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Water Policy Reforms in Eastern Europe, the Caucasus and Central Asia
Water Policy Reforms in Eastern Europe, the Caucasus and Central Asia

Achievements of the European Union Water Initiative, 2006-16

June 2016
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Abbreviations and acronyms

EAP TF ......................................... Task Force for the Implementation of the Environmental Action Programme
EBRD ........................................ European Bank for Reconstruction and Development
EC ............................................ European Commission
EECCA ....................................... Eastern Europe, the Caucasus and Central Asia
EU ........................................... European Union
EUWI ....................................... European Union Water Initiative
GEF .......................................... Global Environment Facility
IFAS ........................................ International Fund for Saving the Aral Sea
IWRM ....................................... Integrated Water Resources Management
MDGs ....................................... Millennium Development Goals
MS ........................................... Member State(s) of the European Union
NPD .......................................... National Policy Dialogue
OECD ....................................... Organisation for Economic Co-operation and Development
OSCE ....................................... Organisation for Security and Co-operation in Europe
PSP .......................................... Private sector participation
RBMP ....................................... River basin management plan
SC ........................................... Steering Committee
SDGs ....................................... Sustainable Development Goals
UNDP ....................................... United Nations Development Programme
UNECE .................................... United Nations Economic Commission for Europe
UNEP ....................................... United Nations Environment Programme
The Water Convention ........ The UNECE Convention on the Protection and Use of Transboundary Watercourses and International Lakes
WFD ......................................... Water Framework Directive1
WRM ....................................... Water resource management
WSS ......................................... Water supply and sanitation

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1. The EUWI and water policy reforms in EECCA
The EUWI and its EECCA component

The European Union Water Initiative (EUWI) was launched at the World Summit on Sustainable Development in Johannesburg in 2002. The overriding aim of the EUWI is to support the achievement of the water-related Millennium Development Goals (MDGs). This includes targets for the integration of sustainable development principles into country policies and programmes (goal 7) and a reversal of the losses of environmental resources (target 9). It also comprises an ambitious target to halve the proportion of the population without sustainable access to safe drinking water and basic sanitation by 2015 (target 10).

A key operational tool of the EUWI is the Water Framework Directive (WFD). This is an essential legislation for water management promoted by the European Commission. The WFD aims primarily at getting Europe's waters cleaner while getting the citizens involved (see Box 1).

The WFD policies can be tailored to respond to local conditions and priorities. Hence, countries of Eastern Europe, the Caucasus and Central Asia (EECCA) would also be able to benefit from adopting a range of relevant measures. As these countries have many problems in common with regard to water management, the EECCA component of the EUWI has envisaged several water policy reform goals across the region.

Key objectives are:

- **Water resources management**: – Improving the institutional and regulatory framework with a view to approximate to the WFD and related legislation; – Managing water in a way that contributes to water-, food- and energy security, and economic development;

- **Water supply and sanitation**: – Ensuring access of the poor to essential water services as a basic human right; – Improving the institutional and regulatory framework; – Encouraging investment in water supply and sanitation and ensuring financial viability of utilities; – Safeguarding public health;

- **Transboundary cooperation**: – Contributing to peace by developing inter-state co-operative structures for water management.

The EU Water Framework Directive

The EU Water Framework Directive (WFD) was adopted in October 2000. It is commonly acknowledged as a model for water legislation and water policies. It provides a framework for water reform policies in EU member states and beyond.

In response to concerns by European citizens, the European Commission ambitions to get polluted waters clean again. In achieving these objectives, the role of citizens and citizens’ groups is crucial.

Specifically, the WFD’s water protection goal aims at:

- **expanding the scope of water protection** to all waters, including surface waters and groundwater;

- **achieving “good status” for all waters by a set deadline**: there are a number of objectives which define whether the quality of water is protected. All these objectives must be observed for each river basin and converge towards the “good status” of all water bodies;

- **managing water based on river basins**: the natural geographical and hydrological unit is considered the best model for a single system of water management;

- **proposing a “combined approach”** of emission limit values and quality standards;

- **getting the prices right**: adequate water pricing acts as an incentive for the sustainable use of water resources and thus helps to achieve the environmental objectives under the Directive;

- **getting citizens involved more closely**: there are two main reasons for an extension of public participation. First, decisions on the most appropriate measures to achieve the objectives in the river basin management plan will involve balancing the interests of various groups. Second, the implementation of decisions is likely to be more effective and lasting if endorsed by the public;

- **streamlining legislation**: the framework directive approach streamlines the Community’s water legislation by replacing seven old pieces of legislation, which can be repealed at this stage.

OECD and UNECE – strategic partners in the implementation process

The European Union identified the OECD and the UNECE as strategic partners for the implementation of the EUWI in EECCA. The partners cooperate closely on the many interlinked areas of work.

The OECD focuses on the economic dimension of water resources management: managing water as a driver for growth; making the best use of economic instruments for water management; and enhancing the financial sustainability of water supply and sanitation services. The OECD’s contribution is provided within the framework of the Task Force for the Implementation of the Environmental Action Programme (EAP Task Force), which was created by environment ministers in 1993 to guide reforms of environmental policies in the transition economies.

The UNECE is the strategic partner for work on IWRM, including transboundary river basin management. It contributes to the approximation of the EU acquis, building on the Water Convention and its Protocol on Water and Health.

The implementation of the EUWI in EECCA relies on National Policy Dialogues (NPDs). These are platforms where key stakeholders meet to discuss and advance policy reforms (see more details about NPDs in Section 5). NPDs are fed by robust analytical work and international good practice. They are jointly facilitated by the OECD and UNECE.

Structure of this brochure

The brochure highlights the main outcomes to which the EUWI contributed in the EECCA countries. Section 2 highlights specific achievements at country level in the context of national policy dialogues facilitated by the OECD and UNECE. Section 3 focuses on water diplomacy, highlighting progress in the context of transboundary water management and the regional dimension of the EUWI EECCA.

Section 4 looks ahead and suggests avenues for future work in the region, highlighting where the input of the EUWI and EU member states can make a difference. Section 5 describes how NPDs work as a process for achieving policy reform.
2. Major outcomes of the EUWI in EECCA countries

This section highlights the major outcomes in ten EECCA countries where the EUWI has been active since 2006. Some cross-cutting outcomes deserve particular attention.
2.1. Cross-cutting outcomes

Transparency of decision-making
The key principles of IWRM and the EU WFD are transparency and stakeholder consultation in policy-making and basin management. National Policy Dialogues (NPDs) have been highly effective in instilling these principles in the EECCA region. As described in Section 5, NPDs are platforms where stakeholders meet to share information, discuss policy options, and propose decisions on water policy reforms. Supporting documentation is made publicly available, including meeting agendas, technical reports and records of decisions made. Stakeholder meetings are used to disseminate information and discuss priorities of water policy reforms with a wider audience.

Coordination across government institutions
Another essential principle of IWRM is to move away from silos, to foster coherence and consistency across policies that affect water demand and water availability. NPDs typically convene representatives from a wide range of government ministries and agencies (e.g. those responsible for policy in the areas of water, economic development, finance, agriculture, energy, housing, health) as well as NGOs, allowing for truly integrated decision-making on cross-cutting policy issues. In some cases, governments have adopted this model of intersectoral cooperation for policy discussions in other fields.

Coordination of international organisations and donors
NPD meetings are attended by a wide range of international organisations and donors active in the countries. In several cases, NPDs have become a platform for donors’ exchange of information and coordination on water-related projects. Representatives of EU member states and international organisations are invited to present and share their work in the region. Such coordination supports the planning of activities, avoids duplication of work and ensures efficient and effective use of available funds. It also ensures sharing of best practices and promotion of the EU acquis across the region.

Resilience to political change
EUWI NPDs have proven to be resilient processes for policy reform despite political instability in some countries. This has been achieved through the long-standing engagement of a variety of stakeholders and several layers of administration. Fact-based, non-partisan analyses and recommendations developed by the OECD and UNECE have been instrumental in this resilience.

Implementation of the WFD principles
The Water Framework Directive and related EU Directives provide a set of principles and policy objectives which are relevant in EECCA. EUWI NPDs have supported convergence with such principles and objectives which guide the reform of water policies in the region. The country fiches document concrete progress towards river basin management, economically sound and financially realistic water policies, and more participative water governance. Such progress contributes to the implementation of water supply and sanitation services, water-, food- and energy security, and environmental performance.

The following pages highlight specific achievements at country level in the context of national policy dialogues facilitated by the OECD and UNECE. Each country fiche synthesises progress achieved along five axes:

- Transboundary water management
- National strategies on water, nexus
- The development of RBMPs
- The economic and financial dimensions of WRM
- WSS and Water and Health

A radar chart synthesises the level of achievements along each of these dimensions within the NPD process in each country (0 – no activity; 2 – fully achieved). A separate section presents contributions of the EUWI to water diplomacy in the region as well as the activities implemented in trans-boundary river basins.
Eastern Europe, the Caucasus and Central Asia

**UKRAINE**
- Bilateral treaty signed with Moldova on water cooperation.
- National targets developed for the Protocol on Water and Health.
- Recommendations provided for the geographical organisation of water supply and sanitation services.

**RUSSIAN FEDERATION**
- Federal legislation amended for Private Sector Participation in Water Supply and Sanitation (Federal Laws on Concession Agreements and on Water Supply and Sanitation).
- Recommendations on improving the use of economic instruments for water management in the Republic of Buryatia (Lake Baikal basin) developed.

**GEORGIA**
- New National Water Law drafted (based on the EU WFD).
- Bilateral water cooperation agreement on the Kura river under negotiation with Azerbaijan.
- National Financing Strategy developed for urban water supply.

**ARMENIA**
- National Financing Strategy developed for rural WSS to meet MDG targets.
- One pilot river basin management plan developed.
- Pilot project on Payments for Ecosystem Services developed.

**REPUBLIC OF MOLDOVA**
- Bilateral treaty signed with Ukraine on water cooperation.
- Draft Government Order produced on the establishment of river basin councils.
- Targets set under the Protocol on Water and Health and a Clearing House set up.
- National Financing Strategy on WSS developed. Significant additional public and donor spending followed.
- Recommendations on improving domestic financial support mechanisms for WSS developed.
KAZAKHSTAN
- NPD launched in June 2013 focusing on setting national targets for water and health, and the economic and financial dimensions of water management.
- Recommendations on sustainable business models for rural WSS developed.

KYRGYZ REPUBLIC
- Clear and realistic targets for WSS in the National Strategy for Sustainable Development.
- Creation of a government agency, with clear responsibilities for WSS.
- Strengthened capacity to use economic policy instruments for water management.
- River basin council established for the Chu River and RBMP being developed.
- Targets adopted for the Protocol on Water and Health.

AZERBAIJAN
- Bilateral water cooperation agreement on the Kura River under negotiation with Georgia.

TURKMENISTAN
- Accession to the Water Convention in 2012.

TAJIKISTAN
- Water Sector Reform Strategy produced; institutional changes already occurring.
- Transboundary water diplomacy efforts launched with Kyrgyzstan and Afghanistan.
- Targets set for the Protocol on Water and Health.
- Capacity of the Anti-Monopoly Agency strengthened to regulate water tariffs.
2.2. Armenia

A comprehensive assessment of selected economic instruments for water management identified the essential prerequisites for reforms. There are ample opportunities to support ambitious reforms in Armenia, particularly with regard to the economics of water management.

Priorit y Areas of Work and Main Activities
- Implementation of IWRM principles in line with the EU legislation.
- Ratification and implementation of the UNECE-WHO/Europe Protocol on Water and Health.

Key Achievements of the NPD
The NPD enjoys a high engagement level by officials in the Ministry of Environment and the State Committee of Water Systems. Armenian legislation on IWRM is converging towards the EU acquis. The NPD process had a key role through the development of policy packages:
- A National Financing Strategy for rural WSS was developed in order to achieve the MDGs in Armenia. Policy reforms were endorsed to close the financing gap for the sustainable operation and maintenance of existing services. Targets were agreed for infrastructure investment to expand services. Recommendations were made for institutional reform with respect to WSS in rural areas.
- A pilot River Basin Management Plan (RBMP) was developed for the Marmarik river basin in line with the principles of IWRM and the EU WFD, establishing the processes and institutions required. As a result, the Armenian authorities are now well equipped to replicate and scale up this pilot.
- Recommendations were developed to reform the current economic instruments for water management and introduce new ones. Water abstraction fees for the fishery sector have already been reformed.

Plans for the Future
- The Protocol on Water and Health is expected to be ratified and already drafted national targets formally adopted.

"I strongly believe that the success of the NPD in Armenia is largely due to its clear mission and the fact that it is fully in line with the water policy direction implemented by the Government of Armenia. We expect that the NPD will continue to support our efforts managing issues related to water resources and will help to ensure public participation in the process."

Volodya Narimanyan, First Deputy-Chairman of the State Committee of Water Systems, Armenia

PROGRESS IN MAIN WORK AREAS

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>Launch of NPD</td>
</tr>
<tr>
<td>2007</td>
<td>National financing strategy for rural WSS</td>
</tr>
<tr>
<td>2010</td>
<td>Pilot RBMP developed</td>
</tr>
<tr>
<td>2012</td>
<td>Work on economic instruments for water management</td>
</tr>
<tr>
<td>2013</td>
<td>Reform of water abstraction fees for the fishery sector</td>
</tr>
<tr>
<td>2015</td>
<td>Targets on Water and Health drafted</td>
</tr>
</tbody>
</table>
2.3. Azerbaijan

**PRIORITY AREAS OF WORK AND MAIN ACTIVITIES**
- Development of the National Water Strategy for the management of water resources and an action plan for its implementation.
- Harmonisation of water legislation with the EU legislation and IWRM principles.
- Promotion of transboundary water diplomacy and cooperation with neighbouring Georgia, including the finalisation of a bilateral agreement on the management of shared water resources.
- Reform of economic instruments for water management in Azerbaijan, Georgia and Armenia.

**KEY ACHIEVEMENTS OF THE NPD**
- The National Water Strategy has been drafted. It will be submitted to the Cabinet of Ministers for approval in 2016.
- In 2015-2016, national targets under the UNECE-WHO/Europe Protocol on water and Health were drafted.
- A benchmarking study on water utilities has strengthened the capacity of Azeri authorities to monitor the performance of the water supply and sanitation sector. This already contributes to improved policy making in the WSS sector.
- Developments in negotiating a bilateral agreement with Georgia on joint management of the transboundary Kura river basin have been reported and discussed at the NPD Steering Committee meetings.
- Pilot project was completed for testing the approach of water-food-energy-ecosystems nexus in transboundary Alazani river basin, which is shared by Azerbaijan and Georgia.

**PLANS FOR THE FUTURE**
- The National Water Strategy is expected to be formally adopted. Work on water-sector legislation will follow.
- Support to water diplomacy between Azerbaijan and Georgia will continue through an assessment of the potential economic benefits of enhanced transboundary cooperation and through negotiations on a bilateral agreement.
- In 2016 the national targets under the Protocol on Water and Health will be formally adopted.
- Transboundary water management and reforms that will facilitate investment in water infrastructures and water services are promising avenues for further work, in line with the Government’s priorities.
The capability of national experts, evident during the work for the NPD, gives grounds for optimism surrounding the future of IWRM in the country.

PRIORITY AREAS OF WORK AND MAIN ACTIVITIES
- Institutional reforms for IWRM in the view of approximation of EU water legislation, including the preparation of a National Water Law.
- Ratification of the UNECE-WHO/Europe Protocol on Water and Health and adoption of national water and health targets.
- Strengthening transboundary water cooperation with Armenia and Azerbaijan.

KEY ACHIEVEMENTS OF THE NPD
- A national water law was developed as part of the NPD process in Georgia. It introduces the river basin management approach (in line with the EU WFD) and clarifies the roles of state institutions. Several bylaws for practical implementation of new water law were also prepared. The new law and set of bylaws are expected to be approved by the end of 2016.
- A review of economic instruments for water management was conducted in Azerbaijan, Georgia and Armenia. Further reforms of existing instruments are being considered for Georgia in 2016.

PLANS FOR THE FUTURE
- Continued support will be provided to continue the process of legal approximation with EU water legislation in accordance with the EU-Georgia Association Agreement, signed in 2014.
- Support to water diplomacy with neighbouring Armenia and Azerbaijan will continue through an assessment of the potential benefits of enhanced transboundary cooperation, including the development of economic instruments.

"National Policy Dialogue is helping Georgia to reform its water legislation according to 2014 EU-Georgia Association Agreement"

Dr. Teimuraz Murgulia
Deputy Minister, Ministry of Environment and Natural Resources Protection of Georgia
2.5. Kazakhstan

**PRIORITY AREAS OF WORK AND MAIN ACTIVITIES**
- Accession to the UNECE-WHO/Europe Protocol on Water and Health and setting of national water and health targets.
- Sustainable business models for WSS in rural areas and small towns.
- Increasing contribution of multi-purpose water infrastructure (MPWI) to economic development, water, food and energy security.
- State support to agriculture, rural development and water-intensive industries impacting the water sector.
- Strengthening bilateral cooperation with neighbouring countries on the use of transboundary watercourses.

**KEY ACHIEVEMENTS OF THE NPD**
- Following the request by the Government of Kazakhstan, and preparatory work in 2012, the NPD on IWRM was launched in June 2013.
- Both OECD and UNECE provided comments on Kazakhstan’s draft *State Programme for Water Management to 2040*. The programme was adopted in April 2014. It provides a set of targets and priority activities, some of which will be supported through the NPD process.
- OECD-Kazakhstan co-operation programme signed in 2015, including two water projects that inform the NPD.
- In October 2015, Kazakh-Russian bilateral committee on transboundary waters decided to launch joint assessment on Ural river and Kigac tributary of Volga river. UNECE provides support to the work of bilateral group of experts.

**PLANS FOR THE FUTURE**
- Water is a key pillar of the Kazakh Green Economy Concept and this will drive future work. OECD will advise on options for reform of state support to agriculture, rural development and water-intensive industries impacting the water sector; and on options for increasing contribution of MPWI to economic development, water, food and energy security.
- Joint Kazakh-Russian assessment and strategy for rational use of the water resources in transboundary Ural river and Kigac tributary of Volga river will be prepared by 2017.
- UNECE will organise a series of trainings for national and local stakeholders in 2015-2018 on transboundary water cooperation and basin management, as well as teacher trainings for many universities on IWRM.
- Target setting process in the context of the Protocol on Water and Health is to be completed by the end of 2016 in the framework of the NPD process.

*From its launch, the NPD on water policy became a recognised platform for all interested stakeholders to discuss and develop recommendations on various priority issues, including on transboundary rivers. Particularly valuable is a project on assessment of the present state of the Ural river, conducted jointly by Kazakh and Russian experts with financial support from the EU in the framework of the NPD.*

Yerlan Nysanbaev,
Vice-Minister of Agriculture of Kazakhstan and Chair of the NPD Steering Committee

**PROGRESS IN MAIN WORK AREAS**
- Conventions, Water & Health
- Legislation, Strategies, IWRM & WFD
- Economic & Financial dimensions of WRM
- RBMPs
- WSS
- NPD preparation
- Targets on Water and Health drafted

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Studies on application of modern water-saving irrigation technologies were conducted in 2014-2015 by national and international experts with set of practical recommendations.

Targets on water and health were set and adopted in 2013, providing a reference for other countries in the region. In 2016, a project started to assist Kyrgyzstan in meeting these targets.

**Plans for the Future**

- Work will continue to support the Chu River Basin Council and preparation of the basin management plan.
- Work on methodologies for setting charges for the use of surface water resources and water bodies and monetary evaluation of damage to surface water resources will continue with support from OECD.
- Two projects aimed at greater levels of water security implemented through reform of rural WSS and improving coherence between the water and agri-food policies.
- Plan for implementation of the national water and health targets will be prepared and some of the targets implemented in 2016-2017 with assistance from UNECE.

**Priority Areas of Work and Main Activities**

- Strategic financial planning for WSS to achieve MDG targets.
- Implementation of IWRM principles, including the use of economic instruments.
- Support to basin planning and for establishment of basin councils with a pilot in the Chu basin.
- Improving coherence between the water and other sectoral policies (agri-food, energy).
- Setting and implementing targets in context of the UNECE-WHO/Europe Protocol on Water and Health.

**Key Achievements of the NPD**

- A national financing strategy for urban and rural WSS was developed, including an agreement on targets and policy recommendations to achieve the MDGs for WSS.
- Recommendations for reform options for economic instruments for WRM were developed through the NPD.
- Following the recommendations of the NPD, the government added clear WSS development targets to the latest National Strategy for Sustainable Development. The Government established a single body responsible for urban and rural WSS. The NPD also inspired the first formal state programme for WSS development.
- The River Basin Council for the transboundary Chu basin was set up by Ministerial Order. The first components of the river basin management plan have been drafted through the NPD. The National Water Council was established and it approved the country’s basin boundaries in February 2013.
- Studies on application of modern water-saving irrigation technologies were conducted in 2014-2015 by national and international experts with set of practical recommendations.
- Targets on water and health were set and adopted in 2013, providing a reference for other countries in the region. In 2016, a project started to assist Kyrgyzstan in meeting these targets.

**Plans for the Future**

- Work will continue to support the Chu River Basin Council and preparation of the basin management plan.
- Work on methodologies for setting charges for the use of surface water resources and water bodies and monetary evaluation of damage to surface water resources will continue with support from OECD.
- Two projects aimed at greater levels of water security implemented through reform of rural WSS and improving coherence between the water and agri-food policies.
- Plan for implementation of the national water and health targets will be prepared and some of the targets implemented in 2016-2017 with assistance from UNECE.
2.7. Republic of Moldova

PRIORITY AREAS OF WORK AND MAIN ACTIVITIES

- Adoption and implementation of IWRM and the principles of the EU water legislation.
- Setting and implementing of targets under the UNECE-WHO/Europe Protocol on Water and Health.
- Development of a strategic financial plan and a mid-term action plan for WSS. Work on sustainable business models for sanitation in small towns and villages.
- Development of a strategy to adapt WSS to climate change.
- Establishing of a sound economic regulatory system, and improving domestic financial support mechanisms for WSS.

KEY ACHIEVEMENTS OF THE NPD

Moldova implemented the first Action Plan within the framework of the European Neighbourhood Policy (ENP). The convergence of the environmental and water legislation is of particular importance for the country.

- The new water law was discussed in the context of the NPD. The law, which enforces the principles of the EU WFD, was adopted by the Parliament in 2011.
- A draft Government Order was produced on the establishment of river basin management authorities and river basin councils in 2009 but was not enacted.
- An NPD-related Government Order was also adopted on wastewater discharges from municipal sources.
- National targets under the Protocol on Water and Health were adopted by Government Decision. Assistance is being provided for their implementation. The Clearing House on the Protocol was established in 2013 as an outstanding example for the entire region.
- A National Financing Strategy for urban and rural WSS was developed. It was translated into a mid-term Action- and Investment Plan. Several institutional changes unfolded such as the creation of an independent regulator for WSS, and actions to overcome over-fragmentation of WSS services. The Strategy also facilitated a significant increase in government- and external funding for WSS.
- Sustainable business models for sanitation in small towns and villages were recommended. This served as an input to Germany’s work on regional development in Moldova.
- Recommendations on improving domestic financial support mechanisms for WSS were developed through NPD.

PLANS FOR THE FUTURE

- Work will continue to support the implementation of national targets on water and health and the operation of the Clearing House for information on water and health.
- Support will be provided for the approximation of EU water legislation according to the EU-Moldova Association Agreement, signed in 2014.
- Work aimed at assisting the Government of Moldova in establishing a sound economic regulatory system for WSS is be conducted with support from the OECD.

PROGRESS IN MAIN WORK AREAS
2.8. Russian Federation

Policy dialogue launched 2010

Policy Chair(s) and strategic partners in government
Ministry of Regional Development, Ministry of Economic Development
Russian Development Bank

Sources of funding for policy dialogue
European Union, Evrosijskij (a large Russian private operator), Government of Germany, the Russian Development Bank (Vneshekonombank), EBRD, the World Bank

PRIORITY AREAS OF WORK AND MAIN ACTIVITIES

Previous work under the EUWI EECCA includes:

- A review of the legal, institutional and regulatory framework for private sector participation (PSP) in WSS.
- A review of the economic instruments for water resources management at the federal and sub-sovereign levels.

KEY ACHIEVEMENTS OF THE POLICY DIALOGUE

- Due to the vast size and institutional complexity of the Russian Federation, a new approach was used when designing the proposed new NPD process. A pilot region of Buryatia has been chosen to test how the NPD process can support the reform of water policies at sub-sovereign level. In 2015, recommendations on improving the use of economic instruments for water management in the Republic of Buryatia (Lake Baikal basin) were developed though a policy dialogue with a view to better integrate environmental performance and economic development of this republic.

- The NPD in 2010 was instrumental in reaching a shared understanding among Russian authorities on the framework conditions needed to attract private operators and investors in the water sector. It was influential in changing the legal framework, in particular the Federal Law on concession agreements; the new Federal Law on water supply and sanitation; and a shift to performance-based contracts in the water sector.

PLANS FOR THE FUTURE

- Resuming the NPD in Russia is under consideration.

“The dialogue in 2010 helped identify avenues for developing water supply and sanitation in Russia; key results of the dialogue are reflected in the new Federal Law “On water supply and sanitation” adopted in 2011, as well as in related sub-law regulation.”

Alexei Makrushin, Executive Director, National Union of Water Utilities, Russia; former Deputy Director of the Department of tariff regulation, infrastructure reform and energy efficiency, Ministry of Economic Development and Trade

PROGRESS IN MAIN WORK AREAS

[Diagram showing progress in various areas]

“Water & Health”

“Legislation, Strategies, IWRM & WFD”

“Economic & Financial dimensions of WRM”

“RBMPs”

WSS

Policy dialogue on PSP in WSS

Overview of economic instruments for WRM

2009 2010 2012 2013

Launch of work on economic instruments for WRM in Buryatia (Lake Baikal basin)

Preparation of a dialogue on PSP in WSS
2.9. Tajikistan

<table>
<thead>
<tr>
<th>NPD launched</th>
<th>2009</th>
</tr>
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<tbody>
<tr>
<td>Present NPD Chair(s) and strategic partners in government</td>
<td>Ministry of Energy and Water Resources</td>
</tr>
<tr>
<td>Sources of funding for NPD</td>
<td>European Union, Government of Denmark, Government of Finland, Government of Germany, Government of Norway</td>
</tr>
</tbody>
</table>

**Priorities Areas of Work and Main Activities**
- Design and implementation of a programme for water sector development based on IWRM principles; including basin management.
- Further implementation of the Water Supply Programme for 2000-15, including the reform of water pricing.
- Strengthening of transboundary water cooperation with Kyrgyzstan and Afghanistan.

**Key Achievements of the NPD**
- Over 60 professionals attend the NPD Steering Committee meetings in Tajikistan. Several active working groups demonstrate excellent stakeholder engagement.
- A key achievement of the NPD was the development of the Water Sector Reform Programme 2016-25 for Tajikistan. The programme was adopted by Government in December 2015 and implementation is underway. Aim of the programme is to create a framework by 2020 for the transition to water resource management according to the basin principle and to clarify the competencies of different national institutions. Separately, a Programme for Development of Irrigation and Melioration Sector was prepared in 2015-16.
- The NPD acted as an umbrella process for transboundary water diplomacy to advance the cooperation with Afghanistan and the management of a transboundary basin with Kyrgyzstan in the Isfara basin (project led by GIZ).
- Targets have been drafted for the application of the Protocol on Water and Health.
- A training workshop was organised with the Antimonopoly Agency with a view to building capacity quickly to monitor the performance of water utilities, to review proposals for tariff increase by operators, and to measure and address affordability issues.

**Plans for the Future**
- The NPD Working Group on legal issues will contribute to the process of drafting the new Water Code and will propose changes in other legal acts.
- In response to the Antimonopoly Agency’s request, further cooperation will aim at capacity building to strengthen the economic regulation for WSS.
- The development of the strategic plan for the irrigation sector is envisaged to combine food and water security, and achieve financial sustainability.

“Key national stakeholders are regularly informed about activities of national ministries and agencies and different development partners on water through NPD Steering Committee meetings in Tajikistan”

Mr. Sulton Rahimzoda, First Deputy Minister of Energy and Water Resources of Tajikistan.
PRIORITY AREAS OF WORK AND MAIN ACTIVITIES

- Convergence of national water management legislation and processes with the EU WFD, including the principles of IWRM and river basin management.
- Key areas of work include the review of existing national legislation and the development of a new National Water Code.

KEY ACHIEVEMENTS OF THE POLICY DIALOGUE

- An inter-ministerial expert group was established to review the national legislation with a view to adopting the standards of the Water Convention. The group concluded that the Water Convention corresponds to the interests of the country and in August 2012, Turkmenistan acceded to the Water Convention.
- In 2013, the inter-ministerial expert group started drafting a National Water Code in order to enact necessary legal changes in line with the Water Convention and principles of IWRM. The adoption of the National Water Code is in the 2016 work plan of Mejlis, the National Parliament.

- Capacity building workshops have been organised in 2014 and 2015 to introduce two UNECE legal instruments directly linked to water management - the Protocol on Water and Health and the Convention on the Transboundary Effects of Industrial Accidents.

PLANS FOR THE FUTURE

- UNECE will continue its support to development of the necessary legal framework for implementation of the principles of the new Water Code and IWRM.
- Based on the successful work related to Turkmenistan’s accession to the Water Convention in 2012, an elaboration of the possibility to join the Protocol on Water and Health and the Convention on the Transboundary Effects of Industrial Accidents and the Protocol on Water and Health will be supported.
- The roadmap for implementation of the IWRM principles in Turkmenistan will be expected to be developed with assistance of UNECE in 2016-17.
2.11. Ukraine

Priorities for the Future
- The NPD is currently on hold, because of the political instability in the country. It is expected that the NPD process will re-start in 2016.

Key Achievements of the NPD
- The State Programme on Flood Protection in the basin of the rivers Dniester, Prut and Seret was prepared and adopted in 2008. A bilateral agreement was signed with Moldova on water cooperation.
- In 2009, the State Programme on Water Sector Development up to 2020 was adopted. This addresses climate change adaptation issues, and the implementation of river basin management principles. The NPD contributed to a strengthened legal, institutional and managerial framework that helps to cope with climate change.
- National Targets were drafted under the Protocol on Water and Health with reference to the work in other EECCA countries such as the Republic of Moldova. The draft has been submitted to the Ministry of Environment for consultation.

Progress in Main Work Areas
- Conventions, Water & Health
- Legislation, Strategies, IWRM & WFD
- Economic & Financial dimensions of WRM
- WSS
- RBMPs
- National targets set under the Protocol on Water and Health

Major Outcomes of the EUWI in EECCA Countries
3. Water diplomacy under the EUWI in EECCA

The implementation of the EUWI in the EECCA region contributes to water diplomacy in two ways. Firstly, it promotes transboundary cooperation based on the principles of the UNECE Water Convention and on the OECD’s work on related issues. Secondly, it supports regional dialogue on water policy issues through annual meetings of the EUWI EECCA Working Group (currently chaired by Romania), and through bilateral exchange of expertise in the region.
3.1. The regional dimension of EUWI EECCA

EECCA countries share a common legacy and a number of policy challenges regarding water management. Delegates from EECCA countries, donors and international organisations meet once a year at EUWI EECCA Working Group meetings. These regional meetings provide an opportunity to share lessons on common challenges and progress.

EUWI EECCA Working Group meetings are typically hosted by an EU member state. The most recent meeting took place in May 2016 in Paris. The meeting began with a ‘tour de table’ where a representative of each EECCA country described progress on key ongoing water reforms. This process served to provide a brief update to all participants on recent activities and progress.

The importance of such Working Group meetings in disseminating developments in global water policy was clearly demonstrated in recent years. It provided the EC with a platform to disseminate its latest policy thinking with a presentation on a holistic vision of EU policies and legislative framework related to water management, including the WFD. In addition, UNECE reported on the UN-led process of establishing post-2015 Sustainable Development Goals (SDGs) to replace Millennium Development Goals (MDGs). OECD shared latest developments on how water should be managed to drive green growth and how policy instruments should be designed to promote coherence across the water-food-energy nexus.

Working Group meetings have a key role in facilitating information sharing among EECCA countries and with EU member states. This was particularly the case for transboundary water management. This process led to the identification and sharing of successful practices such as the functioning of the Inter-state Kazakh-Kyrgyz Chu-Talas River Basin Commission and the compensation mechanism for Russian losses in relation to flood and drought risk in the basin shared with Finland.

“Over the last few years, National Policy Dialogues have been providing outstanding opportunities for EECCA countries to develop sustainable water policies and reach the Millennium Development Goals as well as address some of the most pressing water challenges faced by the region.

It was an honour for me to co-operate with the implementing agencies and with our colleagues and partners throughout the region and to share the EU experience in water management to the benefit of EECCA countries and people.

We are proud of the EUWI-EECCA achievements so far and look forward to continuing the effective implementation of water policies designed through the NPDs.”

Gheorghe Constantin, Chair of the EUWI EECCA component, Director of Water Resources Management, Ministry of Environment and Climate Change, Romania

The Kura river at Mtskheta, Georgia
3.2. Transboundary water cooperation

National Policy Dialogues on water have been instrumental in the promotion of transboundary water cooperation in EECCA. The UNECE supports this work through the Water Convention and other international tools and standards. The OECD contributes by making the economic case for enhanced cooperation. The table below shows the status of selected EECCA countries with regard to their accession process to the Water Convention and the Protocol on Water and Health.

The Water Convention and the Protocol on Water and Health provide the context for the implementation of a broad range of relevant projects on water cooperation issues in the EECCA region. Such projects include support to transboundary water cooperation in specific basins by applying the EU WFD principle of basin management, as well as the development of specific themes underpinning cooperation. While most of these initiatives are funded by other programmes, efforts are made to use the EUWI NPD framework for national discussions, stakeholder involvement and information exchange.

Projects are currently being rolled out in the Kura basin (Azerbaijan and Georgia), Dniester basin (Moldova and Ukraine), Chu and Talas basins (Kazakhstan and Kyrgyzstan), Aral Sea basin (all Central Asian states) and upper Amu-Darya (Tajikistan and Afghanistan). The Water Convention also supports horizontal work, across basins, on the food-energy-environment nexus as well as climate change adaptation.

Examples of transboundary water cooperation directly included in the EUWI work programme are:

- A transboundary assessment of economic instruments currently in use for water management in the Kura River basin. The study considered reforms of existing instruments as well as recommending new instruments which could be adopted.
- Bilateral negotiations between Azerbaijan and Georgia for joint management of water resources of the Kura basin are being reported and discussed at NPD Steering Committee meetings.
- The NPD in the Kyrgyz Republic included the establishment, and support to the River Basin Council for the transboundary Chu basin which is shared with Kazakhstan.
- The work of the bilateral Commission on the rivers Chu and Talas is being reported on and discussed at the NPD as well as EUWI EECCA meetings.
- The bilateral treaty on water cooperation as well as adaptation to climate change that was signed between Moldova and Ukraine in 2012 was discussed during NPD meetings in both countries.
- In a Steering Committee meeting in Tajikistan, transboundary cooperation with Afghanistan as well as Kyrgyzstan was the core theme of the discussion.

<table>
<thead>
<tr>
<th>Country</th>
<th>UNECE Water Convention*</th>
<th>Protocol on Water and Health*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>Not a Party</td>
<td>Signed in 1999. Considering accession</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>Acceded in 2000</td>
<td>Acceded in 2003</td>
</tr>
<tr>
<td>Georgia</td>
<td>Not a Party</td>
<td>Signed in 1999. Considering accession</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>Acceded in 2001</td>
<td>Not a Party. Considering accession</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>Not a Party</td>
<td>Not a Party but National Targets adopted in 2013</td>
</tr>
<tr>
<td>Republic of Moldova</td>
<td>Acceded in 1994</td>
<td>Acceded in 2005; National Targets adopted in 2010</td>
</tr>
<tr>
<td>Russia</td>
<td>Acceded in 1993</td>
<td>Accepted in 1999</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>Not a Party</td>
<td>Not a Party but National Targets drafted in 2013</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>Acceded in 2012</td>
<td>Not a Party</td>
</tr>
<tr>
<td>Ukraine</td>
<td>Acceded in 1999</td>
<td>Acceded in 2003</td>
</tr>
</tbody>
</table>

* Bold means that accession and / or national targets were achieved as a result / in the context of NPD activities.
Contribution of NPDs to Transboundary Water Cooperation

**CHU**
- The Chu river basin Council is established and its work initiated
- First components of the Chu river basin management plan completed

**KURA**
- Bilateral agreement between Azerbaijan and Georgia on the shared water resources of the Kura river basin drafted and under negotiation between the countries

**SYR DARYA**
- Assessment of water-food-energy-ecosystems nexus approach is being prepared (to be completed in 2015)
The UNECE Water Convention

The United Nations Economic Commission for Europe (UNECE) Convention on the Protection and Use of Transboundary Watercourses and International Lakes (Water Convention) was adopted in Helsinki in 1992 and entered into force in 1996. As of May 2016, it counts 41 Parties - almost all countries sharing transboundary waters in the UNECE region.

The Water Convention provides a unique legal framework and an intergovernmental platform for strengthening transboundary water cooperation and water governance by promoting an integrated approach to transboundary water resources management. The Convention requires Parties to take national measures for the protection and ecologically-sound management of transboundary surface waters and groundwaters.

Since the 1990s, the Convention has made a clear difference on the ground focusing on implementation and directly facilitating legal, technical and practical assistance. The Convention has contributed to and served as a model for the transboundary agreements on the Chu-Talas, Danube, Dniester, Drin, Rhine and Sava Rivers. As a flexible tool applicable in different social, economic and political situations, it has fostered the establishment of joint bodies and strengthened cooperation at both political and technical levels.

In Central Asia, Kazakhstan, Turkmenistan and Uzbekistan are Parties to the Convention. All five Central Asian countries are involved in the Convention’s activities such as cooperation on dam safety and water quality projects. The Convention has also been supporting cooperation with the countries bordering UNECE region, for example providing the platform for cooperation between Afghanistan and Tajikistan in the development of hydrology and environment cooperation in the upper Amu Darya basin.

In 2013, the entry into force of the amendment to open the Water Convention beyond the UNECE region turned the Convention into a global legal framework. Since 2010, the Convention has already provided a platform for continuous learning and exchange, with more than 50 countries outside the UNECE region actively participating in the Convention’s activities.

The globalisation of the Convention offers a great opportunity for promoting water cooperation worldwide. Moreover, the Water Convention and its Protocol on Water and Health are ready to offer a platform for implementing an eventual sustainable development goal on water in the framework of the post-2015 development agenda.

More information: www.unece.org/env/water
4. Opportunities for further work

As a continuation of the policy reforms promoted thus far, opportunities for proposed future work in the context of NPDs can be grouped under the following four interrelated themes:

Legal, institutional and regulatory reform
Managing water for inclusive green growth
The water-energy-food security nexus and related SDGs
Trans-boundary water diplomacy

4.1. Legal, institutional and regulatory reform

Support to the process of integration of IWRM principles and the principles of the EU’s Water Framework Directive (WFD) into national legal frameworks will remain as one of the core activities of National Policy Dialogues. Special attention will be given to countries that have signed Association Agreements with the EU – Georgia, Republic of Moldova and Ukraine – to help them meet the requirements of the EU water acquis.

Also, analysis of economic regulation and incentives, mobilizing finance for the water sector and for the implementation of river basin management plans (RBMPs), and capacity development is planned. This work would strengthen incentives for improved water use efficiency and bring economic analysis and financial realism into water-related policies and strategies, RBMPs, roadmaps and action plans. OECD and UNECE will continue to assist in drafting respective strategies, laws, bylaws and technical regulations to ensure sound management of water resources.

4.2. Managing water for inclusive green growth

Several EECCA countries have explicitly embarked towards green growth. Kazakhstan and Moldova have developed concepts or strategies in this regard. Green growth is particularly relevant in a region where environmental degradation compromises economic development and poverty alleviation. Managing water for inclusive green growth requires particular attention of NPDs to several issues:
Adoption of Sustainable Development Goals (SDGs) in September 2015 by the UN Summit, including targets for water, food and energy security, suggests that this work avenue will be topical for EECCA countries in the future. NPDs on water in EECCA confirm that water cannot be managed in isolation and that water policies should be coordinated with energy and agri-food / land management policies. For instance, the extension of irrigated agriculture in the Caucasus and Central Asia can be compromised if a reliable water supply cannot be provided. Electricity production and agricultural development are already competing for water resources in several areas within or across national boundaries.

Work in this area contributes to several outcomes:

• Increase access to water supply and sanitation services, with focus on small towns and rural areas. The return on investment regarding health and environmental benefits is well documented. Further work on the adoption and implementation of national targets under the UNECE-WHO/Europe Protocol on Water and Health will contribute to this. So will robust and financially realistic strategies for water supply and sanitation.

• Protect fresh water resources and increase water use efficiency in agriculture, industry and water utilities. Water efficiency avoids wastage of water and public finance, and helps to allocate water where it creates most value for society. OECD experience shows that economic instruments help protect fresh water resources and contribute to water efficiency. Work on these issues needs to be replicated and scaled up.

Promote a flexible approach to strategic planning (e.g. large-scale infrastructure versus small-scale and innovative solutions), realistic water infrastructure development plans to avoid the situation where water shortages would become a significant barrier to economic growth, and sustainable business models for operating and financing water infrastructure, and opportunities for innovation.

4.3. The water-energy-food security nexus and related SDGs

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Work in this area contributes to several outcomes:

• Establishment of respective national definitions and indicators, and eventually targets, for water, food and energy security, and integration thereof into national legal and policy frameworks.

• Alignment of policies for water-energy-food security. Inter alia, this requires an assessment of subsidies impacting the water sector, their economic and fiscal, social and environmental impacts, with a view to reform water harmful subsidies. Measures that can accompany reform and ease transition in these areas are essential.

• Investment in ecologically sensitive protection systems. Protecting human life and economic assets from water-related risks is essential to social and economic development. Pioneering work on dam safety contributes to this objective and this could be replicated emphasising how investment can be made without compromising the ecosystems on which our well-being relies.

"Notably, the National Policy Dialogue has been supporting the development of a basin management plan for Chu, our main trans-boundary river with Kazakhstan."

Chyngyz Uzakbaev, former Minister of Agriculture and Melioration, Kyrgyzstan; former Chair of the NPD

The Ural river at Atyrau, Kazakhstan
In 2014-16, UNECE has conducted nexus pilot assessments for Alazani basin in Caucasus and for Syr Darya basin in Central Asia to test a methodology which could lead to improved joint understanding and balance with regard to water use between sectors and riparian countries. OECD is developing tools to support making and implementing decisions on water, food and energy security at the national level. Depending on interest, practical implementation may follow.

4.4. Trans-boundary water diplomacy

The UNECE Water Convention and other frameworks help neighbouring countries to cooperate better in the management of shared water resources. Support to developing trans-boundary cooperation will be continued and replicated elsewhere in EECCA to promote shared basin management and climate change adaptation. Such cases include cooperation between Azerbaijan-Georgia (Kura and Alazani), Moldova-Ukraine (Dniester), Kazakhstan-Kyrgyzstan (Chu and Talas) and Kazakhstan-Russia (Ural and Kigac tributary of Volga). Possibilities for joint projects on other trans-boundary rivers will be explored, potentially including Debed basin between Armenia and Georgia. Depending on the situation in a concrete trans-boundary basin, developing bilateral agreements, establishing joint basin organizations, and/or region-wide exchange of experience will be supported.

In subregions where tensions around water use are common (Central Asia, the Caucasus), trans-boundary water diplomacy contributes to peace. As the UNECE Water Convention became global, there will be new opportunities for trans-boundary cooperation with countries on the Southern borders of EECCA region.

Trans-boundary water diplomacy also benefits from activities which promote water efficiency and water quality management in upstream countries. National NPD processes are open to provide input into wider regional discussions for water resource management such as in the framework of IFAS.
5. National Policy Dialogues as a process

National Policy Dialogues (NPDs) on water are the main operational instrument of the European Union Water Initiative (EUWI) component for Eastern Europe, the Caucasus and Central Asia (EECCA). Since 2006 EUWI NPDs have been carried out in nine countries: Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, the Republic of Moldova, Tajikistan, Turkmenistan and Ukraine. Cooperation with Russia is being tested in a pilot region of Buryatia.

NPDs are policy platforms where stakeholders meet to advance water policy reforms. NPDs are driven by the demand from the host countries. They are usually chaired by heads of respective government agencies. A variety of stakeholders participate in the meetings, such as ministries and government agencies and institutions, as well as non-governmental organisations, the business community, parliamentary bodies. Participants also include several international organisations and EU Member States active in water policy reforms in each country.

Discussions at NPD meetings are substantiated by robust analytical work and international best practice. For instance, reviews of water pricing benefit from assessments of affordability and competitiveness impacts of alternative pricing scenarios; development of river basin management plans build on similar experience in European countries. Officials from EU member state governments and organisations are invited to participate, share experience and demonstrate EU policies and practices.

The main outcomes are policy packages, such as legislative acts, national strategies, ministerial orders and plans for implementation. In most cases these apply the principles of the EU water policy. Emphasis is also set on the implementation of previously adopted policies through pilot projects or technical assistance.

NPDs are financially supported by the EC, several EU member states and other donors specified in section 2 are facilitated by the OECD and UNECE, which contribute on substance and help chairs of NPDs to manage the process.

EECCA countries benefit from the on-going EUWI NPDs in many ways, not least through better cooperation with EU Member States. Improved coordination with donors on water issues helps to increase cost-effectiveness of Official Development Assistance provided by EU Member States as well as other donors. Furthermore, NPDs provide opportunities to transfer best practices and knowledge from EU Member States and a number of international organisations (foremost, the OECD and UNECE) to beneficiary countries.

“The NPD is a useful and effective coordination mechanism for government bodies, civil organisations and private sector, with the objective of improving water policy in the country and implementing needed reforms. Moldova is firmly interested in continuing this dialogue.”

Gheorghe Şalaru, Former Minister of Environment, Republic of Moldova
Further information and references

Decision-Support Tools and Methodologies
Several new decision-support tools and methodologies have been developed or further elaborated, fine-tuned to local context and applied to support the EUWI NPDs in EECCA, and then disseminated in the region and beyond (including EU and OECD countries and emerging economies). The dissemination, often supported by respective trainings, helped to develop local management and expert capacity which is an important cross-cutting objective of the EUWI EECCA.

The most important tools developed in co-operation with EC, bilateral donors (e.g. Denmark, Germany, UK) and IFIs (e.g. The World Bank) are the following:

- Financial Planning Tool for Water Utilities (FPTWU) (computer-based generic financial model and user manual are available upon request)

For more details, see also:

EUWI EECCA specific websites

- The European Union Water Initiative (EUWI) [www.euwi.net](http://www.euwi.net)

Publications on water policy reform in EECCA


Principles and tools guiding water policy reform in EECCA

A number of internationally agreed principles guide NPDs in EECCA:

- UNECE Industrial Accidents, Espoo and Aarhus Conventions [www.unece.org/env](http://www.unece.org/env)
- The Recommendations of the OECD Council on water management

Several tools are supporting analytical work:

The European Union Water Initiative (EUWI)
www.euwi.net

OECD: National Policy Dialogues on water in EECCA
www.oecd.org/env/outreach/npd-water-eecca.htm

UNECE: National Policy Dialogues on Integrated Water Resources Management
www.unece.org/env/water/npd

For further information, please email:
water-npd@oecd.org
water.convention@unece.org