

**CENTRE FOR CO-OPERATION WITH NON-MEMBERS
ENVIRONMENT DIRECTORATE**

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

DRAFT PROGRAMME OF WORK AND BUDGET OF THE EAP TASK FORCE

JOINT MEETING OF THE EAP TASK FORCE AND THE PROJECT PREPARATION COMMITTEE

October 6-7, 2003, Paris

Agenda items 4 and 5 (i).

*ACTION REQUIRED: Delegates are invited to discuss and endorse the proposed programme of work:
(i) to support the achievement of specific EECCA Environment Strategy objectives; and
(ii) to facilitate the achievement of EECCA Environment Strategy objectives overall.*

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PROPOSED PROGRAMME OF WORK AND BUDGET OF THE EAP TASK FORCE

1. This document presents an overview of the draft programme of work and budget for the EAP Task Force. A more detailed schedule of activities will be elaborated when the date of the next “Environment for Europe” Ministerial meeting is agreed, as this will also determine the mandate period of the Task Force. More detailed project descriptions and budget estimates are presented in an Annex to this document. A separate document has been prepared discussing future cooperation between the EAP Task Force and the Project Preparation Committee (PPC).

2. At the Kiev Ministerial meeting in May 2003, it was decided that the Task Force’s central and eastern European sub-programme should terminate in 2004. Thus the new programme focuses exclusively on countries of Eastern Europe, Caucasus and Central Asia (EECCA). The framework for activities is largely determined by the EECCA Environment Partnership Strategy that was adopted by Ministers at Kiev.

3. In adopting the EECCA Strategy in Kiev, Ministers asked the Task Force to carry out two distinct tasks:

1. to provide substantive support to assist EECCA countries to achieve specific objectives of the Strategy in areas where the Task Force had developed expertise; namely, water supply and sanitation, finance and environmental policy reform. (See Section A)
2. to lead efforts to facilitate and support the achievement of the objectives of the Strategy overall. (See Section B)

4. These tasks will provide the substantive focus for EAP Task Force work in the coming period. A third area of work – Task Force Management and Support – will underpin these activities.

Programme Orientation

(i) Supporting Specific EECCA Strategy Objectives

5. Task Force support for specific EECCA Strategy objectives will be concentrated in the three areas in which the Task Force has carried out work since 2000:

- water supply and sanitation (part of objective 2)
- public environmental finance (objective 5)
- effective and efficient environmental policies (objective 1)

6. Seventeen major, policy-relevant reports from these areas of work were made available at the Kiev Conference (see Reforming Environmental Policies and Institutions in Eastern Europe, Caucasus and Central Asia: Highlights of the Main Activities Implemented by the EAP Task Force, 2000-2003). These build on an even larger number of technical studies and reports as well as about 40 in-country demonstration projects. The results from the previous phase of work have yielded a rich mix of analysis, recommendations, practical tools and experience. The next phase of work will seek to consolidate and extend these results.

7. The working methods developed in the previous phase of work will continue to be applied:

- Analysing and exchanging experience on selected issues
- Elaborating guidelines, good practices and practical tools adapted to EECCA circumstances, but drawing on experience from OECD and transition economies
- Promoting policy dialogue and cooperation with other policy sectors (e.g. finance), local government and the non-governmental sector
- Developing approaches for strengthening project identification and preparation, *inter alia* through cooperation with PPC
- Supporting in-country (non-investment) demonstration projects, in cooperation with donors
- Helping to “broker” relations between donor and beneficiary countries, so as to help target scarce resources in projects that will achieve lasting outcomes

8. In particular, emphasis will be placed on: disseminating and supporting the implementation of tools and guidance developed in the previous phase of work; intensifying work with donors to implement demonstration projects so as to achieve practical results “on the ground”; and selectively extending some activities into new areas.

9. All of the proposed projects have been discussed and supported by participants in one of the three EECCA country networks that guide activities in the three main programme areas. The role of these networks will be reinforced to ensure the relevance of activities and ownership by EECCA countries.

(ii) Facilitating the Achievement of the EECCA Environment Strategy Objectives

10. This is a new, complex area of work that involves many different actors. The Task Force’s role is limited: “facilitation” and “support” are the key words. It is likely that much discussion will be needed to reach agreement on the specific tasks that the Task Force should carry out, in cooperation with the various partners: the EECCA countries, donors, international organisations, RECs, NGOs, private sector. A Ministerial meeting to be held in 2004, as directed by Ministers at Kiev, will provide an important opportunity to review progress and provide further impetus to efforts to achieve the Strategy’s objectives.

11. The overall objective for this area of work in the coming years will be to successfully launch a process to support EECCA countries, with the assistance of their partners, to achieve the Strategy’s objectives, and to establish a firm basis for presenting concrete results to the next “Environment for Europe” process. The full engagement and commitment of EECCA countries and their partners will be essential to achieve the desired results.

12. Achieving the objectives of the EECCA Environment Strategy will not be easy or quick: considerable efforts will be needed by EECCA countries and their partners well beyond the next Environment for Europe Ministerial meeting. Moreover, in view of the diverse conditions within the region, national policy objectives that are established, and progress in achieving them, are likely to vary considerably. In the coming period, some of the contextual factors that will help shape the direction, pace and content of these efforts include:

- The improved economic performance of many EECCA countries, albeit from a low level of economic activity following the sharp economic contraction for much of the 1990s
- Weak institutional capacities, particularly in Environment ministries
- Slow progress in democratisation and decentralisation, and even reversal of progress, in some EECCA countries
- Limited progress in introducing market-based reforms, including the polluter-pays and user-pays principles

- Opportunities for strengthened cooperation with the EU when some EECCA countries become new neighbours after 2004, though these opportunities generally will be substantially less than for accession and for south-east European countries
- Opportunities for strengthened cooperation between donors and EECCA countries within the framework of efforts to achieve the Millennium Development Goals and the Johannesburg Plan of Implementation
- The importance of integrating environment into efforts to enhance security in parts of the EECCA region

Resources

13. Financing the EAP Task Force work programme in the period 2000-03 presented opportunities and challenges. On the one hand, donor support for “core activities” nearly doubled in this period. In addition, several donors were prepared to implement projects within their own bilateral cooperation programmes with EECCA countries in ways that helped to achieve EAP Task Force programme objectives. This increase in the level and nature of support helped substantially increase the impact of the Task Force’s work programme. On the other hand, uncertainties about the level and timing of funding created an on-going cash-flow problem that impeded efforts to recruit and retain staff, and to implement the Task Force work programme efficiently.

14. In recent years, support for the Task Force’s main activities amounted to about €2m per year. In view of the priority attached to the EECCA Environment Strategy, it is hoped that a similar level could be maintained or even increased in the years ahead. The tasks associated with facilitating support for the EECCA Environment Strategy would require an additional €300K per year. So maintaining a similar level of effort as before, and taking on the additional tasks agreed in Kiev, would require a budget of about €2.3m.

15. The secretariat continues to clarify the likely levels of donor support for the coming years. Most donors have done their best to provide some indications of likely levels of support, and several have been able to increase their level of support. However, other donors have seen their budgets cut and this has led to reductions in their likely support for Task Force activities. This is particularly the case for Denmark which was the largest Task Force donor in the previous period, accounting for 22% of support for core activities, as well as substantial support for demonstration projects implemented through Danish bilateral cooperation.

16. To address this situation, the secretariat has been negotiating with EC/TACIS to secure support for Task Force activities on a regular basis. Negotiations are in the final stages, hopefully, for a grant of €1.5m for a 15 month period. If this could be concluded for 2003-4, and a similar level of support provided in future years, it would provide much-needed stability and help to maintain a high-level of Task Force activity.

17. Detailed budgetary estimates are being finalised and will be distributed at the forthcoming Joint EAP Task Force-PPC meeting.

A. SUPPORT FOR ACHIEVING SPECIFIC EECCA ENVIRONMENT STRATEGY OBJECTIVES

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. Participants at Almaty recognised that the state of water and sanitation systems in EECCA countries was critical and deteriorating. A report monitoring the situation since the Almaty Conference was prepared for the Kiev conference (see CCNM/ENV/EAP(2003)15).

In Almaty, Ministers called for a Conference of stakeholders to be held no later than 2005 to assess "progress in stopping and reversing the deterioration in the urban water services in the NIS". In Kiev, Ministers “looked forward” to this Conference.

Since Almaty there have been several further developments that have focussed attention on the water and sanitation sectors in EECCA countries:

- 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
- The decision of UNCSD to have water and sanitation as priority issues for 2004-05

Thus the major challenges for work in this area will be to build on existing work, ensure that it provides value-added, and develop synergies with related activities while avoiding any duplication of effort. A first step will be taken to integrate rural water issues into the work to enhance its relevance in regard to achieving the Millennium Development Goals. Work on financial reform and its social implications will be more closely integrated.

The work in this programme area would be 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.

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

This activity would aim to provide a firm empirical basis to support urban water sector reform and to monitor progress in this regard. It would be a crucial element in

preparing for the stakeholder conference in 2005; for supporting the development and implementation of the EECCA Environment Strategy component dealing with water supply and sanitation and related partnerships; and for monitoring progress in achieving the goals for water supply and sanitation agreed at the World Summit on Sustainable Development. Activities would include:

- *Collecting water utilities performance data.* Building on current activities: (a) maintain the existing data collection and analysis capacity in Russia, Ukraine and Moldova; (b) expand data collection work geographically to Caucasus and Central Asia, and include additional information on water quality, environment and health; (c) integrate utility performance data collection into the international Water Benchmarking Task Force set-up by the World Bank.
- *Assessing the challenge of achieving the water-related MDGs in the rural sector.* This will be build on work carried out by EECCA countries as well as the World Bank, EBRD and major donors active in the region. The aim will be to develop policy recommendations by the time of the 2005 Conference
- *Assessing progress in institutional reform.* This will be done by survey and/or in-depth country reviews. This information would help interpret performance data and help identify policy recommendations on overcoming key policy and institutional reforms in the sector.

PROJECT 1.2 LEGAL AND INSTITUTIONAL REFORMS

- *Guidelines for Performance-Based Contracts.* This project would seek to review existing experience with contractual relationships between utilities and municipalities in the EECCA region and assess it against international benchmarks. The project will build and complement work that is being carried out on utility performance data. A report will be prepared providing practical guidance to utilities and municipalities in EECCA wishing to establish a sound contractual basis to their working relationship.
- *Assessing opportunities for, and obstacles to, private sector participation.* Emphasis would be placed on establishing an objective assessment of experience in this area where positions are often very polarised. Particular attention will be paid to regulatory issues in natural monopoly sectors, such as information asymmetry, competition, and social protection. The role of donor programmes in facilitating private sector participation in the urban water sector will also be examined. A structured dialogue with private sector operators active in the region has been launched together with the World Bank and will be continued.
- *Reforming Water-Related Standards.* Emphasis would be placed on identifying the economic implications of the current standards system in one or two EECCA countries. The extra cost burden generated by excessively stringent water related standards will be assessed and the possible steps that could be taken to reform them identified. Work on this project would be carried out in close co-operation with the PPC, the World Bank and EBRD.

PROJECT 1.3. PROMOTING FINANCIAL REFORM AND MANAGING THEIR SOCIAL IMPACTS

- *promoting financial reforms in utilities.* This project would seek to link capital investment planning in utilities with investment planning at the municipal

level. It would build on the Guide on tariff reform and the tool for municipal multi-year investment planning developed in the current phase of work tool (see Project 2.5). An investment planning tool would be prepared, adapted to the situation of utilities in EECCA countries. It would address issues such as asset evaluation and accounting as well as investment planning.

- *Assessing the social impacts of financial reform in the water sector.* Building on the work carried out in the framework of environmental financing strategies, and on previous EAP Task Force work on the social aspects of urban water sector reform, the project would assess how specific water sector reforms might impact on the poor sections of the population and how these impacts could best be reduced. The aim will be to help EECCA countries which are reforming their water sectors to plan the reforms in a way that ensures that the poor can maintain or improve their access to safe water.

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 long-term environmental investments.

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”.

As the background documentation for the Kiev conference showed, EECCA countries have made uneven progress in mobilizing sustainable and efficient financing in support of environmental policies. Beyond the environmental sector, however, some countries have been successful in strengthening the fiscal position of their public sectors. In some cases, the commercial financial sector has increased its ability to provide longer-term finance for infrastructure investments. These developments provide new opportunities that did not exist four years ago.

In the period 1999-2003, the EAP Task Force developed a number of financial management tools for elaborating realistic and financially viable public expenditure programs in the environmental sector. The post-Kiev work programme will promote their wider application, broaden their scope and place greater emphasis on their implementation.

The EECCA Environmental Finance Network will continue to be an important vehicle for guiding the work program. The tradition of joint meetings and activities involving 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**

Poor quality expenditure data hampers effective environmental policy decisions in EECCA countries as well as efforts to develop more realistic finance strategies for water supply and sanitation services. In 2002-2003, with the assistance of the OECD EAP Task Force, most EECCA countries (except Belarus and Tajikistan) have collected data on environmental and water expenditure for the first time according to internationally-recognized standards. This exercise revealed important methodological, accounting and definitional problems in several countries that make interpretation, the development of time series and cross-country comparison difficult. Several EECCA countries, therefore, have requested assistance to review and redesign their environmental and water expenditure data collection systems using Eurostat/OECD standards and definitions as a benchmark. A Task Force project in Georgia that helped

to re-establish an environmental expenditure data collection system will provide useful guidance in this respect.

This project includes the following activities:

- Country-specific demonstration projects in Ukraine, Kyrgyz Republic, Kazakhstan, Russian Federation to review the present environmental expenditure data collection systems and to help redesign them in line with Eurostat/OECD methodology.
- The country-specific activities will help extend the 1996-2001 environmental financing trends report to 2004 and aim to cover all EECCA countries, including verified data from the case-study countries.

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

In previous work, a computer-based model – FEASIBLE - was developed and applied in several EECCA countries to prepare realistic finance strategies. 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.

The following activities will be carried out in 2003-2006:

- Integrating a rural water supply and sanitation component into a FEASIBLE 2 model. This will help to identify options for reaching the Millennium Development Goals related to water supply and sanitation in EECCA countries and provide input to the EECCA component of the EU Water Initiative.
- The municipal solid waste module will be tested in more regions and countries. A report will be prepared containing guidance on investment and financial planning for municipal waste management in EECCA countries.
- In order to complete the FEASIBLE as the tool for integrated financial planning for public environmental and water infrastructure, a district heating module will be developed and integrated into the model. This will involve collecting data on district heating technologies and deriving cost functions for them; developing software; writing additional chapters for the users manual; and testing the district heating module in country-specific applications.
- Work to support implementation of financing strategies will be carried out through a series of country-specific projects aimed at integrating financing strategies with the budget process and with public investment programs. In addition, projects will be implemented using FEASIBLE to develop financing strategies integrated across the major publicly-supported environmentally-related sectors (solid waste, water, wastewater, rural water and sanitation, district heating).
- Local EECCA experts and policy makers (at regional and national level) will be trained in investment and financial planning of infrastructure development programs using FEASIBLE approach.

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 them as a tool to strengthen environmental expenditure programmes. A second tool that provides additional guidance in this area is in the final stage of development; namely the “*Handbook for Appraisal of Environmental Projects Financed from Public Funds*”. Using the principles contained in these guidance documents, the performance of a number of environmental financing institutions in EECCA has been assessed (Moldova, Kazakhstan, Ukraine, Russia).

Responding to demands from EECCA countries, the following activities are envisaged for 2003-2006.

- Demonstration projects to reform and strengthen selected public environmental financing institutions in EECCA countries. This activity will aim to support the institutions concerned to implement sustainable reforms and to increase the efficiency of public financing of environmental investments.
- Training of environmental expenditure programme managers using the “Handbook for Appraisal of Environmental projects Financed from Public Funds”.
- Conducting national multi-stakeholder roundtables on the performance of local public environmental expenditure programmes, involving, inter alia, local NGOs and experts. The aim will be to help launch self-sustaining processes focussed on enhancing the transparency and accountability of public environmental financial institutions in EECCA so as to create incentives for improved performance.

PROJECT 2.4. FACILITATING ACCESS OF ENVIRONMENTAL PROJECTS TO LOCAL CAPITAL AND FINANCIAL MARKETS

Since 1998, some EECCA countries have made significant progress in strengthening their banking sectors. The credit rating of several municipalities has also improved. Credit and bond markets are beginning to offer new opportunities for substantial debt financing of environmental projects.

The activities proposed for 2003-2006 aim at harnessing these new opportunities in EECCA and will include:

- Analysis of opportunities for mobilising local capital and financial markets to support water and environmental infrastructure investments in EECCA countries.
- Demonstration projects that will provide practical assistance for creating local markets for environmentally-related financial products.
- Capacity building to support the development of environmentally-related financial products by the public sector

PROJECT 2.5. STRENGTHENING LOCAL GOVERNMENTS' CAPACITY TO INVEST IN ENVIRONMENTALLY RELATED INFRASTRUCTURE

EAP Task Force projects in Ekaterinburg (Russia) and Lutsk (Ukraine) have demonstrated the value of multi-year investment plans (MYIPs) for municipal infrastructure. Such plans could enhance the effectiveness of expenditures and the creditworthiness of municipalities by more rational and long term management of local capital and operational budgets. The lessons learned from these demonstration projects have led to the development of a toolkit for multi-year investment planning in municipalities, which consists of guidelines, instructions, software applications,

templates of documents and administrative procedures.

- Dissemination of MYIP tools and know-how in Russia and Ukraine, using national associations of municipalities and local consulting institutes.
- Training of EECCA Local Government Experts from Russia and Ukraine in developing MYIPs
- Demonstration projects to develop MYIP in Central Asia (Kazakhstan) and possibly for mono-functional cities in Ukraine/Russia. (In Kazakhstan, local governments enjoy a significant level of autonomy, and bear important responsibilities, for providing local infrastructure services, including water and environmental infrastructure.)

PROJECT 2.6. FACILITATING POLICY DIALOGUE ON OPPORTUNITIES AND RISKS OF DEBT FOR ENVIRONMENTAL SWAPS

An EAP Task Force project assisted the Government of Georgia (Ministries of Environment and Finance) to evaluate opportunities and institutional options for swapping a portion of sovereign external debts 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.”

Proposed activities include:

- Follow-up advice to the Georgian Ministry of Environment and Ministry of Finance in designing a debt for environment swap and discussing with potential creditors.
- Pre-feasibility analysis and institutional support for preparing a debt for environment swap in the Kyrgyz Republic. This activity will provide impartial, critical assessment of opportunities and threats of swapping external debt for environmental purposes in the Kyrgyz Republic.

PROGRAMME AREA 3: PROMOTING EFFECTIVE AND EFFICIENT ENVIRONMENTAL POLICIES

Objective: To assist EECCA countries to implement environmentally effective, economically efficient environmental policies.

Background: At the “Environment for Europe” Conference in Kiev in May 2003, Environment Ministers asked the EAP Task Force to continue its work to promote environmental policy reform within the framework of the EECCA Environment Strategy. Work in this Programme area will support the implementation of Strategy’s Objective No 1 “Improving Environmental Legislation, Policies, and Institutional Framework”.

As the background documentation for the EECCA Strategy showed, EECCA countries have taken some important steps to reform their environmental policies, laws and regulations and strengthen compliance. However, much still remains to be done to maximize the environmental benefits of environmental policies, tools and institutions. The post-Kiev work programme of the EAP Task Force aims to support EECCA government in achieving these goals.

Most EECCA countries have indicated that they will use EU environmental Directives as a reference for reform of their environmental policies, and future work within the EAP Task Force will need to reflect this development. The immediate goal is not full approximation with the *acquis communautaire*, but rather a process of convergence; that is, a process that uses the principles, procedures and other key features of EU environmental Directives as references for reviewing and reforming environmental policies and practices in EECCA countries.

The new Programme will build on activities previously carried out within the EAP Task Force, notably on: the reform of environmental policy instruments; the development of policy packages; and strengthening environmental enforcement policies and institutions. Activities will focus mainly on environmental issues related to enterprises and thereby will complement other areas of the EAP Task Force work programme which target publicly-supported infrastructure.

While each country will have its own needs and priorities, the EECCA will benefit from exchanging experiences and developing good practices in a collective "learning by doing" process. The NIS Network on Environmental Enforcement and Compliance (NISCEN) provides an established network for these activities and its focus will be broadened to cover a wider range of environmental policy issues. The Network will hold annual meetings to discuss and agree on the work programme and monitor its implementation. Since the Network will be open to the participation of officials and experts from OECD and CEE countries it will facilitate better targeted and coordinated donor assistance to EECCA countries. Representatives of the public and industry will be invited to the Network meetings as observers and will be engaged in relevant activities.

The work programme implementation will involve as much as possible institutions from the EECCA region, in particular NRECs, 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, including UN/ECE work on Environmental Performance Reviews and Environmental Monitoring.

Activities:

PROJECT 3.1. STRENGTHENING ENVIRONMENTAL POLICY INSTRUMENTS

The objectives of this work will be to assist environmental regulatory agencies in EECCA to strengthen two key elements of the environmental policy framework: environmental permitting and standards. The work on permitting will help to streamline and integrate environmental permitting procedures for large and small and medium size enterprises. Work on environmental standards will examine the linkage of quality standards (for air and water) with emission standards (BAT), and the establishment of appropriate, technology-based performance standards for waste management. This work will build on earlier co-operation between the European Commission, the EAP Task Force and EECCA countries which resulted in a broad roadmap for reform.

In parallel, support for redesigning the pollution charge/tax system will be provided to environmental agencies. This activity would build on reviews of economic instruments conducted within the previous work programme of the EAP Task Force and concentrate on the implementation of demonstration projects. Work would focus on reforming emission and product taxes/charges and aim to strengthen their environmental incentive and/or revenue raising functions.

Donor support for in-country demonstration projects on environmental permitting, standards reform and economic instruments will be required to test and disseminate tools and recommendations in the region.

PROJECT 3.2. STRENGTHENING ENVIRONMENTAL ENFORCEMENT INSTRUMENTS

This work programme item responds to requests from EECCA countries for support to redesign enforcement tools and the way they are applied in order to increase their effectiveness and efficiency. The activities will:

- Analyse the incentive structures related to compliance with environmental requirements that enterprises and government agencies are operating within. This will help to determine how environmental policy instruments could be applied most effectively and efficiently. Ways in which environmental enforcement can be made more financially viable, while safeguarding independence, will also be examined. This work will be followed by projects in individual EECCA countries on the design of more effective and financially viable enforcement programmes.
- Assist environmental enforcement agencies to promote better compliance through use of information-based instruments. The activities will examine

information disclosure and performance rating schemes from a compliance promotion perspective. 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. These activities will be supported by in-country demonstration activities for which donor assistance will be sought.

- Assist EECCA countries in redesigning requirements and regulations for setting up effective and efficient self-monitoring systems for enterprises. Work will be based on international experience (especially from the INECE and EU Impel networks) and concrete experience gained through demonstration projects in selected EECCA countries. 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 would support the implementation of the "Guiding Principles for Environmental Enforcement Authorities in Transition Economies of EECCA". At the Kiev Conference, Ministers welcomed the Guiding Principles and invited "the environmental enforcement authorities in [EECCA countries] to implement the Guiding Principles and donor countries to help them to do so."

Using the Guiding Principles as a framework, a peer review process will be established involving enforcement agencies in EECCA countries to support improvements in their working methods and organisational structures, and to strengthen their dialogue with other stakeholders. Activities to develop indicators for assessing the performance of environmental enforcement and for providing information for policy purposes will be carried out. This will be implemented in co-operation with other enforcement networks to draw from, and contribute to, international efforts to harmonise enforcement/compliance and response indicators.

In addition, on the basis of training and methodological material developed previously by the EAP Task Force, training sessions for management and staff of environmental inspectorates will be carried out in co-operation with the World Bank Institute and the NRECs. Further efforts will focus on working with the institutions and training centres in EECCA to create self-sustaining mechanisms for capacity building of EECCA agencies and enforcers.

B. FACILITATING ACHIEVEMENT OF EECCA ENVIRONMENT STRATEGY OBJECTIVES OVERALL

When Ministers adopted the EECCA Environment Strategy in Kiev, they provided guidance in both the Ministerial Declaration and the Strategy document itself. The main elements of this guidance may be summarised as follows:

- EECCA countries have the main responsibility for achieving the Strategy's objectives. Activities will need to take account of the diversity of EECCA countries' situations and the need for sub-regional cooperation to address shared environmental problems
- Achieving the objectives of the Strategy will require strengthened cooperation between EECCA countries and their partners. The Strategy provides a basis for strengthening partnerships.
- The EAP Task Force should "lead efforts to facilitate and support ... the achievement of the objectives of " the Strategy
- The EAP Task Force should work with other relevant international bodies. International organisations are invited to provide assistance and support to EECCA countries, in accordance with their mandates. Ministers identified roles that specific organisations might play
- The EAP Task Force was also asked to cooperate with the Regional Environment Centres, both EECCA RECs and the REC for CEE
- NGO, the private sector and other major groups should be invited to take part in the EAP Task Force's activities
- Ministers identified a wide range of activities that would be needed to achieve the goals of the Strategy and they specifically called for a Ministerial meeting to be organised in 2004 to review progress and provide additional support for achieving the Strategy's objectives.

It is clear from the Ministerial guidance that, with regard to the EECCA Strategy overall, the EAP Task Force's role is primarily to facilitate and support the efforts of various partners to achieve the Strategy's objectives. The main responsibility for achieving the Strategy's objectives lies with EECCA countries, though Ministers recognised that this would require strengthened cooperation with bilateral and multilateral partners as well as the non-governmental sector. The EAP Task Force was particularly enjoined to cooperate with other relevant international bodies and organisations. These bodies and organisations – including the EAP Task Force itself – should carry out activities to support the achievement of the Strategy's seven objectives, in accordance with their mandates.

Some possible activities that the EAP Task Force could carry out in support of the EECCA Environment Strategy are described below.

1. Provide a platform for EECCA countries to present progress and challenges in achieving the Strategy's objectives

As was frequently pointed out during the development of the Strategy, most EECCA countries have developed and are implementing their own national environmental strategies. There are also a wide variety of country studies prepared by international bodies in cooperation with EECCA countries that prioritise actions; for example, the World Bank's Poverty Reduction Strategy Papers and the UNECE's Environmental Performance Reviews. The Task Force could ensure that information on these national and international studies was consolidated in a data base and was readily available for partners interested to strengthen environmental cooperation with EECCA countries.

During preparation of the Strategy, EECCA Ministers established a Steering Group to ensure EECCA country ownership during its elaboration. Some have argued that the mandate of the Steering Group should be extended to support implementation of the Strategy. Such a body could continue to emphasize

ownership, maintain an overview of progress in achieving the Strategy's goals and review national actions. Others argue that such functions could be carried out by the EAP Task Force itself as well through networks and meetings established by international bodies in support of the Strategy.

2. Facilitate further priority-setting and proactively promote partnerships

The EECCA Environment Strategy covers a wide range of areas. The EAP Task Force could help to facilitate priority-setting within and among the seven objectives. Clearly this would need to be driven by EECCA countries and to involve international institutions and other stakeholders. The Ministerial meeting to be organised in 2004 presents an opportunity to invite Ministers to refine further the priorities identified in the Strategy. The Ministerial meeting planned for 2005 within the EAP Task Force framework as a follow up to the Ministerial meeting in Almaty on water supply and sanitation provides another opportunity to seek ministerial guidance in this area.

In priority areas, successful partnership models (eg types of demonstration models, technical cooperation, capacity building etc.) could be identified and donors encouraged to concentrate their support in those areas.

Another approach to promoting partnership might involve some form of "twinning" arrangement between environmental authorities in EECCA and donor countries.

3. Maintain a data base on partnerships

Since one of the main objectives of the Strategy is to facilitate partnerships, it will be important to report to Ministers on the number and types of partnerships that were developed. Since this initiative is also a Type 2 initiative under the Johannesburg Plan of Implementation, a common reporting format could be developed for this purpose.

4. Assessing EECCA country progress in achieving the objectives of the Strategy

The success of Strategy implementation ultimately will be measured by the progress made by EECCA countries in achieving its objectives. A considerable amount of information and data related to EECCA Environment Strategy objectives were generated for the Kiev conference, in a largely uncoordinated way. This information could be used to establish a baseline against which future progress in achieving the various objectives could be assessed. The EAP Task Force could cooperate with other international bodies to prepare a framework, based of information provided by EECCA countries, for assessing EECCA country progress in achieving the Strategy's objectives. A baseline could be developed, organised around a limited number of the most important indicators for achieving the various objectives. Such a baseline could be presented for endorsement at the 2004 Ministerial conference and an assessment report presented to the next "Environment for Europe" Ministerial meeting (see the document discussing the organisation of the "Kiev + 1" Ministerial meeting). This activity would need to be linked to work tha the UNECE's Committee on Environmental Policy will carry out to monitor the outcomes of the Kiev Declaration, as directed by Ministers.

5. Promote cooperation among international bodies

The Strategy document adopted by Ministers at Kiev identifies in a preliminary fashion different international organisations to support different elements of the Strategy. There are a number of actions that could be taken within the EAP Task Force framework to provide these organisations with information that they need in order to make inter-agency cooperation as efficient and transparent as possible:

- Maintain an updated list of the organisations playing a facilitation/cooperation role for each objective
- Make available a list of contact points for each of the facilitating/cooperating institutions under each objective
- Promote a proactive dissemination of activities.

More generally, the EAP Task Force could help to clarify the role that different organisations could play in supporting the Strategy. For example, Ministers indicated that there should be a “close link” between the Strategy and the UNECE’s Environmental Performance Review Programme. Ministers also counted on “close cooperation” with the UNDP country offices.

6. Establish an effective framework for communication among partners

Implementation of the Strategy will involve a wide variety of activities by a wide variety of partners. Effective communication in both English and Russian will be essential to underpin these actions and to facilitate cooperation. The EAP Task Force could establish a web-based framework to facilitate this communication. Task Force members would need to provide inputs to the web-site to keep it up to date and useful for all potential members.

C. TASK FORCE MANAGEMENT AND SUPPORT

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

- Organisation of EAP Task Force and Bureau meetings, including the overall administration and financial management of the work programme and budget
- Organisation of other major meetings, including Kiev + 1 and Almaty + 5
- Communications, electronic and paper

ANNEX 1. DETAILED PROJECT DESCRIPTIONS

Programme Area 1. Urban Water Sector Reform

PROJECT 1.1: MONITORING WATER SECTOR REFORMS IN EECCA

TASK 1.1.1: SECRETARIAT FUNCTION FOR THE GROUP OF SENIOR OFFICIALS FOR URBAN WATER REFORMS IN EECCA

Objectives:

The objective of this project is to continue annual meetings of the Group of Senior Officials for EECCA Water Sector Reforms and the associated advisory function and decision functions, and to extend these to cover other WSS related activities taking place under the EU water initiative's umbrella.

Background:

The Group of Senior Officials for Urban Water Reforms in EECCA was established following the Almaty consultants and met twice since its first meeting in September 2001. The groups mandate is to provide guidance to EAP Task Force work on the urban water sector. In the framework of the EU Water Initiative it is envisaged that the group would be playing a key role in managing the initiative's activities on urban and rural WSS.

Activities:

Annual meetings of the Group of Senior Officials to be held in the EECCA region, bringing together senior officials and experts from EECCA Ministries of Environment, Public Works and Housing, as well as donors, IFIs and representatives of the private sector and NGOs. The group reviews and discusses reports and project proposals emanating from the EAP Task Force water programme and disseminates TF outputs in EECCA. The group also guides the work on water supply and sanitation undertaken in the framework of the EU Water Initiative.

Outputs:

- Meeting reports

Outcomes:

It is expected that the project would generate additional commitment to sector reforms in EECCA, as well as ensuring that EAP Task Force and EU Water Initiative activities are relevant and effective.

TASK 1.1.2: MONITORING INSTITUTIONAL AND REGULATORY REFORM

Objectives:

The objective of this project is to collect and assess information on legal and institutional reforms in the EECCA water supply and sanitation sector in at least 6 out of 12 EECCA countries and to present it in a report. The project would use information from other parts of the water and of the finance programme where this is appropriate.

Background:

Institutional and legal reforms in the EECCA urban water sector are under way in most countries of the region. For instance, many countries have adopted policy statements that require water tariffs to cover the full cost of operating and maintaining urban water systems within the next couple of years. Yet, while there are some common policy features, many reforms are specific to each country. The EAP Task Force has a mandate to monitor progress with the implementation of the Almaty Guiding Principles on Urban Water Sector Reform in EECCA, and hence needs to remain up to date with the latest developments in sector reform.

Activities:

- Develop a data collection framework that identifies all major reform areas that would need to be surveyed, as well as the types of information that would need to be collected.
- Hire in-country consultants to collect the data, and consult with individual GSO members about the accuracy of the data.
- Drafting of the assessment report, and presentation to the GSO.

Outputs:

- Questionnaire
- Country reports
- Consolidated report for all surveyed countries
- Presentation of the consolidated report in the GSO

Outcomes:

The report would help to generate a common understanding of the main thrust of institutional and legal reforms in EECCA, as well as recommendations on how to move further towards fulfilling the recommendations contained in the Almaty Guiding Principles.

PROJECT 1.1.3: RURAL WATER SUPPLY AND SANITATION IN EECCA

Objectives:

The objectives of this project are threefold:

- To produce a detailed diagnosis of the situation of the rural water supply and sanitation in the EECCA region, based upon a literature survey and a few case studies.
- To assess the challenge of achieving the Millennium Development Goals for water and sanitation in these areas.
- To provide some policy recommendations that would help countries to address the critical problems of the rural water sector, and to develop project ideas to address the main issues and that could be implemented through by donors and the EAP Task Force.

The work would be carried out in close co-operation with the World Bank, UK DIFID and any other donors with relevant experience in the rural WSS sector of EECCA. The report would feed directly into the Almaty follow-up conference, which is planned for 2005 and where progress with the implementation of the Almaty Guiding Principles on Urban Water Sector Reform in EECCA will be discussed.

Background:

The needs for improved water supply and sanitation services in rural areas in EECCA are enormous but there has been little expansion and the overall situation in these countries has continuously deteriorated in the last years, with many rural inhabitants losing access to water services. Currently, public resources to support the sector are not sufficient even to stop the decline of services. Relatively little, however, is known about the details of EECCA's rural water supply and sanitation sector, even though some information seems to be available but scattered through the literature.

Activities:

The project would be developed through the following activities:

1. Analysis

Analyse the status of the rural water and sanitation sector in EECCA, identifying the state of the infrastructure currently in place, the regulatory and legal frameworks and assess the challenge of achieving the Millennium Development Goals in EECCA countries.

2. Development of project ideas

This will include:

- Case studies from selected rural communities in EECCA countries (possibly from World Bank, DIFID or other donor projects in Moldova, Georgia, Kyrgyzstan or Armenia)
- Two expert meetings, with 5-10 experts, would be organised to review the country case studies.
- Demonstration projects to develop assistance methodology for the rural sector. This methodology will need to be developed on the basis of the analysis. Once developed, it will be implemented into two rural areas located in different EECCA countries, in order to further test and improve its applicability in different contexts.

Outputs:

- Report providing a diagnosis of the rural water sector in EECCA
- Case studies for two countries
- One demonstration project/tool

Outcomes:

The report would help having a better understanding of the main issues in the rural water and sanitation sector in the EECCA, as well as recommendations on how to move forward in the rural areas.

Work on the demonstration project would help build capacity and to improve the quality of financial planning in rural areas by introducing a transparent and well-recognised planning methodology.

TASK 1.1.4: UTILITY PERFORMANCE INDICATORS AND BENCHMARKING

Objectives:

The objective of this project is to overcome this lack of utility performance information, through the establishment of capacity for the collection and analysis of benchmarking and performance data; the constitution of a data base with utility performance information; first steps in institutionalising the regular collection of this data.

Background:

Access to comparative information is considered essential to utilities' development by providing utilities themselves and stakeholders (and also international donors) with the information they need to fulfil their roles. Currently, water utilities in EECCA do not have standardised data collection systems and standard indicators. Officials in central government and at the local level therefore lack an essential decision making tool.

Activities:

The project would consist in the extension of previous efforts to collect performance data and training of utility and municipal staff, to include a larger number of EECCA countries, i.e., projects in:

- Armenia, 20 utilities
- Azerbaijan, 20 utilities
- Georgia, 20 utilities,
- Kazakhstan, 40 utilities,
- Kyrgyzstan, 20 utilities,
- Tajikistan, 20 utilities.

Also, data-bases from previous performance indicator projects would be updated, i.e., those from the Russian Federation, Ukraine and Moldova.

Outputs:

- Country reports
- Consolidated report for all surveyed countries
- Presentation of the consolidated report in the GSO

Outcomes:

The project would benefit:

- Utility managers and employees with means of identifying areas for improvement, adopting realistic targets and convincing authorities of the need for change; indicators would also assist in the development of realistic investments plans and in project design and preparation;
- Central authorities with means to identify national trends, and investment needs.
- Local planners with tools for tariff setting.
- Consumers with means of assessing the financial and quality performance of their water/wastewater company.
- Potential investors and stakeholders with an indication of performance and potential viability.
- International donors with an identification of priority and feasible areas for intervention, investment support and technical assistance.

PROJECT 1.2 LEGAL AND INSTITUTIONAL REFORMS

TASK 1.2.1: OPPORTUNITIES AND OBSTACLES FOR PRIVATE SECTOR PARTICIPATION

Objectives:

The objective of this project is to continue the dialogue on opportunities and obstacles of private sector participation in the water sector with the private sector, IFIs and donors, to improve the common understanding of issues such as, lack of trust and information asymmetry, the management of social aspects, and regulatory failures.

Background:

Even though there is so far only limited experience with private sector participation in the EECCA urban water sector, this has been a hotly debated topic in the past. Despite past efforts, many of the challenges to improve utility efficiency and effectiveness through PSP remain intact. Under the previous work programme a joint activity with the World Bank to hold annual workshops with private and public sector actors operating in the region has been initiated. Previous workshops have focused on identifying the geographic focus of various actors, the main reasons for failure of PSP, and the ways to increase private sector competition in the water sector.

Activities:

- Hold stakeholder workshops with up to 100 participants in 2004 and 2005, each of them focusing on different PSP issues.
- Prepare one background papers for each of these events to support the debates (i.e., one study on the measures that public authorities and water companies can take to increase transparency in the water sector in order to overcome the lack of trust into the private sector).
- Draft a report drawing together the main conclusions from the workshop series.

Outputs:

- two large workshops
- two papers
- Final report
- Presentation of papers and conference proceedings to the GSO

Outcomes:

Achieve a common understanding of the main obstacles and opportunities for PSP, as well as to the measures that can help to overcome these obstacles between stakeholders.

Improve the quality of the debate on PSP in EECCA countries.

TASK 1.2.2: GUIDELINES FOR PERFORMANCE BASED CONTRACTS

Objectives:

Based on lessons learned from experiences in EECCA as well as OECD countries, the project aims to develop Guidelines for performance-based contracts between urban water utilities and municipalities in EECCA that would assist them in clarifying their institutional relationship and in achieving their service and management target level cost-effectively. Although elements of performance-based contracts must reflect specificities of each local condition, the proposed Guidelines aim to serve as a general reference for parties that consider developing such a contract.

Background

The establishment of water utilities as autonomous, commercially-run utilities was one of the key reform objectives in the Almaty Guiding Principles (October 2000). The absence of a clear definition of the roles of water utilities and those of the municipalities currently hampers an independent management of water utilities. Also the absence of monitorable service and management targets limits the ability of the utility to maintain adequate and efficient service.

Activities

The project would be developed through the following activities:

1. Case studies from selected cities in EECCA countries

The project would review existing performance-based contracts between urban water utilities and municipalities in selected cities in EECCA (i.e., cities in Russia, Ukraine, Kazakhstan, or Uzbekistan), and assess them against an OECD benchmark (to be provided by Service Public 2000).

2. Drafting of the Guidelines

Based on the findings from the case studies, along with the lessons learned in the OECD countries, the project would develop draft Guidelines that are suitable in the EECCA regional context. The Guidelines would discuss issues including:

- Objectives and types of performance-based contracts
- Legal framework for implementing performance-based contracts in EECCA, including the issue of contract enforcement/conflict resolution mechanisms
- Lessons learned from the EECCA country case studies
- OECD country experiences in performance-based contracts
- Key elements for designing performance-based contracts
- Indicators for successful contracts

3. Expert workshop

An expert workshop, with 5-10 experts, would be organised to review the draft Guidelines.

4. Finalisation of the Guidelines

Upon finalisation, the Guidelines would be presented to the Group of Senior Officials for Water Sector Reforms (GSO) in EECCA.

Output

- Case Studies of Public Private Partnership Contracts in the Russian Federation
- Case studies of performance-based contracts in Ukraine and Kazakhstan (or Uzbekistan)
- Guideline for Performance-Based Contracts in the Urban Water Sector in EECCA

Outcome

It is expected that the Guidelines would serve as a useful reference for urban water utilities and municipalities that consider developing performance-based contracts in their efforts to establish the sector more cost-effective and efficient. The work would be relevant for both privately and publicly operated utilities.

TASK 1.2.3: REFORMING WATER RELATED STANDARDS IN EECCA

Objectives:

The objectives of the project are threefold:

- To identify the key categories of standards to be reformed, as well as the possible process of doing so.
- To identify the potential cost-savings that could be achieved if these standards (construction, drinking water, effluent and ambient quality standards) were to be reformed.
- To initiate first steps in implementing a reform of water standards.

Background

Water related environmental (ambient and effluent) and construction standards in force in EECCA are frequently criticised for being overly stringent and constraining. As a result water utilities find that for technical or economical reasons they cannot comply with many of these standards. At the same time construction standards force utilities to design facilities with important over-capacities, which negatively affect investment and operating costs. Most water utilities in EECCA are therefore out of compliance with key requirements in the standards system. The Russian case helps to illustrate these facts.

Construction standards (*Russian- Stroitelnye normy i pravila, SNiP*) are key in regulating documents for construction and rehabilitation in the former Soviet Union. These standards are the equivalent of construction codes in many western countries. They were developed in the early 1950s, and modified in 1984. Since then, they remain in force in most EECCA countries, with only limited changes that have been applied since the beginning of the 1990's. Water and wastewater utilities are subject to these construction norms at all stages of design, construction and capital rehabilitation. Construction standards are also commonly used to define consumption standards by many utilities. For example, the *SNiP 2.04.02-84 (Water supply: External network and constructions)* directly points out that the average consumption for all urban settlements has to be considered at the level of 230-350 litres per capita a day (lpcd). A similar document *SNiP 2.04.01-85 (Internal water supply and sanitation)* establishes consumption norms at the level of 300-400 lpcd, and the *SNiP 2.04.03-84 (Wastewater: External network and constructions)* requires to build wastewater treatment facilities and networks considering wastewater discharges at the level of 550 lpcd for urban areas and at 150 lpcd for rural areas. These norms are commonly used in EECCA for investment planning purposes, even though they do not reflect actual water consumption, which leads to over-sizing of facilities and excessive costs of building and operating them.

Drinking and Wastewater standards, pose similar problems. Sanitary norms and regulations (SANPINs) contain some 400-500 standards. These include rules for discharge of domestic wastewater and industrial discharge, wastewater treatment facilities and water supply. A multitude of water quality standards (MACs) are set at an unrealistically high level of protection, which are often significantly stricter than similar standards used in OECD countries. Additional and sometimes stricter regional and local norms and standards add further complexity and incompatibility. As a result of this situation most utilities have been granted "temporary permits" (which in fact are quasi permanent) issued through a complicated multi-level administrative system, and some EECCA countries have moved to suspending the application of their water standards all together, creating a regulatory vacuum.

All of this renders the regulatory system extremely uncertain, and acts as a deterrent to potential investors and donors. A reform of these standards would therefore greatly contribute to lay the basis for resumed sector investment and increased donor assistance.

Activities

The activities in this project would be carried out in three distinct phases:

Phase 1: Identify the main steps of the reforms process

The aim of this phase of work would be to identify the priority targets for reform – the 3-4 standards that create the most acute obstacles to efficient investments in the water sector and that should be reformed first. This part of the work would essentially rely on a desk review of the available literature, plus interviews where needed. Analysis will also include players that would need to be involved into the reform process, their historical roles in developing the actual standards, as well as their potential interest in moving or blocking the reform process. In order to achieve this, interviews would be conducted with some of the key actors in the field. Based on this information, recommendations on how to organise a possible reform process would be provided.

Phase 2: Identify potential cost savings from reforming EECCA water-related standards

The objective of this phase of work would be to develop [2-3] case studies that would demonstrate the potential cost savings that could be achieved through the reform of a sample of EECCA standards identified in the first phase of work. The cost saving would be computed by comparison to an OECD benchmark that has proven to deliver reasonable levels of water quality, public health and environmental protection. This may include targets derived from the EU's Water Framework Directive and its daughter Directives, Urban Wastewater Treatment Directive, typical construction guidelines in OECD countries, and/or WHO guidelines on water quality and wastewater discharge. Available epidemiological data (e.g. from WHO) could be used to identify the relative effectiveness of different standards systems with respect to ensuring public health. Work would be carried-out using the FEASIBLE tool which allows for a detailed, computer based costing of different technological solutions in water supply and sanitation. It would include the development of a methodological approach and its implementation. The identification of a cost figure should help to sensitise key actors in government to undertake reform actions in this area in phase 3 of the project.

Phase 3: Initiate the actual reform process

Based on the recommendations in phase 1 and 2, and further consultations with the focus country, a donor financed technical assistance project would be set-up in order to provide the necessary expertise that is needed to develop a new set of standards, and to support some of the costs generated by the reform process.

Work would be carried out in a reform-minded EECCA country where the project could be expected to have a real impact, with a possibility of extending the exercise to one additional country once methodological issues have been clarified. The main stakeholder within the government would be Ministries responsible for Finance and Economics, who are expected to be the main drivers of the project, especially in phase 3, as well as Ministries of Environment, Public Works, Health and authorities from the municipal level.

Outputs

- A report drawing together the results from phases 1 and 2.
- Terms of reference for a technical assistance project to support the actual reforms, including its funding.

Outcomes

Increased political attention to the water standards issue and first steps in concretely addressing the issue.

PROJECT 1.3 PROMOTING FINANCIAL REFORMS AND MANAGING THEIR SOCIAL IMPACTS

TASK 1.3.1: PROMOTING FINANCIAL REFORMS IN UTILITIES

Objectives:

The objective of this project is to improve the quality of financial planning in utilities by introducing transparent, well recognised planning methodology. This would be achieved through the development and implementation of a financial planning tool for water utilities.

It is expected that this will generate the following benefits:

- Support utilities in developing coherent business plans that can be used to raise debt finance
- Improve the ways in which municipalities and utilities work together in planning investment
- Help municipalities and utilities to identify financial transfers from municipal budgets needed for capital investment, operation and maintenance, as well as for social protection purposes.
- Assist municipalities and utilities in calculating present and forecasting future cost recovery tariff levels

Background:

Currently, financial planning in water utilities is insufficiently developed, which considerably weakens utilities and hampers investment. At the same time the EAP Task Force has been developing a financial planning tool for municipalities and implemented it in a few EECCA municipalities. This project would draw upon the experience in the municipal finance project and seek to establish the linkages between the two tools so that municipal and utility financial planning can be operated in a coherent and closely coordinated manner in the future.

Activities:

The project would be carried out through five distinct phases:

1. **Functional plan:** Based upon the assessment of the secretariat and selected experts, a functional plan that identifies the indicators and functions that the tool should be supporting would be developed. A small expert workshop would be used to support this phase of work.
2. **Needs assessment:** A review of existing tools for utility financial planning would be carried out, assessing each of those against the functional plan developed in phase 1. This work would essentially build upon a literature review and selected interviews with authors where this is needed.
3. **Tool development:** The tool would be developed based upon the assessment of development needs from phase 2. A utility in a specific location would serve as a test case and reality check for the development of the tool.
4. **Demonstration projects:** Once the tool has been developed it will be implemented in two to three additional utilities located in different EECCA countries, in order to further test and improve its applicability in different contexts.
5. **Dissemination phase:** The tool would be made widely available to water utilities in EECCA and actively promoted through various EAP Task Force and other channels, including the Group of Senior Officials for Water Sector Reforms (GSO) in EECCA.

Outputs:

- Report describing the tool and corresponding software
- 3-4 case demonstration project reports
- Presentation of the tool in the GSO and other expert forums

Outcomes:

It is expected that the project would generate significant interest in water utilities and municipalities in EECCA, leading to the adoption of the tool in a significant number of utilities. This would support efforts to put utilities on a more sustainable financial basis and to make the urban water sector more efficient and effective.

TASK 1.3.2 ASSESSING THE SOCIAL IMPACTS OF WATER SECTOR REFORM

Objectives:

The objective of this project is to complement Environmental Financing Strategies (EFS), past or future, with a more in depth analysis of the social implications of different reform scenarios, as well as with an assessment of the potential financial implications for public budgets if consumer protection schemes that would effectively protect the poor were to be implemented.

Background:

Environmental Financing Strategies have been carried out in a number of EECCA countries. The result of these is that several different scenarios for sector development, involving different levels of investment, tariffs and external financing, are being proposed. While an assessment of the social implications through an analysis of affordability at the macro-level is being carried out in the EFS, it is not taken to a more detailed, micro-level.

Activities:

The project would be carried out for 2-3 environmental financing strategies, following the Armenian model, and involve relevant national authorities in the process:

- Establishment of a steering group for the project
- Data collection
- Drafting report
- Consultations with the steering group
- Finalising report

Outputs:

- Small country workshops with the project steering group
- Final report

Outcomes:

It is expected that the project would contribute to promote further reforms by identifying more clearly its social implications and providing recommendations on how they could be alleviated.

Programme Area 2: Public Environmental Financing

Detailed project descriptions under this programme area will be distributed at the meeting.

Programme Area 3: Promoting Effective and Efficient Environmental Policies in EECCA

PROJECT 3.1: STRENGTHENING ENVIRONMENTAL POLICY INSTRUMENTS

TASK 3.1.1: STREAMLINING AND INTEGRATING ENVIRONMENTAL PERMITTING

Objective

Assist environmental regulatory agencies in EECCA to streamline and integrate environmental permitting procedures and requirements.

Background

Several EECCA countries have expressed their intention to move progressively toward a single integrated permit system that would replace the current cumbersome and ineffective system of multiple permits for different environmental impacts. The benchmark identified by EECCA countries is the European Union's Integrated Pollution Prevention and Control (IPPC) Directive that regulates large polluters in a range of industrial sectors through procedural and substantive (technique-based) integration of environmental permitting.

A number of activities on the permitting reform in the EECCA region were undertaken by the EAP Task Force in 2001-2003. They included several regional workshops specifically devoted to permitting; translation and dissemination of the OECD reference publication "Environmental Requirements for Industrial Permitting"; preparation of a "Review of Environmental Permitting Systems in EECCA"; and supporting demonstration projects on environmental permitting in Armenia, Georgia and Kyrgyzstan.

Russia, Ukraine, and Moldova are the first EECCA countries to actively explore the possibility of convergence with the IPPC Directive through projects assisted by different donors (EuropAID, Sweden and Finland in Russia, EC's DG Environment in Moldova, and the World Bank in Ukraine).

Activities

Work on environmental permitting will comprise two sets of activities: (1) assistance in improvement of permitting procedures; and (2) assistance in reforming the permitting systems on the basis of an assessment of the role of technique-based and environmental quality-based approaches to industrial permitting in the EECCA context.

1. Assistance in Improvement of Permitting Procedures (July 2003-June 2005). Fully integrated permitting is a long-term goal for EECCA, but the transition will take many years. *In the short-term, the goal should be to improve permitting procedures* by consolidating the existing single-medium permits into one environmental permit (while maintaining the medium-specific approach to setting permit conditions). At the same time, there is a need to improve the transparency and coordination between permit-issuing authorities at different steps of the permitting process. Tasks will include:

- Development, in close cooperation with EECCA experts, of user-friendly Permitting Guidelines for government agencies and industry that will incorporate:
 1. a model administrative procedure (adapted to EECCA conditions) for issuing a consolidated environmental permit;

2. a permit application form that could be completed and processed electronically.
 3. a model permit form that specifies emission limit values (ELVs), self-monitoring, record keeping, reporting, emergency response, and permit renewal requirements, as well as compliance measures and schedules, as appropriate.
- Conducting one regional expert meeting (April-May 2004) and one regional environmental policy implementation network meeting (September-October 2004) on procedural improvements in environmental permitting.
 - Implementation, in co-operation with donors demonstration projects to apply new permitting procedures in EECCA countries.
 - Conducting training (contingent on funding available, May-June 2005) on the use of the Permitting Guidelines.

2. Assistance in reforming the current approaches to Industrial Permitting in the EECCA Context based on the assessment of the Role of Technique-Based and Environmental Quality-Based Approaches (July 2004-June 2006). In addition to the procedural reform of the permitting system, EECCA countries are likely to take initial steps toward introducing technique-based permitting for key industrial sectors in the spirit of the IPPC concept of Best Available Techniques (BAT) (currently, all permitting systems in the region exclusively follow the environmental quality-based approach.) This set of activities will seek to help EECCA countries understand the complementarity of BAT and environmental quality objective (EQO) approaches in setting emission limit values (ELVs) in environmental permits, and prepare and apply the methodological basis for their use in regulating both large and small and medium-sized industry in EECCA:

- Preparation of an analytical report and guidance on the environmental requirements for permitting of large industry, consistent with the principles of the IPPC Directive – a combination of BAT and EQO approaches. The report will describe the best international practices and include one or more case studies of individual EECCA countries on establishing a list of industrial sectors and the minimum size (production capacity or output) of installations to be covered by integrated permitting.
- Preparation of an analytical report and guidance on the methodology for permitting of small and medium-sized industry, promoting the use of a simplified approach taking into account both environmental and technological considerations.
- Conducting two regional expert meetings to assess different approaches for regulating large and small/medium-sized industries and facilitate dialogue between the regulators and the regulated industrial community: March-April 2005 and September-October 2005 (in connection with the annual Network meeting)
- Initiation and participation in donor-funded demonstration projects on environmental permitting reform in EECCA countries.

Outputs

Assistance in Improvement of Permitting Procedures:

- Tools and Guidelines for Reform (model administrative procedure, permit application form and model permit form): first draft in April 2004, final draft in December 2004, final in March 2005.
- Proceedings of the regional environmental policy implementation network meeting presenting different approaches for regulating large and small/medium-sized industries and facilitate dialogue between the regulators and the regulated industrial community: December 2004.
- Reports from country demonstration projects (2005-2006).

Approaches to Industrial Permitting:

- Guidance on permitting for large industry: draft in December 2004, final in June 2005.
- Guidance on permitting for small/medium-sized industry: draft in August 2005, final in December 2005.
- Reports from country demonstration projects (2005-2006).

Benefits/Outcomes

- Environmental regulatory agencies in EECCA at the national and sub-national levels will adopt tools and guidance documents reforming the system of environmental permitting, enabling them to improve the effectiveness of their environmental management programmes.
- Enterprises will benefit from more feasible, realistic and transparent permit requirements and procedures that would result in reduced compliance costs, foster technological innovation, and facilitate business planning.
- Other stakeholders, including the general public, will benefit from the increased transparency of the permitting system and enhanced opportunities for public participation.

TASK 3.1.2. MAKING ENVIRONMENTAL STANDARDS MORE REALISTIC

Objective

Assist EECCA countries in setting realistic, achievable environmental standards (air and water quality standards and waste management performance standards), consistent with EU requirements.

Background

The reform of the permitting system in the EECCA region should be closely linked to the revision of environmental quality standards (for air and water) and establishment of appropriate technology-based performance standards for waste management. Previous co-operation between the European Commission, the EAP Task Force and EECCA countries resulted in developing a roadmap for reform which reviewed the EU framework Directives in the areas of air protection, water protection and waste management (and their “daughter” Directives) and presented the concepts and benchmarks for these reforms. The Partnership Co-operation Agreements which have been concluded between individual EECCA countries and the European Union provide an important framework for convergence of EECCA and EU environmental standards. The revision of environmental standards will require not only a change in numerical values but a broad-based reform encompassing the principles and the legal basis of standard setting. Depending on donor support, country-specific demonstration projects will be implemented to support such reform.

Activities

The activities will be implemented in close collaboration with work of the European Commission (DG Environment and EuroAid, bilateral donors (including a Danish project supporting reform of standards in Russia) and international organisations active in the field, and will include:

- Review of relevant pre-project and project documentation prepared by donors and consultants (2003-2006).
- Initiating of and participation in demonstration project activities (2003-2006, specific projects to be determined).
- Organization of a regional expert meeting to exchange experiences of reforms of environmental standards in individual EECCA countries (first half of 2006).

These activities are contingent on the availability of donor funding for such demonstration projects.

Outputs

- Report on lessons learned from reforming environmental standards in EECCA region: May 2006;

Benefits/Outcomes

- National environmental regulatory agencies in the EECCA countries targeted by the demonstration projects and beyond will be assisted in setting realistic, achievable environmental standards in line with EU requirements. These reforms will be closely linked to the improvement of the environmental permitting systems, contributing to increased effectiveness of their environmental management programmes and environmental quality improvements.
- The regulated community will benefit from more realistic environmental quality and performance standards leading to transparent compliance and monitoring requirements and enforcement rules.
- The general public will benefit from improved environmental quality resulting from setting achievable environmental goals.

TASK 3.1.3. STRENGTHENING ECONOMIC INSTRUMENTS FOR ENVIRONMENTAL PROTECTION

Objective

To assist EECCA countries to reform existing, and to introduce new, economic instruments for environmental protection.

Background

Several reviews of the system of economic instruments for environmental protection in the EECCA region have been completed by the EAP Task Force and others. The main conclusion from these reviews is that a number of concerted actions need to be undertaken by EECCA countries to eliminate the most obvious flaws in the present pollution charge system and increase its incentive impacts, including:

- Targeted use of pollution charges (for key priority pollutants discharged by big stationary sources);
- Increase of charge rates to a level that would provide significant incentives to reduce pollution.
- Exclusion of hazardous air and water pollutants from the charge system;
- Elimination of charges for air pollution from mobile sources;
- Elimination of pollution charges on waste;

In addition, it was recommended that product taxes should be introduced as a more effective way to raise revenues. The implementation of these reforms requires a strong commitment on the part of national governments, substantial administrative resources, and economic and legal expertise. In so far as the revenues from economic instruments are earmarked for environmental purposes, this activity is closely related to work on environmental expenditures under the Environmental Finance Programme.

Activities

Activities will focus on working with existing and new technical assistance projects in EECCA countries on identifying the key elements of reform, and on disseminating lessons learned. This will include:

- Assisting the implementation of the OECD (CCNM) project on pollution charge reform in Russia, including the preparation of a report (2003) and participation in a stakeholder workshop in Moscow (late 2003-early 2004).
- Designing and implementing (2004-2005, subject to funding availability) a project to analyze and disseminate the experience with reforming economic instruments in Armenia, the first EECCA country to undertake a major reform of its pollution charge system and introducing a range of product taxes.
- Working with bilateral and multilateral donors on the design and implementation of relevant national-level technical assistance projects in the region. This activity is contingent on the availability of donor funding for such projects.
- Conducting an EECCA regional expert meeting on experience gained from applying economic instruments in EECCA (second half of 2005).

Outputs

- Report and recommendations on the reform of pollution charges in Russia: draft in September 2003, final in December 2003.
- Assessment of the reform of economic instruments in Armenia: first half of 2005.
- Proceedings of the regional expert meeting which will review progress with applying economic instruments and present recommendations for the future work: end of 2005.

Benefits/Outcomes

- Environmental regulatory agencies in the EECCA countries targeted by the demonstration projects and beyond will receive support in streamlining their systems of economic instruments for environmental protection (pollution charges and product taxes) in order to provide effective incentives for pollution reduction and increase revenues for their environmental programmes.
- Industry would be subject to a simpler, more transparent system of economic incentives that would be more conclusive for technological innovation and ultimately resulting in reduced compliance costs.

PROJECT 3.2. STRENGTHENING ENVIRONMENTAL ENFORCEMENT STRATEGIES AND INSTRUMENTS

TASK 3.2.1. IMPLEMENTING EFFICIENT, EFFECTIVE AND FINANCIALLY VIABLE ENVIRONMENTAL COMPLIANCE ASSURANCE PROGRAMMES

Objectives

- To improve the efficiency and effectiveness of compliance assurance programmes through analysis of the incentive structure that enterprises are operating in and through review of motivations and behaviour of government agencies.
- To develop economically and financially viable compliance assurance programmes, including analysis of the financial resources for operations of environmental enforcement agencies.

Background

Empirical data and analysis in EECCA and other regions have shown that inadequate enforcement and compliance can result in significant costs. Most importantly they can impose the costs of addressing negative impacts of pollution on human health. Disregard of environmental matters can also impose additional costs on enterprises. Finally, inadequate design of compliance assurance strategies can increase public spending without bringing expected results.

Economic and financial aspects of compliance assurance policies and institutions have rarely been weighted in the EECCA region. Although information exists on the incentive structure for environmentally responsible business conduct in OECD countries, direct comparison between OECD and EECCA countries is not possible due to the significant differences between economic incentives for firms' performance and overall business environment.

At the 2002 meeting of the Environmental Compliance and Enforcement Network in Almaty, enforcement officials and experts from the region underlined the need to receive assistance in developing an approach which will allow to analyse the economic context in which enforcement policies are applied in the transition period and to help to identify optimal enforcement strategies. This work should consider the role of market forces, interactions of various institutions, and citizens' involvement as well as inside-the-firm issues. The assessment should help to optimise government enforcement expenses and ensure appropriate deterrence and compliance.

Enforcement officials also requested help in receiving support to develop financial strategies and management regimes for enforcement agencies that follow national rules and the principles of effectiveness and efficiency. The development of such strategies will enable the agency's investment, operation and maintenance costs to be covered, enable adequate salaries and social protection to be provided while avoiding conflicts of interest in enforcement agencies with their statutory responsibilities and preventing corruption.

Activities

- Identification, on the basis of literature review and work with OECD and EECCA experts, of the "real" positive and negative incentives for compliance with environmental requirements in EECCA countries today and better enforcement strategies. This analysis will lead to the development of a methodology to country specific studies (throughout 2004);

- Empirical studies in selected countries will be carried out of costs and benefits of compliance efforts compared with competing demands on enterprises as well as enforcement instruments applied by government agencies (2005);
- Organizing workshop on the results of analysis and studies (second half of 2005);
- Carrying out analysis of the current and potential sources of funding of enforcement efforts in selected countries to determine the ways for sustainable financing of Enforcement Agencies (2004-2005)

Outputs

- A report presenting the framework for economic analysis of enforcement and compliance (end 2005);
- Country specific and regional reports analyzing the positive and negative incentives in the regulated community with case studies from selected EECCA (early 2006).
- Case studies analysing funding of Enforcement Agencies, identifying options for more efficient use of financial resources and for ways in which they might be increased in a sustainable way (2004-2006)

Benefits/Outcomes

- Environmental Enforcement Agencies will acquire additional knowledge which will enable them to understand better enterprises behaviour in responding to governmental enforcement and will assist them to design more effective compliance promotion strategies;
- Environmental Enforcement Agencies will possess an extended empirical base which will help to communicate the costs and benefits of enforcement efforts to the decision-makers and the public;
- Environmental Enforcement Agencies will be able to design more financially viable enforcement strategies, possibly based on some new, sustainable sources of finance.

TASK 3.2.2: PROMOTING INFORMATION-BASED INSTRUMENTS AND PUBLIC INVOLVEMENT IN COMPLIANCE ASSURANCE

Objectives

To promote better compliance with environmental requirements through assisting governments in developing and applying instruments which allow information disclosure, industry performance rating and better access to information by the public and co-operation between enforcement agencies, NGOs and the public.

Background

The traditional command-and-control approach in environmental protection has had only limited results in the EECCA region. Therefore, EECCA governments have expressed an interest to apply new approaches that would encourage voluntary compliance rather than simply detecting and prosecuting non-compliance. One such approach involves information disclosure about firms' environmental behaviour and rating their performance. Several examples in transition or developing economies, including from Pollutants Release and Transfer Registers (PRTRs), and information disclosure and performance rating schemes, show that the impacts of such schemes are positive and the costs involved in designing and applying these schemes are not excessively high. Provision of information about enterprises' environmental impacts can be a factor in investment decisions and can lead the public to exert stronger pressures on enterprises for pollution reduction efforts.

Work will assist Environmental enforcement agencies in building regulatory frameworks that use the potential for increasing compliance via better access to environmental information, including enforcement information. The activities under this task will review progress, highlight the achievements and develop recommendations for further steps in compliance assistance to the regulated community. These activities will involve various stakeholders, including business and the NGO community. Public involvement is necessary to ensure sufficient credibility and integrity of the scheme and effective dissemination of its results.

Activities

- Organising, in co-operation with the NRECs, a regional meeting on public involvement in compliance assurance promotion (late 2005);
- Launching two technical assistance projects in selected EECCA countries introducing information disclosure and performance rating and compliance schedules (2005);
- Gathering information and data to prepare a report on designing and applying information based compliance promotion tools in EECCA, including the results of in-country programmes and lessons learned from EECCA, and applying compliance promotion tools in other regions (OECD, CEE, Asia) (late 2005);
- Conducting a regional meeting on information based compliance promotion tools to review experience from in-country projects and review the report (first half of 2006);

Outputs

- Proceeding of the regional meeting on public involvement in compliance assurance and promotion (early 2006)
- Reports from in-country technical assistance projects (early 2006);
- Report on key issues and application of information based compliance promotion tools – draft late 2005, final mid 2006

- Regional meeting on introduction of information disclosure and performance rating schemes – early 2006

Benefits/Outcomes

- Environmental Enforcement Agencies will be provided with methodological and technical assistance for introducing information based compliance promotion activities. This will provide an additional impulse to enterprises for identifying least-cost measures to reduce their environmental impact. Industry will become more accountable for regulatory and voluntary commitments by disseminating performance data to the public;
- General public and NGOs will have an opportunity to exchange experience and information and develop activities on strengthening the role of the citizens in compliance assurance;
- Systematic account of compliance promotion activities and their analysis will be prepared to provide reference and guidance for designing and launching compliance promotion activities in EECCA and other regions.

TASK 3.2.3. IMPROVEMENT OF INDUSTRIAL SELF-MONITORING

Objective

To optimise the design of compliance monitoring systems in EECCA, particularly by developing environmental self-monitoring by enterprises.

Background

Without regular, methodical, accurate monitoring, and timely and accurate reporting of results neither the government nor the regulatees will be able to make informed decisions about compliance with environmental requirements. Government enforcement policies require a significant amount of expenditures for environmental monitoring. However, monitoring systems have collapsed in many EECCA due to budget constraints. Several innovations have been suggested to address this situation. Self-monitoring and self-reporting induced by the government can be one of the avenues to complement government monitoring efforts and reduce enforcement costs without compromising deterrence. Prompt and accurate self-reporting may also be beneficial to firms to limit their liabilities in case of emergencies and can be taken into account by prosecutors.

Well-developed self-monitoring system can also contribute to a better management of a facility: mitigate risks of accidents and inherent costs, monitor technological processes, reveal wastage of resources, project production development, etc. Self-monitoring data are a valuable source of information for project design and decision-making on investment.

The experience to date suggests the need to revisit current approaches to monitoring and expand self-monitoring in EECCA. While improvement of compliance monitoring by the government, more precisely of the ambient monitoring, is an issue of high visibility and aid from international organisations and donor countries, the need to strengthen self-monitoring and on-site inspections remains largely unrealised. After comparing statistics on the percentage of industries carrying out self-monitoring (on average 5-10%) and the fact of restricted access to facilities (once per year) in the majority of EECCA countries, representatives of environmental ministries and inspectorates have called for action in this domain.

Work will assist EECCA countries in developing requirements and regulations for setting up effective and efficient self-monitoring systems based on international experience (especially gathered within the INECE and EU Impel networks) and concrete experience gained through demonstration projects in selected EECCA countries (Kazakhstan). The results of this work will be co-ordinated with the work on environmental monitoring carried out under the UNECE.

Activities

- Pilot project in Kazakhstan will be launched in late 2003 which will analyse the current situation, and present recommendations for developing tools to select priority elements of self-monitoring systems and identifying the types of industries that should be subject to continuous self-monitoring and regular inspection.
- A national workshop to discuss the proposals to improve the existing self-monitoring system will be conducted in late 2003 or early 2004.
- Regional consultations for countries in Central Asia will be carried out in 2004 to discuss the outputs of the demonstration project, priority setting tool for self-monitoring and approaches to replicate gained experience.

- Development of technical guidance to help industry and regulators to identify requirements for self-monitoring, select indispensable elements of the system and help to develop necessary policy tools will be carried out throughout 2004-2005.

Outputs

- Report reviewing requirements and experience with self-monitoring in Kazakhstan (second half 2003)
- Proceedings of regional meeting on self-monitoring in Central Asia (end 2004)
- Technical guidance on criteria and requirements for self-monitoring (early 2005)

Benefits/Outcomes

- Improvement of self-monitoring will provide mechanisms for polluters to collect routinely necessary information about the industrial processes to ensure compliance and timely react to any pollution incidents as well as reduce investment risks;
- Establishing credible systems of self-monitoring will help to build more effective and compatible state monitoring systems;
- Requiring mandatory self-monitoring, but also demonstrating its value for industry, will raise the percentage of enterprises that are willing to create a reliable self-monitoring system;
- Adequate access to information will be ensured through better input to PRTRs.

PROJECT 3.3. IMPROVING THE PERFORMANCE OF ENVIRONMENTAL ENFORCEMENT AGENCIES

TASK 3.3.1: PEER REVIEWS OF ENVIRONMENTAL ENFORCEMENT AGENCIES

Objectives

To establish a “peer review” process that would promote sharing of experience and identify practical ways to strengthen Environmental Enforcement Agencies (ENFAs), as well as would create sufficient international peer pressure to catalyse the reform of compliance assurance systems.

Background

EECCA countries recognised the need for reform of the current compliance assurance and promotion systems to facilitate the effective and efficient implementation of environmental policies, to better enforce domestic and international law and ensure the credibility of regulation. The «Guiding Principles for Reform of Environmental Enforcement Authorities in Transition Economies of EECCA», which were developed by the EAP Task Force constituted an important step in building a consensus on the targets for reform using good international practices. The Guiding Principles were endorsed at the Ministerial Meeting in Kiev in May 2003 to facilitate reform process and provide the basis for co-operation.

The Guiding Principles will provide a reference for carrying out peer reviews of environmental compliance assurance programmes and institutions in the EECCA region. The goal is to help countries to improve the performance of ENFAs, help governments to assess progress in this process, stimulate greater accountability towards public opinion and international partners, and establish a process of mutual support for ENFAs engaged in the reform of their institutions. The Reviews will provide descriptive and quantitative information on the institutional and management framework for enforcement and compliance assurance, and assess enforcement strategies, tools and their impacts. The review will also assess compliance promotion efforts, including the role of the general public and regulated community.

Activities

The methodology and process for peer reviews which will be elaborated and tested in two-three EECCA countries over the period of three years. More specifically, the activities will focus on:

- developing necessary background documentation, including a draft review methodology paper, a questionnaire and procedures to be used during the reviews (second half of 2003);
- organising a kick off expert meeting to discuss and agree on the review methodology, on the scheduling of reviews, composition of the review teams, management of the process and reporting (second half of 2003);
- organising review missions involving a group of selected experts, including from EECCA, Central Europe and OECD countries (first mission in early 2004, second mission in early 2005);
- presenting and discussing the review reports at the meetings of the regional network on environmental policy implementation (annual meetings in early 2005 and early 2006);
- refining the methodology of reviews and disseminating the results of the reviews to inform the governments and engage public and international opinion in assisting the reform process (throughout the duration of the review process).

Outputs

- Methodology paper on Environmental Compliance Assurance Peer Reviews (end 2003).

- Reports of pilot country reviews with recommendations (first review completed in late 2004, second in late 2005 and possibly third in 2006).

Benefits/Outcomes

The activities will help the reform of EECCAs' compliance assurance programmes and institutions in line with good international practice, identify areas where further efforts are needed to strengthen enforcement and compliance practices, and suggest how impediments to implementation could be overcome. It will also encourage further collaboration between EECCA inspectorates, stimulate exchange of experience, identify and disseminate innovative practices.

TASK 3.3.2: DEVELOPING ENFORCEMENT AND COMPLIANCE INDICATORS

Objective

To assist enforcement agencies in evaluating and better managing their performance as well as demonstrating the results of government enforcement activities by developing indicators of compliance programmes and their impacts.

Background

Over the years, compliance assurance programmes evolved, as did demands for reliable, harmonised and easily understandable information not only by environmental policy makers but also by other public authorities, businesses, the general public, environmental NGOs and other stakeholders. Enforcement and compliance indicators would be a practical way for providing information on enforcement and compliance activities for policy purposes and help to improve the transparency and accountability.

Measuring the performance of enforcement programmes has been carried out in EECCA and various parameters have been used. Most countries measure activity levels, such as numbers of inspections and enforcement actions. Some countries present qualitative assessment of programme performance and directions. In only very few cases the results of enforcement actions are measured, such as rates of compliance and actual impact of compliance assurance on the improvement in environmental quality.

The Guiding Principles for Reform of Enforcement Agencies in EECCA call for the development of indicators against which Agencies' performance can be measured and continuously improved. Responding to this call this task will aim to assist EECCA enforcement agencies in designing indicators for both outputs and outcomes. The work will also help to establish procedures to apply both quantitative and qualitative indicators, with regular feedback to managers, political leaders and legislature. It will also provide an input to the Peer Reviews of Enforcement and Compliance Systems. Activities will be implemented in close co-operation with the OECD programme on environmental indicators as well as other regional and global compliance and enforcement networks (ie. INECE, IMPEL, BERCEN) and will both draw from and contribute to international efforts to harmonise enforcement/compliance and response indicators.

Activities

- Analysis of current experience with applying enforcement/compliance indicators from various countries and developing the methodological framework and good practices for designing and applying output and outcome indicators (August-October 2003);
- Conducting an international expert workshop on enforcement and compliance indicators (November 2003);
- Dissemination of the results of the analysis to relevant stakeholders;
- Implementation of two pilot projects in selected EECCA to assist enforcement agencies to design and apply performance indicators (2004-2005);

Outputs

- Scoping Paper on the current and future application of enforcement/compliance indicators (first draft in October 2003)
- Proceeding of the Expert Workshop presenting experience from applying enforcement and compliance indicators in EECCA and other regions (March 2004)

- Reports on the results of technical assistance projects to reform enforcement and compliance indicators in two EECCA, including country workshops (2004-2005);

Benefits/Outcomes

- Improved effectiveness of Enforcement Agencies through the use of performance indicators for decision-making
- Strengthening transparency, accountability and political support for Enforcement Agencies
- Ensuring internal and external accountability, help to create deterrence and strengthen compliance assurance systems and agencies as well as ensure public and political support for the compliance assurance programmes.
- Contribution towards international harmonisation of enforcement and compliance indicators.

TASK 3.3.3: BUILDING CAPACITIES OF ENFORCEMENT MANAGERS AND OFFICERS

Objective

To build the capacity of managers and staff of environmental inspectorates in developing and implementing effective enforcement strategies, professional management systems and enforcement and compliance instruments.

Background

Past efforts to strengthen enforcement institutions often involved continuous organisational reform without improving decision-making processes, management approaches and skills of individuals. This has led to institutional instabilities, distortion of priorities and loss of (or shortage of) professional staff. Addressing the challenges of effective and efficient implementation of environmental regulation requires enforcement officers to introduce well-defined compliance assurance strategies and tools, and apply them consistently and continuously. They also need to apply internal management systems which are systematic, well planned and fit the existing enforcement and compliance capacities. Inspectors have to acquire solid training on procedures which are supported by solid scientific, economic and legal understanding.

Training and methodological material based on best international practice in compliance assurance has been developed by the EAP Task Force Secretariat during the 2001-2003 work programme. This included a comprehensive Inspectors Toolkit which covers a number of management, procedural and substantive aspects of enforcement and compliance. Members of the EECCA Environmental and Compliance Enforcement Network at their meeting in Almaty in 2002 requested training sessions for management and staff of environmental inspectorates. The “Guiding Principles” also call for the improvement of competencies of enforcement officers and others through training and other mechanisms for professional development. The toolkit was used for training of environmental inspectors in the Caucasus region in June 2003. Further efforts will focus on working with the institutions and training centres in EECCA to create self-sustainable mechanisms for capacity building of EECCA agencies and enforcers.

Activities

- Developing of a set of training materials adjusted to the country/region conditions (end 2003 – early 2004);
- carrying out two five-day training sessions for enforcement managers and officers in the Russian Federation and Central Asia, in co-operation with such potential partners as UNITAR, the World Bank Institute and/or the NRECs (2004-2005);
- identifying mechanisms, relevant institutions and priority actions at the international and national level which will lead to the establishment of continuous training programmes for enforcement officers in EECCA region.

Outputs

- up to 60 professionals in Russia and Central Asia trained on strategic enforcement and compliance;
- a core group of trainers trained to carry in-country capacity building activities;
- Training curricula and materials: trainer notes, exercises and case studies for further use by local training institutions;

Benefits/Outcomes

- The managers of environmental inspectorates and enforcement officers will better understand their leadership role, responsibilities and powers (and their limits), and professional programme management and will be better equipped to apply their professional skills in environmental enforcement and compliance promotion.
- The establishment of self-sustaining capacity building mechanisms in EECCA will be facilitated.