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**Agenda item 5: Capacity Building
Progress and Perspectives in Implementation of the Environmental
Strategy for countries of Eastern Europe, Caucasus and Central Asia**

Chairman, Ministers, Excellencies, Ladies and Gentlemen

As the Co-Chair of the EAP Task Force from the side of donors, I would also like to welcome the report. Following the decisions at the 2003 Kiev Ministerial Conference, the report has been prepared under the auspices of the EAP Task Force, involving a unique process of cooperation among EECCA countries, NGOs and all international institutions active in the region. As a result, I think we can be confident that we have assembled the best possible analytical base on which we can discuss the progress and future environmental challenges facing EECCA countries. As the Co Chair of the EAP Task Force, I would like to express my gratitude to all who were involved in the production of the report.

I would like to use the short time I have available to highlight some of the key findings emerging from the report and to indicate how the European Commission will continue to support environmental reform in the EECCA region after the Belgrade Conference.

Water supply and sanitation have been priority areas for the EAP Task Force since the Kiev Conference. The report indicates that important progress has been made in reforming policies and institutions in the water sector, not least, tariff reform. However, the overall situation is still critical. Substantial further efforts – and finance – will be needed to achieve the water-related Millennium Development Goals in EECCA countries. Thousands of children are dying each year in this region due to contaminated water. This is a human tragedy which must be addressed. But there is

also a good economic case for investing more in water: the report points out that the social benefits of providing access to safe water supply and sanitation services exceed by 13 times the cost of providing those services.

Water supply and sanitation must remain a priority for action after the Belgrade Conference. The EU Water Initiative, which will now be chaired by Romania for the EECCA region, will continue to provide support.

A second priority for the EAP Task Force has been the reform of environmental policies and institutions. Again important progress has been recorded, particularly in reforming environmental laws and upgrading environmental institutions – though even here progress is not uniform and some environment ministries have seen their status and resources eroded since the Kiev meeting. Environment ministries in all EECCA countries face huge challenges to develop realistic strategies and to reform the main policy instruments. For example, the report points out that Environmental Impact Assessment procedures in most EECCA countries do not comply with best international practice.

Work in the EAP Task Force has shown that the permitting systems in EECCA countries – another fundamental environmental management tool – are ineffective. Above all, Environment Ministries need to make a stronger case for why environment should be integrated into national economic development and poverty reduction strategies.

I believe that strengthening the capacities of environment institutions in EECCA countries should remain a priority after the Belgrade Conference. In addition, I think we need to take a new look at this challenge, and find more effective approaches for meeting it.

One other finding from the report I would like to highlight is related with energy efficiency. EECCA countries are not actively promoting energy efficiency measures and , as a result, energy intensity in the region is three times higher than in western

Europe. Financing for initial investments could be mobilised from international markets and generate good returns. The region has the potential to capture up to 40% of the global carbon market, yet its submissions to the Clean Development Mechanism represent less than 1% of global submissions.

I think these examples clearly illustrate that much more needs to be done to address environmental challenges in the EECCA region. The donor community has a vital role to play – and an interest - in this process, particularly in relation to the poorer EECCA countries. However, the report documents that overall levels of environmental assistance to the region have declined since the turn of the century, both absolutely and as a share of bilateral assistance.

The support from the European Commission has increased in the same period to the extent that the Commission is now the single largest donor to EECCA in the environmental field.

This year, the Commission adopted a new set of financial instruments linked clearly to the EU's policy frameworks for co-operation with the countries of the region which will also structure our environmental collaboration with the EECCA countries. So let me briefly describe what this implies.

The TACIS programme has been replaced by a new instrument – the European Neighbourhood and Partnership Instrument – the ENPI.

This is a policy-driven instrument, designed to target sustainable development and approximation to EU policies and standards – It is aimed at supporting the priorities agreed jointly by the EU and the partner countries in the Action Plans of the Neighbourhood Policy and, in the case of the Russian Federation, in the Strategic Partnership with Russia.

For the period 2007-2013, approximately €12 billion in EC funding will be available to support these partners' reforms, an increase of 32% in real terms.

New forms of technical assistance are also being developed such as targeted expert assistance, long-term twinning arrangements with EU Member States' administrations (national, regional or local) and participation in Community programmes and agencies.

Under the current financial framework assistance priorities will be identified, together with the country and other relevant actors, in general Country Strategy Papers (CSPs) which cover 7 years, in more detailed National Indicative Programmes (NIPs) which cover 3 years and detailed annual programmes. The priorities identified in the Action Plans, agreed with the authorities of the country, are also useful in guiding the programming of assistance programmes – including for other donors and IFIs.

This instrument provides opportunities for supporting environmental projects in the region for as long as they are considered as a priority by the countries concerned and included in the programmes that I have described.

The new funding rules and modalities exclude grants to core-funding organizations such as the EAP Task Force and the RECs that were possible under the old instruments and, for this reason, such organizations will need to focus on opportunities for project-funding related to the priorities of the Neighbourhood Policy Action Plans and the EU-Russia Common Economic Space road-map.

There will also be other opportunities for Community funding in areas such as the implementation work of the existing UNECE environmental conventions, and contributing, with the EU Member States, to improvement of the water sector in the EECCA region towards the objectives of the EU Water Initiative. Those are areas

identified by the Commission in its paper adopted last May in preparation for this Belgrade Conference.

Mister Chair, Ladies and gentlemen,

I would like to close by affirming that the European Commission is confident in that, with the support of the EECCA countries and partners in the EfE process, we can make further progress on building environmental capacity in the region.