

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

**PROGRAMME OF WORK AND BUDGET OF THE EAP TASK FORCE FOR 2009**

**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: 3.ii*

*This document presents the proposed work programme, and an estimate of associated financial requirements, of the EAP Task Force for 2009. It includes activities that would be implemented by the OECD secretariat and EECCA RECs.*

*Action required: To endorse the proposed Programme of Work and Budget.*

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## EXECUTIVE SUMMARY

This document presents a consolidated draft programme of work for the EAP Task Force for 2009, structured in a summary description and a more detailed annex. It builds on discussions within the Task Force on the overall direction of work in the period 2008-2011; progress in implementing the 2008 programme of work; and guidance provided by the networks on environmental policy reform (REPIN) and on water sector reform and the EAP Task Force Bureau. It has been prepared by the OECD secretariat in co-operation with the Executive Directors of the Regional Environment Centers (RECs).

The draft programme is organised along two main themes:

- Reform of the water sector, and
- Environmental policy reform.

Within these themes, and subject to the provision of sufficient resources, the various activities will be implemented by:

- The OECD secretariat and EECCA RECs jointly
- The OECD secretariat, and
- EECCA RECs

### Water Sector Reform

This programme area aims to support the reform of the water sector, and to help mobilise finance, in order to help achieve the water-related Millennium Development Goals<sup>1</sup>. This would support economic and social development in EECCA countries, as well as environmental protection efforts.

Progress in reforming the water sector has been registered in some richer EECCA countries and some larger cities, but the situation remains critical in small- and medium-sized town, and in rural areas, where water services have effectively collapsed or deliver very poor services. The institutions for water supply and sanitation are in urgent need of reform, particularly at the local level. This is an obstacle to mobilising and channelling the financial resources that are required to upgrade the deteriorating infrastructure.

Projects and proposed outputs are organised in three main areas and described in the following box.

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<sup>1</sup> To reduce by half by 2015 those without access to safe water and basic sanitation.

**Box 1: Summary of projects planned for 2009 in the water programme**

Project Title	Responsibility for Implementation	Outputs Planned in 2009
<b>A) Activities to be carried-out jointly by the OECD Secretariat and the EECCA RECs</b>		
Project JP/1.2.3: Development of financial planning capacity in municipalities and water utilities	Joint Project	<ul style="list-style-type: none"> <li>• Implementation of training programmes for financial planning for representatives from utilities and municipalities</li> <li>• A report summarising lessons learned</li> <li>• A tool to support web-based training.</li> </ul>
<b>Activity 1.1 Monitoring progress in implementing the water-related MDGs</b>		
Project 1.1 Monitoring progress in implementing the water-related MDGs	OECD Secretariat	<ul style="list-style-type: none"> <li>• One country report documenting the performance of water utilities</li> <li>• Water utility performance data published on the World Bank's IB-Net website</li> </ul>
<b>Activity 1.2 Managing the water sector more effectively and efficiently:</b>		
Project 1.2.1: Guidelines for performance based contracts	OECD Secretariat	<ul style="list-style-type: none"> <li>• Case Studies of performance contracts in four locations</li> <li>• Updated Guidelines for Performance-based contracts</li> </ul>
Project 1.2.2: Policy dialogue on opportunities and obstacles for private sector participation	OECD Secretariat	<ul style="list-style-type: none"> <li>• Stakeholder workshop with EECCA policy makers, donors, IFIs and private sector representatives.</li> <li>• Draft an analytical paper to take stock of PPPs in the EECCA water sector and indentifying key trends as well as, obstacles and opportunities.</li> </ul>
Project 1.2.3: Development of financial planning capacity in municipalities and water utilities	Joint project	<ul style="list-style-type: none"> <li>• See JP/1.2.3 above</li> </ul>

Project Title	Responsibility for Implementation	Outputs Planned in 2009
Project 1.2.4: Report on measures to achieve economies of scale in the provision of WSS	OECD Secretariat	<ul style="list-style-type: none"> <li>• 2-3 EUWI national policy dialogue meetings on fragmentation in the water sector in one EECCA country;</li> <li>• Draft guidelines/checklist for developing economies of scale in providing water supply and sanitation services</li> </ul>
<b>Activity 1.3 National policy dialogue on more efficient financial management of the water sector:</b>		
Project 1.3.1: Supporting national Policy Dialogue on WSS through the development of FS to achieve the water-related MDGs	OECD Secretariat	<ul style="list-style-type: none"> <li>• 2 country demonstration project reports identifying measures that should be taken to achieve agreed policy goals regarding the provision of water supply and sanitation.</li> <li>• Several National Policy Dialogue events involving key government and non-government stakeholders in the two countries.</li> </ul>
Project 1.3.2: Improving FEASIBLE and extending FS methodology beyond WSS to issues of water resources management	OECD Secretariat	<ul style="list-style-type: none"> <li>• One expert workshop to define the objectives and scope of work and the methodological options that exist for the extension of the FS approach to water resources management.</li> <li>• Improved FEASIBLE model and expanded FS methodology</li> <li>• Several policy dialogue events in one EECCA country</li> <li>• A country case study</li> </ul>

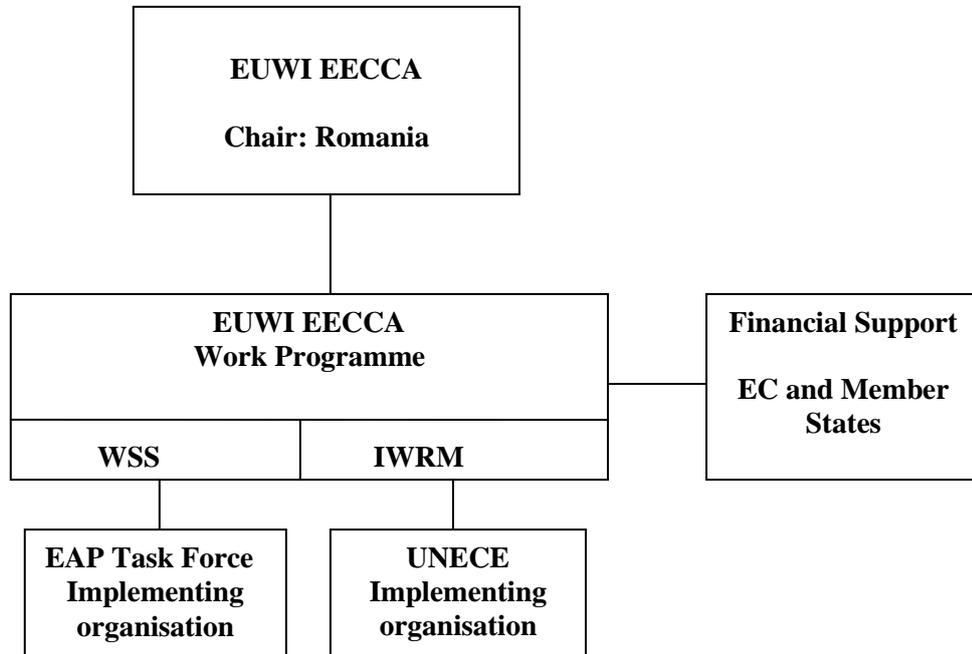
The activities described in the box above are designed to achieve the following outcomes:

- Greater use of performance indicators should ultimately lead to improved performance of water utilities
- Improved, facts-based policy making for the water supply and sanitation sector
- Improved contractual arrangements between municipalities and utilities
- More objective and realistic discussions of Private Sector Participation
- Improved financial planning capacity in utilities and municipalities
- Improved sector organisation and reduced infrastructure costs;
- Improved access to finance from donors, IFIs, public budgets and the private sector
- Ultimately, the water programme is supporting the achievement of the internationally agreed water-related MDGs.

Since 2005, the EAP Task Force water programme has been implemented in close cooperation with the EU Water Initiative EECCA Working Group, which is now chaired by Romania. There is now a strategic partnership between the two activities and, effectively, a joint work programme that is overseen

by joint meetings of the EUWI EECCA Working Group and the EAP Task Force's Group of Senior Officials for Water Sector Reform (see figure 1).

**Figure 1: Institutional architecture of the EUWI EECCA Working Group**



The last joint meeting took place in Bucharest on the 12-13<sup>th</sup> of May 2008<sup>2</sup>. The meeting ranked the priority of proposed project proposals for EAP Task Force work in 2009-2011. The results of this exercise indicate high levels of support for all the activities in the work programme proposal. The EAP Task Force cooperation with the EUWI on National Policy Dialogues received particularly high priority from delegates and indicates that this is now a well established and appreciated activity area.

<sup>2</sup> See ENV/EPOC/EAP/WATER/M(2008)1

## Environmental Policy Reform

EECCA countries made substantial progress in establishing regulatory and institutional frameworks, which were largely absent at the beginning of the transition. At the same time, there is still a need to strengthen implementation at all levels, and to integrate the environment into the broader process of economic, political, and social reform. In this context, the policy programme area supports further strengthening of environmental policies and institutions in EECCA countries. The focus is on issues of a cross-cutting character, with a high potential to simultaneously contribute to environmental improvements, economic development, and the rule of law. The programme is structured in three main areas:

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

At the June 2008 meeting, REPIN proposed two changes in the programme of work: to replace the analysis of incentives for good environmental performance for businesses with a project to produce policy recommendations on the implementation industry rating scheme (building on previous Task Force work in this area); and to add a new project on methodological support on the use Regulatory Impact Analysis. Overall, the REPIN members advised the Secretariat to keep the focus on the implementation of environmental policies and to centre pilot projects on low-income countries.

Projects and proposed outputs are organised in three main areas and described in the following box:

### Box 2. Summary of projects planned for 2009 in the policy area

Project Title	Responsibility for implementation	Outputs planned in 2009
<b>Activity 2.1: Environmental Policy Instruments</b>		
2.1.1. Regulatory Impact Analysis	OECD Secretariat	<ul style="list-style-type: none"> <li>• Synthesis report on international experience of RIA application within the environmental sector, with a focus on costing models</li> <li>• A regional meeting to discuss opportunities and constraints for a full-fledged use of RIA</li> </ul>
2.1.2. Monetary Penalties and Liability	Joint project	<ul style="list-style-type: none"> <li>• The OECD Secretariat will (i) organise an expert meeting in March-April 2009 to present the international experience and identify opportunities and limitations of its adoption by EECCA countries; (ii) develop guidelines on assessment of administrative fines; and (iii) launch a study on the newest developments in OECD countries as concerns the reform of liability regimes;</li> <li>• The EECCA RECs will produce a review of current systems of environmental liability in the EECCA region.</li> </ul>

Project Title	Responsibility for implementation	Outputs planned in 2009
2.1.3. Integrated Permitting	OECD Secretariat	<ul style="list-style-type: none"> <li>• Expert contribution to the development of the legal basis for environmental permitting in Ukraine, and to the production of procedural and technical guidance</li> </ul>
2.1.4 Promoting public information and participation in decision-making	EECCA RECs'	<ul style="list-style-type: none"> <li>• Training programmes on information EIA disclosure for the public and NGOs developed;</li> <li>• A Questionnaire for assessing the current situation related to disclosure of EIA and permitting materials;</li> <li>• Analytical report summarising the existing situation in EECCA;</li> <li>• A set of specific legal and institutional recommendations for one pilot country;</li> <li>• A report addressing the feasibility of introducing IT and other tools to improve disclosure of EIA and permitting materials</li> <li>• A pilot project on studying the level of public involvement in Nord Stream project design and implementation under the frame of the Espoo convention</li> <li>• Recommendations for developers of the South Stream project on consideration of the Espoo convention principles and guidelines in its implementation.</li> </ul>
<b>2.2: Environmental Compliance and Enforcement</b>		
2.2.1 Risk-based inspection	OECD Secretariat	<ul style="list-style-type: none"> <li>• Limited <i>ad hoc</i> expert guidance to countries willing to apply the risk-based approach</li> <li>• Identification of legal changes needed to adopt the risk based approach and their discussion at the REPIN annual meeting</li> </ul>
2.2.2 Environmental Compliance and Enforcement Indicators and Comparative Analysis	OECD Secretariat	<ul style="list-style-type: none"> <li>• An expert meeting to agree on the set of common environmental compliance and enforcement indicators to be used in the EECCA region;</li> <li>• The set of indicators developed and a technical guide on the use of indicators drafted.</li> </ul>
2.2.3. Industry's Environmental Rating	Joint project	<ul style="list-style-type: none"> <li>• The OECD Secretariat will draft a guidance document describing the benefits of rating, criteria and the algorithm used to rate companies, the need for, and approaches to adapt the scheme to national of sub-national level priorities, and the avenues for information disclosure</li> <li>• The EECCA RECs will assess the feasibility of scheme's introduction in several countries of the EECCA region</li> </ul>

Project Title	Responsibility for implementation	Outputs planned in 2009
2.2.4. Training Programmes for Inspectorates	Joint project	<ul style="list-style-type: none"> <li>The OECD Secretariat will develop a methodology to define training priorities and establish sustainable training programmes;</li> <li>The EECCA RECs will help inspectorates and local trainers to identify training needs and implement training and will facilitate networking among trainers</li> </ul>
<b>2.3: Institutional frameworks and financing</b>		
2.3.1 Institutional Development of Environmental Ministries	OECD Secretariat	<ul style="list-style-type: none"> <li>Finalising the methodology to assess institutional capacities for environmental management;</li> <li>In-country activities in Armenia, Georgia and Moldova.</li> </ul>
2.3.2 Medium-term Budgetary Planning	OECD Secretariat	<ul style="list-style-type: none"> <li>A regional survey of budget formulation practices in the environmental sector, including the methodology and 5-6 country profiles</li> <li>An expert meeting to discuss policy conclusions and recommendations regarding the use of medium-term budgetary planning in the environmental sector</li> </ul>
2.3.3 Local Environmental Action Plans	EECCA RECs	<ul style="list-style-type: none"> <li>50-60 government representatives/experts/practitioners from selected EECCA countries trained in the best practices on LEAP theory and practices within the framework of the series of training courses;</li> <li>Leading internationally adopted and approved documents on local environmental management widely disseminated among practitioners and environmental decision-makers;</li> <li>A bilingual web portal for LEAP practitioners and experts developed containing training materials, analytical reports, and practical experience developed;</li> <li>Training of LEAP practitioners replicated at sub-regional and national levels (about 20-30 persons per country).</li> </ul>

If implemented by countries, the reforms proposed within the EAP Task Force programme have the potential to improve, first of all, the success of environmental policies. This could be achieved through several channels, such as, for instance, *ex ante* analysis of compliance factors and the costs of compliance; enhanced deterrent effect, fairness and proportionality of fines and liability regimes; or engagement of new actors in promoting sound environmental management. Better compliance and enforcement strategies and institutional development activities will both contribute to policy implementation and anchor good governance principles in every-day activities. Among other things, this will guarantee a level playing field for businesses, higher transparency of environmental authorities and staff integrity. Finally, countries could reduce the administrative costs of environmental regulation and enforcement and achieve a greater budgetary predictability and more efficient use of public money in environmental ministries.

## **EECCA RECs**

EECCA RECs' activities related to Water Sector reform in EECCA within the framework of the EAP Task Force Work Programme are focused on improving transboundary management of water resources, while in the area of Environmental Policy Reform they are mainly aimed at strengthening environmental enforcement and compliance, environmental liability and public participation in EIA and permitting. Special focus is put on strengthening environmental policy instruments at the local level, such as LEAPs.

### **Estimated Financing Needs for 2009**

The estimate of the total finance required to implement the 2009 programme of work is 1 801 KEUR for the OECD secretariat, and 1 207KEUR for the EECCA RECs. This compares with 1 500KEUR and 1 142KEUR respectively in 2008.

From the OECD secretariat perspective, the overall estimate of financial needs for work on water in 2009 is 1.035KEUR, compared to 911KEUR in 2008. The increase is due to work on national policy dialogues reaching full scale after an initial start-up phase in 2007-2008. This activity, which is the main priority of the EUWI, will entail work at different stages in four EECCA countries in 2009. From the EECCA RECs perspective, the overall estimated financial needs for the work in water sector area in 2009 are 486 KEUR, compared with 421KEUR in 2008.

Regarding environmental policy reform, the need on the OECD side is 767KEUR in 2009, compared to 588KEUR in 2008. This is because of demand in REPIN for additional work on industry performance rating, and for a new project on Regulatory Impact Analysis. In the area related to environmental policy reform, the need on the EECCA RECs side is 531 KEUR, compared to 721KUR in 2008.

At the time of preparing these estimates, the OECD secretariat had received 159KEUR, and the EECCA RECs nothing. Fundraising for 2009 is an important issue.

## A SUMMARY OF ESTIMATED FINANCING NEEDS IN 2009

Activities	OECD Secretariat			EECCA RECs		
	Total Required	Total Received	Still Required	Total Required	Total Received	Still Required
<b>Water Sector Reform</b>						
<b><i>JOINT PROJECTS TO BE IMPLEMENTED BY THE OECD/EAP TASK FORCE SECRETARIAT AND EECCA RECS</i></b>						
<ul style="list-style-type: none"> <li>Project JP/1.2.3: Development of financial planning capacity in municipalities and water utilities</li> </ul>	10,000	0	10,000	246,000	0	246,000
<b><i>PROJECTS TO BE IMPLEMENTED BY THE OECD/EAP TASK FORCE SECRETARIAT</i></b>						
<b>Activity 1.1 Monitoring progress in implementing the water-related MDGs (starting in 2009)</b>	30,000	0	30,000			
<b>Activity 1.2 Managing the water sector more effectively and efficiently</b>						
<ul style="list-style-type: none"> <li>Project 1.2.1: Guidelines for performance based contracts</li> </ul>	100,000	49,000	51,000			0
<ul style="list-style-type: none"> <li>Project 1.2.2: Policy dialogue on opportunities and obstacles for private sector participation</li> </ul>	125,000	0	125,000			0
<ul style="list-style-type: none"> <li>Project 1.2.3: Development of financial planning capacity in municipalities and water utilities (see JP/1.2.3 above)</li> </ul>	0	0	0			0
<ul style="list-style-type: none"> <li>Project 1.2.4: Report on measures to achieve economies of scale in the provision of water supply and sanitation (starting in 2009)</li> </ul>	190,000	0	190,000			
<b>Activity 1.3 National policy dialogue on more efficient financial management of the water sector</b>						
<ul style="list-style-type: none"> <li>Project 1.3.1: Supporting national policy dialogue on water supply and sanitation through the development</li> </ul>	300,000	0	300,000			0

Activities	OECD Secretariat			EECCA RECs		
	Total Required	Total Received	Still Required	Total Required	Total Received	Still Required
of financing strategies to achieve the water-related MDGs						
<ul style="list-style-type: none"> <li>Project 1.3.2: Improving FEASIBLE and extending financing strategy methodology beyond water supply and sanitation to issues of water resources management</li> </ul>	280,000	0	280,000			0
<b><i>PROJECTS TO BE IMPLEMENTED BY THE EECCA RECS</i></b>						
<b>Project 1. Enhancing Transboundary Water Management in the EECCA Region through Training Courses</b>				240,000	0	240,000
<b>Sub-total EUR of all water projects</b>	<b>1,035,000</b>	<b>49,000</b>	<b>986,000</b>	<b>486,000</b>		<b>486,000</b>
<b>Environmental Policy Reform</b>						
<b><i>JOINT PROJECTS TO BE IMPLEMENTED BY THE OECD/EAP TASK FORCE SECRETARIAT AND EECCA RECS</i></b>						
<ul style="list-style-type: none"> <li>Project JP/2.1.2 Monetary Penalties and Liability</li> </ul>	133,100	0	133,100	130,500	0	130,500
<ul style="list-style-type: none"> <li>Project JP/2.2.3 Industry Rating Schemes</li> </ul>	57,000	0	57,000			
<ul style="list-style-type: none"> <li>Project JP/2.2.4 Training Programmes for Inspectorates</li> </ul>	36,100	0	36,100	190,000	0	190,000
<b><i>PROJECTS TO BE IMPLEMENTED BY THE OECD/EAP TASK FORCE SECRETARIAT</i></b>						
<ul style="list-style-type: none"> <li>Project 2.1.1. Regulatory Impact Analysis</li> </ul>	127,000	0	127,000			
<ul style="list-style-type: none"> <li>Project 2.1.3. Environmental Permitting</li> </ul>	20,000	20,000	0			
<ul style="list-style-type: none"> <li>Project 2.2.2. Environmental Compliance and Enforcement Indicators and Comparative Analysis</li> </ul>	84,100	0	84,100			
<ul style="list-style-type: none"> <li>Project 2.3.1. Institutional Development of Environmental Ministries</li> </ul>	191,600	90,000	101,600			

Activities	OECD Secretariat			EECCA RECs		
	Total Required	Total Received	Still Required	Total Required	Total Received	Still Required
• Project 2.3.2 MTEFs	117,800	0	117,800			
<b><i>PROJECTS TO BE IMPLEMENTED BY THE EECCA RECS</i></b>						
• Project 2.1.4 Promoting Public Information and Participation in EIA and Permitting				101,100	0	101,100
• Project 2.3.3 Promotion and implementation of Local Environmental Action Plans (LEAPs) in EECCA countries				300,000	0	300,000
<b>Sub-total EUR all policy projects</b>	<b>766,700</b>	<b>110,000</b>	<b>656,200</b>	<b>721,600</b>		<b>721,600</b>
<b>TOTAL EUR</b>	<b>1,801,700</b>	<b>159,000</b>	<b>1,642,200</b>	<b>1,207,600</b>	<b>0</b>	<b>1,207,600</b>

**ANNEXES:  
DETAILED PROJECT DESCRIPTIONS**

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

### **(A) ACTIVITIES TO BE CARRIED OUT JOINTLY BY THE OECD SECRETARIAT AND EECCA RECS**

#### **PROJECT JP/1.2.3: DEVELOPMENT OF FINANCIAL PLANNING CAPACITY IN MUNICIPALITIES AND WATER UTILITIES**

##### ***Objectives:***

The project objective is to set-up a train-the-trainer programme in order to improve the capacity of local actors to carry-out medium-term financial planning for the water sector.

##### ***Background:***

EECCA Ministers of Economy/Finance and Environment, at their consultations in Yerevan 17-18<sup>th</sup> November 2005, identified slow progress in reform at the municipal level as one of the most important obstacles to improved provision of urban water supply and sanitation. The lack of capacity in financial planning and management, as well as in project preparation are an important cause for this situation. As a result, few water utilities have been established as commercially-run, autonomous entities, and even fewer have been able to develop business models that would attract investment from both, public and private sources.

Within the work of the EAP Task Force several tools and approaches have been developed and applied in EECCA countries, mainly to facilitate more realistic financial planning, and to enhance and monitor the performance of sector institutions. The tools were developed in response to expressed demand in EECCA countries and they have been developed and tested in demonstration projects in EECCA countries. Results have been presented to the Group of Senior Officials for Water Supply and Sanitation Sector Reform in EECCA, where many countries have requested support to apply these tools and approaches. The set of tools available to support local level actors include: a Multi Year Investment Planning Tool (MYIP) to support more effective investment planning for the water sector in municipalities; a complementary Financial Planning Tool for Water Utilities (FPTWU); a Handbook for appraisal of environmental projects financed from public funds and for capacity building in municipalities and utilities; Guidelines for developing performance-based contracts between municipalities and utilities; and a set of indicators for benchmarking utility performance (for more information see [www.oecd.org/env/eap/](http://www.oecd.org/env/eap/)). In addition to these tools and approaches, several more are available from other stakeholders, i.e. the Project Preparation Committee has developed a training module in project preparation. The focus of the training would be to strengthen the financial management capacity in municipalities and water utilities, involving a concentration of training efforts on tools such as the MYIP and the FPTWU.

##### ***Activities:***

The activities under this task would build on an ongoing OECD project (funded by the TACIS programme and ending in 2008) that has been carried-out in two phases:

Phase 1 this work has involved the identification and training of institutions in at least 3 EECCA countries to become trainers. The institutions and trainers have been selected on the basis of their incentives and capacity to further disseminate the tools EECCA-wide after project completion. This ensures that local capacity is used and developed on a sustainable basis and that best practices are spread widely even after the project ends.

In phase 2 about 40 professionals from EECCA utilities/municipalities, at the level of finance directors, have been trained, involving international and local trainers.

This work has produced (or will produce by the end of 2008) the following outputs

- Training package
- 6 local trainers trained
- 40-50 utility/municipality staff trained
- Final report

#### ***Activities of the EECCA RECs***

Following the completion of the OECD project and the finalisation of the training methodology and materials, the EECCA RECs would carry this work forward by training additional practitioners in water utilities and municipalities. To do this the RECs could draw on their own staff that would have been trained in the framework of the OECD project (where relevant), as well as on other local trainers that the project has trained.

The EECCA RECs would be ultimately responsible for project preparation and implementation. They would:

- Prepare a project proposal for the purpose of fund raising;
- Prepare terms of references for the project for possible contracting of consultants to help project implementation;
- Identify local trainers;
- Identify about 40-50 practitioners that would benefit most from the type of training proposed; involve donors and IFIs in the identification process;
- Hold 4-6 one-week training sessions;
- Provide on-site support to trainees in between training sessions;
- Draft report summarising lessons learned from the training and proposing possible improvements of training methodology and materials;
- Develop a web-tool that supports web-based training in these EAP Task Force tools;

The OECD would support the EECCA RECs in the start-up phase of the project, i.e. by supporting:

- The drafting of a project proposal for fund raising;
- The drafting of the terms of references of the project;
- The design and implementation of the first training session;
- Review and provide feed-back on any written outputs that the project would produce.

#### ***Outputs:***

- Implementation of training programmes for financial planning for representatives from utilities and municipalities

- A report summarising lessons learned
- A tool to support web-based training.

***Outcomes:***

Improved financial planning capacity in utilities and municipalities in the region, facilitating access to finance from donors, IFIs, public budgets and the private sector. Capacity in key organisations in the region, including one or several of the EECCA RECs, that will help to disseminate these good practices further throughout the region.

## **(B) ACTIVITIES TO BE CARRIED OUT BY THE OECD SECRETARIAT**

### ***ACTIVITY 1.1: MONITORING PROGRESS IN IMPLEMENTING THE WATER-RELATED MDGs***

#### ***Objectives***

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

#### ***Background***

The millennium development goals commit countries to reduce by half the number of people who do not have access to safe drinking water and adequate sanitation by 2015 compared to 1990 levels. At the same time EECCA countries are also committed to the implementation of the Almaty “Guiding Principles for Water Sector Reforms” adopted at a meeting of EECCA Economic, Finance and Environment Ministers in Almaty in 2000, and the policy conclusions and recommendations made at a follow-up Ministerial Conference in Yerevan in 2005.

The activity would build on similar work carried-out in the past and seek to update and expand an existing EAP Task Force database of water utility performance data, which has been routinely published on the World Bank’s IB-Net website. It is expected that, as in the past, this work would be carried-out in coordination and synergy with the World Bank, which is currently working to update its IB-Net database. The indicators enable benchmarking of water utilities performance, including the identification of areas where performance could be improved in line with comparable utilities.

#### ***Activities***

Work in 2009 would focus on:

- collecting water utility performance data and information about key institutional and legal reforms in one EECCA country (to be coordinated with the World Bank)
- presenting the information in country reports
- publishing data on the World Bank’s IB-Net website

#### ***Output***

- One country report documenting the performance of water utilities
- Data published on the World Bank’s IB-Net website

#### ***Outcome***

Greater use of performance indicators should ultimately lead to improved performance of water utilities. In addition, it is expected that the data and analysis that will be produced in the framework of this activity will feed into policy reports that will be prepared by the EAP Task Force as an input to the Environment for Europe Ministerial Conference in Astana. The work should help to improve policy

making for the water supply and sanitation sector by providing good quality data and analysis and ultimately to support the achievement of the water-related MDGs.

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

### **PROJECT 1.2.1: GUIDELINES FOR PERFORMANCE BASED CONTRACTS**

#### ***Objectives:***

Disseminate and support the implementation of the EAP Task Force Guidelines for Performance-based Contracts that were published in 2005 and improve the Guidelines by adding further practical examples and analysis to them.

#### ***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. At the same time, many performance contracts have now been developed in the region, mostly between a private operator and a municipality or a regional/central authority. Parties to such contracts frequently are looking for ways to improve these further.

Based on lessons learned from experiences in EECCA as well as OECD countries, the project aims to assist water utilities and municipalities 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 Guidelines aim to serve as a general reference for parties that consider developing such a contract.

This activity builds upon work carried-out in 2007-2008, which helped to update the Guidelines for Performance-Based Contracts between Water Utilities and Municipalities and developed case-studies in four locations (Yerevan, Armvodokanal (both ARM), Shymkent (KZ), and Berdiansk (Ukraine)).

#### ***Activities:***

The activity would help to further expand the number of case studies that currently support the Guidelines for Performance-Based Contracts and provide assistance to local-level actors:

- The assessment of a recent contract between a municipality and a public or private water utility in one location in EECCA, involving a field trip to collect data and to meet with relevant stakeholders;
- The development of a report containing a description of each of these contracts, a critical analysis against the background of the “Guidelines”, and recommendations on the key measures that need to be undertaken to improve the contract;
- A seminar to discuss these recommendations with local stakeholders;
- The presentation of this report in a joint meeting of the EU Water Initiative EECCA Working Group and of the EAP Task Force Group of Senior Officials for Water Supply and Sanitation

**Output:**

- Case Studies of performance contracts in four locations
- Updated Guidelines for Performance-based contracts

**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 technical assistance provided would help the involved municipalities/state authorities to improve their existing contracts. The work is relevant for both privately and publicly operated utilities.

**PROJECT 1.2.2: POLICY DIALOGUE ON 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 that has initially focused on the private sector, IFIs and donors, to involve EECCA policy makers more strongly than before. The aim is to improve the common understanding of the potential role of the private sector, the constraints that it is operating under and the important role that public authorities need to play in regulating the sector.

**Background:**

Even though there is so far only limited experience with private sector participation in most EECCA countries, the number of such projects has increased significantly in some. The issue remains controversial, and it continues to be a hotly debated topic. A fact-based analysis could help to support a more informed debate.

Despite past efforts, many of the challenges to improve utility efficiency and effectiveness through PSP remain. 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. It is proposed that this dialogue event would build on previous work, but focus more strongly on EECCA policy-makers, as well as drawing on the increasing number of PSP projects in the EECCA region and seek to develop a common understanding of the issues.

**Activities:**

- Hold a stakeholder workshop with EECCA policy makers, donors, IFIs and private sector representatives, possibly back-to-back with a joint meeting of the EU water Initiative EECCA Working Group and the EAP Task Force Water Network.
- Draft an analytical paper to take stock of PPPs in the EECCA water sector and identify key trends as well as, obstacles and opportunities
- Draft a report drawing together the main conclusions from the workshop.

***Outputs:***

- One workshop
- Two papers

***Outcomes:***

Achieve a better understanding of the main trends in PSP in the water sector, the obstacles and opportunities for its wider application, and the measures that can help to overcome these obstacles.

***PROJECT 1.2.4: REPORT ON MEASURES TO ACHIEVE ECONOMIES OF SCALE IN THE PROVISION OF WATER SUPPLY AND SANITATION***

***Objectives***

The objective of this project is to identify ways in which municipalities might cooperate to achieve economies of scale and overcome the fragmentation of the water supply and sanitation sector following decentralisation in the early 1990s, as well as policy reforms that would be required to support this.

***Background***

There is increasing recognition that the decentralisation of responsibilities for water supply and sanitation has made it difficult for utilities and municipalities to fully exploit economies of scale, to retain and develop adequate capacity to run the sector, and to generate the necessary resources to finance capital investments. This project will build upon work done in 2008 that looked at the situation in the Ukraine and into reform measures in several EU countries that help to overcome the fragmentation effects of decentralisation, i.e. through inter-municipal cooperation agreements, the establishment of regional water utilities and other relevant measures. Work in 2009 would focus on developing a policy dialogue in one EECCA country on these issues and to develop guidelines or a checklist that could be used by other countries in the region to address the situation.

***Activities***

- To facilitate an EUWI national policy dialogue on fragmentation in the water sector in one EECCA country (possibly the Ukraine), involving 2 or 3 national dialogue meetings;
- To develop draft guidelines/checklist for developing economies of scale in providing water supply and sanitation services

***Outputs***

- Two-three workshops
- Draft guidelines/checklist

***Outcomes:***

Policy reforms to facilitate cooperation among municipalities to provide water supply and sanitation more efficiently, and, ultimately, the implementation of such cooperative arrangements.

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

#### **PROJECT 1.3.1: SUPPORTING NATIONAL POLICY DIALOGUE ON WATER SUPPLY AND SANITATION THROUGH THE DEVELOPMENT OF FINANCING STRATEGIES TO ACHIEVE THE WATER-RELATED MDGs**

##### ***Objectives:***

The objective of this project is to support national policy dialogue on the financing of water supply and sanitation infrastructure by providing support to EECCA governments for the development of strategic financial sector plans. This would help to ensure that available financial resources are used in the most effective way and to facilitate access to donor and IFI funds for the achievement of the water-related MDGs.

##### ***Background:***

A strategic financial planning methodology developed jointly by the OECD/EAP Task Force and the Government of Denmark is designed to help countries improve their financial planning for the water supply and sanitation sector. It provides a framework to design infrastructure targets and to prepare realistic multi-year investment and financing programmes for those environmental sectors that require investment-heavy public infrastructure, such as water supply and sanitation. It also helps to identify relevant policy packages, to reach these infrastructure targets. This methodological approach is targeted at the countries or regions where "central planning" and micro-management of project-specific pipelines of investments owned by many different economic agents (e.g. firms, municipalities) are neither feasible nor desirable. Such financing strategies provide the necessary link between the general programmes on the one hand, and project pipelines and public budgets on the other.

The Financing Strategy toolkit includes a methodology for elaborating such strategies, a computer-based model (called FEASIBLE<sup>®</sup>) and a user-manual for the model (for more information visit [www.oecd.org/env/finance](http://www.oecd.org/env/finance)). The model simulates in quantitative terms the consequences of different policy choices and in particular it assesses the investment, maintenance and operational expenditure that would be required to reach specific targets determined by local policy makers. These expenditure needs are subsequently compared with forecasted levels and sources of finance and the model calculates the resultant "financing gaps".

These applications are more than technical exercises: by engaging all the major stakeholders involved in financing environmentally related infrastructure, they support constructive dialogue and agreements that facilitate effective programme implementation, improvement of service quality and the achievement of environmental goals. If properly developed financing strategies can help to generate additional financial flows from water users, public budgets, donors, IFIs, and the private sector. In some cases, the results of such work have been incorporated into medium term expenditure frameworks in Ministries of Finance, and they could provide a useful input into Poverty Reduction Strategy Programmes.

This methodology has been successfully used in the past to assist several EECCA governments with their financial planning (e.g., Moldova, Kazakhstan, Armenia, Georgia, Ukraine, and several regions in the Russian Federation). Recent exercises in Moldova and in Armenia have been carried-out in the framework of the EU Water Initiative's work in EECCA, with strong support from the EC and EU Member States.

**Activities:**

The specific activities that would be carried-out in 2009 would form part of the National Policy Dialogues that the EU Water Initiative is carrying-out in the EECCA region:

- Continuation of work in Moldova, with a focus on support for the integration of the financing strategy for the water supply and sanitation sector that has been developed in a previous project into the Ministry of Finance's medium term expenditure framework, i.e. through the development of an investment/action plan, as well as other documentation that would support this goal. Assistance for this work has been officially requested by the Moldovan Ministry for Local public Administration and is currently being discussed with the authorities.
- Continuation of work in Kyrgyzstan, where a policy dialogue to develop a financing strategy for the water supply and sanitation sector is currently taking place. Work would focus on support for the integration of the financing strategy into the Ministry of Finance's medium term expenditure framework.

The results from all of these activities will be presented and disseminated in the framework of the annual joint meetings of the EAP Task Force Group of Senior Officials for Water Supply and Sanitation sector Reform in EECCA and the EU Water Initiative EECCA Working Group.

**Outputs:**

- 2 case demonstration project reports identifying measures that should be taken to achieve agreed policy goals regarding the provision of water supply and sanitation
- several policy workshops involving key government and non-government stakeholders in the two countries to build consensus on policy objectives regarding water supply and sanitation, on how they should be financed, and on the provisions that should be made within medium-term expenditure frameworks to finance these services.

**Outcomes:**

It is expected that the project would help to accelerate the achievement of the water-related MDGs at the lowest possible cost, while at the same time improving the mobilisation of financial resources for the sector.

**PROJECT 1.3.2: IMPROVING FEASIBLE AND EXTENDING FINANCING STRATEGY METHODOLOGY BEYOND WATER SUPPLY AND SANITATION TO ISSUES OF WATER RESOURCES MANAGEMENT**

**Objectives**

The objective of this project is to support national policy dialogue on the financing of the water sector (including water supply and sanitation infrastructure but also beyond) by developing the necessary analytical tools and by providing support to EECCA governments for the development of strategic financial sector plans. This would help to ensure that available financial resources are used in the most effective way and to facilitate access to donor and IFI funds for the achievement of the water-related MDGs and other water sector policy objectives.

## ***Background***

Work to support the development of strategic financial plans for the water supply and sanitation sector in EECCA has been carried-out over the last ten years and helped to influence the reform agenda in a number of countries. The FEASIBLE methodology has been a useful tool to support these efforts, and further improvements to its user friendliness and scope are still required. More importantly, there is an increasing need for a more integrated approach to the financing of the water sector (ie WSS, irrigation, flood management and prevention etc.). This is suggested by a trend towards increasing water scarcity in many areas, as well as by the expected impact of climate change on the water cycle and resulting additional infrastructure needs. The need to expand work in this way has also been suggested in several expert meetings, including the EU Water Initiative EECCA Working Group.

## ***Activities***

- Expert workshop to define the objectives and scope of work and the methodological options that exist for its implementation
- Work to improve the user-friendliness of FEASIBLE, in order to support its wider dissemination and usage in the region
- The extension of a financing strategy for the water supply and sanitation sector to cover other areas of integrated water resources management in one EECCA country (possibly Armenia), and the facilitation of the corresponding policy dialogue.

## ***Outputs***

- One expert workshop
- Improved FEASIBLE model
- Several policy dialogue events in one EECCA country
- A country case study

## ***Outcomes***

It is expected that the project would help to accelerate the achievement of the water-related MDGs and of other water-related policy objectives at the lowest possible cost, while at the same time improving the mobilisation of financial resources for the sector.



## (C) ACTIVITIES TO BE CARRIED OUT BY THE EECCA RECS

### **ACTIVITY 1: IMPROVING TRANSBOUNDARY MANAGEMENT OF WATER RESOURCES**

#### **PROJECT: 1.1 TRAINING COURSE ON TRANSBOUNDARY WATER MANAGEMENT IN CENTRAL ASIA**

##### ***Background***

During the last several years the Regional Environmental Centres of the region of East Europe, Caucasus and Central Asia (EECCA RECs) has made significant progress in developing and strengthening both national activities and sub-regional and regional cooperation in the field of environment and sustainable development in the EECCA region. Following the guidance by the ministers of environment of the Pan-European region formulated at their Conferences in Kiev in 2003 and in Belgrade in 2007 the EECCA RECs aimed at combining their efforts with the work of the Task Force for the Implementation of Environment Action Programme for the EECCA region (EAP Task Force) as commissioned by ministers in order to facilitate reaching overall and specific objectives of the Environment Partnership Strategy of EECCA countries. Special attention has been paid by the RECs to the establishment and subsequent development of the REC Network.

EECCA RECs continued their efforts in implementing their mandate and providing comprehensive support for various activities envisaged by the EECCA Environment Strategy and guidance by ministers. They diversified their thematic coverage of issues and adjusted it to the requirements of the countries and sub-regions of EECCA following the thematic structure of the EECCA Environment Strategy.

Water is an extremely valuable resource in Central Asia. The majority of the territory has an arid or semi-arid climate, and irrigated agriculture accounts for about 85–90 % of total water use. The most challenging issues for Central Asia are increasing water deficiencies (that are aggravated by problems of resource distribution between countries and inefficient use of that resource), and degradation of aquatic ecosystems.

In general, it can be stated, as it was done at the 2005 general meeting of the Interstate Coordination Water Commission (ICWC) that *“the main problems of Trans-boundary Water Resources management in Central Asia are caused by the contradiction between the interests of the upstream countries (Kyrgyzstan, Tajikistan), concerned with the operation of large hydro power stations in energy regime and further development of the hydroelectric potential, and downstream countries (Kazakhstan, Turkmenistan, Uzbekistan), concerned with sustainable functioning of irrigation infrastructure and protection of their own territories from floods”*.

On the World Summit on Sustainable Development (Johannesburg, 2002) and the Pan-European Ministerial Conference (Kiev, 2003) governments of the countries of Central Asia adopted regional and sub-regional goals including on sustainable functioning of water ecosystems important for human vital activity, access to water and improvement of management.

Analysis of trends over the period of 1992-2007, indicates that the water potential of CA countries is used less efficiently at the country’s level. Its use at the regional level does not provide any tangible

economic benefits for Central Asia countries and in addition it is often a source of tension in the interstate relations. Along with the well-known objective reasons for these trends associated with overcoming of economic crisis consequences, on-going degradation of the technical conditions of the water infrastructure, etc., the main limiting factors up to the recent time were:

- Different approaches to water resources management in the countries;
- Imperfection of water resources management system in the context of implementation of the Integrated water resources management (IWRM) principles.

Countries of Central Asia are currently undergoing reforming of water quality management systems and implementation of integrated water resources management principles. Within the framework of this work of the country lack methodology for promotion of IWRM principles and regular improvement of professional skill to key enforcement officers. Some countries conduct this work, but it is fragmentary and not regular.

A dialogue on water and associated benefits from the entire basin area and its role in development provides a means for building trust among the parties in a region and making cooperative water management solutions possible. Ultimately sharing water creates an opportunity for influencing regional politics in the direction of increased regional co-operation to lay a foundation for social and political stability, economic prosperity and poverty alleviation.

***Objectives:***

The overall objective of the proposed project is to assist Central Asia countries in creating favourable policy and conditions for transboundary water resource management through transferring the European Union experience and methodology on training for TWRM to specialised institutions in the CA region and facilitate networking among them and with similar institutions in OECD and CEE countries.

The second important objective of the project is to continue adequate capacity building of the EECCA RECs in terms of organizing and rendering trainings of water resources enforcement officers in the region.

The main objectives of the project consist of a number of **specific tasks:**

- Capacity building for decision making experts on transboundary water resource management in CA countries
- Development of the unified methodology of transboundary water resource management for the Central Asia countries
- Development of methodology and manuals on training course
- Representation of experience of the European union transboundary water resource management
- Improvement of professional skill of the 50 experts of transboundary water resource management of the Central Asia

**Activities:**

The project activities will consist of (i) developing and conducting a train-the-trainer programme and (ii) implementing follow up training activities in the region and facilitating information exchange among trainers and training institutions.

EECCA RECs jointly with the EAP Task Force Secretariat will develop and select training methodology and identify and select relevant materials for trainings. When the training methodology and materials are finalised, the EECCA RECs will help local experts to develop TWRM methodology on taking into account actual practice of management in the Central Asia countries and will facilitate networking among trainers. The main target group for trainings are national water resources management enforcement authorities of the Central Asia countries.

The replication phase will involve:

- Identification of recipient authorities;
- Development of agenda and adaptation of training materials on taking into account actual practice of management in the Central Asia countries;
- Identification of training participants;
- Conducting the training sessions in accordance with the needs of specific recipients.

In addition, a web portal to support the process of training will be developed. The portal will provide one-stop-shop access to relevant materials in both English and Russian, and will help trainers to share training materials and practical experience and examples that would support the training process.

The training programme comprises a wide range of management and institutional aspects of transboundary water resources management.

**Expected results**

1. Strengthened water resources management enforcement agencies in CA countries and later in line with the existing best international practices;
2. On the basis of the best international experience it is developed Training Course on Transboundary Water Management in Central Asia
3. Training Course takes into account actual practice of management in the Central Asia countries.
4. On uniform methodological improvement of professional skill have passed on 10 experts accepting decisions from each CA countries
5. Decision making experts apply the unified methodology to transboundary water resource management

**Outputs:**

The following outputs are envisaged:

EECCA RECs will deliver the following:

- 50-60 government representatives/experts/practitioners from selected CA countries trained in the best practices on water resources management enforcement and compliance within the framework of the series of training courses;
- Developed and implemented of the Improvement of professional skill methodology on transboundary water management
- A bilingual web portal for trainers and inspectors to share training materials, analytical reports, and practical experience developed (interconnected with the web-sites of other international partners -networks and organizations and devoted to best practices in environmental enforcement and compliance);
- The trainers network in the CA countries is created

***Outcomes:***

The project will further promote coherence in of transboundary water resources management and execution within the CA region. This will provide unified of the methodology of training for all countries of region will allow key experts to find in further of the common understanding in the decision of questions of a joint transboundary water resources management (TWRM).

This training programme provides a meeting place for professionals involved in water issues Central Asia, with the aim of building both personal and institutional bridges. The training programme further draws on regional and global experience from transboundary water resources management and discusses legal frameworks and novel techniques for enhancing the broad benefits of shared waters.

It will also establish a mechanism of information exchange that will help trainers to continuously learn about new developments.

## **PROGRAMME AREA 2. ENVIRONMENTAL POLICY REFORM**

### **(A) ACTIVITIES TO BE CARRIED OUT JOINTLY BY THE OECD SECRETARIAT AND EECCA RECS**

#### **PROJECT JP/2.1.2: MONETARY PENALTIES AND LIABILITY**

##### ***Objective:***

Assist EECCA countries to streamline the design and implementation of civil monetary penalties for environmental violations and environmental liability regimes. More specifically, the project will:

- Develop EECCA-targeted methodologies to assess administrative fines by evaluating economic benefits from delaying or avoiding costs of compliance; the seriousness of violations; and a range of operator-specific factors to ensure effective and equitable treatment of non-compliance;
- Use the EU and other OECD countries' approaches as benchmarks to help EECCA countries modernise their legislation and methodologies on environmental damage assessment, remediation and/or compensation.

##### ***Background:***

The EAP Task Force has done extensive work to help environmental regulatory agencies in EECCA countries to modernise their systems of economic instruments for environmental protection, particularly pollution and product charges. Recognising the need to further strengthen financial incentives for good environmental behaviour, EECCA countries have requested assistance in reforming two crucial instruments of deterrence against environmental non-compliance and risks.

1) *Administrative monetary penalties.* Monetary penalties (fines) are the most widespread environmental enforcement instrument in EECCA. However, they are widely considered too small to act as a deterrent, with many offenders preferring to pay the fines as a "lesser evil". Analytical tools to estimate (and legal means to recover) financial gains from non-compliance as well as to account for the gravity of violations and affordability of fines are lacking, compromising the proportionality and fairness of a penalty and leaving room for abuse. In international practice, there are a number of methods to determine administrative fines (the system used by the U.S. Environmental Protection Agency is a notable example).

2) *Environmental liability.* Liability for environmental damage is an important aspect of the Polluter Pays Principle. As it makes the polluter bear financial responsibility for its environmental impact, the threat of potential damage compensation becomes a powerful incentive to prevent regular and accidental pollution releases. The concept of environmental liability includes both damage to water resources, land, and habitats and species as well as "traditional damage" to private parties (economic loss, personal injury and property damage). While environmental liability issues are gaining visibility in the European Union in the context of implementation of the EU Environmental Liability Directive (2004/35/EC), this system remains underdeveloped in EECCA. The existing state-approved methodologies for environmental damage

assessment, conceptually inherited from the Soviet Union, are speculative, inaccurate, and often too complex to present to courts that are supposed to adjudicate on these issues.

***Activities:***

This project comprises two sets of activities: (1) development of guidance on the assessment and application of administrative monetary penalties; and (2) assistance in reforming the systems of liability for environmental damage. The activities related to monetary penalties are entirely implemented by the OECD Secretariat.

As concerns liability regimes, both the OECD Secretariat and EECCA RECs are involved in project implementation. RECs will launch the project with a regional review of current practices in coordination with the OECD Secretariat. The OECD Secretariat will prepare a report on international best practices, two brief case studies in EECCA countries and will conduct a regional expert meeting and one or two country-specific stakeholder workshops on case study results.

***Activities by the OECD Secretariat***

In 2009, the OECD Secretariat will digest international best practices on fines assessment and application, covering, among others, such issues as: (i) approaches to evaluate economic benefits from non-compliance; (ii) criteria and mechanisms to account for the seriousness of the violation of environmental requirements, the compliance record, ability to pay and other operator-specific factors; and (iii) the practice of using discretionary administrative powers in applying fines.

An expert meeting will be organised in March-April 2009 to present the international experience and identify opportunities and limitations of its adoption by EECCA countries.

As of July 2009, the OECD Secretariat will become more closely involved in reforming the systems of liability for environmental damage and will launch a study on the newest developments in OECD countries as concerns the reform of liability regimes.

***Activities by EECCA RECs***

EECCA RECs will review the legal framework on environmental liability and mechanisms of its application in EECCA countries. As part of this work, examples of litigation cases related to environmental liability regimes will be collected and analysed. The OECD Secretariat will provide support to EECCA RECs, including: (i) commenting the methodology of the review, (ii) facilitating its discussion during the annual REPIN meeting, and (iii) providing feedback on the draft report.

***Outputs:***

The following outputs are envisaged in 2009: (i) the OECD Secretariat will develop guidelines on assessment of administrative fines; and (ii) the EECCA RECs will produce a review of current systems of environmental liability in the EECCA region.

***Outcomes:***

The improved methodology for assessment of administrative fines will enhance the deterrent effect while ensuring proportionality and fairness of the punitive effect of their application in enforcement practices in EECCA. The reform of the environmental liability system in EECCA would encourage industries to take preventive measures against environmental accidents, increase remediation of

environmental damage, contribute to the establishment of a level playing field, and engage new actors such as banks and insurance companies in promoting sound environmental management.

### **PROJECT JP/2.2.3: INDUSTRY'S ENVIRONMENTAL RATING**

#### ***Objective***

This project aims to further promote the use of industry's environmental rating schemes in EECCA countries.

#### ***Background***

The outcomes of environmental regulation in EECCA are improving but still remain modest. Most companies focus on immediate profits and the region experiences pervasive non-compliance. There is a need to correct the incentive framework faced by the business sector without raising the costs of monitoring and enforcement. Governments can achieve this objective if traditional enforcement policies based on inspection and sanctioning are supplemented by innovative instruments. Information provision, in particular, can trigger community and market reaction to pollution incidents or non-compliance in general. Over the last decade, an increasing number of countries have used information-based policy instruments. The OECD in its work on Pollutant Release and Transfer Registers (PRTRs) has been promoting such an approach. Since PRTRs are quite resource-consuming, simpler schemes of performance rating and disclosure, sometimes reduced to lists of poor performers, have emerged. The impact of these schemes on the firms' behaviour appears to be positive. In addition, simplified systems are associated with lower costs.

In 2003-2007, the REPIN has promoted international best practices of industry performance rating and disclosure. In the first phase, the Secretariat conducted a feasibility study in Ukraine. Subsequently, the scheme was implemented on a pilot basis in the Lviv region of Ukraine and had a very positive impact on companies. At their Ninth Annual Meeting (16-18 June 2008), REPIN members requested that the work in this area be continued through both regional policy dialogue and national-level implementation.

#### ***Activities***

##### Activities by the OECD Secretariat

Based on lessons learned from the pilot project in Ukraine, the OECD Secretariat will provide policy and methodological guidance on the scheme's implementation. To this end, a guidance document will be drafted and discussed with REPIN members. The document will describe the benefits of the scheme, criteria and the algorithm used to rate companies, the need for, and approaches to adapt the scheme to national or sub-national level priorities, and the avenues for information disclosure.

##### Activities by EECCA RECs

EECCA RECs will assess the feasibility of scheme's introduction in other countries of the region. This will imply desk reviews and working with national and sub-national authorities.

#### ***Outputs***

The following outputs are envisaged in 2009: (i) the OECD Secretariat will draft a guidance document on industry's environmental performance rating; (ii) the EECCA RECs will produce feasibility studies in 1-2 of the most industrialised countries of the region, e.g. in Azerbaijan, Kyrgyzstan, Uzbekistan, or Belarus.

### ***Outcomes***

The rating scheme will stimulate social pressure on companies thus leading to better environmental results. By enhancing transparency, the scheme can also promote integrity among governmental officials involved in regulation and enforcement and level the playing field for businesses. Finally, the project will help countries to reduce the administrative costs of inspection and enforcement.

### **PROJECT JP/2.2.4: TRAINING PROGRAMMES FOR INSPECTORATES**

#### ***Objectives:***

This project aims to promote a structured approach towards training of environmental inspectors and facilitate networking among specialised institutions in the EECCA region and with similar institutions in OECD and CEE countries.

#### ***Background:***

Within the 2003-2007 work programme, the EAP Task Force Secretariat organised numerous training and know-how transfer events at the level of sub-regions (e.g. in the Caucasus) and countries, including Armenia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, and Ukraine. In total, training involved about 300 people. Most of the training events were conducted in cooperation or with logistical support from EECCA RECs. The training programme was based on the “Toolkit for Better Environmental Inspectorates”, which is a comprehensive manual reflecting modern theory and practice of environmental compliance promotion, monitoring, and enforcement. The programme had a positive impact and, as a result, the Secretariat and its partners in EECCA have faced an increasing demand for training, which is difficult to satisfy without enlarging the number of trainers and creating a mechanism that would enable trainers to continuously update the training programmes and materials.

#### ***Activities:***

In 2009, the project activities will consist of (i) finalising the development of a guidance document on the minimum qualification criteria of environmental inspectors and competence development mechanisms (ii) implementing national-level training activities in the region and facilitating information exchange among trainers and training institutions.

##### Activities by the OECD Secretariat

The OECD Secretariat will work with countries to achieve consensus on the minimum qualification criteria of environmental inspectors and competence development mechanisms. A methodology to define training priorities and establish sustainable training programmes for environmental staff in the region will be developed. To this end, e-discussions will be organised during the first half of 2009 and then results will be summarised in a technical paper that will be complemented with a brief for policy makers.

##### Activities of the EECCA RECs

The EECCA RECs will help local trainers to replicate the training and will facilitate networking among trainers. The main target group for training are sub-national environmental enforcement authorities in Armenia and Russia, and possibly Uzbekistan and Kyrgyzstan as these countries expressed an interest in such events. The replication phase will involve:

- Assessment of training needs and development of a multi-year training programme;

- Development of agenda and adaptation of training materials for at least 3-4 modules;
- Identification of training participants;
- Conducting the training sessions in accordance with the needs of specific recipients.

In addition, the web portal established to support the process of training will be maintained. The portal provides one-stop-shop access to relevant materials in both English and Russian, and can help trainers to share training materials, practical experience and examples that would support the training process.

As part of project implementation, the OECD Secretariat will assist the EECCA RECs by: (i) assisting in the design of adapted training programmes; (ii) providing, to a limited extent, on-the-job coaching to EECCA trainers.

***Outputs:***

The OECD Secretariat will produce the following outputs:

- The final version of a guidance document on qualification level and competence development of environmental inspectors, including a methodology for training needs assessment;
- A brief on sustainable training for policy makers.

EECCA RECs will deliver the following:

- A bilingual web portal for trainers and inspectors to share training materials, analytical reports, and practical experience;
- Three national-level documents with training needs assessment;
- Training replicated at the sub-national level, involving 90-110 people in total.

***Outcomes:***

The project will further promote consistency in inspection planning and execution within the EECCA region and in relation to approaches used in OECD countries. This will provide for a regulatory monitoring “playing field” for businesses and higher environmental performance. The project will develop capacity to deliver training on environmental inspection in key institutions in the region, including one or several of the EECCA RECs, in such a way disseminating good international practices. It will also establish a mechanism of information exchange that will help trainers to continuously learn about new developments.

**(b) ACTIVITIES TO BE CARRIED OUT BY THE OECD SECRETARIAT**

**ACTIVITY 2.1: ENVIRONMENTAL POLICY INSTRUMENTS**

**PROJECT 2.1.1 REGULATORY IMPACT ANALYSIS**

***Objective***

The objective of this project is to create the methodological basis for the application of Regulatory Impact Analysis in EECCA countries, particularly the costing of new regulatory requirements.

***Background***

Environmental requirements will not be implemented unless the legal frameworks establish requirements that are realistic and enforceable. If these pre-conditions are not met, authorities will face wide non-compliance and will be forced to allow for case-by-case exceptions that are likely to lower the credibility of regulation, nurture corruption, and undermine the rule of law. Businesses, might dedicate more time and money to lobbying authorities to change the requirements, or asking for special treatment, rather than complying with regulatory requirements.

The Regulatory Impact Analysis (RIA) can help to ensure that lawmaking results in environmental requirements that are realistic and enforceable. In EECCA, the first-generation legal acts were drafted and enacted within “technocratic” processes that hardly included consultations and cost-benefit analyses to estimate the feasibility of requirements. This approach showed to be counterproductive in terms of achieving compliance. RIA continues to be carried out sporadically and commonly has a very narrow character, mostly quantifying the costs for the state to enforce new legislation. Following national policies of encouraging entrepreneurship and attracting foreign investments, the interests of the regulated community are increasingly taken into account within the lawmaking process and the regulatory requirements are no longer “parachuted” on regulatees. At the same time, the capacity to implement RIA is very low. EECCA delegates in REPIN have expressed a strong demand for a project along the lines proposed.

***Activities***

In 2009, the OECD Secretariat will assess the main gaps in the use of RIA in the EECCA region and will identify costing tools applied in OECD countries, as well as lessons learned from their application. Opportunities and constraints for adopting international practices will be discussed during a regional meeting.

***Outputs***

In 2009, the OECD Secretariat will produce a draft review of tools used within RIA process in OECD countries.

**Outcomes**

This project will help EECCA countries to progress with a “second generation” of environmental laws thus developing a legal framework that is anchored in the economic and social environment of the country. It will also support the achievement of better outcomes within the process of convergence with EU environmental legislation.

**PROJECT 2.1.3 INTEGRATED PERMITTING****Objective:**

Assist EECCA countries in reforming permitting systems for individual polluters, consistent with EU principles and approaches.

**Background:**

Most EECCA countries (*e.g.* Georgia, Kazakhstan, Russia and Ukraine) have started to reform their environmental permitting systems, trying to shift the regulatory emphasis from single-medium permitting spanning a large number of substances to more realistic technique-based norms and integrated permits for large industry. The changes are largely inspired by the approach of the European Union’s Integrated Pollution Prevention and Control Directive (96/61/EC) but take different forms in different countries. Permitting reform was one of the focus areas of the 2003-2007 work programme of the EAP Task Force, resulting in the elaboration of the Guiding Principles of Effective Environmental Permitting Systems, the Integrated Environmental Permitting Guidelines for EECCA Countries, a training programme delivered (with support of an especially designed CD ROM) across the EECCA region, and several country case studies. The Task Force Secretariat has also been providing expert support to the government of Ukraine in implementing the permitting reform and coordinating relevant financial assistance of the World Bank and Sweden. The activities in Ukraine will continue under this project.

**Activities:**

In 2009, the EAP Task Force Secretariat will maintain its expert support to Ukraine’s Ministry of Environmental Protection (MEP) in the framework of the World Bank project “Reform of Legal Framework and Enhancing Institutional Capacity for Environmental Permitting in Ukraine” through the end of 2008.

The main activities will include participation in the steering committee and working group meetings and critical review of the project’s key outputs: a draft law on environmental permitting, procedural and technical guidance.

**Outputs:**

The funding will be used to cover Secretariat input to the following outputs:

- Development of detailed MEP procedures and guidance for issuing integrated permits by sub-national permitting authorities; and
- Building capacity of the MEP department responsible for permitting reform.

**Outcomes:**

The adoption by the Ukrainian government of legislation and tools reforming the system of environmental permitting will improve the effectiveness of the country's environmental management programmes. In addition, 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.

**ACTIVITY 2.2: ENVIRONMENTAL COMPLIANCE AND ENFORCEMENT**

**PROJECT 2.2.1 RISK-BASED INSPECTION**

**Objective:**

Assist EECCA environmental authorities to increase the efficiency of compliance monitoring/assessment by targeting polluters associated with higher environmental risk and/or with history of non-compliance. This project will adapt the best practices developed in OECD countries to the EECCA context and provide guidance on introducing risk-based approaches in compliance monitoring practices in the region.

**Background:**

In the majority of EECCA countries, the frequency of planned inspections is limited by law to once every year or two without regard to the environmental impact of regulated installations. Inspectors, however, have the obligation to visit sites if a complaint was received or based on higher-level requests. As a result, a lot of agency resources are wasted on checks in response to trivial facts of non-compliance whereas serious offences and pollution risks remain unaddressed. In many OECD countries, there is a clear trend toward risk-based targeting of compliance monitoring activities. Environmental hazard and operator performance are the two principal factors in planning. There are several approaches (for example, the Operator and Pollution Risk Appraisal scheme in the UK) to quantifying these two factors through a range of indicators.

In the course of its previous work programme, the EAP Task Force Secretariat provided assistance to the environmental inspectorates in Georgia and Kazakhstan to improve inspection procedures and planning. Under this project, the experience of their implementation over several years will be evaluated and fed into the region-wide guidance.

**Activities:**

In 2009, the Secretariat will provide limited *ad hoc* expert guidance to countries willing to apply the risk-based approach. At the 2009 REPIN meeting, the necessary legal changes to adopt this approach will be flagged up by the Secretariat.

**Outputs:**

Upon request, the Secretariat will work with specific countries interested to implement risk-based approaches to inspections.

**Outcomes:**

The adoption of risk-based targeting in compliance monitoring practices in EECCA would increase the probability of offence detection and enhance the effectiveness and efficiency of all compliance

assurance efforts (including compliance promotion and enforcement) of environmental authorities in EECCA countries.

***PROJECT 2.2.2 ENVIRONMENTAL COMPLIANCE AND ENFORCEMENT INDICATORS AND COMPARATIVE ANALYSIS***

***Objective:***

Assisting EECCA countries to improve performance measurement of environmental enforcement authorities and promote higher performance through cross-country comparison.

***Background:***

Within the previous work programme, the EECCA countries requested the EAP Task Force Secretariat to help them identify better environmental compliance and enforcement (ECE) indicators against which the performance of environmental enforcement authorities (EEAs) can be measured and continuously improved. Responding to this request, the Secretariat reviewed current practices and international benchmarks for performance measurement. This work has been carried out in close cooperation with the International Network for Environmental Compliance and Enforcement. Using a guidance document that resulted from this cooperation, ECE indicators were reviewed in Armenia and Russia. These reviews showed a certain convergence with international benchmarks. Nevertheless, a number of design flaws were revealed, most importantly:

- The poor link between performance measurement and activity planning;
- A perverse interpretation of ECE indicators whereby output indicators are used as “targets”. As a result, the effectiveness of environmental enforcement authorities is often associated with high numbers of imposed sanctions, in particular fines or other monetary penalties;
- Poor standardisation of performance measurement terminology and procedures that opens up opportunities for misinterpretation or manipulation of data;
- Prevalence of a mere description rather than analysis of compliance and enforcement data;
- Limited coverage of the regulatory cycle, *e.g.* lack of indicators that describe compliance assistance efforts and criminal enforcement;
- Focus on disclosing “outputs” with less attention to “inputs” (*e.g.* human, material and financial resources dedicated to specific tasks) that does not allow to scrutinise outputs versus costs.

In order to address some of these problems, the Secretariat developed the *Guidelines on Performance Measurement for Environmental Enforcement Authorities of EECCA*. In order to implement the Guidelines, EECCA countries requested further technical guidance.

***Activities:***

In 2009, the development of a core set of performance indicators will be finalised and a technical guide on its use will be drafted. Cooperation with IMPEL and INECE on this subject will continue, including participation in global know-how transfer activities.

***Outputs:***

The following outputs are envisaged:

- An expert meeting to agree on the set of common indicators to be used in the EECCA region;
- The set of indicators developed and a technical guide on the use of indicators drafted.

***Outcomes:***

Performance indicators (and cross-country benchmarking that can be enabled when indicators are identified) are instrumental to monitor activities, support policy making, and ensure the transparency and accountability of environmental enforcement authorities.

**ACTIVITY 2.3: INSTITUTIONAL FRAMEWORKS AND FINANCING**

**PROJECT 2.3.1 INSTITUTIONAL DEVELOPMENT OF ENVIRONMENTAL MINISTRIES**

***Objective:***

Assist EECCA countries to strengthen the institutional capacity of environmental ministries. The main target for in-country work under this project is the group of IDA countries.

***Background:***

Institutional capacity development is of utmost importance for an effective functioning of environmental management systems. Analysis of past experience showed that approaches involving enhancement of knowledge and skills of individuals in environmental ministries was not sufficient to produce sustainable results. There is growing recognition that capacity depends crucially on the quality of the institutions, the incentives that exist within institutions, and the overall governance system. The challenge is to understand the specific as well as general institutional capacities that environmental authorities require, and the approaches that can best facilitate capacity development.

A basic problem is that the notion of “institution” has traditionally been associated in EECCA with organisation charts and availability of material and human resources. As a result, “institutional reforms”, are often reduced to changes in the structure of governmental bodies while “capacity development” is viewed as procurement or equipment and training of individuals. Contrary to this understanding, the modern interpretation of “institutions” shifts this notion towards working methods rather than structures.

Indeed, given the variety of structures for environmental and natural resources management, it might be more productive to describe “institutional capacity” through key functions of public authorities and conditions enabling their effective and efficient implementation. This can help governments to better assess the capacity development needs and the resources required to satisfy these needs.

***Activities:***

In 2009, the following activities are planned:

- Finalising the methodology for assessing institutional capacities of environmental ministries;
- Conducting in-country activities in Armenia, Georgia and Moldova.

The project will be based on previous activities, including the Policy Dialogue for Institutional Strengthening in Georgia and the framework for progress assessment under the Objective 1 of the EECCA Environmental Partnerships Strategy. The scope of the project will be discussed at the annual REPIN meeting.

***Outputs:***

The following outputs are envisaged in 2009: (i) a methodology for assessing institutional capacities of environmental ministries; (ii) reports from in-country policy dialogues; (iii) regional-level sharing of information; and (iv) at least 3 new institutional development initiatives launched.

***Outcomes:***

This project will offer the benefit of measuring the level of institutional development within environmental authorities that would lead to a better identification of capacity building needs and more effective use of both public budgets and external aid.

***PROJECT 2.3.2. MID-TERM BUDGETARY PLANNING***

***Objective:***

Assist EECCA countries to enhance the capacity of environmental ministries to prepare economically sound, well-justified and realistic medium-term expenditure programmes.

***Background:***

Medium-term expenditure frameworks (MTEFs) can serve as a tool to ensure that at a country level the environmental sector is not marginalised and receives adequate support in the budgetary process. Given that there is a major disconnect between policy making, planning and budgeting in EECCA countries, MTEFs are often seen as a way to align budgetary decision-making with government strategic orientation on a multi-year basis. MTEFs have received a renewed attention in the context of Poverty Reduction Strategies (PRSPs). In several countries, ministries of finance are already using MTEFs to translate national policy objectives into public expenditure programmes within a multi-year macroeconomic and fiscal framework.

***Activities:***

Following country-specific activities in 2008 – early 2009, the EAP Task Force Secretariat will conduct a regional survey of budget formulation practices in the environmental sector. Tentatively, this document will have the following structure:

- Critical elements of MTEF application in the environmental sectors;
- Situation in EECCA: Lessons learned from initial reforms;
- Examples of good practices;
- Conclusions and recommendations;
- Country-specific profiles.

Based on survey findings, the EAP Task Force Secretariat will facilitate a regional dialogue on MTEF implementation and develop and promote recommendations for the countries of EECCA to speed up or adjust MTEF adoption.

***Outputs:***

The following outputs will be produced:

- Survey methodology;
- 6-7 Country Profiles;
- Draft Regional Survey;
- Expert meeting report.

***Outcomes:***

This project will help countries achieve greater budgetary predictability and more efficient use of public money in environmental ministries

**(C) ACTIVITIES TO BE CARRIED OUT BY THE EECCA RECS****PROJECT 2.1.4: PROMOTING PUBLIC INFORMATION AND PARTICIPATION IN EIA AND PERMITTING**

This project aims to improve mechanisms used by EECCA environmental authorities to disclose facility-specific information provided under EIA and permitting procedures.

***Background:***

The regulatory basis for the environmental impact assessment (EIA) is sufficiently developed in EECCA countries in order to provide a good basis for public participation. However, its application in practice is hindered by capacity problems, particularly at the sub-national level. This includes such problems as absence of recognized ways for disclosing EIA materials and limited training of officials and the public, specifically, NGOs. In a transboundary context, the problem of capacity for implementation and public participation is more acute and further aggravated by intermittent contacts among neighbouring countries. Some problems affect environmental permitting, which is the next stage of environmental assessments. This leads to a situation when public participation is essentially a procedural step that seldom influences decision-making.

Besides, impediments to public participation are encountered as a result of an excessively technical language of regulatory documents (e.g. permits) that prevents citizens from understanding the real meaning of regulatory conditions. Unlike procedures in OECD countries, the assessment and permitting processes in EECCA do not involve development and dissemination of non-technical summaries for the general public. At the same time, by endorsing the “Guiding Principles for Effective Environmental Permitting”, developed by the EAP Task Force Secretariat, EECCA countries recognised that public participation and information disclosure is an important principle of permitting that helps governments and enterprises manage environmental but also financial risks. Unfortunately, legal and institutional frameworks, as well as IT infrastructure are not yet supportive to the implementation of this principle.

Efforts aimed at addressing these issues will support and complement work already done in the region by various international and local actors, in particular the Aarhus Convention Secretariat. To date, the EECCA RECs acquired an extensive experience in the domain of public participation in EIA in their respective sub-regions. For instance, the Russian REC implemented a capacity building programme among NGOs and local population to help them participate in the EIA process of Nord Stream. Experience of Nord Stream will be studied in this project.

Within the framework of the given project EECCA RECs plan to further promote public awareness and participation in EIA procedures and environmental permitting. This will require assessment of the current situation and needs for informing the public and organizing relevant trainings.

**Objectives:**

The main objective of the proposed project is to improve mechanisms used by EECCA environmental authorities to disclose facility specific information provided under EIA and permitting procedures.

The second more specific objective of the project is to assess capacity needs of the target groups for providing necessary trainings in the field of EIA and permitting, as well as to make concrete steps for information disclosure in the EECCA region.

**Activities:**

In a first phase, the project will establish a capacity building programme on public participation in EIA and permitting and, simultaneously, will identify gaps in current legal and institutional frameworks, as well as problems with infrastructure for disclosure of facility-specific regulatory documents. EECCA RECs will have a leading role in the project, with the OECD Secretariat will providing support at the start-up phase of work.

More specifically, activities in 2008-2009 will include:

- Assessment of capacity building needs, identification of key target groups and development of training programmes;
- Development of a questionnaire to assess the current situation as concerns disclosure of EIA and permitting materials;
- Discussion of the questionnaire with members of the Regulatory Environmental Programme Implementation Network and its amendment based on feedback from Network members;
- Information gathering and analysis;
- Development of general recommendations and specific legal and institutional changes in a pilot country to be selected;
- Assessment of feasibility to introduce IT and other tools for disclosing EIA and permitting materials;
- Introduction of new tools for EIA disclosure, including IT
- Studying practices of public participation in the Nord Stream project, as a pilot case for consideration of Espoo convention

In 2009, this activity will be followed and the capacity development programme will be implemented. Also, the project envisages helping EECCA countries to use IT tools that would enable governments to disclose EIA materials and permits on their web-sites. This might be particularly relevant for those countries that have embarked on e-government promotion.

It is envisaged that the OECD Secretariat will assist the EECCA RECs by:

- Sharing knowledge on the subject, e.g. during the train-the-trainer event on integrated permitting organized and held in April 2008 in Prague;
- Helping EECCA RECs to develop the questionnaire;

- Providing relevant materials and contacts from EECCA and OECD countries;
- Facilitating the discussion with REPIN members;
- Commenting on outlines and final products.

### ***Expected results***

1. Better disclosure of facility specific regulatory requirements in EECCA;
2. Introduction of new tools to improve disclosure of EIA information, including IT
3. Improved transparency and better communication between developers and general public;
4. Better knowledge and more active participation of general public in EAI procedures and environmental permitting, including large scale transboundary projects

### ***Outputs:***

The following outputs will be produced:

- Training programmes on information EIA disclosure for the public and NGOs developed;
- A Questionnaire for assessing the current situation related to disclosure of EIA and permitting materials;
- Analytical report summarising the existing situation in EECCA;
- A set of specific legal and institutional recommendations for one pilot country;
- A report addressing the feasibility of introducing IT and other tools to improve disclosure of EIA and permitting materials
- A pilot project on studying the level of public involvement in Nord Stream project design and implementation under the frame of the Espoo convention
- Recommendations for developers of the South Stream project on consideration of the Espoo convention principles and guidelines in its implementation

### ***Outcomes:***

Public participation as a part of environmental assessment procedure is a prerequisite for comprehensive risk assessment, due diligence and, overall, building supportive environment for business operations in long-term.

Better disclosure of facility-specific regulatory requirements will stimulate feedback from the public at the final phases of regulation thus demonstrating willingness of competent authorities to enable citizens to voice their opinion and verify whether it is taken into account.

***PROJECT 2.3.3: PROMOTION AND IMPLEMENTATION OF LOCAL ENVIRONMENTAL ACTION PLANS (LEAPS) IN EECCA COUNTRIES***

***Background:***

The National Environmental Action Programmes, developed by the majority of the EECCA countries in the 90's prioritized a range of environmental problems for this region, and resulted in the launch of a number of targeted environmental projects, financed by different international institutions. However, it became obvious at the beginning of NEAPs implementation that the best results could be obtained only if the priorities were responded to through a bottom-up approach. Hereby, the methodology of the local environmental planning was developed and the definition of the Local Environmental Action Plans appeared.

Local Environmental Action Plan (LEAP) is a participatory process for a local/regional community. LEAP provides a forum for bringing together a diverse group of individuals who work together — in partnership with a local or regional government — to agree on common priorities and actions for addressing environmental problems in their community.

The experience of the EECCA countries in the given area differs from country to country. Though, it is important to mention, that the EECCA RECs jointly implemented a transboundary project “Strengthening local environmental governance in the EECCA countries”, financed by the Dutch government, that gave the possibility to evaluate the actual situation with respect to LEAPs development and implementation in the EECCA countries, as well as to transfer experience from the EAP Task Force and the REC CEE in this field to the region.

Later the Dutch Government financed a project “**LEAPs as a Tool for Public Participation in Environmental Decision-making in the EECCA countries**”. The purpose of this project was to exchange experiences in and identify ways to strengthen local environmental governance, planning, and management throughout the EECCA region. In December 2006 an international conference devoted to LEAP methodology and practices was held in Tbilisi, Georgia in order to strengthen regional cooperation among RECs and other stakeholders on fostering local environmental governance. The conference provided a forum for RECs and their partners – representatives of municipal governments, NGOs, business community and international partners, to exchange experiences, compile results of LEAP efforts, share success stories, and extract lessons learned from LEAPs conducted within the EECCA region over the last several years. Results from the Tbilisi conference have been compiled into a comprehensive report that was presented by EECCA RECs at a special side event devoted to LEAP practices in EECCA within the framework of the 2007 Belgrade “Environment for Europe” Ministerial Conference.

The above mentioned projects highlighted a number of priority problems, that the given proposed project is aimed to address. Among them: the need for the development of national legislative frameworks for promoting LEAPs in the region; training of key environmental stakeholders on the methodology of local environmental planning; development of training materials; implementation of demonstration projects; strengthening and further development of regional and national networks of LEAP practitioners and experts and sharing of experience and best practices within the region and with international partners.

***Objectives:***

The overall objective of the proposed project is to assist EECCA countries in creating favourable policy and conditions for LEAP development and implementation, as well as to support communities in building their capacity to formulate and implement LEAPs.

Among the specific project objectives are:

- further support and capacity building for regional and national networks of LEAP experts/practitioners, established at earlier stages of LEAP introduction and pilot phases;
- to develop country specific LEAP Kits (methodological sets of LEAP materials);
- to undertake implementation and dissemination of LEAP demonstration projects; and
- to set-up national and sub-regional LEAP training programmes for training LEAP practitioners.

***Activities:***

**Activity 1: Support for Regional and National Networks of LEAP Trainers/Practitioners**

During the previous phase of work each of the RECs identified key experts per country who were involved in developing the LEAP methodology. On the basis of those core teams EECCA RECs established a regional and national networks of LEAP Trainers/Practitioners. Relevant experts from REC offices joined that group so as to ensure the project's sustainability in the longer term.

A 'train-the-trainer' workshops will be organized for all Network participants. The goals of the workshop are to:

- deliver a methodological LEAP training;
- hold a session on linkages of the LEAP process to other initiatives (e.g. Local Agenda 21, sustainable development programmes, sustainability audits, EU compliance audits, etc.);
- provide detailed guidance for the development of country specific LEAP Kits.

The workshops will be organised and managed by the EECCA RECs with the active involvement of EAP TF secretariat experts.

**Activity 2: Develop Country Specific LEAP Kits**

It is envisaged that 12 LEAP kits will be developed (one for each EECCA country covered by the EECCA REC offices, Ukraine and Belarus). The country specific LEAP kits should be developed by the country teams of two-three experts who attended the training-of-trainers workshop, during which they will have received detailed guidance for the development of the kits.

The LEAP kits should be commented by a selected group of national experts (e.g. a steering committee established for the purpose of LEAP kit development). A sufficient number of copies will be subsequently printed.

**Activity 3: Disseminate LEAP Kits**

A special LEAP promotional event will be organized to promote the availability of the LEAP kits and the LEAP process in general. The event will last half a day and will be organized in the capital city of each country. The invitees will represent major governmental institutions active in environmental action planning, bigger regional and local authorities, NGOs, donors and other relevant stakeholders. The kits should be also distributed via mail and posted on relevant Internet pages.

OECD EAP Task Force secretariat will also provide relevant materials and contacts from EECCA and OECD countries and assist ECA RECs in designing and adapting training programmes.

## **Phase 2: Implementation of LEAP Demonstration Projects**

### **Activity 1: Identify the Scope of LEAP Demonstration Projects**

Within the Dutch funded projects few demonstration projects at community level have been undertaken. These new demonstration projects are foreseen at the larger level and will take into account the existing legislation, capacity of communities as well as other ongoing community initiatives. For example, in some countries, it will be possible to undertake LEAPs within the framework of Local Agenda 21. Therefore, partnerships with other organizations (e.g. UNDP, the World Bank) will be considered.

### **Activity 2: Select LEAP Demonstration Communities**

A set of criteria for the selection of LEAP demonstration projects will be developed in order to select relevant communities (one per each country).

### **Activity 3: Facilitate LEAP Demonstration Projects**

A national team of two-three LEAP trainers/practitioners will be responsible for the successful completion of LEAP demonstration projects. They will facilitate the work of the stakeholder group and stimulate the entire process, provide specific training during workshops and help in writing LEAP documents. It is recommended that one REC office employee is part of the team responsible for the overall project's management.

### **Activity 4: Organise National Dissemination Conferences**

The results of the LEAP demonstration projects shall be publicized during half-day dissemination events (similar to events organized for the dissemination of LEAP kits). The invitees will represent major governmental institutions active in environmental action planning, bigger regional and local authorities, NGOs, donors and other relevant stakeholders.

## **Phase 3: Establishment of National LEAP Training Programmes**

### **Activity 1: Establish National LEAP Trainers/Practitioners Teams**

The two-three previously trained experts will form the core team of national LEAP trainers/practitioners that will deliver the national LEAP training programmes. Taking into account the scale of the training, in some countries, some teams would have to include more experts. Some of them could be recruited from among the most active members of stakeholder groups from demonstration communities. It is also suggested that one person on a team would represent the Ministry of Environment or other relevant agency.

### **Activity 2: Develop LEAP Training Materials**

The training materials will be developed by the national LEAP trainers/practitioners teams on the basis of LEAP kits and the LEAP demonstration projects. Ministerial LEAP guidance notes will be prepared concerning the scope of the LEAP document and the main principles to be recommended for their development (based on the countries' interest).

### **Activity 3: Deliver National LEAP Trainings**

Representatives of numerous municipalities (depending on their average size within the country) will be trained in the implementation of the LEAP methodology. It is estimated that about three LEAP training workshops would be organized in each country for about 20-30 persons. More training will be organized in Russia and in the countries of Central Asia.

***Expected results:***

1. Strengthened networks of EECCA and national LEAP practitioners;
2. widely disseminated experience, best practices and relevant materials ensuring introduction and application of LEAP in EECCA;
3. information support for activities of experts and LEAP practitioners and exchange of experience;
4. improved transparency and accountability of LEAP practices.
5. Better communication between the various layers of the society and improvement of management at the local level.

***Outputs:***

The following outputs are envisaged:

EECCA RECs will deliver the following:

- 50-60 government representatives/experts/practitioners from selected EECCA countries trained in the best practices on LEAP theory and practices within the framework of the series of training courses;
- Leading internationally adopted and approved documents on local environmental management widely disseminated among practitioners and environmental decision-makers;
- A bilingual web portal for LEAP practitioners and experts developed containing training materials, analytical reports, and practical experience developed;
- Training of LEAP practitioners replicated at sub-regional and national levels (about 20-30 persons per country).

***Outcomes:***

The project will further promote introduction and wide application of LEAP practices and provide a contribution for improving environmental management at the local level thus contributing for sustainable development of municipalities.

By creating a pool of trainers and LEAP Kits the project will develop capacity to deliver training on LEAPs in key institutions in the region, including one or several of the EECCA RECs, thus disseminating good international practices. It will also establish a mechanism of information exchange that will help trainers to continuously learn about new developments.



