 states, Canada and Japan will need to buy carbon credits to meet their Kyoto targets, this market is expected to grow.

The eligible countries have a high potential for generating Carbon Credits because:

- Several of these countries have a surplus of Carbon Credits. This is because the Kyoto Protocol reference year for the emissions reduction targets is 1990 and since then emissions have dropped sharply in countries such as the Russian Federation and Ukraine, as a result of the substantial contraction of their GDP after 1990. These countries will therefore be likely sellers of Carbon Credits.
- High carbon and energy intensities in Countries in Transition also create significant opportunities for low-cost emissions reductions. This is because the cost of achieving an emission reduction in such countries is low relative to Western countries whose economies are much more energy efficient and generally less carbon intensive, and are thus characterised by a higher relative carbon abatement cost.

Partnerships

- €35 million Carbon Fund with The Netherlands to buy Carbon Credits from Joint Implementation projects that the EBRD is financing.

- €350,000 Project Support Facility (PSF) for CDM projects in the Early Transition Countries.

The CDM Project Support Facility aims to reduce the barriers for the development and implementation of CDM projects, which will contribute to the Poverty Reduction Strategy (PRS) in most of the ETC. CDM projects currently being supported, are:

- A mini-hydro project in Armenia
- The Interglass project (Kyrgyz Republic) is an industrial energy efficiency project of €1.7 million of which €0.5 million EBRD loan
- The project with Azerenerji (Azerbaijan) concerns the rehabilitation of the AzGRES power plant.

Potential projects that the Bank is considering for support from the CDM PSF include cement factories, renewable energy (mini-hydro), avoided associated gas flaring and venting, landfill gas extraction and utilisation.

Plans for the future and the project pipeline

The EBRD and the European Investment Bank (EIB) are developing a Multilateral Carbon Credit Fund (MCCF). The MCCF's purpose is two-fold: (i) to facilitate the acquisition of Carbon Credits from greenhouse gas emission reduction projects located in Countries in Transition, by Sovereign and Private Participants; and (ii) to facilitate Green Investments Schemes (GIS) for Sovereign Participants who wish to engage in these schemes.

The preparation, negotiation, signing and monitoring of project level Emission Reduction Purchase Agreements (ERPAs) will be outsourced to up to three Carbon Managers selected through a competitive process, each covering a sub-region, under the supervision of the MCCF Secretariat.

The value of carbon credits to be contracted through the MCCF funds will initially be capped at €150 million, to be spent on the purchase and related execution costs of Joint-Implementation, Clean Development Mechanism and EU Emissions Trading Scheme, i.e. *project*-based Carbon Credits. The cap will apply to the aggregate of contributions of the Sovereign Window and the Private Window jointly. The GIS section of the MCCF will fall outside this cap and will be the subject of separate arrangements.

The Sovereign Window will be established once commitments for contributions have been received from at least three EBRD shareholders in excess of €15 million. The Private Window will be opened once contributions in excess of aggregate €30 million have been made available by Private Participants.

More information regarding the MCCF can be obtained during the meeting from PPC Officer Jan-Willem van de Ven, who is actively involved in the development of the Fund.

Discussion points

1. *What action should the PPC take to support the various carbon facilities?*
2. *How should this be reflected in the work programmes of the PPC and EAP TF?*

1.5 Biodiversity

Current status of investments, and challenges

It is thought that through the setting up of a Biodiversity Technical Assistance Facility and Biodiversity Financing Facility, the role of private entrepreneurs in nature management, beyond the formal nature protection system, could be enhanced and a new commercial market for pro-biodiversity business could be created.

Basically, a pro-biodiversity business strives to generate positive financial and biodiversity returns. Biodiversity business opportunities exist, primarily in the sectors such as organic agriculture, eco-tourism and sustainable forestry. Companies active in these sectors are mostly micro, small and medium-sized enterprises. The latter constitute over 90% of all economic activity in the EU and more so in the EECCA countries.

For a number of years, the EBRD's Environment Department has been examining the feasibility of establishing a Biodiversity Financing Facility. The enhancement of the role of private entrepreneurs in nature management, beyond the formal nature protection system, and the creation of a new commercial market for pro-biodiversity business (PBB) will be the primary target of the proposed Financing Facility.

Small and micro enterprises (SMEs) are obvious stakeholders amongst those who have a role to play in implementing biodiversity conservation. However, until now they have largely been neglected. Many businesses working in renewable natural resources deal with biodiversity but there appears to be little support to partake in such new commercial and conservation opportunities.

Private players, both on the supply side (banking) and the demand side (companies) are often not well aware of commercial biodiversity opportunities or lack the capacity to develop bankable projects. Technical Assistance would be needed to further raise awareness of the possibilities that exist. And co-financing would be needed during the operations of the Financing Facility e.g. for independent, third-party monitoring.

Businesses working with biodiversity often encounter obstacles in accessing bank credits. It is thought that through EBRD's participation in a financing programme, a given Partner Bank would have an incentive to invest into these companies.

Partnerships

There is a growing number of institutions that show active interest in Banking, Business and Biodiversity. They can broadly be subdivided into the financial sector (IFIs and commercial banks), governments, international organisations, NGOs and investment funds.

Similarly to the Task Force on Banking, Business and Biodiversity, a strategic partnership to promote biodiversity business could encompass IFIs (for example, the EBRD, EIB, IFC and Council of Europe Development Bank), NGOs (such as the European Centre for Nature Conservation (EUCN), Fauna and Flora International, Fieldfare, Plantlife and the World Conservation Union (IUCN), Royal Society for the Protection of Birds (RSPB)/Birdlife Partners), private sector financial institutions (e.g. Rabobank, the Co-operative Bank, Deutsche Bank), private companies (e.g. Fieldfare), foundations (e.g. DOEN foundation) and venture capitalists as well as initiatives coming from multilateral agencies such as the UNEP FI Initiative.

Last year, Fauna and Flora International and the Dutch DOEN Foundation joined forces to carry out a Technical Assistance project to identify businesses already working with biodiversity and to identify their investment needs.

A step-by-step procedure was applied to identify bankable, pro-biodiversity projects in Poland and Hungary. More than 256 potentially bankable projects were identified.

Plans for the future and the project pipeline

- The successful implementation of a Biodiversity Financing Facility would accelerate the creation of a new market for the local banking system by showing that investments into biodiversity businesses are commercially viable.
- This would have a strong demonstration effect. And, in the longer term, this could catalyse policy changes that would create an environment which favours SME pro-biodiversity business.
- Subsequent replication of the project in other EECCA countries of operation is also a main objective, so that the proposed Funding Facility could gradually develop into a regional Facility.
- The Biodiversity Technical Assistance is necessary to build awareness and capacity.
- Currently other practical opportunities that could lead to biodiversity investments are being followed up.

Jean-Marie Frenzt, PPC Officer and Environment Specialist, has been actively involved in the development of the Funding Facility as well as number of biodiversity related TA initiatives.

Discussion points

1. *What actions should the PPC take to support the Biodiversity Technical Assistance and Financing Facilities?*
2. *How should this be reflected in the work programmes of the PPC and EAP TF?*

2. Project Financing Workshops

2.1 Introduction

As part of its 2004-07 Strategy the PPC is to provide additional support or capacity building to project proponents in the region through a number of workshops designed to improve project identification, preparation and finance skills. The PPC (through Danish consultancy COWI A/S) has developed a prototype Project Financing Workshop which was piloted in Moscow in July 2004. The workshop was conceived in the light of PPC experience that has shown that sub-sovereign or municipal project proponents often have difficulty in preparing appropriate project concept information. Such information is critical if municipal entities are going to advance projects and attract the necessary financing. The emphasis of the workshop is on assisting participants to develop realistic project concepts, and on improving their understanding of the processes involved in attracting loan and grant financing.

The workshop will be implemented on a demand basis and, funds permitting, in other locations across the EECCA region (Phase II). Under the terms of the contract between COWI A/S and the EBRD (contracting party for the PPC) for both phases of the project, COWI can be called upon on an ad hoc basis to roll out a series of workshops over the next two-three years.

An introduction to the workshop was given to the Danube and Black Sea (DABLAS) Task Force at a recent meeting in Karlovac (15-17 June, 2005). Following this presentation, the Task Force agreed to encourage and support the implementation of the workshops in those DABLAS countries that are also members of the PPC. The German Federal Environment Agency has agreed to fund the implementation of one workshop, to be held in the Caucasus. This workshop will be the first in the series, and is expected to be held in January of 2006. Additional finance has been committed by the UK Department for International Development (DFID), for a series of workshops to be rolled out in the EECCA region. The PPC is further in discussion with another donor about funding a workshop in one of the SEE countries.

The PPC would like to explore the possibility of rolling out additional workshops in the region over the next two years, depending on interest from governments, and will continue to seek donor funding accordingly.

2.2 Workshop design and programme

A total of 12-15 project proponents from selected municipalities in up to two countries are selected to participate in two-day workshops. The specific objective of the workshop is to provide training in developing and preparing project concepts in the form of a Project Concept Data Sheet (PCDS). The PCDS has been developed following extensive discussions with IFIs and donors to ensure that it accurately reflects the specific data needed by them and includes all the questions required to enter into a constructive dialogue with them on project financing. The PCDS covers the following areas:

- key project information;
- long-term planning;
- socio-economic data;
- current service data;
- key financial data; and
- supplementary project information.

Participants receive a Pre-Workshop Information and Task Pack, and a manual to accompany the workshop. This comprehensive guide, which acts as a tool to the workshop and a future reference manual, describes in detail each of the sessions: introduction to the PCDS and detailed explanation of each section to be completed (including example of a completed sheet); overview of financing options available to municipal project proponents focusing on foreign sources of (co-)financing provided by IFIs and donors; overview of the major barriers in establishing a constructive dialogue with IFIs and donors; introduction to the Action Plan indicating all the steps required to proceed to submission of a project concept to a potential financier; an example case study; and all the slides used during the workshop. Furthermore, the manual includes a glossary of the main concepts referred to and a list of useful websites.

By the end of the two-day course participants will be able to prepare a sound project financing concept ready to initiate a first contact with IFIs, donors and commercial banks. The training will thus enable municipalities to reduce the time needed to initiate and prepare a project concept and facilitate and enhance communication between project proponents and financial institutions.

Only those municipalities that have viable project concepts and are fully committed will be accepted as participants. This is fundamental to the success of the workshop. For this reason all decisions regarding the choice of participating municipalities will be made in close collaboration with the PPC Secretariat.

2.3 For more information

A stand-alone manual prepared for the project financing workshops can be downloaded from the PPC website via <http://www.ppcenvironment.org/ppcdefault.aspx?tabid=81>. For additional information about working with the PPC to set up a project financing workshop, please contact Angela Crooks at the PPC Secretariat (CrooksA@ebrd.com).

Annex A – Project pipeline

THE FOLLOWING IS A LIST OF ALL PROJECTS BEING DEVELOPED BY PPC OFFICERS SINCE APRIL 2003, AS WELL AS THOSE THAT HAVE BEEN HIGHLIGHTED AT PPC MEETINGS AS REQUIRING ADDITIONAL GRANT FUNDING. PROJECTS RECEIVING SUPPORT THROUGH A DONOR-FUNDED FACILITY ARE ALSO INCLUDED.

Project	Location	Total Project Cost (Meur)	Ifi Loan Finance (Meur)	Donor Grant Finance (Meur)	Required Ta And Grant Co-Financing (Meur)	Project Status	Project Summary
Bazenk Small Hydropower Plant	Armenia	1.5	EBRD (1.1)	Netherlands (0.08)		Signed	This mini-hydro project in Armenia was identified during a survey for CDM projects. The Netherlands are providing support for the CDM baseline and validation studies, and the project is expected to have a strong demonstration effect for further mini-hydro projects.
AzGRES Power Plant	Azerbaijan	US\$ 150 mln	EBRD (US\$ 115 mln)	ETC Fund ¹ (0.08)		Final reviewed	Investment into rehabilitation of the major generation station and selected transmission facilities with the aim of improving power system reliability and efficiency. PPC staff are assisting in the development of the energy efficiency and fuel-switch projects as CDM projects.
Baku Solid Waste Management Project	Azerbaijan	10.0	EBRD		0.5	Concept reviewed Feasibility study underway	Construction of EU compliant landfill segments, improvement of collection and possible construction of an incinerator.

1. Early Transition Countries Multi-donor Fund

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Project	Location	Total Project Cost (Meur)	Ifi Loan Finance (Meur)	Donor Grant Finance (Meur)	Required Ta And Grant Co-Financing (Meur)	Project Status	Project Summary
Banja Luka Water Supply Infrastructure Project	Bosnia & Herzegovina	12.0	EBRD			On hold	The main objective of the project is to assist Vodovod to reduce water losses and support the construction of a new water treatment plant in order to meet the demand for water resulting from the population growth and expansion of the supply area.
Tuzla Canton Water and Waste Water	Bosnia & Herzegovina	5.0 (Phase I) + 8.0 (Phase II)	EBRD			On hold	The main objective of the project is to finance the waste treatment of the discharge water into Lake Modrac, the only viable long-term source of potable water for the area.
Plava Voda Water	Bosnia & Herzegovina	20.0	EBRD		0.25	Exploratory	A regional water supply programme to secure regular water supply for Travnik and Zenica and surrounding municipalities.
Bijeljina Water and Waste Water	Bosnia & Herzegovina	20.0	EBRD			Exploratory	Development of water supply system and sewerage system to meet demands of rapidly growing population and reduce the ongoing health risks for the population.
Capljina Water Project	Bosnia & Herzegovina	10.0	EBRD (5.0)		0.25	Exploratory	To extend the water supply to suburban areas to support returned refugees and new settlers.
Municipal Finance Facility	Bosnia & Herzegovina	30.0	EBRD			Exploratory	A €30 million comprehensive financial umbrella for the financing of environmental and infrastructure projects in the whole country. The front-end borrower is the state, who then on-lends at no additional charge to interested utilities.

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Project	Location	Total Project Cost (Meur)	Ifi Loan Finance (Meur)	Donor Grant Finance (Meur)	Required Ta And Grant Co-Financing (Meur)	Project Status	Project Summary
Sofia Water Infrastructure PPP	Bulgaria	190.0	EBRD			On hold	To finance part of capital expansion programme of Sofiyska Voda, a joint venture between United Utilities, EBRD and the city of Sofia, encompassing modernisation of water supply and waste water collection infrastructure in Sofia.
Bulgarian Credit Line for Energy Efficiency and Renewable Energy	Bulgaria	50.0 + 10.0	EBRD	KIDSF ² (10.0)		Signed	A €50 million credit line for six Bulgarian banks to provide loans to sub-borrowers for industrial energy efficiency and renewable energy projects and a €10 million grant for technical assistance and incentives. More information on http://www.beerecl.com .
Primorsko-Goranska Regional Waste Project	Croatia	14.8	EBRD			Exploratory	The project will finance regional waste management centres.
Rijeka Central Waste Water Network Upgrade	Croatia		EBRD			Concept reviewed	Investment will enable the upgrading of Rijeka's waste water treatment network.
Municipal Finance Facility	Croatia	20.0 +	EBRD (20.0)	EU		Signed	A €20+ million finance facility using local bank intermediaries to provide long-term funding to small municipalities (150,000 pop.) for infrastructure investment projects. TA provided to deliver project preparation support and advisory services to the banks.
Osijek Water Supply and Sewerage Project	Croatia	11.0	EBRD	EU (0.25)		On hold	Construction of a new wastewater treatment plant to treat sewage from Osijek City and the surrounding area.
Karlovac Water Supply and Sewerage Project	Croatia	36.0	EBRD (10.0)	EU (22.5)	0.3	Signed	Upgrade of water supply and wastewater sewer networks and construction of a waste water treatment plant.

2. Kozloduy International Decommissioning Support Fund

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Project	Location	Total Project Cost (Meur)	Ifi Loan Finance (Meur)	Donor Grant Finance (Meur)	Required Ta And Grant Co-Financing (Meur)	Project Status	Project Summary
Elektrostopanstvo - Implementation of an Environmental Management System (TA project)	FYR Macedonia	0.2	EBRD	Canada (0.2)		Approved	Stand-alone TA project to assist in the implementation of an Environmental Management System at Elektrostopanstvo na Makedonija. This constitutes a milestone in the privatization process.
Adjara Solid Waste Management Project	Georgia	10.35	EBRD (2.0)	MC Georgia ³ (3.0) Sweden (4.0)	7.0	Concept reviewed Feasibility study underway	Creation of an integrated solid waste management system for the Adjara region.
Poti Water Supply Project	Georgia	5.0	EBRD (2.5)		Yes	Under development	The project will finance improvements in the municipal water supply system.
City of Tbilisi Public Transport Project	Georgia	4.8	EBRD (3.1)	ETC Fund (0.86) Netherlands (0.4)		Signed	The project is designed to help the municipal bus company to improve transport services.
Kutaisi Water Supply Improvement Project	Georgia	11.5	EBRD (5.0)	MC Georgia Sweden (tbc)	3.1	Concept reviewed Feasibility study underway	The project will aim to restore a regular (full-time) service in 50% of the City and improve the commercial viability of the Kutaisi Water Company. In addition access to water supply will be increased and wastewater services provided through an efficient service which will mitigate the risk of water transferred diseases and environmental damage to the River Rioni.

3. Millennium Challenge Georgia

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Project	Location	Total Project Cost (Meur)	Ifi Loan Finance (Meur)	Donor Grant Finance (Meur)	Required Ta And Grant Co-Financing (Meur)	Project Status	Project Summary
Institutional Capacity Building - Biodiversity Conservation (TA project)	Kyrgyz Republic	0.24	EBRD	UK (0.24)		Approved	Ad hoc TA project to promote private sector involvement in biodiversity conservation activities and support institutional capacity building aimed at conservation of rare and endangered species in the Sary-Chat Ertash Zapovednik. The site is adjacent to the Kumtor Gold Mine, an EBRD investment project.
Pilot Biodiversity Funding Facility	Poland	10.0	EBRD			Under development	Providing sub-loans to SMEs in Poland whose operations impact on biodiversity. This project responds to a demand to engage the private sector in the protection and enhancement of biodiversity.
Sibiu Water and Waste Water Project	Romania	37.6	EBRD (10.0)	EU (25.5)		Signed	The rehabilitation and refurbishment of the water and waste water treatment plants in Sibiu to upgrade and extend the water supply and sewerage networks.
Romania Sustainable Energy Credit Line	Romania	50.0 – 100.0	EBRD	Canada (0.05)	15.0	Exploratory	A market potential of €500 million for sustainable energy projects has been identified in a recent market survey commissioned by the EBRD. The Bank wishes to replicate the Bulgarian model and is seeking €15 million in grant funding.
Arkhangelsk Municipal Water Services Project	Russia	25.5	EBRD (10.0)	EU (0.2) Luxembourg (0.2) NDEP ⁴ (8.2) Sweden (0.6)		Signed	Rehabilitation and modernisation of the water supply and sewerage infrastructure. This will result in improved water quality and standards of sewage treatment effluent, as well as energy savings with upgraded pumping and other electrical equipment.

4 . Northern Dimension Environmental Partnership Support Fund

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Project	Location	Total Project Cost (Meur)	Ifi Loan Finance (Meur)	Donor Grant Finance (Meur)	Required Ta And Grant Co-Financing (Meur)	Project Status	Project Summary
St. Petersburg Neva Direct Wastewater Discharge Closure Project	Russia	200.0	NIB EBRD EIB	Finland (0.5) Sweden (0.5)	Yes	Under development	The project's principal aim is helping to eliminate direct discharges of untreated waste water into the Neva River.
St. Petersburg Northern Wastewater Treatment Plant Incinerator	Russia	90.4	EBRD (23.8) NIB (9.0) EIB (20.0)	NDEP (6.35) UK (0.46)		Signed	Construction of a sludge incinerator at the Northern Waste Water Treatment Plant to provide an environmentally sustainable solution to the sludge disposal problem in the northern part of St. Petersburg.
Komi Uhta Municipal Services	Russia	15.0	EBRD			Exploratory	The project will improve the water and wastewater infrastructure and services in the municipality of Uhta in the Komi Republic.
Komi Municipal Services Improvement Project - Syktyvkar	Russia	21.0	EBRD (10.0)	Canada (0.6) EU (0.3) Finland (0.3) NDEP (3.7) Sweden (0.5)		Signed	The investment project is designed to improve the quality of drinking water, the water supply and wastewater infrastructure, and services in the municipality of Syktyvkar.
Vologda Municipal Services Improvement Project	Russia	15.0	EBRD (10.0)	Finland (0.3) NDEP (tbd)	1.0	Under development	Investments are to include the construction of a new water treatment facility to improve drinking water quality, and modernisation of the existing wastewater treatment facilities in the City of Vologda.
Syktyvkar District Heating	Russia	tbd	EBRD			Exploratory	The project is to finance modernisation of the district heating system in Syktyvkar.
St. Petersburg District Heat Metering Project	Russia	60.0	EBRD (27.0)		0.5	Under development	The aim of the project is to install and operate heat meters in municipal buildings in St. Petersburg. The project is a key integral part of the reform programme for district heating and municipal housing in St. Petersburg.

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Project	Location	Total Project Cost (Meur)	Ifi Loan Finance (Meur)	Donor Grant Finance (Meur)	Required Ta And Grant Co-Financing (Meur)	Project Status	Project Summary
Kaliningrad District Heating Renovation and Reform	Russia	21.8	EBRD (12.0)	EU (0.3) NDEP (7.3) Sweden (1.7)		Under development	The project will include the rehabilitation of the district heating system in Kaliningrad, the promotion of sound pricing policies and practices and the institutional development of the district heating utility.
Arkhenargo Severodvinsk CHP-1 Ash Management	Russia	15.0	NEFCO EBRD			Exploratory	Co-financing of a project aiming to solve coal ash disposal problems and increase efficiency at Severodvinsk CHP-1, ranked as one of the highest environmental priorities in the region.
City of Subotica – Municipal Infrastructure Reconstruction Programme	Serbia & Montenegro	14.0	EBRD (9.0)			Signed	The project will finance improvements to the municipal water services in the City of Subotica.
Serbian Small Municipalities – Environmental Programme	Serbia & Montenegro	40.0	EBRD (25.0)	EAR ⁵ (10.0) Sweden (5.0)		Exploratory	Investments in wastewater collectors and treatment plants, and construction of regional landfills. Programme expected to include six municipalities.
Podgorica Solid Waste Management	Serbia & Montenegro	15.0-20.0	EBRD			Exploratory	Rehabilitation and expansion of the Podgorica landfill.
Novi Sad District Heating Project	Serbia & Montenegro	13.0	EBRD (10.0)			Under development	To finance the extension of the City's district heating network with the aim of addressing the heating needs of those areas of the City which are rapidly growing and still lack heating for the winter months.

5. European Agency for Reconstruction

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Project	Location	Total Project Cost (Meur)	Ifi Loan Finance (Meur)	Donor Grant Finance (Meur)	Required Ta And Grant Co-Financing (Meur)	Project Status	Project Summary
Slovak Sustainable Energy Credit Line	Slovak Republic	50.0	EBRD		15.0	Exploratory	The EBRD plans to commission a market study for sustainable energy projects in the Slovak Republic. Depending on the results, a credit line could be developed.
Khujand Water Supply Improvement Project	Tajikistan	4.2	EBRD (1.2)	Norway (0.25) Switzerland (2.6)		Signed	The project concerns the rehabilitation of the water treatment plant and chlorination plant and will include the installation of water pumps and the rehabilitation of the pump stations and boreholes.
Tashkent Water Supply Improvement Project	Uzbekistan	11.0	EBRD			On hold	This investment project will enable the replacement of existing water pumps, valves and transformers, as well as the installation of a water distribution unit, pumping station, water meters and construction of a reservoir.
Project Sponsor - Eastern Europe	Regional	6.5	EBRD (5.0)	Netherlands (0.05 – 0.15)		Concept reviewed	An experienced project sponsor has developed a portfolio of landfill gas extraction and utilisation projects that result in greenhouse gas emissions reductions. A Carbon Credit revenue stream for these projects can be provided under the Joint-Implementation mechanism.
Renewable Energy Financing Entity	Regional	80.0	EBRD	Spain (0.35) US (0.15)	4.0	Structure reviewed	The REFE will be a financing vehicle (structured either as a corporation or a fund) which will invest in small and medium-sized renewable energy projects (e.g. wind, hydro power, biomass and geothermal projects) across the EBRD's countries of operation.

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Project	Location	Total Project Cost (Meur)	Ifi Loan Finance (Meur)	Donor Grant Finance (Meur)	Required Ta And Grant Co-Financing (Meur)	Project Status	Project Summary
Multilateral Carbon Credit Fund	Regional	N/A	EBRD EIB	Luxembourg Sweden	150.0 for Carbon Credit purchases	Under development	The Multilateral Carbon Credit Fund (MCCF) would facilitate the purchase of Carbon Credits from projects financed by the EBRD and/or EIB for both sovereign shareholders of the EBRD and private / non-sovereign contributors.
Pro-biodiversity business in the steppe zones of the Eurasia region (TA project)	Regional	0.6	EBRD	EU		Under development	This pilot project is in support of the Tacis regional programme biodiversity component focusing on the steppe ecosystems covering parts of Kazakhstan, Moldova, Russia and Ukraine. The project will provide targeted TA to selected micro, small and medium-sized enterprises that use biodiversity resources and that are willing to work towards creating pro-biodiversity businesses.