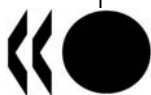


**ENVIRONMENT DIRECTORATE  
ENVIRONMENT POLICY COMMITTEE  
TASK FORCE FOR THE IMPLEMENTATION OF THE ENVIRONMENTAL ACTION  
PROGRAMME FOR CENTRAL AND EASTERN EUROPE, CAUCASUS AND CENTRAL ASIA****DRAFT REVISED PROGRAMME OF WORK [AND BUDGET]  
OF THE EAP TASK FORCE FOR 2010****Meeting of the Bureau of the EAP Task Force****15 January 2010, Paris (France)***Agenda Item: 2.*

*This document presents a revised overall description of the Programme of Work for 2010, drafted by the OECD secretariat in response to a request voiced by the EAP Task Force members at their annual meeting in October 2009. After discussion and approval by the Bureau, the document will be further developed to include budget estimates and detailed project fiches. At the last meeting of the EAP Task Force, it was agreed that the activities carried out by OECD and EECCA RECs in future would be presented separately. Nevertheless, the attached document includes activities where it had previously been foreseen that EECCA RECs would be involved. Implementation of such activities will clearly be dependent on financial support.*

*ACTION REQUIRED: To discuss and endorse the revised Programme of Work for 2010.*

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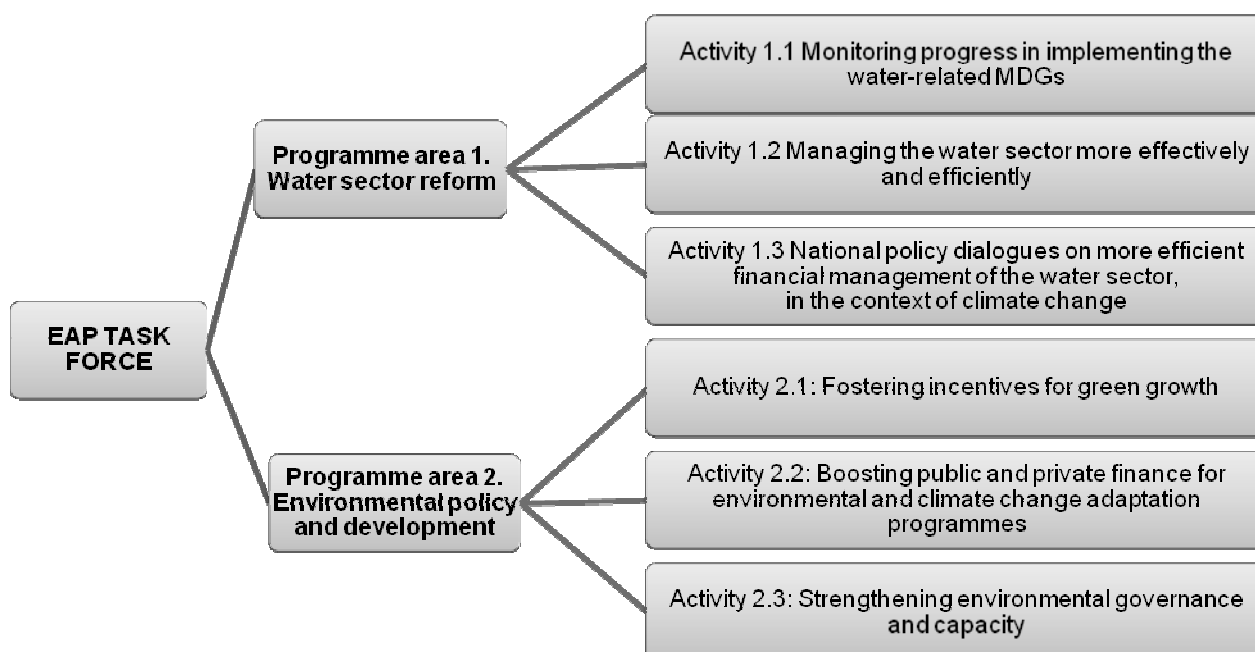
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## EAP TASK FORCE’S MISSION AND WORK PROGRAMME ARCHITECTURE

The mission of the Task Force for the Implementation of the Environmental Action Programme – the EAP Task Force – is to guide 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; and by upgrading institutional and human capacities for environmental management. The members of the Task Force comprise the governments of Western, Central and Eastern Europe, North America, the Caucasus and Central Asia. International organisations and financial institutions, business and civil society representatives actively participate in the work of the Task Force.

The 2007-2011 Programme of Work of the EAP Task Force is organised around two main themes: (a) reform of the water sector, and (b) environment and development (see Figure 1). Within these themes, and subject to the provision of sufficient resources, the various activities are implemented by the OECD secretariat and EECCA Regional Environmental Centres (RECs) jointly and by the OECD secretariat independently.

**Figure 1. The EAP Task Force Programme of Work: Areas and Activities**



The governance structure of the EAP Task Force comprises annual meetings and a Bureau that oversees secretariat’s work in the period between such meetings. The EAP Task Force secretariat is located at the Organisation for Economic Co-operation and Development (OECD). This location enables the Secretariat to draw upon the policy analysis and recommendations prepared within OECD directorates and committees dealing not only with environmental matters but also financial and enterprise affairs, public management, economics, regulatory reform and others.

## PROGRAMME AREA 1: WATER SECTOR REFORM

This programme area aims to support the reform of the water sector, and to help mobilise finance, in order to help achieve the water-related Millennium Development Goals<sup>1</sup> (MDGs) as well as more sustainable management of the water resource at the national and river-basin level. Achieving these goals would support economic and social development in EECCA countries, as well as environmental protection efforts.

Progress in reforming the water services sector has been registered in some richer EECCA countries and some larger cities, but the situation remains critical in small- and medium-sized towns, and in rural areas, where water services have effectively collapsed or deliver very poor services. The institutions for water supply and sanitation are in urgent need of reform, particularly at the local level. This is an obstacle to mobilising and channelling the financial resources that are required to upgrade the deteriorating infrastructure.

Serious challenges also exist in the field of water resources management. There is a trend towards increasing water scarcity and decreasing water quality in many regions and river-basins of EECCA. These trends are exacerbated by the expected impact of climate change on the water cycle and the need to adapt infrastructure and resource management to resulting modifications in rainfall patterns and runoff volumes. While a number of EECCA countries have undertaken efforts to develop appropriate legal and institutional frameworks as well as integrated water resources management plans, and some countries have declared their desire to approximate with the European Union Water Framework Directive, the progress in achieving results on the ground are painfully slow and there is an increasing implementation gap. One of the reasons is a lack of financial realism of the plans that have been developed and a lack of capacity to operationalise them through financially sustainable investment and action plans. There is a need for a more integrated approach to the financing of the water sector (i.e. water supply and sanitation, irrigation, flood management and prevention etc.) and for the development of strategic financial plans.

Projects and proposed outputs are organised in three main areas and aim at:

1. improving information for policy making through the monitoring of progress in implementing the water related MDGs;
2. the more efficient and effective management of water services through a range of capacity development and policy dialogue activities;
3. improving the financial sustainability of the water sector and its access to finance from public budgets and commercial sources through strategic financial planning at national or river-basin level, taking account of the impacts of climate change;

The projects are briefly described in the following table.

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<sup>1</sup> To reduce by half by 2015 those without access to safe water and basic sanitation.

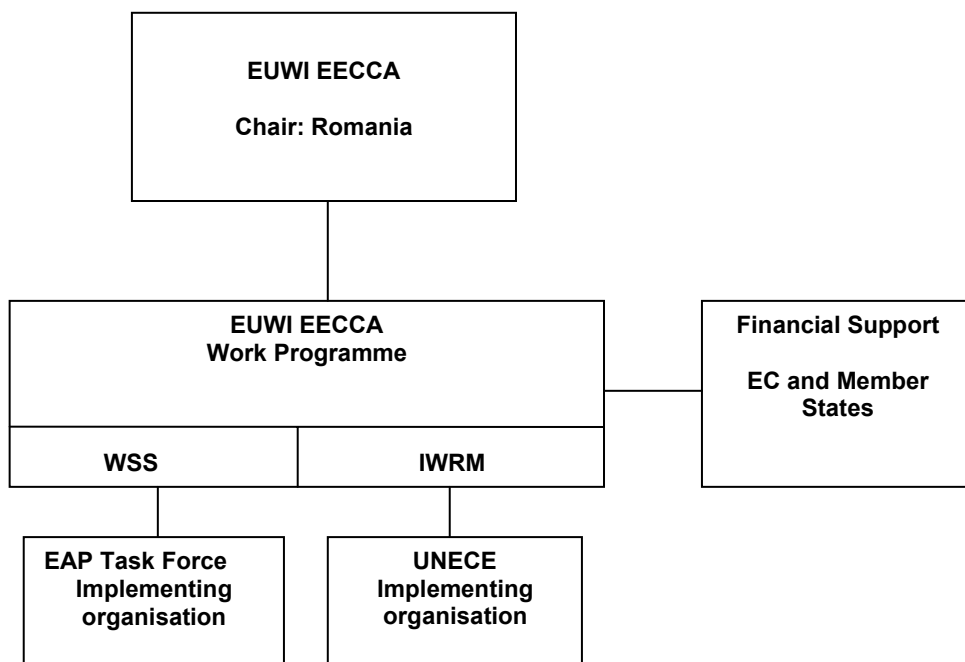
Table 1. Summary of projects planned for 2010 in the water programme

Project Title	Longer-term outcomes	Outputs planned in 2010
<b>1.1: Monitoring progress in implementing the water-related MDGs</b>		
<b>Project 1.1 Monitoring progress in implementing the water-related MDGs</b>	<ul style="list-style-type: none"> <li>Better information for policy making</li> <li>Improved, fact-based policies</li> <li>Improved performance of water utilities</li> </ul>	<ul style="list-style-type: none"> <li>Two country reports documenting the performance of water utilities as well as key institutional and legal reforms (possibly Azerbaijan and Kyrgyzstan)</li> <li>Water utility performance data published on the World Bank's IB-Net website</li> </ul>
<b>1.2: Managing the water sector more effectively and efficiently</b>		
<b>Project 1.2.1: Guidelines for performance based contracts</b>	<ul style="list-style-type: none"> <li>Improved contractual arrangements between municipalities and utilities</li> <li>Clearer identification of responsibilities and cash flows</li> </ul>	<ul style="list-style-type: none"> <li>Local assistance on performance contracts in four locations</li> <li>Regional capacity development workshop in cooperation with the World Bank</li> </ul>
<b>Project 1.2.2: Policy dialogue on opportunities and obstacles for private sector participation</b>	<ul style="list-style-type: none"> <li>More objective and realistic discussions of private sector participation in the sector</li> </ul>	<ul style="list-style-type: none"> <li>Follow-up on 2009 dialogue event in Moscow, including publication of proceedings</li> <li>Possible follow-up workshop to move dialogue further on priority issues</li> </ul>
<b>Project 1.2.3: Development of financial planning capacity in municipalities and water utilities</b>	<ul style="list-style-type: none"> <li>Improved financial planning capacity in utilities and municipalities</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of training programmes for financial planning for representatives from utilities and municipalities</li> <li>A report summarising lessons learned</li> <li>A tool to support web-based training.</li> <li>Work to be carried-out jointly with EECCA RECs</li> </ul>
<b>Project 1.2.4: Achieving economies of scale in the provision of WSS</b>	<ul style="list-style-type: none"> <li>Improved sector organisation and reduced infrastructure costs</li> </ul>	<ul style="list-style-type: none"> <li>Policy Brief on developing economies of scale and scope in providing water supply and sanitation services</li> <li>Development of a roadmap for related reforms in the Ukraine;</li> <li>1-2 policy dialogue meetings on fragmentation in one EECCA country;</li> </ul>

Project Title	Longer-term outcomes	Outputs planned in 2010
<b>1.3: National policy dialogues on more efficient financial management of the water sector, in the context of climate change</b>		
<b>Project 1.3.1: Supporting National Policy Dialogues on WSS through the development of Financial Strategies to achieve the water-related MDGs</b>	<ul style="list-style-type: none"> <li>● Improved access to finance from donors, IFIs, public budgets and the private sector</li> <li>● Support the achievement of the internationally agreed water-related MDGs</li> </ul>	<ul style="list-style-type: none"> <li>● 2 country demonstration project reports identifying measures that should be taken to achieve agreed policy goals regarding the provision of water supply and sanitation.</li> <li>● Several National Policy Dialogue events involving key government and non-government stakeholders in the two countries.</li> <li>● Improved FEASIBLE model and expanded FS methodology</li> </ul>
<b>Project 1.3.2: Supporting National Policy Dialogues on strategic financial plans for water resources management, including measures to adapt to climate change</b>	<ul style="list-style-type: none"> <li>● Improved access to finance from donors, IFIs, public budgets and the private sector</li> <li>● Support for the achievement of more sustainable water management</li> </ul>	<ul style="list-style-type: none"> <li>● A country case study identifying key water resources management challenges, including those linked to the long-term impacts of climate change, and the resulting economic and financial challenges, and the measures that are needed to cope with them.</li> <li>● Several policy dialogue events in one EECCA country</li> </ul>

Since 2005, the EAP Task Force water programme has been implemented in close cooperation with the EU Water Initiative EECCA Working Group, which is now chaired by Romania. There is now a strategic partnership between the two activities and, effectively, a joint work programme that is overseen by joint meetings of the EUWI EECCA Working Group and the EAP Task Force's Group of Senior Officials for Water Sector Reform (see figure 2).

**Figure 2. Institutional Architecture of the EUWI EECCA Working Group**



The last joint meeting took place in Bucharest on the 24-25<sup>th</sup> of November 2009<sup>2</sup>. This meeting confirmed the broad orientations of the EAP Task Force water programme and adopted the work programme for 2010. The next joint meeting is planned to take place in September/October 2010 in Bucharest.

<sup>2</sup> See [http://oecd.org/document/52/0,3343,en\\_2649\\_34343\\_44146484\\_1\\_1\\_1\\_1,00.html](http://oecd.org/document/52/0,3343,en_2649_34343_44146484_1_1_1_1,00.html)

## PROGRAMME AREA 2. ENVIRONMENTAL POLICY AND DEVELOPMENT

The recent financial and economic crisis has challenged governments worldwide to revise their development strategies. While in many OECD countries green growth has been recognised as one of drivers to overcome the crisis and support development in longer-term, this is not yet the case in EECCA where poor integration of environmental and development goals has posed problems for many years despite the existence of win-win options. For example, the investment opportunities to improve energy efficiency in EECCA are some of the best globally but are hardly harnessed. One of the main reasons is that price signals are very weak and improvements need to be stimulated by well-targeted policy interventions, primarily of regulatory nature. Though EECCA countries were the hardest hit by the global crisis, unlike in many OECD countries, there are limited opportunities to use fiscal stimulus for economic recovery and green growth. Lack of good governance and capacity is another important impediment to green growth in this region.

Under these circumstances, the EAP Task Force's work at the interface of sound economics, environmental management, and governance aims to help EECCA countries to identify incentives for change, and integrate the environment into the broader process of economic and social development. To do so, the programme is structured in three main areas:

**(i) Fostering incentives for green growth:** Work in this area helps countries to re-design regulatory frameworks and various instruments of environmental policy, including economic and fiscal instruments, and provide stronger incentives for policy implementation by modernising compliance and enforcement strategies. Furthermore, it helps to ensure that there is no backsliding on environmental commitments in the context of the economic crisis, as well as contribute to a clear and predictable business and investment framework. The scope of work covers mainly sustainable production and rational use of natural resources (*e.g.* through introduction of integrated pollution prevention and control and reform of liability regimes). At the same time, specific environmental themes are addressed when there is a need to test proposed reforms of policy instruments (*e.g.* environmental quality standards), new policy support tools (*e.g.* Regulatory Impact Analysis), or innovative compliance assurance strategies.

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

**(iii) Strengthening environmental governance and capacity:** Work in this area aims to address the need for further institutional capacity development in the environmental sector. It helps countries to adopt new tools, such as performance benchmarks and indicators, and both assess needs for governance improvements and capacity development, as well as monitor progress. Special focus is put on building national-level consensus around governance reforms through policy dialogue with sectoral ministries and non-governmental stakeholders, including the private sector. Providing guidance on individual capacity development and conducting training are part of activities. Also within this area, a monitoring report evaluating progress with environmental policy and governance reforms in EECCA will be produced by the 2011 Astana Ministerial Conference.

Table 1 presents activities and outputs that are proposed for implementation in 2010.

In the context of work programme implementation, the Regulatory Environmental Programme Implementation Network – REPIN – continues to provide 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.

**Table 2. Summary of projects planned for 2010 in the environmental policy and development area**

Project Title	Longer-term outcomes	Outputs planned in 2010
<b>2.1: Fostering incentives for green growth</b>		
<b>2.1.1: Promoting more effective regulation</b>	<ul style="list-style-type: none"> <li>High quality “second generation” laws and secondary legal acts that take into account social and economic effects of environmental policies</li> </ul>	<ul style="list-style-type: none"> <li>A synthesis report on experience of the application of Regulatory Impact Analysis in the environmental sector, with a focus on approaches to quantify economic, fiscal and social implications of environmental policies. A special focus may be put on water legislation;</li> <li>A regional meeting to discuss opportunities and constraints for a full-fledged use of Regulatory Impact Analysis, and experience from new EU members in using this policy support tool.</li> </ul>
<b>2.1.2: Reinforcing economic and fiscal instruments of environmental policy</b>	<ul style="list-style-type: none"> <li>Increased financial risks related to environmentally damaging activities</li> <li>Enhanced deterrent effect, fairness and proportionality of fines and damage compensation payments</li> </ul>	<ul style="list-style-type: none"> <li>Pilot project in Azerbaijan to demonstrate the benefits of an improved methodology for the assessment of administrative monetary penalties (fines) for environmental offences;</li> <li>A draft guidance document on liability regimes focused on the damage <i>remediation</i> following a survey of existing liability regimes in EECCA countries conducted by EECCA RECs;</li> <li>An expert meeting to discuss recommendations on the reform of liability regimes.</li> </ul>
<b>2.1.3: Modernising compliance and enforcement strategies</b>	<ul style="list-style-type: none"> <li>Efficiency gains due to a stronger focus on the most problematic facilities</li> <li>Lower information asymmetry</li> <li>Increased social pressure on polluters</li> </ul>	<ul style="list-style-type: none"> <li>Pilot project in Ukraine to further analyse the benefits and feasibility of risk-based planning of environmental inspection;</li> <li>A guidance document on industry’s environmental performance rating based on previous work in Ukraine and stakeholder consultations. A special focus may be put on energy efficiency criterion of rating. After the completion of this work, EECCA RECs will conduct feasibility studies in several EECCA countries.</li> </ul>



Project Title	Longer-term outcomes	Outputs planned in 2010
<b>2.2: Boosting public and private finance for environmental and climate change adaptation programmes</b>		
<b>2.2.1: Mainstreaming environmental and climate change adaptation programmes into public budgets</b>	<ul style="list-style-type: none"> <li>• New opportunities to mainstream environmental programmes into public budgets</li> </ul>	<ul style="list-style-type: none"> <li>• An expert meeting to discuss policy conclusions and recommendations regarding the use of medium-term budgetary planning in the environmental sector;</li> <li>• Finalisation of the regional survey of budget formulation practices in the environmental sector;</li> </ul>
<b>2.2.2: Promoting better programme costing and adapted financing mechanisms</b>	<ul style="list-style-type: none"> <li>• Allocation of finance in line with programmatic needs and priorities</li> <li>• Predictability of funding</li> </ul>	<ul style="list-style-type: none"> <li>• A pilot project in one EECCA country in order to analyse existing approaches of environmental programme costing and budget preparation and negotiation;</li> <li>• Training on appraisal and selection of public environmental investments in 1-2 countries with a special focus on climate change adaptation programmes and water investments.</li> </ul>
<b>2.3: Strengthening environmental governance and capacity</b>		
<b>2.3.1: Developing assessment tools and facilitating benchmarking</b>	<ul style="list-style-type: none"> <li>• Clearer understanding of institutional development needs</li> <li>• Higher accountability due to improved performance indicators</li> <li>• Decreasing disparities in institutional capacity for environmental management</li> </ul>	<ul style="list-style-type: none"> <li>• Completion of the toolkit for a systemic analysis of government's capacity for environmental management;</li> <li>• A technical guide on the use of the renewed set of indicators for environmental regulation and compliance assurance;</li> <li>• Launching the development of the Astana report on environmental governance.</li> </ul>
<b>2.3.2: Raising support for governance reforms and strengthening capacity</b>	<ul style="list-style-type: none"> <li>• Consensus around governance reforms in pilot countries</li> <li>• Specific targets for technical expertise identified and national mechanisms of individual competence development established</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitation of policy dialogues on strengthening environmental ministries in Armenia and Moldova;</li> <li>• A report on institutional aspects of natural resources management in Georgia and 2-3 policy briefs on specific aspects of natural resources management in light of pro-poor growth to support policy dialogues in Georgia;</li> <li>• A methodology to define training priorities and establish sustainable training programmes;</li> <li>• Support to the national-level environmental enforcement authorities to identify training needs and implement training based on the "train-the-trainer" approach.</li> </ul>