
**ENVIRONMENT DIRECTORATE
ENVIRONMENT POLICY COMMITTEE**

GREEN Action Task Force

PROGRAMME OF WORK FOR 2017-18

Annual Meeting of the GREEN Action Task Force, Almaty, 26-27 October 2017

Agenda item: 9.

Action required: for information.

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Programme of Work for 2017-18 of the GREEN Action Task Force

Introduction

1. This document proposes areas of work of the re-branded EAP Task Force as the Task Force for the implementation of the GREEN Action Programme on the occasion of the "Environment for Europe" (EfE) Ministerial Conference (6-8 June 2016, Batumi, Georgia). It builds on discussions at the Annual Meeting of the EAP Task Force (October 2015, Tashkent, Uzbekistan), the Extended Bureau Meeting of the EAP Task Force (22 February 2016, Geneva) and the inaugural meeting of the GREEN Action Programme Task Force (24-25 November 2017, Paris).

2. This document outlines activities and budget allocations that would be implemented by the OECD secretariat only, recognising that much of the OECD work is, and is expected to be, part of joint projects with other international organisations such as UNECE, UNEP and UNIDO (see paragraphs 8 and 9). How the other relevant work of UNECE, UNEP and other organisations supporting green economy in Eastern Europe, the Caucasus and Central Asia (EECCA) could be represented in the GREEN Action Programme Task Force was proposed in a separate document [ENV/EPOC/EAP(2016)5]. Concrete models of collaboration among the three organisations were further discussed at the OECD-UNECE-UN Environment institutional collaboration meeting (2 February 2017, Geneva). It was agreed that the 2017-2018 Programme of Work and Budget (PWB) of the Task Force for the GREEN Action Programme would list activities and budget figures only for those implemented by the OECD, while references would be made to jointly implemented activities with partner organisations. A summary record of the OECD-UNECE-UN Environment meeting is presented as Room Document 1.

Background

3. The mission of the Task Force for the Implementation of the Environmental Action Programme – the EAP Task Force – was to “support improvement of environmental policies in transition economies of Eastern Europe, Caucasus, and Central Asia (EECCA) by promoting the integration of environmental considerations into the processes of economic, social and political reform, as well as the upgrading of institutional and human capacities for environmental management.”

4. Based on this long-standing experience in supporting the EECCA governments to improve and implement policies benefiting both the environment and economic development, the EfE Conference in Batumi welcomed the re-branded Task Force for the GREEN Action Programme to focus on assisting countries in the region to accelerate the transition to a greener economy. Opportunities include, among others, addressing inefficient production, ageing infrastructure, insecure energy and water services and the inefficient use and depletion of natural resources. Realising such opportunities requires

mobilising market incentives, improving the design and implementation of environmental and framework policies (including fiscal, investment, and innovation policies), and building the necessary knowledge bases, effective governance, and capacity. Future activities can continue to draw on relevant work within the OECD's core programme of work, including the OECD Green Growth Strategy.

5. Any work on green growth implies the need of broadening the stakeholder base. Along with the continued work with the environment ministries, the renewed programme will engage more systematically the ministries of economy and finance, and sectoral ministries such as agriculture, energy and industry as needed. The work will also require greater involvement of the business sector, NGOs and academic communities as well as other stakeholder groups (e.g. local governments, water users groups). Closer links would be forged with other multilateral or bilateral initiatives in EECCA. Particular attention will be given to making the future work synergetic with political processes involving EECCA and the European Union.

Proposed areas of work in 2017-18

6. The possible areas of work for 2017-18 under the renewed programme proposed below is organised around four mutually supportive themes: **(1) national green economy dialogues and strategies (2) green finance and investment, (3) integrating environmental, economic and sectoral policies for green growth, and (4) strengthening water management.** These four areas all contribute to greening of the economy in the region. Subject to the provision of sufficient resources, various activities will be implemented by the OECD secretariat under the four themes, in partnership with other relevant organisations as appropriate.

7. A new Programme Area 1 envisages activities to facilitate inter-ministerial policy dialogues through national GREEN Action Platforms on priority aspects of greening the economy at the national level (similarly to the ongoing National Policy Dialogues on water). Programme Area 1 also proposes to support the development of individual country green growth strategies.

8. Part of the work under Programme Areas (2) and (3) represents continuation and consolidation of activities under the "Greening Economies in the Eastern Neighbourhood (EaP GREEN) project funded by the European Union and implemented jointly by OECD, UNECE, UNEP and UNIDO¹ and a project "Improving the Incentive Frameworks and Capacity for Green, Climate Related Investments in Eastern Partnership Countries and Central Asia" funded by Germany and implemented under the International Climate

¹ The "Greening Economies in the Eastern Neighbourhood" (EaP GREEN) Programme targets six countries of the European Union's Eastern Partnership (EaP): Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova and Ukraine. The programme's overall objective is for the EaP countries to move towards a green economy by decoupling economic growth from environmental degradation and resource depletion. More specifically, the Project aims to: i) mainstream sustainable consumption and production into national development plans, legislation and regulatory frameworks; ii) promote the use of Strategic Environmental Assessment (SEA) and Environmental Impact Assessment (EIA) and achieve a sector-level shift to green economy through the adaptation and adoption of sustainable consumption and production practices and techniques in selected economic sectors.

Initiative². For the period of 2017-18, the launch of new activities in the EU's Eastern Partnership countries as well as those in Central Asia will be supported by funds that have already been mobilised in 2016 from the Netherlands and Switzerland and potential new contributions from additional countries.

9. An important component of the work under Programme Area 4 is cooperation within the EU Water Initiative (EUWI) in the EECCA region. In this context, partnership with the UNECE has been strengthened for projects in several EECCA countries. Building on the successful implementation of the EUWI EECCA over 2012-16, the OECD, the UNECE and the European Union have entered into a new project, EUWI+, for the period 2016-20 that will focus on strengthening water management in the six countries of the EU's Eastern Partnership (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine). Support to the National Policy Dialogues in Central Asia is expected to continue beyond 2016 through a programme in Kyrgyzstan and Tajikistan (2015-18) with financial support by Finland. Germany, Switzerland and Norway have also provided regular support to the activities under the Programme Area on water and potential new contributions from additional countries for planned activities.

Programme Area 1. National Green Economy Dialogues and Strategies

10. The work on green growth emphasises the need for countries to align policies across different ministries in support of the green and low-carbon transition of economies. This new programme area aims to support cross-ministerial dialogues on priority issues related to green economy and to mobilise a political action for low-carbon, climate-resilient development and regulatory reform.

Activity 1.1. In-country GREEN Action Platforms

- This activity will support the organisation of a series (1-2 times/year) of national high-level policy dialogues on promoting green economic development in interested countries. The GREEN Action Platform has already been launched in Kazakhstan and such dialogues are foreseen to be replicated in other countries, depending on available funding. In the EaP countries, OECD may support UNEP's leading work under the EaP GREEN which has already assisted governments with the establishment of national inter-ministerial coordination platforms/working groups on Green Economy where appropriate. In particular the co-operation will build on UN Environment-OECD collaboration to support Georgia with the development of its Green Growth Strategy. Similar joint efforts by UN Environment and OECD to support Ukraine will be further developed.
- Opportunities exist for similar collaboration in Central Asia, building on work carried out by UN Environment under the Regional Environmental Action Programme, by UNECE in collaboration with UNDP and the OECD work on supporting the GREEN Action Platform in Kazakhstan.

² The project "Improving the Incentive Frameworks and Capacity for Green, Climate Related Investments in Eastern Partnership Countries and Central Asia" aims to strengthen the incentives for deploying more climate-friendly, energy- and resource-efficient technologies and business practices (such as the adoption of environmental management systems, for instance), and increase capacity to access domestic and international sources of finance for climate-friendly and energy- and resource efficiency related investments. It has two streams of activities that focus on i) enterprise greening and ii) access to climate finance.

Activity 1.2. Analytical Support to the Development of country-level Green Economy/Green Growth Strategies

- The policy dialogues under Activity 1.1 will be supported by national studies of green growth opportunities and challenges tailored to specific national circumstances, related to economic diversification in selected countries with different economic profiles. Georgia has requested support to develop its Green Growth/Green Economy Strategy. This may support work by UNEP which assists Georgia with the development of the Green Economy Strategies / Action Plans under the EaP GREEN project. Additional resources via the OECD could supplement it with new analysis to identify the steps that are required to develop and adopt the green growth/economic diversification strategies, or action plans. The findings of the studies will be discussed at the national GREEN Action Platforms or at the relevant working groups established via UNEP's leading work under the EaP GREEN project, and the regional meetings of the GREEN Action Programme.

Future national policy dialogues will aim to reinforce the linkages with activities under other Programme Areas that cover economy-wide perspectives (e.g. with Programme Area 2 on finance and investment, Programme Area 3 on policy integration, or Programme Area 4 on the water-energy-food-ecosystem nexus).

Programme Area 2. Green Finance and Investment

11. The overall objective of work under this area is to help EECCA countries to leverage and diversify financing for infrastructure development and green investments, especially to address climate change mitigation and adaptation. This will involve better expenditure management and greening of public finances as well as developing strategies for green investments in interested EECCA countries. Working with existing financing mechanisms of the EU, International Finance Institutions (IFIs) and local banks to enable private-sector investments in green projects would be important so as to enhance the countries' readiness for accessing finance (including climate finance) at various levels (e.g. national and sub-national governments, financiers and local implementing entities). This work will be reinforced by the OECD and UN Environment co-operation on enabling policy environment for resource allocation and mobilisation for green investment.

Activity 2.1. Greening public finance policy

- ***Facilitating reform of environmentally-harmful subsidies (EHS).*** To assist EECCA governments in the reform process, the future work will widen the knowledge about current environmentally-harmful subsidy schemes by building a database on energy subsidies in the region and harmonising it with the existing OECD database on fossil fuel subsidies. It will also deepen the analysis and discussion on how they can be phased-out more rapidly. More emphasis will be placed on analysing tax expenditure (that is government revenue foregone due to tax exemptions or deductions, tax rate reductions, etc.) and assisting EECCA authorities in designing tax expenditure estimation and reporting methodologies. Reporting on tax expenditure in the energy sector can be used as a model for this work.
- ***Strengthening domestic public finance.*** Analysis shows that public environmental expenditure remains key to addressing some major environmental

and climate-related problems, and, more broadly, to promoting a greener model of development in the EECCA countries. To strengthen the investment planning capacity of EECCA governments, the new work will focus on assisting interested EECCA countries in designing and costing green public investment programmes in line with good international practices and conducting related training.

Activity 2.2. Facilitating access to finance for green investment, including climate finance

- ***Facilitating access to private finance for green investments.*** The work on reviewing experience from the use of environment-related credit lines extended by IFIs and disbursed by local commercial financial institutions will be consolidated, including in Ukraine, Moldova and Georgia. It will be followed by analysis of the potential role of monetary policies and macro-prudential financial regulation which, by modifying the incentives and constraints that banks face when deciding their lending strategy, may expand credit directed towards low-carbon sectors. In parallel, the challenges and opportunities to green financing for Small- and Medium-Sized Enterprises (SMEs) will be explored as the SMEs face higher transaction costs and greater need for technical support in accessing bank financing. This work will be co-ordinated with that of UN Environment and UNIDO as well as with IFIs and financing mechanisms of the EU on enabling policy environment for resource allocation/mobilisation for green investment.
- ***Turning Nationally Determined Contributions (NDCs) into green investment strategies.*** This area of work will help interested countries turn their INDCs into a basis for long-term green investment plans and policies to achieve their proposed climate targets, and broader development agendas, where possible. This work will help interested EECCA countries examine the NDCs' feasibility and identify financial needs to implement proposed actions. It will also facilitate discussions among a range of actors, i.e. sectoral ministries, private sectors, donor agencies, international finance institutions and civil society organisations, on how the countries could attract further public and private investments to implement climate actions.
- ***Strengthening national financial entities to scale up climate finance.*** The project will develop road maps to enhance key institutional capacities of the selected countries to access and absorb international climate finance more effectively and establish co-operation platforms with interested organisations that have been engaged in the climate readiness programmes. The project will review interested national public funding entities' capacities for mobilising green finance, in terms of rules and procedures; management practices; predictability and reliability of financial sources; expenditure plans and disbursement mechanisms; or criteria for identifying and selecting investment projects.
- ***Enhancing access to international finance for green growth.*** The Paris Agreement highlights the importance of continuing and enhancing readiness support and there are several institutions already engaged in climate finance readiness programmes, such as the Green Climate Fund, the Global Environmental Facility (GEF) and facilities established in the context of bilateral development co-operation. This area of work will help government officials in interested EECCA countries to: i) better understand the country's own needs and capacities of key institutions; ii) identify international climate finance sources

available to the country; and iii) identify opportunities, based on best practices, for accessing and using international climate finance sources. The project will carry out analyses and facilitate discussions among relevant stakeholders on possible suitable financial channels and instruments as well as relevant access modalities to specific finance sources. This work will include linking the OECD work on climate finance and UN Environment co-operation on the Green Climate Fund in Uzbekistan and other EECCA countries.

Programme Area 3. Integrating Environmental, Economic and Sectoral Policies for Green Growth

12. Building on previous and ongoing work, including under the comprehensive EaP GREEN project supported by the EU, this area of work would aim to assist EECCA countries in accelerating policy reforms, including by devising regulatory and economic instruments, strengthening the rule of law and compliance with environmental requirements (e.g. those for air quality and waste management stemming from the EU *acquis communautaire* and OECD standards) that contribute to the greening of economic growth. The work would also include activities aimed at greening of industry (e.g. small and medium-sized enterprises, state-owned enterprises, extractive sectors) and strengthening the green growth measurement framework by using green growth indicators and other environmental accounting tools.

Activity 3.1. Promoting ‘smart’ environmental regulations

- ***Reforming regulatory regimes for large emission sources, including State Owned Enterprises (SOE).*** Drawing on the now significant body of work, including by the OECD and the EAP Task Force in the EECCA region, work will be undertaken to assess the economic aspects of various approaches to limit emissions, including setting EQS based on best-available techniques (BAT) (e.g. mandatory installation-specific, sector-specific or cross-sectoral) as for example in the European Industrial Emissions Directive. Emphasis will be placed on analysing regulatory regimes for larger emission sources, including SOEs, which often have greater leverage in the policy formulation process and can more easily influence the level of regulatory stringency. To supplement this work, strengthening the effectiveness of enforcement instruments, such as monetary payment and penalties for pollution and environmental liability, will also be addressed.

The activities will consist of country specific analysis, regional policy dialogue involving ministries of environment, finance, and economic affairs, and follow-up work to support reforms in selected countries that could lead to the subsequent changes in the design and implementation of selected instruments. UNECE and OECD will co-operate on policy responses to address air pollution, including work on BAT-based regulations for large enterprises, health impacts of air pollution, links with the UNECE Convention on Long-range Transboundary Air Pollution and its co-operation with non-Parties and contributions to the Batumi Action for Clean Air).

- ***Greening Small and Medium Sized Enterprises (SMEs).*** Following the earlier work by the EAP Task Force, work will also continue to support countries in establishing special regimes for low-risk installations, the vast majority of which are SMEs. The focus would be on providing policy recommendations on where to

use general binding rules, and when and which alternative instruments could be used. This work will be co-ordinated with UNIDO's support to Resource Efficient and Cleaner Production under the EaP GREEN.

- ***Developing policy instruments to address challenges of urban air pollution.*** The 8th "Environment for Europe" Ministerial Conference in Batumi adopted the Batumi Action for Clean Air with the aim of addressing persisting challenges to improving air quality for a better environment and human health. The activities envisaged in this area will be co-ordinated with work under the UNECE Convention on Long-range Transboundary Air Pollution UNECE. They will consist of country analysis of health impacts of air pollution and urban air pollution reduction strategies as well as the application of a specific mix of regulatory (including BAT based regulations for large enterprises), economic and information instruments which can help to address both local air and climate related problems. The analysis would be supported by regional exchange of good practice and development of recommendations for reform.

Activity 3.2. Integrating environmental and sectoral policies for green growth

- ***Addressing environmental impacts of mining.*** The mining sector has traditionally been important to many EECCA economies for its significant contribution to export earnings and economic growth. The work under this area will focus on analysing countrywide or sector-specific approaches that can reduce the environmental and health impacts of mining, both during operations and after closure. Analysis will involve identifying a mix of policies, laws and regulations that could promote compliance with standards, based on international experience. It will also include the assessment of the effectiveness of economic instruments applied to mining (such as, among others, rents, royalties, and taxes) and the review and identification of optimal financial mechanisms to reduce mining pollution and ensure post-mining land remediation. This will include OECD-UN Environment co-operation on greening the extractive sector (to better manage environmental risks and impacts and maximising social and economic benefits from mining activities, such as green-tech, restoration of post operation mines, worker reskilling/reallocation, enhancing local development opportunities), especially for Central Asia (Kazakhstan). Work will also support capacity development of government as well as investors and mine operators.
- ***Supporting the development of Extended Producer Responsibility (EPR) systems.*** Earlier analysis of product-related policy instruments carried out in 2013-15 showed that the countries in the EECCA region are increasingly interested in developing EPR systems. However, in practice, their trial applications appear not as effective as they could be. New work will assist governments in the region to accelerate and widen the introduction of EPRs through regulatory and economic analysis that can help to specify the scope of EPR systems in terms of the group of products to be covered (Waste Electrical and Electronic Equipment, packaging, end-of-life vehicles, etc.). It would also assist in developing legal and institutional arrangements for handling the selected waste streams, monitoring performance, and sharing experience from applying the systems to various products and product groups. This work will use the practical manuals on "extended producers responsibility and financing" developed by the OECD and the Basel Convention Secretariat.

Activity 3.3. Measuring and assessing progress towards green growth

- Broadening the use of green growth measurement. Work under this area will build on earlier activities that supported the introduction and practical application of green growth indicators (GGI), using the OECD approaches. It will facilitate the integration of economic and environmental data sets and ensure the full use of environmental monitoring and statistical information, including that developed under the Shared Environmental Information System supported by EEA, UNECE and UNEP, UN Environment new initiative of Green Economy Policy Index, monitoring of progress towards Green Economy with UNECE as inputs to the post Batumi mid-term review.

The work will also support the preparation and disseminating of country reports based on “headline” green growth indicators; building capacity by the economic, statistical and environmental agencies for monitoring green growth and promoting public and political debate on the development and implementation of green growth strategies and policies. The analysis of green growth indicators will also be deepened through specific thematic reviews on each GGI theme, as for example resource productivity across EECCA countries. The scope of work will also be enlarged to encompass the application of System of Environmental and Economic Accounts (SEEA) and the use indicators that are being developed to measure progress towards achieving Sustainable Development Goals.

- Assessing progress towards green growth in the EECCA region. The development and use of green growth measurement will, over time, help to show progress, or lack of, towards greening the economies in the region. This, together, with the accumulation of experience from implementing various green growth initiatives by the multitude of stakeholders, will be used to develop comprehensive assessment reports to show successful country and sector-specific examples, analyse key factors of progress in, and major challenges to, greening EECCA economies. The development of such reports will be linked to regular policy dialogue platforms that will be established in co-operation with international partners, in particular UN Environment, to promote policy debates on green growth among key government and non-government stakeholders at the regional and national level.

Programme Area 4. Strengthening Water Management

13. This Programme Area aims to support reform of water policies in EECCA countries. The objective is twofold:

1. contribute to achieving broader development goals, including water-related post-2015 Sustainable Development Goals (SDGs), which feature prominently water resources management, transboundary water cooperation and policy integration; and
2. support economically, financially and environmentally sound management of water resources, including adaptation to climate change; recalling that the COP 21 climate conference stressed the importance of wise water management strategies, climate resilience and disaster risk reduction, which are fundamental for the provision of safe water, livelihoods and sustainable energy sources.

14. The OECD has been active on water policy reforms in EECCA for more than 15 years. The initial focus was on water supply and sanitation and on the development and

implementation of financially realistic national strategies in this area. More recently, work has broadened to include water resource management. The main methodology has been to support policy dialogue among the key stakeholders. Work in this area consists of supporting National Policy Dialogues (NPDs) on water, implemented in close cooperation with UNECE. It combines robust analytical work, reference to international good practices, and facilitation of the NPD process. It involves transfer of know-how to national, basin and/or local authorities. Work is overseen by the EU Water Initiative's (EUWI) EECCA Working Group which brings together high-level officials with responsibility for water policies, including EECCA representatives from Ministries of Water, Environment, Communal Affairs, Construction or Infrastructure, donors, International Financial Institutions (IFIs), NGOs and the private sector.

Activity 4.1: Strengthening the economic and financial dimensions of water management, including adaptation to climate change

15. This activity focuses on the economic and financial analysis of water policy reforms and water resources management plans and the financial sustainability of water supply and sanitation services.

16. The programme area is envisaged to include our planned work in the EaP countries under the new EUWI+ project in terms of delivery of the national priorities and country road maps developed during the projects inception phase and also the continuation of our work under the FinWaterWEI II programme in Central Asia (funded by the Government of Finland). Focus areas are described below:

- ***Economic and financial dimensions of water resources management.*** EECCA countries are confronted with severe water management challenges, exacerbated by climate change and increasing competition among water users. More attention to the economic and financial dimensions of water policy can build the case for reforms and facilitate their implementation, by unveiling hidden trade-offs, injecting hard facts and data in policy dialogues and potentially aligning incentives. Properly managed water at the national and basin levels can contribute to green growth and bring the following benefits, which can be highlighted by policy packages delivered under the renewed programme:
 - Ensure allocation of water in line with development strategies. This requires that water policy objectives reflect economic development priorities, and strike the right balance between economic and social development, water, food and energy security, and environmental performance;
 - Consider innovative approaches to water management and water infrastructure investment that pay due attention to the environment. They can lower the costs of water-related services, provide ancillary benefits, and better adapt to shifts in water demand and availability (flexible response, less stranded assets).

Well-designed economic instruments (abstraction charges, pollution charges, water tariffs, water rights and allocation mechanisms) can significantly contribute to this water management objective. Ambitious reforms are needed in the EECCA countries, where economic instruments generally fail to contribute to policy objectives. Through assessments of, and recommendations on the choice of relevant economic instruments and appropriate policy mixes, this work would strengthen incentives for improved water use efficiency and bring economic

analysis and financial realism into water-related policies and strategies, roadmaps and action plans.

This activity will work with water agencies at both national and river basin levels, in the context of the National Policy Dialogues focused on the reform of water policies. Examples of concrete projects could include: reviews of water allocation mechanisms, with a view to ensuring that they contribute to green growth; assessments of water infrastructure needs and analyses of lower-cost alternatives and financing schemes; reviews of economic instruments for water management, with a view to aligning them with water priority objectives.

- ***The financial sustainability of water supply and sanitation services.*** Financing remains a crucial challenge for water supply and sanitation services in the EECCA region. Despite some progress in the last decades, water supply and sanitation development plans are often financially unrealistic; a more strategic approach is needed to tailor investment to available financial resources, and vice-versa. Building on its experience on the development and implementation of financing strategies for the sector, this work will support policy dialogues on these issues, and put them in the context of wider water resource management and adaptation to climate change.

The financial sustainability of water supply and sanitation systems is enhanced by national strategies that factor in investment needs and operation and maintenance costs from the start and properly address affordability constraints. Such strategies benefit from the support of strategic financial plans, based on robust assessments of revenues from user charges, budget support, and transfers from the international community. Examples include previous work on developing financing strategies for WSS in Kyrgyzstan and in Moldova in conjunction with UNECE which helped to assure the financial realism of WSS related national targets adopted under The Protocol on Water and Health. Examples of projects could include the development of prudent, financially feasible water strategies in the context of adaptation to climate change, assessments of affordability issues and the design of measures to address them and further work with UNECE on financial achievability of WSS related national targets established under The Protocol on Water and Health.

Recent work under the OECD/GREEN Action Programme Task Force has also paid particular attention to rural water supply and sanitation, and it is proposed to continue to address this topic under the renewed programme. This will include the exploration of alternative business models for water utilities, based on operations at more appropriate scales and under lower-cost options. The work pays attention to the affordability of water bills, which is a serious concern for disadvantaged groups.

Activity 4.2: Strengthening institutions and regulations for water management

17. This activity would aim to make institutions and regulations in the water sector more effective and efficient. Work developed under this programme area will be communicated through National Policy Dialogues, delivered in co-operation with UNECE, which will continue to serve as the main mechanism for achieving sector reform.

18. The main objective of this activity will be to support regulatory authorities in reviewing existing methodologies and rules for water tariff calculation, including approaches to the assessment of affordability issues. The activity will support the reform on the basis of good international practice. With this activity, the renewed programme will also support developing methodological and practical tools for strengthening the capacity of regulators to monitor and regulate the performance of water utilities.

19. The programme area will include completion of work in Central Asia and includes further strengthening of economic regulation of the water sector.

Activity 4.3: Support to EECCA countries in addressing the water-food-energy nexus challenge and the link to water security

20. Work in this area focuses on policy coherence and the eventual tension between water, food and energy policies in the competing demand for water. Commonly referred to as the water-food-energy nexus, our work in this area is envisaged to look at the use of indicators of water, food and energy security and the role of multi-purpose water infrastructure (MPWI) in helping interested countries recognise and address this challenge. The work at national level led by the OECD can typically complement the work on nexus in trans-boundary river basins led by the UNECE, and it is therefore proposed to further strengthen the co-operation with UNECE in this area. Work under Activity 4.3 could be discussed in relevant NPD meetings, or in the national GREEN Action Platform (Activity 1.1), given the cross-sectoral nature.

- More specifically, under this programme area, the work on developing national definitions and indicators of water, food and energy security will continue under the FinWaterWEI programme in Kyrgyzstan. A follow up work to integrate the indicators into national statistics agency might be needed to ensure sustainability of this activity. New opportunities to replicate the work on indicators in other EECCA countries could be considered, if funding is available.

Activity 4.4: Support to national and regional policy dialogues on water, communication and dissemination of programme results and regional reviews

21. Work under this programme area focusses on 3 key areas:

- I. National policy dialogues;
 - II. Communication and dissemination of results; and
 - III. Regional reviews.
- **National Policy Dialogues (NPDs)** will continue to be our main platform for promoting reform in the EECCA water sectors. This programme area will continue NPDs where they exist and also renew or commence NPDs where they have not been active. This work will be delivered in collaboration with UNECE. Our planned work to commence the EUWI+ in the six EaP countries with identification of national priorities and development of country work plans will be included in this area.
 - **Regional meetings and communication and dissemination of results** is a key activity that is drawn out as a separate programme area for the two year programme. Experience has demonstrated the importance of EECCA countries coming together at appropriate working meetings to share progress and lessons

learned. This area will be supported with dissemination of the relevant best practices and published material to better raise awareness of the progress with the water sector reforms in EECCA. We propose to work with UNECE to strengthen the impact of these regional meetings.

- **Regional reviews** are an excellent vehicle for baselining the regions current status and challenges in areas of common concern. Two areas of regional and global attention are progress towards achieving the Sustainable Development Goals (SDGs) and achieving water security. Detailed reviews are proposed to be scoped and launched in these areas to provide a regional picture of status and to analyse economic and financial barriers and policy options to achieve progress. The proposed reviews are as follows:
 - I. A Regional review on progress towards achievement of water-related SDGs in EECCA will baseline the current status and will consider economic barriers and challenges to achieve water-related SDGs in EECCA countries. The report will take stock on countries progress with relation to economically sustainable use of water resources, the role of viable business models and wise investment plans, and the role of economic regulation to foster financial sustainability of water utilities without compromising vulnerable populations. This review will take account of country status with regard to implementation of the SDGs, any relevant indicators developed and also the proposed indicator review on SDG 6 by UN Water in 2018.
 - II. A Regional outlook on Water in EECCA is proposed. Based upon the Water Chapter of the *OECD Environmental Outlook to 2050*, it will look specifically to the challenges the EECCA region is expected to face in the future and the potential policy responses. The proposed outlook will consider water demands and stresses and identify risks and challenges concerning future water security. In particular, it will review the role of water in energy production in the region and how the reform of water allocation rules and economic instruments can influence the impacts on water quantity and quality.

Budgetary situation

22. The total indicative budget for the Green Action Programme (Programme Areas 1-4) for the 2017-18 biennium period is EUR 6,930,000. Table 1 below provides a breakdown of estimated costs, funds available and funds needed for the full Programme for this period.

23. The budgetary situation for the GREEN Action Programme is considered generally sound for 2017 due to multi-year contributions from the European Union (EAP GREEN), Germany (climate related work) and Finland (for water programme activities in Central Asia) which will be available until the end of that year. In addition, Switzerland and the Netherlands have continued to provide annual contributions which support the programmes. This includes contributions which will be accepted before the end of 2016 and have already been included in the funds available.

24. By the end of 2017, EaP GREEN will be completed and in order to launch the new work proposed, particularly under Programme Area 3, additional donor support will need to be mobilised.

25. Negotiations with the European Union for the launch of the next phase of the European Union Water Initiative project (EUWI+) were completed at the end of 2016 and forms the bulk of the budget support for the water programme for 2017 and 2018. In addition, a number of new projects are proposed – including the scoping and launch of two new regional reviews – which would require additional financial support from countries.

Table 1. Budgetary situation for Programme Areas 1-4

1st January 2017 – 31st December 2018

ESTIMATED BUDGET 2017-18		FUNDS AVAILABLE ⁽¹⁾		FUNDS STILL REQUIRED ⁽²⁾
EUR K	Donor	EUR K	EUR K	
6,930	European Union	2,819		
	Germany	851		
	The Netherlands	45		
	Switzerland	90		
	Finland	433		
	Total Funds		4,238	2,692

Note:

(1) Funds received for multi-year projects beyond 2016, inclusive of funding which is on track to be accepted by the end of 2016 (from the Netherlands and Switzerland) This and subsequent tables have been updated to reflect securing the EUWI+ funding at the end of 2016.

(2) Funds still required to fully execute the proposed activities in Programme Areas 1-4.

NEW	<p>GREEN Project. The work should also build on earlier work completed by GIZ. Depending on available funding this could be carried out for additional countries in co-operation with UNEP and others as appropriate.</p> <p>The findings of the studies will be discussed at the national GREEN Action Platforms or at the relevant working groups established via UNEP's leading work under the EaP GREEN project and the regional meetings of the GREEN Action Programme.</p>				
TOTAL PROGRAMME AREA 1			228	145	83

PROGRAMME AREA 2. GREEN FINANCE AND INVESTMENT					
Activity 2.1 Greening public finance policy					
2.1.1 Facilitating reform of environmentally-harmful subsidies (EHS) CONTINUED⁴	<ul style="list-style-type: none"> Finalisation of a regional report “Energy Subsidies in the EaP Countries”, launched in 2015, that will provide comprehensive information on the various types of environmentally-harmful subsidies in the energy sector, their costs to the public budgets and society at large and recommendation for reform. The report will consist of an overview comparative chapter and individual country chapters on energy subsidies in Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. 		326	195	131
NEW	<ul style="list-style-type: none"> The study on environmentally-harmful subsidies will be followed up by: <ul style="list-style-type: none"> organising the data and information, collected as part of the study, in a format which is suitable for the OECD database on fossil fuel subsidies, designing a methodology for analysing tax expenditure (government revenue foregone due to tax exemptions and reductions) in EECCA countries using reporting on tax expenditure in the energy sector as a model, applying the methodology for analysing tax expenditure in one-two interested EECCA country 				
2.1.2 Strengthening domestic public finance	<ul style="list-style-type: none"> Support to three countries (Kazakhstan, Moldova and Kyrgyz Republic or Ukraine) in developing financially sound public environmental investment programmes, with rigorous economic rationale and policy relevance, in order to obtain funding from general budgets, from international sources of financing and to leverage additional funds from private sources. The project will focus on the preparation of the market studies on the need for public support for green investment and on the designing the elements of the investment programmes. The project in Kazakhstan, which was launched in 2016, will focus on supporting clean transport and clean fuels in the cities of Shymkent and Kostanay. The scope of the studies in other two countries will be determined by end of 2016/early 2017. 		246	246	0

4 Activity launched under the EAP Task Force that will be continued in 2017-18. Some funds may still be required to complete the work.

<i>CONT.</i>	<p>The country projects will be complemented by training seminars on the application of the programme design and costing methodology and appraisal of green investments.</p> <p>The findings from in-country projects will be summarised in a report on the experience from designing green public investments and the identification of good practices for the EECCA region.</p>				
Activity 2.2 Facilitating access to finance for green investment, including climate finance					
<p>2.2.1 Facilitating access to private finance for green investments</p> <p><i>CONT.</i></p>	<ul style="list-style-type: none"> Review of experience from the use of environment-related credit lines extended by IFIs and disbursed by local commercial financial institutions. The analysis initiated in Ukraine in 2015 will be completed and new analysis will be launched in Moldova and Georgia. In parallel stakeholders meetings on green lending will be organised in Armenia, Azerbaijan and Belarus. <p>The results of the analysis will be discussed at a regional conference on green finance and investment (June 2017) and summarised in a report from experience with green lending in the EaP countries.</p> <ul style="list-style-type: none"> This work will be complemented by analysis of challenges and opportunities to green financing for Small- and Medium-Sized Enterprises (SMEs) which face higher transaction costs and greater need for technical support in accessing bank financing (see Activity 3.1.2). 	UN Environment UNIDO	488	350	138
<p>2.2.2 Turning Nationally Determined Contributions (NDCs) into climate investment strategies</p> <p><i>NEW</i></p>	<ul style="list-style-type: none"> Diagnoses of the coherence and existing misalignment between climate targets and actions identified under the Nationally Determined Contributions (NDCs) and other policy documents in 2-3 interested countries. The work will also examine how to better align climate and non-climate (e.g. energy, investment, land-use, waste, and transport) policies to mobilise further green finance. <p>Such analytical work will aim to feed into the development of action plans, including at a sectoral or sub-sectoral level, to achieve the NDC targets and broader development goals as referred to in Items 1.1 and 1.2. This work could also support cost calculation to implement such actions, subject to additional financial resources available for this phase.</p> <p>This would be followed by country-level analytical work on tracking progress in climate actions (mitigation and/or adaptation) which will identify key indicators to monitor progress made towards INDCs and recommend steps to establish effective in-country monitoring processes.</p>	UN Environment	274	187	87

<p>2.2.3 Strengthening national financial entities to scale up climate finance</p> <p style="text-align: right;">NEW</p>	<ul style="list-style-type: none"> Review of interested national public funding entities' capacities for mobilising green finance, in terms of rules and procedures; management practices; predictability and reliability of financial sources; expenditure plans and disbursement mechanisms; or criteria for identifying and selecting investment projects. The analyses will aim to enhance co-financing from international sources of climate finance and to integrate this process into the existing governance and management structures. 		227	147	80
<p>2.2.4 Enhancing access to international finance for climate actions</p> <p style="text-align: right;">NEW</p>	<ul style="list-style-type: none"> Assessment of climate finance readiness of 2-3 interested countries with the aim to enhance their capacities to access diverse financial resources for climate actions. The analytical work would include: <ul style="list-style-type: none"> Expanding in-country knowledge about international sources of finance for climate-related investment and internal factors that can facilitate or impede accessing such finance; Identifying areas for strengthening institutional arrangements that can effectively co-ordinate work of domestic and international stakeholders on the access and use of the climate finance. Identifying priority actions to improve capacities of in-country institutions to develop bankable climate projects pipelines, including those than can be funded from international sources such as the GCF, the GEF or the Adaptation Fund. The studies will build on work by development co-operation partners (including GIZ, UNEP, UNECE and others). 	UN Environment	206	126	80
TOTAL PROGRAMME AREA 2			1,767	1,251	516

PROGRAMME AREA 3. INTEGRATING ENVIRONMENTAL, ECONOMIC AND SECTORAL POLICIES FOR GREEN GROWTH					
Activity 3.1. Promoting “smart” environmental regulations					
3.1.1 Reforming regulatory regimes for large emission sources, including state owned enterprises	<ul style="list-style-type: none"> Assessment of current approaches to establishing emission limits in two-three interested countries with the emphasis on regulatory regimes for larger emission sources, including state owned enterprises. This work will be based on the previous analysis carried out under the EAP Task Force and more recent analysis of the regulatory reform in Kazakhstan. <p>This work will be followed by in-country support to reform of selected instruments, including setting EQS based on best-available techniques (BAT) (e.g. mandatory installation-specific, sector-specific or cross-sectoral) as in the European Industrial Emissions Directive. Analysis will also include cost-effectiveness of introducing more stringent pollution control in new plants rather than retro-fitting existing plants, incentive mechanisms for stimulating technological upgrades and ways to strengthen the effectiveness of enforcement instruments, such as monetary payment and penalties for excess pollution and environmental liability.</p> <p>Regional policy dialogue on “smart” environmental regulations for green growth that will present EECCA and OECD country experiences of regulatory regimes and possible reform; identify the benefits and problems of reforming the current system; and provide recommendations for further work at national and regional level.</p> <p>This work will also include policy dialogue on greening SMEs (see Activity 3.1.2)</p>	UNECE (the Air Convention and BACA)	214	45	169
NEW					
3.1.2 Greening SMEs	<ul style="list-style-type: none"> Support to 2-3 interested countries in establishing special regimes for low-risk installations, the vast majority of which are SMEs. The focus will be on providing policy recommendations on where to use general binding rules, and when and which alternative instruments could be used. This work will build on the earlier work by the OECD and UNIDO under the EaP GREEN project. <p>This work will be supported by regional analysis of financing opportunities for greening SMEs (see Activity 2.2.1) and the development of the environmental component of the OECD SME Policy Index for the countries in the region.</p>	UNIDO	272	0	272
NEW					
3.1.3 Developing policy instruments to address challenges of urban air pollution.	<ul style="list-style-type: none"> Country analysis of urban air pollution reduction strategies and the application of a specific mix of regulatory (industrial, energy and fuel/vehicle related emission standards, vehicle inspection programmes, enforcement measures), economic and fiscal instruments (taxes on company cars, R&D incentives, investment programmes), and information instruments (regulations awareness raising and information measures). 	UNECE (the Air Convention and BACA)	122	0	122

NEW	The analysis will be supported by regional exchange of good practice and development of recommendations for reform, including under the UNECE Convention on Long-range Transboundary Air Pollution.				
Activity 3.2. Integrating environmental and sectoral policies for green growth					
3.2.1 Addressing environmental impacts of mining NEW	<ul style="list-style-type: none"> Development of the mining and extractive profiles of all EECCA countries and analysis of selected country- or sector-specific approaches that can reduce the environmental and health impacts of mining, both during operations and after closure. <p>Analysis will involve identifying a mix of policies, laws and regulations to promote compliance with standards, based on international experience. The analysis will also include assessment of the effectiveness of economic instruments applied to mining (such as rents, royalties, and taxes) and the review and identification of optimal financial mechanisms to reduce mining pollution and ensure post-mining land remediation.</p> <p>Support to the development of capacities of government as well as investors and mine operators in 2-3 interested countries to better manage environmental risks and impacts, maximise social and economic benefits from mining activities and enhance local development opportunities.</p>	UN Environment	142	0	142
3.2.2 Supporting the development of Extended Producer Responsibility (EPR) Systems NEW	<ul style="list-style-type: none"> Assistance to 2-3 interested governments in the region to accelerate and widen the introduction of Extended Producer Responsibility (EPR) schemes for selected waste streams. This will be done by drawing on the recently reviewed experience from the OECD and other countries. <p>The work will include analysis of regulatory and economic tools that can help specify the scope of EPR systems in terms of the group of products to be covered (Waste Electrical and Electronic Equipment, packaging, end-of-life vehicles, etc.), legal and institutional arrangements for handling selected waste streams, monitoring performance, and sharing experience from applying the systems to various products and product groups.</p> <p>This work will draw from earlier analysis of product-related policy instruments carried out under the EaP GREEN in 2013-15.</p>	UN Environment	146	0	146

Activity 3.3. Measuring and assessing progress towards green growth					
3.3.1 Broadening the use of green growth measurement, including measuring progress towards achieving Sustainable Development Goals (SDGs) CONT.	<ul style="list-style-type: none"> Continuation of support, launched in 2014-15, to the development of green growth measurement system in Azerbaijan, Armenia, Kazakhstan, Kyrgyzstan, Moldova and Ukraine. <p>This will include support to the finalisation and publication of the national indicators-based reports on green economic growth and the incorporation of green growth measurement in regular data collection and reporting by government agencies, including Statistical Offices, Ministries of Economy, of Environment and other relevant.</p> <p>This activity will be closely co-ordinated with that on developing the pan-European Shared Environmental Information System and linked with the possible application of the Systems for Environmental- Economic Accounting in the countries of the region. Efforts will be made to use the results of this activity to support measuring national progress towards achieving SDGs.</p>	UNECE, UNEP, EEA	305	215	90
3.3.2 Assessing progress towards green growth in the EECCA region CONT.	<ul style="list-style-type: none"> Preparation of a report on progress in greening the economic growth in the EaP countries and a regional conference on Green Growth in the EU Eastern Partnership countries as part of the EaP GREEN (September 2017) 	UN Environment, UNECE, UNIDO	261	179	82
NEW	<ul style="list-style-type: none"> Development of a report on progress in greening the economic growth in Central Asia and a regional conference on Green Growth in Central Asia 	UN Environment			
TOTAL PROGRAMME AREA 3			1,462	439	1,023

PROGRAMME AREA 4. STRENGTHENING WATER MANAGEMENT					
Activity 4.1 Strengthening the economic and financial dimensions of water management, including adaptation to climate change					
4.1.1: Economic and financial dimensions of water management	<ul style="list-style-type: none"> Developing a new phase of the EU Water Initiative with six EaP Countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine) to support water policy reform. Guiding principles on the use of economic instruments to promote efficient water use in the irrigation sector in Tajikistan (commenced in April 2016 for delivery in 2017). Final report “Improving coherence between water and agricultural policies in Kyrgyzstan”. 	UNECE	1550	1550	0
NEW					
CONT.					
Activity 4.2: Strengthening institutions and regulations for water management					
4.2.1: Strengthening institutions and economic regulation of water management	<ul style="list-style-type: none"> Developing draft guidelines for reform of rural WSS in EECCA Pilot testing the draft guidelines in Kyrgyzstan with focus on support of sustainable business models in rural areas Report on developing new standards for design and construction of small-scale WSS systems in Moldova and Kyrgyzstan Development of guidelines for the Anti-Monopoly Agency of Tajikistan to regulate and monitor the performance of water utilities, and revision of guidelines for tariff calculations. A study to facilitate establishing a sound economic regulatory system for WSS Moldova will be finalised in 2017 with an expert workshop. 	UNECE	279	279	0
CONT.					
NEW					
Activity 4.3: Support to EECCA countries in addressing the water-food-energy nexus challenge and the link to water security					
4.3.1 Nexus support	<ul style="list-style-type: none"> Final report on developing national definitions and indicators of water, food and energy security in Kyrgyzstan Application of work on nexus indicators and MPWI to other EECCA countries Integration of water-food-energy indicators into national statistics agency in Kyrgyzstan 		308	78	230
CONT.					
NEW					

Activity 4.4: Support to national and regional policy dialogues on water, communication and dissemination of programme results and regional reviews					
4.4.1 Support to Policy dialogues on water in EECCA NEW CONT.	<ul style="list-style-type: none"> • EUWI Plus inception missions and development of annual work plan and road map for 6 EaP countries • For those where National Policy Dialogues (NPDs) already exist (Armenia, Azerbaijan, Georgia, Moldova), the mandate and constitution of NPDs will be reviewed. Launch or relaunch of NPDs in Belarus and Ukraine. 1-2 NPD meetings per year in all 6 EaP countries. • NPDs to continue in Central Asia in co-operation with other international organisations and donors 	UNECE	936	496	440
4.4.2 Regional meetings and communication and dissemination of programme results CONT.	<ul style="list-style-type: none"> • Annual regional meetings will continue to bring together water officials from EaP and Central Asia regions to share experiences on water sector reform • Final report on the economic assessment of Shadara MPWI in Kazakhstan • Policy highlight on WHAT-IF Model for economic assessment of MPWI • Final report on improving mechanisms and instruments of state support to agri-food, rural development and water intensive industry in Kazakhstan impacting the water sector • Presentation of Kazakhstan work at Astana Expo in 2017 • Series of publications and events to disseminate results of completed work streams including Stockholm Water Week, August 2017 	UNECE (Regional meetings)	50	0	50
4.2.3 Regional Reviews NEW	<ul style="list-style-type: none"> • A Regional review on Progress towards achievement of water-related SDGs in EECCA could be scoped and launched. The proposed review will baseline the current status and will consider economic barriers and challenges to achieve water-related SDGs in EECCA countries. The report will take stock on countries progress with relation to economically sustainable use of water resources, the role of viable business models and wise investment plans, economic regulation to foster financial sustainability of water utilities without compromising vulnerable population. This review will take account of country status with regard to implementation of the SDGs, any relevant indicators developed and also the proposed indicator review on SDG 6 by UN Water in 2018. • A Regional outlook on Water in EECCA is proposed to be scoped and launched. Based upon the OECD's global water outlook to 2050, it will look specifically to the challenges the EECCA region is expected to face in the future and the potential 		350	0	350

	<p>policy responses. The proposed outlook will consider water demands and stresses and identify risks and challenges concerning future water security. In particular, it will review the role of water in energy production in the region and how the reform of water allocation rules and economic instruments can influence the impacts on water quantity and quality and therefore water, food and energy security.</p>				
TOTAL PROGRAMME AREA 4			3,473	2,403	1,070
TOTAL PROGRAMME AREAS 1 - 4			6,930	4,238	2,692