

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

Cancels & replaces the same document of 01 September 2008

PROGRESS REPORT ON THE IMPLEMENTATION OF THE EAP TASK FORCE PROGRAMME OF WORK FOR 2008

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

23-24 October 2008, Astana (Kazakhstan)

Agenda item: 3i

This document describes the activities that have been carried out within the framework of the EAP Task Force. They include activities initiated under the previous programme of work, prior to the Belgrade Ministerial Conference, and activities conducted as part of the new programme of work adopted at the EAP Task Force's last meeting in February 2008. The report describes steps taken by EECCA RECs in cooperation with the OECD secretariat to implement some of the activities in the new work programme.

Action Required: For discussion.

Mr. Brendan Gillespie, Environment and Globalisation Division, Environment Directorate, tel: +33 1 45 24 93 02, fax: + 33 1 44 30 61 83, email: brendan.gillespie@oecd.org



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

PART 1: AN OVERVIEW

The first part of this Progress Report provides an overview of some of the main activities of the EAP Task Force since its last meeting in February 2008. It complements the project-by-project report on progress in the second part of this report. A summary of activities is provided below under the following headings (i) water sector reform, and (ii) environmental policy reform.

1. Water sector reform

This programme area supports reforms of the water supply and sanitation sector in line with the Almaty Guiding Principles for Water Sector Reforms, with the aim of supporting the achievement of the water-related Millennium Development Goals (MDGs) in EECCA¹. It represents a high level of continuity with the EAP Task Force water programme of previous years.

The programme area is structured around three groups of projects:

- (i) monitoring progress in implementing the water-related MDGs,
- (ii) managing the water sector more effectively and efficiently,
- (iii) national policy dialogues on more efficient financial management of the water sector.

Since 2005, the EAP Task Force water programme is carried-out in close cooperation with the EU Water Initiative EECCA Working Group (now chaired by Romania), and there is now a strategic partnership between these two bodies, implemented through a joint work programme. In this connection, the EAP Task Force is responsible for supporting a number of EUWI National Policy Dialogues focussing on reforms in the water supply and sanitation sector (i.e. in Armenia, Moldova, Kyrgyzstan, Georgia).

The association of the EUWI and the EAP Task Force also involves the organisation of joint meetings, bringing together the EUWI EECCA Working Group and the EAP Task Force Group of Senior Officials for Water Sector Reforms, who oversee a joint work programme. The last joint meeting took place in Bucharest on the 12-13th of May 2008². Delegates expressed high levels of support for all the activities in the proposed work programme, and especially for cooperation with the EUWI on National Policy Dialogues.

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

² See ENV/EPOC/EAP/WATER/M(2008)1

Progress was also achieved in a joint OECD-EECCA REC project, which focuses on developing financial planning capacity at the local level. The OECD finalised the training package and tested it in four training events, at which unfortunately no EECCA REC staff could attend. The package is now available for further training activities to be conducted by the EECCA RECs and the OECD is ready to support project preparation and implementation as outlined in the project description.

2. Environmental policy reform

This programme area supports policy innovation and implementation in EECCA countries with a focus on cross-cutting issues. Three groups of projects are carried out, dealing with:

- (i) policy instruments;
- (ii) enforcement and compliance;
- (iii) institutional frameworks and finance.

The Regulatory Environmental Programme Implementation Network – REPIN – continues to provide EECCA policy makers and practitioners with a platform to exchange experience and build partnerships with their counterparts from OECD countries, Central and Eastern Europe, as well as with representatives of NGOs and the private sector on issues of common interest. The Network aspires to achieve better policy implementation at least cost, and promote the rule of law and a level playing field for businesses.

The key event in the policy programme area was the Network's annual meeting on 16-18 June 2008 in Tashkent, Uzbekistan where delegates gathered to discuss (i) progress in adopting innovative instruments of environmental policy and improving environmental finance in EECCA; (ii) activities in a longer-term perspective, and (iii) reform of approaches to measure performance of environmental regulation and compliance assurance.

Several other regional events were conducted in 2008, including:

- Training of trainers on (i) overall design of training programmes and compliance assurance (Lviv, 10-15 March) and (ii) integrated permitting (Prague, 19-23 April);
- Regional workshop on water quality regulation (Kiev, 27 May).

Some projects have continued from the previous programme, *e.g.* on integrated permitting, training of inspectors and environmental compliance and enforcement indicators. Most of the new projects are in their launch phase. These include the development of regional guidelines on monetary penalties, policy dialogues in support of institutional development of environment ministries, and mid-term budgetary planning.

The train-the-trainers events extensively involved staff of EECCA RECs: all four RECs sent their representatives to the Lviv training and three RECs attended the Prague training. Some progress was achieved in implementing the joint project on the training of environmental inspectors. Within the framework of this activity, a small group discussion was jointly organised and facilitated by the OECD/EAP Task Force Secretariat and the Russian REC during the REPIN meeting and scoping meetings were held with representatives of REC Russia, CAREC (Uzbek office), and REC Caucasus (Armenian office).

PART II: PROGRESS PROJECT-BY-PROJECT

PROGRESS IN IMPLEMENTING THE EAP TASK FORCE PROGRAMME OF WORK (FEBRUARY - SEPTEMBER 2008)

<i>Water Sector Reform</i>				
Project	Status of Implementation	Planned Outputs/ Planned Meetings	Donors	Links to Overall Objectives
<i>Activity 1.1 Monitoring progress in implementing the water-related MDGs (starting in 2009)</i>				
<i>Activity 1.2 Managing the water sector more effectively and efficiently:</i>				
Project 1.2.1: Guidelines for performance based contracts <i>Nelly Petkova</i>	<ul style="list-style-type: none"> Three case studies have been elaborated, two in Armenia (Yerevan and Armvodokanal) and one in Kazakhstan, (Shymkent) and are available as reports. A fourth case study is under preparation in the Ukraine (Berdiansk) and should be finalised by the end of the year. The case studies will be used to update the Guidelines for Performance-based contracts. 	<ul style="list-style-type: none"> Case Studies of performance contracts in four locations Updated and revised Guideline for Performance-Based Contracts in the Urban Water Sector in EECCA 	EC TACIS	This work is supporting a more performance oriented management of water utilities and should support more efficient operations in water utilities, ultimately helping to achieve the water-related MDGs.

<i>Water Sector Reform</i>				
Project	Status of Implementation	Planned Outputs/ Planned Meetings	Donors	Links to Overall Objectives
Project 1.2.2: Policy dialogue on opportunities and obstacles for private sector participation <i>Alexandre Martoussevitch</i>	<ul style="list-style-type: none"> This work will start in 2009. 	<ul style="list-style-type: none"> One workshop One paper 	EC TACIS	
Project 1.2.3: Development of financial planning capacity in municipalities and water utilities <i>Tatiana Efimova</i>	<ul style="list-style-type: none"> A training workshop to train local trainers took place in Kiev. A training package has been developed and tested in 4 training workshops that were held in Tbilisi, Batumi and Bishkek. About 40 water sector professionals from water utilities and municipalities have been trained in the course of the project and it is hoped that the tool would be used for further training in a future EECCA REC project. 	<ul style="list-style-type: none"> Training package 6 local trainers trained 40-50 utility/municipality staff trained Final report 	EC TACIS	The lack of financial planning capacity in water utilities and municipalities is one of the obstacles for these institutions to access finance. The project should help to overcome this and thereby allow for additional investment in the water sector in order to achieve the water related MDGs.

<i>Water Sector Reform</i>				
Project	Status of Implementation	Planned Outputs/ Planned Meetings	Donors	Links to Overall Objectives
<p>Project 1.2.4: Report on measures to achieve economies of scale in the provision of WSS (starting in 2009)</p> <p><i>Tatiana Efimova</i></p>	<ul style="list-style-type: none"> An analytical paper is currently under development, looking into issues of fragmentation of the water sector in the EECCA region and identifying some of the approaches, particularly inter-municipal cooperation, that have been used in old and new EU countries to overcome these problems. The paper will be available in a first draft by the end of 2008 and in a more advanced version for the next joint EAP TF-EUWI EECCA Working Group meeting in May 2009. 	<ul style="list-style-type: none"> Report on measures to achieve economies of scale in the provision of WSS 	EC TACIS	Rapid decentralisation of responsibility for the water sector has resulted in a loss of human and institutional capacity, as well as of economies of scale. This project is meant to provide guidance to EECCA countries on policy options that allow an effective and efficient organisation of the water sector, where responsibility for water services are decentralised at the local level.

<i>Water Sector Reform</i>				
Project	Status of Implementation	Planned Outputs/ Planned Meetings	Donors	Links to Overall Objectives
<i>Activity 1.3 National policy dialogue on more efficient financial management of the water sector:</i>				
<p>Project 1.3.1: Supporting national Policy Dialogue on WSS through the development of FS to achieve the water-related MDGs</p> <p><i>Peter Börkey</i> <i>Tatiana Efimova</i> <i>Alexandre Martoussevitch</i></p>	<ul style="list-style-type: none"> • A financing strategy for the rural water supply and sanitation sector is currently under way in Georgia and is expected to be finalised in November 2008, following steering group meetings in February and September 2008. • A second case-study has been launched in Kyrgyzstan: a Baseline report is under preparation, a Steering group meeting to discuss assumptions and key results of a baseline scenario is scheduled for Sept. 2008, with a final report expected in February 2009. • Preparations for follow-up in the dialogue process in Moldova that came to the end of its first phase at the end of 2007 are currently ongoing and involve Austria and the Czech Republic. • Discussion about the possible focus of a dialogue on water supply and sanitation in the Ukraine are currently under way. 	<ul style="list-style-type: none"> • 2 case demonstration project reports • several policy workshops involving key government and non-government stakeholders in both countries 	EC TACIS	<p>Poor financial planning is resulting in inefficient allocation of resources and ultimately in parts of the population remaining unserved with improved water supply and sanitation services. This project is supporting better planning and improved access to financial resources from user charges, public budgets and ODA, and ultimately supports the achievement of the water related MDGs.</p>

<i>Water Sector Reform</i>				
Project	Status of Implementation	Planned Outputs/ Planned Meetings	Donors	Links to Overall Objectives
<p>Project 1.3.2: Improving FEASIBLE and extending FS methodology beyond WSS to issues of water resources management</p> <p><i>Peter Börkey</i> <i>Alexandre Martoussevitch</i></p>	<ul style="list-style-type: none"> • Work to improve the FEASIBLE tool and the documentation that accompanies it is currently under way and should be finalised by the end of the year. The FS case-study in Kyrgyzstan is already benefiting from the improvements made so far. Work to extend the methodology beyond WSS is planned to start in 2009. 	<ul style="list-style-type: none"> • New improved version of the FEASIBLE Model 	EC TACIS	Work under this project is meant to improve financial planning beyond the water supply and sanitation sector, ultimately contributing to the achievement of the water-related MDGs and of improved water resources management.

<i>Environmental Policy Reform</i>				
Project	Status of implementation	Outputs/meetings still planned in 2008	Donors	Progress in EECCA countries
<i>Activity 2.1: Environmental policy instruments</i>				
Project 2.1.1 Integrated permitting <i>Eugene Mazur</i>	<ul style="list-style-type: none"> • A “train-the-trainer” course on integrated environmental permitting was conducted on 19-23 April 2008 in Prague, Czech Republic. The event involved 14 participants from 8 EECCA countries, including representatives of REC Caucasus and REC Moldova. • The Secretariat took part in two Steering Committee meetings on the World Bank project “Reform of Legal Framework and Enhancing Institutional Capacity for Environmental Permitting in Ukraine” on 26 March and 28 May 2008. • The Secretariat attended the national BAT Conference on 3 April 2008 (Moscow, Russian Federation), organized within the “Harmonisation of Environmental Standards II” project (led by Germany’s GTZ). 	<ul style="list-style-type: none"> • The Ukrainian government requested further OECD/EAP Task Force participation in activities implementing the reform of environmental permitting in Ukraine 	Sweden, Norway	<p>A World Bank project is supporting the streamlining of environmental permitting in Belarus. In Ukraine, the Ministry is drafting a law on environmental permitting. Integrated permitting provisions of the 2006 Environmental Code are being implemented in Kazakhstan.</p>

<i>Environmental Policy Reform</i>				
Project	Status of implementation	Outputs/meetings still planned in 2008	Donors	Progress in EECCA countries
Project 2.1.2 Surface water quality standards <i>Eugene Mazur</i>	<ul style="list-style-type: none"> • In April 2008, the Secretariat visited the Ministry of Natural Resources of the Russian Federation in order to learn details about Russia's efforts to regulate total impact on water bodies. • A regional expert meeting (Kiev, 27 May 2008) discussed two approaches guiding the ongoing reform efforts in the region: (i) differentiation of surface water quality standards based on designated use of water bodies (exemplified by the EAP Task Force pilot project in Moldova); and (ii) regulation of total impact on water bodies (pursued, for example, in Russia). • Policy recommendations were summarized in the document "Surface Water Quality Regulation in EECCA Countries: Directions for Reform". 	<ul style="list-style-type: none"> • This activity is being phased out • The Tacis regional project "Environmental Collaboration for the Black Sea" has adopted and is promoting the proposed approach. • The new Tacis project "Water Governance in Western EECCA" and the UNECE project on IWRM in Central Asia are also likely to build on the policy recommendations, provided by the EAP Task Force. 	UK	Moldova's Ministry of Ecology and Natural Resources developed a new Water Law and related regulations which are based on the principles of the EU Water Framework Directive and incorporate many of the EAP Task Force's Moldova pilot project's recommendations.

<i>Environmental Policy Reform</i>				
Project	Status of implementation	Outputs/meetings still planned in 2008	Donors	Progress in EECCA countries
<p>Project 2.1.3 Monetary penalties and liability (Joint project)</p> <p><i>Eugene Mazur</i></p>	<ul style="list-style-type: none"> • Project scoping during the REPIN meeting in June 2008. Participants agreed on the outline for the guidelines, that will include: (i) a methodology to evaluate economic benefits from non-compliance; (ii) a methodology to account for the seriousness of the violation of environmental requirements; (iii) a methodology to account for the compliance record, ability to pay and other operator-specific factors; and (iv) guidance on the use of discretionary administrative powers in applying fines. • Country-specific recommendations for policy reform in Kazakhstan discussed with staff of the Committee for Environmental Regulation and Control during a seminar on 12 June 2008 (Astana). 	<ul style="list-style-type: none"> • Rapid survey of legal provisions on administrative fines in EECCA countries • Draft guidelines for EECCA environmental enforcement authorities on how to assess and apply administrative fines would be developed between December 2008 and April 2009 	<p>Switzerland Norway</p>	<p>There is a strong demand for this project in EECCA countries. All countries are interested to increase the deterrent effect of monetary penalties.</p>
<p>Project 2.1.4: Promoting public information and participation in EIA and permitting (Joint project)</p>	<ul style="list-style-type: none"> • Lack of resources to implement the project. 	<ul style="list-style-type: none"> • All activities had to be postponed. 		

<i>Environmental Policy Reform</i>				
Project	Status of implementation	Outputs/meetings still planned in 2008	Donors	Progress in EECCA countries
<i>Activity 2.2 Environmental compliance and enforcement</i>				
Project 2.2.1 Efficiency of compliance monitoring <i>Angela Bularga</i> <i>Eugene Mazur</i>	<ul style="list-style-type: none"> Guidelines on operational planning and priority setting for inspection of stationary pollution sources in Georgia developed and discussed with the Environment Protection Inspectorate. 	<ul style="list-style-type: none"> Finalizing the pilot testing of the priority setting method The Guidelines and lessons learned from this pilot implementation will be disseminated regionally 	Norway	The Guidelines will be approved by Georgian authorities by the end of 2008.
Project 2.2.2 Benchmarking and improving inspectorates performance <i>Angela Bularga</i>	<ul style="list-style-type: none"> Workshop on environmental compliance and enforcement indicators conducted in June 2008, back-to-back with the REPIN annual meeting. The workshop discussed general recommendations on the reform of performance measurement systems and a draft set of environmental compliance and enforcement indicators. A set of indicators for assessing performance at the sub-national level developed in cooperation with the Kazakh Committee for Environmental Regulation and Control. 	<ul style="list-style-type: none"> Finalization of policy recommendations by the end of 2008 Cooperation with IMPEL and INECE networks 	Netherlands	Demand for improved compliance and enforcement indicators is very high. Reforms are underway in most EECCA countries, particularly in Armenia, Belarus, and Kazakhstan.

<i>Environmental Policy Reform</i>				
Project	Status of implementation	Outputs/meetings still planned in 2008	Donors	Progress in EECCA countries
Project 2.2.3 Drivers of environmental performance in enterprises <i>Angela Bularga</i> <i>Nelly Petkova</i>	REPIN meeting suggested to replace the analysis of incentives for better environmental performance faced by businesses with a project to develop policy recommendations for an environmental performance rating scheme for industry, and methodological support to use the Regulatory Impact Analysis (RIA).	<ul style="list-style-type: none"> • Scoping work on the proposed RIA project 	No financing so far	The Lvov Oblast Environmental Agency (Ukraine) implemented a local pilot industry rating scheme that proved its effectiveness and efficiency. Rating schemes exist in other EECCA countries. There is strong demand to implement broaden the application of these schemes in EECCA countries.
Project 2.2.4: Training for environmental inspectorates (Joint project) <i>Angela Bularga</i>	<ul style="list-style-type: none"> • A train-the-trainer workshop conducted in Lviv on 10-15 March 2008 involving 12 participants, including representatives of all RECs and the Eco-Forum. • A guidance paper on individual capacity development drafted and discussed at the REPIN meeting in June 2008. • The structure of the CD-ROM with training materials defined. 	<ul style="list-style-type: none"> • Georgia and Kazakhstan will prepare training programmes based on the methodology developed by the Secretariat • The guidelines and the CD-ROM will be finalized by the end of 2008 	Norway	Except for Russia, no training curricula are available. A more structured approach is necessary.

<i>Environmental Policy Reform</i>				
Project	Status of implementation	Outputs/meetings still planned in 2008	Donors	Progress in EECCA countries
<i>Activity 2.3: Institutions and financing:</i>				
<p>Project 2.3.1 Institutional development of environmental ministries</p> <p><i>Angela Bularga</i></p>	<ul style="list-style-type: none"> • Pilot projects launched in Armenia, Georgia, and Moldova. • Support for drafting the Institutional Development Plan provided to the Ministry of Ecology and Natural Resources of Moldova. • Experience of linking development planning and capacity building described based on Moldova's example. 	<ul style="list-style-type: none"> • Issues paper on institutional strengthening for environmental management in EECCA • Draft diagnostic tool • Special session of the Task Force on institutional development in October 2008 	<p>Switzerland Sweden Norway</p>	<p>Although EECCA countries have improved institutional frameworks for environmental management, the quality of public services delivered by the Ministries of Environment is hindered because of poor organisational conditions and unsupportive enabling environment.</p>

<i>Environmental Policy Reform</i>				
Project	Status of implementation	Outputs/meetings still planned in 2008	Donors	Progress in EECCA countries
Project 2.3.2. Mid-term budgetary planning <i>Nelly Petkova</i>	<ul style="list-style-type: none"> • Project introduction and detailed discussion at the REPIN meeting in June 2008. Countries stressed the need to involve in this work experts from ministries of finance responsible for assessing budget requests of environment ministries. • Information gathering and stakeholder communication in order to launch the project in Russia. 	<ul style="list-style-type: none"> • An in-depth review of Russia's experience in the design and implementation of a Mid-Term expenditure Framework (MTEF) • An expert meeting on the use of MTEF in the environment sector will be organised by the end of 2008 	UK Switzerland	Most EECCA countries have already introduced elements of medium-term budget planning into their public expenditure management systems but only a few have implemented them in accordance with international good practices. Environment ministries are often lagging in complying with these new approaches.