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# Designing and implementing green public investment programmes – approach and main elements

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# Greening public expenditure

- **Assumption:** Public (environmental) expenditure is a key **mechanism** to address some of the fundamental problems and, in a broader sense, to promoting a greener model of development
- **Instrument:** (Green) public investment programmes as an **indirect** form of public (environmental) expenditure played an important role in many countries – including the ones in transition
- **Approach:** In the context of public finance, programming is a **process** by which decisions are made with regard to which priority areas that need public support and whose objectives would not be achieved without allocating funds (resources)

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# Components of the projects

- I. Programmatic approach
- II. Sectoral focus

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# Why programmes are needed

- Many environmental projects are not profitable or their profitability is too low to attract attention/interest of the private sector
- Thus, the governments have in principle two choices:
  1. **Sticks** → To force implementation by regulation, though this might not be always possible (e.g. free market principles)
  2. **Carrots** → To financially support investments of the private sector
- In some cases, even relatively small technical assistance offered can tip the scales of decision-making towards more environment-friendly options (esp. in case of smaller companies)

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# Objectives of the projects

## First-level objectives (achieved by the project)

- **Design** – transfer practical skills and know-how to specialists in the partner ministries with responsibilities for managing green public investments
- **Implementation** – enhance capacities to implement the designed green public investment programme and, more importantly, also similar low-carbon public investments in future

## Second-level objectives (achieved by programme implementation)

- Leverage “private” **investments** into clean and socially important projects through more targeted public spending and utilising other domestic (such as public-private partnerships) or international finance support mechanisms
- Contribute to accelerating the socio-economic **development** of the country (e.g. through creation of green jobs, adoption of innovative technologies)

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# How to leverage private investments

- Public resources are provided, first and foremost, to cover a **part of** the capital costs of such programmes/projects with the aim of creating fixed assets which contribute to solving environmental and climate-related problems
- The programme design assumes and assesses the interest of the private sector – as the **major bulk** of investments are supposed to come from companies and individuals – and also of international community (such as IFIs).

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# Key steps in programme development

1. Review key policy documents and discuss national **targets**
2. Develop a **hypothesis** which can contribute to achievement of these
3. Define the project **pipelines** (types of projects) that can best support project objectives (low-hanging fruit)
4. Calculate the **investment** needs and programme outcomes (input/output)
5. Propose the institutional set-up and **support** the government in programme implementation

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# Objectives of a programme

- 1) Improve the **image** of public subsidies
- 2) Leverage private (non-state) **investments** into cleaner infrastructure, equipment, techniques and technologies
- 3) Contribute to accelerating the socio-economic **development** of the country (e.g. through creation of green jobs, adoption of innovative technologies)

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# Requirements for programme implementation

Clearly defined and allocated **resources** that are realistically assessed for the whole preparation (and later implementation) process

- Minor part for the programme preparation (technical assistance)
- Major part for the programme co-financing (financial) and managing the programme (human resources)

Besides strategic (environmental) objectives, the investment **planning** process brings along several important results and improvements

- Higher chances of obtaining adequate funding, be it from national budgets or international sources of financing (easier to make budget allocations or prepare co-financing proposals)
- Efficient use of scarce financial resources for both “hard” and “soft” investments

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# Key principles

- Public funds should not replace private financing
- Expenditure programme needed only if public subsidy is shown to be indispensable to achieve environmental objective
- Funds allocated to expenditure programme strictly justified
- Concentration on the most pressing issues
- Encouraging the private sector to take the lead
- Introducing new techniques and technologies
- Supporting education (awareness) and public participation (ownership)

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# Beneficiaries / implementers

The main beneficiary of the (EU4Environment) technical assistance are the respective partner ministries – usually a ministry with environmental agenda

- i. The Ministry can implement the programme
- ii. The Ministry can delegate the implementation to environmental funds, environmental agency (national/regional)
- iii. The Ministry can outsource the implementation to NGO or even private company (banks, investment funds, etc.)

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# Key benefits

## Benefits for **environment**

- programmatic approach contributes to sustainability of investments through longer-term planning timeframe (e.g. MTEF) and increased transparency of decision-making

## Benefits for **citizens**

- pipelines of projects may target multiple improvements (e.g. in state of environment, public services, employment or access to jobs, etc.)

## Benefits for **public finances**

- increased effectiveness and efficiency of local public spending

## Benefits for **public authorities**

- enhanced investment planning and management capacities (budget allocations and financing proposals) & strengthened communication channels (esp. in case of cross-sectoral focus)



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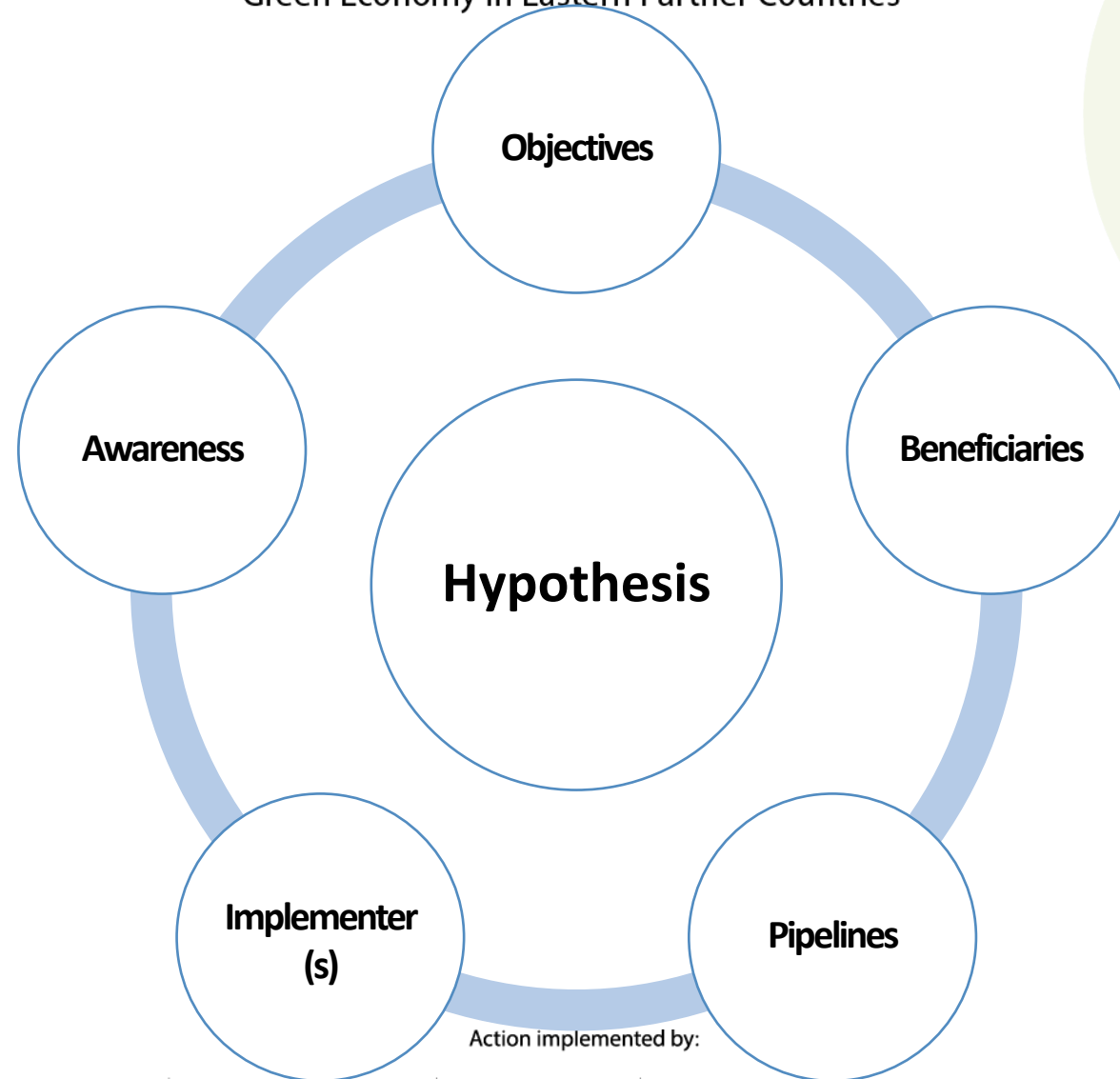
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“Designing a green public investment programme”

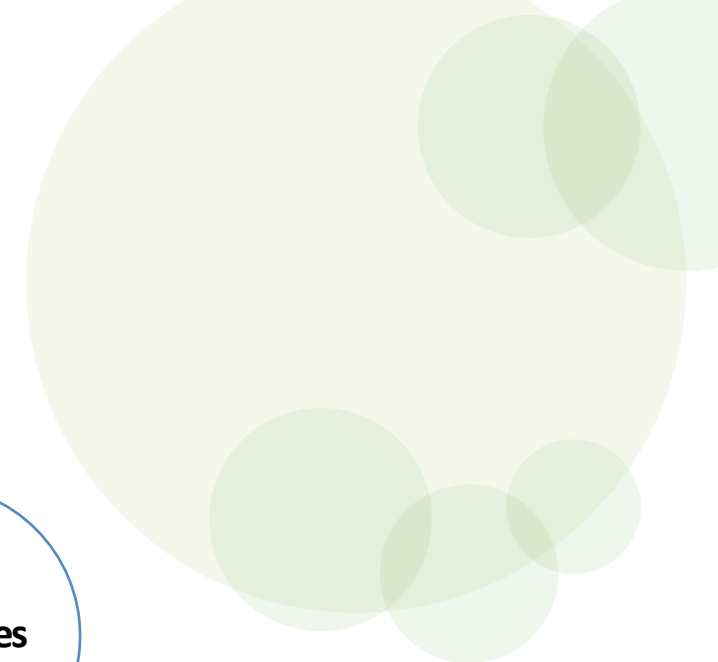
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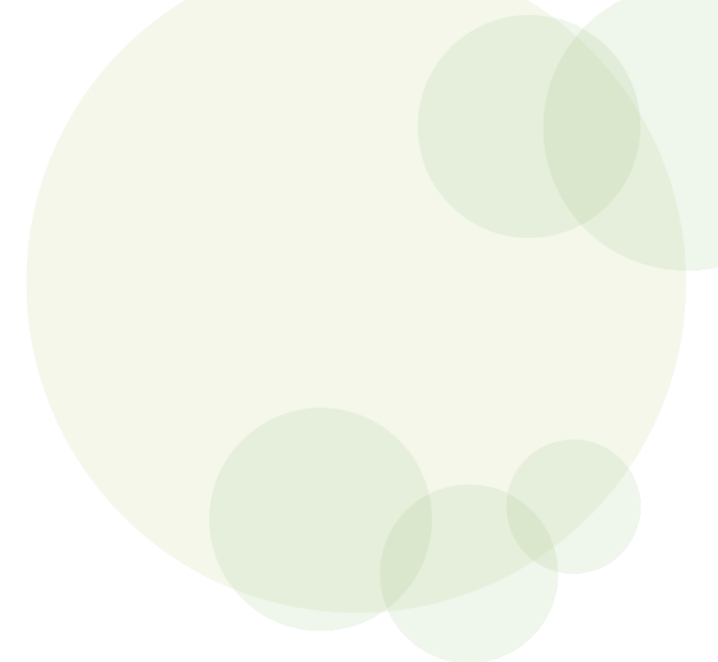
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## Tools applied

- Country consultations
- Stakeholders meetings
- Training workshops
- Webinars

Participatory approach is key to support the development of local ownership  
at all levels (challenging in an online world)

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Thank you for you attention

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