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

**MAIN OUTPUTS OF THE EAP TASK FORCE THAT WILL BE AVAILABLE AT THE TIME OF THE  
ASTANA "ENVIRONMENT FOR EUROPE" MINISTERIAL CONFERENCE**

**Meeting of the EAP 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: 5*

*Action required: For discussion*

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## **MAIN OUTPUTS OF EAP TASK FORCE THAT WILL BE AVAILABLE AT THE TIME OF THE ASTANA MINISTERIAL CONFERENCE**

The EAP Task Force Bureau, at its last meeting on 5 September 2008, requested the secretariat to identify outputs that would be available from the Task Force's work by the time of the Astana Ministerial Conference. The OECD secretariat has prepared this document in response to that request. Activities carried out by the EECCA RECs may result in additional outputs.

### **Water programme**

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>. Achieving this goal 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 towns, 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.

The proposed activities in the water programme are addressing this situation in line with recommendations of EECCA Environment and Economy Ministers at their meeting in Yerevan in 2005. Ministers at the Belgrade Ministerial Conference agreed that "water, including both rural and urban water supply and sanitation should be one of the priority areas for action." EAP Task Force work in this area is putting a strong emphasis on providing guidance and analysis that can support the effective reform of water sector institutions and plans, and thereby support improved access to financial resources, in particular from public budgets. The work also aims to improve information and data for decision makers, by collecting new data and policy analysis.

Much of this work is going to be carried-out in the framework of in-country demonstration projects. More specifically, 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. As a result of this strategic partnership, the EAP Task Force water programme is in large parts geared towards supporting EUWI National Policy Dialogues across the region.

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

At the time of the Astana EfE Conference, the following outputs are expected to be available to serve as potential inputs to the Conference:

- ***Report on progress in reforming and financing the EECCA water supply and sanitation sector in view of achieving the water-related Millennium Development Goals.*** This report will build upon data collected in the framework of various national policy dialogues, as well as specific efforts to collect water utility performance data and information on institutional reforms conducted in 2009-2011. It will identify areas where progress has been achieved as well as pointing to bottlenecks which are hindering further reform efforts and develop policy recommendations on how the situation could be further improved. Particular attention will be spent on discussing how reforms are resulting in progress in achieving the water-related MDGs. Reports prepared for the Yerevan and Belgrade Ministerial meetings will provide useful references for benchmarking progress.
- ***Guidelines for performance-based contracts between water utilities and municipalities in EECCA.*** Based on lessons learned from experiences in EECCA (ie case studies in Armenia, Kazakhstan and Ukraine) 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 targets 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.
- ***Report on obstacles and opportunities for private sector participation in EECCA.*** The aim of this report 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. The report would analyse recent trends and provide policy recommendations on how private sector participation in water and sanitation could be increased where governments wish to do so.
- ***Report on measures to achieve economies of scale in the provision of water supply and sanitation.*** 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 report will 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.

## **Environmental policy reform**

The policy programme of the EAP Task Force supports further strengthening of environmental policies and institutions in EECCA countries, which is one of the top priorities within the “Environment for Europe” process. At Belgrade, Ministers recognised “the importance of capacity-building as a cross-cutting priority area for environmental protection and the promotion of sustainable development in the region.” The focus of EAP Task Force work 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 combines regional activities with country-based work to pilot new policy instruments or develop institutional capacity.

Though the ministries of environment are the main partners within the framework of programme implementation, ministries of finance and economic development, as well as other governmental partners, are often involved in the regional and national-level projects. Also the programme takes account of business actors' interests in a way that balances economic and environmental goals. Finally, the social aspects of environmental policy-making and policy implementation find their reflection in various programme activities. This is done, for example, by promoting transparency and integrity of environmental authorities, but also by directly involving NGOs in project design and implementation.

By 2011, the intention is to produce several outputs of a region-wide relevance. Some of them will have a more technical character; other ones will provide policy advice. All products, however, will be based on sound analysis of international practices and consensus building under the umbrella of the Regulatory Environmental Programme Implementation Network.

The planned outputs include two documents addressed to high-level policy makers:

- ***Institutional frameworks for environmental management: Trends and outlook.*** This report will take stock of the capacities of environmental institutions in the countries of the region and provide a roadmap for their future development. It will help countries to benchmark progress and identify factors that contributed to successful institutional development or, on the contrary, impeded change. Policy recommendations will address specific capacity development needs, based on the knowledge of the likely demands posed on environmental authorities by economic development.
- ***Multi-year budgets and the environment: How to gain trust of finance ministries.*** This policy document will provide guidance on how environmental programmes should be developed so that they could be better integrated into multi-year and annual public budgets. The guidelines will address different approaches to budgeting in a multi-year framework. The analysis will take into account good international practices and the findings of a survey of EECCA experience in integrating the environment sector into multi-year budgeting processes. The report will aim to help EECCA country environmental administrations to compete more effectively for scarce budgetary resources, achieve greater budgetary predictability and promote more efficient use of public money for the environment.

Other guidance and analytical documents will also be relevant in the context of the Ministerial Conference:

- ***Achieving environmental compliance at least costs: Innovative approaches.*** This guidance document will propose several approaches that can increase the efficiency and effectiveness of compliance assurance instruments. Among others, it will address risk-based inspection planning to target polluters associated with higher environmental risk and/or with history of non-compliance and industry's environmental rating to mobilise social pressure on polluters to perform better.
- ***Reforming monetary penalties for environmental violations.*** This document will suggest ways in which EECCA environmental enforcement authorities can calculate and apply administrative monetary penalties so as to provide more effective incentives for regulated entities to comply with environmental requirements. It will be based on the analysis of current practices in EECCA countries and international experience in this area. The guidance will comprise methodologies to evaluate economic benefits from non-compliance, to account for the seriousness of an environmental violation, and to address the violator's prior compliance record, ability to pay and other operator-specific factors.
- ***Indicators to guide environmental enforcement.*** This document will present a reformed set of environmental compliance and enforcement indicators. The need for such a set stems from perverse incentives created by current indicators which emphasise the number of enforcement actions and the size of fines. The upgraded set will permit a re-focusing of the mission and strategies of environmental inspectorates on environmental rather than fiscal objectives. They will also help policy makers to understand whether the costs of inaction are linked to flawed policies or to poor compliance.
- ***Liability for environmental damage to natural resources.*** The report will be based on a review of EECCA country experiences in the application of liability for damage to natural resources and the analysis of best practices in OECD countries. In particular, it will address the estimation of environmental damages, with an emphasis on assessment based on actual remediation costs. In addition, the report will consider legal, procedural, and institutional aspects of environmental liability, in view of the recent EU Environmental Liability Directive. As appendices, the report will include one or two case studies with EECCA country-specific legal analysis and recommendations.