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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

**CAPACITY FOR BETTER ENVIRONMENTAL MANAGEMENT IN EASTERN EUROPE,  
CAUCASUS, AND CENTRAL ASIA:  
EMERGING TRENDS AND THE ROLE OF THE EAP TASK FORCE**

**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: Special session.*

*ACTION REQUIRED: For discussion.*

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**CAPACITY FOR BETTER ENVIRONMENTAL MANAGEMENT  
IN EASTERN EUROPE, CAUCASUS, AND CENTRAL ASIA:  
Emerging trends and the role of EAP Task Force**

*Issues paper for the Special Session of the EAP Task Force Meeting  
(23-24 October 2008, Astana)*

1. This issues paper aims to support discussions during a special session of the Annual EAP Task Force meeting in Astana (Kazakhstan), dedicated to capacity development for environmental management. The participants are invited to

- (i) share their experience and views on achievements of, and obstacles to, environmental capacity development in countries of Eastern Europe, Caucasus, and Central Asia (EECCA);
- (ii) brainstorm on likely consequences of new aid architecture for the environmental sector, and
- (iii) discuss the role that the EAP Task Force could play in assessing environmental capacity in the region, and supporting more effective environmental capacity development programmes.

**Capacity development in the EECCA region: A brief overview**

2. Despite a high degree of economic, social, and cultural heterogeneity across the region, EECCA countries face many common challenges of institutional capacity. Most importantly, these include the need to stop erosion of staff's competence level; provide adequate incentives for better management and performance of agencies involved in environmental management; address the shortage of financial and material resources; and further develop stakeholder interaction. Also policies, legislation, and work approaches need continuous adaptation to the economic and social realities.

3. In most of the countries, changes in institutional frameworks are largely driven by government-wide reforms. Regulatory reforms, implemented in the last 6-7 years to promote economic growth in EECCA countries, spurred better law making approaches and enforcement by legally mandating the good governance principles such as proportionality, consistency, fairness, and transparency of regulation. Azerbaijan, Belarus, Georgia and Kyrgyzstan have substantially advanced with regulatory reforms. Public administration reforms are another decisive factor for capacity development. They enabled, for instance, the professionalization of public service (*e.g.* in Armenia and Moldova), a gradual devolution of powers from central to local governments (*e.g.* in Kazakhstan), adoption of new approaches in budgeting and financial management (*e.g.* in Russia and the Ukraine).

4. But in some instances these reforms rather de-capacitated the environmental sector. The deregulation objectives were sometimes achieved by trading off the level of environmental protection and compliance. The reduction in the number and length of business start-up procedures badly affected environmental permitting, as in Georgia. Prevention of environmental violations became difficult in the entire region with no exception because of restrictions on inspection frequency regardless the risk of production processes. Reductions in the size of the government led to staff cuts in environmental authorities although traditionally resource allocation to these authorities was insufficient. For example, the Moldovan Ministry of Environment and Natural Resources and the Uzbek Committee for Environmental Protection have some 30-35 employees in their central bodies, *i.e.* around 10 times less than in OECD environmental ministries with comparable functions and scope of work. In addition, environmental authorities were often the last ones to embark in reforms and therefore missed the competitive advantages

gained by sectors that piloted such reforms, as happened with performance-oriented budgeting in Russia and Moldova.

5. Besides suffering from a shortage of resources and adverse external factors, the institutional capacity development in the environmental sector was affected by a lack of strategic thinking and isolation from other sectors. Many environmental authorities connected their activity and institutional reforms with development objectives only to a limited extent. Line ministries, in their turn, seldom recognised and considered the economic and social significance of good environmental management, while the most pressing objectives (such as decoupling of economic growth and emissions, energy efficiency, and promotion of alternative sources of energy) cannot be solved by environmental ministries alone. Creation of government-wide Councils on sustainable development, as in Armenia and Kazakhstan, could serve as examples of how countries materialised the move towards integration.

6. Institutional isolation, but also excessive fragmentation, is being gradually addressed with the emergence of national development strategies that assign a prominent role to environmental objectives. Organising government activities around these strategies creates a good basis for institutional development of the environmental sector in a long-term perspective. In some instances, as in Moldova, the implementation of national development strategies gained a distinct capacity assessment and development element. Unfortunately, capacity assessments – where done – lack a clear reference framework that would help countries to identify capacity development targets and measures. But the very fact of establishing a link between capacity assessment and development and intra-agency and national planning shows important progress.

7. Finally, capacity development is not confined to government structures. The role of local authorities and NGOs is growing. Also the private sector is becoming increasingly involved in capacity development, e.g. training courses for industry exist in Russia and Kazakhstan. This fully corresponds to the contemporary thinking in the field of capacity development.

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**Issues for discussion:**

- *How are capacity development priorities and targets defined in the environmental sector, and how is this process related to the implementation of national development strategies?*
- *What improvements could be proposed in the mechanisms and tools for assessing institutional capacity for environmental management?*
- *What obstacles exist in this field and how could they be removed?*

### Changing strategies and instruments of donor assistance

8. Technical assistance programmes emerged in EECCA countries in the 1990s and, together with an initially high level of individual competence, constituted the engine behind the relatively rapid expansion of policies and legal frameworks in the environmental sector. Comparatively to other regions, these programmes enjoyed a stronger peer learning element because of the “Environment for Europe” process.

9. Though results of donor aid were comparatively better than in other regions, its organisation had a number of flaws, including:

- Discrepancies between the sophistication of policies and instruments adopted within donor aid – on the one hand – and the lack of financial resources and incentives to ensure implementation within the government, on the other hand.
- Supply-driven allocation of money and poor timeliness of aid because of lengthy procedures of approval and tendering within donor agencies;
- Mushrooming of project implementation units that contributed to brain drain from governmental structures (though this also kept professionals within the sector avoiding their total exodus).

10. In the region itself, many regarded technical cooperation as a kind of commercial activity conducted by consulting companies with no responsibility on the recipient’s side.

11. Besides suffering from design problems, the level and share of environment-related assistance in total donor assistance for EECCA has decreased. It is now below 10%, the lowest percentage among all world regions.

12. The Paris Declaration on Aid Effectiveness, adopted in 2005, commits donors to reform the way in which aid is delivered by harmonising and aligning their efforts in support of partner countries’ priorities. In pursuit of this objective, development assistance is increasingly being provided through direct budget support (DBS) or sector-level support. This means that financial assistance is increasingly channelled to the government’s budget according to national priorities. There is anecdotal evidence that the environment sector is receiving less support in the context of these new aid modalities.

13. These approaches, which build on the countries’ own systems and procedures, make it imperative for the sectoral ministries and agencies to work through normal national resource allocation mechanisms (*e.g.* national budgets) in order to obtain funding. If environment is not prioritized within such processes, it will receive few if any financial resources.

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**Issues for discussion:**

- *Are countries witnessing a change in the ways donors are working in their countries?*
- *What strategies should environment institutions follow if development cooperation shifts from project support to providing support for national or sectoral strategies?*

### Using a common reference framework for capacity assessment

14. The 2008 Accra Agenda for Action (3A), which constitutes a roadmap for aid restructuring, reiterates the need for country ownership and accountability for capacity development results. The 3A text suggests that developing countries and donors “*jointly assess the quality of country systems in a country-led process using mutually agreed diagnostic tools. Where country systems require further strengthening, developing countries will lead in defining reform programmes and priorities. Donors will support these reforms and provide capacity development assistance*”.

15. In this vein, the identification of capacity development targets should be guided, first of all, by the need to facilitate the agreement of national development objectives. At the same time, sound analysis in comparison with good international practices and other countries’ achievements could support the process of capacity development. Benchmarking in particular may be instrumental to convince the governments of the very need for capacity development based on a clearly demonstrated capacity gap. The aspirations of all countries in the region to achieve the capacity level of economically-advanced nations, in particular convergence with EU environmental management principles and laws, creates a basis for establishing a common reference framework.

16. The EAP Task Force has traditionally played a role in devising such frameworks and ensuring progress monitoring. Thus, within the previous cycle of work, a rating scheme was developed by the EAP Task Force Secretariat in consultation with EECCA countries that aimed to monitor progress in the reform of environmental policies, legislation, and organisational capacity in conjunction with the Environmental Partnerships Strategy. The post-Belgrade work programme offers the opportunity to improve the design of the regional benchmarking approach and the process associated with its use along the following lines:

- assessment dimensions need to be re-considered and enhanced with quantitative indicators;
- the results of assessment could be better linked to planning and follow up capacity development activities, as well as performance assessment;
- the frequency of monitoring could be increased so as incentives exist to progress faster, etc.

17. As concerns national-level use, a continuation of policy dialogues is needed. Such dialogues were started in Georgia in 2005 and are now planned for Armenia and Moldova. In the latter case, the Secretariat supports efforts to improve the Institutional Development Plan of the Ministry of Environment and Natural Resources.

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#### Issues for discussion:

- *How could benchmarking be enhanced?*
- *How should the EAP Task Force’s role in capacity monitoring and development be adjusted in line with the latest changes in aid architecture?*