

**Environment for Europe Ministerial Conference:
Belgrade 10-12 October 2007**

Session 6(b): Environmental finance (4:30pm, Thursday 11 October)

Intervention by Mr Rodney Matthews, PPC Chair¹

Thank you, Madam Chair

Honourable Ministers, ladies and gentlemen,

I would like to say a few words about partnerships for financing environmental improvements.

Promoting economic and financial assistance for environmental improvements is one of the core objectives of the EfE process, and this commitment was renewed in Kiev in 2003, when Ministers agreed that the EfE process should aim to "mobilise financial resources from all sources, including governments, IFIs, donors and the private sector".

Since its mandate was renewed at Kiev, the Project Preparation Committee has made a significant contribution towards the achievement of this objective.

Through the PPC, donor support has facilitated IFI investment totalling €443 million. Project sectors include:

- water and wastewater;
- energy efficiency and renewable energy;
- municipal transport;
- environmental management; and
- biodiversity and nature conservation.

As we have already heard, the context for our work has evolved considerably over the last few years, and we believe that the PPC has been responsive and innovative in response to these changing challenges.

¹ The present document is a scanned copy of a statement received on 11 October 2007 during the Sixth Ministerial Conference "Environment for Europe" (Belgrade, 10-12 October 2007). The document has not been formally processed by the UNECE.

Donor support, channelled through the PPC, has enabled us to move quickly to support IFI financing in emerging priority areas such as energy efficiency and climate change, and break new ground in areas such as biodiversity.

In our traditional core area of environmental infrastructure, we have also developed new approaches.

Building on our Kiev mandate, we have worked to develop local capacity for the identification and preparation of environmental infrastructure investment projects through the delivery of a programme of training workshops with municipalities in a number of countries across the region.

But the most important area for innovation has been finding ways of financing projects in the lower-income countries of the Caucasus and Central Asia.

In these countries, the financing gap is greatest - perversely, those with the greatest needs for investment have the most limited ability to pay for improvements.

We have heard how the quality of water supply, as well as access, has continued to decline. If there is to be a realistic prospect of meeting the targets set out in the Millennium Development Goals, major new investments are needed.

The constraints these countries face need to be factored into project development at an early stage and reflected in both technical and financial aspects of project implementation.

This implies shifting towards more development-oriented approaches and solutions. Examples of this are:

- Blending grants with loans to make investments more affordable;
- Adopting appropriate technical standards that are realistic and achievable;

- Involving communities in project design and implementation - but with the safety net of state support;
- Refining ways of financing environmental infrastructure improvements in smaller municipalities and rural areas.

Looking beyond the Belgrade conference, we need to keep up with the changing context.

The PPC has operated on an ac-hoc basis with funding provided by a range of donors - but as donor funding patterns change, this is increasingly less viable.

Internalisation of the PPC inside the EBRD offers the prospect of a more stable institutional and financial basis for the PPC's activities than can be provided by ad-hoc funding. Within this framework, donor support for Project Preparation Officers and consultants will continue to be welcomed.

We look forward to the prospect of working with our partners to tackle the environmental challenges in the region.