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Workshop on National Environmental Funds for Promoting Green Investments

Lessons from the Polish National Fund for Environmental Protection and possible implications
for Moldova

29 October 2020, 11.00 – 12.30 OEZ

SUMMARY RECORD

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SUMMARY

Item 1. Welcome and introductions

State Secretary Maxim Popov welcomed participants. He highlighted the need to push ahead with the reform of the Ecological Fund in Moldova and thanked the OECD for their support under EU4ENV. Krzysztof Michalak briefly summarised the objectives of the EU4ENV program, the scope of work planned under it for Moldova and put the work in context with work the OECD has done on environmental funds in the Eastern Europe, Caucasus and Central Asia (EECCA) region. He also highlighted some of the challenges facing the Ecological Fund of Moldova to date, amongst the more pressing ones the need for proper project preparation, transparency and adequate administrative capacity.

Item 2. Presentation of Polish National Fund for Environmental Protection and Q&A

Maciej Kostrzewa, who has spent more than thirty years working for National Fund for Environmental Protection and Water Management in Poland, presented the role of the National Fund, its history and the key features of its operations. He highlighted the key reasons that led to the formation of the Fund in Poland in 1985, including that a Fund could add together all environmental pollution fees. The earlier years of the Polish Fund are relevant to Moldova because the National Fund in Poland changed its shape and form after Poland accessed the European Union in 2004 (after which the Fund also started disbursing EU Structural Funds). Mr. Kostrzewa also highlighted that in 1992 a separate debt-for-environment swaps arrangements started to provide additional flows of money for environmental protection (under the Polish EcoFund which no longer exists today).

The Polish National Fund started off with just seven members of staff, of which only one person was an accountant and no one had expertise on environmental issues. Later when scope and size of the Fund expanded, additional expertise especially on environmental management was drawn into the Fund. Today the National Fund for Environmental Protection and Water Management employs around 300 staff members. The Fund mainly provides soft loans and grants. Its major revenues are pollution charges and loan repayment; it gets no additional money from the Polish general fiscal budget. The operation of the National Fund for Environmental Protection and Water Management in its original form was comparable to that of a bank since debt was secured and repayment of the loans including interest was a major source of revenues for the Fund.

Item 3. Lessons from the Polish National Fund for the Moldovan National Ecological Fund

During the follow-up discussion, participants asked a number of questions, including on interest rates, sources of revenues, loan repayment and stakeholder engagement. Mr. Kostrzewa highlighted the need to ensure that the Fund is an independent legal entity. He stressed that the Polish Fund has a supervisory board, a crucial component of successful governance, which includes the representatives of the Ministry of Finance, local governments and NGOs.

Mr. Kostrzewa also pointed out that money under the Fund is an add-on to the budget and that it attracts commercial/private funds. The Fund provides loans on concessional terms, e.g. 1,7% interest rate, one tenth of those charged by commercial loans and the repayments usually start one year after a project had been in operation. It was pointed out that the provision of loans aimed to make the fund a revolving one.

Participants raised the question that it is important, but also difficult to involve the Ministry of Finance in concerted efforts to make an environmental fund run more effectively. No clear solution was found here, except that continuous efforts are needed for and on this; and that additional revenues by attracting private finance can support funding efforts.

Participants also stressed the importance of having a strategy for and clear purpose of the Fund: what exactly is its main objective, what will be achieved with the money it spends? In this context, the role of a clear investment programme for the Fund was highlighted. Good project preparation under a Fund is another area of importance for Moldova.

The importance of transparency was also raised. It was agreed that wider consultation with all levels of government, civil society and different government bodies is important. The need to make this involvement transparent was crucial , also to keep the fund away from the political capture, even if a certain degree of politicising a Fund cannot be avoided completely.

Decisions and follow up:

Participants agreed that it would be useful to have follow-ups to go into more details of particular aspects of successful Fund operations. It was agreed that the OECD would facilitate bilateral exchanges between Mr. Kostrzewa and staff working on the Ecological Fund of Moldova and the current development of the Operational Manual for this fund. It was also agreed to explore possibilities and demand for similar meetings with other fund managers from the EECCA region.