ANNUAL 2011 DRAFT PROGRAMME OF WORK AND BUDGET OF THE EAP TASK FORCE

Task Force for the Implementation of the Environmental Action Programme for Central and Eastern Europe

14-15 October 2010, Almaty, Kazakhstan

Agenda item: 8

ACTION REQUIRED: For discussion and endorsement.

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1. This document presents the Draft Annual 2011 Programme of Work and Budget of the Task Force for the implementation of Environmental Action Programme (EAP). The proposed programme aims to implement the EAP Task Force’s mission to guide improvement of environmental policies in transition economies of Eastern Europe, Caucasus, and Central Asia (EECCA), and elaborates the long-term directions of activity agreed for the period 2008-2011. At the same time, the work programme’s structure as presented in this paper was partly amended following guidance from the Annual EAP Task Force Meeting in October 2009 and the Bureau’s decision of 15 January 2010. This restructuring was necessary to bring the EAP Task Force’s activities closer to the emerging needs of its members. However, the programme remains a “transition” one, combining old and new projects.

2. The activities and outputs identified for 2011 are described in Table 1. They are organised around the two main themes of the EAP Task Force – “water sector reform” and “environment policy and development”, each containing several clusters of projects as follows:

- **Programme area 1: Water sector reform.** This programme area aims to support the reform of the water sector, promote its financial sustainability and to help mobilise finance, in order to facilitate the achievement of the water-related Millennium Development Goals (MDGs) “to reduce by half by 2015 those without access to safe water and basic sanitation”. The programme addresses sustainable management of the water resource at the national, river-basin and sub-national levels. There are three clusters of projects that aim at:

  (i) Improving the analytical base for water sector policies, nationally and regionally: In light of the pressing need for evidence-based decision-making, under this cluster the EAP Task Force conducts regular analysis of progress in achieving the water related MDGs. Since 2005, two region-wide reports were produced targeting decision-makers at ministerial level. Lately, regional work was complemented with country-specific data gathering and analysis;

  (ii) Making the management of water services more efficient and effective: This cluster of projects aims at removing institutional obstacles for improved water supply and sanitation. In particular, focus is put on addressing the critical situation in small- and medium-sized towns, and in rural areas, where water services have effectively collapsed or deliver very poor services. To this end, such issues as capacity for financial planning at the municipal level, quality of contractual arrangements between municipalities and water utilities, and mechanisms for promoting economies of scale or better public sector participation are addressed;

  (iii) Enabling the use of strategic financial planning at national or river-basin level, taking account of the impacts of climate change: This cluster responds to the demand for more financially realistic water policies in EECCA. It helps EECCA countries to design feasible and realistic financial plans to cover the costs of water-related institutions and infrastructures. It facilitates access to financial resources, including domestic budgetary sources, revenues from water users (taking account of affordability constraints), and transfers from Official Development Assistance. The EAP Task Force has accumulated a lot of experience in strategic financial planning for water supply and sanitation. Acknowledging a growing recognition of the importance of managing water in a more integrated manner, and a better understanding of the consequences of climate change on demand for, and access to, water resources in the region, the EAP Task Force is now adapting its methods and analytical tools to strengthen the financial dimension of water resource management and water-related infrastructures, taking account of adaptation to climate change. The EAP Task Force Bureau identified this issue as an important future priority for future work.
• **Programme area 2: Environmental policy and development.** The EAP Task Force’s work at the interface of sound economics, environmental management, and governance aims to help EECCA countries to identify incentives and instruments for improved environmental policy design and implementation, and integrate the environment into the broader process of economic and social development. To do so, three clusters of projects are carried out:

(i) **Fostering incentives for green growth:** In this area, the immediate aim is to take stock of existing green growth initiatives and to clarify the role that the EAP Task Force could play given its previous experience and on-going work on re-designing regulatory frameworks and various instruments of environmental policy, including economic and fiscal instruments. Against the background of very dynamic social and economic conditions in EECCA, selected activities aim to help to ensure that there is no backsliding on environmental commitments. The scope of work is cross-cutting, covering both sustainable production and rational use of natural resources. At the same time, specific themes are addressed when there is a need to test proposed reforms.

(ii) **Boosting public and private finance for environmental and climate change adaptation programmes:** Work under this cluster aims to help countries to address the problem of chronic underfunding of environmental investment programmes, including those dealing with climate change adaptation. Regional and national-level activities are carried out to analyse current practices, and promote a better use, of medium-term budgetary planning, as well as to improve programme costing and public expenditure management.

(iii) **Strengthening environmental governance and capacity:** The third cluster of projects aims to generate demand for and enable a smooth reform of institutional frameworks in line with the need to promote greener economic development. It helps countries to assess the needs for governance improvements and capacity development, and monitor progress in both environmental institutions and overall frameworks. Special focus is put on building national-level consensus around governance reforms through national policy dialogues. Providing guidance on individual competence development and conducting training are part of activities.

3. The estimate of the total **budget required** to implement the 2011 programme of work is 2 583.7 K EUR. This compares with 1 904 K EUR budget request in 2010. At the time of preparing these estimates, 936 K EUR was available to the OECD for implementing the 2011 Programme of Work (this includes two new grants – from Finland and DG ENV that are being in the process of acceptance by OECD), leaving a balance of 1 647.7 K EUR to raise. The substantive increase in the budget is linked to a very wide geographic scope of the proposed National Policy Dialogues on water resource management.

4. In 2011, **priority** will be given to prepare the EAP Task Force contribution to the Astana Ministerial Conference, including the discussion of the possible future role of the EAP Task Force in the areas of green growth promotion and climate change adaptation. In this regard, the secretariat plans a self-assessment exercise involving the Task Force members that would help to assess the impact of its work and “re-invent” the post-Astana *modus operandi*. At the same time, the OECD secretariat will continue to further help facilitating changes on the ground in EECCA countries through the implementation of pilot projects and National Policy Dialogues.

5. **Result-oriented partnerships,** bringing together experts and officials from governmental and non-governmental institutions, have been established to implement the EAP Task Force Programme of Work and translate its products into the day-to-day practice of environmental and other governmental authorities in EECCA. These include the EAP Task Force’s Group of Senior Officials for Water Sector Reform and the Regulatory Environmental Programme Implementation Network. The OECD Secretariat will continue facilitating the operation of these partnerships, as well as interaction with other partners. In particular, the close cooperation with EECCA Regional Environmental Centres and the European Union’s Water Initiative EECCA Working Group will continue.
Table 1.  EAP Task Force projects planned for 2011: Objectives, outputs, and budget

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Outcomes</th>
<th>Outputs planned in 2011</th>
<th>Budget, thousand Euros</th>
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<tr>
<td>PROGRAMME AREA 1: WATER SECTOR REFORM</td>
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1.1: Monitoring progress in implementing the water-related MDGs

Project 1.1.1: Gathering country-specific performance data
- Fact-based national policies
- Higher performance of water utilities
- Assessments reports on the performance of water utilities in Azerbaijan, Tajikistan, and Uzbekistan.
  | 140 | 140 (Finland, Germany) | 0 |

Project 1.1.2: Regional assessment of MDGs implementation
- Clearer understanding of priorities for donor support
- Peer pressure to reform national policies
- Final version of the regional progress report on the fulfillment of the water related MDGs, prepared for the Astana Ministerial meeting, and a companion paper with highlights for policy-makers;
- Contribution to the UNECE official substantive document on sustainable management of water and water-related ecosystems
  | 45 | 0 | 45 |

1.2: Managing the water sector more effectively and efficiently

Project 1.2.1: Guidelines for performance based contracts
- Improved contractual arrangements between municipalities and utilities
- Clearer identification of responsibilities and cash flows
- A brief reference document, based on checklists, to assess the scope and quality of performance-oriented contractual arrangements between municipalities and water utilities, as well as the underlying the institutional frameworks;
- A regional event gathering public and private actors to discuss the practice of performance based contracting for WSS in EECCA, possibly in conjunction with the Astana Ministerial Conference
<p>| 140 | 0 | 140 |</p>
<table>
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<tr>
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| Project 1.2.2: Policy dialogue on opportunities and obstacles for private sector participation | • More objective and realistic discussions of private sector participation in the sector  
• An assessment report on the framework conditions for public sector participation in Ukraine, to be produced in cooperation with the OECD Directorate for Financial and Enterprise Affairs (DAF) and the World Bank  
• A national-level event to discuss the results on assessment and follow up activities                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                      | Required | Available | Still needed |
| Project 1.2.3: Development of capacity in municipalities and water utilities | • Improved capacity for planning in utilities and municipalities  
• No further activities under this project are planned for 2011.                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                      | 0        | 0         | 0           |
| Project 1.2.4: Achieving economies of scale in the provision of water supply and sanitation (WSS) | • Improved sector organisation and reduced infrastructure costs  
• A synthesis of international experience on mechanisms to avoid WSS fragmentation, based on pooling resources of several municipalities and the launch of pilot use of such mechanisms in Russia  
• Follow up of a National Policy Dialogue to overcome fragmentation of WSS in Ukraine  
• Regional seminar to exchange experience                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                      | 60       | 60 (EuropeAid) | 0           |
| Project 1.3.1: Supporting National Policy Dialogues on WSS through the development of Financial Strategies to achieve the water-related MDGs | • Improved access to finance from donors, IFIs, public budgets and the private sector  
• Support the achievement of the water-related MDGs  
• A draft annotated outline for the WWS sector policy paper in Russia, produced through stakeholder consultations within the framework of a National Policy Dialogue  
• Mission and scoping report on launching a National Policy Dialogue on WSS in Belarus                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                      | 50       | 0         | 50           |
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| **Project 1.3.2: Supporting National Policy Dialogues on strategic financial plans for water resources management, including measures to adapt to climate change** | • Improved access to finance from donors, IFIs, public budgets and the private sector  
• Support for the achievement of more sustainable water management                                                                                           | • A Policy Dialogue on financing IWRM at river basin level in Armenia, building on experience from a small scale pilot project  
• A Policy Dialogue on financing IWRM at river basin level in Uzbekistan  
• A Policy Dialogue on financing IWRM at river basin level in Kyrgyzstan (Istar river basin)  
• A policy dialogue on rural WSS and climate change adaptation in Moldova                                                                                     | Required: 175  
Available: 175 (Finland)  
Still needed: 0  
400 (EuropeAid, Germany)  
300  
200 (DG ENV)  
0                                                                                                                                                         |
| Sub-total for projects under Water Programme                                  | EUR 1720 K  
EUR 695 K  
EUR 1025 K                                                                                                                                                  |                                                                                                                                                                                                                         |                                                                                                                                                                                                                         |

**PROGRAMME AREA 2: ENVIRONMENTAL POLICY AND DEVELOPMENT**

2.1: Fostering incentives for green growth

| 2.1.1: Promoting more effective regulation | • High quality “second generation” laws and secondary legal acts that promote transition towards green growth  
• A guidance document for policy makers on the reform of water quality regulation in light of the economic development and climate change adaptation needs in EECCA and its dissemination at the Astana Ministerial conference  
• A regional meeting to discuss the guidance on water quality regulation.                                            | 80  
80 (Finland)  
0                                                                                                                                                         |
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| 2.1.2: Reinforcing economic and fiscal instruments of environmental policy   | Adequate incentives for cost-effective solution of environmental problems and for mainstreaming environmental objectives into development strategies | • A regional meeting to discuss a draft guidance document on the reform of the systems of liability for damage to natural resources in EECCA, focused on the damage remediation; (to be prepared following a survey by EECCA RECs of existing liability regimes in EECCA countries);  
• A guidance document on the reform of liability regimes in EECCA, with a companion brief for policy-makers;  
• A policy framework document on the use of different types of economic instruments in EECCA | 100  
60 (Finland)  
40 |
| 2.1.3: Modernising compliance and enforcement strategies                     | Preventing backslides on environmental commitments                       | Dissemination of the results of the pilot project on risk-based targeting of compliance monitoring at an EECCA regional meeting and discussion of follow up work.                                                                                                                                                                                                 | 10  
0  
10 |
| 2.2: Boosting public and private finance for environmental and climate change adaptation programmes |                                                                 |                                                                                                                                                                                                                                                                                                                                                           |                       |
| 2.2.1: Mainstreaming environmental and climate change adaptation programmes into public budgets | Greening of public budgets                                               | • Publishing the final version of the flagship report on mainstreaming environmental programmes into medium-term budgetary practices in the EECCA countries and developing a comprehensive companion communication package for the Astana Ministerial  
• Launching a new initiative with involvement of ministries of environment and finance on greening public budgets | 50  
50 (Netherlands)  
0  
30 |
| 2.2.2: Promoting better programme costing and adapted financing mechanisms   | Allocation of finance in line with programmatic needs and priorities  
Increased predictability of funding  
Leveraging private sector funds                                              | • A national-level expert meeting in Kazakhstan to discuss the current costing and programming approaches and needs for reform and new analytical tools in support to decision-making  
• Development of a “prototype” costing methodology (including a costing Excel-based model) and a companion explanatory guide;  
• Pilot testing of the costing model to (re)designing a selected climate change programme. | 150  
0  
150 |
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<td>2.3: Strengthening environmental governance and capacity</td>
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<td>2.3.1: Developing assessment tools and facilitating benchmarking</td>
<td>• Assessing demand and institutional conditions for greening economic development</td>
<td>A case study on the development process of the national strategy of transition towards a low-carbon economy, based on experience from Kazakhstan</td>
<td>45</td>
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<td>• Promoting appropriate governance conditions that underpin green growth strategies</td>
<td>New data on environmental governance and green growth in EECCA, collected through questionnaires and a series of e-dialogues/videoconferences</td>
<td>65</td>
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<td>• Reduced disparities between countries</td>
<td>Development of the report on environmental governance and green growth in EECCA, and complementary communication products, as well as input to the UNECE substantive report for Astana</td>
<td>135</td>
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<td>• Consensus around governance reforms</td>
<td>Publishing the final version of the toolkit on institutional capacity for environmental management and delivering companion communication products</td>
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<td>• Enhancing the knowledge base</td>
<td>Publishing the technical guide on performance indicators for environmental inspectorates and promoting its use</td>
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<td>2.3.2: Raising support for governance reforms and strengthening capacity</td>
<td>• Finalising and publishing the guidance on individual competence development in environmental inspectorates and its promotion globally through the International Network for Environmental Compliance and Enforcement</td>
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<td>• Facilitating environmental fiscal reform in Moldova: transferring OECD experience (this activity will be conducted in cooperation with UNDP Moldova)</td>
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<td>• Follow up to the assessment of reforms in natural resources management in Georgia</td>
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<td>• Conducting training in Armenia on medium-term expenditure planning for environmental ministries</td>
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<td>Sub-total for projects under Policy Programme</td>
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