

ENVIRONMENT DIRECTORATE  
ENVIRONMENT POLICY COMMITTEE  
TASK FORCE FOR THE IMPLEMENTATION OF THE ENVIRONMENTAL ACTION  
PROGRAMME FOR CENTRAL AND EASTERN EUROPE, CAUCASUS AND CENTRAL ASIA

PRELIMINARY REPORT ON RESULTS AND OUTCOMES OF THE EAP TASK FORCE WORK IN  
EECCA COUNTRIES

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Agenda Item 5 (i)

*ACTION REQUIRED:*

*Delegates are invited:*

- (i) to discuss this document and suggest amendments*
- (ii) to agree that it should be used to help explain the Task Force work, and*
- (iii) to agree that the Secretariat should update the document as work progresses.*

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## **PRELIMINARY REPORT ON RESULTS AND OUTCOMES OF THE EAP TASK FORCE WORK IN EECCA COUNTRIES**

At its October 2004 meeting, the EAP Task Force/PPC asked the Task Force secretariat to prepare a paper describing the outcomes resulting from its work. Several delegates suggested that such a paper could be helpful in explaining and gaining support for the Task Force's activities, not least financial support. This document responds to the Task Force's request. It summarises some of the major outcomes that have been achieved since the 2003 Kiev Environment Ministerial meeting. It also takes account of discussions of earlier drafts at the February and June 2005 meetings of the Bureau of the EAP Task Force and the PPC.

### **Task Force work and results**

The EAP Task Force has worked in the EECCA region since 1993, and substantially strengthened its involvement since the Aarhus Environment for Europe Ministerial meeting in 1998. By the time of the Kiev Ministerial meeting in 2003, the programme was judged to have "taken root"; that is to say, there was ownership of the work programme by EECCA representatives, and the results of work were beginning to influence policies and practices in some countries. Since then further progress has been achieved and the Task Force's work has helped to revise policies and legislation, to reform environmental institutions and to upgrade the knowledge and skills of environmental officials and experts in EECCA countries. These efforts have been concentrated in three main areas:

- Water supply and sanitation,
- Environmental finance, and
- Environmental policies, enforcement and compliance.

The approach taken by the EAP Task Force aims to strike a balance between inter-governmental policy dialogue based on solid analysis – the traditional approach of OECD – and supporting the achievement of practical results "on the ground". Donors have supported this effort with approximately €2million per year. This has enabled the OECD/EAP Task Force secretariat to develop a capacity to work in EECCA countries. Indeed more than half of the roughly 20 staff are from the region are Russian speakers. Nevertheless, these resources are modest in relation to the scale of the challenge. To "square the circle", work has focused on demonstration projects, as well as close cooperation with donor programmes active in the region to leverage resources and expertise.

Further information on the current work programme of the EAP Task Force, and progress in its implementation, are presented in documents ENV/EPOC/EAP(2005)4 and ENV/EPOC/EAP(2005)3.

### **Country specific activities**

Demonstration projects aim to implement policy reforms, institutional change and/or the application of practical tools that subsequently could be replicated in other countries in the region. They also aim to integrate environment into the broader processes of economic and democratic reform, and to achieve broader international goals, notably the water-related Millennium Development Goals (MDG's). The results

of demonstration projects underpin the exchange of experience at regional level and the elaboration of tools, best practices, recommendations etc. The Annex identifies the tools developed within the EAP Task Force. Other analytical reports, case studies and reference documents may be consulted on the Task Force's website, [www.oecd.org/env/eap](http://www.oecd.org/env/eap).

Some examples of the outcomes achieved in EECCA countries are summarised immediately below. Some examples of the ways in which EAP Task Force is facilitating donor and IFI projects in EECCA countries are also described.

## **Water Supply and Sanitation**

Work in this area aims to support reform of the water sector in EECCA countries so that good quality water and sanitation services are delivered reliably, sustainably and at least cost to the population. Activities have been developed to implement guiding principles for reform of the sector that were adopted at the meeting of EECCA Finance, Economics and Environment Ministers in Almaty in 2000, and to help EECCA countries achieve the water-related MDG's

### ***(i) Policy Reform***

- Work on finance strategies and affordability has guided the reform of water tariffs in Armenia and some regions in Russia. It is expected that this will enhance the financial viability of water utilities in the countries/regions concerned, as well as ensuring that the poor continue to have access to water.<sup>1</sup>
- Currently a project is underway to integrate the recommendations of the finance strategy for the water sector into the Armenia's medium-term expenditure framework, requiring the involvement of all of the key ministries, including the Finance Ministry. This provides a possible model for how government or donor finance could be channelled to help achieve the water-related MDG's.
- A finance strategy for the water sector in Moldova stimulated work to harmonise municipal effluent standards with those of the EU replacing overly stringent standards inherited from the Soviet era that had resulted in excessive investment costs and widespread non-compliance.
- Preparation of guidelines for performance-based contracts are already influencing negotiations between municipalities and utilities (both publicly and privately operated) on their contractual relationships for the delivery of water services in Russia.

### ***(ii) Institutional Strengthening***

- Moldova's water utilities association is now collecting benchmarking information from its members on an annual basis using the methodology introduced in a Task Force project. On the performance of water utilities several utility associations in Russia are considering to follow the same approach.

### ***(iii) Training:***

- About 400 people have been trained in the use of the utilities performance benchmarking methodology. Training sessions were organised in co-operation with local partners in 9 EECCA countries.

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1. Work on finance strategies for the water sector is a joint product of the Water Supply and Sanitation and Environmental Finance sub-programmes.

***(iv) Support for donor/IFI activities:***

- The benchmarking indicators for utilities for Moldova were used by the World Bank to develop its water sector strategy in that country.
- DG Research of the European Commission has financed a major project in EECCA countries to build on and extend the benchmarking work originally carried out in the Task Force.
- TACIS has agreed in principle to support work on the water sector in the EAP Task Force as part of its support for the EU Water Initiative.
- The selection of target countries for Task Force demonstration projects is taken in close consultation with IFIs, the PPC and donors. Task Force projects in Kyrgyzstan, Armenia and Georgia are currently implemented with a view to preparing the ground for possible IFI or donor intervention.
- Private sector roundtables organised jointly with the World Bank have supported donors and IFIs in assessing opportunities and means to facilitate private sector participation in the municipal water sector, and in adapting their water sector strategies to changing business strategies.

**Environmental Finance**

Work on environmental finance is focused on two objectives:

1. To make the best use of available resources
2. To explore innovative ways to attract more finance into the environment.

***(i) Policy Reform***

Finance strategies have been conducted for the municipal solid waste sector in addition to that for the water sector described above. They have led to the reformulation of regional waste management plans in Novgorod and Yaroslavl oblasts in Russia, which reduced the demand for landfills and created the possibility for private sector participation in the sector. Lessons learnt from these and similar experiments are being disseminated across the region.

***(ii) Institutional Strengthening***

Institutional arrangements for the collection of environmental expenditure information in Georgia have been revised so that data collection is harmonised with Eurostat/OECD standards. Similar projects have been implemented in Ukraine and Kyrgyzstan. This involves close cooperation between Environment, Statistics and Finance Ministries. It is expected that the data collected according to the revised schemes will better inform policy makers, facilitate the monitoring of the environmental expenditure, and allow for international comparisons and benchmarking. Lessons learnt from these projects are being disseminated across the region.

Implementation of finance strategies has led to the establishment of new procedures for financial planning in several countries (Armenia; Moldova; Russian oblasts including Novgorod, Pskov, Yaroslav; East Kazakhstan Oblasts).

Good Practices on Public Environmental Expenditure Management has been used to develop recommendations for the reform of environmental funds in Moldova and Kazakhstan. Moldova is implementing the recommendations of the review. The method will be used, in combination with the expertise of a rating agency, to assess the national environmental fund in Ukraine so that it could serve as a

financial intermediary for a major World Bank loan to improve the environmental performance of the industrial sector

A tool for multi-year investment planning (MYIP) for the water sector was developed and implemented in Lutsk, Ukraine, and Ekaterinburg, Russia. The results were adopted by the local authorities. Lessons learnt were disseminated to other jurisdictions in the region, and local experts have been trained so that they could financial plainly by local authorities.

A feasibility study for a debt-for-environment swap in Georgia was prepared. The World Bank is now supporting Georgia in its negotiations with creditors on the basis of this feasibility study. A similar feasibility study has prepared in Kyrgyzstan and is supporting discussions that the Kyrgyz government has just started with the Paris Club and individual creditors. This work is fostering close cooperation between Environment and Finance Ministries in those countries.

***(iii) Training:***

More than 40 experts have been trained in the use of the Finance Strategy methodology; 3 training programmes were organised for the water sector, and one for solid waste management.

More than forty experts/representatives have been trained in MYIP for the water sector. Training in MYIP is closely coordinated with IFIs and the PPC. As far as possible, participants from municipalities where IFI projects are being implemented are selected for training.

**Environmental Policies, Enforcement and Compliance**

Work in this area aims to support environmental policy reform by re-designing policy instruments to enhance their environmental effectiveness and economic efficiency, Support is also provided to environmental inspectorates to help them strengthen their policies and practices for promoting compliance with environmental requirements.

***(i) Regulatory Reform***

Integrated Environmental Permitting Guidelines for EECCA Countries have been developed are being used to prepare strategies for reforming environmental permitting systems in Ukraine and Kyrgyzstan and incorporating these changes into national legislation. National representatives are also being trained on how the guidelines could be applied in their countries.

Armenia is re-designing its system of economic instruments in accordance with Task Force recommendations. The legal frameworks for self-monitoring by enterprises in Kazakhstan and Kyrgyzstan have been revised in light of Task Force guidance. Armenia, Georgia and Kazakhstan have revised legislation on environmental enforcement based on the Guiding Principles on Reform of Environmental Enforcement Agencies. Armenia, Kazakhstan, Russia and Ukraine are working to implement Task Force “good practices” for environmental compliance and enforcement indicators and financing environmental inspectorates.

***(ii) Institutional Strengthening***

Georgia, Kyrgyzstan and Kazakhstan are implementing reform of their environmental enforcement institutions in light of recent reviews conducted within the EAP Task Force framework. The EAP Task

Force is implementing substantive programmes in Georgia and Kazakhstan to support recently-established inspectorates, based on guidelines and tools developed in previous work.

A demonstration project to implement a Performance Rating and Information Disclosure scheme is being implemented in Lviv, Ukraine. Similar projects are launched in Kazakhstan and the Russian Federation with the expectation that greater transparency will create incentives for enterprises to reduce pollution.

### ***(iii) Training***

About 200 managers from environmental inspectorates have been trained using the Inspectors Toolkit in the Caucasus, Kyrgyzstan, Kazakhstan and the Russian Federation. Training was organised in cooperation with the New Regional Environmental Centres. Kazakhstan subsequently established a training centre for environmental inspectors and developed training programmes based on the Toolkit.

Training materials have been developed to support training on integrated permitting for permitting officials and experts in EECCA. About 100 permitting officials have been trained in Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia and Ukraine.

### ***(iv) Support for donor/IFI activities***

Analysis of environmental permitting in EECCA countries facilitated the implementation of the Finnish supported project on enforcement and compliance monitoring in Kyrgyzstan and its follow-up by the EBRD. The analysis also contributed to the preparation of the World Bank IDf project “Reform of Legal Framework and Enhancing Institutional Capacity for Environmental Permitting in Ukraine” which started in the fall 2005.

Sweden has used the Integrated Environmental Permitting Guidelines as a basis for developing co-operation programmes in Belarus and Ukraine. Norway and the Netherlands are working with the Task Force Secretariat to strengthen environmental enforcement systems in Georgia and Kazakhstan.

The Netherlands used the Inspectors Toolkit to train 100 inspectors in North West Russia.

## **Networks: Mechanisms for Capacity Development and Policy Integration**

Networks established within the EAP Task Force’s three main areas of work have helped promote ownership of the work by EECCA countries and ensured that it responds to their needs. Guidance has also been provided by a series of Ministerial meetings: Kiev (2003), Tbilisi (2004) and Yerevan (2005). The Task Force’s networks have provided mechanisms for sharing information, disseminating good practices and agreeing on policy recommendations – among EECCA countries and between EECCA and donor country representatives. The work through networks has also provided an important means of enhancing the knowledge and skills of participants from EECCA countries. They have proved helpful in overcoming institutional barriers and in helping to integrate environment into more coherent, whole of government approaches. Perhaps the best example of this was the Almaty meeting on water sector reform that brought together Ministers of Economics, Finance and Environment; and this formula will be repeated at the Yerevan Ministerial meeting in November 2005.

The Environmental Finance network has reinforced the dialogue between economics/finance and environment ministries and established it on a structured, continuing basis. It has also engaged local

government officials and developed tools that would help them to implement policies more effectively at the local level.

The network on water sector reform brings together ministries with responsibility for urban infrastructure and environment ministries, thereby helping to promote an integrated approach to water supply and sanitation. An important feature of this group has been an active dialogue with private sector operators, both international and domestic. The Water network now meets with the EU Water Initiative Working Group for EECCA under a common chair, closely linking the activities and exploiting synergies to the maximum.

The environmental policy network (REPIN) facilitates dialogue and cooperation between environment ministry officials and environmental inspectorates. This is helping to bring about a better alignment of environmental policy development and implementation. It has also begun to engage enterprises – the regulatees – in its work. It works closely with related networks including the EU's IMPEL and the International Network for Environmental Compliance and Enforcement.

NGOs have played an active role in all three networks. This has helped build their capacities, provided valuable substantive inputs to meetings (notably the Almaty and Tbilisi Ministerial meetings), and helped to overcome some of the barriers to dialogue between ministry officials and the non-governmental sector.

Regional Environment Centres (RECs) have also participated actively in Task Force activities. With support from TACIS, the EAP Task Force secretariat has been able to support a “learning by doing” process through the organisation of joint activities as well as providing direct support for capacity development in the EECCA RECs.

In view of the role that the EAP Task Force has played in fostering environmental cooperation among EECCA countries and their partners, it was asked by Ministers at the 2003 Kiev Ministerial Conference to facilitate and support the achievement of the objectives of the EECCA Environment Strategy adopted at that meeting. To address this complex and challenging responsibility, the Task Force is concentrating its efforts on three tasks: monitoring and facilitating partnerships involving EECCA countries; assessing EECCA country progress in achieving the objectives of the EECCA Environment Strategy (a baseline report has been published); and providing a platform for improved communication and cooperation among stakeholders. The Task Force organised a meeting of EECCA Environment Ministers and their partners in Tbilisi in October 2004 to review and provide further impetus to this process.

**ANNEX**  
**SOME OF THE MAIN EAP TASK FORCE TOOLS TO SUPPORT ENVIRONMENTAL POLICY REFORM IN EECCA COUNTRIES**

- *Financing Strategies*: A computer tool (FEASIBLE) that allows the identification of realistic infrastructure development objectives, taking account of available financial resources. The tool helps clients to develop their understanding of the real financial needs and to adjust their objectives accordingly. It helps to create an objective basis for discussions with donors and IFIs about the scale and ambition of possible investment projects.
- *Toolkit for aligning environmental expenditure information systems with OECD/Eurostat standards*: A form to collect data, a tool to compile collected data, and procedures to check the reliability of data and calculations.
- *Good Practices for public environmental expenditure management*: A pragmatic checklist to assess the performance of programs and institutions that manage public environmental expenditure, and guidelines to improve their performance.
- *Handbook for appraisal of environmental projects financed from public finance*: This tool aims to help governments develop methodologies for effective project appraisal in order to support the effective allocation of scarce public funds. It should support the development of a list of priority investments in national and regional governments, and improve the realism of project proposals, as well as the political commitment that comes along with them. It supports implementation of Good Practices of public environmental expenditure management and will be available shortly
- *Multi-Year Investment Planning Tool for municipalities (MYIP)*: This tool allows municipalities to plan their investments on a three-year horizon. It helps establish some basic financial planning capacity in local governments and supports the preparation of coherent municipal investment programmes.
- *Financial planning tool for utilities*: This tool will be developed in the course of the next 12 month period. It will help to train utility staff in developing basic skills in sound financial planning and can help prepare the ground for a more comprehensive corporate development plan. It complements the MYIP tool.
- *Toolkit for benchmarking water utility performance*: This tool is based on a methodology developed by the World Bank. It supports the development of more performance-oriented thinking in utilities and governments and can be integrated both into day-to-day utility management routines in utilities and into contracts between municipalities and utilities.

- *Guidelines for the development of performance based contracts between municipalities and utilities:* They provide a general introduction to the issue of performance based contracting, including their key contractual elements and practical experience in developing such contracts. They should help to prepare municipal and utility staff for a more formal structuring of their relationship as is usually required in the framework of IFI/donor projects.
- *Integrated Environmental Permitting Guidelines for EECCA Countries.* The guidelines provide a tool for EECCA environmental agencies and industry to facilitate reform of environmental permitting procedures for large and small/medium size enterprises and the transition from single medium to integrated permitting.
- *Linkages between Environmental Assessment and Environmental Permitting in the Context of the Regulatory Reform in EECCA Countries.* This methodology discusses the relationship between environmental assessment and environmental permitting and recommends approaches for a coordinated reform of these key instruments of environmental management.
- *Guiding Principles for Reform of Environmental Enforcement Agencies in EECCA* is a concise policy document that identifies guiding principles and key structural elements of effective environmental enforcement systems, tailor-made to the EECCA context. This document aims to assist EECCA countries to identify targets for institutional development in individual countries as regards environmental enforcement and compliance promotion.
- *Inspection Toolkit.* The toolkit brings together a range of methodological and organisational approaches to support improvement of inspection procedures, non-compliance responses and compliance promotion. It also serves as a key training tool for capacity building programmes for environmental enforcement officers in the EECCA region.
- *Good Practices for Funding Environmental Compliance Assurance.* These good practices present key approaches and elements in assessing and meeting costs of compliance assurance programmes. They present strategies that ensure stable funding and prevent conflict of interest in enforcement programmes, introduce performance oriented budgeting and promote more effective use of funds available to inspectorates.
- *Performance Measurement Guidance for Environmental Compliance and Enforcement Practitioners.* This document provides guidance for identifying, designing and using ECE indicators to better measure impacts of compliance and enforcement programmes, assist in reporting their results to the public and facilitate programme management decisions. The Guidance document has been developed in co-operation with the International Network for Environmental Compliance and Enforcement (INECE).