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

**PROGRESS IN IMPLEMENTING THE EAP TASK FORCE PROGRAMME OF WORK BY THE  
OECD SECRETARIAT (SEPTEMBER 2012 - AUGUST 2013)**

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

**17-18 September 2013, Tbilisi, Georgia**

*Agenda item: 3*

*ACTION REQUIRED: For discussion.*

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## **PROGRESS IN IMPLEMENTING THE EAP TASK FORCE PROGRAMME OF WORK (SEPTEMBER 2012 - AUGUST 2013)**

1. The current Progress Report provides a brief overview of activities carried out by the OECD Secretariat to implement the Long-term Programme of Work [ENV/EPOC/EAP(2011)4/REV2] of the Task Force for the Implementation of the Environmental Action Programme (EAP Task Force). It covers the period since the last Annual Meeting of the EAP Task Force. A project-by-project report, presented in Part 2, complements the overview presented in Part 1.

### **PART 1: AN OVERVIEW**

#### **Water sector reform**

2. Work in this area consists in supporting national policy dialogues on water policy reforms in the countries. It combines robust analytical work, reference to international good practices, and facilitation of the dialogue process. It involves transfer of know-how to national, basin and local authorities, as appropriate. Within the framework of EUWI cooperation, partnership with the UNECE has been strengthened in projects in several EECCA countries. There is also close cooperation with related activities in the OECD water programme. EAP Task Force work on water is organized in two clusters: (i) strengthening the economic and financial dimensions of water management, including adaptation to climate change; (ii) strengthening institutions for water supply and sanitation.

3. In the past, focus has been on the development of financially realistic strategies for water supply and urban sanitation, as this was a pressing need, and these services generate very high socio-economic and environmental returns. Work in this area continues, focusing more on getting the institutional framework right (looking for the appropriate scale and scope of water supply services); it is expanding to cover rural sanitation. More recently, new work was undertaken in the area of water resources management, to reflect demand from EECCA countries. Emphasis has been given to the use of economic instruments to address challenges of managing water for green growth. Major themes stand out, which are likely to gain in prominence in future work: the reform of (hidden) subsidies that impair water policies, irrigation water, the potential to reallocate water to more valuable uses, and the economic benefits of transboundary cooperation (in collaboration with UNECE, which promotes the Water Convention and its Protocol on water and health). On all these issues, EECCA countries would benefit from strengthening the role of economic instruments in existing policy mixes.

4. Several developments took place during the reporting period, which reflect these trends: a report on sustainable models for rural sanitation in Moldova was completed, and a new project on a similar issue in Kazakhstan is being considered; a project on the development of a national strategy for sanitation was initiated in Armenia. A report on the reform of subsidies that are detrimental to water in Kyrgyzstan was completed; similar work is underway in Russia. A scoping mission in Tajikistan was instrumental in identifying project opportunities in the area of irrigation water, as a contribution to more efficient water uses and economic growth. The EAP Task Force organised a workshop on water pricing in Dushanbe, building on good practice in the region and OECD countries. The project on the economic benefits of transboundary water management in the Kura river was launched.

## Policies for greening growth

5. A major development in this area is the OECD Secretariat's engagement as a leading partner in a new initiative that covers the Eastern Partnership countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine). This initiative, called "Greening Economies in the Eastern Neighborhood" (EaP GREEN), is synergetic so wider in scope compared to the EAP Task Force's work programme. It brings together countries and four implementation partners (OECD, UNECE, UNEP, and UNIDO) in a joint effort to speed up the adoption of sustainable production and consumption approaches through the reform of public policies and improvement of corporate strategies. The initiative is principally financed by the European Union and will span for 48 months starting as of January 2013. Financing received through this initiative will enable the OECD Secretariat to support policy reforms in a much greater number of countries and areas in comparison with the previous cycle of work.

6. During the reporting period, both regional and national-level activities have been implemented under the three clusters of the "policies for greening growth" pillar of the programme:

- ***Integrating fiscal and environmental policies:*** After integrating comments received during the Oslo Annual Meeting of the EAP Task Force, the OECD Secretariat published two new reports: (i) Refocusing economic and other monetary instruments for greater environmental impact: How to unblock reform in EECCA countries and (ii) Key methods for identification, measurement and evaluation of environmentally-harmful subsidies with a focus on the energy sector. The pilot project on the identification and reform of environmentally harmful subsidies (EHS) in Kazakhstan was finalized and a new project on EHS reform was launched in Moldova in cooperation with UNDP. Scoping discussions are under way with other countries on launching another country-level project in this area. In addition, work on supporting governments in establishing or reforming product-related economic instruments has been agreed with Ukraine and Moldova. A handbook on product-related economic instruments is under development.
- ***Fostering incentives for private sector contribution to green growth:*** Work on the project focusing on greening Small and Medium-sized Enterprises has started with a review of existing policies and instruments, conducted with the participation of the Eastern Partnership countries only (given availability of resources). The launch of SME surveys in two countries is under preparation. As concerns the project on private sector green investment, preparatory work is progressing well, and an expert meeting involving IFIs and local banks is planned for late autumn 2013. Identification of possible participants is on-going. The OECD Secretariat will also facilitate the EECCA countries participation in the "OECD Green Growth and Sustainable Development Forum: How to unlock investment in support to green growth?" that will take place in Paris on 5-6 December 2013.
- ***Strengthening institutional frameworks and capacity:*** A regional expert meeting on measuring green growth was conducted on 5-6 March 2013 in Prague. The meeting discussed examples of OECD countries, in particular European Union member states, countries who adopted the OECD set of green growth indicators and the initial results of a pilot project in Kyrgyzstan. Following requests from countries, a policy brief on measuring green growth was developed by the Secretariat. Work on a handbook addressing the set of indicators and approaches to introduce them nationally is carried out. An additional country-level project is being launched in Moldova. National-level workshops to introduce the OECD set of green growth indicators were conducted in Armenia, Georgia, Kazakhstan and Moldova. The workshop in Kazakhstan was financed by the Kazakh government and

involved participation of a delegate from the Korean Statistical Institute. Cooperation with Kazakhstan included the Secretariat's participation in a high-level event in September 2012 that enjoyed the Prime Minister's involvement. This event was one in a row of events that resulted in the drafting and approval of the country's Green Economy Concept in May 2013.

7. Synergies with the OECD core programme of work on green growth are sought to the greatest extent. Closer ties have been established with teams working on climate finance within the Environment Directorate, and cooperation has been further forged with the Eurasia Competitiveness Programme, the Development Cooperation Directorate, and the Statistical Directorate. The EAP Task Force team also interacts very closely with the Green Growth Unit that coordinates horizontal work on green growth at OECD.

### Budgetary situation

8. Due to multi-year contributions from the European Commission, Finland and Norway, as well as annual contributions from Germany, the Netherlands and Switzerland, the budgetary situation of the EAP Task Force in 2013 is sound. However, due in part to co-financing requirements in the EC grants, budget gaps of some 10-15% percent remain in both areas of work as compared to the planned budget for 2013. Additional support from Germany, which is in the final phase of negotiation, would help to close the gap for 2013 under the green growth pillar. Building on this good base, and in order to plan activities in the coming period, the secretariat would welcome any indication from potential donors of opportunities to finance EAP Task Force activities in the coming years.

**Table 1. Estimated budget for activities in 2013 and funds received as of 31 July 2013**

Programme area	Estimated budget for 2013 (KEUR)	Funds received as at 31/07/2013 (donor and amount, KEUR)		Funds still required as at 31/07/2013
Water Management		European Union	410	
		Norway	150	
		Germany	400	
		Switzerland	60	
		Finland	78	
<b>Sub-total</b>	<b>1180</b>		<b>898</b>	<b>282</b>
Policies for Greening Growth		Germany	100	
		Norway	250	
		European Union	1000	
		The Netherlands	75	
		Switzerland	60	
<b>Sub-total</b>	<b>1740</b>		<b>1485</b>	<b>255</b>
<b>Total</b>	<b>2920</b>		<b>2383</b>	<b>537</b>

9. A noticeable change in the financing of the EAP Task Force work on greening growth has been the multi-annual contribution for 2013-16 provided by the European Commission as part of the "Greening Economies in Eastern Neighbourhood" (EaP GREEN) Programme. The grant of EUR 10 M will be shared by four organisations: OECD, UNECE, UNEP and UNIDO. OECD has received 4 million Euro, and will play the lead role in coordinating programme implementation and ensuring its visibility. The EC grant covers some but not all of the planned EAP Task Force activities. Complementary financing from other donors is essential as there is a co-financing requirement that implementing partners and other donors provide EUR 2.5 M of which OECD has to raise and provide from own funds EUR 1 M. Additional resources are also needed to support work on green growth policies in countries of Central Asia.

## PART II: PROGRESS PROJECT-BY-PROJECT

## PROGRESS IN IMPLEMENTING THE EAP TASK FORCE PROGRAMME OF WORK (SEPTEMBER 2012 – AUGUST 2013)

PROGRAMME AREA 1: STRENGTHENING WATER MANAGEMENT <sup>1</sup>				
Project	Completed products/activities (September 2012 – August 2013)	Outputs/events still planned in 2013	Donors	Comments
<b>Activity 1.1: Strengthening the economic and financial dimensions of water management, including adaptation to climate change</b>				
Project 1.1.1: Economic and financial dimensions of water resource management	<ul style="list-style-type: none"> <li>Expert workshop and Steering Committee meeting (in December, 2012 and March, 2013, respectively), in Bishkek, to discuss key findings and recommendations on the reform of water-harmful subsidies in Kyrgyzstan. The final report is available. Implementation of follow up work in on improving existing economic instruments and introducing new ones started in July 2013, as initially planned.</li> <li>Expert workshop in December, 2012, in Moscow, to discuss key finding and preliminary recommendations on improving the use of economic instruments for water resources management in Russia. Final report is available (was finalized after the workshop).</li> <li>Meetings in Moscow (on 18 Dec. 2012 and on 15 March 2013), to prepare a conference on the international dimension of water policy in Russia</li> <li>NPD Steering Group meeting on 12 December 2012 in Yerevan, Armenia, to discuss and agree upon the scope of follow up work on economic</li> </ul>	<ul style="list-style-type: none"> <li>Launching a project on Economic Instruments for Water Resources Management in Russia (in Lake Baikal basin), as a substantive input to a dialogue on water policy in Russia.</li> <li>Next Steering Committee meetings will take place in September 2013 in Yerevan; in October 2013 in Bishkek; in September-October 2013 in Chisinau; and in Q4, 2013 in Ulan-Ude.</li> <li>Working group meeting in Astana in Q4 2013, to draft a Work plan for 2014-15 for the NPD on water policy in Kazakhstan</li> <li>Water conference in Moscow, tentatively on 6-7 November, 2013.</li> </ul>	European Commission Finland Germany Switzerland	<p>The final report on improving the use of economic instruments in Kyrgyzstan was printed by the OECD and disseminated at the NPD meeting in Bishkek.</p> <p>The policy dialogue in Buryatia (a province of Russia in Lake Baikal basin) will be implemented in close co-operation and enjoy synergies with the on-going trans-boundary <i>Baikal project</i>, co-sponsored by the Governments of Mongolia and Russia, GEF and UNDP.</p>

<sup>1</sup> This matrix excludes projects 1.2.2 and 1.2.3 that will start next year or in 2015.

PROGRAMME AREA 1: STRENGTHENING WATER MANAGEMENT <sup>1</sup>				
Project	Completed products/activities (September 2012 – August 2013)	Outputs/events still planned in 2013	Donors	Comments
	<p>instruments. Implementation of follow up work in Armenia on adaption of existing economic instruments and application of new ones to build a national perspective started in May as initially planned.</p> <ul style="list-style-type: none"> <li>• Mission to Dushanbe, Tajikistan in November 2012, following a request from the Tajik authorities to support the water sector reforms in the country.</li> <li>• The First EUWI NPD meeting in Astana on 13 June, 2013.</li> <li>• First meeting in Ulan-Ude, Russia, on 10 July, 2013, to launch a dialogue on water policy in the Republic of Buryatia, establish steering group and agree on further steps.</li> <li>• Kick-off meeting on 10 July in Tbilisi for a project on assessment of cooperation benefits between Azerbaijan and Georgia in the basin of Kura.</li> </ul>			

PROGRAMME AREA 1: STRENGTHENING WATER MANAGEMENT <sup>1</sup>				
Project	Completed products/activities (September 2012 – August 2013)	Outputs/events still planned in 2013	Donors	Comments
Project 1.1.2: Economic and financial dimensions of water supply and sanitation	<ul style="list-style-type: none"> <li>NPD meeting on 21 November, 2012 in Chisinau, to present and discuss two draft final reports: (a) a strategy to adapt WSS services to climate change in Moldova; and (b) sustainable business models for sanitation in small towns and rural settlements in Moldova. Final reports are available.</li> <li>NPD meeting in December 2012 in Yerevan, to discuss a new project the development of a national strategy for the sanitation sector in Armenia.</li> <li>A workshop to strengthen capacity of the Tajik authorities to set WSS tariffs and to design targeted social support was organized on 25-26 June 2013 in Dushanbe, building on good practice in the region and OECD countries.</li> <li>Activities to support development of a sanitation strategy in Armenia started in June 2013. The project will be completed in 2014.</li> </ul>	<ul style="list-style-type: none"> <li>Launching a project to further support the water sector regulator in Tajikistan.</li> <li>Launching a project on viable business models for WSS in small towns and rural settlements in Kazakhstan</li> </ul>	European Commission Finland Germany	The work on business models for rural sanitation seems very promising, as this issue is shared by most EECCA countries. There are ample opportunities to replicate and disseminate.
<b>Activity 1.2: Strengthening institutions for water supply and sanitation</b>				
Project 1.2.1: Measures to cope with over-fragmentation in the water supply and sanitation sector	No activity in the reporting period	<ul style="list-style-type: none"> <li>Follow up study on economic and fiscal incentives to promote inter-municipal cooperation for WSS in Ukraine.</li> </ul>		Funds are still to be secured for that project; on-going consultations with the donors.

PROGRAMME AREA 2: POLICIES FOR GREENING GROWTH				
Project	Completed products/activities (September 2012 – August 2013)	Outputs/events still planned in 2013	Donors	Comments
<b>2.1: Integrating fiscal and environmental policies</b>				
2.1.1: Facilitating the identification and gradual phase-out of environmentally-harmful subsidies (EHS)	<ul style="list-style-type: none"> <li>A national workshop on EHS in Kazakhstan was on 12 September 2012 and additional meetings with key government agencies were held on 20-22 November 2012 in Astana;</li> <li>An Excel-based model which links the subsidy schemes and the possible GHG emission reductions from the gradual removal of these subsidies with a companion explanatory note for users was developed;</li> <li>A case study report on the project in Kazakhstan was drafted and discussed with stakeholders during a workshop on 26 February 2013 in Astana;</li> <li>A second pilot project on EHS identification was launched in Moldova in cooperation with UNDP</li> <li>Data analysis and drafting of the case study report for Moldova has started.</li> </ul>	<ul style="list-style-type: none"> <li>Finalisation and publishing of the EHS case study in Kazakhstan;</li> <li>National workshop to discuss results from the Moldovan case study on EHS, planned for end of October 2013;</li> <li>Finalisation of the EHS case study in Moldova;</li> <li>Launch of a third country-level project.</li> </ul>	Germany Norway European Commission	Within this project, the Secretariat is mobilising substantive input from OECD's core programme on EHS.
2.1.2: Further reforming economic instruments and strengthening their implementation	<ul style="list-style-type: none"> <li>The report on monetary instruments for pollution prevention and control in EECCA was finalized and published;</li> <li>Work on product-related economic instruments in Eastern Partnership countries was launched: the outline of a policy manual "Creating market incentives for greener products" was discussed with EaP country experts via written procedure.</li> </ul>	<ul style="list-style-type: none"> <li>Launch of country-level projects in two countries;</li> <li>Preparation of a draft policy manual on product-related economic instruments by the end of 2013;</li> <li>Preparations for a regional meeting to be conducted in early 2014.</li> </ul>	European Commission Netherlands Switzerland	Geographically, work on economic instruments will be limited to countries of Eastern Europe and the Caucasus.

PROGRAMME AREA 2: POLICIES FOR GREENING GROWTH				
Project	Completed products/activities (September 2012 – August 2013)	Outputs/events still planned in 2013	Donors	Comments
<b>2.2: Fostering incentives for private sector contribution to green growth</b>				
2.2.1: Greening Small and Medium-sized Enterprises	<ul style="list-style-type: none"> <li>Draft analytical framework and questionnaire on promoting better environmental performance of SMEs developed, information gathered and analysed;</li> <li>A methodology for SME surveys in EECCA countries developed.</li> </ul>	<ul style="list-style-type: none"> <li>Develop an outline of an SME Greening Toolkit;</li> <li>Launch SME surveys in two countries.</li> </ul>	European Commission  Germany (under negotiation)	
2.2.2: Enabling private sector green investments	<ul style="list-style-type: none"> <li>Draft project concept developed;</li> <li>Discussion on the project within OECD and contacts with relevant IFIs underway,</li> <li>Preparation of a background report on private sector investments in EECCA launched;</li> <li>Development of a methodology for in-depth analysis of credit-lines launched.</li> </ul>	<ul style="list-style-type: none"> <li>Expert meeting in November / December 2013.</li> </ul>	Germany (under negotiation)  European Commission	Outcomes from OECD work within the Eurasia Competitiveness Programme will be taken into account within this project.
<b>2.3: Strengthening institutional frameworks and capacity</b>				
2.3.1: Facilitating improvements in governance structures and capacity and progress measurement	<ul style="list-style-type: none"> <li>A high-level meeting on green economy in Astana, Kazakhstan attended on 12 September;</li> <li>Two national stakeholder meetings on green growth indicators (GGIs) conducted on 18-19 September and 29-30 November 2012 in Bishkek, Kyrgyzstan;</li> <li>A regional meeting on GGIs conducted on 5-6 March 2013 in Prague, Czech Republic;</li> <li>National-level GGIs workshops conducted on 31 May 2013 (Tbilisi, Georgia); 7 June 2013 (Chisinau, Moldova); 21 June 2013 (Yerevan,</li> </ul>	<ul style="list-style-type: none"> <li>Finalisation of work in Kyrgyzstan;</li> <li>Launch of two-three new pilot projects on GGIs;</li> <li>Finalisation of the handbook on GGIs.</li> </ul>	European Commission  Switzerland  Norway  Netherlands  Kazakhstan	The project is, partly, a contribution to the development of a Shared Environmental Information System in the pan-European region. The OECD Secretariat cooperates in this area with several international organisations, in particular with EEA, UNEP and UNECE.  The GGIs workshop in Kazakhstan was conducted at the invitation of the Kazakh

PROGRAMME AREA 2: POLICIES FOR GREENING GROWTH				
Project	Completed products/activities (September 2012 – August 2013)	Outputs/events still planned in 2013	Donors	Comments
	<p>Armenia), and 26-27 June 2013 (Astana, Kazakhstan)</p> <ul style="list-style-type: none"> <li>• A policy brief on GGIs developed;</li> <li>• Draft report on the pilot project in Kyrgyzstan prepared;</li> <li>• The development of a handbook on the use of GGIs was launched.</li> </ul>			Agency of Statistics that covered all meeting costs.
2.3.2: Greening public budgets and strengthening capacity for costing adaptation programmes	<ul style="list-style-type: none"> <li>• Preparations related to a training workshop on programme design and costing for Kazakhstan, Kyrgyzstan and Tajikistan launched.</li> <li>• Preparations related to a project on designing and costing a public climate-related investment programme in Moldova are on-going, UNDP Moldova has agreed to support the project domestically.</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct the training on the programming and costing methodology on 11-14 November 2013 (Almaty, Kazakhstan).</li> <li>• Launching a project to develop/refine tools to support decision-making on public finance allocation and facilitating their application in Moldova – end of December 2013/beginning of January 2014.</li> </ul>	Germany (under negotiation)	Demand for this project remains high. Focus will be put on countries where the share of ODA is considerable.
2.3.3: Enabling better access to sources for climate finance and green development	<ul style="list-style-type: none"> <li>• This activity will be launched in late 2014. Countries are invited to express interest in specific studies related to financing aspects of green growth.</li> </ul>	<ul style="list-style-type: none"> <li>• Enabling EECCA countries to learn from international experience by facilitating their participation in the Green Growth and Sustainable Development Forum hosted by OECD (5-6 December 2013);</li> <li>• Conducting scoping work.</li> </ul>	Germany (under negotiation)	This project will be closely coordinated with on-going OECD core work on climate finance.