

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

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

Fifth joint meeting of the Task Force for the Implementation of the Environmental Action Programme for Central and Eastern Europe (EAP Task Force) and the Project Preparation Committee (PPC)

15-16 March 2007, Brussels

Agenda Item 7(i)

ACTION REQUIRED: EAP Task Force/PPC delegates are invited to discuss impacts of the work of the Task Force in EECCA countries.

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

At its October 2004 meeting, the EAP Task Force/PPC asked the Task Force secretariat to prepare a paper describing the outcomes resulting from its work. This document responds to the Task Force's request. It summarises some of the major outcomes that have been achieved since the 2003 Kiev Environment Ministerial meeting. It also takes account of discussions of earlier drafts at the February and June 2005 meetings of the Bureau of the EAP Task Force and the PPC. The secretariat updated this document in light of the feedback received from some EECCA countries using a checklist set out in document ENV/EPOC/EAP(2005)2.

Task Force work and results

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

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

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

Further information on the current work programme of the EAP Task Force, and progress in its implementation, are presented in documents ENV/EPOC/EAP(2006)1 and ENV/EPOC/EAP(2006)2. Overall progress of EECCA countries in strengthening their environmental management systems, and implementing the EECCA Environment Strategy, adopted at the 2003 Kiev Ministerial Meeting, are described in "Progress in Environmental Management in EECCA" (EECCA Report).

Country specific activities

Demonstration projects aim to implement policy reforms, institutional change and/or the application of practical tools that subsequently could be replicated in other countries in the region. They also aim to integrate environment into the broader processes of economic and democratic reform, and to achieve broader international goals, notably the water-related Millennium Development Goals (MDG's). The results of demonstration projects underpin the exchange of experience at regional level and the elaboration of tools, best practices, recommendations etc. The Annex identifies the tools developed within the EAP Task Force. Other analytical reports, case studies and reference documents may be consulted on the Task Force's website, www.oecd.org/env/eap.

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

Water Supply and Sanitation

Work in this area aims to support reform of the water sector in EECCA countries so that good quality water and sanitation services are delivered reliably, sustainably and at least cost to the population. Activities have been developed to implement guiding principles for reform of the sector that were adopted at the meeting of EECCA Finance, Economics and Environment Ministers in Almaty in 2000, and to help EECCA countries achieve the water-related MDG's. EECCA countries' progress in implementing the Almaty Guiding Principles and in achieving the water-related MDGs is described in "Financing Water Supply and Sanitation in EECCA countries, including Progress in Achieving Water-Related MDGs"

(i) Policy Reform

- Work on finance strategies and affordability has guided the reform of water tariffs in Armenia and some regions in Russia. It is expected that this will enhance the financial viability of water utilities in the countries/regions concerned, as well as ensuring that the poor continue to have access to water.¹
- A project to integrate the recommendations of the finance strategy for the water sector into the Armenia's medium-term expenditure framework, requiring the involvement of all of the key ministries, including the Finance Ministry is coming to closure. The project has helped to achieve the likely inclusion of resources to support investment and operation of sanitation facilities into the 2008-2010 Medium Term Expenditure Framework of the Republic, where previously no public resources had been allocated.
- A finance strategy for the water sector in Moldova stimulated work to harmonise municipal effluent standards with those of the EU replacing overly stringent standards inherited from the Soviet era that had resulted in excessive investment costs and widespread non-compliance. Work on the harmonisation project will be completed in 2007.
- Guidelines for performance-based contracts developed by the EAP Task Force are being used in negotiations between municipalities and utilities (both publicly and privately operated) on their contractual relationships for the delivery of water services in Russia.

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

(ii) Institutional Strengthening

- Moldova's water utilities association is now collecting benchmarking information from its members on an annual basis using the methodology introduced in a Task Force project. On the performance of water utilities several utility associations in Russia are considering to follow the same approach.
- Following the training that they received, water utilities in Perm (Russia) and Armenia Vodokanal are working to adapt the EAP Task Force Financial Planning Tool for Water Utilities into the operations of their financial departments.

(iii) Training:

- About 400 people have been trained in the use of the utilities performance benchmarking methodology. Training sessions were organised in co-operation with local partners in 9 EECCA countries.
- Several dozen water utilities have received training in the usage of a financial planning tool developed by the EAP Task Force that facilitates project preparation to attract public or private investment into these entities.

(iv) Support for donor/IFI activities:

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

Environmental Finance

Work on environmental finance is focused on two objectives:

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

(i) Policy Reform

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

More strategic mechanisms have been reviewed to assess how they could be reformed or promoted to finance environmental infrastructure in EECCA, including intergovernmental transfers (which channel budgetary resources from central government to local jurisdictions) and mechanisms for accessing local

capital and financial markets. Building on case studies in EECCA countries and on OECD experience, lessons have been learnt and made available through publications and presentations in expert workshops and conferences.

(ii) Institutional Strengthening

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

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

Good Practices for Public Environmental Expenditure Management has been used to develop recommendations for the reform of environmental funds in Volgograd Oblast (Russian Federation), Moldova, Kazakhstan and Ukraine. Moldova is implementing some of the recommendations of the review. A Handbook for Appraisal of Environmental Projects Financed from Public Funds is being published to show how to implement the Good Practices in practice.

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

Feasibility studies for a debt-for-environment swap in Georgia and in the Kyrgyz Republic have been prepared. The World Bank supports Georgia in its negotiations with creditors on the basis of this feasibility study. UNDP is providing similar support to the Kyrgyz authorities. This work is fostering close cooperation between Environment and Finance Ministries in those countries.

(iii) Training:

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

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

Some 20 experts have been trained on the Handbook for Appraisal of Environmental Projects Financed from Public Funds in Moldova. Similar workshops are planned in other EECCA countries.

Environmental Policies, Enforcement and Compliance

Work in this area aims to support environmental policy reform by re-designing policy instruments to enhance their environmental effectiveness and economic efficiency. Support is also provided to environmental inspectorates to help them assure a better compliance with environmental requirements.

(i) Regulatory Reform

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

Armenia is re-designing its system of economic instruments in accordance with Task Force recommendations. The reform of *environmental quality (ambient) standards* is being guided by the EAP Task Force recommendations in Moldova.

The legal frameworks for self-monitoring by enterprises in Kazakhstan and Kyrgyzstan have been revised in light of Task Force guidance. The EAP Task Force Secretariat provided input to the development of the "Guidelines for Enterprise Environmental Monitoring and Reporting in EECCA" prepared by UNECE as a Category I document for the Belgrade Ministerial Conference.

Armenia, Georgia and Kazakhstan have revised legislation on environmental enforcement based on the Guiding Principles on Reform of Environmental Enforcement Agencies. Armenia, Kazakhstan, Russia and Ukraine are working to implement Task Force "good practices" for environmental compliance and enforcement indicators and financing environmental inspectorates.

(ii) Institutional Strengthening

Armenia, Georgia, Kyrgyzstan and Kazakhstan are implementing reform of their environmental enforcement institutions in light of policy recommendations provided within the EAP Task Force framework. Similar guidance is being developed for Moldova and Ukraine. The EAP Task Force secretariat is implementing substantial programmes to strengthen environmental inspectorates in Georgia and Kazakhstan, in cooperation with Norway and the Netherlands.

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

(iii) Training

Training materials have been developed to support training on integrated permitting for permitting officials and experts in EECCA. About 100 permitting officials have been trained in Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia and Ukraine in 2004-2005, and some other 80 people trained in the Caucasus and Ukraine in 2006. In 2007, a training session will be organised for the Western regions of the Ukraine.

In 2004-2005, about 200 managers from environmental inspectorates have been trained using the Inspectors Toolkit in the Caucasus, Kyrgyzstan, Kazakhstan and the Russian Federation. In 2006, training was organised in cooperation with the New Regional Environmental Centres: in March and July in the North West part of Russia and in September in Moldova, involving about 70 people. Another 40 officials of the State Environmental Inspectorate of Ukraine were introduced to modern practices of compliance assurance in February 2007. In order to create a sustainable mechanism of staff training, Kazakhstan established a training centre for environmental inspectors and developed training programmes based on the Toolkit.

(iv) Support for donor/IFI activities

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

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

The Netherlands used the Inspectors Toolkit to train 100 inspectors in North West Russia. Support was provided to Kazakhstan and Norway to establish a bilateral programme of cooperation in the field of environmental regulation and compliance assurance. Similarly, the Secretariat facilitated bilateral contacts between Georgia and the Netherlands. Close relations were kept with other networks working on environmental enforcement and compliance, such as INECE, IMPEL, and ECENA.

Networks: Mechanisms for Capacity Development and Policy Integration

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

The Environmental Finance network has reinforced the dialogue between economics/finance and environment ministries and established it on a structured, continuing basis. It has also engaged local government officials and developed tools that would help them to implement policies more effectively at the local level.

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

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

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

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

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

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

Finance and Water

- ***Financing Strategies:*** A computer tool (FEASIBLE) that allows the identification of realistic infrastructure development objectives, taking account of available financial resources. The tool helps clients to develop their understanding of the real financial needs and to adjust their objectives accordingly. It helps to create an objective basis for discussions with donors and IFIs about the scale and ambition of possible investment projects. Available at:
http://www.oecd.org/document/27/0,2340,en_2649_34335_33698459_1_1_1_1,00.html
- ***Toolkit for aligning environmental expenditure information systems with OECD/Eurostat standards:*** A form to collect data, a tool to compile collected data, and procedures to check the reliability of data and calculations.
- ***Good Practices for public environmental expenditure management:*** A pragmatic checklist to assess the performance of programs and institutions that manage public environmental expenditure, and guidelines to improve their performance. Available at:
http://www.oecd.org/document/31/0,2340,en_2649_34335_34088223_1_1_1_1,00.html
- ***Handbook for appraisal of environmental projects financed from public funds:*** This tool aims to help governments develop methodologies for effective project appraisal in order to support the effective allocation of scarce public funds. It should support the development of a list of priority investments in national and regional governments, and improve the realism of project proposals, as well as the political commitment that comes along with them. It supports implementation of the Good Practices for public environmental expenditure management. A Training Toolkit, including a simple model for calculating the cost-effectiveness of projects, has been developed to facilitate the dissemination of the Handbook through training sessions. Available at:
http://www.oecd.org/document/52/0,2340,en_2649_34335_34089332_1_1_1_1,00.html
- ***Multi-Year Investment Planning Tool for municipalities (MYIP):*** This tool allows municipalities to plan their investments on a three-year horizon. It helps establish some basic financial planning capacity in local governments and supports the preparation of coherent municipal investment programmes. Training materials have been developed to facilitate the dissemination of MYIP through training sessions. Available at:
http://www.oecd.org/document/42/0,2340,en_2649_34335_35161834_1_1_1_1,00.html
- ***Financial planning tool for utilities:*** This tool has been developed in two demonstration projects in Bishkek and Armenia Vodokanals and is now going to be disseminated more widely through a training

programme. The tool helps to train utility staff in developing basic skills in sound financial planning and can help prepare the ground for a more comprehensive corporate development plan. It complements the MYIP tool. Available at:

http://www.oecd.org/document/43/0,2340,en_2649_34343_2389355_1_1_1_1,00.html

- ***Toolkit for benchmarking water utility performance.*** This tool is based on a methodology developed by the World Bank. It supports the development of more performance-oriented thinking in utilities and governments and can be integrated both into day-to-day utility management routines in utilities and into contracts between municipalities and utilities. Available at:
http://www.oecd.org/document/49/0,2340,en_2649_34343_1839281_1_1_1_1,00.html
- ***Guidelines for the development of performance based contracts between municipalities and utilities.*** They provide a general introduction to the issue of performance based contracting, including their key contractual elements and practical experience in developing such contracts. They should help to prepare municipal and utility staff for a more formal structuring of their relationship as is usually required in the framework of IFI/donor projects. Available at:
http://www.oecd.org/document/37/0,2340,en_2649_34343_36397221_1_1_1_1,00.html

Environmental Policy Instruments and Compliance Assurance

- ***Guiding Principles of Effective Environmental Permitting Systems.*** This document presents the key principles of improving environmental permitting systems by introducing integrated permitting for large industry and simplified permitting for small and medium-sized enterprises. The Guiding Principles are candidate for Category I documents for the Belgrade Ministerial Meeting.
- ***Integrated Environmental Permitting Guidelines for EECCA Countries.*** The guidelines provide a tool for EECCA environmental agencies and industry to facilitate reform of environmental permitting procedures for large and small/medium size enterprises and the transition from single medium to integrated permitting. Available at: <http://www.oecd.org/dataoecd/54/31/35056678.pdf>
- ***Guiding Principles for Reform of Environmental Enforcement Authorities in Transition Economies of Eastern Europe, Caucasus, and Central Asia.*** The Guiding Principles articulate the key features of an effective and efficient system for environmental enforcement. They provide guidance to transition economies seeking to reform their laws and institutions and also encourage national enforcement agencies to improve their compliance with and enforcement of Multinational Environmental Agreements. Available at: <http://www.oecd.org/dataoecd/36/51/26756552.pdf>
- ***Assuring Environmental Compliance: A Toolkit for Building Better Environmental Inspectorates in Eastern Europe, Caucasus, and Central Asia.*** The toolkit brings together a range of methodological and organisational approaches to support improvement of inspection procedures, non-compliance responses and compliance promotion. It also serves as a key training tool for capacity building programmes for environmental enforcement officers in the EECCA region. Available at:
<http://www.oecd.org/dataoecd/61/62/34499651.pdf>
- ***Funding Environmental Compliance Assurance: Lessons Learned from International Experience.*** This report offers experiences, insights and concerns, gathered through a survey of selected OECD and transition economies, on developing and applying funding policies and managing budgets of environmental enforcement agencies. It responds to calls from the countries of Eastern Europe,

Caucasus and Central Asia for assistance to address a serious under-funding of environmental inspectorates. Available at: <http://www.oecd.org/dataoecd/51/57/35139082.pdf>

- ***Performance Measurement Guidance for Environmental Compliance and Enforcement Practitioners.*** This document provides guidance for identifying, designing and using ECE indicators to better measure impacts of compliance and enforcement programmes, assist in reporting their results to the public and facilitate programme management decisions. The Guidance document has been developed in co-operation with the International Network for Environmental Compliance and Enforcement (INECE).

