



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

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PPC PROGRESS REPORT AND BUDGET (2005-2006)

16-17 November 2005, Yerevan, Armenia

Agenda Item 5 (iii)

ACTION REQUIRED:

Delegates are invited to:

- (i) discuss progress in implementation of the PPC Strategy in 2005;*
- (ii) endorse the proposed draft of the PPC Strategy and Budget for 2006 and provide guidance on its implementation; and*
- (iii) discuss how to mobilise the financial resources needed to implement the agreed strategy.*

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PPC PROGRESS REPORT AND BUDGET (2005-2006)

This document is divided into three sections:

- Activities 2005
- Planned activities 2006
- Budget 2005-2006

The presentation of past and planned activities is structured along the three pillars of action of the PPC Strategy 2004-2007, attached as *Annex B*.

The current PPC project pipeline is attached as *Annex A*.

1. Activities 2005

1.1 Pillar 1: Support for project identification and preparation

Officers – There are currently four PPC Officer posts, all of which are located in the EBRD. Gaetano Massara joined the EBRD in February 2005, and took up his post in the Belgrade Resident Office in April. The contracts of Jan-Willem van de Ven and Lena Sjöblom were extended for a further year, until August 2006 and March 2007, with additional funding from The Netherlands and Finland respectively (see *Table 1*).

The current level of PPC Officer posts is below the target of six set out in the PPC Strategy. During the course of 2005 the PPC Secretariat and Chair have continued discussions regarding the creation of new posts with a number of potential donors. These discussions will continue with the aim of recruiting two to three additional Officers during the remainder of 2005 or in 2006 (for more detail, see under 2.1 of Section 2, Planned Activities 2006).

Consultants – To further supplement the work of the PPC in the area of project identification and preparation, the European Commission has contracted a consultant to work with the PPC for one year, starting in November 2005. The Consultant will work alongside the EBRD's Early Transition Countries (ETC) Initiative and Municipal Environmental Infrastructure (MEI) team to build a pipeline of environmental investment projects in the ETC region¹, while maintaining close links with the EU Water Initiative (EUWI) and Water Investment Support Facility (WISF) Secretariats, and the WISF Consultant.

1. Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Moldova, Tajikistan, and Uzbekistan.

Table 1: PPC Officers

Name	Donor sponsor	Location	Term of office	Regional focus	Sector focus
Lena Sjöblom	Finland	EBRD, St. Petersburg	March 2004-2007	North-West Russia	Environmental infrastructure projects.
Jean-Marie Frentz	Luxembourg	EBRD, London	June 2004-2006	EECCA and SE Europe	Environmental additions to EBRD pipeline projects, particularly industrial and SME projects; and stand-alone environmental projects.
Jan-Willem van de Ven	Netherlands/Luxembourg	EBRD, London	August 2003-2006	EBRD countries of operation	Energy projects, especially related to energy efficiency, renewables and emissions trading.
Gaetano Massara	Italy	EBRD, Belgrade	February 2005-2007	SE Europe	Municipal environmental infrastructure projects, with a particular focus on building on the DABLAS pipeline.

Mobilising funds – PPC Officers have been working with a range of donors to mobilise funds for specific projects. A full list of these projects can be found in *Annex A*. The following examples highlight some of project activities which PPC Officers have been instrumental in developing:

Renewable Energy Financing Entity – The EBRD is developing a Renewable Energy Financing Entity (REFE), a financing vehicle that will take equity positions in renewable energy projects. PPC Officer Jan-Willem van de Ven is involved in the Technical Assistance (TA) component of the REFE, a “Project Support Facility” of €4 million designed to overcome barriers to investment. As part of this component, the US has provided funding to support the renewable energy website (see <http://www.ebrdrenewables.com>) which is already operational. Spain has expressed interest in supporting the technical and environmental due diligence activities. The Bank is in discussions with a number of financial institutions (FIs) who have expressed interest in the REFE initiative. As progress is made, Jan-Willem will work with the EBRD and PPC to find donor financing for the TA component.

Multilateral Carbon Credit Fund – The Multilateral Carbon Credit Fund (MCCF) is a joint initiative of the EBRD and the EIB. Its purpose is to buy Carbon Credits from emission reduction projects in the EECCA countries for its Contributors who need them for compliance or voluntary reasons. The MCCF will be open for both sovereign and private contributors through a “Sovereign Window” and a “Private Window”. PPC Officer Jan-Willem van de Ven is involved in the development of the MCCF which has received pledges from Luxembourg and Sweden. A number of other countries have also expressed interest and further pledges are anticipated in the coming months. The aim is to launch the MCCF by the end of this year.

Clean Development Mechanism (CDM) in Caucasus and Central Asia – The EBRD has approved the use of TA funds for a €350,000 facility to support CDM projects in the Early Transition Countries and Jan-Willem van de Ven is helping to develop a number of these activities. A first tranche of €120,000, funded by the ETC Multi Donor Fund, is being used to support an energy efficiency project in a glass production company in Kyrgyz Republic and an energy efficiency/fuel switch project in a power plant in Azerbaijan. The ETC Fund is set to provide a further tranche of €120,000. The EBRD is currently considering using donor funds to support CDM developments in several landfill projects, a small number of industrial projects and a district heating project.

Bulgarian Energy Efficiency and Renewable Energy Credit Line Facility – The EBRD has established a credit line facility of €50 million for six Bulgarian FIs to provide loans to sub-borrowers for

industrial energy efficiency and renewable energy projects. Jan-Willem van de Ven is Operation Leader for the TA component of the total available grant funding of €10 million. He is currently managing two consultancy assignments, one to develop renewable energy and energy efficiency business plans and another to verify the completed projects. Over 31 projects are currently being financed under the facility, of which eight are now fully operational. There is a strong pipeline of over 100 projects. Based on this initial success the credit line will be extended and expanded in 2006, thanks to a further €10 million in grant money allocated from the Kozloduy International Decommissioning Support Fund. The project can be followed on <http://www.beerecl.com>. The EBRD is currently considering the potential for €50 – €100 million credit lines in Romania and the Slovak Republic, largely along the lines of the Bulgarian model.

Biodiversity Financing Technical Assistance Facility – In cooperation with the Task Force on Banking Business and Biodiversity, Environment Specialist/PPC Officer Jean-Marie Frentz has produced a “Scoping Study on How to Structure a Biodiversity Financing Technical Assistance Facility (BTAF)” for which he received constructive and encouraging feedback from various stakeholders. The different stakeholders have now agreed on the model, functions, services, structure, funding and timing of the proposed BTAF. Terms of Reference have been prepared and submitted to the EC which is currently considering funding the setting up of this facility.

Pilot Pro-Biodiversity Investment Mechanism – A pilot TA project implemented by Fauna and Flora International (FFI), funded by the Dutch DOEN foundation and for which the EBRD was the prime advisor, has investigated the demand for a pro-biodiversity investment mechanism in Hungary and Poland. It has identified over 5,000 SMEs working with high-value resources. An investment into these companies would help sustainable management of biodiversity as well as improve the commercial performance of the firms. Based on this demand study, a pilot investment project is now being developed to set up a Biodiversity Funding Facility for SMEs whose operations are impacting on biodiversity, initially in Poland. Such a funding facility would respond to a demand to engage the private sector in the protection of biodiversity. Jean-Marie Frentz is developing the investment project together with different EBRD banking teams.

The activities to promote pro-biodiversity business in the Eurasian steppes in Moldova, Ukraine, Southern Russia and Kazakhstan under the 2004 Tacis Regional Action Programme for Sustainable Integrated Land use in the Eurasian Steppes have been delayed but should start early 2006.

“Add-on” Environmental Projects – Jean-Marie Frentz also facilitates the “adding on” of environmental TA to investment projects. For example, the EBRD and IFC have been preparing a capacity development programme for biodiversity conservation in the Kyrgyz Republic. This two-year conservation programme will aim to protect the endangered snow leopard against poaching in the remote Kyrgyz mountains. The programme objective will be to improve management and monitoring at the Sary-Chat Ertash Zapovednik nature reserve, which is located in the northeast of the Kyrgyz Republic near the Kumtor gold mine, an IFC/EBRD investment project. It is jointly funded by IFC and the EBRD and the Kumtor Operating Company is providing additional financial support.

As part of the privatisation process, an Environmental Management System will be provided to Elektrostopanstvo (ESM), the vertically integrated electricity utility for the FYR Macedonia which has already been split into four legal entities. The main objective of this PPC TA assignment is to establish ESM’s current position with regard to the environment and to build on the existing environmental management efforts at ESM so as to achieve, within two years, a functioning and efficient ISO 14001 based Environmental Management System.

Facilities – There are currently five PPC technical assistance facilities in operation, two of which got underway in 2005. Each of these facilities has been designed to tackle particular difficulties related to project preparation. In addition, a PPC-led credit line, combined with a grant for TA, has been operational to support renewable energy and energy efficiency projects in Bulgaria (see *Table 2*).

Table 2: PPC facilities

Name	Donor sponsor	Duration	Region	Objectives
CDM project support	Netherlands	2004-2005	CDM countries of operation	Country and project survey. Development of a mini-hydro project in Armenia as a CDM project. CDM information awareness workshop in Georgia.
CDM Project Support Facility for Early Transition Countries	ETC Fund	2005-2007	Caucasus and Central Asia	Assisting project sponsors in monetising emission reductions by providing consultancy services for CDM Project Design Documents, Host Country Letter of Approvals and Validation and Registration with the CDM Executive Board.
District Heating Support Facility	UK	2004-2006	EECCA	To structure district heating projects, focusing particularly on financial, technical, institutional and affordability issues during early project preparation stages.
Municipal and Environmental Infrastructure Technical Cooperation Framework Contract	Austria	2004-2006	Russia and SE Europe	To provide support in undertaking the necessary due diligence and appraisal work for specific municipal investment projects.
Black Sea Project Broker (near completion)	EC	2005	Black Sea countries	To support municipalities to develop bankable projects, focusing particularly on the identification of best finance options drawing on a variety of sources.
Bulgarian Energy Efficiency and Renewable Energy Credit Line	Kozloduy Decommissioning Fund	2004 – 2005	Bulgaria	€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 to technical assistance and incentives. More information on http://www.beerecl.com .

1.2 Pillar 2: Coordination, matchmaking and networking

PPC Chair – Following official endorsement at the Second EAP Task Force/PPC Meeting, held on 21-23 October 2004 in Tbilisi, Georgia, Rod Matthews of DFID has continued his role as PPC Chair.

PPC Secretariat – The Secretariat has secured UK funding for a new two-year Executive Secretary position. Following a selection process that started in May of this year, the new Executive Secretary will take up a full-time post in early November, taking over from Jeanette Baartman who has acted as part-time Interim Executive Secretary under a consultancy contract since November 2004.

Meetings and information sessions – The PPC Chair presented an overview of the role of the PPC during the Joint Meeting of the EU Water Initiative's EECCA Working Group and the EAP Task Force Environmental Finance and Water Networks, Chisinau, Moldova (29 March to 1 April 2005). At the same meeting, PPC Officer Jan-Willem van de Ven gave a presentation on the Clean Development Mechanism in Caucasus and Central Asia.

The PPC supported the organisation of the Caspian Environment Program Investment and Donors' Forum, held on 19-20 November 2004 in Baku, Azerbaijan. The main aim of the Forum 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.

Partnerships/Ad-hoc technical advice – Building on the joint PPC/DABLAS Task Force meeting in 2003, the PPC worked closely with the DABLAS Task Force in the run-up to and during the Second Meeting of its Implementation Working Group on 9 December 2004 in Brussels, and the Fourth Meeting of the Task Force, held in Karlovac, Croatia, on 15-17 June 2005.

The PPC was actively engaged in the process of recruiting an expert to take on the role of Black Sea Broker with the Permanent Secretariat of the Commission on the Protection of the Black Sea in Istanbul. The Project Broker took up his post in March, and results of the work and need for a follow-up phase are currently under consideration by the Black Sea Secretariat and the DABLAS Task Force.

The PPC has also provided ad hoc advice to the REC in Szentendre regarding its Priority Environmental Investment Programme (PEIP).

The PPC has continued to participate in the EUWI Financing Working Group and has joined the Infrastructure Support Group (ISG) to the Joint Office for South-East Europe of the EC and World Bank.

PPC website – The new bilingual (English/Russian) website was launched early this year. The aim of the redevelopment was to accurately reflect the new PPC Strategy and to develop the site into a more useful information portal for PPC members. In addition to providing an overview of the PPC's activities, it delivers a large number of resources and information, ranging from good practice (with links to EAP Task Force documents) to grant finance sources.

Finance sources – A new database of grant finance sources has been compiled for the PPC by Triple Line Consulting, through UK funding. Although mainly targeted at client country counterparts that are in search of funding, it may also serve as a useful guide to IFIs and donors on funding programmes and mechanisms that are less well known. The database comprises a large number of fiches on individual donors and IFIs and their programmes, and can be accessed via the PPC website at www.ppcenvironment.org.

Project database – A full list of projects being actively developed through the PPC is available on the website and is reproduced in *Annex A*.

1.3 Pillar 3: Capacity building and best practice gathering

Workshops – Following its successful pilot in Moscow in July 2004 the PPC Project Financing Workshop, developed by Danish Consultancy COWI with UK funding, has now been finalised and is ready for roll-out across the region. The aim of the workshop is to assist municipal clients to develop project concepts ready for discussion with potential financiers. A stand-alone guide, “How to promote municipal infrastructure projects in the EECCA and SEE countries”, has been produced specifically for publication on the PPC website.

Two abridged versions of the workshop were delivered at the REC Workshop on Water Sector Investment Projects, held in Belgrade, Serbia and Montenegro, on 11-12 November 2004, and the DABLAS Task Force meeting in Karlovac, Croatia, on 15-17 June 2005. The UK has committed funding for the roll-out of a series of two-day workshops, and the PPC is further discussing funding options with Germany and Sweden.

Good practice and other information materials - Three good practice information documents have been completed and published on the PPC website:

- *Good practice in project preparation* – This document provides 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 former PPC Officer John Maguire 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 is being translated by the DABLAS Secretariat into various other local languages.
- *Model Public Services Agreement for the Water Sector* – This model public service agreement suitable for public water utilities has been prepared by former PPC Officer John Maguire 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?” has been prepared as part of the pilot PPC Project Financing Workshop. This specially designed stand-alone document gives guidance on how to prepare a project concept document for discussion with potential financiers.

2. Planned activities 2005-2006 (subject to funding availability)

2.1 Pillar 1 - Support for project identification and preparation

Officers – The PPC is working to recruit two to three more PPC Officers over the next year, so as to maintain the target of six. The key gaps in PPC Officer work, as identified by the Chair and Secretariat, are:

- Support for investments from IFIs other than the EBRD
- Support for investments in Central Asia and the Caucasus.

The PPC is currently working on the creation of the following new posts:

- A PPC Officer to be based in Tbilisi, with a focus on the Caucasus/ETC (EBRD)
- A PPC Officer to be based in Central Asia (location tbd), with a focus on Central Asia/ETC (EBRD)
- A PPC Officer to be based at the World Bank headquarters, with a focus on environmental mainstreaming.

A further continuation of funding for Jan-Willem van de Ven is being discussed with The Netherlands.

Mobilising funds – PPC staff have identified a series of target areas where they are looking to mobilise funds. These are outlined in *Table 3*. This list is not static, but will evolve over time as the project pipeline is further developed.

Table 3: Target areas for mobilisation of funds (€ millions)

Project or Sector	Region	Objectives	Amount (MEUR)	PPC Officer
Municipal Services Programmes	North-West Russia	Project preparation (feasibility studies)	0.3 (per project)	Lena Sjöblom
		Project implementation support (Engineering Support Programmes, Project Implementation Support, and Corporate Development Programmes)	0.5-1.0 (per project)	Lena Sjöblom
Municipal Utilities Technical Assistance	Bosnia and Herzegovina	Project preparation (feasibility studies)	0.1-0.3 (per project)	Gaetano Massara
Municipal Utilities Technical Assistance	Serbia and Montenegro	Project preparation (feasibility studies)	0.1-0.3 (per project)	Gaetano Massara
Project Support Facility for the Renewable Energy Financing Entity (REFE)	EECCA and SE Europe	To provide legal and technical due diligence and project structuring support for Renewable Energy Projects. This will work in parallel with the Renewable Energy Financing Entity, which will be a €50 - €100 million fund investing equity of up to €5 million.	3.5	Jan-Willem van de Ven
Multilateral Carbon Credit Fund (MCCF)	EBRD Countries of Operation	Origination and development of greenhouse gas emission reduction projects financed by the EBRD and procuring the resulting Carbon Credits by the Bank on behalf of shareholder participants, whereby the project origination, development and follow-up would be outsourced to private firms.	Shareholders interested in buying Carbon Credits for Kyoto compliance	Jan-Willem van de Ven
Biodiversity Technical Assistance	Regional	To provide technical assistance directly to selected micro and SMEs that use biodiversity resources in their operations.	To be determined on a country by country basis - TA is needed to develop a pipeline of bankable pro-biodiversity projects	Jean-Marie Frentz

2.2 Pillar 2: Coordination, matchmaking and networking

Meetings – No decision has been taken regarding the format and focus for key PPC meetings to be held next year - these still need to be discussed and finalised with the PPC Chair and new Executive Secretary.

Finance sources – The database of environmental finance sources, as well as information on other environmental initiatives, is now available on the PPC website, in both Russian and English. It is hoped that a review and updating of this database will be possible on an annual basis.

Project database – The Project database will continue to be managed and updated by the Secretariat on an on-going basis.

2.3 Pillar 3: Capacity building and best practice gathering

Workshops – With UK funding for a series of Project Financing Workshops approved, the PPC will aim to hold up to four additional workshops to take place during 2006. The Secretariat will consult with members to identify potential locations for this workshop and other future workshops.

In addition, the PPC Secretariat will undertake an assessment of interest in the development of workshops focusing on other issues related to project identification, preparation and finance. The Secretariat will aim to identify one subject for a workshop to be developed in 2006.

Good practice and other information materials - The PPC will look into building on the good practice document with further information regarding other sectors and lessons learned. Furthermore, we will aim to identify key experts in central and eastern Europe who could contribute lessons learned and will also investigate the most appropriate mechanism for gathering such material.

Ad-hoc technical advice – The PPC will continue to offer regular support to the DABLAS Task Force. The new Terms of Reference for the DABLAS Task Force stipulate that it will “achieve its objectives in cooperation with the PPC”. The PPC Secretariat will remain open to requests for such support from other members and initiatives.

2.4 Additional activities

PPC Review – A review of the PPC is under consideration as part of the preparation process for the 2007 Environment for Europe Ministerial Conference.

3. Budget

An overview and estimate of the PPC’s budgetary position for 2005-2006 is provided in *Table 4*. It is important to note that, given the nature of the PPC as a demand-led initiative, these figures are estimated to cover minimum target activity levels, as identified by the PPC Chair and Secretariat. Explanatory notes are provided below the table.

Table 4: PPC Budget 2005-2006

	Total (EUR)	Total received (EUR)	Total needed (EUR)
2005			
1. Project identification and preparation support			
Officers*	825,000	600,000	225,000
Facilities	400,000	390,000	10,000
<i>Sub-total</i>	1,225,000	990,000	235,000
2. Capacity building and best practice			
Financing guide	39,000	39,000	0
Project Financing Workshop completion	10,000	10,000	0
Good practice and other information documents	5,000	5,000	0
<i>Sub-total</i>	54,000	54,000	0
3. Coordination, matchmaking and networking			
One-off meetings	20,000	20,000	0
On-going coordination working group(s)***	25,000	0	25,000
<i>Sub-total</i>	45,000	20,000	25,000
4. Secretariat Costs (inc. website)	154,000	154,000	0
<i>Sub-total</i>	154,000	154,000	0
Total for 2006	1,478,000	1,218,000	260,000
2006			
1. Project identification and preparation support			
Officers*	905,000	480,000	425,000
Facilities**	400,000	0	400,000
<i>Sub-total</i>	1,305,000	480,000	825,000
2. Capacity building and best practice			
Updating finance guide	10,000	0	10,000
Workshop development and pilot (workshop subject to be identified through consultation with PPC members)	70,000	0	70,000
Project Financing Workshop roll-out	52,000	52,000	0
Good practice and other information documents	10,000	0	10,000
<i>Sub-total</i>	142,000	52,000	90,000
3. Coordination, matchmaking and networking			
One-off meetings	50,000	0	50,000
On-going coordination working group(s)***	25,000	0	25,000
<i>Sub-total</i>	75,000	0	75,000
4. Secretariat Costs (inc. website)	227,000	161,000	66,000
PPC Review	30,000	0	30,000
<i>Sub-total</i>	257,000	161,000	96,000
Total for 2006	1,779,000	693,000	1,086,000

* Calculation of funding needed based on six PPC Officers/year

** Shows required funding for any new facilities – current facilities that have received financing and run through 2005 and 2006 are presented in Table 2 of this report

*** Need for this budget item to be discussed – see comment below.

Officers – We are currently discussing funding for two to three new PPC Officers with two donors, with the intention of bringing the total number to six or seven. Since the contracts of two of the Officers will come to an end next year we will be seeking funding support for one to two further positions in 2006. The Dutch Government has already expressed an interest in continuing support for Jan-Willem van de Ven after August 2006. It should be noted that the figures indicated in the table above serve as a guide only: PPC Officer costs vary greatly depending on where they are placed, the level of seniority and number of dependents, etc.

Facilities – We have included a target of €400,000 per annum for facilities. This is in fact a very modest sum considering that infrastructure based projects require, on average, €1-2 million in technical assistance for project preparation and institutional development. In order to be able to provide targeted and timely assistance, the PPC would like to increase the funds available through such facilities above the modest target. This will be particularly important for projects in Central Asia and the Caucasus.

Workshops – By investing in very solid workshop development, the costs of workshop roll-out are very low. We would like to attract funding for the development and roll-out of a second workshop (as discussed above, the workshop subject would be identified through consultation with PPC members).

Good practice and other information documents – We would like to secure €10,000 over the next year to support the on-going publication of good practice materials. In addition, we would like to find ways to encourage experts in central and eastern Europe to contribute materials and case-studies.

One-off meetings – No decision has as yet been taken regarding meetings in 2006. We anticipate, however, that a PPC meeting would require a maximum of €50,000, although savings could be made if such a meeting were held back-to-back with another event.

On-going coordination working groups – The Danish funding of the Municipal Investment Working Group has now ended, and proposals for further support and development have not yet been completed. The need for identification of a source of future funding of €25,000 for an additional year should be discussed. At this stage, the Secretariat has not received any demand for additional working groups of this nature.

Secretariat – Funding from the UK Government for the Executive Secretary is in place until November 2007. For the Administrative Officer, the funding currently provided by Switzerland and the UK will need replenishing from January 2006. Funding options are currently under consideration.

PPC PROJECT PIPELINE

The following is a list of all projects being developed by PPC Officers since the PPC Report to the Environment for Europe Ministerial Conference in 2003. It also includes those that have been highlighted as requiring additional grant funding and projects receiving support through a donor-funded facility. Future support may also be provided through capacity building workshops.

Project	Location	Total project cost (MEUR)	IFIs	Status
Bazenk Small Hydropower Plant	Armenia	1.5	EBRD	Signed
Baku Solid Waste Management Project	Azerbaijan	10.0	EBRD	Under development
Rehabilitation of Azgres Power Plant	Azerbaijan	US\$ 150 mil.	EBRD	Under development
Banja Luka Water Supply Infrastructure Project	Bosnia & Herzegovina	12.0	EBRD	On hold
Tuzla Canton Water and Waste Water	Bosnia & Herzegovina	5.0 (Phase I) + 8.0 (Phase II)	EBRD	On hold
Plava Voda Water	Bosnia & Herzegovina	20.0	EBRD	Exploratory
Bijeljina Water and Waste Water	Bosnia & Herzegovina	20.0	EBRD	Exploratory
Capljina Water Project	Bosnia & Herzegovina	10.0	EBRD	Exploratory
Municipal Infrastructure Finance Facility (MIFF)	Bosnia & Herzegovina	30.0	EBRD	Exploratory
Sofia Water Infrastructure PPP	Bulgaria	190.0	EBRD	On hold
Bulgarian Credit Line for Energy Efficiency and Renewable Energy	Bulgaria	50.0	EBRD	Signed
Primorsko-Goranska Regional Waste Project	Croatia	14.8	EBRD	Exploratory
Rijeka-Grobinstina Waste Water Project	Croatia	20.0	EBRD	Under development
Municipal Finance Facility	Croatia	65.0	EBRD	Signed
Osijek Water Supply and Sewerage Project	Croatia	11.0	EBRD	Under development
Karlovac Water Supply and Sewerage Project	Croatia	36.0	EBRD	Signed
Elektrostopanstvo - Implementation of an Environmental Management System (TA project)	FYR Macedonia	0.2	EBRD	Approved
Adjara Solid Waste Management Project	Georgia	2.0	EBRD	Under development
City of Tbilisi Public Transport Project	Georgia	3.1	EBRD	Signed
Poti Water Supply Project	Georgia	2.5	EBRD	Under development
Kutaisi Water Supply Improvement Project	Georgia	5.0	EBRD	Under development

Institutional Capacity Building - Biodiversity Conservation (TA project)	Kyrgyz Republic	0.24	EBRD	Approved
Pilot Biodiversity Funding Facility	Poland	10.0	EBRD	Under development
Sibiu Water and Waste Water Project	Romania	37.6	EBRD	Signed
Romania Sustainable Energy Credit Line	Romania	50.0 – 100.0	EBRD	Exploratory
Arkhangelsk Municipal Water Services Project	Russia	25.5	EBRD	Signed
Kaliningrad District Heating Renovation and Reform	Russia	21.8	EBRD	Under development
Komi Uhta Municipal Services	Russia	15.0	EBRD	Exploratory
Komi Municipal Services Improvement Project - Syktyvkar	Russia	21.0	EBRD	Signed
Vologda Municipal Services Improvement Project	Russia	15.0	EBRD	Under development
St. Petersburg District Heat Metering Project	Russia	60.0	EBRD	Under development
St. Petersburg Neva Direct Wastewater Discharge Closure Project	Russia	200.0	NIB EBRD EIB	Under development
St. Petersburg Northern Wastewater Treatment Plant Incinerator	Russia	90.4	EBRD NIB EIB	Signed
Arkhenargo Severodvinsk CHP-1 Ash Management	Russia	15.0	NEFCO/ EBRD	Exploratory
Syktyvkar District Heating	Russia	tbd	EBRD	Exploratory
City of Subotica – Municipal Infrastructure Reconstruction Programme	Serbia & Montenegro	14.0	EBRD	Signed
Serbian Small Municipalities – Environmental Programme	Serbia & Montenegro	40.0	EBRD	Exploratory
Novi Sad District Heating Project	Serbia & Montenegro	13.0	EBRD	Under development
Podgorica Solid Waste Management	Serbia & Montenegro	15.0 - 20.0	EBRD	Exploratory
Slovak Sustainable Energy Credit Line	Slovak Republic	50.0	EBRD	Exploratory
Khujand Water Supply Improvement Project	Tajikistan	4.2	EBRD	Signed
Tashkent Water Supply Improvement Project	Uzbekistan	11.0	EBRD	Signed
Pro-biodiversity business in the steppe zones of the Eurasia region (TA project)	Regional	0.6	EBRD	Under development
Ecair Eastern Europe	Regional	6.5	EBRD	Under development
Renewable Energy Financing Entity	Regional	80.0	EBRD	Under development
Multilateral Carbon Credit Fund	Regional	N/A	EBRD EIB	Under development

PPC STRATEGY FOR 2004 – 2007

Introduction

This document provides an introduction to the PPC and an overview of the PPC strategy, following the most recent renewal of its mandate at the Fifth Ministerial Conference “Environment for Europe” Kiev (“Kiev Conference”). This strategy will frame the PPC’s activities for the next four years until the Sixth Ministerial Conference (Belgrade, 2007) where its activities and mandate will again be reviewed.

The PPC is a demand led mechanism, responding to the changing needs of its stakeholders and funds available. As a result, the PPC strategy is not a concrete set of activity proposals but rather a framework around which the PPC can respond to the needs and interests of its stakeholders as they arise.

The strategy builds on the very successful work of the PPC and has been designed to respond to the PPC’s key guiding documents (see *Box 1*) and reflect the changes of mandate resulting from the Kiev Conference, and subsequent discussions with active PPC stakeholders.

In order to provide some context to the strategy, this document is structured into the following sections:

- *Background* – this provides some background to the PPC’s activities and its mandate outlined at the Kiev Conference.
- *PPC organisation* – this provides an overview of the PPC’s organisation including its stakeholders, staff and management.
- *PPC strategy* – this outlines the strategy.
- *PPC targets and indicative activities 2004-2007* – this provides a list of the PPC’s annual targets, and lists indicative activities for the period 2004-2007.

Box 1: What are the PPC’s guiding documents?

The PPC has three guiding documents:

- The Declaration by the Environment Ministers of the UNECE region, at the Fifth Ministerial Conference “Environment for Europe”, Kiev, May 2003;
- The Environmental Strategy for Countries of Eastern Europe, Caucasus and Central Asia (Strategic Framework), presented at the 2003 Kiev Conference; and
- The Millennium Development Goals (MDG), particularly the water and sanitation targets encompassed within MDG VII.

Background

The PPC was established in 1993 at the Second Ministerial Conference “Environment for Europe” (EfE) as a networking mechanism to improve coordination between international financial institutions (IFIs) and donors and to facilitate the mobilisation of financial resources for environmental investment projects in Central and Eastern Europe. An overview of PPC activities since 1998 is provided in *Box 2*.

The other body set up at the 1993 Lucerne conference within the framework of the EfE process is the EAP Task Force (see *Box 3*).

The PPC’s mandate was renewed most recently at the Kiev Conference. The Ministers’ Declaration instructed the PPC to continue with its activities, but to focus on the countries of Eastern Europe, the Caucasus and Central Asia

(EECCA), and other non-accession countries². Furthermore, the Ministers extended participation in the PPC's activities to include all countries of the UNECE region, international organisations, Regional Environmental Centres (RECs), civil society and private sector representatives, and non-governmental organisations (NGOs), in addition to donor governments and IFIs.

Box 2: What has the PPC achieved to date?

"Since 1998, 219 projects have been subject to the PPC mechanism68 of these projects, at an accumulated investment value of €3,853 million, have now been Board Approved by an IFI. These projects have benefited from financial support equal to €1,895 million in IFI loans and €904 million in donor grants. 29 of the Board Approved projects are located in EECCA and 19 are in South-Eastern Europe (SEE)." *PPC Report to the Fifth Ministerial Conference "Environment for Europe" in Kiev, 21-23 May 2003.*

Box 3: What is the EAP TF? How does it differ from the PPC?

During the 1993 EPE conference, Environment Ministers adopted the Environmental Action Programme for Central and Eastern Europe as a broad strategy to guide environmental reform in those countries. To facilitate the implementation of this programme, the Ministers also established the EAP Task Force. In particular, the mandate of the EAP Task Force is to assist the countries of Eastern Europe, Caucasus and Central Asia (EECCA) to:

- integrate environmental considerations into the processes of economic and political reform;
- upgrade institutional and human capacities for environmental management;
- broaden political support for environmental improvement, and
- mobilise and make cost-effective use of financial resources.

Whilst the EAP Task Force focuses on upstream policy developments, and broad institutional reform, the PPC's activities are targeted towards the development of specific investment projects.

PPC organisation

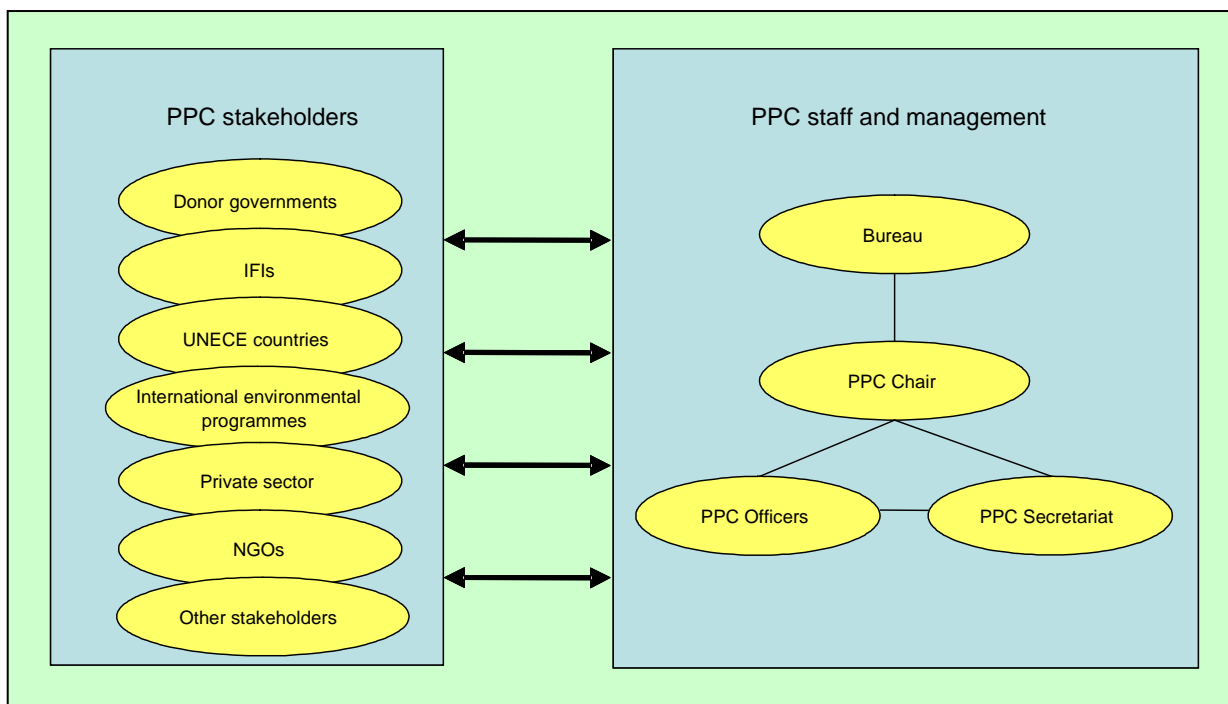
Participation in the PPC is open to representatives of donor governments and all other UNECE countries, IFIs, international organisations, the private sector, the RECs, NGOs and other stakeholders. The activities of the PPC are managed and implemented by the *PPC staff and management*. This comprises: Joint EAP Task Force/PPC Bureau, PPC Chair, PPC Officers and the PPC Secretariat (see *Box 4*).

- *Joint EAP Task Force/PPC Bureau* – the joint Bureau, established in 2003, is made up of representatives from five EECCA countries and five donor countries. It is co-chaired by the European Commission, an elected representative of an EECCA country and the PPC Chair.
- *PPC Chair* – the Chair of the PPC is selected from a donor country on an informal basis.
- *PPC Officers* – the PPC Officers work directly for IFIs, with terms of reference agreed between the IFI and sponsoring donor government. Since 1998 PPC Officers have been financed by Belgium (Walloon region), Denmark, Finland, Netherlands, Norway, Luxembourg, Sweden, Switzerland, United States and the United Kingdom, and have been located at the EBRD and the World Bank. There are currently five EBRD-based PPC Officers located in London, St. Petersburg and Zagreb.
- *PPC Secretariat* – the PPC Secretariat is based at the EBRD and is staffed by an Executive Secretary and an Administrative Officer. To date the Secretariat has been financed by the European Commission, Austria, Finland, Germany, Netherlands, Switzerland and United Kingdom.

2. The PPC's principal clients are: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Croatia, FYR Macedonia, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Russian Federation, Tajikistan, Turkmenistan, Serbia and Montenegro, Ukraine and Uzbekistan.

A meeting of PPC stakeholders will be held annually, jointly with the EAP Task Force, providing an opportunity for open discussions regarding the PPC’s activities for the forthcoming year.

Box 4: PPC organisational structure



PPC strategy

The PPC’s main goal is to improve the environmental conditions in the EECCA region and South-Eastern Europe. To this end, the PPC has three objectives:

- to leverage international financing for environmental investment projects³ by strengthening partnerships and facilitating networking between EECCA countries, donors, IFIs, NGOs and the private sector;
- to support the preparation of environmental investment projects by, *inter alia*, facilitating the mobilisation of donor grants and building country capacity for project preparation;
- to facilitate an enabling environment for environmental investments, including sustainable municipal environmental service provision, in both a rural and an urban context.

In order to meet its objectives, the PPC has three different pillars of action:

1. Project identification, preparation and financing
2. Coordination, matchmaking and networking
3. Good practice and capacity building.

3. Within the PPC context the term “environmental projects” is used to encompass both municipal services projects (such as water supply and sanitation, solid waste management, district heating and cooling, energy efficiency, renewable energy and transport), and projects that address environmental needs in other sectors, (such as forestry, agriculture, tourism, oil and gas, mining and industry).

Pillar 1: Project identification, preparation and financing

The PPC will continue to support the identification, preparation and financing of environmental investment projects through the work of PPC Officers. PPC Officers are sponsored by donor governments and located within international financial institutions (IFIs). Working in tandem with these IFIs across a range of environmental investment projects, they help to accelerate the development and implementation of projects that require more complex preparation.

PPC staff will also work with donors to mobilise technical assistance funds and grant investment co-financing needed to complement IFI loans. In addition, a number of donor funded Project Support Facilities are being established to provide technical assistance to environmental investment projects, especially those experiencing difficulties in the early stages of preparation. These facilities also provide scope for developing local consultancy capacity.

Box 5: What sort of activities do PPC Officers focus on?

The work of PPC Officers covers many different regions and sectors and has included such activities as:

- identifying and developing Clean Development Mechanism projects
- developing financial structures to enable small and medium-sized municipalities to access loan capital and develop their environmental infrastructure
- providing expertise in municipal finance to enable loans to be provided without sovereign guarantees.

Box 6: What form do PPC supported Project Support Facilities take?

The PPC, in cooperation with the EBRD, has established a facility for the EECCA region that will provide technical expertise to structure district heating projects during their initial preparation and appraisal stages. This will help to alleviate the affordability and technical constraints that frequently hamper the development of such projects.

Pillar 2: Coordination, matchmaking and networking

The PPC will continue to organise meetings to strengthen cooperation and enhance coordination between IFIs, donors and client countries. Such meetings act not only as a forum to raise awareness and share knowledge of specific issues relating to environmental investments, but also serve to facilitate the matching of financial resources with investment needs. Meetings also provide an excellent opportunity for networking between stakeholders.

The PPC will also provide stakeholders with information about sources of finance for environmental investments and current initiatives related to environmental finance. In addition, project sponsors and proponents with well developed project concepts will be able, through the PPC, to disseminate details of their financing needs to donors and IFIs.

Box 7: What recent coordination meetings have been held by the PPC?

Regional PPC meetings have been organised in Georgia (Tbilisi, 1998), Ukraine (Dnepropetrovsk, 1999) and Russia (Rostov-on-Don, 2002). The PPC also met in Kazakhstan (Almaty) in 2000 to discuss the water sector in the EECCA region and present priority projects for matchmaking. A similar meeting in Copenhagen, Denmark, in 2001 was devoted to the energy sector. The PPC has also worked with stakeholders in the Russian Federation to establish a working group to coordinate activities in the municipal infrastructure sector.

Pillar 3: Good practice and capacity building

Based on experience gained through its project work and other activities, the PPC will provide access to case studies, good practice and know-how documents related to project identification, preparation and finance. The PPC will also offer ad hoc advice to stakeholders, in particular to other environmental initiatives looking to mobilise finance.

The PPC will also deliver a small number of capacity building workshops designed to improve project identification, preparation and finance skills in client countries. Emphasis will be placed on assisting participants to develop realistic

project concepts, and on improving their understanding of the processes involved in attracting loan and grant financing.

Box 8: Which environmental initiatives does the PPC support?

The PPC supports the work of initiatives such as the EECCA Environmental Partnership Strategy, the Northern Dimension Environmental Partnership (NDEP), the EECCA component of the EU Water Initiative and the Danube and Black Sea Task Force (DABLAS). PPC staff are able to advise these initiatives on subjects such as project preparation and financing structures.

PPC targets and indicative activities 2004 - 2007

The PPC is a demand led organisation whose activities are governed by the wishes of PPC stakeholders, and supported and implemented by the PPC management and staff in line with the basic parameters of operation outlined in its guiding documents. As a result, the PPC does not have a formal workplan. However, in order to drive the process it does set annual targets for each of its activity pillars (see Box 9).

The PPC staff and management are open to new ideas and activities from both existing and new stakeholders that would like to contribute to the overall aims of the PPC.

Box 9: What are the PPC's annual targets?

<i>Pillar</i>	<i>Target activity level</i>	<i>Target outputs</i>
1. Project identification, preparation and financing	<ul style="list-style-type: none"> → 6 PPC Officers working in different IFIs, regions and sectors. → 2 Project support facilities operational each year. 	<ul style="list-style-type: none"> → 15 projects financed by IFIs in the EECCA region per year. → 5 projects financed by IFIs in the non-accession countries of south-eastern Europe per year.
2. Coordination, matchmaking and networking	<ul style="list-style-type: none"> → 1 coordination meeting supported by the PPC at a regional or sub-regional level per year. 	
3. Good practice and capacity building	<ul style="list-style-type: none"> → 2 PPC project financing workshops held each year. → 1 PPC lessons learned case study produced each year. 	