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Trends in Environmental Expenditure
and Finance in EECCA

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Amaty, 26– 28 April 2006



Structure of the presentation

- Again: definitions of environmental expenditure
- Background and objectives of the project
- Lessons from previous projects
- Key improvements sought
- Organisation of the project
- Possible messages for the current report




Environmental expenditure Key definitions

- Environmental Protection Expenditure
 - Protection of ambient air and climate
 - Wastewater management
 - Waste management
 - Protection and remediation of soil, groundwater and surface water
 - Noise and vibration abatement (excluding workplace protection)
 - Protection of biodiversity and landscape
 - Protection against radiation
 - Research and Development
 - Other environmental protection activities
- Abatement principle and financing principle
- Sectors
 - Public sector
 - Business sector
 - Household sector
 - Specialised Producers of Environmental Services
- Type of expenditure
 - Total Investment Expenditure
 - Total Current Expenditure
 - Receipts from by-products
 - Subsidies/Transfers
 - Revenues

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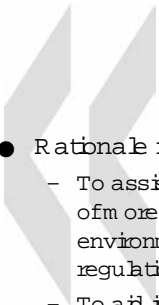


Background of the project

- Need of reliable and internationally comparable information on environmental expenditure
 - where does the money go
 - where does it come from
- Relevance for policy making
 - for ECCA governments
 - for their partners in OECD countries

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Objectives of the project

- Rationale for the project
 - To assist in the development of more effective environmental policies and regulations
 - To aid integration of environmental policies into economic and sectoral policies
 - To facilitate international comparisons on trends in environmental expenditure information
 - To raise public awareness and participation in environmental policy issues
- Objectives of the project
 - To collect reliable data on environmental financing trends
 - Environmental expenditure
 - Official development assistance (ODA/OA)
 - Other financing mechanisms
 - To analyse recent trends in domestic and international finance
 - Who pays for what
 - Innovative financial mechanisms
 - Recommendations on the use of economic instruments

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Lessons from previous experience

- Preliminary work
 - Previous versions of the Trends report
 - Work on environmental expenditure information systems, on a country/regional basis
- Strengths of existing systems
 - Reporting practices
 - Efficient network of statistical offices
- Weaknesses of existing systems
 - The register
 - The abater/financing principle
 - The distinction between end-of-pipe and process-integrated technologies
 - Public expenditures
 - Poor availability and quality of data at the enterprise level
 - No link with other environmental indicators
- Scope and organisation of the project
 - Countries not covered

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Key improvements sought

- Review data for countries not covered in previous studies (Belarus, Tajikistan)
- Improve data quality and international comparability
- Inform the "Environment for Europe" Ministerial Conference (Belgrade, 2007)
- Policy relevance
 - provide the basis for the ministerial discussion on environmental financing
 - facilitate the formulation of recommendations for future financing options in the EECCA countries

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Benefits for EECCA countries

- At the national level
 - Review environmental expenditure in a coordinated framework
 - Benchmark level and spread of environmental expenditure
 - Guidance for reallocation of resources
 - Attract attention from donors and FIs to specific issues
- At the regional level
 - A co-ordinated input to Belgrade
 - Drive donors attention to EECCA-wide issues

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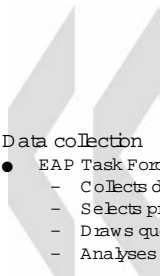


Project organisation (1/3)

- Scope: Data collection on
 - current expenditure and investment
 - undertaken by the private and public sector
 - in relation to the main environmental domains (air and climate; waste water; waste; soil and groundwater; biodiversity; research and development; others)
- Time frame: 2000-05 period
- Geographic coverage: 12 EECCA countries

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Project organisation (2/3)

Data collection

- EAP Task Force
 - Collects data from donors and FIs
 - Selects project coordinator
 - Draws questionnaire
 - Analyses collected data
- Project coordinator
 - Sends out the questionnaire
 - Assists local experts
 - Collects questionnaires
 - Checks the reliability of data
- Local experts
 - Fill in the questionnaire on the basis of available data
 - Identify key trends in their own country
 - Send questionnaires back to project coordinator
- Close cooperation with national administrations (Ministries of Environment, National Statistical Offices)

Data analyses

- EAP Task Force
 - Checks compatibility of data
 - Crosschecks with international sources
 - Identify key messages
- Local experts
 - Discuss key messages
 - Endorse conclusions from the report

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Project organisation (3/3)

- When is the best time to collect 2005 data?

	M1	M2	M3	M4	M5	M6	M7
Stage 1. Organisation of the data collection	■	■					
Stage 2. Collect data		■	■	■	■		
Stage 3. Data quality check				■	■		
Stage 4. Identify trends in environmental expenditure					■	■	
Stage 5. Draft final report						■	■

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Possible messages (1/3)

- Financial resources remain insufficient to achieve priority environmental objectives
 - international commitments, such as the MDGs, the EECCA environment strategy
 - national policies
- In some countries, money is available
 - but environmental projects have failed to attract it, and
 - procedures have not been able to channel it to projects
- Total ODA is picking up, and the ODA for the environment sector is increasing
 - Multilateral ODA accounts for most of that growth
 - Bilateral ODA seems to be impacted by donors' fatigue
 - The vehicles are changing, as loans (not grants) represent the largest share of ODA
 - ODA is unevenly spread among countries and sectors
 - Water receives half of the total ODA

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Possible messages (2/3)

- Domestic resources remain the major source of finance
- They are expected to have increased
- Countries have poor experience with using different financial instruments (grants, loans, interest rate subsidies, equity)
- Economic growth generates new opportunities to allocate additional resources and to mobilise innovative instruments (DFES, CDM)
- Lessons from initial experiences have still to be learnt, to make sure that these instruments are used efficiently, and that best practices are scaled up
 - In particular, there is a need to improve the quality of the institutional and policy framework required to make these instruments efficient
 - There is also a need to develop incentives, knowledge and capacity for commercial banks to finance environmental projects



Possible messages (3/3)

- Progress in the management of public expenditure has remained slow
 - Result-oriented budgeting and medium term expenditure frameworks are being implemented in some countries
 - Extra budgetary environmental funds have been merged with general budget, allowing control from the Treasury; they are still earmarked for environmental projects
 - Recent progress in managing public budgets made in certain EECCA countries
 - Still a lot needs to be done to improve the procedures in line with best international practices
- The situation is dire as regards the quality of project selection and financing and programme design; some progress has been made, on a case by case basis, often at the oblast level



Next steps

- Identify local experts. They will have to:
 - Fill in the OECD questionnaire sent by the project coordinator
 - Identify key trends in environmental expenditure in their country
- Co-operate with the project coordinator and the Secretariat