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**Review of past activities and discussion of future activities in
the different areas of work: European Union Water Initiative
and National Policy Dialogues**

Report on implementation of the European Union Water Initiative National Policy Dialogues on Integrated Water Resources Management and on Water Supply and Sanitation

**Prepared by the United Nations Economic Commission for Europe and
the Organization for Economic Cooperation and Development**

Summary

National Policy Dialogues (NPDs) are the main operational instrument under the European Union Water Initiative (EUWI) in the countries of Eastern Europe, the Caucasus and Central Asia. The United Nations Economic Commission for Europe is the strategic partner for NPDs on Integrated Water Resources Management; the Organization for Economic Cooperation and Development is the strategic partner for NPDs on Water Supply and Sanitation. This document provides an overview of the objectives and current status of NPDs, in line with programme area 5 of the Workplan for 2010–2012 of the Convention on the Protection and Use of Transboundary Watercourses and International Lakes, adopted by the Meeting of the Parties at its fifth session (ECE/MP.WAT/29/Add.1), as well as plans for their future development. The preparation of such a report for submission to the Meeting of the Parties was approved by the Convention Bureau at its fifteenth meeting (Geneva, 16–17 February 2012).

The Meeting of the Parties may wish:

- (a) To reconfirm the important role of NPDs in fostering the implementation and application of the Convention and its Protocol on Water and Health, progressive approximation to European Union legislation and the enhancement of transboundary cooperation;

- (b) To acknowledge the strong commitment to and ownership of the NPD process among countries in Eastern Europe, the Caucasus and Central Asia;
- (c) To thank Romania and the European Commission for their leadership and support to this area of work, as well as other partner countries and organizations for their support to the NPD process;
- (d) To agree to continue with the policy dialogue process on integrated water resources management, and to include relevant activities in the programme of work for 2013–2015;
- (e) To welcome the extrabudgetary contribution from the European Commission for 2012–2015 for the implementation of the NPDs programme;
- (f) To invite Parties to the Convention to consider providing additional funding for the activities, including in-kind contributions by experts or other kinds of arrangements for assistance, stressing the high cost-efficiency of the NPDs;
- (g) To mandate the United Nations Economic Commission for Europe secretariat to continue its role as the strategic partner on integrated water resources management of the EUWI process in countries in Eastern Europe, the Caucasus and Central Asia.

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I. Background and objectives of National Policy Dialogues

1. National Policy Dialogues (NPDs) on Integrated Water Resources Management (IWRM) and Water Supply and Sanitation (WSS) are the main operational instrument of the European Union Water Initiative (EUWI) Component for Eastern Europe, the Caucasus and Central Asia. The EUWI, including its Component for Eastern Europe, the Caucasus and Central Asia, was launched at the World Summit on Sustainable Development in Johannesburg in 2002 with the aim to support the implementation of the water-related Millennium Development Goals (MDGs). The United Nations Economic Commission for Europe (ECE) is the strategic partner for support to the policy dialogue processes on IWRM, whereas the Organization for Economic Cooperation and Development (OECD) is the strategic partner for WSS and financial aspects of IWRM. Altogether, since 2006 EUWI NPDs have been carried out in nine countries. The EUWI Component for Eastern Europe, the Caucasus and Central Asia is presently chaired by Romania.
2. In 2006, NPDs on IWRM started in Armenia, the Republic of Moldova and Ukraine. In 2008, the NPD on IWRM started in Kyrgyzstan. In 2010 and 2011, policy dialogues on IWRM were initiated in Azerbaijan, Georgia, Tajikistan and Turkmenistan. Thus, NPDs on IWRM are presently implemented by ECE in eight countries.
3. NPDs on WSS and/or on the economic and financial dimension of water resource management are implemented in six countries: Armenia, Georgia, Kyrgyzstan, Russian Federation (in 2010), the Republic of Moldova and Ukraine. In 2012, the NPD in the Russian Federation will resume, focusing on the economic and financial dimension of water resources management. In addition, OECD, in cooperation with the World Bank and, recently, the European Bank for Reconstruction and Development (EBRD), facilitated the regional policy dialogue on private sector participation in WSS in countries in Eastern Europe, the Caucasus and Central Asia. A regional policy dialogue meeting on this topic was held in January 2010 in Moscow involving most of the countries of the subregion and their international partners.
4. The NPDs on IWRM provide practical assistance to strengthen IWRM implementation in countries of the subregion. Activities build on the principles of IWRM as enshrined in the ECE Convention on the Protection and Use of Transboundary Watercourses and International Lakes (Water Convention), the ECE/World Health Organization Regional Office for Europe (WHO-Europe) Protocol on Water and Health, the EU Water Framework Directive¹ (WFD) and other relevant documents.
5. The NPDs on WSS provide practical assistance to countries of the subregion through improving the legal, institutional and regulatory framework in WSS and overall sector governance, in line with international best practices and OECD expertise.
6. In those countries, where the NPDs cover both IWRM and WSS aspects and/or the economic and financial dimension of water resource management, the NPD process is implemented by ECE and OECD in a coordinated way. In some countries, one of the partners takes the lead with the other partner providing inputs on selected issues. In the Russian Federation, OECD is paving the way. In Tajikistan and Turkmenistan, the dialogues are currently implemented by ECE only.

¹ Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for the Community action in the field of water policy.

7. Following the request by the Government of Kazakhstan on the initiation of a NPD, the NPD in Kazakhstan started in 2012 with a joint ECE/OECD preparatory mission in May. The NPD will cover both IWRM and WSS issues.

II. Activities and stakeholders involved

8. Policy dialogues are based on consultations with relevant ministries, agencies and institutions (including science and academia), non-governmental organizations (NGOs), parliamentary bodies and other national and international organizations. The dialogue process is usually conducted under the leadership of a high-level Government representative, such as the Minister/Deputy Minister of Environment or the Chairman of the State Water Committee. In the respective countries, national Steering Committees/Coordination Councils are established to guide and steer the NPD process. They include representatives of relevant ministries, agencies and institutions, as well as NGOs.

9. The Steering Committees meet at least on an annual basis at the national level. They discuss key national water policy issues and adopt decisions on NPD activities. International and donor organizations, such as the European Union (EU), the United Nations Development Programme (UNDP), the Organization for Security and Cooperation in Europe (OSCE), the World Health Organization (WHO) and bilateral donors are invited to the policy dialogue meetings.

10. In addition to their original function of supporting the development of policies on IWRM and WSS, in several countries the NPDs and their Steering Committees have become national coordination mechanisms for water-related projects carried out under the auspices of international organizations (e.g., the EU, ECE, UNDP, the World Bank and OECD) and donor countries (e.g., Finland, Norway, Switzerland and the United States of America). This contributes to a more efficient use of available funds.

National Policy Dialogues on Integrated Water Resources Management

11. In some countries where NPDs on IWRM are implemented, subject to the availability of resources, the following components are included: the preparation of mapping reports on the IWRM situation, including international and national projects and programmes, and the elaboration of road maps to achieve IWRM. These documents are important to avoid duplication of activities and to ensure clear and transparent communication and coordination with national and international organizations involved in the NPD process.

12. On the content side, an important outcome of the NPDs are so-called “policy packages”, such as legislative acts, strategies, ministerial orders and plans of implementation. In the selection of policy packages to support (upon the request of the participating country) ECE gives priority to the implementation of ECE instruments, such as the Protocol on Water and Health, and to transboundary issues, including the application of different guidelines developed by ECE (on monitoring and assessment, flood management, climate change, etc.). The implementation of the relevant EU strategies and legislation, such as the EU-Central Asia Platform, the EU WFD, etc., is also a priority framework for action. The amount of resources available largely dictates the ambition of the policy packages developed.

13. In coordination with ECE or as stand-alone projects, OECD promotes the use of economic instruments to manage water resources: economic instruments can trigger water efficiency and promote low-cost options; they can allocate water where it is most needed; they can generate revenues to fund water-related institutions, infrastructure and services. Because they promote flexible responses, economic instruments are particularly appropriate

to adapt water infrastructure and services to climate change, a trend that particularly affects the Caucasus and Central Asia. The OECD contribution to the NPDs on IWRM can lead to, inter alia, economically sensible river basin management plans or strategies to adapt to climate change, effective reforms of tariff policies (for irrigation, hydropower and other water uses), or sustainable business models for river basin councils or water users associations.

14. In terms of key topics, issues such as water management plans/strategies based on IWRM principles (EU WFD), drinking water quality (Protocol on Water and Health), management of transboundary waters (Water Convention) and adaptation of the water sector to climate change are high on the agenda of the NPDs on IWRM in most countries in the subregion. For countries in Eastern Europe cooperating closely with the EU through the European Neighbourhood Policy and the EU Eastern Partnership, implementation of the EU WFD principles is often the main focus of the NPDs.

15. Although in different countries the NPDs follow the same methodology, the NPDs on IWRM processes in each country are unique as far as approaches for introducing IWRM principles, the substantive agendas of the dialogues and the dynamics of the process are concerned. Implementation depends on the objectives for water management in each country and the legislative and institutional framework, as well as the political and socio-economic situation.

National Policy Dialogues on Water Supply and Sanitation

16. The MDGs on WSS remain a distant objective for activities in most countries in Eastern Europe, the Caucasus and Central Asia.² Countries in the subregion are often plagued with oversized, costly to operate and decaying infrastructure. Although several countries attract donors' attention to finance investment to rebuild or extend water supply networks and wastewater treatment plants, it is not clear how water utilities will ensure proper operation and maintenance of existing and new infrastructure: capacities and financial resources are scarce.

17. In that context, the OECD endeavours to bring some financial realism in investment and action plans. NPDs on WSS present subregional Governments with a menu of options to make the best of available resources and to attract additional public or private funds. Depending on the demand from the country, work focuses on: (a) the appropriate scale to organize WSS, and the incentives to reach the optimal level; (b) the appropriate business model for water utilities, an issue that is particularly relevant in rural areas; (c) a realistic financial strategy, which combines water tariffs and accompanying measures to mitigate social consequences; and (d) financially feasible investment plans.

18. NPDs on WSS rely on pilot projects, international best practices, reviews and/or modelling. Robust analyses feed into a policy process, where stakeholders meet and confront views. Outcomes include financing strategies and investment plans, road maps to reform water systems, reforms of tariff policies and accompanying social measures.

² For a recent assessment, see OECD, *Ten Years of Water Sector Reform in Eastern Europe, Caucasus and Central Asia*, OECD Studies on Water (2011), available from http://www.oecd-ilibrary.org/environment/ten-years-of-water-sector-reform-in-eastern-europe-caucasus-and-central-asia_9789264118430-en.

III. Implementation of the National Policy Dialogues until 31 August 2012

A. Country activities

Armenia

19. The NPD in Armenia was initiated in 2006. It facilitates implementation of the IWRM principles in the national legislative and institutional frameworks. In 2010, ECE and OECD established a joint NPD on IWRM Steering Committee, which allows more synergies and better coordination of activities. Within the dialogue, a programme of water management measures was developed for the Marmarik River Basin. The NPD on IWRM has also focused on economic instruments and financing of water management; OECD organized activities on IWRM financing in the Marmarik River Basin and completed similar activities in the Debed River Basin in 2012. This work, financed by the Government of Finland, focused on the assessment of the sustainability of water management in the river basins and the status and opportunities for the use of economic instruments for water management. A pilot project on payments for ecosystem services in the Razdan River Basin was implemented in 2010–2011 with the support from the Government of Switzerland through ECE.

20. In 2009, a project proposal for an “Action plan on improving health in Armenia through target setting to ensure sustainable water management, access to safe water and adequate sanitation” was elaborated. The new project supporting the implementation of the Protocol on Water and Health will start in 2012 with support from Finland.

21. A policy brief, “Summary of results and lessons learned from the implementation of the Armenian NPD on IWRM” was published by ECE in 2010.³ Plans for the continuation of the NPD on IWRM include the economic and financial dimension of IWRM and pilot projects to support further implementation of IWRM principles in Armenia.

Azerbaijan

22. The First Steering Committee meeting for the NPD on IWRM in Azerbaijan was organized in October 2010. The NPD focuses on the development of a Government strategy for the management of water resources (National Water Strategy). Transboundary water cooperation with neighbouring Georgia, specifically the preparation of a bilateral agreement on the management of shared transboundary waters of the Kura River supported by an Environment and Security Initiative (ENVSEC) project, is another important issue on the NPD agenda. The NPD on IWRM in Azerbaijan has been funded by the European Commission (EC) and OSCE. The Government of Finland contributes with expert support to the preparation of the National Water Strategy. During the Second Steering Committee meeting, in June 2012, a draft of the strategy was adopted as a basis for its further development.

23. The NPD in Azerbaijan benefits from the related activities implemented by ECE and OECD. The recently completed second ECE Environmental Performance Review of Azerbaijan has developed recommendations, which feed into the dialogue.

24. In 2011, OECD implemented a project aimed at monitoring performance of water utilities in Azerbaijan. The work helped to improve policy making for WSS by providing good quality data and analysis. Planned OECD activities include pilot projects on exploring

³ See <http://www.unece.org/index.php?id=25663>.

potential transboundary costs and benefits from improved water management, and organization of a regional conference on water security and economic aspects of IWRM in Azerbaijan.

Georgia

25. The NPD on IWRM started in Georgia in September 2010 with meetings of the ECE Water Convention secretariat with the Ministry of Environmental Protection and Natural Resources and other stakeholders. The Memorandum of Understanding on the NPD implementation was signed by the Ministry of Environment Protection and ECE in October 2011.

26. The NPD on IWRM in Georgia focuses on three major topics: preparation of a National Water Law based on IWRM principles and the EU WFD; setting targets for the implementation of the Protocol on Water and Health; and transboundary activities, including cooperation with neighbouring Azerbaijan and accession to the Water Convention. A report with an overview of ongoing activities in the water sector in Georgia was finalized in June 2011.⁴ This report serves as a tool for planning future NPD activities. The first Steering Committee meeting (June 2012), which was followed by a Stakeholders Workshop, focused on the new water legislation inspired by the EU WFD, given the EU-Georgia Association Agreement currently under development. In addition to the EC grant, the NPD on IWRM in Georgia is supported by the Government of Finland.

27. OECD activities under the NPD are dedicated to broadening the discussions and to covering the financing of water resources management or some aspects thereof. Work in 2012 has started by discussing the possible scope of the dialogue in more detail and developing the analytical work to support the process. In this perspective, the work done to promote the use of economic analysis in water management in the Kura River Basin countries has contributed to the ongoing discussions in Georgia.

Kyrgyzstan

28. In Kyrgyzstan, the policy dialogue process started in 2008. The NPD on IWRM in 2008–2010 focused on setting up a River Basin Council for the Chu Basin and developing an action plan to achieve sustainable water management, safe drinking water supply and adequate sanitation in accordance with the Protocol on Water and Health. Three Steering Committee meetings were organized in 2008–2010. Dialogue outcomes featured two policy packages, including a regulation for the establishment of a River Basin Council for the Chu River Basin and an action plan to achieve the water-related MDGs through the implementation of the Protocol on Water and Health.

29. In 2008–2010, the NPD on WSS focused on developing a strategic financial plan for WSS. During that period, five meetings of the NPD Coordination Council on WSS, chaired by the Deputy Minister for Economic Development, were organized. Key outputs included the draft of the national financing strategy (a strategic financial plan) for WSS and draft annotated outline of the WSS sector policy paper.

30. Following the interruption of the NPD process in 2010 due to the political changes that occurred in the country, the dialogue process on water policy in Kyrgyzstan resumed in mid-2011. A joint Steering Committee for both IWRM and WSS issues was established. The Steering Committee met three times in 2011 and once in 2012. The dialogue process focuses on (a) the implementation of a river basin management approach through the

⁴ Report on mapping major issues, stakeholders and processes in [the] water sector in Georgia, available from <http://www.unece.org/index.php?id=27186>.

development of the river basin management plan for the Chu River; (b) setting targets and target dates at the national level in the context of the Protocol on Water and Health (on the basis of preliminary study implemented in two pilot basins — the Chu River Basin and the Issyk-Kul Basin); and (c) improving economic instruments for water resource management in the Issyk-Kul Basin. In 2010–2012, the NPD on IWRM in Kyrgyzstan has been supported by EC and by the Government of Finland. The Danish Ministry of Foreign Affairs has provided an international expert who assists in the development of the policy package on the river basin management plan for the Chu River. The Government of Norway is providing support to the target-setting process. The work on economic instruments for water resource management is supported by Switzerland and EC (AIDCO).

Republic of Moldova

31. The NPD on IWRM in the Republic of Moldova started in 2006. The dialogue resulted in three policy packages adopted in 2009–2010, including a Governmental Order on wastewater discharges from municipal sources (2009), a Draft Order of the Agency “Apele Moldovei” on the establishment of river basin management authorities and river basin councils (2009), and an Action Plan to achieve the water-related MDGs under the Protocol on Water and Health. In 2009–2010, with financial assistance from the Government of Switzerland under an agreement between the Swiss Agency for Development and Cooperation and ECE, the dialogue focused on the setting of targets and target dates on water and health in accordance with the Protocol on Water and Health. It resulted in a Government Decision on the targets under the Protocol that was adopted on 20 October 2010.⁵ The continuation of the NPD on IWRM supported by the Swiss Agency will focus on the monitoring of implementation of the targets established under the Protocol on Water and Health and supporting the achievement of certain targets set, in particular in relation to the management of small-scale water supplies and public information. This work will be done in close coordination with the NPD on WSS.

32. The NPD on WSS also started in 2006. Its first phase (2006–2007) was devoted to developing a National Financing Strategy for Urban and Rural WSS in the Republic of Moldova. This output helped to identify the need to revise the governmental strategy for WSS, taking into account financial aspects. The dialogue process in 2006–2007 was supported by EC/AIDCO and the Department for International Development of the United Kingdom of Great Britain and Northern Ireland.

33. The second phase of the NPD on WSS (2009–2010) was devoted to developing a mid-term Action and Investment Plan as a tool to operationalize the implementation of the Financing Strategy and as a realistic mid-term building block of the revised Government strategy for WSS. In this phase, the dialogue was supported by EC/AIDCO, Austria and the Czech Republic.

34. The ongoing third phase of the NPD on WSS (starting in late 2011) focuses on developing an adaptation strategy for WSS to make it more resilient to climate change, and on sustainable business models for sanitation in small towns and villages in the Republic of Moldova. The ongoing phase is supported by EC (Directorate General for the Environment and AIDCO) and the OECD/Environmental Action Programme (EAP) Task Force. The

⁵ The full description of the targets adopted by the Republic of Moldova, including the rationale and baseline for each of them, is included in the publication, *Setting targets and target dates under the Protocol on Water and Health in the Republic of Moldova* (2011), available online in English from http://www.unece.org/fileadmin/DAM/env/water/publications/documents/guidelines_E/W_H-book-MD-En-2011.pdf.

NPD on WSS will provide useful inputs to the revised Government strategy for WSS, and to the national adaptation strategy.

Russian Federation

35. The policy dialogue on WSS was launched in 2010 in the Russian Federation and focused on improving the legal, institutional and regulatory framework for private sector participation in WSS. Key outputs from the NPD were lessons learned from the private sector participation in WSS in the Russian Federation and in the countries of Eastern Europe, the Caucasus and Central Asia and the Assessment of the Framework for Private Sector Participation in WSS in the Russian Federation, with respective recommendations. The two documents provided useful input to the process of developing a federal law on WSS, adopted later in 2011, as well as the process of improving the federal law on concession agreements and related subsidiary regulations. The policy dialogue on WSS was supported by EC/AIDCO, the World Bank, the Russian Development Bank (Vnesheconombank), “Evrasijskij” (a large private operator) and by three Directorates of OECD.

36. An exploratory mission for resuming the policy dialogue in the Russian Federation was organized in May 2012. It is anticipated that new work will develop on the use of economic instruments for water resources management, at the national and/or basin levels. This would be very timely, as the Russian authorities put in place river basin management plans in the country.

Tajikistan

37. The NPD on IWRM in Tajikistan started in 2010. Two Steering Committee meetings took place in 2011 and one in May 2012. The Road Map for the NPD on IWRM, which describes the content and workplan of the NPD, was prepared in 2010 and is regularly updated. The main focus of the NPD on IWRM in Tajikistan is to support the development of the water sector reform strategy, including the development of the legal and institutional frameworks based on IWRM principles. An expert group on the water sector reform strategy regularly meets to this end.

38. Strengthening transboundary water cooperation with neighbouring Kyrgyzstan, as well as Afghanistan (management of the Upper Amu Darya Basin), is another important issue on the NPD agenda. In 2010–2012, the NPD on IWRM in Tajikistan was funded by EC and the German Agency for International Cooperation (GIZ). The Danish Ministry of Foreign Affairs has provided an international expert who assists the Government of Tajikistan in developing a report mapping IWRM stakeholders and a road map.

39. OECD has recently been asked to contribute to the ongoing NPD and the water sector reform strategy by strengthening financing of the water sector in Tajikistan through development of a sound tariff policy.

Turkmenistan

40. The kick-off meeting for the NPD on IWRM in Turkmenistan was held in December 2010, followed by the first Steering Committee meeting in April 2011. As part of the NPD on IWRM, an interministerial expert group was established to review the national legislation of Turkmenistan in the light of the adoption of the standards of the Water Convention, including the IWRM principles enshrined in the Convention. The expert group held eight meetings. The group developed a detailed analysis of the national legislation and concluded that the Water Convention corresponds to the interests of Turkmenistan. On 4 August 2012, the Parliament of Turkmenistan voted for the country’s accession to the Water Convention. On 29 August 2012, Turkmenistan deposited its instrument of accession. The country will become thirty-ninth Party to the Convention on 27 November

2012. In November 2011, a national workshop on IWRM was organized to familiarize the participants with IWRM implementation in the EU and in other countries of the Eastern Europe, the Caucasus and Central Asia subregion, as well as to discuss the tools and opportunities for application of IWRM principles in Turkmenistan. An international consultant was commissioned to prepare a report on the opportunities to introduce a river basin management approach in Turkmenistan. During the period 2010–2012, the NPD on IWRM in Turkmenistan has been supported by Norway, EC and GIZ.

Ukraine

41. In Ukraine, the dialogue process on IWRM started in late 2007. A first policy package, approved by the Steering Committee in 2008, was a plan to achieve sustainable water management, safe drinking water and adequate sanitation under the Protocol on Water and Health. The plan was implemented in 2009–2010 with financial support from Norway and in-kind contributions from Israel. The NPD on IWRM also focused on strengthening the legal and institutional framework for water management with a view to tackling the impacts of climate change.

42. Two policy packages were developed within the NPD on IWRM, namely (a) a draft concept on adaptation of water policy in Ukraine to climate change, based on the Water Convention's *Guidance on Water and Adaptation to Climate Change*;⁶ and (b) terms of reference for the future project on climate change impacts on water resources in the Dniester River Basin. In addition, a proposal has been submitted to the Ministry of Economy on harmonization of national legislation with the EU Floods Directive.⁷ These policy packages facilitated the development of a pilot project on reducing vulnerability to extreme floods and climate change in the Dniester Basin, which is now implemented under the framework of ENVSEC by ECE, OSCE and the United Nations Environment Programme.

43. OECD launched an NPD on WSS in Ukraine in 2009, with the Ministry of Regional Development, Construction and Housing and Communal Services of Ukraine as a leading partner. OECD supported the development of a road map of reforms to create a legal and institutional context that supports inter-municipal cooperation in the water sector. A pilot project on alternative options as regards the appropriate scale and scope of WSS systems was implemented in two regions (Cherkassy and Kyiv) in 2011. Further work is being considered on the incentives that can promote inter-municipal cooperation for WSS in Ukraine. This work is relevant for most countries in Eastern Europe, the Caucasus and Central Asia and there are opportunities for replication.

44. In 2012, OECD extended activities in Ukraine to water resources management and launched a project on strengthening the economic and financial dimensions of water resources management of the Kalmius River Basin (Donetsk region) and development of a sustainable business model for the Kalmius basin council.

⁶ United Nations publication, Sales No. 09.II.E.14. Available from <http://www.unece.org/index.php?id=11658>.

⁷ Directive 2007/60/EC of the European Parliament and of the Council of 23 October 2007 on the assessment and management of flood risks.

B. Coordination and communication activities in the past year

World Water Week (August 2011)

45. The EUWI Multi-Stakeholder Forum, organized on 25 August 2011 during the World Water Week in Stockholm, provided an opportunity for stakeholders to be updated on recent developments within EUWI and to exchange feedback on the provisional EUWI Strategic Framework. The highlights of the EUWI in the Eastern Europe, the Caucasus and Central Asia subregion were presented and received positive feedback.

Side event at the Seventh “Environment for Europe” Ministerial Conference (September 2011)

46. The side event, “Implementation of IWRM principles at national level through the EU Water Initiative National Policy Dialogues and other programmes”, was organized on 23 September 2011 during the Seventh “Environment for Europe” Ministerial Conference in Astana, by the Romanian Ministry of Environment and Forests, EC, OECD and ECE. Participants at the meeting discussed implementation of the ongoing reforms in the water sector and experiences of NPD implementation in the countries of Eastern Europe, the Caucasus and Central Asia. The side event provided an important occasion to mark the achievements and address challenges ahead, as well as to raise awareness of Governments and stakeholders in the pan-European region about the EUWI NPDs.

Annual meeting of the EUWI Eastern Europe, Caucasus and Central Asia Working Group (November 2011)

47. The annual meetings of the EUWI Eastern Europe, Caucasus and Central Asia Working Group provide an important platform for the exchange of experience between countries of the subregion on the implementation of NPDs. The fifteenth meeting of the Working Group took place on 7–8 November 2011 in Bucharest, Romania. The meeting, hosted by the Romanian Ministry of Environment and Forestry with support from EC, brought together over 40 officials from the countries of the subregion and EU member States, representatives of NGOs, the private sector, international financial institutions and international organizations, as well as experts from the WSS sector.

48. The meeting focused on the progress made in the implementation of NPDs in countries in Eastern Europe, the Caucasus and Central Asia, in particular with regard to supporting legal and institutional reforms in the water sector and addressing the over-fragmentation in the WSS sector. Participants also discussed the development of NPDs in the area of transboundary cooperation. The use of economic instruments to improve water allocation in the subregion, and the lessons learned by Romania in the implementation of IWRM, were addressed to stimulate exchange of experience and best practices. Major directions for the NPDs implementation in 2012 were agreed upon.

World Water Forum (March 2012)

49. OECD, together with the World Bank, organized a Workshop on Strategic Financial Planning for Water at the World Water Forum in March 2012, in Marseille, France, with extensive reference to the methods and outcomes from NPDs on WSS in countries in Eastern Europe, the Caucasus and Central Asia. Participants committed to set up a resource platform on strategic financial planning.

Annual meeting of the EUWI Eastern Europe, Caucasus and Central Asia Working Group (July 2012)

50. The sixteenth meeting of the EUWI Eastern Europe, Caucasus and Central Asia Working Group took place on 2 July 2012 in Geneva, Switzerland. It reviewed progress in the implementation of NPDs with a focus on such thematic areas as awareness and application of IWRM principles, including cost-recovery; adapting the water sector to climate change at the national and transboundary levels; and approximation of European and international water law instruments. The Working Group endorsed its Indicative Workplan for 2012–2013.⁸

Role of NPDs in promoting regional cooperation

51. Possibilities for linking the NPDs with relevant international initiatives in Eastern Europe, the Caucasus and Central Asia are regularly explored. In 2011, the NPDs in Central Asian countries were included in the Third Aral Sea Basin Programme (ASBP-3) developed under the leadership of the Executive Committee of the International Fund for Saving the Aral Sea. In 2012, exchange of experience in the implementation of the NPDs on IWRM in Central Asian countries is being promoted through participation of representatives from other countries in the various national Steering Committee meetings.

Communication activities

52. A newsletter, “Update on National Policy Dialogues”, ensures dissemination of information on the NPDs in countries of the subregion to policymakers and stakeholders and serves to promote EUWI and to share the experience accumulated in EUWI implementation in the countries of Eastern Europe, the Caucasus and Central Asia. Four issues of the newsletter were published from mid-2011 to mid-2012 in English and Russian.⁹ In addition, short interviews on the implementation of NPDs on IWRM in Kyrgyzstan, Tajikistan and Turkmenistan were recorded by the United Nations Television and displayed on YouTube in early 2012.¹⁰ Press releases covering the NPD Steering Committee meetings are regularly issued by ECE in the English and Russian languages to ensure the visibility of the EUWI NPDs.¹¹

IV. Lessons learned and challenges ahead

53. Implementation of the EUWI in countries of the Eastern Europe, the Caucasus and Central Asia through NPDs on IWRM and WSS has made important contributions to the development of water sector reforms and the achievement of water-related MDGs in the subregion. The importance of the EUWI and the role of NPDs as powerful tools to promote reform of the water sector, the development of modern water strategies and legislation and

⁸ Available from <http://www.unece.org/environmental-policy/treaties/water/areas-of-work-of-the-convention/european-union-water-initiative-and-national-policy-dialogues/envwatermpd-meetings/other-meetings/2012/core-group-of-the-euwi-national-policy-dialogues-meeting-euwi-eecca-16th-working-group-meeting/core-group-of-the-euwi-national-policy-dialogues-meeting-euwi-eecca-16th-working-group-meeting.html>.

⁹ See <http://www.unece.org/env/water/npd/publications>

¹⁰ In Russian. See <http://www.youtube.com/watch?v=bNGFYXFeXes> (Kyrgyzstan),
<http://www.youtube.com/watch?v=GoJQpGtp2Q> (Tajikistan),
<http://www.youtube.com/watch?v=H88djqIEbvE> (Turkmenistan).

¹¹ See <http://www.unece.org/index.php?id=24027>.

intersectoral cooperation was acknowledged at the Seventh “Environment for Europe” Ministerial Conference.¹²

54. The political leadership of EC and the EUWI Chair is very important for the implementation of the NPDs. The participation of Heads of EU Delegations and of the EU Special Representative for Central Asia in the Steering Committee meetings has ensured and demonstrated such political leadership. Close coordination of NPD activities with EU Delegations and embassies of EU member States in the countries, as well as coordination of NPD activities with other EU activities (e.g., under the EU-Central Asia Platform and in the framework of projects supported by EC) has proven extremely effective and should be continued.

55. The experience with implementation of the NPDs demonstrated that the dialogues respond to countries needs and are much requested: countries in which the NPDs were supposed to end asked that they be continued and countries that were not initially interested requested the start of NPDs (Kazakhstan). Donors and international organizations are also interested in NPDs as, in many instances, NPDs provide a platform to share expertise and coordinate initiatives.

56. Implementation of policy packages (e.g., new governmental regulations) is one of the key objectives of the NPDs. At the same time, individual policy packages should be well-defined and not overly ambitious.

57. The topics of the NPDs evolve over time, reflecting the developing needs of the respective countries. NPDs need to take into account and align themselves with the relevant reform processes at different levels. Support to the dialogues needs to be flexible enough to accommodate new demands.

58. The NPDs should focus on policy issues rather than technical ones. They should be designed as national platforms where representatives of all relevant sectors and key stakeholders meet and discuss water policy.

59. The political instabilities in some target countries are one of the major concerns. Supporting and, when needed (in case of changes in governments), re-establishing an NPD are long and resource-consuming processes. Flexibility in planning is necessary to ensure the most efficient use of resources and processes in the respective countries. Liaising with a wide array of policymakers in each country, and engaging EC delegations are ways to mitigate the consequences of political instability in countries of the subregion.

60. Leadership and the commitment of national actors are important for successful implementation of NPDs. The involvement of representatives of parliamentary and governmental bodies is crucial for the discussion and adoption of the new policy packages. NGOs are important drivers for policy reform discussions and should be actively involved in the dialogue processes.

61. Good coordination with development partners often helps to ensure sustainability of the results of NPDs in the medium term: e.g., in several instances, EC and bilateral donors followed up on specific priority actions and technical assistance needs identified in the policy dialogue process on WSS. Cooperation with other international organizations active in the subregion is important to ensure that reforms in the water sector are developed and effectively implemented.

¹² See the Ministerial Declaration (ECE/ASTANA.CONF/2011/2/Add.1, para. 4) adopted by Conference and the Chair’s Summary (ECE/ASTANA.CONF/2011/2/Add.2, paras. 25 and 63).

62. The NPDs on IWRM are successfully building on the multiple ECE activities, including (a) activities under the ECE environmental conventions, in particular the Water Convention (e.g., the programme of pilot projects on adaptation to climate change in transboundary basins) and its Protocol on Water and Health; (b) the ECE Environmental Performance Review (EPR) Programme; and (c) ECE projects and activities on the ground, such as those implemented by the Regional Adviser on the Environment. Such synergies should be maintained and extended. Direct contacts and regular cooperation of ECE in different United Nations forums with the Governments of the countries in Eastern Europe, the Caucasus and Central Asia help to achieve the political commitment of these Governments to NPD implementation and ensure their long-term sustainability.

63. Similarly, NPDs can build on the work on water developed by OECD and on the wide array of expertise in OECD countries. It is noteworthy that current work on water at OECD covers policies to enhance water security; adaptation of water policies and infrastructure to climate change; managing water from a green growth perspective; mechanisms to allocate water; water and urbanization; and private sector participation in WSS. In each of these areas, OECD pays particular attention to making the best use of water and financial resources. It analyses best practices in OECD countries and beyond. Synergies between NPDs in Eastern Europe, the Caucasus and Central Asia and OECD work on water go both ways: NPDs can build on this vast array of expertise, and they contribute hands-on experience of making water policy reforms happen.

64. There are increasing synergies established between, on one hand, national and, on the other hand, transboundary and regional cooperation activities in the subregion. The number of activities within NPDs supporting national policies for transboundary cooperation with neighbouring countries is growing. Coordination with regional initiatives such as ASBP-3 opens possibilities to support regional cooperation processes through the national dialogues.

65. NPDs are policy processes, which evolve over time. They are typically set for several years and require a medium/long-term perspective. It is important that financial support reflects this dimension. The contribution of EC is critical, as it spans several years and contributes to the financial stability of the programme. Recurrent and stable funding from Finland, Germany, Norway and Switzerland are similarly important.

Annex

Funding of the National Policy Dialogues

1. In 2010–2012, the NPDs on IWRM and WSS were financed by EC, bilateral donors and international organizations.
2. Several Governments provided support to the NPDs on IWRM implemented by ECE. The Government of Finland supported the continuation of the NPD in Kyrgyzstan and the development of the NPD in Georgia. It also provided expert support on EU WFD issues for Azerbaijan and Georgia. The Government of Norway supported the NPD on IWRM activities in Turkmenistan and the target-setting activities in Kyrgyzstan. The Government of Switzerland provided funding for the pilot project on payments for ecosystem services under the NPD on IWRM in Armenia, for the support of expert travel, as well as for the NPD on IWRM in Uzbekistan.^a The Danish Ministry of Foreign Affairs, through the Danish International Development Agency, provided expert support for NPDs on IWRM in Tajikistan and Kyrgyzstan. The Government of Germany, through GIZ, provided additional funds for meetings and a local consultancy in Tajikistan and Turkmenistan. OSCE supported the organization of Steering Committee meetings in Azerbaijan. ENVSEC, through OSCE, has supported the organization of a stakeholder meeting in Georgia. In-kind contribution was also provided by ECE, including the contribution by regular budget staff. The total NPDs on IWRM funding for 2010–2012 was €1,996,800, of which €849,900 (43 per cent) was provided by EC.
3. The NPDs on WSS and on the economic and financial dimensions of water resources management implemented by OECD relied on the following additional support in 2010–2012. The Government of Austria and EC (through the Directorate General for the Environment) provided funds for the NPD in the Republic of Moldova. The Government of the Czech Republic supported the NPD in the Republic of Moldova. The Governments of Finland and Germany supported the NPDs in Armenia and Ukraine. Germany also provided funds for a project on the economic dimension of water resources management in the Kura River Basin in 2011–2012. In addition, Germany supports NPDs through the EAP Task Force; this includes resources used to develop the report, *Ten Years of Water Sector Reform in Eastern Europe, Caucasus and Central Asia*, presented at the Astana Ministerial Conference in 2011. The Government of Switzerland provided funds for the work on economic instruments for water resources management in Kyrgyzstan. The NPD in the Russian Federation in 2010 was co-sponsored by the World Bank, the Russian Development Bank (Vnesheconombank), “Evrasijskij” and by three Directorates of OECD. UNDP and GIZ supported the organization of one meeting in Kyrgyzstan.
4. For the forthcoming period, with regard to the NPDs on WSS, the Government of Norway will support work on the use of economic instruments for water resources management in Kazakhstan, Kyrgyzstan and/or Tajikistan. The Government of Switzerland will support work on water resources management in Kazakhstan, Kyrgyzstan and/or Azerbaijan. Germany also renewed its support to water-related work in the context of the EAP Task Force.

^a The funding for Uzbekistan was used for the exploratory mission to Uzbekistan in April 2010.

Table 1
Funding of National Policy Dialogues in 2010–2012 (in euros)

<i>Funding Government or agency</i>	<i>Joint OECD-ECE</i>	<i>ECE</i>	<i>OECD</i>
European Union (EuropeAid)	1 900 000	–	–
European Union (DG Environment)	–	–	200 000
Government of Austria	–	–	235 000
Government of the Czech Republic	–	–	10 000
Government of Denmark	–	243 000	–
Government of Finland	–	342 000 ^a	430 000 ^b
Government of Germany (GIZ)	–	23 700	–
Government of Germany (BMU)	–	–	560 000
Government of Norway	–	212 400	–
Government of Switzerland	–	100 000	60 000 ^b
OSCE	–	12 200	–
ENVSEC through OSCE	–	13 600	–
ECE	–	200 000 ^c	–
OECD	–	–	N/A
Total estimated	1 900 000	1 146 900	1 495 000

^a €300,000 provided as contribution to ECE, €42,000 provided as expert support to the NPDs on IWRM in Azerbaijan and Georgia.

^b Equivalent to the share of a larger grant allocated to water projects in countries of Eastern Europe, the Caucasus and Central Asia.

^c Estimated, including input by ECE regular budget staff.

Table 2
Funding of National Policy Dialogues in 2012–2015 (in euros)

<i>Funding Government or agency</i>	<i>Joint OECD-ECE</i>	<i>ECE</i>	<i>OECD</i>
European Union (DG DevCo)	3 200 000 ^a	–	–
Government of Germany (BMU)	–	–	200 000
Government of Norway	–	210 000 ^d	390 000 ^b
Government of Switzerland	–	–	40 000 ^b
ECE	–	200 000 ^c	–
OECD	–	–	N/A
Total estimated	3 200 000	410 000	630 000

^a Covering the period February 2012–January 2016. ^b Equivalent to the share of a larger grant allocated to water projects in countries of Eastern Europe, the Caucasus and Central Asia.

^c Estimated for 2013–2015, including input by ECE regular budget staff.

^d Committed for 2013–2015.

5. The funding by bilateral donors and international organizations is an important source for NPDs in 2010–2012 and has allowed strengthening and broadening the NPD process, as well as supporting the preparation of policy packages and pilot projects. It is important to mention that the funding by bilateral donors and international organizations

has taken a variety of forms: from direct financial contributions to in-kind expert support, financing of selected meetings and pilot projects.

6. Following the application by OECD and ECE, the EC Directorate for Development Cooperation provided funding for the second phase of the NPDs, for the period from February 2012 to January 2016, in the total amount of €3,202,854. These resources are provided for the implementation of the NPDs on WSS and IWRM in 10 countries: Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Republic of Moldova, Russian Federation, Tajikistan, Turkmenistan and Ukraine. Should Belarus and Uzbekistan signal their interest in implementing NPDs, a proportion of funds should be used to launch and implement NPDs in these countries. The main activities in the second phase include: (a) promoting the political commitment of countries in Eastern Europe, the Caucasus and Central Asia countries at the national level to action- and innovation-oriented partnership; (b) development of a robust analytical basis for substantive policy dialogues and the elaboration of the policy packages; (c) benchmarking and exchange of experiences; (d) dissemination of project information; and (e) strengthening of stakeholder involvement. Apart from country activities, transboundary policy dialogue on IWRM and other regional activities are envisaged.

7. While the EC contribution sets the programme on a solid basis, additional contributions from bilateral donors and other institutions are needed to ensure the success of ongoing projects, and to respond to new requests from countries in Eastern Europe, the Caucasus and Central Asia. In particular, hiring an additional full-time professional staff in the ECE secretariat would be important for the stable functioning of the programme.
