



United Nations Environment Programme

برنامج الأمم المتحدة للبيئة • 联合国环境规划署

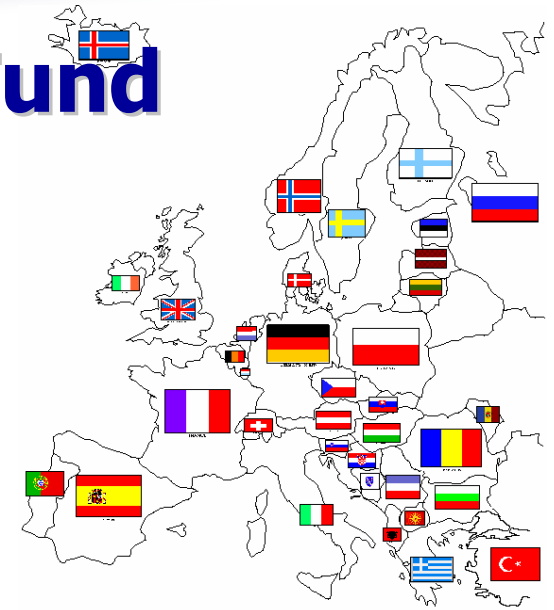
PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT • PROGRAMA DE LAS NACIONES UNIDAS PARA EL MEDIO AMBIENTE
ПРОГРАММА ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ ПО ОКРУЖАЮЩЕЙ СРЕДЕ

Opportunities for financial institutions to get involved in co-financing EU Environmental projects

From ISPA to Cohesion Fund

Adrian Mihailescu – Grontmij | Carl Bro AS

Bucharest, 09 October 2007



Pre-accession

- Pre-accession funds – annual allocation:

- **ISPA** ~**240 MEURO**

- **SAPARD** ~**150 MEURO**

- **PHARE** ~**240 MEURO**



- ISPA: Infrastructure Transport and Environment
- PHARE: Pre-accession + Regional Development
(regional infrastructures: 134 MEuro 2004-2006)

UNEP

Finance Initiative

Grontmij | Carl Bro

ISPA - Environment

ISPA Strategy

Some key elements:

- National priorities: - water management
 - solid waste management

- National involvement – **maximum grant rate 75% of eligible cost, based on 100% coverage of the Financial Gap Analysis**
- Large-scale projects – more than 5 M Euro
- Balance between sectors
- Contracting according with PRAG
- Implementation as per FIDIC Rules – based on British system



UNEP

Finance Initiative

Grontmij | Carl Bro

ISPA - Environment

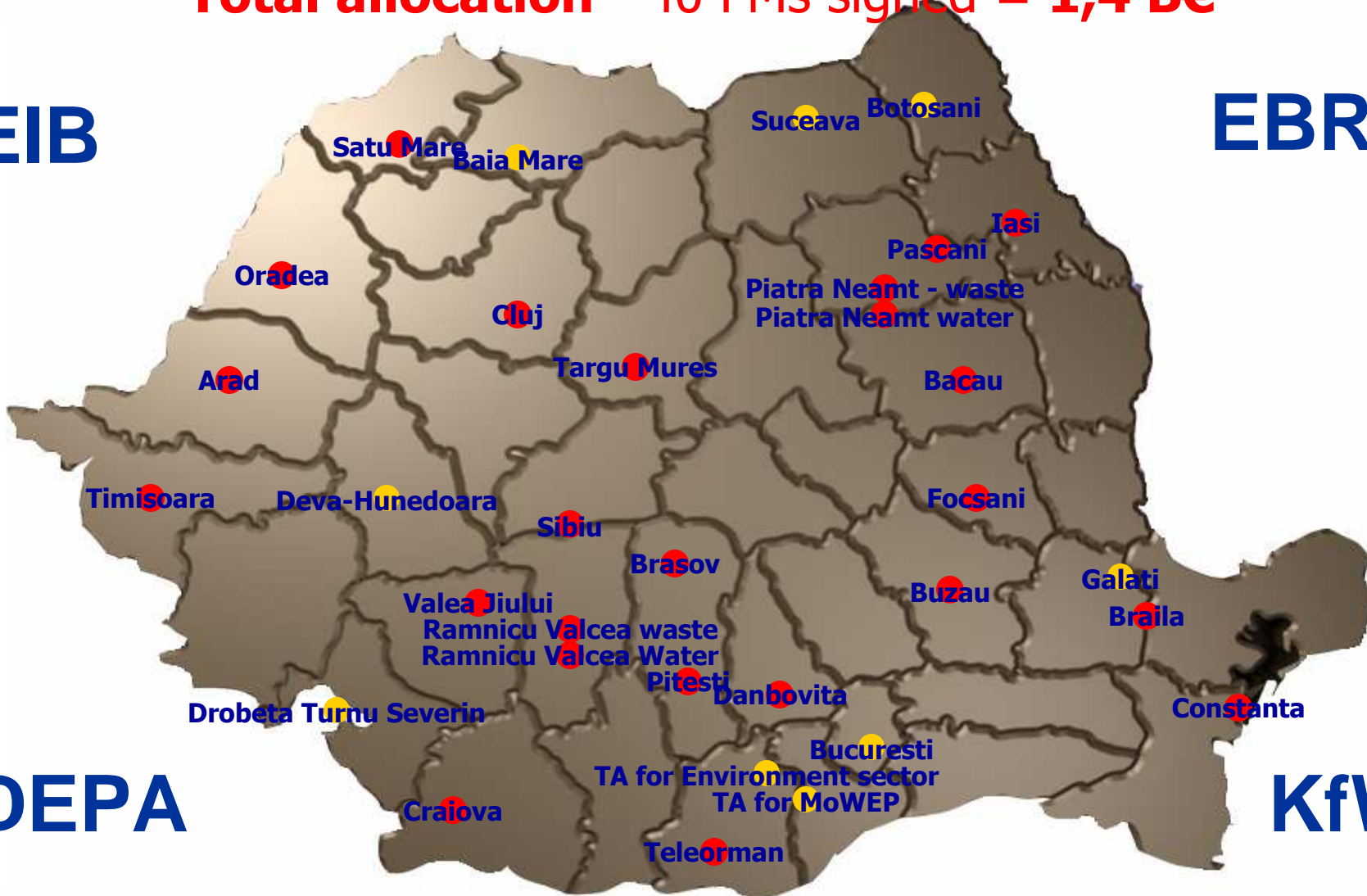
Total allocation - 40 FMs signed = 1,4 B€

EIB

EBRD

DEPA

KfW



UNEP

Finance Initiative

Grontmij | Carl Bro

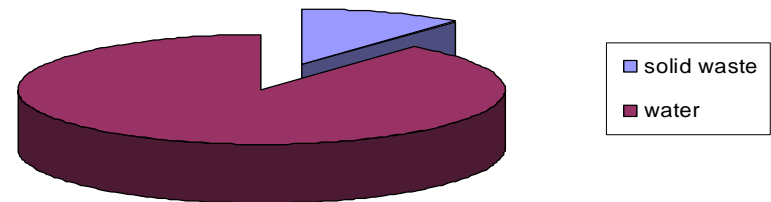
ISPA - Environment

Water field - projects

- Treatment & distribution of potable water
- Collection and treatment of sewage
- 33 Measures – 1,228,951,045 €

Waste field - projects

- collection, sorting at source
- recycling, landfilling
- 7 Measures – 147,282,805 €



UNEP

Finance Initiative

Grontmij | Carl Bro

Link between Pre-Accession Fund and SF

Pre-Accession Instruments addressed to Candidate Countries

Phare - Economic and Social Cohesion

ISPA

SAPARD

Structural Instruments Addressed to Member States

**European Regional Development Fund
European Social Fund**

Cohesion Fund

Fund for Agriculture and Rural Development

■ **Main differences**

- Strong increase of funds under Structural Instruments
- Different legal basis and purpose
- Decentralised management of the programmes in the case of Structural Instruments
- Strong Partnership principles and structures for programming, management and implementation of the Structural Instruments

- **Perspectives BEFORE and AFTER accession:**
 - ISPA allocation **2004 – 2006** increased with 10% each year.
 - Substantial increase after accession within 2007-2009
 - ISPA will be transformed into Cohesion Fund
 - Preparation of projects for Cohesion and structural funds should start
 - Capacity to absorb EU assistance has to be increased

Cohesion Fund – indicative FORECAST						
Year	2007	2008	2009	2010	2011	2007-2011
EU Grant	400	600	800	900	1000	3,700.0

UNEP

Finance Initiative

Grontmij | Carl Bro

Cohesion Fund - Infrastructure

Priority projects for Environment

Drinking water & sewerage networks,
Water and wastewater treatment plants
Solid waste management

How ?

■ **Programming framework:**

- *National Development Plan*: priorities at national level (not only for EU funds)
- *Sectoral Programmes (SOPs)* – MESD

■ **Commitments during negotiations:**

- WWTP (incl. tertiary treatment) - 2018 (2015 for >10k)
- Directive on Municipal waste - 2017

UNEP

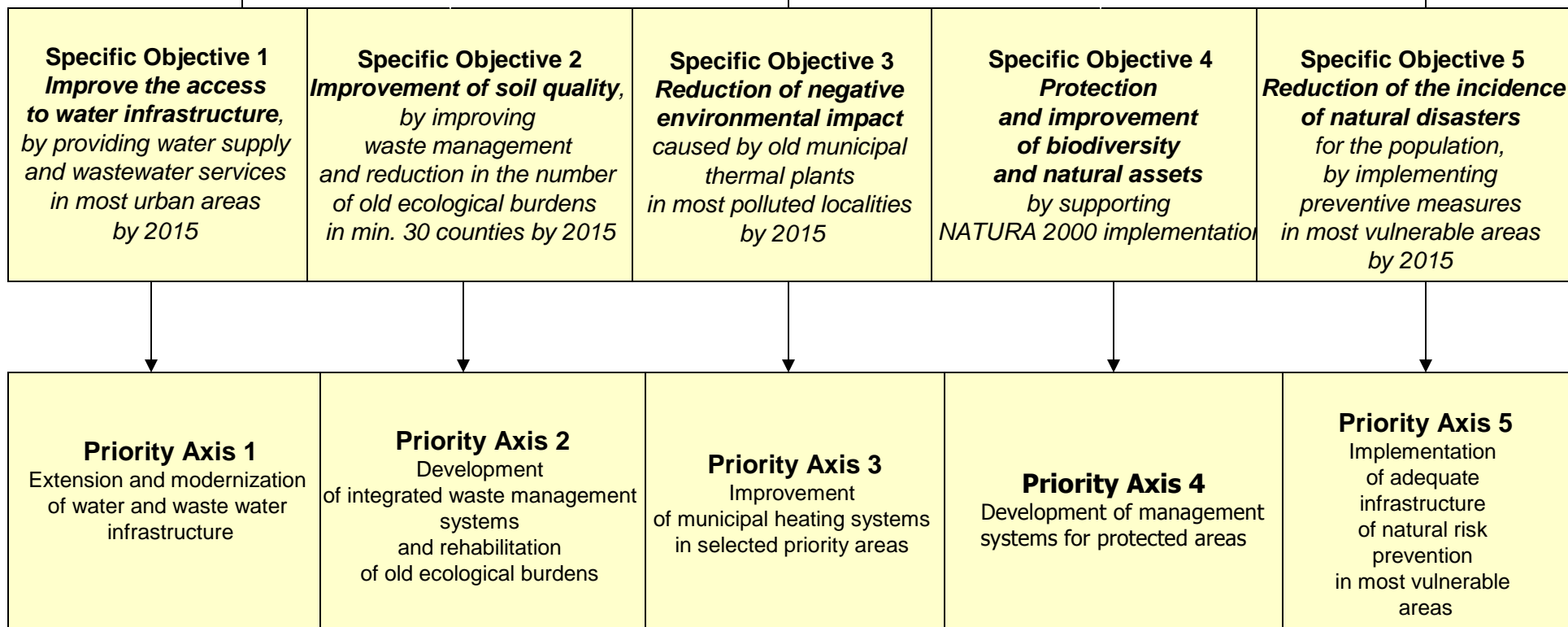
Finance Initiative

Grontmij | Carl Bro

SOP ENVIRONMENT – PRIORITY AXES

SOP ENVIRONMENT

Global Objective – *Improvement of living standards and environment, focusing in particular on meeting the environmental acquis*

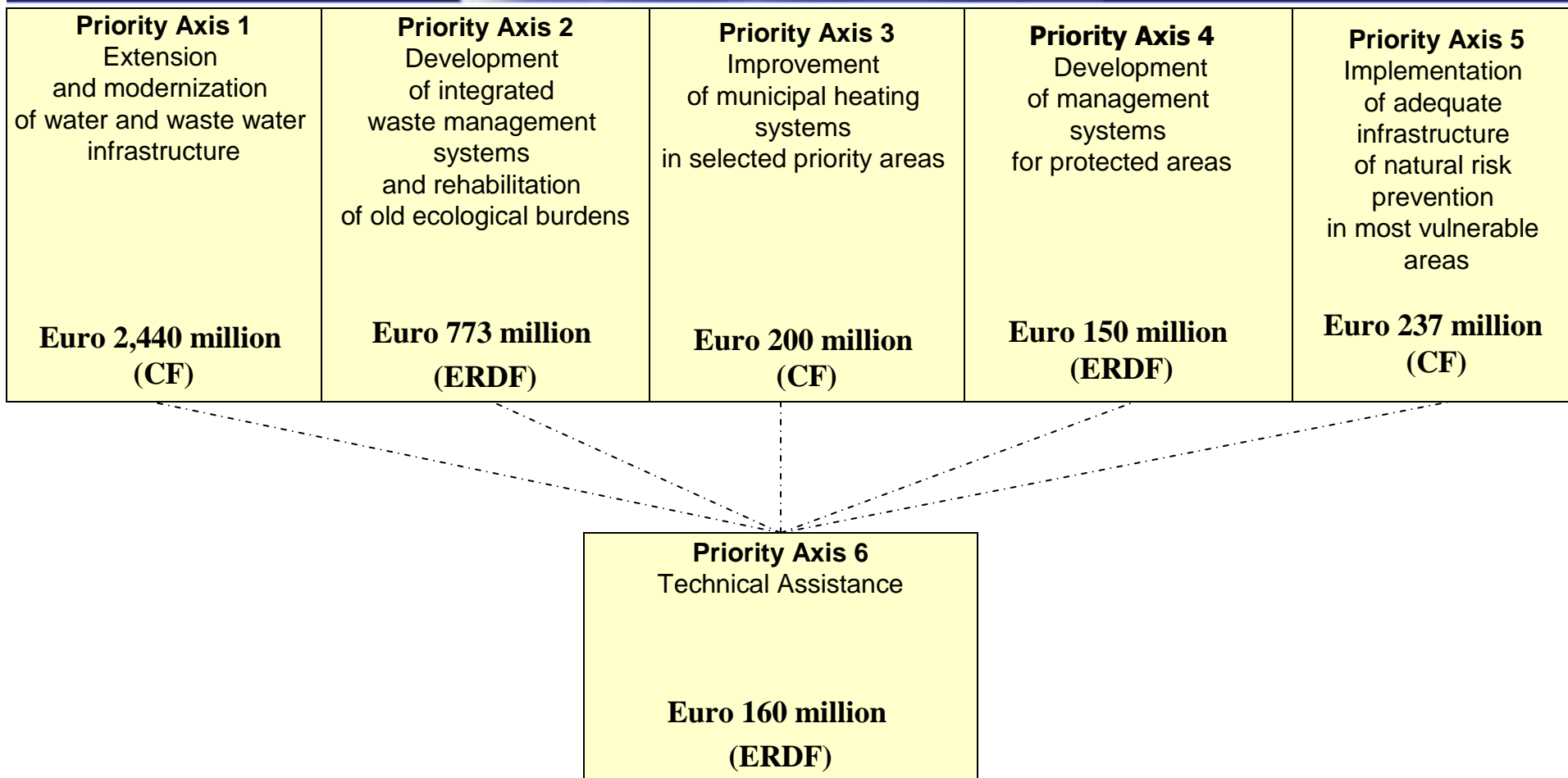


UNEP

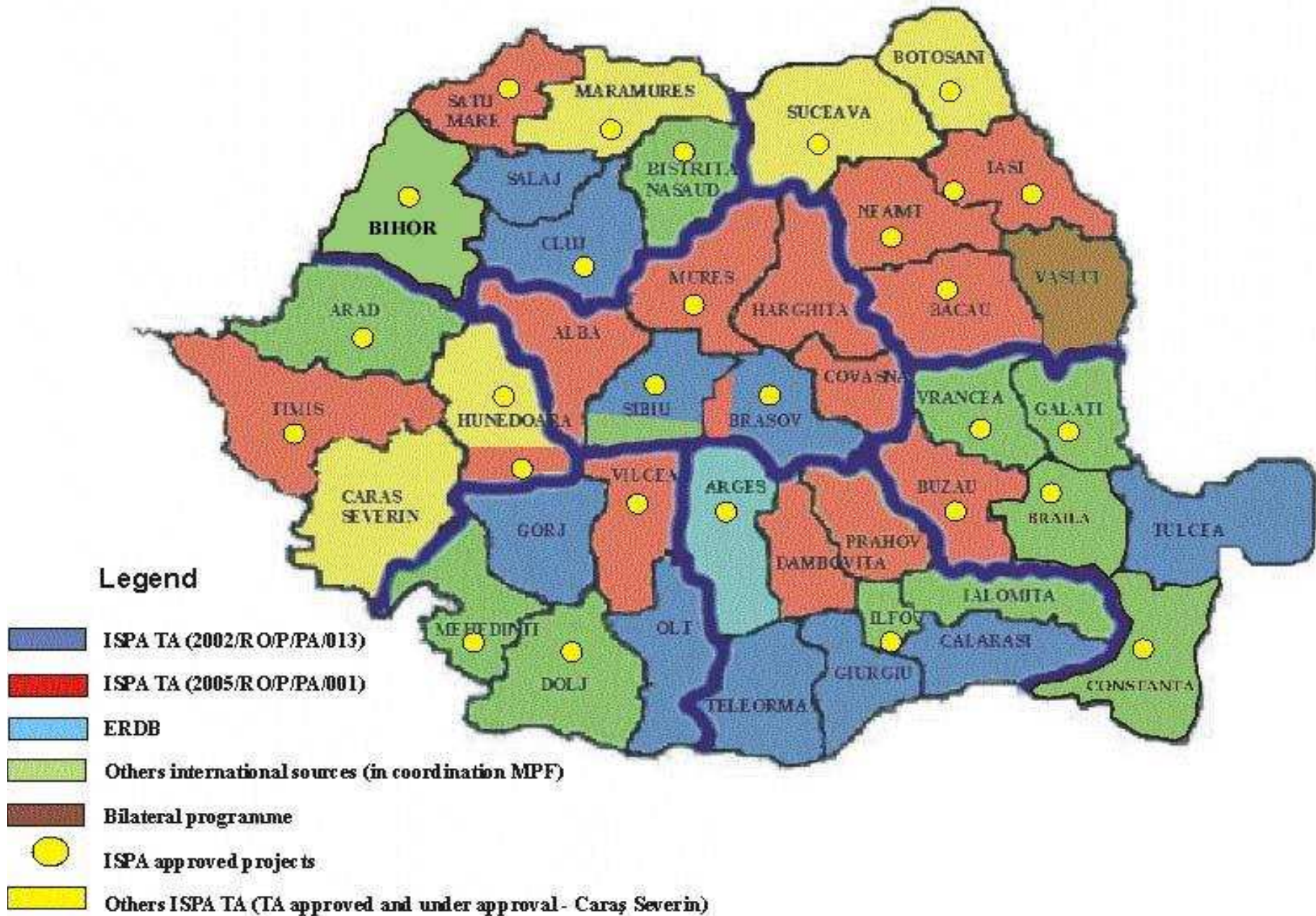
Finance Initiative

Grontmij | Carl Bro

SOP Environment – Priority Axes



PROJECT PIPELINE IN WATER/WASTE WATER SECTOR



UNEP

Finance Initiative

 Grontmij | Carl Bro

Cohesion Fund Application

- Master Plan at county /regional level
- Feasibility study
- Institutional analyze – Regional Operating Company = ROC, mainly for water sector
- Ec-Fin analysis including Financial Gap Analysis
- EIA
- Application itself

Institutional analyze

- Institutional analyze will look over the capacity of the ROC to implement the project from at least 3 points of view : project management, technical and financial skills – PIU
- Involvement of Financial organizations: soft loans for capacity building on local level

Financial Gap Analysis

- Financial Gap Analysis will look at the difference between needs (WTP, networks/sewers, WWTP) as shown in Feasibility study – a good estimation need to be done – and funds which could be raised by Project owner through increase of tariffs and loans with local or central guarantees
- Involvement of Financial Institutions: Credit worthiness analyse
- Cohesion Fund will co-finance up to **85%** of financial gap

Various IFI – various conditions

- EIB – 3 main conditions
 - Sovereign guarantee – main Borrower – Ministry of Economy and Public Finance + subsidiary loan agreement with local authority
 - PIU composition
 - MRD Fund – Why such fund? – to avoid the “No money for consumables / maintenance” syndrome
- + common appraisal mission EC +EIB – Project Directorate under ISPA

Various IFI – various conditions

■ EBRD

- Municipal Guarantee based on audit of the local operator done by “in house” consultant
- Escrow account – as a guarantee for 2 tranches
- Periodic review of implementation

■ DEPA

- Project management and reporting requirements paid under Danish Fund
- Twining approach between DEPA and PIU

Various IFI – various conditions

- What is common and what differs?
 - A particular attention is given by all IFI in the appraisal phase in order to reach “the right project value”
 - A certain control over implementation by reporting requirements / periodic project assessment / MRD
 - Variables: loan period / conditions of loan in terms of interest and grace period – infrastructure 3-4 years !!
 - Jaspers – EC+EIB+EBRD – appraisal of applications with no strings attached

Does IFI need to look over implementation ? YES

No Ro Banks in ISPA – However BCR – main role in MUDP 2 – Phare water infrastructure

Issues to be looked at

- Programming of Design/ Works took in calculation the amount of time needed for admin issues ?
- Are all your activities on the critical path?
- Need of a float! Allow for unforeseen situations

Lessons learnt -Property over land

In case of landfills

- Real property issue
- Right of use the land
- Not in my back yard – possible residential area
- Possible development of a neighboring airport

Lessons learnt - Technical issues

- Point of discussion: Does the Employer Really knows in great detail what he needs? Red v. Yellow FIDIC
- How accurate are input/ site data? Effects of floods '05 ? BOD₅ / Suspended solids / Flow? Real consumption around 130 l/capita/day
- Composition of solid waste? Does a 700,000 cu.m landfill will fit your needs for the next 5 years?
- Does the separation at source will work?
- Could a by-product market be established?

Then how do we do?

- ***EU always support those who are prepared***
 - **Prepared projects:** feasibility studies completed, including option analysis, EIA, design, land acquisitions
 - Choosing the best IFI/Bank agreement in terms of financial conditions and help towards the Client during implementation
 - **Tendering:** basic principles of transparency, proportionality, non-discrimination and equal treatment
 - [New law of Romanian procurement – E.G.O. 34/2006 + modifications oct. 2007](#)
 - A close eye over Implementation of the contracts
 - PPP – possible source of co-financing



UNEP

Finance Initiative

Grontmij | Carl Bro

Questions??



Adrian Mihailescu
Carl Bro Romania – part of Grontmij | Carl Bro group
tel: +40 721 029 669
email: ami@carlbro.ro / almihailescu@gmail.com