Ministers, Heads of Delegations, distinguished colleagues, ladies and gentlemen,

I am delighted to be here with you today, co-hosting this luncheon with our good friend, Minister Vasyl Shevchuk of Ukraine, on the opening day of this Fifth Ministerial Pan-European Environment for Europe Conference. Last night, on the eve of the conference, we all enjoyed the generous hospitality of the Ukrainian Government. Today, as the conference gets underway, I would like to express my heartfelt thanks to our Ukrainian colleagues for organizing such an ambitious event in this great city. Kyiv in May, with chestnut trees and lilacs blooming after a long winter, surely represents the beauty we are all trying to protect.

The World Bank is pleased to be involved in the Environment for Europe process and to see our collective efforts since the first conference in 1991 come to fruition. Clearly, much remains to be done on the regional environmental agenda, as we heard this morning. However, we have also witnessed significant improvements in environmental quality over the past decade. I will begin my comments today by highlighting a few of the achievements which lay a strong foundation for future progress. I will then lay out the case for action on goal number seven of the Millennium Development Goals, which, as you know, is aimed primarily at ensuring environmental sustainability, including access to safe drinking water and sanitation, carbon emissions, forests and protected areas, and improving the situation of slum dwellers.

Let's Celebrate the Progress to Date. Let me begin with a brief overview of progress to date. One of the most important regional accomplishments of the past decade has been in the area of energy efficiency. For ECA as a whole, carbon emissions have declined 28% and energy efficiency has increased 21% since 1992. Almost all countries are showing some improvement in this area. Much of these reductions has come about simply because of the economic collapse in the region, but many countries have implemented structural changes and restored GDP growth without a return to old levels of pollution and contamination. In fact, incentives have been adopted almost everywhere to improve efficiency and reduce emissions of greenhouse gases per unit of GDP.

The reduction in energy subsidies, both implicit and explicit, has been especially important, since such subsidies promote excessive use of energy. For example, in Ukraine, authorities only collected some 20% of the amount owed for electricity as recently as 1997. Today, collection rates are almost 90% for both electricity and gas. Over that same period, Ukraine experienced a more than 24% increase in energy efficiency. Of course, as I will note later, much remains to be done in countries of the region to improve energy efficiency. We also have already seen some major improvements in the provision of clean water for human use and irrigation, high priorities throughout the region, although again, much remains to be done. In Kazakhstan, for example, rehabilitation of the water supply for a number of small cities and rural settlements in the Republic has already improved the health and sanitation of nearly 1.6 million people, or 10% of the country’s population. In Uzbekistan, additional trunk mains and household connections have been provided to some two million rural people that did not previously have access to safe and reliable water.
more economic pricing have also led to more efficient use and provision of water, thus reducing associated pollution. In the Baltic region, for example, such reforms, together with the installation of meters to measure consumption, cut water use per capita per day by more than 100%, correspondingly reducing the amount of water needing treatment, and enabling utilities to meet EU hygiene requirements. The utilities have used the improved cash flows to improve services, to reduce leaks, in some cases cutting losses by half, and to install more energy efficient pumps.

We have also seen important successes in efforts to tackle transboundary water problems, particularly around the regional seas. As you know, over-use of fertilizers, combined with municipal and industrial waste waters from 17 countries have seriously degraded the Danube River and the Black Sea ecosystem, disrupted fisheries, reduced biodiversity, posed health threats to humans and resulted in billions of dollars of losses to the economies of 6 countries. Since 1992, however, there has been a concerted effort to identify the major sources of point and non-point pollution and to begin addressing them. This is being done, for example, by restoring wetlands to trap nutrients along the Danube River, by reducing nutrient run-off from agricultural practices and by improving or introducing municipal waste water and sewerage treatment prior to any discharge into the sea. In the broader context of the Danube Black Sea Program, we welcome the opportunity to support development of cooperative water programs for Southeastern Europe and the Mediterranean that were endorsed at the Athens Conference on “Sustainable Development for a Lasting Peace” held earlier this month.

A similar multi-country, integrated approach is also underway to tackle the main point and non-point sources of pollution threatening the Baltic Sea. The estimated total nutrient load per year is about 750,000 tons of nitrogen per year and 37,000 tons of phosphorus. Most of this comes from agriculture. Early results from demonstration projects to support better agricultural practices promise run-off reductions of about 28 kg of nutrients per hectare and efforts are underway to replicate these new practices on a large scale.

The Balkan countries have joined longstanding programs to clean and safeguard the Mediterranean, following strict provisions of the “blue flag” program to certify beaches and coastlines for swimming and tourist use. For the Caspian, the five littoral states are beginning joint efforts to tackle potential oil spills, prevent the introduction of invasive species and protect sturgeon populations. And, recent improvements to irrigation and drainage systems in Central Asia go some way towards saving at least part of the Aral Sea.

Major efforts are underway to make more sustainable use of the Region’s forests. Certification is being promoted as an incentive to apply sounder managerial methods, and countries in the region are increasingly adopting fees for the felling of trees. From Bosnia to Bulgaria to Russia, efforts are underway to ensure forests are better safeguarded from fires and pests, as well as from illegal logging and unsustainable practices. Where areas are already under commercial use, regulations are being put in place to require sufficient replanting to ensure sustainable growth.

The amount of forest area under national protection has also increased significantly since 1999, with the latest data showing an average of 7% of land under protected areas. Moreover, since the early 1990’s about 500,000 hectares have been brought under improved management and efforts underway will include an additional 800,000 hectares of forest ecosystems in these protected areas.

Emissions trading in carbon rights is also beginning to take off. ECA countries have enormous potential to benefit from participating in this market. ECA countries can implement carbon reduction programs at a relatively low cost and sell carbon rights to other countries who find it less expensive to buy rights abroad than to undertake carbon reducing measures at home. The World Bank has supported these efforts, first with a Prototype Carbon Fund, and more recently with a Community Development Fund. These facilities provide
financing for projects that reduce carbon emissions through carbon sequestration. For example, by re-foresting 6,000 ha of degraded agricultural land, Romania will sequester almost a million tons of carbon dioxide equivalent over 15 years. In compensation, the Government will receive payments per ton from the Prototype Carbon Fund.

Another area of major accomplishment has been the phasing out of ozone depleting substances, primarily in Russia, but also in Ukraine, Belarus and several Eastern European countries. In these countries, funds from the Global Environment Facility, other donors and the World Bank compensate enterprises that phase out the production of chlorofluorocarbons (CFCs) and halons -- the most potent ozone depleting substances (ODS). In Russia, seven enterprises have participated in this program.

Last, but certainly not least, has been the adoption of EU environment directives by the accession candidate countries, together with an agreed plan for implementing them.

These new entrants should be congratulated for their political leadership and commitment to the environment. Of course, the costs of meeting the environmental component of the EU acquis are high, about $100 billion over a twenty year period for the Eastern European candidate countries together with Bulgaria and Romania, but they are committed to this process.

All this progress shows that there is a heightened recognition that environmental considerations are critical to the health and prosperity of people, and a key factor in assuring sustainable growth and poverty reduction. In turn, the importance of the environmental agenda has brought an increasing awareness of the vital role of Ministries of Environment in the Region and the role they will need to play as the transition proceeds. This is especially important since the vigorous economic recovery that began for the region as a whole in 1999 is set to continue in 2003 and beyond, making the region one of the most economically dynamic in the world. We want to be sure that this recovery doesn’t lead to a revival of the old environmental threats.

A good part of the momentum for the improved understanding of environmental issues can be traced back to the Environment for Europe Process and its continued focus on moving the environmental agenda forward. Notwithstanding the progress and good news which I have highlighted, I hope this conference will spotlight the most important of the outstanding environmental problems and renew our commitment to help especially the countries of Southeastern Europe and in EECCA, to tackle this unfinished agenda.

And Let’s Meet the Challenge of the Environmental Millennium Development Goal

Ladies and Gentlemen, this brings me to my second point for today, the Millennium Development Goals, or MDGs. The MDGs were developed by the United Nations and endorsed by the heads of state of virtually all countries of the globe. They offer us a widely accepted approach for moving forward on the unfinished development and transition agenda in a way that integrates environmental issues into a comprehensive development framework and focuses on real monitorable outcomes. I am thus delighted the Government of Ukraine is using the MDG framework to shape its economic development plan more broadly.

As you know, the MDGs consist of eight goals with the overarching objective of halving the share of people living in poverty by 2015. They were adopted at the Special UN Millennium Summit of the UN General Assembly in 2000 and further reinforced at the Johannesburg Summit in 2002. Millennium Goal number seven, which focuses on environmental sustainability, requires governments to commit to meet the target indicators concerning levels of safe drinking water and sanitation, carbon emissions, forests and protected areas, and improving the situation of slum dwellers: The specific targets are noted on your bookmarks so I won’t repeat them here.
What do these goals mean for the countries of Europe and Central Asia? I would like to share with you our preliminary assessment and to draw attention to sub-regions and sectors where we will need to increase our collective efforts over the medium term if these targets are to be met. We have also started to assess the potential costs of the required effort, to help set priorities and determine financing gaps as we move forward on this agenda.

First, the biggest challenge to meeting the environmental targets looks to be in the area of water supply and sanitation. Although official data show that 91% of the population have access to improved water supplies, there is a serious issue of water quality, constituting a major health threat. Among the EECCA countries, those in Central Asian countries will need to mount the biggest effort in this area. Within Central and Southern Europe, the biggest gaps are in Romania and Albania. We have serious concerns about the sustainability of many urban water companies, especially in secondary towns, but most effort needs to be made in the rural areas where the indicators for access to safe drinking water and sanitation are significantly worse. Roughly 30% of rural households in the ECA Region do not have access to piped water, much of which is of unhealthy quality. In rural Moldova, 60% of water sampled from water supply systems did not meet water quality standards. Even here in Ukraine, 25% of non-piped water is of unacceptable quality with regard to bacteriological and chemical standards. We therefore have to be sure to measure the right dimension of water access, that is access to safe water!

For basic sanitation, the present level of access is 93% and the target value is 95%, a relatively small increase. The main problem in this sector is that sewage systems are in a serious state of disrepair and need immediate attention, or the situation will worsen in the coming years. The situation is most serious in Albania, Romania and the EECCA countries.

Let me turn to the challenge with regard to forests. With 40% of its land surface covered by forests, ECA has a higher share of forest cover than the world, with an average of 30%, and the forest areas are increasing according to official statistics. Albania is the only country in the region with declining forest cover. However, the quality of these forests, as measured by canopy and old growth forests, continues to deteriorate. And illegal logging is also problematic for some countries’ areas. In the energy sector, notwithstanding improvements made to date as I mentioned previously, the ECA region remains the least energy efficient (in terms of GDP per unit of energy use) in the world. An increase in efficiency of 58% is needed if the ECA region is to reach the same energy efficient level as countries at similar levels of development. The removal of subsidies, which still remain high, would help a great deal in this regard, especially in the CIS and the Balkans.

If Russia were to remove energy subsidies, it is estimated that its energy efficiency would increase by 1.5%, and CO2 emissions would fall by 17%. ECA wide, a decrease in carbon emissions of by nearly two times is needed to reach the same level of CO2 per capita as other countries of a similar level of development.

Aside from these specific sectoral challenges, meeting the MDGs will require an increased focus on implementation and monitoring of results at the country level. This, in turn, will lead to a need for increased joint work to establish credible data, differentiated by rural and urban areas, to identify gaps and prioritize actions for meeting the targets.

Finally, Ladies and Gentlemen, the mandate to meet Goal Seven greatly increases the responsibility of Ministries of Environment. Your task will be to drive the agenda in this area and to monitor it. In many cases, this will require strengthening the capacity of your ministries and developing horizontal links with other ministries responsible for water, sanitation, energy, forestry and biodiversity. Of course much of the
investments most directly affecting the environment will be done by line ministries or municipalities. This means that Ministries of Environment need to forge partnerships with these other entities. In this regard, I am delighted to announce that the Bank and its capacity building arm, the WBI, have teamed up to mobilize one million dollars for capacity building of environment ministries in Russia and the five countries of Central Asia as well as Ukraine over the next three years exactly for this purpose.

Let me conclude, by stressing that we all need to work together to continue the important efforts that have already begun in these areas, to identify those interventions that have worked well, and to make a special effort to scale up, or replicate those that have achieved significant progress.

Meeting the challenges I have mapped out here today requires a substantially increased effort by the international community and the countries themselves. Tomorrow, we will hear more details about the partnerships and emerging means by which the donor community is working to increase this assistance, including GEF, UNECE, EU, UNDP, EBRD and many bilateral donors. I am pleased to note that we in the ECA region of the World Bank have projects under implementation totaling $1.9 billion and projects under preparation totaling $1.5 billion (including from the GEF), dedicated to improving the environment. Moreover, we will continue our many efforts of analysis and technical assistance designed to help improve our knowledge and understanding of the environmental problems and solutions in the region and to build improved national capacities to deal with them, in close cooperation with our partners. I know all of you here share our passion to support the environment sustainability agenda and on behalf of the World Bank, I want to pledge our continued support for the EfE process and our strong wish to work with you in the years to come.

That said, clearly each country has primary responsibility for its own development and for folding the MDG targets into national policies and development strategies. I hope all the other EECCA countries will follow Ukraine’s lead in using the MDG framework as a means to set specific targets for carrying out the environmental strategy they have collectively brought to this conference.

I believe we owe a debt of gratitude to the UNDP for defining the MDG goals and targets and for its efforts to assist in their monitoring. Environmental sustainability is closely linked with all of the MDGs, particularly those aimed at reducing child mortality and combating disease. I know you will agree with me that environmental action may be among the most cost-effective ways of achieving many of these other goals, and, more importantly, protecting the richly diverse ecosystems of the region, from the taiga to the Carpathians. Lastly, on a personal note, let me mention that I have decided to retire from the World Bank at the end of the summer after 30 years of service. I would therefore like to take this opportunity to thank all of you for your unflagging support for our joint agenda over the years and for your hospitality during my visits to many of your countries. And, once again, let me thank Minister Shevchuk and his colleagues for being such gracious, tireless hosts.

Thank you.