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EAPS

ENVIRONMENTAL ACTION PROGRAMME SUPPORT PROJECT

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**ASSESSMENT OF THE CURRENT RELATIONSHIP BETWEEN
THE SFZP AND MUNICIPAL DISTRICTS**

**Pilot Workshop:
Evaluation of the Workshop on
Preparing a Series of Seminars in the
Framework of the EAPS Project;
Prague, December 4, 1996**

SUMMARY

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**EVALUATION OF THE WORKSHOP
ON PREPARATIONS OF A SERIES OF SEMINARS
IN THE FRAMEWORK OF THE EAPS PROJECT,
HELD IN PRAGUE, DECEMBER 4, 1996**

I. Summary

The workshop on preparations of a series of seminars in the framework of the EAPS Project, held in the Sidi Hotel, Praha - Malá Strana, on December 4, 1996, has confirmed that a series of one-day seminars held in regions represent a suitable platform for efforts aimed at improving the dissemination of information and efficiency of information flows between the State Environmental Fund (hereinafter "SFZP"), Ministry of the Environment of the Czech Republic (hereinafter "MZP CR"), District Offices and potential applicants for support from SFZP.

The participants in the meeting, who included representatives of municipalities, District Offices, SFZP and the EAPS Project (see Chapter III), have identified twelve essential problem areas (see Chapter IV), discussed factors affecting the problem areas (Chapter V), and proposed the scope, contents and format of seminars to be organized on these issues (Chapter VI). The meeting also pointed out at certain problems which, due to competencies, will have to be approached outside the framework of the series of seminars.

II. Objectives

According to the information handed out to the participants in the workshop by its EAPS Project organizers, the objective of the series of seminars which are being prepared in the framework of the EAPS Project and scheduled to take place in 1997 is to contribute to solving the problem of the funding of environmental projects by "improving the communication and information flows between potential applicants, District Offices and SFZP."

According to the organizer, the purpose of the workshop being evaluated was to achieve a consensus regarding the format and contents of the planned series of seminars. The purpose as well as the agenda of the meeting were accepted without reservations by the participants.

III. Participants

The meeting was attended by 16 participants, five of whom represented municipalities of different sizes (from several thousand to several hundred thousand people), three were representatives of District Offices. In terms of geographic distribution, 4 representatives of municipalities/District Offices came from North Moravia, 4 from North Bohemia. There were 4 participants on behalf of EAPS, while SFZP was represented by one participant (department head) and MUFIS, an alternative source of credit funding, by two people (including the chairman of the company). The meeting was arranged by an independent facilitator.

IV. Definitions of Problem Areas

The participants have agreed there are a dozen essential problem areas relating to the set objectives which should be tackled in the planned series of seminars. The problem areas,

including principal issues connected therewith, which the participants pointed out at during the meeting, are listed below:

Table 1: List of problem areas

A. Problem Areas Related to Conceptual Issues		
A.1	Process concept	The concept is not clear, or has not been explained.
A.2	SFZP - MZP CR relation	Not sufficiently clear or explained competences
A.3	Assignment of priorities	Nonexistence of standard priority assignment methodology Politics-biased decision-making processes
A.4	Territorial distribution of funds	There is a feeling that funds received by the Fund from regions should be disbursed on the basis of the regions' contributions to the Fund
A.5	Role of District Offices	Not sufficiently clear role of District Offices in assigning priorities Some applicants bypass District Offices
A.6	Role of Regional Offices of SFZP	Not sufficiently clear role of Regional Offices There is a feeling that Regional Offices are not efficient enough
B. Problem Areas Related to Implementation		
B.1	Number of applications for support	Too many applications for SFZP's support
B.2	Quality of applications for support	Too many applications that do not meet SFZP's directives
B.3	Transparency of rules	There is a feeling that the rules of SFZP (MZP CR) are not transparent enough
B.4	Communication within the system	Communication between potential applicants, District Offices, and SFZP (MZP CR) is not sufficient. At SFZP, the applicants have to deal with a number of people who often do not inform one another.
B.5	Disbursement and repayment	Disbursement is often delayed which may threaten the completion of projects.
B.6	Commercial sources of funding	Little information about commercial sources Low utilization of commercial sources

V. Discussion of Problem Areas

This section summarizes principal ideas, opinions, issues, suggestions, and recommendations voiced by the participants.

A. Problem Areas Related to Conceptual Issues

A.1 Process Concept

The Fund continues to be criticized. The problem should probably be tackled starting at the top, i.e. with the process concept structure. The Fund's rules should be changed. An interesting topic may also be the issue of the disbursement of funds and specific persons responsible for the disbursement. The concept should be explained by someone who exerts key influence upon it, e.g. Deputy Minister of the Environment, Mr. Bízek.

A.2 SFZP - MZP CR Relation

The Ministry of the Environment has lately been developing along rational lines. This fact might ensure that political criteria will not prevail upon technical ones. The Ministry of the Environment determines the concept of SFZP's operation and activities. There will be a meeting dealing with this issue in a near future. It may be expected that the situation will be much clearer by the time the planned seminars take place.

A.3 Assignment of Priorities

There is no standard methodology and official procedures are often ignored. There is a tendency toward replacing "technical" criteria by political ones. Newly elected senators should be given basic information on the funding allocation process, e.g. at a seminar. The objective would be to avoid a situation in which the senators attempt to exert their political influence upon SFZP, while regular criteria are neglected.

Will there be equal opportunities for every applicant, or will SFZP try to assist regions and municipalities which are more in need? How can the Fund learn about real needs of municipalities, if various financial reports reflect not only the financial management of municipalities, but also doctoring skills of their authors?

A.4 Territorial Distribution of Funds

Many District Offices (especially in North Moravia and North Bohemia) feel that if their respective districts should get back roughly what they surrender to the Fund. However, the Fund's role is to make a comprehensive, nationwide decision rather than one based on a regional principle.

A.5 Role of District Offices

Staff members of District Offices responsible for receiving financial support applications could do with regular seminars. Some entrepreneurs ask whether SFZP is really needed and whether its role could not be fulfilled by District Offices.

A useful segment of the planned seminars might be a comparison of application-processing procedures employed by different District Offices. Representatives of each District Office should present their methods and techniques, and be prepared to discuss lessons learned from their practical implementation.

A.6 Role of Regional Offices of SFZP

The Regional Offices should be more involved in the process. Their role should be more prominent; at the moment, they practically do not fulfil their envisaged role. The Regional Offices often do not have enough information, including that disseminated from SFZP's headquarters, and their possibilities are very limited as a result.

SFZP can apply for a grant designed to develop and implement an in-house information system. The system should also extend down to the Regional Offices.

B. Problem Areas Related to Implementation

B.1 Number of Applications for Support

At the moment, the number of applications for support greatly exceeds available resources. The situation prompts SFZP to curtail the scope of supported projects, reject applications submitted by natural persons, and focus mainly on medium-sized sources of pollution.

B.2 Quality of Applications for Support

It would be useful to increase the proportion of applications meeting the requirements set forth in SFZP's Directive. Rather than reciting the Directive over and over again, it would be appropriate to explain it, emphasizing the Fund's practical experience with its implementation and use. Examples of successful applications and the most frequent errors should also be presented.

There are at least two aspects to the quality of an application: a formal one (where EAPS's assistance could be useful), and that of the application's substance (maximum effects for the smallest possible sum of money).

The principal criterion used to shortlist and select received applications is efficiency (i.e. the substance of the project at hand). Insofar as the shortlisting of the applications and the evaluation of environmental benefits of the projects are concerned, District Offices should play an important role.

The applications should contain carefully selected companies that would act as contractors. Many parties in the process would welcome if SFZP prepared a list of companies it recommends for their quality. Obviously, SFZP would have difficulties to defend the list against objections of companies that are not on it. Basically, the same would apply to a "reverse" list, i.e. one containing names of companies the Fund has had negative experience with.

Information regarding the quality of contractors could be presented in a moreless informal manner at the seminars, during discussions or by sharing positive/negative experience exemplified on specific case histories.

B.3 Transparency of Rules

There are many questions raised at the regional level, such as: there is a surplus of even those applications that are formally correct and likely to bring environmental benefits - how to

select from them? How to assess the environmental and economic quality of a project? It is claimed that "regional political priorities" are taken into account - what does this term actually mean?

The transparency will also be improved by the rules being explained in a manner which is easy to understand at the seminars.

According to information presented during the workshop, projects are evaluated on the basis of economic criteria (will they bring appropriate and desired effects?), technical criteria, availability of contractors and regional policy. Lack of available or competent contractors in a particular sphere may sometimes be reflected in the regional distribution of funds.

The evaluation of the applications for support should dispense, as much as possible, with political criteria. The existence of some hitherto absent documents would help clarify the situation as well. For example, land-use plans may be missing in some regions and it is not possible to determine whether a particular municipality will make use of gas or other energy sources. It would be useful to prepare "a small substitute for energy policy," i.e. a forecast of what the programme of municipal gasification is capable of accomplishing. This could be done at least for the year 1998. Land-use plans provide the most objective criteria.

The seminars should mention some practical details regarding the processing and evaluation of applications by the Fund (e.g. a comparison of the application with the average), so that every applicant could guess how his application is likely to fare.

B.4 Communication within the System

SFZP learns about problems too late, through other parties, and the information is often distorted. Direct communication would be advantageous.

The other segments of the system do not have good information as well. For example, Environmental Councils learn about applications too late (second or third in the sequence of steps), and they are in turn pressed to support projects that are not most beneficial.

As a rule, one must "run from one official to another" at SFZP instead of the application being passed over.

Generally, there is an absence of feedback information - what would be efficient, how different parties view the distribution of funds, how the Fund views different applications etc.

B.5 Disbursement and Repayment

The funds are often needed as early as in the first quarter. However, they are sometimes disbursed as late as in the third quarter. Until that time, the borrower has to take risks and use other sources of funding.

B.6 Commercial Sources of Funding

Some of the projects could be financed from commercial sources. Representatives of the Municipal Financial Corporation (MUFIS), Mr. Vaník and Mrs. Cifřincová, provided information regarding their possibilities.

MUFIS arranges credit lines. Within a few years, its total funding sources will amount to USD 100 million. In 1996, the corporation disbursed USD 20 million in support of credits extended to 26 projects all over the country. MUFIS will apply for an additional USD 14 million in 1997. A greater part of the sum will be used to finance credits, the balance to purchase municipal bonds. The credit funds come from American investors and are guaranteed by an intergovernmental agreement.

The actual credits are provided through commercial banks which MUFIS has signed a relevant agreement with. At the moment, there are four such banks, and MUFIS is currently negotiating with others. Applicants for credits contact one of the banks; if the bank decides to provide the credit, MUFIS will arrange the credit funding. The commercial bank is allowed to add not more than 2.5% to the interest rate charged by MUFIS. The resulting interest rate for the borrower does not exceed 12%.

The provision of credit funds by MUFIS is subject to the condition that the project in question must be related to the development of municipal housing infrastructure. The credits range from CZK 3 to 100 million (exceptions below the lower limit are possible) and are repaid over 7 to 15 years. Applications for credits must contain an expert's opinion stating that the project in question is not environmentally harmful.

Possible cooperation between MUFIS and SFZP was extensively discussed at the workshop.

VI. Recommendations for the Series of Seminars

The workshop assumed a positive attitude toward the planned series of seminars. The following recommendations were made:

- A. Seminar duration: 1 day
- B. Date: All the participants have agreed it would be better to hold the seminars later in the next year, definitely not in the beginning.
- C. Number of seminars: The organizers plan to have at least five seminars.
- D. Place: in regions
- E. Recommended agenda:
 - 1. General information on environmental policies
 - 2. Information presented by SFZP as one of the potential sources of funding
 - 3. Information presented by MUFIS and different commercial banks
 - 4. Information about and discussion of the above-mentioned problem areas
- F. Format:

Interactive, facilitated seminars. Short presentations should be followed by Q+A sessions. Case histories should be presented. The participants should learn about practical experience.

- G. Participants (other than organizers):

1. A representative of the Ministry of the Environment at a level sufficient to give the seminar some weight and to demonstrate MZP's support - if possible Deputy Minister Bízek.
2. Representatives of SFZP, in particular the head of the Application Reception Department, a representative of the Technical Department, a representative of the Credit Department. The management of SFZP should declare their support to the series of seminars.
3. Representatives of MUFIS and commercial banks (if the latter show interest).
4. Representatives of local governments and District Offices, representatives of large cities. Several administrative districts should be present to facilitate the exchange of information. Selected districts should be asked in advance to prepare a presentation of their practical experiences and to take part in the discussion.
5. Experts representing support programmes, such as the "analysis of municipal financing" (Urban Research).
6. The facilitator.

H. Number of participants: up to 20, probably between 15 and 20.

I. General message

The purpose of the seminars is not to recruit additional applicants for support (only CZK 100 million is available for the next year), but to provide objective information to the applicants which will permit them to rationally assess their chances.

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