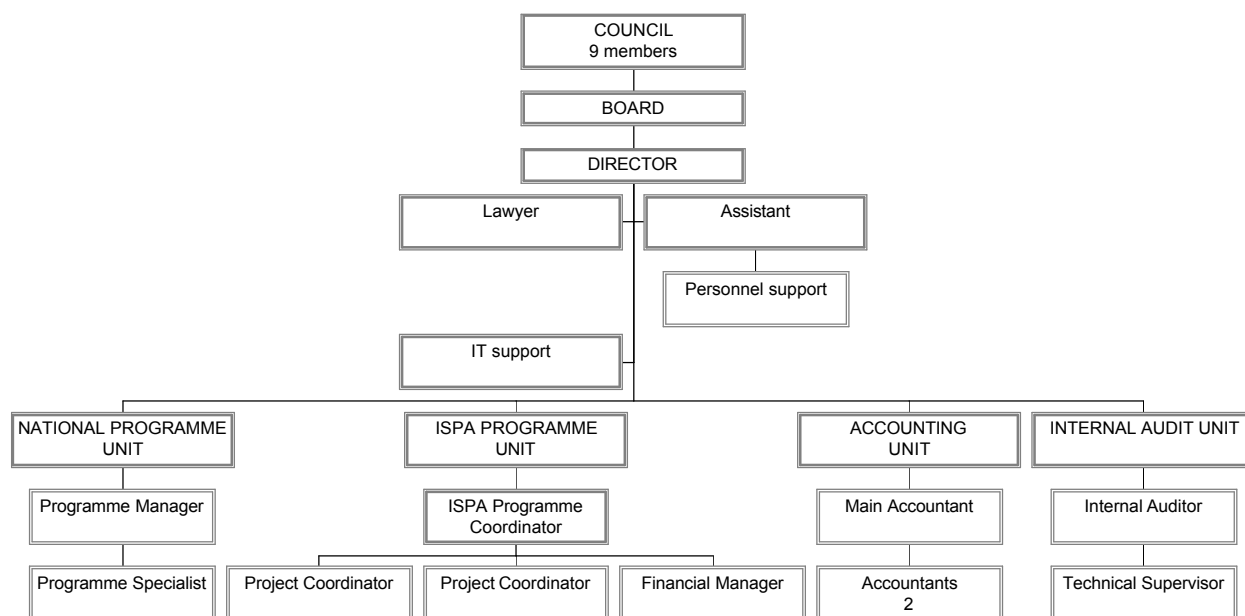


Financing of environmental projects in Estonia

1. Environmental Investment Centre (EIC) was established by the Estonian Government (Ministry of Finance) on 11.05.2000 and registered on 02.06.2000. The EIC is a foundation – a legal body operating under the private law. EIC is a successor of the former Estonian Environmental Fund that was established in 1983 and liquidated in 2000.



The EIC is headed by the Council, which has 9 members (2 members from Ministry of Environment including Minister of Environment as the Head of the Council, 2 members from Ministry of Finance, 2 from environmental services, and 3 politicians). Responsibilities for the day-to-day activities are laid on the Director who at the same time is also one-member board. The personnel of the EIC are 15 persons including the cleaning lady.

2. The general objective of the EIC is improved state of environment. To achieve this, EIC is giving support for different measures like:

- liquidation of environmental damage related to the utilisation of natural resources;
- restoration of the state of the environment;
- assisting the natural renewal of renewable natural resources;
- researching the possibilities for additional supply of natural resources and recovery of waste;
- monitoring the environment;
- implementation of environmental measures reducing pollution;
- organisation of environmental research and protection of natural objects;
- activity targeted to liquidation of pollution centres causing environmental pollution or to restoration of former state of environment;
- compensation of damage caused by species under protection.

3. The means of the EIC are

- the assets transferred to the Foundation from previous Estonian Environmental Fond;
- appropriations from state and municipalities' budgets;
- allocations of governments, legal and natural persons of foreign countries and international organisations;
- grants;
- different repayments of loans granted by the EIC and related interest receipts;
- funds received in course of benefit events of the Foundation;
- other receivables.

4. Selection of projects for the programmes is based on the Estonian Environmental Strategy (EES) and National Environmental Action Plan (NEAP); the latter will be actualised on 2001. "Programme" means aggregate of similar environmental projects and activities. There are 12 environmental programmes that will be financed by the EIC. The EIC has formed a working group (expert group) for each programme; the working group is headed by the specialist outside the EIC (usually a senior expert from Ministry of Environment). As a general rule, the project applications are to be made once a year.

The application procedure goes as follows:

- Applicant (e.g. municipality, private company, Ministry of Environment) fills in the application form established by EIC.
- Applications related to nation-wide and regional projects will be submitted directly to EIC.
- Applications related to local projects to be carried out in a certain county will be submitted to the environmental board of the county, where a list of local projects shall be completed, prioritised and then forwarded to EIC

The appraisal of project proposals goes as follows:

- For reviewing the project proposals, the EIC forms a working group (expert group) for each environmental program
- Project proposals are reviewed once a year during the second half of the year
- After evaluation, projects considered as the most important on the basis of the evaluation criteria shall be included to the program
- The Director of EIC presents programmes prepared by working groups for approval to the Board of EIC
- The Board of EIC makes a decision on the financing of a programme or returns the programme to the Director of EIC for making amendments.

5. As a general rule, support for different projects is a grant. The Financing procedure (following the reimbursement principle) goes as follows:

- EIC notifies the Applicant that his/her project was approved and included to the programme
- EIC sends financing agreement (contract) to the Client
- Client returns fulfilled and signed contract to EIC, along with the required appendixes (project description, budget, copy of the contract between the client and employee, procurement summary)
- EIC signs the contract and makes advance payment (30%, 50% or >50%) to the Client
- The Client sends his invoices, progress reports and funding orders bearing the required signatures to the EIC
- EIC makes payments only for works completed

6. There are over 850 projects in year 2001. Budget in year 2001 (see the table below).

Name of the programme	Volume (EUR)	Volume (EEK)
Earth crust	517 850	8 078 500
Environmental awareness	940 576	14 673 000
Water protection	5 484 057	85 551 285
Air pollution protection	478 544	7 465 288
Technology	199 936	3 119 000
Waste Management	3 308 387	51 610 831
Nature protection	962 692	15 017 990
Forestry	1 335 577	20 835 000
Hunting	154 808	2 415 000
Fishery	1 230 358	19 193 589
County	480 769	7 500 000
LIFE	316 010	4 929 750
TOTAL	15 409 564	240 389 233

7. ISPA. Projects selected for ISPA grants are chosen by the Ministry of Environment according to the ISPA strategy and ISPA pipeline. EIC's objective connected with ISPA is to coordinate the implementation of ISPA environmental projects in Estonia. The tasks of the EIC are:

- Tendering
- Contracting (but awarding by SAO located in Ministry of Environment)
- Financial Management (making payments to the contractors)
- Project Coordination
- Financial Control
- Reporting
- Monitoring

At the moment, 5 Financing Memoranda are signed by both European Commission and Estonian side.

Environmental sector in Estonia can have annual ISPA assistance from EU in range of 1,75–2,25% from 1040 MEUR allocated between all 10 candidate countries, it is 18,2-23,4 MEUR. In 2000 European Commission committed 19,76 MEUR. Those 4+2 projects amount up to 51,76 MEUR, IPISA assistance is 34,84 MEUR.

8. EIC is also the sub-lender of foreign loans. Total sum of loans from European Investment Bank (EIB) and Nordic Investment Bank (NIB) is 26 MEUR. Both loan agreements between banks and Estonian Government are signed. EIC and Ministry of Finance are working at the moment with sub-lending procedures.