



CEI Special Fund for Climate and Environment Protection

The CEI development assistance instrument dedicated to climate
and environment in South-Eastern and Eastern Europe





Central European Initiative

The CEI was established in Budapest on 11 November 1989, just two days after the fall of the Berlin Wall, as a platform for mutual political, economic, scientific and cultural co-operation. The CEI brings together 18 Member States from Central, Eastern and South-Eastern Europe: Albania, Austria, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, Italy, Macedonia, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia and Ukraine. They embrace a territory of 2.4 million square kilometres and a population of nearly 250 million.

The CEI main objective is to bring its member countries closer together and assist them in their transition to stable democracies and market economies as well as in their accession process for EU membership. In addition to the political dialogue, the CEI promotes technical assistance, capacity building, business facilitation and investment promotion, scientific and cultural cooperation. Priority regions for CEI assistance are the countries of the Western Balkans and those CEI countries which are part of the EU neighbourhood policy (Belarus, Moldova and Ukraine).

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Introduction

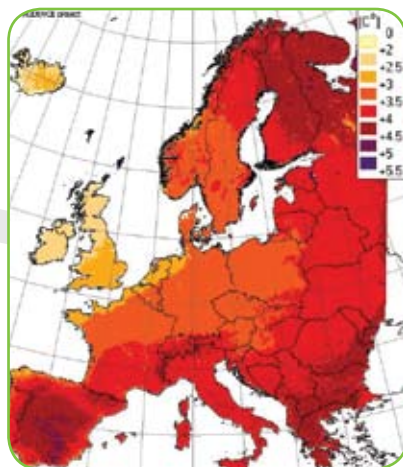
Since the establishment of the CEI 20 years ago in 1989, environment and energy have been among key areas of strategic importance. The CEI Member States have over the years developed multilateral projects and activities in this field through the various CEI instruments.

Southern Europe is one of the most vulnerable areas in Europe as regards climate change. It is predicted that South-Eastern but also Eastern European Countries will experience considerable temperature rise by the end of this century, which will affect all segments of society and the economy and will have serious impact on people's life, environment and biodiversity.

More recently the CEI reinforced its efforts in promoting sustainable development of Central, Eastern and South-Eastern Europe. The CEI Heads of Government at their Summit in Sofia on 27 November 2007 decided the establishment of the CEI Special Fund for Climate and Environment Protection – CEI Climate Fund, which represents the CEI major contribution to global efforts in climate change mitigation and adaptation.

The first Call for Proposal of the CEI Climate Fund was launched in 2008 and registered more than 70 project proposals by numerous CEI countries, demonstrating the existing demand for promoting action in climate and environment in the CEI region. However, due to the restricted financing, a very limited number of projects were supported.

In view to effectively respond to this demand, the CEI Member States, particularly the EU members, are called upon to commit additional resources to the Fund. This would demonstrate their willingness to assist the non-EU members and to cooperate with them by sharing their expertise and know-how.



Change in mean annual temperature by the end of this century (Source: EC Green Paper on climate change, June 2007)

Climate Fund Establishment



Sofia Summit of CEI Heads of Government decides the establishment of the CEI Climate Fund

On 27 November 2007 the Heads of Government of the CEI Member States at the **Summit meeting in Sofia, under the 2007 Bulgarian CEI Presidency** adopted the decisions on the CEI reform process in order to render the CEI better equipped to face the future challenges in this part of Europe and to adapt its functioning and instruments to the new membership structure, with 9 EU and 9 non-EU Members. The Heads of Government adopted 12 decisions, one of which was related to the **“Creation of a Special Fund for Climate and Environmental Protection”**.

The establishment of the CEI Special Fund for Climate and Environmental Protection (Climate Fund, by its short name) represents an important contribution by the CEI and its Member States to efforts aimed at climate change mitigation and adaptation in the CEI region.

The Fund is contributed by CEI Member States and is administered by the CEI Executive Secretariat in Trieste, which provides conceptual and administrative support to the CEI structures. The **Committee of Donors** consists of the representatives of donor institutions and is the Fund's main decision making body. It decides the principal orientations of the Fund, approves the projects for financing and adopts the Fund's annual reports.

The Fund became operational with the **first contribution made by the Ministry of Foreign Affairs of the Czech Republic** at the end of 2007, which allowed to start the activities and launch the first Call for Proposals in 2008.

Use of the Fund

Eligible areas

The Fund supports projects in climate and environment protection in the areas of:

- Increasing energy efficiency
- Improving and disseminating environmentally friendly technologies
- Fostering research and development in renewable energy
- Rendering new technologies of sustainable energy use economically viable
- Supporting the transfer of transport of persons and goods to more energy efficient modes of traffic
- Rehabilitation of old ecological burdens
- Waste management
- Drinking water supply, water management
- Raising awareness through training and education.

Eligible countries

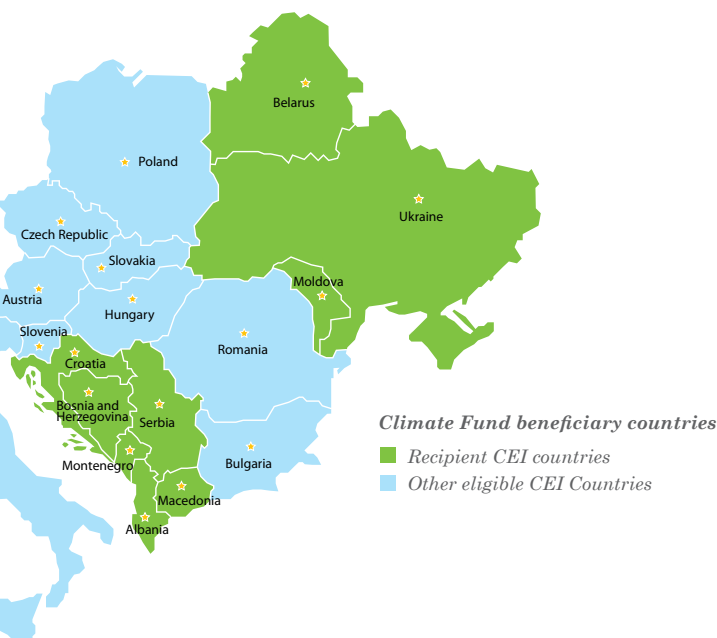
All CEI Countries are eligible to apply. However, project objectives and activities need to benefit the CEI non-EU members, which have the status of recipients of development assistance. These are the nine CEI Countries in South-Eastern and Eastern Europe: Albania, Belarus, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Montenegro, Serbia e Ukraine.

Applicant institutions

All public and private sector bodies, international and non-governmental organisations (NGOs) operating in the public interest are eligible.

Types of projects

Projects can take the form of feasibility studies, development plans, audits, expert analysis, consulting, exchange of staff, expert meetings, know-how transfer, small climate and energy technical improvements, study tours and trainings, research grants etc. Activities preparing the ground for the lending of International Financial Institutions or other development banks may be supported on a preferential basis.



First Call for Proposals

The first Call for Proposals was launched on 30 May 2008. By the deadline of 30 September 2008 the CEI Executive Secretariat received **72 project proposals** from almost all CEI countries. The total budget value of the projects amounts to **EUR 3.967.373**, with the total requests for financing of EUR 2.461.271.

In the majority of cases applications were prepared under bilateral or multilateral effort, thus showing a significant level of co-operation among institutions from two or more countries.

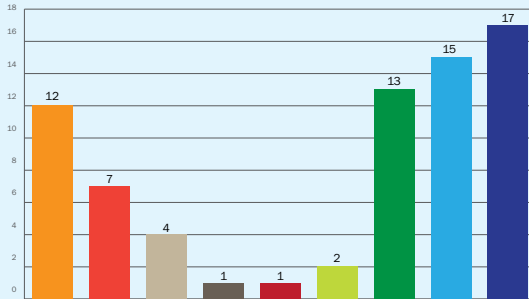
The evaluation results showed that the most part of the proposals were of high quality.

Projects usually have the range of medium-sized projects with their total value of up to EUR 100.000,00. The majority of projects were submitted in the sectors of:

- **water supply and water management,**
- **waste management,**
- **energy efficiency.**



The First Call in Figures



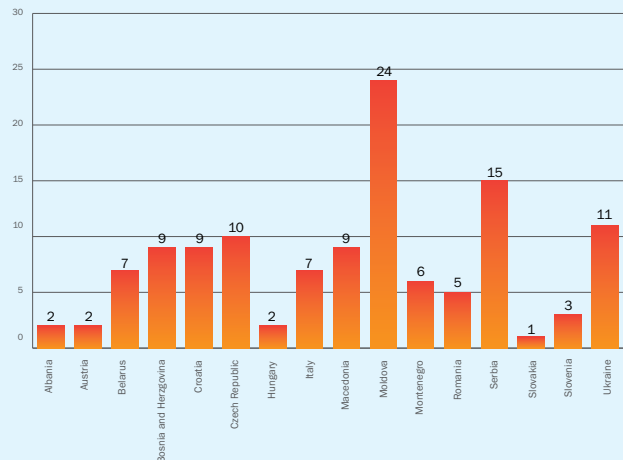
- Increasing energy efficiency
- Improving and disseminating environmentally friendly technologies
- Fostering research and development in the area of renewable energy
- Rendering new technologies of sustainable energy use economically viable
- Supporting the transfer of transport of both persons and goods to more energy efficient modes of traffic
- Sanitation of old ecological burdens
- Waste management
- Drinking water supply, water management
- Raising awareness for reaching these goals in terms of training and educational measures

Sectoral Distribution of Projects

80% of projects proposals are in the following areas: Energy efficiency, Waste management, Drinking water supply and water management and Raising awareness.

Participation of CEI Countries in Projects

Almost all CEI Countries directly participate in Climate Fund projects as partners. Although the institutions from non-EU members are more numerous, the participation from CEI EU members is characterised by highly specialised partnership.





The Committee of Donors approves first projects in Trieste on 18 November 2008

The results of the first Call for Proposals demonstrate the need to contrast climate change and promote environment protection and sustainable development in the CEI countries in South-Eastern and Eastern Europe (Belarus, Moldova and Ukraine). These countries, having limited prospect of participation in other international programmes and schemes, consider the CEI Climate Fund an important opportunity for implementing environmental and climate activities in their countries.

After a preliminary evaluation of the applications, the CEI Executive Secretariat submitted the results at the meeting of the Committee of Donors in Trieste on 18 November 2009, for its final decision and approval.

Based on the available financial resources, contributed by the Czech Republic, it was possible to support only three projects, whose implementation started in the first months of 2009.

Approved Projects

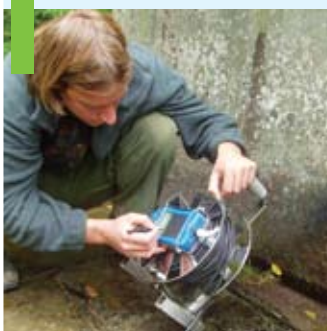
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Water resources management strategy definition to reduce pollution of groundwater and protect the sources of drinking water for the Balti city, Moldova

The project aims to solve the complex situation of negative environmental and health consequences of previous military and human activities in Moldova in the Balti (Belyc) region. The Water Resources Management Strategy of the Balti area will be defined, in order to reduce pollution of groundwater and protect the drinking water sources. A feasibility study will be finalised to prepare ground for future activities, such as sanitation of old ecological burdens, removing the causes of pollution and implementing the Water Resource Management Plan. The appropriate sources of funding from International Financial Institutions will be recommended.

Total cost: EUR 66.475
CEI Contribution: EUR 36.500

Engineers at work at a project in Moldova



2

Development of Rural sanitation facility for Chetrosu village, Moldova

The project aims to improve the environmental situation and the wastewater system through the implementation of a sanitation facility in the locality of Chetrosu in northern Moldova. The major activities will focus on conducting a feasibility study and technical design of the sanitation facility, and the procurement and installation of the wastewater treatment equipment that will connect the public buildings to the sewerage network (two kindergartens, two schools, health centre and the mayoralty buildings).

Total cost: EUR 48.127
CEI Contribution: EUR 36.057

The former pumping station in Chetrosu, where waste water treatment station will be built



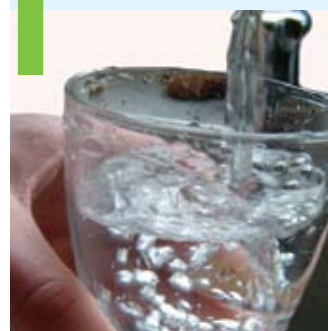
3

Climate and environment protection program in Montenegro dedicated to the hydrosphere monitoring, pollution control and raising awareness

The project will define the conditions for the identification of the hydrosphere monitoring program in Montenegro. Main goals of the project are pollution control to safeguard drinking water supply and integrated water resources management strategy. The water management situation of Montenegro will be analysed and the feasibility study elaborated which will recommend an effective strategy for integrated groundwater and surface water monitoring system and integrated water resource management in Montenegro.

Total cost: EUR 74.000
CEI Contribution: EUR 36.000

Drinking water supply is the focus of the project in Montenegro



Advantages for Donor Countries

Through the CEI Climate Fund the CEI offers its partnership to the CEI Member States in promoting development cooperation in South-Eastern and Eastern Europe. Thanks to the CEI well-established institutional structures and procedures, the CEI ensures several advantages for the donor countries:

No administrative burden

There is no administrative burden nor management fee for the donors, which however maintain full decision making powers. The Fund's administration is managed by the CEI Executive Secretariat and implies no cost for the donors, while decisions are taken by the Committee of Donors, where donor countries are represented.

Donor Visibility

Donor countries are sometimes reluctant to contribute to multilateral funds, fearing that they will lose their visibility. The CEI ensures wide visibility for donors: the reference and logo of the donor country is guaranteed during project implementation and is disseminated through the CEI website, monthly CEI Newsletter, CEI Annual Report, Final Documents etc.

ODA Eligibility

The CEI Climate Fund is the only ODA-eligible CEI instrument. This enables donor countries to report their contributions as Official Development Assistance. The Climate Fund is included in the OECD list of international organisations whose contributions may be reported as ODA.

Flexible disbursement

Transferring funding to the CEI Climate Fund allows donors to report their allocations as ODA from the moment of such transaction, irrespective of the time of actual disbursement and not obliging to spend the funds during the fiscal year. The disbursement of funds may occur at a later date, in line with the Fund's rules and procedures.

Effective programme management

The Fund is managed by the CEI Executive Secretariat as Fund's implementing agency, a well-established permanent CEI structure, which since 1996 promotes international cooperation activities and programmes in this part of Europe.



PROJECT SUPPORTED BY THE CEI CLIMATE FUND WITH FUNDS FROM THE CZECH DEVELOPMENT COOPERATION

Visibility ensured by the CEI to the donor countries.

ODA Eligibility

Since the Fund's establishment, several CEI countries subordinated their potential contributions to the condition that the CEI Climate Fund becomes an ODA eligible fund. It was therefore indispensable to obtain such status, in order to allow the countries to report their contributions as Official Development Assistance.

In 2008, the CEI Executive Secretariat in cooperation with Austria proposed to the **OECD Development Assistance Committee (DAC)**, the international body which collects data on foreign aid, the inclusion of the Fund on the official OECD list of ODA eligible funds. The proposal was unanimously approved by the DAC Committee, which confirmed that the geographical and thematical scope of the Fund are in line with the international development cooperation priorities.

As of 13 June 2008 the CEI Climate Fund is officially included in the **list of international organisations and funds official contributions to which may be reported as ODA**. This important achievement guarantees that the donor countries are able to report their allocations as part of their development cooperation activities.

What is Official Development Assistance (ODA)

ODA are official flows to or for developing countries that are provided:

- for developmental purposes
- by the official sector (Government, public funds)
- as grants or as "soft loans" (bearing a "grant element" of at least 25%)



The Millennium Development Goals

In September 2000 in New York the international community adopted the Millennium Declaration which combines a set of interconnected and mutually reinforcing development goals into a global agenda to be realized by 2015. In the International Conference on Financing for Development in March 2002 in Monterrey, developed countries committed themselves to make concrete efforts towards the target of 0.7% of Gross National Income (GNI) as ODA.

EU Interim Goals

The EU has established an interim goal for the achievement of the UN target of 0,7% of GNI by its Member States: by 2010 the old EU members are to reach 0,51% ODA/GNI and the new EU members are to reach 0,17% ODA/GNI. According to the OECD Development Cooperation Report 2009, **all CEI Member States which are EU members are still on the path towards reaching the EU interim goals.**

The support from the nine CEI countries which are EU Member States is essential for responding to the high demand in climate and environment related activities in the CEI Region. Such contributions allow donor countries to increase their ODA commitments and to come closer to reaching the EU targets (see box above).

The contributions could be provided by the old EU members and traditional donors such as Italy and Austria, but also by the new EU members and emerging donors such as Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovenia and Slovakia.

Contribution by non-EU Members

CEI Member States which are not EU members may also contribute to the CEI Climate Fund. Although not having international ODA obligations, these countries can report their contributions to the OECD (as is currently done by Turkey, Mexico and others). This may be interesting for those countries which are more advanced on their path towards the EU accession. Once they become EU Members they will have to follow the EU targets.

Mr **Michal Pastvinsky**, Director of the Development and Project Cooperation Department in the Ministry of Environment of the Czech Republic and Czech representative in the Climate Fund Committee of Donors:

“At a time of current global economic and financial crises we should strive to find win-win solutions in addressing environment, development and economic challenges simultaneously. We simply cannot afford to ignore environmental concerns, as they are actually an essential element of an effective response to the crisis.”



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