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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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**PROGRESS IN IMPLEMENTING THE EAP TASK FORCE PROGRAMME OF WORK
BY THE OECD SECRETARIAT**

**Meeting of the Task Force for the Implementation of the Environmental Action Programme
for Central and Eastern Europe (EAP Task Force)**

**15-16 October 2009
OECD Conference Centre
Room CC 6**

Agenda Item: 4.

ACTION REQUIRED: For discussion.

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English - Or. English

PROGRESS IN IMPLEMENTING THE EAP TASK FORCE PROGRAMME OF WORK BY THE OECD SECRETARIAT (SEPTEMBER 2008 - AUGUST 2009)

PART 1: AN OVERVIEW

At its meeting in October 2008, the EAP Task Force adopted the 2009 Programme of Work. Part 1 of this Progress Report provides a brief overview of activities carried out by the Secretariat to implement the Programme of Work. A project-by-project report, presented in Part 2, complements the overview.

Water sector reform

This programme area supports implementation of the Almaty Guiding Principles for Water Sector Reform, with the aim of helping to achieve the water-related Millennium Development Goals (MDGs) in EECCA¹. It represents a high level of continuity with the EAP Task Force water programme of previous years. The programme area is structured around three groups of projects: (i) monitoring progress in implementing the water-related MDGs, (ii) managing the water sector more effectively and efficiently, (iii) national policy dialogues on more efficient financial management of the water sector.

Since 2005, the EAP Task Force water programme is carried-out in close cooperation with the EU Water Initiative EECCA Working Group (now chaired by Romania), and there is now a strategic partnership between these two bodies, implemented through a joint work programme. In this connection, the EAP Task Force is responsible for supporting a number of EUWI National Policy Dialogues focussing on reforms in the water supply and sanitation sector in Armenia, Moldova, Kyrgyzstan, Georgia and Ukraine. UNECE has a parallel role in supporting policy dialogues in the area of Integrated Water Resources Management. These dialogues are producing concrete results, *e.g.* by influencing the policy-making process and by supporting the development of policy documents and draft laws. The association of the EUWI and the EAP Task Force also involves the organisation of joint meetings, bringing together the EUWI EECCA Working Group and the EAP Task Force Group of Senior Officials for Water Sector Reform to oversee a joint work programme. The last joint meeting took place in Bucharest on the 12-13th of May 2008². Delegates expressed high levels of support for all the activities in the proposed work programme, and especially for cooperation with the EUWI on National Policy Dialogues. The next joint meeting is taking place on the 24-25th of November 2009 in Bucharest.

Activities since the last EAP Task Force meeting in Astana have focused on continuing a number of EUWI National Policy Dialogues (in Moldova, Kyrgyzstan and Georgia) and in launching a new one in the Ukraine. A number of key outputs have been finalised, including a training package for the development of financial planning capacity at the local level, financing strategies for Georgia and Kyrgyzstan, as well as an improved version of the FEASIBLE tool. A number of these tools have been disseminated at the 5th World Water Forum in Istanbul, and through a dissemination event that took place in Kiev on the 24th of April 2009.

¹ To reduce the proportion of people without access to safe water or basic sanitation by half by 2015.

² See ENV/EPOC/EAP/WATER/M(2008)1

Environmental policy reform

This programme area supports policy innovation and implementation in EECCA countries with a focus on cross-cutting issues. Three groups of projects are carried out, dealing with: (i) policy instruments; (ii) enforcement and compliance; (iii) institutional frameworks and finance.

Since the Astana Annual Meeting of the EAP Task Force, the Secretariat focused on projects that received high priority from countries, namely on monetary penalties (fines), strengthening environmental institutions in the region, and integrating environmental programmes into Medium-Term Expenditure Frameworks (MTEF). This involved work at the regional level (*e.g.* finalising a guidance paper on calculating fines for environmental offences, and developing a diagnostic tool to assess environmental institutional capacity), and work on country-specific projects (*e.g.* to pilot a training needs assessment methodology in Georgia, or to provide the analytical basis for MTEF adoption in the environmental sector in Ukraine). Several projects have lacked financing in 2009 and had to be downsized or rescheduled.

The Regulatory Environmental Programme Implementation Network – REPIN – has continued to facilitate and oversee Work Programme implementation. Its last meeting took place on 10-12 June 2009 in Chisinau, Moldova and discussed: (i) budgeting and financing aspects of environmental programme implementation; (ii) guidance developed in the field of monetary penalties assessment for environmental offences, (iii) improvement of approaches to measure performance of environmental regulation and compliance assurance systems, and (iv) modern design of liability regimes. The meeting was attended by government officials and experts from all but one EECCA countries and three OECD members (the Netherlands, the Slovak Republic, and the United States). Representatives of NGOs and EECCA RRECs, as well as the World Bank, were also present.

The OECD Secretariat and EECCA RECs put further efforts into launching planned joint work. Support from Norway was provided to REC Caucasus to implement an inspector training project in Armenia and Azerbaijan. Support from the Netherlands is expected to finance the RECs' component of the environmental liability project. The OECD secretariat has actively contributed towards defining the scope of these two projects.

Also the Secretariat has worked to revive communication and cooperation with international partners, most notably the World Bank. Cooperation with expert networks such as IMPEL and INECE has continued. There has also been some limited involvement in sub-regional activities. For instance, the OECD Secretariat took part in a sub-regional conference on environmental policy integration in Central Asia co-organised by the European Commission and the Kazakh Ministry of Environmental Protection.

Budgetary situation

As of 31 August 2009, the amount of financial resources received to implement the activities proposed in the programme of work and budget was as follows:

Activities	Total Required	Total Received	Still Required
Water Sector Reform	1,035,000	972,107	62,893
Environmental Policy Reform	766,700	235,000	531,700
TOTAL	1,801,700	1,207,107	594,593

The OECD/EAP Task Force secretariat successfully applied to the EC for a EUR 1.7M grant to support work on water supply and sanitation over the next four years. As of this about EUR 900K are earmarked for the UNECE, a technical secretariat and administrative costs, it leaves EUR 200K per year to support the EAP Task Force's work programme.

PART II: PROGRESS PROJECT-BY-PROJECT

PROGRESS IN IMPLEMENTING THE EAP TASK FORCE PROGRAMME OF WORK (SEPTEMBER 2008 – AUGUST 2009)

WATER SECTOR REFORM				
Project	Status of Implementation	Planned Outputs/Meetings	Donors	Links to overall Objectives
<i>Activity 1.1 Monitoring progress in implementing the water-related MDGs (starting in 2009)</i>				
Project 1.1.1: Monitoring progress in implementing the water-related MDGs <i>Tatiana Efimova</i>	<ul style="list-style-type: none"> Not started as no funding currently available 	<ul style="list-style-type: none"> One country report documenting the performance of water utilities Water utility performance data published on the World Bank's IB-Net website. 		This work aims at providing a firm empirical basis to support water sector policy-making and reforms as well as to monitor progress in this regard. It will also contribute to a report assessing progress in achieving the water and sanitation MDGs to be prepared for the Astana EfE Ministerial Meeting in 2011.
<i>Activity 1.2 Managing the water sector more effectively and efficiently:</i>				
Project 1.2.1: Guidelines for performance based contracts <i>Nelly Petkova</i>	<ul style="list-style-type: none"> Four case studies have been elaborated, two in Armenia (Yerevan and Armvodokanal), one in Kazakhstan (Shymkent), one in the Ukraine (Berdiansk, Kupyansk). The case studies are currently being used to update the Guidelines for Performance-based contracts, which will be available by the end of the year. 	<ul style="list-style-type: none"> Case Studies of performance contracts in four locations Updated and revised Guideline for Performance-Based Contracts in the Urban Water Sector in EECCA 	EC TACIS, Norway	This work is supporting a more performance oriented management of water utilities and should support more efficient operations in water utilities, ultimately helping to achieve the water-related MDGs.

WATER SECTOR REFORM				
Project	Status of Implementation	Planned Outputs/Meetings	Donors	Links to overall Objectives
<p>Project 1.2.2: Policy dialogue on opportunities and obstacles for private sector participation</p> <p><i>Alexandre Martoussevitch</i></p>	<ul style="list-style-type: none"> Discussions have been held with the World Bank in view of co-organising the workshop, as well as with the Russian Ministry of Economic Development as potential host of the event, which will take place on 4-5 December 2009. Consultants have been contracted to develop a paper that presents the situation and key trends in public private partnerships in the EECCA region. It is also planned to carry-out two country self assessments (Russia and Ukraine) using the OECD Private Sector Participation in Water Infrastructure Checklist for Public Action, in cooperation with the OECD Investment Committee. It has been agreed that Russia as co-organiser and host of the workshop is going to provide the meeting venue and some other local costs for the event. The World Bank and EBRD have agreed to fund participants from the region. 	<ul style="list-style-type: none"> One workshop One paper 	Germany	<p>Improve the common understanding of the potential role of the private sector and the role that public authorities play in regulating the sector. This work builds on the OECD principles for investor participation in infrastructure and a checklist for public action developed in this framework.</p>
<p>Project 1.2.3: Development of financial planning capacity in municipalities and water utilities</p> <p><i>Tatiana Efimova</i></p>	<ul style="list-style-type: none"> A training workshop to train local trainers took place in Kiev and 6 experts from the region have been trained as trainers. A training package has been developed and tested in 4 training workshops that were held in Tbilisi, Batumi and Bishkek. These materials are available from a website at: http://www.water-finance-training.org/en/portal/ About 40 water sector professionals from water utilities and municipalities have been trained in the course of the project and it is hoped that the tool would be used for further training in a 	<ul style="list-style-type: none"> Training package 6 local trainers trained 40-50 utility/municipality staff trained Final report 	EC TACIS	<p>The lack of financial planning capacity in water utilities and municipalities is one of the obstacles for these institutions to access finance. The project should help to overcome this and thereby allow for additional investment in the water sector in order to achieve the water related MDGs.</p>

WATER SECTOR REFORM				
Project	Status of Implementation	Planned Outputs/Meetings	Donors	Links to overall Objectives
	<p>future EECCA REC project.</p> <ul style="list-style-type: none"> A final report presenting key lessons is now available. 			
<p>Project 1.2.4: Report on measures to achieve economies of scale in the provision of WSS (starting in 2009)</p> <p><i>Tatiana Efimova</i></p>	<ul style="list-style-type: none"> An analytical paper looking into issues of fragmentation of the water sector in the EECCA region and identifying some of the approaches, particularly inter-municipal cooperation, that have been used in old and new EU countries to overcome these problems, is currently under finalisation. A draft of this paper has been presented at an EUWI National Policy Dialogue meeting in the Ukraine on 23 April 2009. The final version will be provided to next joint EAP TF-EUWI EECCA Working Group meeting in November 2009. The development of a policy brief and possibly a road-map/checklist for reforms to address fragmentation in the Ukrainian water sector is planned as possible follow-up, with probable completion by early 2010 if financial resources to support such work can be found. 	<ul style="list-style-type: none"> Report on measures to achieve economies of scale in the provision of WSS 	EC TACIS	<p>Rapid decentralisation of responsibility for the water sector has resulted in a loss of human and institutional capacity, as well as of economies of scale. This project is meant to provide guidance to EECCA countries on policy options that allow an effective and efficient organisation of the water sector, where responsibility for water services are decentralised at the local level.</p>

WATER SECTOR REFORM				
Project	Status of Implementation	Planned Outputs/Meetings	Donors	Links to overall Objectives
<i>Activity 1.3 National policy dialogue on more efficient financial management of the water sector:</i>				
<p>Project 1.3.1: Supporting national Policy Dialogue on WSS through the development of FS to achieve the water-related MDGs</p> <p><i>Peter Börkey</i> <i>Tatiana Efimova</i> <i>Alexandre Martoussevitch</i></p>	<ul style="list-style-type: none"> • A financing strategy for the rural water supply and sanitation sector has been completed in Georgia, following the final EUWI National Policy Dialogue meeting in November 2008. A presentation has been provided to the Deputy Minister of Economic Development in charge of Infrastructure for presentation in the National Water Commission. • A second case-study has been launched in Kyrgyzstan, and a first phase of work, consisting in the development of a water and sanitation financing strategy, has been completed. The final report is available, following discussion in a EUWI Policy Dialogue event in December 2008. A second phase of work to link the strategy into the budget process is now under way, following its launch in an EUWI National policy Dialogue event in April 2009 and should be completed by October. • Work to follow-up on the EUWI dialogue process in Moldova that came to the end of its first phase at the end of 2007 that was meant to start in Q2 had to be delayed due to the political situation there. The project will start as soon as a new Government is in place and institutional responsibilities in the water sector clarified. • Discussions about possible work to support the provision by the EC of sector budget support for water and sanitation in the Ukraine are currently under way with the Ministry of Housing and Municipal Economy. 	<ul style="list-style-type: none"> • 2 case demonstration project reports • several policy workshops involving key government and non-government stakeholders in both countries 	EC TACIS, Austria, Czech Republic	Poor financial planning is resulting in inefficient allocation of resources and ultimately in parts of the population remaining unserved with improved water supply and sanitation services. This project is supporting better planning and improved access to financial resources from user charges, public budgets and ODA, and ultimately supports the achievement of the water related MDGs.

WATER SECTOR REFORM				
Project	Status of Implementation	Planned Outputs/Meetings	Donors	Links to overall Objectives
<p>Project 1.3.2: Improving FEASIBLE and extending FS methodology beyond WSS to issues of water resources management</p> <p><i>Peter Börkey</i> <i>Tatiana Efimova</i> <i>Alexandre Martoussevitch</i></p>	<ul style="list-style-type: none"> • Work to improve the FEASIBLE tool and the documentation that accompanies has been finalised. • An expert workshop to define the scope of work in extending the financing strategy approach to the (broader) water resources management agenda took place on 10-11th of June and provided useful guidance. A summary record of the meeting is available. • A mission is planned to explore the possibility of a pilot project in Armenia, following an expression of interest from the State Water Committee. 	<ul style="list-style-type: none"> • New improved version of the FEASIBLE Model 	<p>EC TACIS</p>	<p>Work under this project is meant to improve financial planning beyond the water supply and sanitation sector, ultimately contributing to the achievement of the water-related MDGs and of improved water resources management.</p>

ENVIRONMENTAL POLICY REFORM				
Project	Status of implementation	Outputs/meetings still planned in 2009	Donors	Progress in EECCA countries
Activity 2.1: Environmental policy instruments				
Project 2.1.1 Regulatory Impact Analysis <i>Nelly Petkova</i>	<ul style="list-style-type: none"> Project proposal submitted to Finland; funding not yet available 	<ul style="list-style-type: none"> If funding is provided, the development of a synthesis report on international experience of RIA application within the environmental sector, with a focus on costing models, will be started 	Absent	Convergence with European legislation is an important driving force in many EECCA countries, though its priorities and pace are sometimes limited by poor capacity to address economic and social costs and benefits of convergence.
Project 2.1.2 Monetary penalties and liability (Joint project) <i>Eugene Mazur</i>	<ul style="list-style-type: none"> A rapid survey of legal provisions on administrative fines in EECCA countries conducted in autumn 2008 An expert meeting on monetary penalties conducted on 19-20 March 2009 in Tallinn, Estonia Guidelines on assessing and applying administrative fines developed and the final draft endorsed during the REPIN meeting in June 2009 A discussion paper on liability systems in OECD countries prepared and countries consulted on the scope and priorities of follow up activities 	<ul style="list-style-type: none"> Publication and dissemination of the Guidelines on monetary penalties Development of a briefing note for policy-makers Cooperation with REC Russia and REC Caucasus on the regional review of liability systems and practices in EECCA countries 	Switzerland Netherlands	There is a strong demand for this project in EECCA countries. All countries are interested to increase the deterrent effect of monetary penalties.
Project 2.1.3: Integrated Permitting <i>Eugene Mazur</i>	The World Bank project on integrated permitting reform in Ukraine (with which the Secretariat cooperated) was terminated.	Armenia requested support for transition to integrated permitting.	Norway	Belarus, Kazakhstan, Russian and Ukraine launched their transition to integrated permitting.

ENVIRONMENTAL POLICY REFORM				
Project	Status of implementation	Outputs/meetings still planned in 2009	Donors	Progress in EECCA countries
Activity 2.2 Environmental compliance and enforcement				
Project 2.2.1 Efficiency of compliance monitoring <i>Angela Bularga</i>	<ul style="list-style-type: none"> • Identification of legal changes needed to adopt the risk based approach and their discussion at the REPIN annual meeting 	<ul style="list-style-type: none"> • Pilot testing of the priority setting method in Georgia • The Guidelines and lessons learned from pilot implementation will be disseminated regionally 	Norway	The Guidelines were endorsed by Georgian authorities.
Project 2.2.2 Benchmarking and improving inspectorates performance <i>Angela Bularga</i>	<ul style="list-style-type: none"> • Policy recommendations on measuring performance of environmental regulation and compliance assurance were finalised and a set of improved indicators developed • Country-level work in Kazakhstan to measure performance of sub-national units of the Committee for Environmental Regulation and Control • OECD experience and available technical guidance under review, in particular as concerns the terminological aspects 	<ul style="list-style-type: none"> • Publication and dissemination of the paper with policy recommendations • Development of a briefing note for policy-makers • The development of a technical guide on the use of indicators. 	Netherlands, Norway	Demand for improved compliance and enforcement indicators is very high. Reforms are underway in most EECCA countries, particularly in Armenia, Belarus, and Kazakhstan.

ENVIRONMENTAL POLICY REFORM				
Project	Status of implementation	Outputs/meetings still planned in 2009	Donors	Progress in EECCA countries
Project 2.2.3 Industry's Environmental Rating Angela Bularga	<ul style="list-style-type: none"> A project proposal prepared for financing from Norway If financing is made available, activities will start in late 2009 – early 2010 	<ul style="list-style-type: none"> The OECD Secretariat will develop the outline of a guidance document describing the benefits of rating, criteria and the algorithm used to rate companies, the need for, and approaches to adapt the scheme to national or sub-national level priorities, and the avenues for information disclosure 	No financing so far	In 2009, the Lvov Oblast Environmental Agency (Ukraine) implemented a third round of rating. Rating schemes exist in other EECCA countries. There is strong demand to implement and broaden the application of these schemes in EECCA countries.
Project 2.2.4: Training for environmental inspectorates (Joint project) Angela Bularga	<ul style="list-style-type: none"> A training programme for the Georgian Environmental Inspectorate prepared based on the methodology developed by the Secretariat A methodology to define training priorities and establish sustainable training programmes under finalisation Competence profiles for environmental inspectors and management staff under preparation 	<ul style="list-style-type: none"> Cooperation with REC Caucasus on training needs assessment in Armenia and Azerbaijan 	Norway, financing partly available	Except for Russia, no training curricula are available. A more structured approach is necessary.

ENVIRONMENTAL POLICY REFORM				
Project	Status of implementation	Outputs/meetings still planned in 2009	Donors	Progress in EECCA countries
Activity 2.3: Institutions and financing				
Project 2.3.1 Institutional development of environmental ministries <i>Angela Bularga</i>	<ul style="list-style-type: none"> • Issues paper on institutional strengthening for environmental management in EECCA prepared and a special session of the Task Force on institutional development conducted • A draft diagnostic tool to facilitate self-assessment of institutional capacity for environmental management developed • A briefing note on environmental policy integration prepared for a Central Asian thematic conference held in March 2009 • Terms of reference for assessing institutional changes in natural resources management in Georgia prepared and a mission carried out in December 2008 • Questionnaire to assess staff motivation prepared • Supporting documents for policy dialogues in Armenia and Moldova drafted • A three day workshop to discuss challenges of institutional capacity in Armenia conducted in May 2009 • Draft case studies on institutional capacity for environmental management in Moldova and Armenia prepared 	<ul style="list-style-type: none"> • Final case studies on institutional capacity for environmental management in Moldova and Armenia prepared • Draft report on the reform of natural resources management in Georgia 	Switzerland (Regional activities and Armenia) Sweden (Moldova) Norway (Georgia) Netherlands (Armenia)	Although EECCA countries have improved institutional frameworks for environmental management, the quality of public services delivered by the Ministries of Environment is hindered because of poor organisational conditions and unsupportive enabling environment.

ENVIRONMENTAL POLICY REFORM				
Project	Status of implementation	Outputs/meetings still planned in 2009	Donors	Progress in EECCA countries
Project 2.3.2. Mid-term budgetary planning Nelly Petkova	<ul style="list-style-type: none"> A review of the experience of Ukraine with integrating the environmental sector into medium-term budgetary planning: a review mission to Ukraine was organized and the report prepared Methodology prepared for the Survey on the experience of the EECCA countries with integrating the environmental sector into medium-term budgeting An expert meeting to discuss experience with medium-term budgetary planning and launch a survey in EECCA countries organised back-to-back with the 2009 REPIN meeting 	<ul style="list-style-type: none"> Country profiles on MTEF introduction A draft survey on the experience of EECCA countries with medium-term budgetary planning and the environment 	Country reviews: UK (2008) Region-wide activities: Switzerland and the Netherlands (2008-2009)	Most EECCA countries have already introduced elements of medium-term budget planning into their public expenditure management systems but only a few have implemented them in accordance with international good practices. Environment ministries are often lagging in complying with these new approaches.