

**Partnerships for Environmental Finance  
Environment for Europe Ministerial Meeting  
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**Douglas Menarchik,  
Assistant Administrator for Europe and Euraisa, USAID<sup>1</sup>**

Thank you. I'm delighted to be here today, representing the U.S. Agency for International Development, to discuss **partnerships for infrastructure finance**. As President Bush and other G-8 Leaders recently noted, there is a critical relationship between economic growth, energy, and sound environmental management.

Simply put, the job is too big for governments alone. The demand for investment in energy and water far exceeds what governments and donors have to spend. So, we play a **catalytic role** in this process.

We are assisting in the efforts across the region **to improve the legal, regulatory and management framework and capacities** - which is so critical to **creating incentives for utilities, businesses and investors** to provide needed capital and technology. Regional collaboration to harmonize frameworks, such as the **Athens Energy Community** with its commitment to applying key EU energy and environmental directives, is a successful strategy in this regard.

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In addition, USAID has **leveraged commercial and multilateral financing** for municipal projects such as heating systems and efficient energy use in schools and hospitals. These partnerships have positive economic, social, and environmental benefits.

We believe government can and should partner with industry, universities, and Research & Development centers to find innovative solutions and to share experience and knowledge. One such US-initiated global partnership in which countries of this region are participating is the **Methane to Markets Partnership**. This Partnership focuses on four sources of methane emissions: agriculture; coal mines, landfills, and oil and gas industry. Germany, Poland, Russia, Ukraine and the United Kingdom are members of the Partnership, and we are pleased that European Union's membership just became official last month.

Another mechanism we use is the **Development Credit Authority**, which provides loan guarantees to encourage commercial lenders by lowering their risk and providing for reduced collateral, larger loans, and longer loan periods. This program has opened the market for smaller projects that most lenders are reluctant to finance. Through this program, the US has leveraged over \$40 million in commercial loans for energy

efficiency projects in five nations so far and we look forward to many more.

Another approach that has been used successfully around the world to promote private investment in infrastructure is the **project development facility**. A pool of donor capital provides the engineering, financial and legal preparation needed to attract private finance to public projects. We did just this when we worked with the International Finance Corporation to establish the **Private Enterprise Partnership for Southeast Europe Infrastructure**. This IFC facility was funded by Austria, Italy, the Netherlands, Norway, Switzerland and the United States, and has now begun projects in Albania, Bulgaria, and Serbia. A pipeline of over a dozen additional projects is under development. A similar program addressing other parts of this region could catalyze even greater private sector investment.

The US also has experience in establishing funds that **pool resources** to address water and environmental management. We use this approach, pooling federal grants to our fifty states for loans for water infrastructure at better terms than would otherwise be available. Larger funds have gradually become bond pools, selling bonds into the capital markets and re-lending to utilities.

This type of partnership between public borrowers and private lenders has been very effective. In 2006, we organized a workshop aimed at sharing these and other U.S. experience. I understand that Montenegro, Russia, Armenia, and Ukraine are exploring its application. Some Central European countries have already created similar funds to address capital shortages, so the experience is available in the region.

All of you play an important and influential role as Environmental Ministers. We look to you to lead in developing and implementing sound national policies and strategies that contribute to improved national development as well as to larger regional and global partnership efforts. We look forward to collaborating with you.