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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

INDICATIVE 2012 PLAN OF WORK OF THE OECD/EAP TASK FORCE

Annual Meeting of the EAP Task Force

12-13 May 2011 (Berlin, Germany)

Agenda Item 6.

ACTION REQUIRED: For discussion.

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INDICATIVE 2012 PLAN OF WORK OF THE OECD/EAP TASK FORCE

This document presents the Indicative 2012 Plan of Work and Budget of the OECD's secretariat activity under the umbrella of the Task Force for the implementation of Environmental Action Programme (EAP Task Force). It is based on the proposed Programme of Work for 2011-15 [ref]. Depending on discussions and decisions at the Astana Environment for Europe Ministerial Conference, the proposed set of activities, and the associated budget, would be further elaborated for discussion and eventual adoption at a meeting of the EAP Task Force after the Astana Conference.

Projects identified for implementation in 2012 are described in Table 1. It is unlikely that all of these activities could be carried out, even if past funding levels were maintained. A selection of activities would eventually have to be made depending on country priorities and the willingness and ability of donors to support activities. 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 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 institutions for water supply and sanitation;
 - Strengthening the economic and financial dimensions of water management, including adaptation to climate change;
 - 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.

Table 1. EAP Task Force projects planned for 2012: Objectives, outputs, and budget

Project Title	Outcomes	Activities and outputs planned in 2012
PROGRAMME AREA 1: STRENGTHENING WATER MANAGEMENT		
Activity 1.1: Strengthening institutions for water supply and sanitation		
Project 1.1.1: Opportunities for, and obstacles to, private sector participation (PSP) in the water supply and sanitation sector	<ul style="list-style-type: none"> • A more effective use of PSP in the water supply and sanitation (WSS) sector in those EECCA countries interested in pursuing this option, and taking account of affordability constraints; • Increased capacity in EECCA to establish effective public-private partnerships in WSS. 	<ul style="list-style-type: none"> • Application in one-two countries of the OECD Checklist for public action on private sector participation in water infrastructure; • Developing recommendations on a viable business model for PPP involving several urban and rural municipalities in one oblast of the Russian Federation • One regional workshop on PSP in WSS in EECCA, involving governments, local Centers for public-private partnerships (PPP), and other stakeholders.
Project 1.1.2: Measures to cope with over-fragmentation in the water supply and sanitation sector	<ul style="list-style-type: none"> • More effective sharing of lessons learned in different regions • Understanding within countries of alternative options to encourage inter-municipal cooperation on water supply and sanitation, taking account of administrative, operational, economic, and political dimensions • Identification, given specific country conditions, of viable business model(s) for sanitation systems in small towns and villages • Increased capacity within local authorities to cope with over-fragmentation in WSS in EECCA 	<ul style="list-style-type: none"> • Report on the appropriate scale and scope of water and sanitation services in the Crimea and Cherkassy region (in Ukraine) and on the best ways to attain them • Conducting a National Policy Dialogue meeting in Ukraine to discuss the results of the analysis • A report presenting a viable business model for sanitation systems in small towns and villages in Moldova • A National Policy Dialogue meeting in Moldova to discuss the model and fine-tune it to the local context • A fact finding paper on fragmentation in the water sector of one EECCA country (possibly Kyrgyzstan or Russia) with probable completion by the end of 2012 if financial resources to support such work can be found.

Project Title	Outcomes	Activities and outputs planned in 2012
Activity 1.2: Strengthening the economic and financial dimensions of water management, including adaptation to climate change		
Project 1.2.1: Economic and financial dimensions of water resource management	<ul style="list-style-type: none"> • Better understanding of the extent to which economic and financial dimensions are considered in IWRM policies in selected EECCA countries and ways to improve the use of economic instruments as part of these policies. • Incentives created for more efficient water use and financial realism of water-related policy papers and action plans; • Identification of opportunities to cut costs and generate additional revenues for IWRM; • Increased local capacity for the economic and financial analysis of water policies and water resource management plans in EECCA. 	<ul style="list-style-type: none"> • Developing reports on the economic and financial dimensions of IWRM in Armenia, Azerbaijan, Georgia and Kyrgyzstan, with a focus on strengthening the use of economic instruments in water policies at the national and/or basin levels. • Drafting a case-study which aims to strengthen the economic and financial dimension of integrated water resources management in Azerbaijan. • Undertaking a pilot project in Azerbaijan at the river basin level • Carrying out National Policy Dialogue meetings to discuss the results of the analysis in Armenia, Azerbaijan, Georgia, and Kyrgyzstan.
Project 1.2.2: Economic and financial dimensions of water supply and sanitation	<ul style="list-style-type: none"> • Optimised use of available water and financial resources; • A better understanding of water demand management and water use efficiency; thus reduced need for additional infrastructure and expenditure; • Strengthened financial realism of water-related national strategies, making sure that investment plans are tailored to the economic and financial capacity of the country; • Identification of policy packages that are economically robust and financially sustainable; • Increased local capacity for assessing financial realism of national strategies and investment plans for WSS. 	<ul style="list-style-type: none"> • Developing a financially feasible adaptation strategy for the WSS sector in Moldova, to make the sector more resilient to climate change. • Developing a financing strategy for urban and rural water supply and sanitation in Azerbaijan. Building on a methodology used extensively in the region, the OECD will explore policy options to meet policy objectives for WSS in a financially sustainable way (with probable completion in 2013 if financial resources to support such work can be found); • Conducting National Policy Dialogue meetings to discuss the results of the analysis in Moldova and Azerbaijan.
Activity 1.3: Assessing the water policies and institutions in EECCA		
1.3.1. Progress monitoring	<ul style="list-style-type: none"> • A firm empirical basis to support water sector policy-making and reforms as well as to monitor progress in this regard. 	<ul style="list-style-type: none"> • Preparing monitoring reports to document progress in two-three countries.

Project Title	Outcomes	Activities and outputs planned in 2012
PROGRAMME AREA 2: POLICIES FOR GREENING GROWTH		
2.1: Integrating fiscal and environmental policies		
2.1.1: Facilitating the identification and removal of environmentally-harmful subsidies (EHS)	<ul style="list-style-type: none"> • Improved understanding of the magnitude and level of EHS and their fiscal consequences in selected EECCA countries • Enhanced cooperation between ministries of environment and finance and agreement on necessary reforms vis-à-vis EHS • Opportunities created to reduce the subsidy burden on public budgets (that is as high as some 30% of GDP in Uzbekistan) and reduce greenhouse gases in a cost-effective way 	<ul style="list-style-type: none"> • Drafting two country case studies addressing the use of EHS in two-three sectors (e.g. agriculture, energy, fisheries) • Convening one-two national expert meetings to discuss the results from the country analyses • Adapting the OECD methodology for EHS identification and assessment to the EECCA context, based on lessons learned from its application in the European Union
2.1.2: Further reforming economic instruments and strengthening their implementation	<ul style="list-style-type: none"> • Improved design and enhanced environmental impact of economic instruments • Opportunities for generating additional fiscal revenue, without jeopardizing environmental outcomes and avoiding the creation of perverse incentives for governmental officials and the private sector 	<ul style="list-style-type: none"> • Releasing the final version of a policy paper on priorities for a holistic reform of economic instruments in EECCA; • Conducting a regional expert meeting to validate the policy recommendations.
2.2: Fostering incentives for private sector contribution to green growth		
2.2.1: Promoting technological modernization and competitiveness gains	<ul style="list-style-type: none"> • Providing complementary incentives to the private sector for modernizing production, without incurring a loss of competitiveness 	<ul style="list-style-type: none"> • Developing an analytical framework for a regional review of policy tools to promote the greening of SMEs. • Launching a regional review based on the developed framework.
2.2.2: Working with IFIs and local banks to enable private-sector green investments	<ul style="list-style-type: none"> • 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 • Contributing towards increased investments by the private sector 	<ul style="list-style-type: none"> • Producing a synthesis report with a brief overview of existing experience and problems with private sector's access to credit lines for environmentally-oriented investment

Project Title	Outcomes	Activities and outputs planned in 2012
2.3: Strengthening institutional frameworks and capacity		
2.3.1: Helping countries and donors to establish capacity development targets and measure progress	<ul style="list-style-type: none"> • Ministries of Environment enabled to play the role of a leading “change agent” • More effective donor assistance in the field of capacity development 	<ul style="list-style-type: none"> • Capacity development targets identified in one-two EECCA countries and a complementary progress monitoring framework established
2.3.2: Strengthening budget planning capacity	<ul style="list-style-type: none"> • Allocation of finance in line with programmatic needs and priorities • Increased predictability of funding • Leveraging private sector funds 	<ul style="list-style-type: none"> • A national-level expert meeting in Moldova to discuss the current costing and programming approaches and identify a climate-related programme to design and cost in line with good international practices • Adapting and refining the existing the costing methodology (including a costing Excel-based model) • Designing and costing a selected climate change programme and proposing it for financing through the regular budget process and donors