

**EAP Task Force**  
**СРГ ПДООС**  
**Groupe d'Etude du PAE**

Project Preparation Committee

Комитет по Подготовке Проектов

Comité de Préparation des Projets

**Preliminary Draft Programme of Work of  
the EAP Task Force for 2008-2011**

**Document No. TF/PWB/2007/1**  
**23 August 2007**

The attached document has been prepared by the OECD/EAP Task Force secretariat. It presents some initial programme ideas for 2008-2011 from the perspective of the OECD secretariat and is intended to provide a basis for the further elaboration of draft programme proposals. The proposals build directly on discussions at the last meeting of the EAP Task Force/PPC Bureau in Geneva, 4 July 2007.

*ACTION REQUIRED: For discussion*

**EAP TASK FORCE  
PRELIMINARY DRAFT PROGRAMME OF WORK 2008-2011**

**A Note by the OECD Secretariat**

**Future work of the EAP Task Force**

This document presents a first draft of a possible programme of work for the EAP Task Force in the period 2008-11, prepared by the OECD secretariat. It builds on discussions in the EAP Task Force and its Bureau where there was broad support for the EAP Task Force to continue its work in the next phase of the Environment for Europe process which is assumed to run until 2011. Eventually the EAP Task Force's work programme would be adopted by the EAP Task Force at its first meeting after the Belgrade Ministerial Conference. Any discussion of the future of the EAP Task Force, and its possible programme of work is subject, of course, to discussions at the Belgrade Ministerial meeting.

The programme proposals build specifically on the discussions in the last, extended meeting of the EAP Task Force/PPC Bureau which met in Geneva, 4 July 2007. At that meeting, the Bureau "recommended that the future programme of work of the EAP Task Force should focus on two priority areas:

1. water supply and sanitation, with more emphasis on rural water supply and sanitation, linking water supply and sanitation strategies with Integrated Water Resources Management, integrating the results of finance strategies into national budgets, and supporting capacity development for better financial planning for the water sector at the local level...; and
2. environmental policy and institutional reform, emphasising reform of policy instruments, environmental enforcement and compliance, and strengthening environmental institutions."

A more detailed programme of work and budget for 2008 is presented in document TF/PWB/2007/2.

**Secretariat arrangements**

The Bureau recommended that the OECD should be invited to continue to provide the secretariat for the EAP Task Force, but that these functions should be gradually transferred to EECCA RECs, as their capacity allows, starting with sub-regional, country- and project-oriented tasks<sup>1</sup>. In addition, the Bureau:

- recommended that this transition should be overseen by the EAP Task Force Bureau and assessed at the proposed mid-term review of the "Environment for Europe" process; and
- requested the secretariat to prepare a draft programme of work for 2008, specifying activities to be led by the OECD and the EECCA RECs, with each concentrating on their areas of comparative advantage, and to circulate the draft programme of work for information to Task Force members prior to the Belgrade Conference.

The attached draft programme proposals specify only activities that would be implemented by the OECD secretariat. Reference is made to possible cooperation with EECCA RECs in several projects. Thus the document provides the basis for a dialogue with EECCA RECs and other partners on the further elaboration of draft work programme proposals.

---

<sup>1</sup> As of the time of writing, this wording is subject to confirmation by Bureau members.

### **Working methods and budget**

It is envisaged that the working methods of the OECD secretariat would build on past practice and focus on implementing demonstration programmes, and using this experience to drive a regional process of experience sharing and developing good practice approaches. The working methods used by EECCA RECs, and cooperation between OECD and EECCA RECs, require further discussion.

Regarding the budget activities to be implemented by the OECD secretariat, it is envisaged that it would be substantially reduced compared with the annual budgets 2003-7. This results from discontinuing work on the EECCA Environment Strategy and from integrating work on environmental finance into work on water and environmental policy reform. Cost savings will also be sought in the management of the Task Force's work, particularly the organisation of Task Force and Bureau meetings. Budget estimates will be prepared together with annual programme of work proposals.

### **Next steps**

This document, and a more detailed work programme proposal for 2008, are being circulated to the current members of the EAP Task Force Bureau and EECCA RECs. Based on the feedback received, and subject to the agreement of Bureau members, a draft programme of work will be circulated to Task Force members for information prior to the Belgrade Conference.

## **PROGRAMME AREA 1: WATER SECTOR REFORM**

**Objective:** To support reform of the water sector in EECCA countries for achieving the Millennium Development Goals on water and sanitation, 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, and the policy conclusions and recommendations made at a follow-up Ministerial Conference in Yerevan in 2005.

The Task Force’s work in this area takes account of policy objectives and guidance generated in other forums:

- 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;
- Recommendations of a recent (2006) conference of OECD Ministers of Development and Environment to focus joint efforts on water and a few other work areas.

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** and the **EU Water Initiative’s EECCA Working Group** which agreed in Almaty in April 2006 to meet jointly, and to effectively merge their activities and to pool resources.. The joint meetings bring 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.

**Activities:**

**ACTIVITY 1.1 MONITORING PROGRESS AND IDENTIFYING GOOD PRACTICES IN IMPLEMENTING THE WATER-RELATED MDGs**

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

- ***Report on the state and financing of water supply and sanitation in EECCA*** for the next Environment for Europe Conference in [2011]. This report will build upon previous work by the EAP Task Force and the World Bank that has led to the establishment of a water utility performance data-base covering about 400 water utilities in 9 countries of the region. This data will be up-dated progressively from 2008 onwards in close cooperation with the World Bank's International Benchmarking Network. The data sets will be consolidated on the World Bank's global water utility benchmarking website ([www.ib-net.org](http://www.ib-net.org)). A report presenting key trends and figures on the state of water infrastructure in the region, as well as key issues in the financing of the infrastructure, will be prepared in 2011 and presented at the Environment for Europe Conference.
- ***Report on water pricing and institutional reforms in EECCA*** for the next Environment for Europe Conference in 2011. This paper will survey water pricing practices in the EECCA region and the institutional changes that have occurred since the last such survey was carried-out by the EAP Task Force in 2005 at the Yerevan Conference of EECCA Ministers of Economy/Finance and Water.

**ACTIVITY 1.2 MANAGING THE WATER SECTOR MORE EFFECTIVELY AND EFFICIENTLY**

- ***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 and support the implementation of the Guidelines, assistance is being provided, in 2007 and 2008<sup>2</sup>, to four EECCA municipalities that have existing performance contracts and wish to improve them. The results of this work will be used to improve the Guidelines by adding further practical examples and analysis to them.
- ***Policy dialogue on opportunities for, and obstacles to, private sector participation***. Positions on this subject are often very polarised. This project would focus on discussing the possible roles of private and public sector actors in the provision of water services to the population. A structured dialogue with private sector operators and EECCA policy makers has been launched together with the World Bank and will be continued.
- ***Development of financial planning capacity in municipalities and water utilities***. Work in this area is based on EAP Task Force tools and methodologies (i.e., the Financial Planning Tool for Water Utilities and the Multi-Year Investment

<sup>2</sup>

The OECD/EAP Task Force secretariat received a grant from TACIS for this work that extends into 2008, beyond the current mandate period of the EAP Task Force. Should the mandate of the Task Force not be extended at the Belgrade ministerial conference beyond 2007, the OECD secretariat would finalise work in close cooperation with the EUWI Working Group.

Planning Tool for Municipalities), as well as those developed by others (e.g. the Project Preparation Committee, EBRD and the World Bank). Work consists in the development of training materials, the establishment of a train-the-trainer programme, and the training of 40-50 utility and municipality staff and will be carried-out in 2007 and 2008. Opportunities for co-operation with one of the EECCA RECs will be sought to support the implementation of the project, ie by involving some REC staff as local trainers.

- ***Report on measures to cope with over-fragmentation in the water supply and sanitation sector.*** There is increasing recognition that the decentralisation of responsibilities for water supply and sanitation has made it difficult for utilities and municipalities to fully exploit economies of scale, to retain and develop adequate capacity to run the sector, and to generate the necessary resources to finance capital investments. This report will look into possible reform measures that can help to overcome the fragmentation effects of decentralisation, ie through inter-municipal cooperation agreements, the establishment of regional water utilities and other relevant measures. This work would involve the preparation of case studies and analytical papers that would be discussed in two or three expert workshops in order to develop policy recommendations for EECCA governments and donors.

### **ACTIVITY 1.3 NATIONAL POLICY DIALOGUES ON MORE EFFICIENT FINANCIAL MANAGEMENT OF THE WATER SECTOR**

- ***Supporting national policy dialogue on water supply and sanitation through the development of financing strategies to achieve the water related MDGs.*** This project will be carried-out in close cooperation with the EU Water Initiative EECCA Working Group, which will be the driving force in identifying the countries where such dialogue is to be developed. It will assess the costs for given infrastructure targets, in particular those suggested by the MDGs, and compare this with the available financial resources. It will also 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. The work will build on previous EAP Task Force work on financing strategies and on the social and institutional aspects of urban water sector reform. Most recently such studies have been conducted for Armenia and Georgia, and work is currently underway in Moldova. In 2008 it is planned to extend finalise work on rural water and sanitation in Georgia and to develop an urban and rural water and sanitation finance strategy in Kyrgyzstan. Further countries interested in developing policy dialogues will be identified in joint meetings of the EU Water Initiative's EECCA Working Group and the EAP Task Force Group of Senior Officials for Water Supply and Sanitation Sector Reform.
- ***Improving FEASIBLE and extending financing strategy methodology beyond water supply and sanitation to issues of water resources management.*** The need for a more integrated approach to the financing of the water sector (ie WSS, irrigation, flood management and prevention etc.) has been suggested in several expert meetings, including the EU Water Initiative EECCA Working Group. This work would start in 2009 with an expert workshop to define the objectives and scope of work and the methodological options that exist for its implementation. At the same time, efforts to improve the user-friendliness of FEASIBLE would be undertaken in order to support its wider dissemination and usage in the region.

**PROGRAMME AREA 2:**  
**ENVIRONMENTAL POLICIES AND INSTITUTIONS**

**Objective:** This programme area will support further strengthening of environmental policies and institutions in EECCA countries. The focus will be on issues of a cross-cutting character, with a high potential to simultaneously contribute to environmental improvements, economic development, and the rule of law.

**Background:** EECCA countries made substantial progress in establishing regulatory and institutional frameworks, which were largely absent at the beginning of the transition. At the same time, there is still a need to strengthen implementation at all levels, and to integrate environment into the broader process of economic, political, and social reform.

In this context, three main areas of work are proposed:

- Policy instruments;
- Enforcement and compliance;
- Institutional frameworks and finance.

The **Regulatory Environmental Programme Implementation Network** – REPIN – will continue to provide EECCA policy makers and practitioners with a platform to exchange experience and build partnerships with their counterparts from OECD countries, Central and Eastern Europe, as well as with representatives of NGOs and the private sector on issues of common interest. In this way, it will provide a forum for policy dialogue and support for a process of mutual “learning by doing”.

In the new phase of work, the REPIN network will facilitate discussions related to environmental finance. Members of the economics/finance divisions of environmental ministries, as well as representatives of ministries of finance and economy will be involved in networking and invited to REPIN meetings.

The work programme implementation will involve as much as possible institutions from the EECCA region, EECCA RECs in particular, to carry out specific analytical, training and dissemination activities. This work will also draw from, and, where appropriate, contribute to, activities of other international programmes.

**Activities:           ACTIVITY 2.1. ENVIRONMENTAL POLICY INSTRUMENTS**

Work in this area will help environmental agencies in EECCA to improve the efficiency and effectiveness of selected policy instruments. In particular, in 2008-11 activities will focus on:

- ***Supporting environmental permitting reforms:*** This activity builds on the EAP Task Force *Guidelines for Integrated Permitting in EECCA countries* and experience gained in applying the Guidelines in Georgia, the Kyrgyz Republic and Ukraine. Targeted expert advice will be provided to countries requesting support to reform their permitting systems. The training activities on integrated permitting, carried out in 2005-2007 by the EAP Task Force Secretariat, will be transferred to specialised organisations in the region, possibly including EECCA RECs.
- ***Facilitating policy dialogue on water quality standards:*** The need to reconcile environmental and economic aspects of water quality regulation in EECCA requires greater use of risk management approaches. Building on a country-specific demonstration project in Moldova, a further assessment will be conducted in another country reforming water quality standards in line with good international practices. Lessons learned will be discussed and guidance will be developed through a region-wide policy dialogue.
- ***Increasing the deterrent effect of fines and liability regimes.*** The EAP Task Force has done extensive work on helping environmental regulatory agencies in EECCA countries to modernise their systems of economic instruments for environmental protection, particularly pollution and product charges. Recognising the need to further strengthen financial incentives for good environmental behaviour, EECCA countries have requested assistance in reforming two environmental financial instruments: administrative (non-criminal) monetary penalties and liability for environmental damage. Programme activities will start in 2009 and result in an analytical paper, a good practice guide, and country-specific case studies that would include policy recommendations. This work will take account of the principles and concepts used internationally, in particular new developments in the European Union.

## ACTIVITY 2.2. ENVIRONMENTAL ENFORCEMENT AND COMPLIANCE

- ***Increasing the efficiency of environmental compliance monitoring:*** Risk-based approaches, which are largely absent in EECCA, can increase the efficiency of compliance monitoring by helping inspectorates to target facilities associated with higher actual or potential environmental impacts and those with a history of non-compliance. In addition, the adoption of risk-based targeting (supplemented with a small number of random inspections) can increase the probability of offence detection, which currently is low due to legal restrictions on inspection frequency. The development of meaningful quantitative compliance measures would support these approaches and contribute to the performance measurement of environmental authorities themselves. Within this project, a methodological framework will be developed based on best international practices adapted to EECCA specifics, in view of a review of initial reform experience in selected EECCA countries.
- ***Benchmarking the performance of environmental enforcement agencies:*** The current system of environmental compliance and enforcement indicators enables enforcement authorities to monitor their activities but has little value for the decision-making process and public scrutiny. In 2003-2007, work has been done to analyse flaws in performance measurement, develop overall recommendations and identify a number of indicators that could better reflect the work methods and impact of environmental inspectorates. In continuation of this work, a core set of indicators will be developed that would be used to track and benchmark performance across the region.
- ***Analysing the drivers of good environmental performance in enterprises:*** Business circles in EECCA show an increased openness to dialogue on their environmental performance and ways to improve it. Export-oriented branches are particularly active. While this is a sign that the incentive framework for environmental compliance has changed, it is still not clear what the major incentives for improved environmental performance are. Clarifying and quantifying such incentives will help environmental authorities and other stakeholders to fine-tune their compliance assurance strategies. Based on OECD experience, a survey of firms could be conducted in selected EECCA countries. As a result, an analytical report (including comparison with data from OECD countries) and policy recommendations could be produced.

The training activities on environmental inspection, carried out in 2003-2007 by the EAP Task Force Secretariat, will be transferred to specialised organisations in the region, possibly including EECCA RECs.

### PROJECT 2.3. INSTITUTIONS AND FINANCE

- ***Helping environmental ministries to develop their institutional capacity:*** Environmental institutions in most EECCA countries show signs of improvement, but from a low base and at a slow pace. Restructuring is frequent but institutional reforms that would change work methods and motivate integrity and higher performance of staff are often lacking. In order to enable more strategic and performance-oriented institutional development, a tool to assess and monitor institutional capacity and performance will be designed, based on the previously applied rating of environmental policies and institutions. The process of its development will involve a pilot testing in 2-3 EECCA countries with a view to produce institutional capacity development strategies for environmental ministries. This will also provide a more comprehensive and systematic framework for donors to consider how to target technical cooperation activities.
- ***Assisting countries to improve their capacities in mid-term budgetary planning for environmental management:*** Well-justified and costed environmental programmes are crucial for convincing ministries of finance of the need to allocate adequate resources for environment from the national budget. In many EECCA countries, ministries of environment do not have sufficient capacity to prepare realistic programmes, which often results in the lack of budget support and programme failure. In order to achieve greater budgetary predictability for line ministries and more efficient use of public money, ministries of finance in some EECCA countries are moving towards introducing medium-term expenditure frameworks (MTEFs). To better understand EECCA experience with mid-term budgeting, particularly in the environmental sector, a regional review of existing practices would be produced. Guidelines would be prepared on how environmental programmes should be developed so that they could be integrated into MTEFs and subsequent annual public budgets. The good practices identified in the guidelines could be tested through demonstration projects in one-two countries.

The training activities on environmental project appraisal, carried out in 2003-2007 by the EAP Task Force Secretariat, will be transferred to specialised organisations in the region.