



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

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PROGRAMME OF WORK AND BUDGET OF THE EAP TASK FORCE IN 2006

16-17 November 2005, Yerevan, Armenia

Agenda Item 5 (ii)

ACTION REQUIRED:

Delegates are invited to:

- (i) endorse the proposed draft of the Programme of Work and Budget of the EAP Task Force for 2006 and provide guidance on its implementation; and*
- (ii) discuss how to mobilise the financial resources required to implement the agreed programme.*

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PROGRAMME OF WORK AND BUDGET OF THE EAP TASK FORCE IN 2006

Introduction

The EAP Task Force – the Task Force for the Implementation of the Environmental Action Programme for Central and Eastern Europe – was established at the 1993 “Environment for Europe” Ministerial Conference in Lucerne, Switzerland. OECD provides its secretariat. The EAP Task Force’s overall objective is to promote environmental policy and institutional reform, and capacity building, in the region.

Initially, the EAP Task Force provided support for those countries that have now joined the European Union. It served as a model for an environmental reconstruction programme that was established for the countries of the South-Eastern Europe, following the end of conflict in the Balkan region. Since the Aarhus Ministerial Conference in 1998, the main focus of EAP Task Force work has shifted to the countries of Eastern Europe, Caucasus and Central Asia (EECCA). At the 2003 Kiev “Environment for Europe” Conference, the Ministers adopted the EECCA Environment Strategy and invited the EAP Task Force to “lead efforts to facilitate and support the achievement of the objectives of the EECCA Environment Strategy” overall. In 2004, the EECCA Environment Ministers and their Partners met in Tbilisi and discussed how to provide further support and new impetus to this process.

The work programme of the EAP Task Force has responded to the directions provided by the various Ministerial meetings identified above. This document presents the activities of the EAP Task Force for 2006 under the following headings:

1. Urban Water Sector Reform
2. Public Environmental Finance
3. Promoting Effective and Efficient Environmental Policies
4. Facilitating Achievement of EECCA Environment Strategy Objectives Overall
5. EAP Task Force Management and Support.

Increasingly in 2006, the focus of work will shift to finalizing activities and preparing inputs for the 2007 Belgrade “Environment for Europe” Ministerial Conference. This will involve drawing lessons learned from work and developing policy conclusions and recommendations. More emphasis will be given to disseminating the results of work and ensuring the sustainability of activities. One of the main contributions of the EAP Task Force to the Belgrade Conference will be an assessment of progress in achieving the objectives of the EECCA Environment Strategy. (Possible inputs to the Belgrade ministerial conference are presented in another document.) This report will draw on the substantive work of the EAP Task Force, related activities of other international organizations, and the experience of EECCA countries. In 2006, the future of the EAP Task Force after the 2007 Belgrade Conference should be determined.

PROGRAMME AREA 1: URBAN WATER SECTOR REFORM

Objective: To support reform of the urban water sector in EECCA countries so that good quality water and sanitation services are delivered reliably, sustainably and at least cost to the population.

Background: Work in this area is carried out within the framework of the “Guiding Principles for Water Sector Reforms” adopted at a meeting of EECCA Economic, Finance and Environment Ministers in Almaty 2000. Further guidance will be provided by Ministers at the Yerevan Ministerial Conference on “Financing Water Supply and Sanitation in EECCA countries” in November 2005.

The Task Force’s work in this area takes account of several additional developments

- The goals agreed at WSSD to halve, by 2015, the proportion of people who are unable to reach or to afford safe drinking water or who are without access to basic sanitation;
- The inclusion of water supply and sanitation issues in the EECCA Environment Strategy (objective 2);
- The implementation of water initiatives in the EECCA region by the EU, the US and other donors;
- Discussions in the UNCSD where water and sanitation were priority issues for 2004-05.

A major challenge for work in this area is to build on existing work, ensure that it provides value-added, and develop synergies with related activities while avoiding any duplication of effort.

The work in this programme area is overseen by the Group of Senior Official for Reform of the Urban Water Sector in EECCA countries, which brings together high-level officials with responsibility for this sector; EECCA representatives from Ministries of Communal Affairs, Construction or Infrastructure as well as Environment, donors, IFIs, NGOs and the private sector. Closer cooperation has been established with the EAP Task Force’s Environment Finance Network which is working on related issues. They met together for the first time in 2005. This meeting was also organised back-to-back with a meeting of the EECCA component of the EU Water Initiative. In 2006, the Group of Senior Officials will meet again back-to-back with the Environmental Finance Network.

Activities: **PROJECT 1.1 MONITORING WATER SECTOR REFORM**

This activity aims at providing a firm empirical basis to support urban water sector reform and to monitor progress in this regard, including monitoring progress in achieving the water-related Millennium Development Goals.

- *Collecting water utilities performance data.* Building on current activities, work in 2006 will focus on updating data sets for the Russian Federation, Kazakhstan, Kyrgyzstan and Tajikistan. Data for the Ukraine, Moldova, Georgia, Armenia and Azerbaijan is being, or will be, collected by the World Bank. All these data sets will be consolidated on the World Bank's global water utility benchmarking website (www.ib-net.org). This activity will lay the basis for preparing a report assessing the state of water supply and sanitation in EECCA countries for the 2007 Belgrade Ministerial Conference.

PROJECT 1.2 LEGAL AND INSTITUTIONAL REFORMS

- *Guidelines for Performance-Based Contracts.* Guidelines were finalised in 2005 analysing key elements that need to be addressed when utilities and municipalities conclude contracts to achieve agreed levels of water service provision. To disseminate the Guidelines, they will be presented in several workshops and conferences in EECCA. Other means of disseminating the Guidelines will also be developed including through links to influential EECCA websites (e.g., water utility associations, NGOs etc).
- *Assessing opportunities for, and obstacles to, private sector participation.* In recent years, a series of workshops have been organised with the World Bank to examine opportunities for, and obstacles to, private participation in the water sector in EECCA countries. In 2006 a workshop will be organised to review the situation with the participation of the domestic private sector in water supply and sanitation. There have been some dramatic recent developments in this area, but questions have been raised about their sustainability.

PROJECT 1.3 PROMOTING FINANCIAL REFORM AND MANAGING THEIR SOCIAL IMPACTS

- *Promoting financial reforms in utilities.* This project seeks to link capital investment planning in utilities with investment planning in municipalities. An investment planning tool has been prepared through a demonstration project in Bishkek. It addresses issues such as asset evaluation and accounting as well as investment planning. In 2006, this tool will be applied in water utilities in Armenia and another EECCA country with a view to ensuring its applicability in a range of EECCA utilities and further demonstrating how it can improve financial planning in water utilities.
- *Developing water sector financing strategies to achieve the water related MDGs and assessing the social impacts of financial reform in the water sector.* This project will assess how potentially adverse impacts of tariff increases on the poorer sections of communities could be mitigated as part of strategies for achieving water-related policy goals, including the MDGs. It will be carried out in conjunction with work on environmental financing strategies conducted by the environmental finance team, and build on previous EAP Task Force work on the

social aspects of urban water sector reform. Most recently such studies have been conducted for Armenia and Georgia, and discussions are underway with Moldova as a possible country of focus in 2006.

PROGRAMME AREA 2: PUBLIC ENVIRONMENTAL FINANCING

Objective: To assist EECCA to strengthen the capacity of public sector institutions to increase the volume, and improve the efficiency, of public environmental expenditures.

Background: The proposed activities in this programme area will support EECCA countries to achieve objective No 5 of the EECCA Environment Strategy: “Mechanisms for Mobilizing and Allocating Financial Resources to Achieve Environmental Objectives, including Debt for Environment Swaps”.

EECCA countries have made uneven progress in mobilizing sustainable and efficient financing in support of environmental policies. However, in recent years, some EECCA countries have been successful in strengthening the fiscal position of their public sectors, and renewed economic growth has strengthened the financial situation of public budgets, households and enterprises.

In 2006, work will continue to support the broader and deeper application of financial management tools for elaborating realistic public expenditure programs in the environmental sector. These activities support and complement the more investment-oriented approach of the PPC. In addition, increasing attention will be given to drawing lessons learned from work in recent years and to establishing a firm empirical base for policy discussions on finance issues at the 2007 Belgrade Ministerial Conference.

The EECCA Environmental Finance Network will continue to be an important vehicle for guiding the work program. The tradition of meetings and activities involving both environmental and finance representatives will be strengthened. Greater effort will be made to extend the network to attract local government officials responsible for budgeting infrastructure investments and for the provision of municipal environmental services. The Network will continue to involve officials and experts from OECD and CEE countries in order to facilitate exchange of experience and seek synergies among technical assistance projects.

Activities: **PROJECT 2.1 HARMONIZING ENVIRONMENTAL EXPENDITURES INFORMATION SYSTEMS WITH OECD/EUROSTAT STANDARDS**

This project aims to assist EECCA countries to review and redesign their environmental and water expenditure data collection systems using Eurostat/OECD standards and definitions as a benchmark. This should create a better basis for developing more effective environmental expenditure policies. Work will build on a demonstration projects carried out in Georgia (2002-2003) and Ukraine and the Kyrgyz Republic (2005), as well as regional workshop held in 2005. In 2006, environmental expenditure data will be collected from EECCA countries to support the preparation of a report analysing trends in this area for the 2007 “Environment for Europe” Ministerial Conference.

PROJECT 2.2 IMPLEMENTING FINANCING STRATEGIES FOR WATER AND ENVIRONMENTAL INFRASTRUCTURE AND INTEGRATING THEM WITH THE BUDGET PROCESS

A major pillar of Task Force work in the area of environmental finance has been the development and application of a computer-based model – FEASIBLE - to support preparation of realistic financing strategies in several EECCA countries. With substantial support from Denmark, the model was applied to the urban water supply and sanitation sectors and, subsequently, to the solid waste management sector. In 2004-05 a module on rural water supply and sanitation was integrated into the model. The following activities will be carried out in 2006:

- Finalise a project in Armenia to integrate the findings of a finance strategy for the wastewater sector into the government’s medium-term expenditure framework. Related to this, support will be provided to the State Water Committee to develop an investment plan and to submit a proposed scheme for tariff adjustments to the state regulator that takes account of the evolution of incomes and affordability constraints.
- Prepare a comprehensive finance strategy (together with the water team), possibly in Moldova, for achieving the MDGs in both the urban and rural sectors, taking account of affordability constraints in households and public budgets.
- Transfer know-how and expertise to local EECCA experts, through workshops and hands-on training sessions. Training will be provided in the use of FEASIBLE and the multi-year investment planning tool (MYIP) developed in previous work to assist municipalities to develop realistic financing strategies
- Draw lessons learnt from the experience accumulated in the solid waste management sector, through an expert workshop and publication. A document summarising lessons learned from strategies for financing solid waste management in EECCA countries will be prepared.

PROJECT 2.3 IMPROVING MANAGEMENT OF PUBLIC ENVIRONMENTAL EXPENDITURES

At the Kiev Conference, Ministers welcomed the “*Good Practices of Public Environmental Expenditure Management in Transition Economies*” that had been developed in the EAP Task Force. They encouraged transition economies to use the good practices as a tool to strengthen environmental expenditure programmes. A second tool that provides additional guidance in this area will be finalised in 2005, namely the “*Handbook for Appraisal of Environmental Projects Financed from Public Funds*”.

The following activities will be carried out in 2006:

- Further training of environmental expenditure programme managers using the Handbook and training materials developed in 2005;
- Using the Good Practices, a performance assessment will be made of the Ukrainian National Environmental Fund, and recommendations proposed to improve its performance.

**PROJECT 2.4 FACILITATING POLICY DIALOGUE ON OPPORTUNITIES
AND RISKS OF DEBT FOR ENVIRONMENTAL SWAPS**

In previous work, pre-feasibility studies have been prepared in Georgia and the Kyrgyz Republic to evaluate opportunities and institutional options for swapping a portion of sovereign external debt for domestic environment expenditures. At Kiev, Ministers “welcome[d] the recent initiative by Georgia to develop a debt for environment swap”. They also considered that “other poor, indebted countries of the region may want to consider working with their creditors to develop similar initiatives.” In 2006, the lessons learned from these and related experience will be reviewed and recommendations prepared on the relevance and feasibility of debt for environment swaps in the EECCA region and beyond.

PROGRAMME AREA 3: PROMOTING EFFECTIVE AND EFFICIENT ENVIRONMENTAL POLICIES

Objective: To assist EECCA countries to implement environmental policies by strengthening the environmental effectiveness and economic efficiency of policy instruments and institutions.

Background: Work in this area aims to support EECCA countries to maximize the environmental benefits of environmental policies, instruments and institutions at least cost. It supports the implementation of the EECCA Environment Strategy Objective No 1 “Improving Environmental Legislation, Policies, and Institutional Framework. As requested by EECCA countries, work also aims to facilitate the convergence of EECCA regulatory systems with the principles of the environmental *acquis communautaire* of the European Union.

Activities are implemented within the framework of Regulatory Environmental Programme Implementation Network - REPIN - which is a well established network of EECCA environmental policy makers and enforcement officials and experts as well as Partners from the private sector and NGOs. Institutions from the EECCA region, in particular NRECs, are closely involved in carrying out specific analytical, training and dissemination activities.

Activities: **PROJECT 3.1. STRENGTHENING ENVIRONMENTAL POLICY INSTRUMENTS**

In 2006, work will continue to focus on environmental permitting and environmental standards. In addition an effort will be made to synthesise the lessons learned from work on environmental policy reform as a possible input to the Belgrade ministerial conference.

- A conference will be held, possibly back-to-back with the annual meeting of the EAP Task Force and PPC, to review experience with the reform of environmental policies and instruments.
- Using the Integrated Environmental Permitting Guidelines for EECCA Countries published in May 2005, and experience gained in Ukraine and the Kyrgyz Republic, recommendations will be prepared to guide the transition to integrated permitting in Georgia.
- Inputs will be provided to World Bank and Swedish supported projects on environmental permitting reform in Ukraine.
- Sub-regional training courses on environmental permitting will be organised for officials and experts from Georgia, Armenia and Azerbaijan. The training materials developed for this and previous training sessions will be consolidated for further use in the EECCA region by country training institutions.
- Support will be provided for a pilot project on reforming water quality standards in Moldova currently being developed in cooperation with UNDP and to a Danish-funded project with similar objectives in Russia.¹

1. The Moldovan project may not go ahead due to lack of financial support. Given the strategic importance of developing more realistic environmental standards, donors are invited to consider providing support for this activity.

PROJECT 3.2. STRENGTHENING ENVIRONMENTAL ENFORCEMENT INSTRUMENTS

This work programme item responds to requests from EECCA countries for support in introducing or redesigning enforcement and compliance promotion instruments. In 2006, the main activities will be:

- The use of compliance assurance instruments (inspections, penalties, compliance promotion) will be assessed in several EECCA countries with a view to recommending ways of using them in combination so as to maximise environmental benefits and minimise costs to the administration and enterprises.
- Approaches for promoting the financial viability of environmental inspectorates, including charging for inspections, while safeguarding their independence, will be assessed in Armenia, Ukraine and possibly other countries.
- Based on the experience of developing a Performance Rating and Information Disclosure (PRIDE) scheme in Ukraine, a manual for designing and applying such schemes in other EECCA countries will be prepared. Co-operation with NRECs will help to identify means to improve dialogue between regulators and other stakeholders, and between the regulated community and the general public.
- Based on experience gained from a pilot project in Kazakhstan, other EECCA countries and international experience (especially from the INECE and EU Impel networks), regional guidelines will be prepared addressing the policy, legal and technical aspects of self-monitoring by industrial operators in the transition context. The results of this work will be co-ordinated with the work on environmental monitoring carried out under the UNECE.

PROJECT 3.3. STRENGTHENING ENVIRONMENTAL ENFORCEMENT AGENCIES

Work under this theme will support the implementation of the "Guiding Principles for Reform of Environmental Enforcement Authorities in Transition Economies of EECCA", endorsed at the Kiev Conference.

- Building on peer reviews of enforcement and compliance system in Kyrgyzstan and Armenia, and the EAP Task Force secretariat's participation in the UNECE Environmental Performance Reviews of Moldova and Ukraine, an assessment will be made of the implementation of the Guiding Principles. The report could provide an input to the Ministerial Conference in Belgrade in 2007.
- A guidance document will be prepared on the use of environmental compliance and enforcement indicators, building on experience from Task Force projects in Russia and Armenia, and in co-operation with other enforcement networks.
- Substantial support will be provided for newly-established environmental inspectorates in Georgia and Kazakhstan, in close cooperation with the Netherlands and Norway respectively. Training will be organised for the environmental inspectorates in Moldova and Ukraine.

**PROGRAMME AREA 4: FACILITATING ACHIEVEMENT OF EECCA
ENVIRONMENT STRATEGY OBJECTIVES OVERALL**

Objective: To facilitate and support the efforts of EECCA countries and their partners to achieve the EECCA Environment Strategy objectives.

Background: At the 2003 Kiev “Environment for Europe” Conference, Ministers adopted the EECCA Environment Strategy. Its main goal is “to contribute to improving environmental conditions and to implement the WSSD Plan of Implementation in EECCA countries”. The Strategy focuses on seven objectives covering a wide range of areas dealing with common environmental problems in the EECCA region. Achieving the objectives will require strengthened co-operation between EECCA countries and their partners. EECCA governments themselves have the responsibility to identify areas, within and among the seven Strategy objectives, in which environmental actions are needed.

In Kiev, the Ministers invited the EAP Task Force to “lead efforts to facilitate and support the achievement of the objectives of the EECCA Strategy” overall and other international organizations to provide assistance and support EECCA countries, in accordance to their mandates. In October 2004 the EECCA Environment Ministers and their Partners met in Tbilisi, Georgia and discussed how to provide further support and impetus to this process.

Activities: **PROJECT 4.1 MONITORING AND FACILITATING PARTNERSHIPS**

TASK 4.1.1 MONITORING PARTNERSHIP DEVELOPMENT

The objective of this activity is to facilitate the development of successful partnerships by identifying gaps and sharing lessons learnt in developing and implementing partnerships. In 2006 work will focus on:

- *Monitoring Partnership Development.* The Secretariat will continue to collect and update information on concluded, ongoing and proposed partnerships using the recently launched Partnership Database. A Progress Report on Partnerships will be prepared for the 4th Joint Meeting of the PPC/EAP Task Force, highlighting gaps.
- *Sharing Best Practices and Lessons Learnt for Partnership Development in EECCA.* Work to assess the environmental effectiveness and economic efficiency of partnerships carried out as part of the OECD work programme will be used when reviewing partnerships and preparing documentation on this issue for the Belgrade Ministerial meeting.

TASK 4.1.2 FACILITATING COUNTRY-DRIVEN PARTNERSHIPS FOR INSTITUTIONAL STRENGTHENING

This project aims to enhance the engagement of EECCA Environment Ministers in efforts to achieve the objectives of the EECCA Environment Strategy and, more generally to address obstacles to environmental policy reform.

- *Organising informal consultations with environment ministers.* The Secretariat will invite environment ministers from selected (2-4) EECCA countries for informal consultations to discuss future plans and the main challenges they face in implementing the EECCA Environment Strategy, and how the EAP Task Force could assist them in those efforts.
- *Facilitating a Policy Dialogue.* Based on experience with Georgia in 2005, a second policy dialogue will be organised involving an EECCA country and interested partners. These policy dialogue focus on “strategic and over-all management functions” of Environment Ministries and, amongst other things, aim to identify how partnerships could help to better implement such functions.

PROJECT 4.2 ASSESSING PROGRESS IN ACHIEVING THE OBJECTIVES OF THE EECCA ENVIRONMENT STRATEGY

TASK 4.2.1 DESIGN, EXECUTION AND DISSEMINATION OF 2007 EECCA STRATEGY PROGRESS ASSESSMENT REPORT

Building on the “Stocktaking Report” prepared for the 2004 Tbilisi meeting of EECCA environment ministers and their partners, a second report will be prepared assessing progress in achieving the objectives of the EECCA Environment Strategy. This report will aim to provide a solid review of actions taken by EECCA countries to achieve the objectives of the EECCA environment strategy and environmental policy objectives more generally. Close cooperation with other international organisations, particularly the European Environment Agency, and EECCA countries will be essential to achieve this objective.

PROJECT 4.3 PROMOTING EFFECTIVE CO-OPERATION AND COMMUNICATION AMONG PARTNERS

TASK 4.3.1 FACILITATING CO-OPERATION AMONG PARTNERS THROUGH BETTER COMMUNICATION

The objective of this activity is to clarify the roles of different organisations in supporting the Strategy and to facilitate more efficient and transparent communication and co-operation among partners supporting the Strategy and avoid duplication of work. In 2006 the work will include:

- *Facilitating inter-agency co-operation.* The Secretariat will (i) maintain an updated list of the organisations/contact points of Facilitating organisations for each objective; (ii) facilitate exchange of information on activities planned and

implemented under each objective, (iii) strengthen contacts with the UNDP Country Offices and Conventions Secretariats as specified in the Kiev Declaration; and (iv) coordinate the preparation of joint documents for the Joint PPC and EAP TF meeting, in particular the “snapshot” overview of activities on each Strategy objective. If needed, the Secretariat will also organise meetings with the Facilitating Organisations.

- *Establishing a web-based communications framework.* The Secretariat will (i) keep the web-pages updated (ii) develop further the EECCA Database of Environmental Partnerships to be used as a main tool for reporting progress on implementing partnerships and activities carried out by the Facilitating Organisations in EECCA; and (iii) publish an electronic newsletter.
- *Facilitating Co-operation with Regional Environmental Centres:* The EAP Task Force Secretariat has cooperated with the RECs on specific projects and also provided direct support for institutional development. The objective of this activity is to continue (i) to co-operate in implementation of selected EAP Task Force activities as well as in facilitating achievement of the specific EECCA Environment Strategy objectives and (ii) to co-operate in disseminating Task Force results in the EECCA region.

PROGRAMME AREA 5: EAP TASK FORCE MANAGEMENT AND SUPPORT

This area of work underpins the four other areas of work. It comprises:

- Organisation of Joint EAP Task Force – PPC meetings, Bureau meetings, the overall coordination of the work of the EAP Task Force Secretariat, including administration and financial management of the work programme and budget;
- Organisation of other major meetings, e.g. Yerevan Ministerial Consultation in November 2005;
- Communications (publications, web-site).

BUDGET ESTIMATES FOR THE EAP TASK FORCE WORK PROGRAMME IN 2006

Programme Area	Actual Expenditures for 2004	Estimated Expenditures for 2005	Estimated Requirements for 2006
1. Urban Water Sector Reform	633,670.61	806,785.77	783,656.00
2. Public Environmental Finance	1,017,162.94	927,474.64	763,048.00
3. Promoting Effective and Efficient Environmental Policies	538,830.76	751,460.10	918,627.00
4. Facilitating Achievement of EECCA Environment Strategy Objectives Overall	329,163.62	353,630.22	372,650.00
5. EAP Task Force and Support	293,387.16	186,596.00	226,008.00
TOTAL	2,812,215.09	3,025,946.73	3,063,989.00