

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

**PROGRESS IN IMPLEMENTING THE EAP TASK FORCE PROGRAMME OF WORK BY THE
OECD SECRETARIAT (SEPTEMBER 2013 - OCTOBER 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)**

25-26 November 2014, Paris, France

Agenda item: 5

ACTION REQUIRED: For discussion and endorsement.

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PROGRESS IN IMPLEMENTING THE EAP TASK FORCE PROGRAMME OF WORK (SEPTEMBER 2013 – OCTOBER 2014)

1. The current Progress Report provides a brief overview of activities carried out by the OECD Secretariat within the framework of the Task Force for the Implementation of the Environmental Action Programme (EAP Task Force). The report presents progress in implementing the Long-term Programme of Work for 2012-15 that was endorsed at the 2012 meeting of the EAP Task Force [[ENV/EPOC/EAP\(2011\)4/REV2](#)] and the Draft Programme of Work and Budget for 2014 [[ENV/EPOC/EAP\(2013\)9](#)]. The report also includes progress in implementing the 2013-16 Programme of Work, “Greening Economies in the Eastern Neighbourhood” (EaP GREEN) programme [[ENV/EPOC/EAP\(2013\)1](#)]. The EaP GREEN programme is a EUR10 million programme financed by the EC, coordinated by the OECD and involving UNECE, UNEP and UNIDO. The report covers the period since the last Annual Meeting of the EAP Task Force which took place on 17-18 September 2013 in Tbilisi, Georgia. A project-by-project report, presented in Part 2, complements the overview presented in Part 1.

PART 1: AN OVERVIEW

1. Programme areas

2. The activities of the EP Task Force 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. EAP Task Force work on water is organised in two clusters:
 - Activity 1.1: Strengthening the economic and financial dimensions of water management, including adaptation to climate change;
 - Activity 1.2: Strengthening institutions for water supply and sanitation.
- **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 provide the focus for work:
 - Activity 2.1: Integrating fiscal and environmental policies;
 - Activity 2.2: Fostering incentives for private sector contribution to green growth;
 - Activity 2.3: Strengthening institutional frameworks and capacity.

2. Overview of progress

2.1. Strengthening water management

3. Work in this area consists of supporting national policy dialogues on water policy reforms in the EECCA countries. It combines robust analytical work, and draws on international good practices, with a view to facilitating consensus among key stakeholders on specific water reform issues. It involves transfer of know-how to national, basin and/or local authorities. National policy dialogues are generally conducted within the European Union's Water Initiative (EUWI), and involve close cooperation with the UNECE. There is also close cooperation with related activities in the OECD water programme.

4. During the reporting period, specific activities on the first cluster of *strengthening the economic and financial dimensions of water management* included reviews of economic instruments for water resources management in **Armenia, Kyrgyzstan and Russia** (the Republic of Buryatia, Lake Baikal basin). Work was also carried out to support the preparation of intergovernmental agreement on trans-boundary cooperation for water management between **Georgia and Azerbaijan** which is close to finalization. Following individual country requests, the development of a national strategy on sanitation in **Armenia** was launched at the end of 2013, and a review of domestic financial support mechanisms in WSS in **Moldova** in summer 2014. Scoping missions to **Belarus and Uzbekistan** were conducted in October 2014 to identify opportunities for projects to support more efficient water use and economic growth. This would provide opportunities to strengthen cooperation with these countries which have been relatively less engaged in the work of the EAP Task Force. Capacity building activities included a webinar where experience of the USA and France in applying pollution charges to industrial effluents discharged into water bodies/environment and municipal sewerage systems was presented to **Russian** environmental authorities, experts and business.

5. Work on the second cluster of *strengthening institutions for water supply and sanitation (WSS)* focused on developing sustainable business models for WSS in small towns and rural settlements in **Kazakhstan** and launching support to the Anti-Monopoly Agency of **Tajikistan** to strengthen economic regulation of water supply and sanitation.

2.2. Policies for greening growth

6. Work in this area has focused primarily on the six Eastern Partnership countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine) following the launch of the EaP GREEN Programme. Work in Central Asia is limited, largely due to lack of funding.

7. During the reporting period, the following activities were carried out under the three elements of this programme area:

- *Integrating fiscal and environmental policies:* Building on a study in Kazakhstan, a second pilot project to identify and analyse environmentally-harmful subsidies in the energy sector was concluded in **Moldova** in cooperation with UNDP. Discussions with the governments of **Azerbaijan and Georgia** were held to conduct a study on energy subsidies in these countries. However both countries declined to participate in the project. Given the difficulties of compiling the data needed for analysis, the focus has now shifted to preparing a **regional overview** of energy subsidy schemes in the EU Eastern Partnership countries. The overview study will be based on information and data available in the public domain and will include the following countries: **Belarus, Armenia, Azerbaijan, Georgia and Ukraine**. Work will focus on identifying those subsidy schemes that may be the most environmentally damaging in these countries.

A draft Policy Manual on product-related economic instruments was finalised and published together with a complementary “Roadmap for Policy Action”. Pilot projects in *Moldova and the Ukraine* on reforming product-related economic instruments resulted in the presentation of policy recommendations. National stakeholder dialogue workshops to disseminate the policy manual and the roadmaps were conducted in *Armenia and Belarus*.

- *Fostering incentives for private sector contribution to green growth:* Pilot projects on greening small and medium-sized enterprises (SMEs) were launched in *Armenia and in Moldova*. They were supported by surveys which identified the main opportunities for, and obstacles to, improving the environmental performance of SMEs. These surveys covered over 400 SMEs in each country and focused on environmentally-significant activity sectors: food and non-food manufacturing, mining and quarrying, construction, agriculture and fisheries, and hotels and restaurants. This work has provided the basis for initiating the development of on a *regional* SME Greening Guide; a draft will be completed and disseminated for comments to local experts by the end of 2014.

A *regional* expert meeting was held in June 2014 to discuss the opportunities for, and challenges to, mobilising finance through the commercial banking sector to support environmentally related investment by the private sector. A draft report has been prepared summarising information on environmental lending through environmental credit lines in commercial banks. It proposes a methodology for an in-depth review of specific credit lines. *The Ukraine and Georgia* have expressed an interest to support the preparation of such reviews in their countries.

- *Strengthening institutional frameworks and capacity:* Pilot projects were launched in *Moldova and Kyrgyzstan* to adapt the OECD set of green growth indicators. Both projects resulted in draft pilot indicator-based reports that could help to establish a baseline and monitor progress in achieving targets of national environmental strategies. Support for the development of a green growth indicators report in *the Ukraine* was provided in the context of the development of a National Green Economy Concept. A toolkit on the use of green growth indicators, based on the OECD’s set of Green Growth Indicators, will be prepared to facilitate similar initiatives in other countries.

8. Synergies with the OECD core programme of work on green growth are being developed. This includes cooperation with teams working on green growth and climate finance within the Environment Directorate, and the Eurasia Competitiveness Programme. The EAP Task Force team also interacts very closely with the OECD Statistics and Environment Directorates for work on green growth indicators.

3. Budgetary situation

9. The work of the EAP Task Force was financially well-supported in 2014, largely due to multi-year contributions made by the European Union (EU) and Norway, as well as annual contributions from Switzerland and Germany (Table 1). Discussions have been concluded with Germany on a substantial grant for climate related work for 2015. Discussions with Finland and the EC on additional financing for the water pillar of the programme are on-going. The EU Delegation in Kazakhstan invited the OECD Secretariat to participate in a substantial four-year project to support water management in Kazakhstan together with UNECE and UNDP. Discussions are continuing and would need to be concluded by the end of the year if the project was to go ahead.

Table 1. Estimated budget for activities in 2014 and funds received as of 31 October 2014

Programme area	Estimated budget for 2014 (thousand EUR)	Funds received as at 31/10/2014 (donor and amount, thousand EUR)	
1. Water Management		European Union	560
		Norway	50
		Switzerland	80
		Germany	200
Sub-total	1550		890
2. Greening Growth		European Union	1 390
		Norway	300
		Switzerland	80
Sub-total	1830		1 770
Total	3 380		2 660

PART II: PROGRESS PROJECT-BY-PROJECT

PROGRESS IN IMPLEMENTING THE EAP TASK FORCE PROGRAMME OF WORK (SEPTEMBER 2013 –OCTOBER 2014)

PROGRAMME AREA 1: STRENGTHENING WATER MANAGEMENT				
Project	Completed products/activities (September 2013 – October 2014)	Outputs/events still planned in 2014	Donors	Comments
Activity 1.1: Strengthening the economic and financial dimensions of water management, including adaptation to climate change				
Project 1.1.1: Economic and financial dimensions of water resource management	<ul style="list-style-type: none"> The report on Improving the Use of Economic Instruments for Water Resources Management in Kyrgyzstan was completed in October 2014 and will be printed in November 2014. Interim report # 1 on the Use of Economic Instruments for Water Resources Management in the Republic of Buryatia (Russia) was completed; draft report was discussed at a policy dialogue meeting in Ulan-Ude in July 2014. A webinar in February 2014 where experience of the USA and France in applying pollution charges to industrial effluents discharged into (a) water bodies/environment and (b) municipal sewerage systems was presented to Russian environmental authorities and experts, as well as industrialists. A Steering Group meeting of the National Policy Dialogue on water took place on 23 January 2014 in Baku, Azerbaijan: the main item on the agenda was the completion of the national water strategy and the work plan for 2014-2015 (OECD/EAP TF jointly with UNECE). 	<p>Continuing on-going projects:</p> <ul style="list-style-type: none"> Russia: improving the use of economic instruments for water management in the Republic of Buryatia: policy dialogue meeting in December 2014 to discuss draft final report on the project Azerbaijan, Georgia: assessment of cooperation benefits between the two countries in the Kura basin will be completed in December 2014. Armenia: a next NPD meeting will take place in December 2014 to discuss the next steps of the water sector reforms. 	European Commission Finland Germany Switzerland	

PROGRAMME AREA 1: STRENGTHENING WATER MANAGEMENT				
Project	Completed products/activities (September 2013 – October 2014)	Outputs/events still planned in 2014	Donors	Comments
	<ul style="list-style-type: none"> Two technical workshops on economic benefits of transboundary cooperation for water management between Georgia and Azerbaijan were held on 24 January in Baku and 11 November in Tbilisi. 			
Project 1.1.2: Economic and financial dimensions of water supply and sanitation (WSS)	<ul style="list-style-type: none"> A workshop on the development of a national strategy for sanitation in Armenia was organized on 1 April 2014 in Yerevan. A review of domestic financial support mechanisms in WSS in Moldova was launched in summer 2014. 	<p>Continuing on-going projects:</p> <ul style="list-style-type: none"> Armenia: support to the development of a national strategy for sanitation in Armenia. Moldova: national policy dialogue meeting in November 2014 on mapping and assessing support mechanisms that contribute to financing the WSS sector; Interim report on the project is due in December 2014. 	European Commission Germany	

PROGRAMME AREA 1: STRENGTHENING WATER MANAGEMENT				
Project	Completed products/activities (September 2013 – October 2014)	Outputs/events still planned in 2014	Donors	Comments
Activity 1.2: Strengthening institutions for water supply and sanitation				
Project 1.2.1: Measures to cope with over-fragmentation in the water supply and sanitation sector	<ul style="list-style-type: none"> Interim report on business models for WSS in small towns and rural settlements in Kazakhstan was completed: draft report was discussed at national policy dialogue meeting in April 2014, recommended business models passed through a reality check in July-October 2014; and a national seminar on business models was held in October 2014 where draft recommendations of the upcoming Final report were discussed and fine-tuned. 	Continuing on-going projects: <ul style="list-style-type: none"> Kazakhstan: Final report on the project is due by 31 December, 2014. 	European Commission Norway Switzerland	
Project 1.2.2: Strengthening economic regulation of water supply and sanitation		Support to the Anti-Monopoly Agency of Tajikistan to strengthen economic regulation of water supply and sanitation. This includes practical guidelines to regulate and monitor the performance of water utilities; and revised guidelines for tariff calculations.		Financial support for these activities is currently under discussion with the Finnish Government.

PROGRAMME AREA 2: POLICIES FOR GREENING GROWTH				
Project	Completed products/activities (September 2013 – October 2014)	Outputs/events still planned in 2014	Donors	Comments
2.1: Integrating fiscal and environmental policies				
2.1.1: Facilitating the identification and gradual phase-out of environmentally-harmful subsidies (EHS)	<ul style="list-style-type: none"> Analytical work to assess energy subsidies in Moldova carried out and an expert meeting to present, discuss and agree on major results coming from the analysis held in Moldova in December 2013; Discussions with the governments of Azerbaijan and Georgia to conduct a study on energy subsidies in these countries. A detailed description of the project prepared and shared with the Ministry of Economy of Azerbaijan (November 2013) and the Ministries of Economy and Environment of Georgia (March 2014). Both countries declined the OECD proposal to participate in the project; Launching of work and designing of detailed Terms of Reference for the preparation of a regional overview study of energy subsidy schemes in the EU Eastern Partnership countries. The overview study will be based on information and data available in the public domain and will include the following countries: Belarus, Armenia, Azerbaijan, Georgia and Ukraine. 	<ul style="list-style-type: none"> Publishing the country case study on the identification of energy subsidies in Moldova and disseminating its results among relevant actors, with a focus on decision-makers; Conducting a tender for launching the work on energy subsidies and identifying an international consultant to help with the collection and analysis of data. 	Norway Netherlands European Commission	This project is closely co-ordinated with OECD's programme on fossil fuel subsidies.

PROGRAMME AREA 2: POLICIES FOR GREENING GROWTH				
Project	Completed products/activities (September 2013 – October 2014)	Outputs/events still planned in 2014	Donors	Comments
2.1.2: Further reforming economic instruments and strengthening their implementation	<ul style="list-style-type: none"> A regional expert meeting was held on 6-7 March 2014 in Paris to present and discuss the draft policy manual for developing or reforming product-related economic instruments in the EECCA region. The Policy Manual on product-related economic instruments was prepared and published in English and Russian [ENV/EPOC/EAP(2013)4]; A “Roadmap for policy action”, presenting policy-makers with a strategy for using economic instruments for managing environmentally harmful products, was prepared and published in English and Russian. Kick-off stakeholder meetings for the national pilot projects to support the establishment or reform of product-related economic instruments were held in Moldova (18 October 2013) and Ukraine (24 October 2013); Second stakeholder workshops conducted within the pilot projects in Moldova (13 June 2014) and Ukraine (18 June 2014) to discuss preliminary policy recommendations; National stakeholder dialogue workshops held in Armenia (4 June 2014) and Belarus (9 October 2014). 	<ul style="list-style-type: none"> Drafting a pilot project report for Moldova. 	European Commission Switzerland	The pilot project in Ukraine has been slowed down due to unstable political situation.

PROGRAMME AREA 2: POLICIES FOR GREENING GROWTH				
Project	Completed products/activities (September 2013 – October 2014)	Outputs/events still planned in 2014	Donors	Comments
2.2: Fostering incentives for private sector contribution to green growth				
2.2.1: Greening small and medium-sized enterprises	<ul style="list-style-type: none"> Kick-off stakeholder workshops for pilot SME projects held in Armenia in December 2013 and in Moldova in February 2014; SME surveys completed in Armenia and Moldova; Presentation and discussion of SME survey results at the second stakeholder workshops in Armenia (June 2014) and Moldova (October 2014); Third stakeholder meeting in Armenia as part of the conference “Towards a Green Economy” on 7 November 2014; The outline for a regional “SME Greening Guide” prepared and discussed with experts from countries; Ongoing preparation of the SME Greening Guide. 	<ul style="list-style-type: none"> Dissemination of a draft SME Greening Guide for comments Special session on SME greening under preparation for the annual meeting of the EAP Task Force in November 2014 	European Commission Germany	

PROGRAMME AREA 2: POLICIES FOR GREENING GROWTH				
Project	Completed products/activities (September 2013 – October 2014)	Outputs/events still planned in 2014	Donors	Comments
2.2.2: Enabling private sector green investments	<ul style="list-style-type: none"> • Contacts with various IFIs and multilateral financial instruments and discussions on their possible contribution to and participation in the project; • Analytical report, containing a review of the experience with the design and implementation of existing environmental credit lines provided by IFIs and disbursed by EECCA commercial banks and a methodology for in-depth analysis of such credit lines prepared in both English and Russian http://www.oecd.org/environment/outreach/regionalmeeting-june-2014.htm ; • Regional expert meeting (5-6 June 2014, Paris) to discuss and agree on the results of the analysis of existing environmental credit lines and the methodology for the in-depth review of such credit lines. Ukraine and Georgia expressed interest to participate in the project; • Expert meeting (July 2014, Paris) with the participation of the State Export-Import Bank of Ukraine (Ukreximbank) and EBRD, a major source of long-term environmental funding to Ukreximbank, to discuss and agree on the project scope and implementation in the country; • Ongoing preparations to launch the country level project in Ukraine which will be implemented jointly with Ukreximbank. 	<ul style="list-style-type: none"> • Preparations of a mission to review the experience of Ukreximbank in Ukraine with the design and implementation of environmental credit lines; • Discussions with the Bank of Georgia (private bank) and the government of Georgia to participate in the project. 	Germany European Commission	The close cooperation with various IFIs, active in the region, is crucial for the success of this work.

PROGRAMME AREA 2: POLICIES FOR GREENING GROWTH				
Project	Completed products/activities (September 2013 – October 2014)	Outputs/events still planned in 2014	Donors	Comments
2.3: Strengthening institutional frameworks and capacity				
2.3.1: Facilitating improvements in governance structures and capacity and progress measurement	<ul style="list-style-type: none"> The OECD green growth measurement framework was presented during a meeting in Ukraine (21 November 2013); Pilot projects to adapt the OECD set of green growth indicators (GGIs) were launched in Kyrgyzstan, Moldova, and Ukraine. A national expert meeting was held on 27 March 2014 in Moldova to discuss a draft pilot report. A concordance table comparing national sets of indicators and GGIs was produced in Kyrgyzstan and Ukraine. 	<ul style="list-style-type: none"> Publishing the country study n Finalisation of pilot projects in Kyrgyzstan, Moldova and Ukraine 	European Commission Switzerland Norway	The OECD Secretariat cooperates in this area with several international organisations, in particular with EEA, UNEP and UNECE in the context of developing a Shared Environmental Information System in the pan-European region.
2.3.2: Greening public budgets and strengthening capacity for costing adaptation programmes	<ul style="list-style-type: none"> Activities will start as soon as funding becomes available. 	<ul style="list-style-type: none"> 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 Providing training on the programming and costing methodology in one EECCA country 	Germany	Demand for this project remains high. Focus will be put on countries where the share of ODA is considerable.
2.3.3: Enabling better access to sources for climate finance and green development	<ul style="list-style-type: none"> Activities will start as soon as funding becomes available. 	<ul style="list-style-type: none"> Providing support to ad-hoc requests from countries 	Germany	This project will be closely coordinated with on-going OECD core work on climate finance.