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

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**PROGRESS IN IMPLEMENTING THE EAP TASK FORCE PROGRAMME OF WORK
BY THE OECD SECRETARIAT**

**MEETING OF THE BUREAU
of the Task Force for the Implementation of the Environmental Action Programme
for Central and Eastern Europe (EAP Task Force)**

**19 June 2009
OECD Conference Centre
Room CC 16**

Agenda Item: 2.

ACTION REQUIRED: For discussion.

Mr. Brendan Gillespie, Environmental Performance Information Division, Environment Directorate,
tel: +33 1 45 24 93 02, fax: + 33 1 44 30 61 83, email: brendan.gillespie@oecd.org

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PROGRESS IN IMPLEMENTING THE EAP TASK FORCE PROGRAMME OF WORK BY THE OECD SECRETARIAT (OCTOBER 2008 - MAY 2009)

PART 1: AN OVERVIEW

At its meeting in October 2008, the EAP Task Force adopted the 2009 Programme of Work. Part 1 of this Progress Report provides a brief overview of activities carried out by the Secretariat to implement the Programme of Work. A project-by-project report, presented in Part 2, complements the overview.

Water sector reform

This programme area supports implementation of the Almaty Guiding Principles for Water Sector Reform, with the aim of helping to achieve the water-related Millennium Development Goals (MDGs) in EECCA¹. It represents a high level of continuity with the EAP Task Force water programme of previous years. The programme area is structured around three groups of projects: (i) monitoring progress in implementing the water-related MDGs, (ii) managing the water sector more effectively and efficiently, (iii) national policy dialogues on more efficient financial management of the water sector.

Since 2005, the EAP Task Force water programme is carried-out in close cooperation with the EU Water Initiative EECCA Working Group (now chaired by Romania), and there is now a strategic partnership between these two bodies, implemented through a joint work programme. In this connection, the EAP Task Force is responsible for supporting a number of EUWI National Policy Dialogues focussing on reforms in the water supply and sanitation sector in Armenia, Moldova, Kyrgyzstan, Georgia and Ukraine. UNECE has a parallel role in supporting policy dialogues in the area of Integrated Water Resources Management. These dialogues are producing concrete results, *e.g.* by influencing the policy-making process and by supporting the development of policy documents and draft laws. The OECD/EAP Task Force secretariat successfully applied to the EC for a EUR 1.7M grant to support work in these areas over the next four years.

The association of the EUWI and the EAP Task Force also involves the organisation of joint meetings, bringing together the EUWI EECCA Working Group and the EAP Task Force Group of Senior Officials for Water Sector Reform to oversee a joint work programme. The last joint meeting took place in Bucharest on the 12-13th of May 2008². Delegates expressed high levels of support for all the activities in the proposed work programme, and especially for cooperation with the EUWI on National Policy Dialogues. The next joint meeting is planned for the second half of November 2009 in Bucharest.

Activities since the last EAP Task Force meeting in Astana have focused on continuing a number of EUWI National Policy Dialogues (in Moldova, Kyrgyzstan and Georgia) and in launching a new one in the Ukraine. A number of key outputs have been finalised, including a training package for the development of financial planning capacity at the local level, financing strategies for Georgia and Kyrgyzstan, as well as an improved version of the FEASIBLE tool. A number of these tools have been disseminated at the 5th World Water Forum in Istanbul, and through a dissemination event that took place in Kiev on the 24th of April 2009.

¹ To reduce the proportion of people without access to safe water or basic sanitation by half by 2015.

² See ENV/EPOC/EAP/WATER/M(2008)1

Environmental policy reform

This programme area supports policy innovation and implementation in EECCA countries with a focus on cross-cutting issues. Three groups of projects are carried out, dealing with: (i) policy instruments; (ii) enforcement and compliance; (iii) institutional frameworks and finance.

In late 2008 – early 2009, the Secretariat focused on projects that received high priority from countries, namely on monetary penalties (fines), strengthening environmental institutions in the region, and integrating environmental programmes into Medium-Term Expenditure Frameworks (MTEF). This involved work at the regional level (*e.g.* drafting guidance on calculating fines, and developing a diagnostic tool to assess environmental institutional capacity), and work on country-specific projects (*e.g.* to pilot a training needs assessment methodology in Georgia, and to provide the analytical basis for MTEF adoption in the environmental sector in Ukraine). Several projects still lack financing and will have to be rescheduled.

The Regulatory Environmental Programme Implementation Network – REPIN – continues to oversee Work Programme implementation. It also provides EECCA policy makers and practitioners with a platform to exchange experience and build partnerships with their counterparts from OECD countries, Central and Eastern Europe, as well as with representatives of NGOs and the private sector. The last meeting took place in Tashkent, Uzbekistan; the 2009 annual meeting is planned for 10-12 June 2009 in Chisinau, Moldova.

The OECD Secretariat and EECCA RECs put further efforts into starting the planned joint work. Unfortunately, joint projects are still confronted with the lack of financing. Support from Norway and the Netherlands is expected to redress this situation at least partly.

The Secretariat has worked to revive communication and cooperation with international partners, most notably the World Bank. Cooperation with expert networks such as IMPEL and INECE has continued. There has also been some limited involvement in sub-regional activities. For instance, the OECD Secretariat took part in a sub-regional conference on environmental policy integration in Central Asia co-organised by the European Commission and the Kazakh Ministry of Environmental Protection.

Budgetary situation

As of 30 April 2009, the amount of financial resources received to implement the activities proposed in the programme of work and budget was as follows:

Activities	Total Required	Total Received	Still Required
Water Sector Reform	1,035,000	737,207	297,793
Environmental Policy Reform	766,700	235,000	531,700
TOTAL	1,801,700	1,072,207	729,493

The OECD Secretariat submitted proposals to Finland, Norway, and the Netherlands and intends to continue its fundraising activity in the second half of 2009.

PART II: PROGRESS PROJECT-BY-PROJECT

PROGRESS IN IMPLEMENTING THE EAP TASK FORCE PROGRAMME OF WORK (SEPTEMBER 2008 – JUNE 2009)

WATER SECTOR REFORM				
Project	Status of Implementation	Planned Outputs/Meetings	Donors	Links to overall Objectives
<i>Activity 1.1 Monitoring progress in implementing the water-related MDGs (starting in 2009)</i>				
Project 1.1.1: Monitoring progress in implementing the water-related MDGs <i>Tatiana Efimova</i>	<ul style="list-style-type: none"> Not started as no funding currently available 	<ul style="list-style-type: none"> One country report documenting the performance of water utilities Water utility performance data published on the World Bank's IB-Net website. 		This work aims at providing a firm empirical basis to support water sector policy-making and reforms as well as to monitor progress in this regard. It will also contribute to a report assessing progress in achieving the water and sanitation MDGs to be prepared for the Astana EfE Ministerial Meeting in 2011.
<i>Activity 1.2 Managing the water sector more effectively and efficiently:</i>				
Project 1.2.1: Guidelines for performance based contracts <i>Nelly Petkova</i>	<ul style="list-style-type: none"> Four case studies have been elaborated, two in Armenia (Yerevan and Armvodokanal), one in Kazakhstan (Shymkent), one in the Ukraine (Berdiansk) and are available as reports. A fifth case study is under preparation in the Ukraine (Kupyansk) and should be finalised by the July. The case studies will be used to update the Guidelines for Performance-based contracts, due by the end of July. 	<ul style="list-style-type: none"> Case Studies of performance contracts in four locations Updated and revised Guideline for Performance-Based Contracts in the Urban Water Sector in EECCA 	EC TACIS, Norway	This work is supporting a more performance oriented management of water utilities and should support more efficient operations in water utilities, ultimately helping to achieve the water-related MDGs.

WATER SECTOR REFORM				
Project	Status of Implementation	Planned Outputs/Meetings	Donors	Links to overall Objectives
<p>Project 1.2.2: Policy dialogue on opportunities and obstacles for private sector participation</p> <p><i>Alexandre Martoussevitch</i></p>	<ul style="list-style-type: none"> Discussions have been held with the World Bank in view of co-organising the workshop, as well as with the Russian Ministry of Economic Development as potential host of the event, which would take place towards the end of the year. Consultants have been contracted to develop a paper that presents the situation and key trends in public private partnerships in the EECCA region. It is also planned to carry-out two country self assessments (probably Russia and Kyrgyzstan) using the OECD Private Sector Participation in Water Infrastructure Checklist for Public Action, in cooperation with the OECD Investment Committee. Financial resources for the workshop still need to be found. Russia as co-organiser and host of the workshop is willing to provide the meeting venue and some other local costs for the event. 	<ul style="list-style-type: none"> One workshop One paper 	Germany	Improve the common understanding of the potential role of the private sector and the role that public authorities play in regulating the sector. This work builds on the OECD principles for investor participation in infrastructure and a checklist for public action developed in this framework.
<p>Project 1.2.3: Development of financial planning capacity in municipalities and water utilities</p> <p><i>Tatiana Efimova</i></p>	<ul style="list-style-type: none"> A training workshop to train local trainers took place in Kiev and 6 experts from the region have been trained as trainers. A training package has been developed and tested in 4 training workshops that were held in Tbilisi, Batumi and Bishkek. These materials are available from a website at: http://www.water-finance-training.org/en/portal/ About 40 water sector professionals from water utilities and municipalities have been trained in the course of the project and it is hoped that the 	<ul style="list-style-type: none"> Training package 6 local trainers trained 40-50 utility/municipality staff trained Final report 	EC TACIS	The lack of financial planning capacity in water utilities and municipalities is one of the obstacles for these institutions to access finance. The project should help to overcome this and thereby allow for additional investment in the water sector in order to achieve the water related MDGs.

WATER SECTOR REFORM				
Project	Status of Implementation	Planned Outputs/Meetings	Donors	Links to overall Objectives
	<p>tool would be used for further training in a future EECCA REC project.</p> <ul style="list-style-type: none"> A final report presenting key lessons is now available. 			
<p>Project 1.2.4: Report on measures to achieve economies of scale in the provision of WSS (starting in 2009)</p> <p><i>Tatiana Efimova</i></p>	<ul style="list-style-type: none"> An analytical paper looking into issues of fragmentation of the water sector in the EECCA region and identifying some of the approaches, particularly inter-municipal cooperation, that have been used in old and new EU countries to overcome these problems, is currently under finalisation. A draft of this paper has been presented at an EUWI National Policy Dialogue meeting in the Ukraine on 23 April 2009. The final version will be provided to next joint EAP TF-EUWI EECCA Working Group meeting in November 2009. The development of a policy brief and possibly a road-map/checklist for reforms to address fragmentation in the Ukrainian water sector is planned as possible follow-up, with probable completion by early 2010 if financial resources to support such work can be found. 	<ul style="list-style-type: none"> Report on measures to achieve economies of scale in the provision of WSS 	EC TACIS	<p>Rapid decentralisation of responsibility for the water sector has resulted in a loss of human and institutional capacity, as well as of economies of scale. This project is meant to provide guidance to EECCA countries on policy options that allow an effective and efficient organisation of the water sector, where responsibility for water services are decentralised at the local level.</p>

WATER SECTOR REFORM				
Project	Status of Implementation	Planned Outputs/Meetings	Donors	Links to overall Objectives
<i>Activity 1.3 National policy dialogue on more efficient financial management of the water sector:</i>				
<p>Project 1.3.1: Supporting national Policy Dialogue on WSS through the development of FS to achieve the water-related MDGs</p> <p><i>Peter Börkey</i> <i>Tatiana Efimova</i> <i>Alexandre Martoussevitch</i></p>	<ul style="list-style-type: none"> • A financing strategy for the rural water supply and sanitation sector has been completed in Georgia, following the final EUWI National Policy Dialogue meeting in November 2008. A presentation has been provided to the Deputy Minister of Economic Development in charge of Infrastructure for presentation in the National Water Commission. • A second case-study has been launched in Kyrgyzstan, and a first phase of work, consisting in the development of a water and sanitation financing strategy, has been completed. The final report is available, following discussion in a EUWI Policy Dialogue event in December 2008. A second phase of work to link the strategy into the budget process is now under way, following its launch in an EUWI National policy Dialogue event in April 2009 and should be completed by September. • Work to follow-up on the EUWI dialogue process in Moldova that came to the end of its first phase at the end of 2007 is now going to start shortly (i.e., once funds that have been secured from Austria in complement to those from the Czech Republic become available). • Discussions about possible work to support the provision by the EC of sector budget support for water and sanitation in the Ukraine are currently under way with the Ministry of Housing and Municipal Economy. 	<ul style="list-style-type: none"> • 2 case demonstration project reports • several policy workshops involving key government and non-government stakeholders in both countries 	EC TACIS, Austria, Czech Republic	Poor financial planning is resulting in inefficient allocation of resources and ultimately in parts of the population remaining unserved with improved water supply and sanitation services. This project is supporting better planning and improved access to financial resources from user charges, public budgets and ODA, and ultimately supports the achievement of the water related MDGs.

WATER SECTOR REFORM				
Project	Status of Implementation	Planned Outputs/Meetings	Donors	Links to overall Objectives
<p>Project 1.3.2: Improving FEASIBLE and extending FS methodology beyond WSS to issues of water resources management</p> <p><i>Peter Börkey</i> <i>Tatiana Efimova</i> <i>Alexandre Martoussevitch</i></p>	<ul style="list-style-type: none"> • Work to improve the FEASIBLE tool and the documentation that accompanies is currently being finalised. • An expert workshop to define the scope of work in extending the financing strategy approach to the (broader) water resources management agenda is planned to take place on 10-11th of June and will include key experts from GWP, UNEP, World Bank. • Once the scope of work has been defined, preparatory work to identify a pilot country and to raise funding for such a project would start. 	<ul style="list-style-type: none"> • New improved version of the FEASIBLE Model 	<p>EC TACIS</p>	<p>Work under this project is meant to improve financial planning beyond the water supply and sanitation sector, ultimately contributing to the achievement of the water-related MDGs and of improved water resources management.</p>

ENVIRONMENTAL POLICY REFORM				
Project	Status of implementation	Outputs/meetings still planned in 2009	Donors	Progress in EECCA countries
Activity 2.1: Environmental policy instruments				
Project 2.1.1 Regulatory Impact Analysis	<ul style="list-style-type: none"> Project proposal submitted to Finland; funding not yet available 	<ul style="list-style-type: none"> Synthesis report on international experience of RIA application within the environmental sector, with a focus on costing models A regional meeting to discuss opportunities and constraints for a full-fledged use of RIA 	Absent	Convergence with European legislation is an important driving force in many EECCA countries, though its priorities and pace are sometimes limited by poor capacity to address economic and social costs and benefits of convergence.
Project 2.1.2 Monetary penalties and liability (Joint project)	<ul style="list-style-type: none"> A rapid survey of legal provisions on administrative fines in EECCA countries conducted in autumn 2008 Guidelines on assessing and applying administrative fines drafted An expert meeting conducted on 19-20 March 2009 in Tallinn, Estonia A discussion paper on liability systems in OECD countries prepared 	<ul style="list-style-type: none"> The draft guidelines on the reform of administrative fines to be discussed at the REPIN meeting in June 2009 The paper on liability to be discussed at the REPIN meeting to identify priorities for guidance and support to EECCA countries Russian REC to launch a review of liability systems and practices in EECCA countries in the second half of 2009 	Switzerland Netherlands	There is a strong demand for this project in EECCA countries. All countries are interested to increase the deterrent effect of monetary penalties.
Project 2.1.3: Integrated Permitting	The World Bank project on integrated permitting reform in Ukraine (with which the Secretariat cooperated) was terminated in December 2008.	Armenia requested support for transition to integrated permitting.	Norway	Belarus, Kazakhstan, Russian and Ukraine launched their transition to integrated permitting.
Project 2.1.4: Promoting public information and participation in EIA and permitting (Joint project)	Lack of resources to implement the project.	All activities had to be postponed.	Absent	The need for the project is increasing due to an eventually higher reliance on general budget support.

ENVIRONMENTAL POLICY REFORM				
Project	Status of implementation	Outputs/meetings still planned in 2009	Donors	Progress in EECCA countries
Activity 2.2 Environmental compliance and enforcement				
Project 2.2.1 Efficiency of compliance monitoring	<ul style="list-style-type: none"> Identification of legal changes needed to adopt the risk based approach and their discussion at the REPIN annual meeting 	<ul style="list-style-type: none"> Finalizing the pilot testing of the priority setting method The Guidelines and lessons learned from pilot implementation will be disseminated regionally 	Norway	The Guidelines were endorsed by Georgian authorities.
Project 2.2.2 Benchmarking and improving inspectorates performance	<ul style="list-style-type: none"> Policy recommendations on measuring performance of environmental regulation and compliance assurance finalised based on discussions at the REPIN meeting in June 2008 OECD experience and available technical guidance under review 	<ul style="list-style-type: none"> The set of indicators developed and a technical guide on the use of indicators drafted. 	Netherlands	Demand for improved compliance and enforcement indicators is very high. Reforms are underway in most EECCA countries, particularly in Armenia, Belarus, and Kazakhstan.
Project 2.2.3 Industry's Environmental Rating	<ul style="list-style-type: none"> Activities to start in the second half of 2009 	<ul style="list-style-type: none"> The OECD Secretariat will draft a guidance document describing the benefits of rating, criteria and the algorithm used to rate companies, the need for, and approaches to adapt the scheme to national of sub-national level priorities, and the avenues for information disclosure 	Project proposal prepared for financing from Norway No financing so far	In 2009, the Lvov Oblast Environmental Agency (Ukraine) implemented a third round of rating. Rating schemes exist in other EECCA countries. There is strong demand to implement and broaden the application of these schemes in EECCA countries.

ENVIRONMENTAL POLICY REFORM				
Project	Status of implementation	Outputs/meetings still planned in 2009	Donors	Progress in EECCA countries
Project 2.2.4: Training for environmental inspectorates (Joint project)	<ul style="list-style-type: none"> • A training programme for the Georgian Environmental Inspectorate prepared based on the methodology developed by the Secretariat • A methodology to define training priorities and establish sustainable training programmes under finalisation • Competence profiles for environmental inspectors and management staff under preparation 	<ul style="list-style-type: none"> • Cooperation with REC Caucasus on training needs assessments 	Norway, financing partly available	Except for Russia, no training curricula are available. A more structured approach is necessary.
Activity 2.3: Institutions and financing				
Project 2.3.1 Institutional development of environmental ministries	<ul style="list-style-type: none"> • Issues paper on institutional strengthening for environmental management in EECCA • A special session of the Task Force on institutional development conducted • Draft diagnostic tool close to completion • A briefing note on environmental policy integration prepared for a Central Asian thematic conference held in March 2009 • Terms of reference for assessing institutional changes in natural resources management in Georgia prepared • Questionnaire to assess staff motivation prepared • Supporting documents for policy dialogues in Armenia and Moldova under preparation 	<ul style="list-style-type: none"> • Policy dialogues in Armenia, Georgia, and Moldova 	Switzerland (Regional activities) Sweden (Moldova) Norway (Georgia)	Although EECCA countries have improved institutional frameworks for environmental management, the quality of public services delivered by the Ministries of Environment is hindered because of poor organisational conditions and unsupportive enabling environment.

ENVIRONMENTAL POLICY REFORM				
Project	Status of implementation	Outputs/meetings still planned in 2009	Donors	Progress in EECCA countries
Project 2.3.2. Mid-term budgetary planning	<ul style="list-style-type: none"> • A review of the experience of Ukraine with integrating the environmental sector into medium-term budgetary planning: a review mission to Ukraine was organized to collect information and data. • Methodology prepared for the Survey on the experience of the EECCA countries with integrating the environmental sector into medium-term budgeting 	<ul style="list-style-type: none"> • A report from the review of the experience of Ukraine with the design and implementation of medium-term budgetary planning • A survey on the experience of EECCA countries with medium-term budgetary planning and the environment • An expert meeting to discuss experience with medium-term budgetary planning and launch a survey in EECCA countries will be organised back-to-back with the 2009 REPIN meeting 	<p>Country reviews: UK (2008)</p> <p>Region-wide activities: Switzerland and the Netherlands (2008-2009)</p>	<p>Most EECCA countries have already introduced elements of medium-term budget planning into their public expenditure management systems but only a few have implemented them in accordance with international good practices. Environment ministries are often lagging in complying with these new approaches.</p>