

POLICIES FOR A BETTER ENVIRONMENT

Progress in Eastern Europe, Caucasus and Central Asia

SUMMARY FOR POLICYMAKERS



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This booklet is a summary of a longer report with the same title, prepared in collaboration with the following organisations:



THE WORLD BANK



REGIONAL ENVIRONMENTAL CENTER



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Introduction

The political and economic landscape in the countries of Eastern Europe, Caucasus and Central Asia is changing. Are environmental policies keeping pace? What major environmental policy measures have been taken by each country? What are the main barriers to further progress? What are the emerging policy issues and priority areas for action?

In 2003, the Ministers of Environment of the 12 countries of Eastern Europe, Caucasus and Central Asia (EECCA), together with their partners in the “Environment for Europe” process, adopted the EECCA Environment Strategy. The Strategy aims to promote sustainable development through environmental policy reform and environmental partnerships.

This booklet provides a summary of progress in achieving the Strategy’s objectives. It is based in a longer report of the same title. Preparation of this policy assessment involved a unique process of collaboration among all the major international institutions active on environmental issues in this region. By focusing on the policy actions taken by EECCA countries, it complements «Europe’s Environment: The Fourth Assessment” – prepared by the European Environment Agency – which assesses environmental conditions in the pan-European region.

Box 1. Assessing progress: A collective undertaking

- At the 2003 Kiev Conference, Environment Ministers of the pan-European region asked the EAP Task Force to facilitate and support achievement of the objectives of the EECCA Environment Strategy
- A first assessment prepared for a meeting of EECCA Environment Ministers in Tbilisi in 2004 established a baseline
- Subsequently, the OECD/EAP Task Force Secretariat launched the assessment process for the Belgrade Conference
- EECCA Ministries of Environment advised on the structure and focus of the report and provided national-level data
- UNDP, UNECE, UNEP, WHO, World Bank, the Project Preparation Committee, the Regional Environmental Centres and the NGO network ECO-Forum provided written inputs, advice, peer review and organisational support, as appropriate
- Western European Ministries of Environment supported financially the work of the OECD/EAP Task Force Secretariat
- The EAP Task Force, co-Chaired by the European Commission and Kazakhstan, oversaw the preparatory process and endorsed the report

A region on the move

Most EECCA countries are experiencing significant economic growth. In 2003-2006 the region's GDP grew at 7% per year, but average growth rates vary greatly across countries – from 4.5% for the Kyrgyz Republic to 18% for Azerbaijan. Per capita income is expected to double over the next 10 years, but it will still remain low, at around 30% of the EU15 minimum for 2005. The region has largely become a Russia-centred trade bloc, with trade dominated by commodity exports. Azerbaijan and Kazakhstan have attracted significant foreign direct investment, mostly in their oil sectors.

Poverty is decreasing, particularly in the populous middle-income countries, thanks to a combination of economic growth and decreasing inequality. Low-income EECCA countries, however, still have extremely high levels of poverty – more than 40%, reaching 70% in Tajikistan. Poverty has declined far more rapidly in capital cities than elsewhere. In some countries poverty risks are as high in secondary cities as in rural areas, but rural residents still count for some 70% of the poor in low-income EECCA countries.

Governance is improving in some countries, but not in the region as a whole. The World Bank Governance Indicators show low levels of governance for all EECCA countries. The Soviet legacy has left many EECCA countries with weak institutions and even weaker policy-making capacities. Commitment to reform of state institutions is weak across much of the region. In some countries corruption is proving an important challenge to progress with reforms.

The region is undergoing political diversification. Since the Kiev Ministerial Conference, so-called “colour revolutions” have taken place in Georgia, Ukraine and the Kyrgyz Republic. Freedom House, however, reports that most countries in the region still have few political rights and civil liberties, and a low level of democracy. Some EECCA countries have been affected over the 2003-2006 period by political instability and/or armed conflict, and experience a “no peace/no war” situation.

EECCA countries can be very different

2005	ARM	AZE	BLR	GEO	KAZ	KGZ	MDA	RUS	TJK	TKM	UKR	UZB
Population (million)	3.0	8.4	9.8	4.5	15.1	5.2	4.2	143	6.5	4.8	47.1	26.6
GDP (billion USD)	4.9	12.6	29.6	6.4	57.1	2.4	2.9	763.7	2.3	8.1	82.9	14.0
GDP per capita (th. USD)	1.6	1.5	3.0	1.4	3.8	0.5	0.7	5.3	0.4	1.7	1.8	0.5
Urban population (% total)	64	51	72	52	57	36	47	73	25	46	68	27
ODA/OA (% GNI)	7.1	1.9	0.2	6.1	0.6	10.5	3.9	0.2	11.4	0.3	0.5	1.9

Note: See country profiles section of the main report for definitions and sources

Progress underway

Achieving progress is hard. Most EECCA countries lack the strong drivers for environmental improvement that exist in western countries (public demand, price signals) and Central European countries (European Union accession requirements). They also face a governance situation that, given uneven progress in public administration reform and tackling corruption, often does not support modern environmental management approaches.

Nevertheless, there are many examples of successful action. The speed of progress varies across countries and policy areas. Noticeable progress seems to have been made on compliance assurance, water supply and sanitation, water resources management and agriculture. Less progress is apparent in waste management, biodiversity, transport and energy efficiency. Even in some areas that seem “frozen” in time (such as environmental quality standards), at least the need for reform has finally been recognised.

The implementation gap persists. The basic legal and policy frameworks are often in place and keep improving, even if further important reforms are still needed. The real problem is implementation, particularly at the sub-national level. Also, where progress is taking place, there is little evidence of countries taking a coherent approach to reform.

Environmental progress in EECCA will take a much longer time than in Central and Eastern European countries. On the surface, progress does not seem to have accelerated after the Kiev Ministerial Conference in many environmental policy areas. Indeed, in some cases there has even been regression, with the authority and capacities of environmental agencies in some countries downgraded. But there are signs that some countries are doing the necessary groundwork, and that consistency and patience will pay off. Recent progress in some countries was made possible by foundations established several years earlier.

Donor support has often been a catalyst for fostering progress. While the assessment focuses on the reform efforts made by EECCA countries, much of the progress has taken place with some form of support from bilateral donors or international organisations.

Box 2. Patterns across policy areas: Infrastructure

Well-designed and managed infrastructure can generate major environmental payoffs. In EECCA, the situation with environment-related infrastructure – whether water supply and sanitation, waste, energy, urban transport or irrigation – is often characterised by unsustainable financial models that result in crumbling infrastructure, poor service and negative environmental impacts. Ongoing and upcoming reforms in infrastructure sectors offer a major opportunity to put national economies onto a sustainable path.

Strengthening environmental legislation, policies and institutions

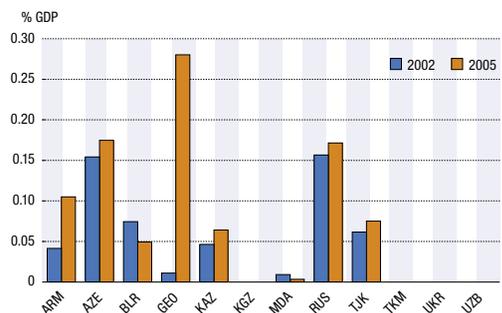
KEY SIGNALS

- Planning and legislation.** EECCA planning and legal frameworks are still largely unsystematic and lack coherence. Priority-setting and strategic planning are weak. Numerous thematic strategies have been formulated, but often in an unco-ordinated way and largely driven by donor support. They lack targets, financial plans and evaluation arrangements. Lawmaking practices now include broader stakeholder consultations and clearer transitional provisions, but the development of implementing regulations remains slow.
- Policy Instruments.** The idea of reforming excessively stringent environmental quality standards has finally become politically acceptable. Progress is taking place in environmental permitting but not so much in environmental impact assessment. The old system of pollution charges, mainly geared to raising revenues, remains largely unreformed. Some inspectorates have been strengthened and compliance promotion efforts are underway, but compliance assurance strategies remain unbalanced.
- Institutions.** Environmental institutions in most EECCA countries show signs of improvement, but from a low base and at a slow pace. Re-structuring is too frequent and often lacking strategic direction. Internal fragmentation still hampers the adoption of integrated approaches. Relations with non-governmental stakeholders are improving. Budgetary resources generally are increasing.

EXAMPLES OF PROGRESS

- Armenia, Kazakhstan, Moldova and the Russian Federation have initiated reform of environmental quality standards.
- Kazakhstan is moving towards cross-media integration of permit requirements.
- Armenia and Ukraine have reduced the number of parameters subject to pollution charges.
- Georgia and Kazakhstan have created environmental inspectorates.
- Kazakhstan, the Russian Federation and Ukraine have adopted rating schemes to assess and disclose industry's environmental performance.

The budgets of Environment Ministries are growing faster than GDP



Source: EECCA countries' responses to EAP Task Force questionnaire

Protecting health by fighting pollution

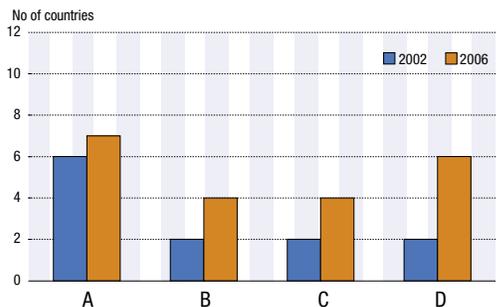
KEY SIGNALS

- **Air Quality.** Policy frameworks are relatively well developed but implementation mechanisms are not described in sufficient detail. There has been no significant progress in reform of ambient standards or in air quality monitoring. Many countries have increased rates for air pollution charges, but they remain generally too low to have an incentive effect.
- **Water Supply and Sanitation.** Institutional and legislative frameworks have improved in many countries. Little progress has been achieved in transferring financial resources to, or improving institutional arrangements at, the local level. The role of private sector operators is evolving rapidly in some EECCA countries.
- **Waste and Chemicals Management.** Progress is taking place at waste policy development level, but is not accompanied by action plans and effective legislation, including for hazardous waste. International support is facilitating progress in chemicals management. There are no systematic procedures and plans to clean up contaminated land.

EXAMPLES OF PROGRESS

- Belarus has developed an ambient standard for PM10.
- Air pollution charges have increased significantly in Armenia, Belarus and Ukraine.
- The Russian Federation and Ukraine have improved their water tariff-setting frameworks.
- Armenia and the Kyrgyz Republic are taking advantage of the opportunities offered by the Clean Development Mechanism to upgrade their landfills.
- Projects on persistent organic pollutants have been launched in Belarus and Georgia.

Reform is progressing in the water supply and sanitation sector



Notes: A - Average tariff covers at least 100% of operational costs (excl. capital costs)
 B - The tariff setting mechanism follows international good practice
 C - More than 30% of water connections are metered
 D - At least 5% of the population are served by utilities based contracts

Source: EAP Task Force Water Utility Performance Indicator Database

Managing natural resources for sustainable development

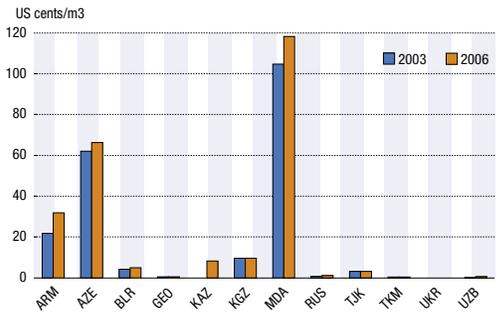
KEY SIGNALS

- Water Resources Management.** The transition to a governance system based on integrated water resources management (IWRM) is in progress in most EECCA countries. There is little progress on the integration aspects. Institutional weaknesses and resource constraints hinder the implementation of action plans. Awareness-raising has focused on politicians and water professionals; it remains limited among water users. Progress in water pricing is uneven. There are no significant improvements in water quality monitoring.
- Biodiversity Conservation.** The basic legal and planning framework is in place. The extent of area under protection has increased in half of the countries. Significant efforts are being made to improve the management of protected areas. High-nature value farmland has not received much attention. Most countries have explicitly identified invasive alien species as a threat to biodiversity. Little progress has been made in improving biodiversity information, but some is being made in raising awareness.

EXAMPLES OF PROGRESS

- Armenia and Kazakhstan are already implementing more integrated approaches to water resources development, management and use.
- Kazakhstan, Turkmenistan and the Russian Federation have passed Water Codes establishing a river basin management approach.
- The Russian Federation is actively participating in a pan-European effort to produce biodiversity indicators.
- National budgets for protected areas management have increased 7 times in Kazakhstan and more than doubled in Azerbaijan, Armenia and Turkmenistan.
- Armenia has set a time schedule and budget to fight invasive alien species.

Water for economic activities remains practically free in most EECCA countries



Note: No data for Ukraine. No data for Kazakhstan in 2003. Tariffs for industrial activities were calculated using 2005 exchange rates.

Source: EECCA countries' responses to EAP Task Force questionnaire

Using sectoral policies to enhance environmental quality

KEY SIGNALS

- **Overall aspects of environmental policy integration.** Inter-ministerial working groups are common but not universal. Most countries include environmental targets in sectoral strategies, but those strategies do not undergo strategic environmental assessment. Environmental units are common in ministries dealing with natural resources, less so in those dealing with pollution. Strategic Environmental Assessment has been introduced in the region, usually as part of international projects.
- **Energy.** Surprisingly little progress has been made in energy efficiency, given the energy intensity of EECCA economies. Policy frameworks to promote renewable energy are still in their infancy. Some countries are moving quite strongly in terms of pricing policies for energy services. The potential for improving the environmental performance of energy operation remains largely untapped.
- **Transport.** The use of economic instruments to influence transport demand, modal share and fuel choice remains limited. Leaded petrol has not yet been fully phased out. European vehicle emission standards are being gradually introduced, but not much progress has been made in tightening fuel quality standards. Negative trends in public urban transport have not been reversed.
- **Agriculture and Forestry.** Development of agriculture advisory services still has far to go, especially in natural resources management. There are good practices in soil, nutrient, water and salinity management, but scaling up remains a challenge. Integrated pest management, organic farming and timber certification are expanding. Progress is being made in combating illegal logging.

EXAMPLES OF PROGRESS

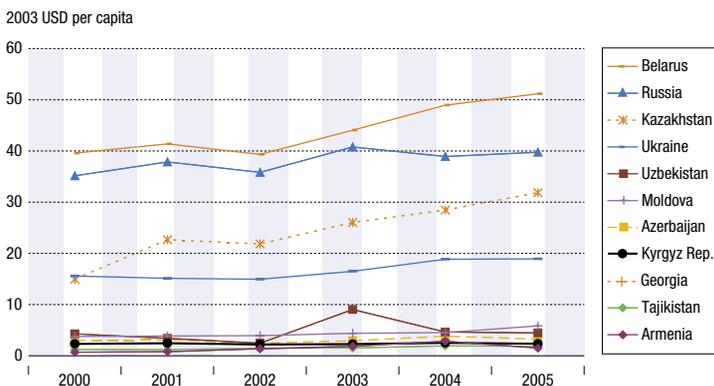
- Armenia has passed an energy savings and renewables law, established a dedicated fund and developed an energy efficiency programme.
- Kazakhstan, the Kyrgyz Republic, Moldova and Uzbekistan have phased out leaded petrol.
- The Russian Federation and Ukraine have introduced EURO II vehicle emission standards.
- Pilot programmes to provide information to farmers have been introduced in Armenia, Georgia, Moldova, Russian Federation and Uzbekistan.
- Timber certification is taking hold in the Russian Federation, Ukraine and Belarus.

Financing environmental improvements

KEY SIGNALS

- Expenditure trends.** Environmental expenditures have slightly increased in almost all countries in absolute terms. As a share of GDP and total government expenditure the evolution is mixed. Sectoral allocation of resources is dominated by wastewater management.
- Sources of finance.** User charges represent the largest source of environmental finance. Private industry is a major contributor to expenditures in air pollution control and waste management. There is progress in managing inter-governmental transfers, not so much in tapping local capital/financial markets. Carbon finance is a promising financing mechanism, but EECCA countries are not exploiting its potential. International assistance represents a small fraction of total environmental expenditure in EECCA. The structure of this assistance is changing – multilateral assistance is now six times that channelled through bilateral donors.
- Expenditure management.** Most public resources in the environmental sector are still spent without clear programmatic frameworks. Cost estimates to support policy development remain unavailable. Environmental funds manage modest resources, risking inefficient use due to high administration costs.

Environmental expenditure remains low, particularly in the smaller, poorer countries



Note: Data for Georgia refer to 2001 only.

Source: EAP Task Force Environmental Expenditure Database

Making better decisions: information and public involvement

KEY SIGNALS

- **Information management.** The state of information management remains critical, as EECCA countries continue to struggle with every step of the environmental information chain. Although environmental indicators exist, they are hardly used anywhere for policy analysis or linked to policy targets. Much progress has been achieved in website-based communications.
- **Public participation.** National legal and regulatory frameworks for public participation have continued to be developed. While there are still significant gaps in the implementation and enforcement of legislation, NGOs and the public have now more rights to participate in environmental decision-making. Real public participation practices are emerging.
- **Environmental education.** Many national programmes and plans include support for environmental education, but public resources available for environmental education and education for sustainable development are very limited. Environmental education is well established in the education systems. Non-formal education activities are carried mostly by NGOs, often with donor support. A transition to education for sustainable development is taking place.

EXAMPLES OF PROGRESS

- Belarus and Ukraine have established inter-agency monitoring commissions to improve institutional co-operation and data flows.
- Armenia, Belarus, the Russian Federation and Tajikistan have installed new air quality monitoring stations. PM10 monitoring has been introduced in Moscow and Minsk.
- Environment Ministries in Kazakhstan, Kyrgyz Republic, the Russian Federation and Uzbekistan have launched advisory boards with NGO participation.
- Environment Ministries in Armenia, Ukraine and Uzbekistan have implemented training programmes for civil servants interacting with the public.
- Inter-sectoral structures on education for sustainable development have been created in Armenia, Kazakhstan, Kyrgyz Republic, Moldova and Ukraine.



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Addressing transboundary issues in a co-operative way

KEY SIGNALS

- **Multilateral environmental agreements.** The rate of ratification of the more recent UNECE conventions and protocols, in particular protocols signed at the Kiev Ministerial Conference, has been slow. EECCA countries provide very limited domestic funds for the implementation of conventions, depending almost exclusively on external assistance. Not all EECCA countries report to the conventions, information often arrives late and many reports are of poor quality, making thorough assessment of implementation impossible.

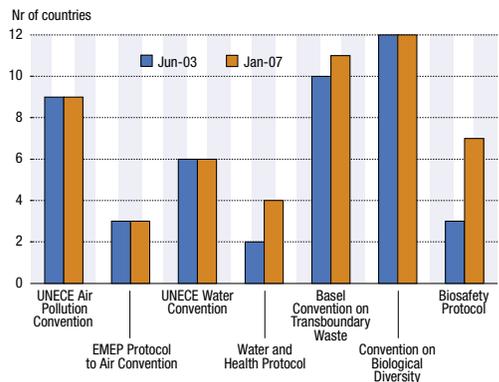
EXAMPLES OF PROGRESS

- Monitoring stations following the requirements of the long-range transboundary air pollution convention are being established in Armenia, Georgia, Azerbaijan, Kazakhstan, Moldova and Ukraine.
- Kazakhstan and the Kyrgyz Republic have established the Chu-Talas river basin commission.
- Armenia and the Russian Federation have issued regulations restricting transboundary movements of hazardous waste.
- Armenia, Belarus and Moldova have prepared implementation plans related to the convention on persistent organic pollutants.
- Belarus and the Russian Federation have ratified the Kyoto protocol.



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Ratification of multilateral environmental agreements proceeds at a slow pace



Source: UNECE/UNEP Conventions' websites

Barriers blocking the way

The low level of **financial resources** available is a common constraint to achieving progress in the different environmental policy areas. But lack of finance is not always the most important barrier blocking the way.

Environmental authorities in most of the region suffer from severe **institutional and organisational weaknesses**. These weaknesses are often related to public administration practices inherited from the Soviet era. Additional weaknesses include a shortage of skills related to the functioning of market economies; a poor understanding of the role of information management in policy development and implementation; weak horizontal and vertical inter-institutional co-ordination; as well as low environmental awareness of the public and economic agents.

Environmental authorities also face **structural and political constraints**. These include the lack of strong drivers for environmental improvement (and the subsequent low profile of environment on national policy agendas); a poor governance context; the challenge of decentralising responsibilities in a fiscally-responsible manner; concerns about the competitiveness and social impacts of environmental policies; decreasing donor co-ordination; and a common perception among top policy-makers that environmental protection is a hindrance to economic growth, rather than a necessary element to ensure socio-economic development over the long term.



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Moving forward – An agenda for the future

Although there is no single roadmap for accelerating progress in environmental management across EECCA countries, a number of key, common areas for action can be identified:

- **A clear vision** of where each EECCA country wants to go and how it can get there – this will require setting clear objectives and targets, making the case for environmental issues to be included in national development plans (and donor country programmes), and establishing alliances with finance and line ministries to support “win-win” sectoral reforms.
- **A step-by-step approach to reform** – this will require setting clear targets, sequencing actions and adopting a reform pace that is commensurate with each country’s political, economic and technical restrictions.
- **A stronger focus on implementation** – this will require linking planning, budgeting and monitoring processes; developing secondary legislation (implementing regulations); improving inter-sectoral co-ordination and monitoring the contribution of line ministries to national environmental objectives; and empowering sub-national environmental authorities.
- **A new environmental management approach built around providing real incentives** to encourage producers and consumers to improve their environmental performance in the most cost-effective manner – this will require streamlining regulation, stepping up enforcement and emphasising demand management.
- **An improved institutional framework** – this will require institutional stability, clarification of responsibilities at sub-national level, removal of incentives with perverse effects for staff, and more robust and policy-relevant information systems.
- **A comprehensive approach to environmental financing** – this will require considering the role of all potential funding sources and policy actions needed to leverage them (public expenditures, incentives for private investments in pollution abatement, user charges for environmental services, private investments in infrastructure, clean development mechanism, donor assistance) and building the capacity to mobilise and manage them.
- **A strategic investment in skills** – this will require paying particular attention to building capacities in environmental economics, financial and human resources management, policy integration and public/stakeholder relations, as well as strengthening the capacities of sub-national actors.
- **A stronger engagement of stakeholders** – this will require understanding industry concerns, and the role of NGOs as both watchdogs and agents of action at local level, and the potential of mass-media for promoting good environmental behaviour.

- **A more supportive international co-operation framework** – this will require efforts on the part of EECCA countries to motivate, co-ordinate and make efficient use of donor support, and also more strategic and sophisticated approaches to co-operation on the part of donors.

Box 3. Has the EECCA Environment Strategy proved useful?

EECCA countries feel that the EECCA Environment Strategy has been useful as a guidance document and a framework for benchmarking and guiding support. They also feel, however, that a more differentiated approach is now needed, tailored to the specific needs of the EECCA sub-regions, groups of countries or individual countries. At the same time, there is still need for an EECCA-wide mechanism to exchange information and good practices in areas of common interest, and to facilitate dialogue and co-operation with donors.

Ministries of Environment from some OECD countries have found the Strategy very useful, as it has allowed them both to guide their co-operation efforts and to be more effective in mobilising funds for environmental co-operation with EECCA countries. Other development partners, such as the World Bank, find the monitoring work associated with the EECCA Environment Strategy to be a positive and important feature of the Strategy process.

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