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*National Workshops on
Investment Planning and
Financing Plans
Development
WG 1 – Activity 1.3*

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RENA Working Group 1 - Activity 1.3. Investment Planning

Report on National workshops on investment planning and financing plan development, held April-June 2011

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1. General

Seven national workshops were held under the RENA Investment Planning sub-group in the period of April – June 2011:

1. Tirana, Albania, April 13, 2011
2. Sarajevo, Bosnia and Herzegovina, April 15, 2011
3. Prishtina, Kosovo¹, May 6, 2011
4. Ankara, Turkey, May 9, 2011
5. Belgrade, Serbia, May 30, 2011
6. Podgorica, Montenegro, June 1, 2011
7. Skopje, FYR of Macedonia, June 2, 2011

Croatia is not participating in the work of this sub-group.

Workshops were hosted by national environmental authorities. Other, related to environmental investment projects identification, development, financing and implementation, institutions (both national and municipal) were present as well.

The objective of national workshops was to identify institutions and documents containing environmental investment projects, building cooperation mechanisms among institutions, discussion of formats for investment and financing plans, and identifying information and procedural gaps.

2. Structure of the Workshops

As identified during the RENA project Inception phase, beneficiary countries are facing several constraints during environmental projects' identification and implementation process. Such constraints include:

- Unavailability of environmental policy documents.
- Insufficient progress in transposition of EU requirements for heavy cost directives.
- Unavailability of implementation programmes.
- Unavailability of identified investment programmes.
- Incompatible formats for investment planning documents.
- Scattered responsibilities for investment process management among institutions.
- Lack of cooperation among institutions.
- Lack of capacities in project identification and management at both central and local levels.
- Lack of statistical data, suitable for environmental investment planning process.

Though countries in the region face very similar problems, institutional set up, tradition of planning and formats of documents remain rather different. Therefore, national workshops in each beneficiary country addressed these shortcomings. A very important objective of a national workshop was to bring representatives of various institutions around the table and exchange information regarding environmental policy development issues, in particular addressing the EU approximation process; clarify needs of inter-institutional relations and provide background for a better cooperation among institutions; identify the main problems which prevent efficient environmental investment process.

2.1. First part of a workshop. Characterisation of the investment planning in the specific country.

Structure of the national workshops was proposed in such a way that participants of various national institutions would at first present and discuss country's situation in the environmental policy

¹ under UNSCR 1244/99

development and investment management field. Issues to address in two national presentations were proposed as follows:

1. *Environmental policy and the EU approximation*

- Short description of the main environmental problems (having in mind demand for investment).
- Description of national environmental policy documents.
 - Environmental strategy
 - Sustainable development strategy
 - National environmental action plan
 - Other relevant documents
- Status with approximation of the Environmental *acquis*, in particular heavy cost directives, such as:
 - Urban Wastewater Treatment
 - Drinking Water
 - Water Framework
 - Landfills
 - Waste Framework
 - Packaging and other related directives
 - Air Quality Framework
 - Other. Please specify main heavy investment directives for the country
- Description of the EU integration related documents:
 - Environmental Approximation Strategies
 - Sectoral approximation strategies
 - Directive specific implementation plans
- Future plans for development of the environmental policy, which may affect environmental investment needs.

2. *Investment and financing planning*

- Institutional system, which exist in the country, for environmental investment projects identification, formulation, approval and financing (if available, block scheme could be presented).
- Main environmental investment planning documents: which, who develops, how are they coordinated and approved, who monitors their implementation.
- What is the need for environmental investment: national lists.
- Main sources and their contribution to the financing of environmental investment.
- Progress in implementation of environmental investment plans.
- Progress in implementation of PEIP projects.
- Shortcomings of the current investment planning/financing of environmental projects.
- Plans for future developments.

All countries (except of Turkey, where the Agenda was adjusted to the national particularities and the above questions were discussed during the roundtable) developed and made presentations regarding these two topics. In all cases such presentations were followed by discussions among national participants and RENA experts.

2.2. Second part of a workshop. EU requirements approximation context for environmental policy planning and implementation.

The next part of the workshop was directed to provide EU requirements approximation context for environmental policy planning and implementation. RENA experts presented requirements for approximation process and experience of new Member States during preparatory stage for accession and when being the EU member.

Main aspects presented to participants included:

- Planning of EU requirements implementation.
- Main components of approximation plans.
- Approximation costs assessment.
- Identification of investment projects.
- Relation between policy planning and investment planning.
- Criteria for projects prioritisation.
- Planning of environmental financing.
- Etc.

Proposed formats for investment and financing plans were used as a framework for the presentation of the RENA expert to lead through the process starting from transposition of the EU requirements and finishing with the planning and implementation of environmental investment projects. Initial proposal for the format of Environmental Investment Plan was presented as follows:

1. Policy framework.
2. Legal framework.
3. Institutional framework.
4. State of related infrastructure.
5. Needed investment actions to develop new or upgrade existing infrastructure, complying with environmental requirements.
6. Costs assessment.
7. Criteria for projects selection and priority setting.
8. Ranked list of projects.

Correspondingly format for Environmental Financing Plan included:

1. Institutional framework.
2. Sources of financing and expected allocations by year.
3. Distribution of financial resources among sectors.
4. Matching investment needs (demand) and available or potential financial resources (supply).
5. Financing package development rules.
6. Eligibility criteria for public financing.
7. Affordability criteria to “accept” investments.

2.3. Third part of a workshop. Country specific discussion.

During the roundtable, which followed presentations by national and RENA experts, the following questions were discussed:

1. Relevant institutions for investment project management identified.
2. National documents containing environmental projects identified.
3. Agreed national format for investment projects list.
4. Formats for Investment and Financing Plans.
5. Country specific gaps regarding investment projects analysed.

Investment Plans and Financing Plans framework was also used to bring country specific discussion on transposition, policy planning and implementation under the same logical frame.

3. Findings of the Workshops

As it was mentioned above, one of very important objectives of national workshops was to bring investment management process into overall approximation activities context. It was crucial for

participants to understand that identification and implementation of environmental investment projects is directly related to transposition of the EU requirements in the national law, implementation planning process and capacities of institutional structures, active in the investment management field.

3.1. Transposition of the *acquis*

Particular attention was paid to the implementation of heavy cost directives:

Water quality
<p>Council Directive 91/271/EEC of 21 May 1991 concerning urban waste-water treatment as amended by Directive 98/15/EC and Regulation EC/1882/2003 and Regulation EC/1137/2008</p> <p>Commission Decision 93/481/EEC concerning formats for the presentation of national programs as foreseen by Article 17 of Council Directive 91/271/EEC (UWWT Directive)</p>
<p>Council Directive 98/83/EC of 3 November 1998 on the quality of water intended for human consumption, as amended by Regulations EC/1882/2003 and EC/596/2009</p> <p>Commission Decision 95/337/EC concerning questionnaires relating to directives in the water sector</p>
<p>Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy, as amended by Decision 2455/2001/EC and Directives 2008/32/EC, 2008/105/EC and 2009/31/EC</p>
Waste management
<p>Council Directive 1999/31/EC of 26 April 1999 on the landfill of waste, as amended by Regulations EC/1882/2003 and EC/1137/2008</p> <p>Council Decision of 19 December 2002 establishing criteria and procedures for the acceptance of waste at landfills pursuant to Article 16 of and Annex II to the Directive 1999/31/EC</p>
<p>Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste (in force as of 12 December 2010)</p>
<p>Council Directive 86/278/EEC of 12 June 1986 on the protection of the environment, and in particular of the soil, when sewage sludge is used in agriculture as amended by Directive 91/692/EEC, Regulation EC/807/2003 and EC/219/2009, to be reviewed starting 2010</p>
<p>European Parliament and Council Directive 94/62/EC of 20 December 1994 on packaging and packaging waste, as amended by Regulations EC/1882/2003 and EC/219/2009, and Directives 2004/12/EC and 2005/20/EC</p>
Air quality
<p>Directive 2008/50/EC of the European Parliament and of the Council of 21 May 2008 on ambient air quality and cleaner air for Europe (Compliance deadline: 11 June 2010)</p>

Level of transposition of the EU requirements into national law is directly related to the creation of demand and conditions for the implementation. Several findings would include:

- Countries are making evident progress in the transposition.
- Levels of transposition of heavy cost directives are varying among countries.
- Most of countries report partial transposition of heavy cost directives.
- In most of countries there is a lack of understanding about interrelation between transposition process and project identification and investment planning. These processes are separated

institutionally (different institutions/units are responsible for transposition and investment planning) and information exchange is not sufficient. Lack of transposition was not indicated as an obstacle for investment planning.

- Lack of full transposition into national law creates problems for other than national institutions to understand directive specific requirements and fully address them while designing investment projects. In particular this problem is important at municipal level, because many countries are using decentralised project identification system.
- Some important articles of the EU Directives, impacting design of investment projects and consequently investment costs (for example, identification of sensitive waters under the WWTP directive, transposition of ELVs, transposition of technical requirements for equipment of landfills, etc.), were reported as not transposed, so the impacts of this on investment projects remain unclear.
- Late transposition delays development of implementation plans.

3.2. Relation between policy planning and investment process

Policy planning, and in particular implementation plans, serve as the main source of information during the investment project identification process. It also provides guidance for important policy decisions, impacting investment projects design (for example, decisions regarding development of regional landfills). Lack of plans may negatively impact all investment process.

Several common observations from national workshops include:

- Although notable progress was achieved during the last several years, much remains to be done.
- Most countries in the region developed and adopted general environmental strategies and approximation programmes (in Serbia and BiH approximation strategies are under development). Most of such documents lack project level information.
- Main problems remain in sector and/or directive specific implementation programmes. Though progress is better in the solid waste management field, water sector, in particular, waste water treatment actions, remain insufficiently planned.
- Countries, except of FYR Macedonia (National Environmental Investment Strategy) did not develop special programmes for environmental investment management. This makes investment planning process less organised and identification of priorities difficult.
- In many countries investment projects are planned through Public Investment Programmes. This is very important tool for short term planning and priority setting, but lacks strategic view on all scope of projects to be implemented achieving compliance with the EU requirements.

Availability of some major planning documents in RENA countries is presented in the table below:

Country	Approximation Strategy	Environmental investment plan	Water sector plan	Waste management plan
Albania		Missing	Under development	Available
Bosnia and Herzegovina	Under development	Missing	Under development	Available
Kosovo ²		Missing		Draft
FYR of Macedonia	Available National Strategy for Environmental Approximation	Available National Environmental Investment Strategy	Under development (National Water Management)	Available National Waste Management Strategy and Plan

² under UNSCR 1244/99

			Strategy)	
Montenegro	Missing	Expected 2012		
Serbia	Draft	Missing	Under development Water management Strategy	Available Waste Management Strategy
Turkey	Available	Missing		

3.3. Institutions

One of the major obstacles for an effective environmental planning process in RENA countries is the lack of institutional cooperation. During the national workshops the following institutional problems in almost all countries visited were identified:

- Responsibilities for investment project identification and implementation in many countries are shared between several institutions. In such cases countries identify problems related to cooperation among national level institutions.
- Countries identify problems related to institutional capacities of municipalities, as many of them are using decentralised project identification systems. If national legal and policy background is insufficiently developed, municipalities are facing problems to properly address requirements in investment projects, which they propose for financing.
- Municipalities are lacking capacities for investment projects management.
- With a less degree, capacity of institutions at central level is problematic as well. This in particular can be emphasised as regards capacities of projects management units.
- Policy and investment planning synergy appears to be better when the same institution is responsible for environmental policy planning and development of investment projects pipeline.
- Need for a better coordination horizontally and vertically was emphasised in all countries.
- In some cases environmental investment projects are promoted during the donor coordination process (usually via donor coordination conferences), what appears to be good opportunity to present country's priority projects and explain policies behind such decisions.
- It seems that all countries have separated procedures for EU and other donors funds management and local resources management.

3.4. Investment and financing planning

Most countries agreed with proposed formats for Investment and Financing Plans. There was also opinion of several countries that another option, than developing special investment and financing plans, could be amending existing National or Sectoral Implementation Plans, Public Investment Programmes or other documents ensuring, that key information is included. Some countries, e.g., FYR Macedonia has National Environmental Investment Strategy already developed and does not foresee revision in the nearest future. Therefore conclusion of national workshops was that there was a need to address essential elements of investment and financing plans and ensure that these elements were properly reflected in national planning documents.

Essential elements of Environmental Investment Plan:

1. Clearly defined objectives (specific, measurable, realistic and time-bound) and priorities.
2. Clearly defined timeframe.
3. State of related infrastructure.
4. Needed investment actions to develop new or upgrade existing infrastructure complying with environmental requirements.
5. Cost estimates of achieving the objectives (preferably, at project level).
6. Criteria for projects selection and priority setting.
7. Ranked list of projects.

Essential elements of Environmental Financing Plan:

1. Sources of financing and expected allocations by year.
2. Distribution of financial resources among sectors.
3. Matching investment needs and available or potential financial resources.
4. Policy to close the gap if any.
5. Clearly defined terms of financing, co-financing requirements, maximum/minimum level of support.
6. Affordability criteria to “accept” investments.
7. Eligible project types.
8. Eligible beneficiaries.
9. Well-documented principles, rules and operating procedures for project cycle management.

3.5. Formats for investment projects lists

Most of Environmental Ministries in countries in the region are facing problems to provide updated lists of investment projects other than these included into Public Investment Programmes. This is related to several aspects:

- Investment process is managed in several institutions and there is no clear procedure for regular information exchange.
- Different institutions maintain different formats for investment projects lists and not all necessary information is collected.
- Many countries are developing separate projects lists for international financing and local financing and integrity is not ensured.

Several, presented by RENA countries, lists of investment projects would contain the following information:

Montenegro (for donor conference):

- Project Title.
- Field Project Proponent.
- Beneficiary.
- Project Duration.
- Implemented Activities.
- Forthcoming Activities.
- Financial status.
- Total project value.
- Contact Persons.

Turkey (PIP)

- Sector
- Project owner
- Project No
- Project Name
- Location(Province/Town)
- Characteristics
- Start/Finish Date
- Project Cost
 - External
 - Total
- Estimated disbursement until the end of n year

- External
 - Loan
 - Capital (equity)
- Total
- Investment in n+1 year
 - External
 - Loan
 - Capital (equity)

Other countries would usually provide similar information.

It was discussed that such lists of projects should at least contain the following information

- Project title
- Budget
- Funding sources
- Implementation period
- Responsible institution
- Maturity description

As noted above, some countries have prepared lists of environmental investment projects for their donor conferences or PIPs. However, more are those, which do not have a systematic approach to the development of such lists and thus do not have clear lists themselves. RENA experts, based on the info received during national workshops, will prepare overview of current lists of investment projects in RENA countries.

4. Conclusions

1. Levels of transposition and implementation planning have increased during the last years, what provides better background for investment projects planning. Speeded efforts in transposition of heavy costs directives is needed in some countries, where levels of transposition are low. In particular, transposing articles, which directly influence design of environmental investment projects.
2. Some important documents are still missing, in particular those, which contain identified projects for full compliance with the EU requirements. Development of long lists of projects should be considered as necessary part, preparing for membership negotiations.
3. Cooperation among institutions remains problematic, despite that some steps are being taken by establishing joint working groups and other mechanisms.
4. Capacity building in project cycle is needed on both central and local levels.
5. Better established procedures are needed for project identification, prioritisation and implementation.
6. More clear commitment from countries on level of local financing is needed.