



Session 4
EECCA Report: Financial Resources

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Background

Challenges

- Lack of reliable data
- Weak programmatic framework
- Weak systems of environmental charges
- Inefficient environmental funds and misuse of public resources
- Policy and institutional obstacles in financing environmental projects

Lines of actions

- Improve information base
- Develop realistic environmental and financial programs
- Enhance revenue raising potential of taxes and charges
- Introduce good international practices in public expenditure management
- Mobilise commercial and foreign sources of financing; utilise opportunities for negotiating debt- for- environment swaps

Progress made (1/2)

Key messages

- Economic growth generates new opportunities to mobilise and allocate innovative instruments and resources

Indicators

- GDP/per capita, fiscal revenues, households average income
- Number of countries which have set up a designated authority to manage CDM

- External resources (ODA) for the environment are expected to grow

- Money provided by international donors to the Ministry of environment

- Domestic resources available for the environment are expected to grow

- Levels and trends in environmental expenditure
- Budget allocated to the MoE
- Money collected through environmental taxes & charges
 - Part earmarked for environmental measures

Progress made (2/2)

Key messages

- In some countries, implementation of result-oriented budgeting and medium term expenditure framework

Indicators/Case studies

- Number of environmental programmes approved
 - Part of fully funded programmes
- Budgetary allocations according to activity plans
- Improved procedures in the MoE for project cycle management

- Greater control over budgetary resources

- Number of extra budgetary funds

Barriers

- Environment remains low in governments' agenda
- Donors fatigue
 - Prominence of multilateral institutions
 - ODA unevenly spread among countries and sectors
- Financial resources are available but environmental projects have failed to attract them
- Unreliable data about financial resources and expenditure for the environment
- Weak institutional capacity
 - Slow progress in the management of expenditure
 - Poor experience with using different financial instruments (grants, loans, interest rates subsidies, equity)

Areas which require further analysis

- Incentives for private sector participation in environmental finance (the private firm, financial markets, households)
- How to increase the willingness to pay for environmentally related public goods
- How to mitigate transaction costs for small projects
- How to grasp opportunities related to CDM (financing of institutions to manage CDM)

Indicators proposed to be included in the EECCA questionnaire

- Money allocated to the Ministry of Environment in the General Government Budget
- Money collected by the Government through environmental taxes and charges
- N. of extra-budgetary environmental funds created for environmental purposes
- Money provided by international donors for projects implemented by the Ministry of Environment
- Budget of the Ministry of Environment allocated to environmental programmes on the basis of detailed plans of activities
- Money spent by the Government in the different types of programmes
- N. of environmental investment programmes approved, out of which fully funded
- Special unit in the Ministry of Environment dealing with project cycle management, either within or across environmental investment programs

Reference publications based on case studies

- Monitoring environmental expenditure in EECCA
- Number of financing strategies on water supply and sanitation, and solid waste management
- DFES in Georgia and Kyrgyzstan
- Local Capital Markets for Environmental Infrastructure
- Intergovernmental transfers for environmental infrastructure
- Financing Water and Environmental Infrastructure
- In progress
 - Lessons from Financing Strategies for Municipal Solid Waste
 - Lessons from DFES in economies in transition
 - Handbook on Appraisal of Environmental Projects Financed from Public Funds
 - Trends in environmental expenditure and finance in EECCA, 2000-2005