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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

**DRAFT OECD/EAP TASK FORCE PROGRAMME OF WORK AND BUDGET FOR 2014**

**Annual Meeting of the Task Force for the Implementation of the Environmental Action Programme for Eastern Europe, Caucasus and Central Asia (EAP Task Force)**

**17-18 September 2013, Tbilisi, Georgia**

*Agenda item: 3*

*ACTION REQUIRED: For discussion and endorsement.*

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## DRAFT OECD/EAP TASK FORCE PROGRAMME OF WORK AND BUDGET FOR 2014

This document presents the Draft Programme of Work and Budget for 2014 of the OECD Secretariat for its activity under the umbrella of the EAP Task Force. It is based on the Draft Long-term Programme of Work for 2012-15 that was endorsed at the last meeting of the EAP Task Force [[ENV/EPOC/EAP\(2011\)4/REV2](#)]. It includes elements of the Long-term Programme of Work of the “Greening Economies in the Eastern Neighbourhood” programme [[ENV/EPOC/EAP\(2013\)1](#)]. Projects identified for implementation are described in Table 1. They are organised around two main themes:

- **Strengthening water management:** Work under this theme aims to support reform of water policies in Eastern Europe, Caucasus, and Central Asia (EECCA). The objective is twofold: (i) contribute to achieving the Millennium Development Goals on water supply and sanitation, so that good quality water and sanitation services are delivered reliably, sustainably and at least cost to the population; and (ii) support economically, financially and environmentally sound management of water resources, including adaptation to climate change. Three clusters of projects are proposed:
  - Strengthening the economic and financial dimensions of water management, including adaptation to climate change;
  - Strengthening institutions for water supply and sanitation;
  - Assessing the water policies and institutions in EECCA.
- **Policies for greening growth:** Work in this area aims to enable a more rapid shift towards greener, environmentally-oriented growth in transition economies of EECCA. Project proposals focus on market incentives and policy reforms that are needed to facilitate such a transformation. To do so, three clusters of activities are suggested:
  - Integrating fiscal and environmental policies;
  - Fostering incentives for private sector contribution to green growth;
  - Strengthening institutional frameworks and capacity.

**Indicative budget.** The total indicative budget for 2014 is EUR 3380 K. The European Commission and Norway already contributed to this budget with multi-annual grants of EUR 13.2 M (shared with UNECE, UNEP, and UNIDO) and EUR 1.2 M respectively. The negotiation of an additional multi-annual contribution of EUR 2 M from Germany in support to the green growth pillar is close to finalisation (these funds are therefore signalled as “available”). These grants provide a sound basis for the programme’s financial sustainability next year and until 2016. However, it must be stressed that the provision of complementary financing from other donors remains vital both to close the remaining gap, especially on the water front (56%), and also to meet EC co-financing requirements that are as high as 20% in the case of the EC-supported multi-donor action. Lack of adequate co-financing could result in some of the EC financing having to be returned. Additional funding for the water pillar of the programme is being negotiated with the European Commission and Finland.

Table 1. EAP Task Force projects planned for 2014: Objectives, outputs, and budget

Project Title	Outcomes	Activities and outputs planned in 2014	Budget, thousand Euros		
			Estimated	Available	Still needed
<b>PROGRAMME AREA 1: STRENGTHENING WATER MANAGEMENT</b>					
<b>Activity 1.1: Strengthening the economic and financial dimensions of water management, including adaptation to climate change</b>					
Project 1.1.1: Economic and financial dimensions of water resource management	<ul style="list-style-type: none"> <li>Better understanding of the extent to which economic and financial dimensions are considered in IWRM policies in EECCA countries</li> <li>Recommendations to reform economic instruments for improved water management (saving costs, generating additional revenues, promoting low-cost options, allocating water where it has the highest value).</li> <li>Cost-effective contribution to economic, environmental and social (health) objectives (water for green growth; coherence between water and other related policies; adaptation to climate change; sanitation and environment protection; etc.).</li> </ul>	<p>Continuing on-going projects:</p> <ul style="list-style-type: none"> <li>Armenia: follow up work on the reform of economic instruments and the design of new ones at national level;</li> <li>Kyrgyzstan: facilitating the reform of economic instruments for water management</li> <li>Russia: improving the use of economic instruments for water management in the republic of Buryatia (Lake Baikal basin)</li> </ul> <p>Initiating new projects in:</p> <ul style="list-style-type: none"> <li>Azerbaijan, Georgia: a project on assessment of cooperation benefits between the two countries in the Kura basin;</li> <li>Kyrgyzstan: facilitating a coherent approach to water and agricultural policies; local capacity development;</li> <li>Tajikistan: (i) support to the implementation of irrigation sector reform: achieving financial sustainability of the sector; and (ii) strengthening the use of financial and economic analysis when developing national IWRM strategy and pilot RBM plans.</li> </ul>	750	300	450

Project Title	Outcomes	Activities and outputs planned in 2014	Budget, thousand Euros		
			Estimated	Available	Still needed
Project 1.1.2: Economic and financial dimensions of water supply and sanitation	<ul style="list-style-type: none"> <li>• Cost-effective contributions to national and international objectives related to improving access to water supply and sanitation.</li> <li>• Strengthened financial realism of water-related national strategies, making sure that investment plans are tailored to the economic and financial capacity of the country.</li> <li>• Increased local capacity for assessing financial realism of national strategies and investment plans for WSS.</li> </ul>	<p>Continuing on-going projects:</p> <ul style="list-style-type: none"> <li>• Armenia: support to the development of a national strategy for sanitation in Armenia.</li> </ul> <p>Initiating new projects in:</p> <ul style="list-style-type: none"> <li>• Ukraine: Initiating a project on the development of a financing strategy for municipal wastewater treatment in the Black Sea area in the Autonomous Republic of the Crimea</li> </ul>	280	150	130
<b>Activity 1.2: Strengthening institutions for water supply and sanitation</b>					
Project 1.2.1: Measures to cope with over-fragmentation in the water supply and sanitation sector	<ul style="list-style-type: none"> <li>• More effective sharing of lessons learned in different regions</li> <li>• Identification, given specific country conditions, of viable business model(s) for water supply and sanitation systems in small towns and villages</li> <li>• Understanding within countries of alternative options to realise the benefits of inter-municipal cooperation on water supply and sanitation, taking account of administrative, operational, economic, and political dimensions</li> <li>• Increased capacity within local authorities to cope with over-fragmentation in WSS in EECCA</li> </ul>	<p>Continuing on-going projects:</p> <ul style="list-style-type: none"> <li>• Kazakhstan: diffusion of sustainable business models for water supply and sanitation in small towns and rural areas</li> </ul> <p>Initiating new projects in:</p> <ul style="list-style-type: none"> <li>• Kyrgyzstan: drafting guidelines for reform of rural water supply and sanitation</li> </ul>	150	150	0
			170	30	140

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Project Title	Outcomes	Activities and outputs planned in 2014	Budget, thousand Euros		
			Estimated	Available	Still needed
Project 1.2.2: Strengthening economic regulation of water supply and sanitation	<ul style="list-style-type: none"> <li>Increased capacity within water regulators to monitor and regulate the performance of water utilities, with a focus on tariff setting, measures to tackle affordability issues, and indicators for monitoring the performance of utilities</li> <li><i>Exploring</i> opportunities to adjust water tariff policies liaising with similar agencies in the region as well as in OECD countries, to exchange on existing practices and methods.</li> </ul>	<ul style="list-style-type: none"> <li>Support to the Anti-Monopoly Agency of Tajikistan to strengthen economic regulation of water supply and sanitation: incl. practical guidelines to regulate and monitor the performance of water utilities; affordability toolkit based on the OECD methodology; and revised guidelines for tariff calculations.</li> </ul>	200	50	150
Project 1.2.3: Opportunities for, and obstacles to, private sector participation (PSP) in the water supply and sanitation sector	<ul style="list-style-type: none"> <li>A more effective use of PSP in the water supply and sanitation (WSS) sector in those EECCA countries interested in pursuing this option.</li> <li>Increased capacity in EECCA to establish effective public-private partnerships in WSS.</li> </ul>	<ul style="list-style-type: none"> <li>This topic is being considered as a potential option in Kazakhstan.</li> </ul>			
<b>Activity 1.3: Assessing the water policies and institutions in EECCA</b>					
Project 1.3.1. Progress monitoring	<ul style="list-style-type: none"> <li>A firm empirical basis to support water sector policy-making and reforms as well as to monitor progress in this regard.</li> </ul>	<ul style="list-style-type: none"> <li>No activity planned in 2014</li> </ul>	0	0	0
<b>Sub-total for projects under Programme Area 1</b>			<b>1550</b>	<b>680</b>	<b>870</b>

Project Title	Outcomes	Activities and outputs planned in 2014	Budget, thousand Euros		
			Estimated	Available	Still needed
<b>PROGRAMME AREA 2: POLICIES FOR GREENING GROWTH</b>					
<b>2.1: Integrating fiscal and environmental policies</b>					
2.1.1: Facilitating the identification and gradual phase-out of environmentally-harmful subsidies (EHS)	<ul style="list-style-type: none"> <li>Improved understanding of the magnitude and level of EHS and their environmental and fiscal consequences in selected EECCA countries</li> <li>Enhanced cooperation between ministries of environment and finance and agreement on necessary reforms vis-à-vis EHS</li> <li>Opportunities created to reduce the subsidy burden on public budgets and reduce greenhouse gases in a cost-effective way</li> </ul>	<ul style="list-style-type: none"> <li>Continuing the adaptation and further refinement of the OECD methodology for EHS identification and assessment to the EECCA context</li> <li>Finalising the country case study on the identification of EHS in the energy sector in Moldova and disseminating its results among relevant actors, with a focus on decision-makers</li> <li>Implementing a third country level project (after Kazakhstan and Moldova) on the identification and measurement of EHS in the energy sector in a selected EECCA country</li> <li>Drafting a policy report from the case study on EHS in the energy sector in a selected EECCA country</li> </ul>	270	220	50
2.1.2: Further reforming economic instruments and strengthening their implementation	<ul style="list-style-type: none"> <li>Improved design and enhanced environmental impact of economic instruments, including changing the production and consumption patterns</li> <li>Opportunities for generating additional fiscal revenue</li> </ul>	<ul style="list-style-type: none"> <li>Conducting a regional expert meeting to present and discuss the draft policy manual for developing or reforming product-related economic instruments in the EECCA region</li> <li>Finalising and publishing the policy manual</li> <li>Implementing pilot projects in two EECCA countries to design or reform economic instruments for environmental management of products, including national stakeholder policy dialogue meetings</li> <li>Drafting pilot project reports</li> </ul>	310	280	30

Project Title	Outcomes	Activities and outputs planned in 2014	Budget, thousand Euros		
			Estimated	Available	Still needed
<b>2.2: Fostering incentives for private sector contribution to green growth</b>					
2.2.1: Greening Small and Medium-sized Enterprises	<ul style="list-style-type: none"> <li>Providing a package of incentives to the private sector for the greening of production practices, without damaging its competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>Discussing with EECCA experts the outline of the regional "SME Greening Toolkit"</li> <li>Preparation of a draft SME Greening Toolkit</li> <li>Launching pilot projects on SME greening in two countries</li> <li>Organising SME surveys in two pilot countries, followed by empirical analysis</li> <li>Conducting national stakeholder policy dialogue meetings in the pilot countries</li> </ul>	340	310	30
2.2.2: Enabling private sector green investments	<ul style="list-style-type: none"> <li>Shared agreement, within selected EECCA governments, on the reforms needed to remove barriers and improve the incentive framework for the banking sector to extend lending to low carbon projects, beyond IFI credit lines</li> <li>Contributing towards increased green investments by the private sector</li> </ul>	<ul style="list-style-type: none"> <li>Implementing pilot projects in two EECCA countries on analysing experience with IFI-supported climate-related credit lines design and implementation, including national stakeholder meetings</li> <li>Adjusting the methodology for analysing the main trends, opportunities and barriers to private financing of climate/ resource efficiency projects in EECCA</li> <li>Drafting report from the two pilot projects</li> </ul>	410	360	50

Project Title	Outcomes	Activities and outputs planned in 2014	Budget, thousand Euros		
			Estimated	Available	Still needed
<b>2.3: Strengthening institutional frameworks and capacity</b>					
2.3.1: Facilitating improvements in governance structures and capacity and progress measurement	<ul style="list-style-type: none"> <li>Ministries of Environment enabled to play the role of a leading “change agent”</li> <li>Better integration of economic and environmental decision-making</li> <li>More effective monitoring of transition towards green growth</li> </ul>	<ul style="list-style-type: none"> <li>Publishing the country study on green growth measurement in Kyrgyzstan</li> <li>Implementing pilot projects in Kazakhstan, Moldova and Ukraine</li> <li>Conducting scoping work in Armenia, Azerbaijan and Georgia</li> <li>Publishing the toolkit in support to the development and use of green growth indicators in EECCA</li> </ul>	260	220	40
2.3.2: Greening public budgets and strengthening capacity for costing adaptation programmes	<ul style="list-style-type: none"> <li>Allocation of finance in line with programmatic needs and priorities</li> <li>Increased predictability of funding</li> <li>Leveraging private sector funds</li> </ul>	<ul style="list-style-type: none"> <li>Implementing a country level project to develop/refine tools to support decision-making on public finance allocation for green growth public investment programmes and facilitating their application in Moldova</li> <li>Providing training on the programming and costing methodology in one EECCA country</li> </ul>	170	170	0
2.3.3: Enabling access to sources for climate finance and green development	<ul style="list-style-type: none"> <li>Identification of opportunities for financing green development with a focus on environmentally-related climate-resilient infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Providing support to ad-hoc requests from countries</li> </ul>	70	70	0
<b>Sub-total for projects under Programme Area 2</b>			<b>1830</b>	<b>1630</b>	<b>200</b>
<b>EAP TASK FORCE INDICATIVE BUDGET FOR 2014, GRAND TOTAL</b>			<b>3380</b>	<b>2140</b>	<b>1240</b>