ECONOMIC COMMISSION FOR EUROPE
Committee on Environmental Policy

**FROM INTENTIONS TO ACTIONS :
OVERCOMING BOTTLENECKS**

CRITICAL ISSUES IN IMPLEMENTATION OF ENVIRONMENTAL POLICIES

HIGHLIGHTED BY THE UNECE ENVIRONMENTAL PERFORMANCE REVIEW PROGRAMME

UNITED NATIONS
New York and Geneva, 2007

NOTE

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations or of the United Nations Environment Programme concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries.

ECE/CEP/136

UNECE Information Unit	Phone: +41 (0)22 917 12 34
Palais des Nations	Fax: +41 (0)22 917 05 05
CH-1211 Geneva 10	E-mail: info.ece@unece.org
Switzerland	Website: http://www.unece.org

FOREWORD

Environmental Performance Reviews (EPRs) for countries in transition were initiated by Environment Ministers at the second Ministerial Conference "Environment for Europe" held in Lucerne, Switzerland, in 1993. As a result, the UNECE Committee on Environmental Policy decided to make the EPRs a part of its regular programme.

Ten years later, at the fifth Ministerial Conference "Environment for Europe" (Kiev, 2003), the Ministers reaffirmed their support for the EPR Programme as an important instrument for countries with economies in transition and decided that the Programme should continue with a second cycle of reviews. This second cycle, currently about half complete, takes stock of the progress made by the countries since their first review, putting particular emphasis on implementation, integration, financing, and the socio-economic interface with the environment.

This report focuses on the progress in environmental management achieved by countries of Eastern Europe, Caucasus and Central Asia (EECCA) and South-Eastern Europe (SEE) reviewed by the EPR Programme, and evaluates problems and challenges ahead. Most of the reviewed countries have made progress over the past decade, but not at the same pace. This is mainly attributable to different starting points and transition paths, even though the countries initially had similar political and economic systems.

This analysis has been written to assist Ministers at the sixth Ministerial Conference "Environment for Europe" (Belgrade, 2007) in making decisions on the further directions needed to improve the environmental situation of the region and on defining corresponding priorities. It highlights critical issues in implementation of environmental policies which recur in a majority of reviewed countries: the lack of political support for environmental improvements, the weakness of the environmental institutions, insufficient financing for environmental priorities, a fragmented knowledge of environmental situation and the absence of roadmap forward, and difficulties in integrating environmental policy into sectoral policies. The analysis is supported by case studies that show through concrete examples by what means some countries have been able to overcome specific challenges.

As a conclusion to this analysis, Recommendations are addressed to EECCA and SEE countries for further action to overcome bottlenecks and to promote the convergence of environmental policies in the UNECE region as a whole.

I hope that this report will be useful to all UNECE countries, as well as intergovernmental and non-governmental organizations, in supporting policymakers and representatives of civil society in their efforts to improve environmental management and further promote sustainable development at the national and regional levels, and that the lessons learned from the Peer Review process will also benefit other countries of the UNECE region.

Marek Belka
Executive Secretary
Economic Commission for Europe

CONTENTS

FROM INTENTIONS TO ACTIONS: OVERCOMING BOTTLENECKS

CRITICAL ISSUES IN IMPLEMENTATION OF ENVIRONMENTAL POLICIES

HIGHLIGHTED BY THE UNECE ENVIRONMENTAL PERFORMANCE REVIEW PROGRAMME

Contents

LIST OF BOXES

EXECUTIVE SUMMARY

Objective and scope

This report focuses on the progress achieved by countries of Eastern Europe, Caucasus and Central Asia (EECCA) and South-Eastern Europe (SEE) reviewed by the Environmental Performance Review (EPR) Programme, and it evaluates problems encountered and challenges ahead in order to overcome critical issues in implementation of environmental policies in these countries.

Main findings

Most of the reviewed countries have made progress over the past decade, but not all at the same pace. The difference is mainly attributable to different starting points and transition paths, even though the countries initially had similar political and economic systems. Virtually all reviewed countries now have environmental framework laws in place providing a legal basis for subsidiary legislation, which in most countries is still being developed. They have also undertaken institutional reforms and are gradually improving the use of economic instruments. Most countries are engaged in promoting environmental policy integration through the development of sustainable development strategies and the introduction of new market-based mechanisms and institutional tools. In parallel, greater involvement by civil society is increasingly pushing governments to act in a more effective and responsible manner regarding environmental protection. However, most countries still face obstacles in raising public awareness. In a few countries, progress has been aided by their ambition to use European Union (EU) legislation as a model and principles of multilateral environmental agreements as guidance. However, despite these improvements, key barriers to progress persist in reviewed countries. The most critical obstacles, as identified through the EPR Programme, are the lack of political support for environmental goals, the ineffectiveness of environmental institutions (in particular with regard to implementation and enforcement), the inability of governments to mobilize financing even for clearly established environmental priorities, the still weak environmental policy integration, and the failure to establish and use monitoring to measure progress and set new targets.

Conclusions

It is therefore recommended that Governments in all EECCA and SEE countries strengthen their political support for resolving persistent environmental problems, increasingly involving civil society as a partner and using international environmental commitments as leverage. They should urgently address the serious bottlenecks caused by weak environmental institutions by strengthening the level, mandate and capacities of the environmental authorities so as to make these more competent and effective, clarifying institutional task sharing, and consolidating enforcement structures. To increase the effectiveness of environmental financing, governments should review procedures, improve institutional capacity, and make proper use of economic instruments. A more solid foundation for identification of projects and prioritization of spending of environmental funds should be developed. Also, Governments in all EECCA and SEE countries should conduct an overall review of their environmental monitoring systems, including readjusting their targets so as to better understand actual environmental priorities and develop more realistic environmental programmes and strategies for their effective funding. To that end, focused environmental indicators should be selected, monitoring equipment modernized and data collection, processing and reporting improved. Environmental authorities should enforce self-monitoring in enterprises. Finally, Governments should institutionalize the integration of environmental policy into sectoral policies, and should ensure involvement of the private sector and effective public participation in the policy integration process.

Recommendations

Therefore, the following recommendations, adopted at the sixth Ministerial Conference "Environment for Europe", are addressed to the EECCA and SEE countries:

Recommendation 1: ***Governments in all EECCA and SEE countries should strengthen their political support to resolving persistent environmental problems.*** They should streamline environmental priorities, rationalize environmental legislation and reinforce implementation in order to promote a more sustainable approach to economic progress, to raise and harmonize their levels of environmental practices and legislation over the UNECE region, and fulfil international obligations under multilateral environmental agreements they are parties to. They should also strengthen the role of civil society in environmental decision-making.

Recommendation 2: ***Governments in all EECCA and SEE countries should urgently address the serious bottlenecks caused by weak environmental institutions.*** They should strengthen the level, mandate and capacities of the environmental authorities to make these more competent and effective, and should consolidate and empower enforcement structures, in particular at the subnational level. They should also clarify institutional task sharing by assessing the role of environmental bodies and should improve institutional coordination mechanisms, both horizontally (between sectoral authorities, between divisions of the same ministry) and vertically (between the national and subnational levels).

Recommendation 3: ***To increase the effectiveness of environmental financing, Governments in all EECCA and SEE countries should review procedures, improve institutional capacity, and make proper use of economic instruments.*** A more solid foundation for identification of projects and prioritization of spending of environmental funds should be developed, and transparency, financial planning and project-cycle management should be introduced systematically. Investments in environmental infrastructure should be increased. Governments should foster cooperation with the private sector with a view to developing innovative instruments for the financing of environmental infrastructure.

Recommendation 4: ***Governments in all EECCA and SEE countries should conduct an overall review of their environmental monitoring systems, including readjusting their targets so as to better understand actual environmental priorities and develop more realistic environmental programmes and strategies for their effective funding.*** To that end, focused environmental indicators should be selected, monitoring equipment modernized and data collecting, processing and reporting improved. Environmental authorities should enforce self-monitoring in enterprises.

Recommendation 5: ***Governments in all EECCA and SEE countries should institutionalize the integration of environmental policy into sectoral policies, and should promote involvement of the private sector and effective public participation in the policy integration process.*** In particular, they should ensure the implementation of related instruments (e.g. a sustainable development strategy, a poverty strategy) to support a broad and effective integration of environmental policies into sectoral policies, and should introduce specific tools and mechanisms (including, as appropriate, strategic environmental assessment, environmental impact assessments, environmental management systems, national environment and health action plans, market-based tools, etc.) integrating environmental requirements into transport, energy, agriculture and other key sectors.

STRENGTHENING POLITICAL SUPPORT FOR ENVIRONMENTAL IMPROVEMENTS

A. Progress achieved and problems encountered

Environmental priorities on the political agenda

Virtually all reviewed countries have drafted environmental strategies, programmes and plans and have set ambitious environmental targets with a view to following the practices used in EU member countries. Since the first round of EPRs, national environmental strategies (NES) and national environmental action plans (NEAPs) have been readjusted to fit new situations and objectives in some countries, increasing their implementation benefits. For example, the policy for waste management defined in the first NEAP (1996) of The former Yugoslav Republic of Macedonia is expected to be further developed in the second NEAP in order to comply with EU waste management practices. Serbia is expected to adopt a NES in the course of 2007 pursuant to the requirements of the 2004 Law on Environment, and related implementing NEAPs are being developed.

Box 1.1

National Environmental Strategy of Serbia: positive aspects and drawbacks

The National Environmental Strategy (NES), which was developed with the objective to guide the development of modern environmental policy in the Republic of Serbia over the next decade, was adopted in 2006 by the Government, but has not yet been adopted by the Parliament. The NES is to be implemented through Action Plans and remediation plans adopted by the Government for the period of five years.

The Strategy has been prepared in a consultative way, involving many institutions and national as well as local populations. It covers environmental issues and the different economic sectors and their impact on the environment. The NES also defines precise targets and is accompanied by a financial assessment of its related costs. It incorporates principles of sustainable development such as sectoral integration, polluters and users pay principles, access to information and public participation, among others.

However, this document calls for the elaboration of 16 specific Action Plans that are currently being drafted. Developing such a large number of Action Plans is a complex task and may lead to difficulties into their future implementation.

EPR, 2007

Despite the overall progress in developing environmental strategies and programmes, most of the reviewed countries have not yet prepared specific implementation plans including priority actions, timetables and financial requirements. In many cases, international cooperation is influencing policymaking at the national level. In 2004, the enlargement of the EU to include 10 new countries led to the preparation of a European Neighbourhood Policy (ENP) Action Plan with the new neighbouring countries. In Ukraine, for example, the European Commission supported the implementation of the 2005 Neighbourhood Action Plan, provided benchmarks for assessing progress and helped Ukraine to achieve concrete, realistic and measurable results, including on environmental issues. In addition, EECCA countries developed and adopted (at the fifth "Environment for Europe" conference in Kiev in 2003) a subregional environmental strategy covering the most important related issues. Also, new strategies and legislative instruments for reducing and preventing environmental pollution and degradation are being put in place in the framework of international and regional conventions; examples include the United Nations Framework Convention on Climate Change (UNFCCC), the United Nations Framework Convention to Combat Desertification (UNCCD) and UNECE Conventions.

Development and implementation of legal instruments

Reviewed countries usually have environmental framework laws in place which serve as the legal basis for subsidiary legislation. However, often the subsidiary legislation is missing or incomplete and implementation and enforcement are weak. In many cases, laws incorporate a large number of environmental standards, which makes implementation and enforcement even more difficult. Pressured by the international community, many countries have thus made significant efforts to strengthen implementation mechanisms. A good example is the implementation of Armenia's Water Code (adopted in 2002), which was promoted by the subsequent establishment of the Agency for Water Resources Management in the Ministry of Nature Protection. The Water Code provided for a National Water Council chaired by the Prime Minister. The Code also has provisions ensuring the participation of public organizations in the protection and use of water resources.

In recent years, most of the reviewed countries have made considerable progress in harmonizing their legislative basis with the EU environmental *acquis communautaire*. In Serbia, for example, a number of laws in line with EU practices were adopted in 2004, such as the Environment, Integrated Pollution Prevention and Control (IPPC), Environmental Impact Assessment (EIA) and Strategic Environmental Assessment (SEA) laws. However, these new laws generally lack fundamental elements such as definitions compliant with EC requirements, precise rights and obligations for legal and natural persons, clear legal competences of authorities, standards to be achieved and thresholds to be complied with. They fall short of determining procedural stages and are sometimes vague and inconsistent. One example of incomplete law in many countries is the EIA legislation. Though EIA has been a primary target of legal drafting activities in recent years, in most of the reviewed countries (e.g. Bosnia and Herzegovina, Montenegro, Serbia, The former Yugoslav Republic of Macedonia) there is no applicable EIA system in place for the simple reason that procedural details have not been regulated. The other problem is that the types of projects or activities subject to EIA have not been clearly determined. Such determination could be done in technical annexes to the law. Instead, most primary laws refer to subsidiary legislation still to be drafted. Another example is the IPPC law, which requires a number of sublaws to make it fully applicable in practice. In Serbia, for example, an IPPC law was adopted in 2004, but the drafting of related sublaws is still in progress as of 2007.

Box 1.2

Political support for the harmonization of national environmental legislation with the EU *acquis communautaire* in Estonia

The environment-related laws introduced in the mid 1990s in Estonia were rather general, laying down the main principles, but lacking regulations regarding implementation. Once Estonia had made the decision to join the EU, it faced the new obligations of adjusting to EU legislation, introducing new environmental laws in fields not previously covered, and amending those laws introduced in the mid 1990s that were not fully compliant with EU requirements. The Environment Chapter of the negotiations for EU accession was opened in December 1999. The following year, the Government submitted a position paper regarding the EU environmental *acquis*. Implementation plans for sectoral directives on air, waste, radiation, nature protection and industry were issued in 2000, accompanied by the related financing strategies, and followed in 2001 by those on urban wastewater, drinking water, nitrates, ozone depleting substances, large combustion plants, air quality, sulphur content of liquid fuels, landfills and packaging waste. Transitional periods were given, in particular, for those directives involving substantial investment in infrastructure (drinking water, wastewater, landfills, large combustion plants) or related to biodiversity protection (birds and habitat directives). Similarly, political support for harmonization of the national environmental legal framework with that of the EU in other reviewed countries (e.g. Bulgaria, Romania) also achieved good results.

EPR, 2001, update 2007

Another serious drawback of secondary environmental legislation, and one common to all reviewed countries, is that it does not follow the primary laws precisely, as the provisions of the latter are too general and do not provide clear requirements for the by-laws. This might cause inconsistencies with normative acts approved by government resolutions or by order of a ministry. Moreover, the secondary legislation is not enacted together with the law, so the practical enforcement of the law can be delayed for a long time. For instance, the establishment of secondary legislation (e.g. regulations on permitting) in Belarus is not always based directly on the law but often has a vague legal basis, which can lead to problems in court cases (including infringement procedures). In Montenegro, the law on EIA has been adopted in 2004, but will not be implemented before 2008.

Box 1.3

Breaches in the Espoo Convention: the Cernavoda unit 2 (Romania) and Bystroe Canal (Ukraine) cases

- In the late 1990s, the Romanian Government decided to complete the second reactor of the Cernavoda nuclear power plant, in spite of the numerous objections raised by the project. The cost of completion of Cernavoda unit 2 was estimated at US$750 million. In 1991, Romania, Bulgaria, Hungary, Ukraine and Moldova had signed the UNECE Espoo Convention on Environmental Impact Assessment (EIA) in a Transboundary Context, which entered into force in 1997. The Cernavoda nuclear power plant is located less than 100 km from the Bulgarian border, and Bulgaria has expressed its concern about the completion of unit 2. The Espoo Convention requires that project information be made public, and in particular be made available to the competent authorities of all affected parties before project approval. Bulgaria was the only country to receive Cernavoda unit 2 EIA documentation in December 2002, a year after consultations took place in Romania, while the Convention is clear that notification of the concerned parties should come "as early as possible as and no later than when informing its own public about that proposed activity". The report on Environmental Impact Assessment sent to the Government of Bulgaria failed to give the minimum information as requested under the Espoo Convention. For example, potential environmental impacts under severe accident conditions were not evaluated, impacts on air quality were not adequately assessed, and potential impacts during decommissioning were not covered at all. In addition, Ukrainian authorities have never received the EIA documentation on Cernavoda.

- Recently, Ukraine fell short in meeting the requirements of the Espoo Convention for the reconstruction of the Danube–Black Sea shipping channel, the so-called Bystroe Canal, in the Danube River. In July 2006, the UNECE Inquiry Commission concluded that the Danube–Black Sea Canal is likely to have significant adverse transboundary effects on the environment and thus the provisions of the Espoo Convention apply. This means that Ukraine is expected to send a notification about the canal to Romania and that the procedure imposed by the Convention should start. There should be consultation between the Parties, Romania should be given an opportunity to comment on the project, and public participation in the two countries should be ensured. It also means that the final decision about the project should be submitted to Romania.

EPR, 2006

Implementation of multilateral environmental agreements and compliance with their provisions

Political will is vital for promoting implementation of and compliance with multilateral environmental agreements (MEAs). Raising the profile of regional and international conventions and protocols among governments in order to secure stronger political support and commitment remains an issue in most reviewed countries. In recent years, many international and regional conventions, protocols and agreements have been signed and ratified by all reviewed countries, and related plans developed and implemented. However, most of these countries still cannot completely fulfill the obligations conferred by multilateral agreements. Inadequate legislative frameworks combined with the lack of institutional capacity and financial resources are the main barriers to compliance with provisions. For example, the current legal basis in The former

Yugoslav Republic of Macedonia provides only for a partial implementation of the UNECE Convention on Access to Information, Public Participation in Decision-making, and Access to Justice in Environmental Matters (Aarhus, 1998). New national legislation has been drafted to address this issue.

Many countries have developed their national strategies and plans for the management of biodiversity, watersheds, persistent organic pollutants, hazardous waste, desertification, climate change and other important environmental issues in the framework of implementation of MEAs. For instance, Armenia and Belarus recently prepared implementation plans for the Stockholm Convention on Persistent Organic Pollutants. Kazakhstan and Kyrgyzstan have developed a pilot project applying the provisions of the UNECE Convention on EIA in a Transboundary Context (Espoo Convention) to the transboundary impacts of a gold mine. Kazakhstan has acceded to the Basel Convention on Transboundary Movements of Hazardous Wastes and has introduced new customs rules on declaring hazardous wastes, thereby preventing the import of such wastes into its territory in the form of secondary raw materials and products. Kazakhstan has also ratified the UNCCD and has developed a desertification control programme for the period 2005–2015. In 2003, Moldova established a national commission for implementation of the UNFCCC and its Kyoto Protocol.

Box 1.4

Montenegrin civil society halts plans to flood the Tara Gorge

In 1991, Montenegro added a special decree to its Constitution which defines the country as an Ecological State. However, in April 2004 Montenegro ratified an agreement with Bosnia and Herzegovina concerning the construction of a hydroelectric power plant that would flood the Tara Gorge. The Tara Gorge, the deepest and steepest canyon in Europe and the second deepest in the world, is cut by the Tara River. It stretches through the Durmitor National Park (a UNESCO World Heritage site) and the Tara River Biosphere Reserve. Following the agreement, a tender was opened for the construction of the "Buk Bijela" hydroelectric power plant in the Drina River (formed by the Tara and Piva Rivers). Information about the dam project was very scarce and only appeared in tiny articles in daily newspapers. The situation resulted in a strong civil society pressure calling for the protection of the site. Opponents of the project collected more than 15,000 signatures against it in one day – a huge amount for a country of roughly half a million people. Several parties then joined hands to force a parliamentary debate on the project. The Government asked UNESCO for an expert advice on the project in January 2005, and following UNESCO recommendations decided to stop activities for the HPP construction. The Parliament adopted the Declaration on the Tara River Canyon Protection and the plans to build a dam that would flood part of the Tara Gorge were abandoned in April 2005, thanks to the joint action carried out by civil society organizations for the preservation of the canyon and UNESCO.

EPR, 2007

Nevertheless, there are still major shortcomings related to the enforcement of MEAs. Enforcement is usually ensured by well-developed national legislation that enables national inspectors and enforcement officers to act and courts to respond appropriately. In both UNEP (2001) and UNECE (2003) guidelines for enforcement of and compliance with MEAs, it is recommended that legislation be developed prior to ratification (or accession). A country is then better able to identify gaps, duplication or contradictions in the responsibilities and management practices of ministries, government agencies and local authorities and consistency with obligations related to MEAs. Thus both national legal and institutional capacities can be improved. However, what often happens is that legislation is developed after ratification without assessing the need for capacity-building, including staffing and financial resources.

Involvement of civil society in environmental decision-making

Civil society's participation in environmental decision-making is gradually increasing in most of the reviewed countries. In Armenia, for example, there are public hearings concerning draft laws in the National Assembly. Armenia has also strengthened the role of public participation in its new law "On Ecological Expertise". All ministries of environment except Tajikistan's have created websites where they publish information materials (Rio + 10, Kiev Report, National Environment Reports), publications in the framework of agreement implementation, various workshops, articles, and the like which have helped increase public awareness of environmental issues.

The ratification and implementation of the Aarhus Convention significantly stimulated the democratic process of public participation in environmental decision-making and sustainable development in the region. Many countries have established "Aarhus" information centres. For instance, Armenia has six Aarhus Centres on its territory. Environment ministers in Armenia, Azerbaijan, Kazakhstan and Ukraine recently launched regular meetings with the public, and public advisory councils involving NGOs have been established in Belarus, Kyrgyzstan and Ukraine. Recently, water consumer associations were involved in river basin councils in Kazakhstan and Uzbekistan. On the other hand, Bosnia and Herzegovina has no legal provisions regarding public participation and public access to information related to environmental matters, and it has not yet acceded to the Aarhus Convention.

NGOs are currently considered important environmental stakeholders in reviewed countries. In Ukraine, for example, NGOs participated in the preparation of draft laws on environmental audit (2003), and representatives of NGOs sat on the decision-making board (collegium) of the Ministry of Environment Protection. In Montenegro, NGOs successfully conducted various activities and campaigns (e.g. for the protection of the Tara River from the construction of a large hydroelectric power plant). Also, many environmental NGOs, such as ECO-Forum, the World Conservation Union (IUCN) and World Wide Fund for Nature are active in reviewed countries, as are Regional Environmental Centres (RECs). Nevertheless, overall financing for public participation initiatives is insufficient, and sometimes complex and time-consuming registration procedures for NGOs, combined with difficulties in accessing sensitive environmental information, hamper further action.

B. Challenges ahead

The lack of political support for environmental problems and priorities, combined with a resource-intensive economy, has contributed to continuing environmental degradation in reviewed countries. While economic activity declined steadily during the 1990s, pressures on the environment did not decrease proportionately. Also, new problems have arisen during the transition, triggered by the lack of financial resources and the reduced capacity to enforce environmental legislation. In this transition phase, national agendas have emphasized economic growth at the expense of environmental protection.

Virtually all countries have developed environmental policies and legislation or revised inadequate legal procedures. However, there is a need to reconsider and strengthen the implementation mechanisms of existing legislation. Recently, emphasis has shifted from developing new laws to drafting lower-level regulations, government decisions, and methodological and procedural documents which provide better guidance for interpreting, implementing and enforcing

existing laws. But environmental laws and regulations generally lack consistency and coherence, and secondary laws and enforcement mechanisms still need to be developed and/or simplified.

While significant progress has been achieved in ratification, major challenges in implementation of and compliance with MEAs remain. National legislation in many areas is lacking of is insufficient to ensure that reviewed countries comply with their obligations under international agreements. Also, the lack of financial commitment, clear project identification and prioritization, institutional and human capacity and experience hinders the enforcement of MEAs.

In recent years, the participation of civil society in environmental decision-making has been strengthened through improvements in public access to information in almost all reviewed countries. Enhanced public awareness of environmental issues has led civil society organizations to push governments to act more effectively and responsibly regarding environmental protection. However, some countries still face serious obstacles in raising public awareness and building partnerships for better environmental management.

Recommendation 1:

Governments in all EECCA and SEE countries should strengthen their political support to resolving persistent environmental problems. They should streamline environmental priorities, rationalize environmental legislation and reinforce implementation in order to promote a more sustainable approach to economic progress, to raise and harmonize their levels of environmental practices and legislation over the UNECE region, and fulfill international obligations under multilateral environmental agreements they are parties to. They should also strengthen the role of civil society in environmental decision-making.

BUILDING COMPETENT AND EFFECTIVE ENVIRONMENTAL INSTITUTIONS

A. Progress achieved and problems encountered

Institutional capacity for environmental management

Governments in most reviewed countries have established environment ministries and regional or local authorities; only a few State Committees for Nature Protection are still in place (e.g. in Uzbekistan and Tajikistan). However, ministries of environment generally are not in a strong enough position to ensure that environmental issues get high priority on the government's political agenda. Also, the ministries' power and efficiency is undermined by the fact that environmental functions are sometimes associated with other functions (e.g. tourism in Montenegro), which may cause conflicts of interest. Moreover, institutional capacity in this field is relatively weak. In Moldova, for example, the Ministry of Ecology, Construction and Territory Development functioned with a total staff of 105 persons in 2003, while the Ministry's Department of Environmental Protection had 41 staff. With the creation of a new Ministry of Ecology and Natural Resources in 2005, the total number of staff members dealing with environmental protection in the country was reduced to only 25, and in 2006 to 18.

Box 2.1

Institutional strengthening for environmental protection in Estonia and Romania

Prior to 1991, the Ministry of Environment in Estonia had no offices at the local level, environmental management and protection being the responsibility of counties with special environmental offices. After 1993, these offices started to be administered by the Ministry, but were still financed by local budgets. In such circumstances, it was difficult for the Ministry to ensure that national environmental strategies were being implemented according to the priorities defined at the national level. The restructuring of 2000 therefore put the county environmental authorities under the direct responsibility and budget of the Ministry of Environment. These offices act as implementing agencies that deal with EIA, pollution charges, and the issuing of permits for natural resources use, and manage plans at the county level such as small environmental investment plans and county waste management plans.

The central body for environmental governance in Romania, the Ministry of Environment and Water Management (MEWM), was reorganized in 2005. The main responsibility of the Ministry relating to horizontal legislation concerns the development of environmental legislation in line with the EU environmental acquis. The National Environmental Protection Agency (NEPA) was also reorganized in 2005. It represents the national executive level subordinated to the MEWM in charge of the coordination of regional and local environmental bodies. Specific functions of planning approvals and reporting control are also attached to the NEPA, together with the development of secondary legislation for implementation and enforcement. The Regional Environmental Protection Agencies (REPAs) were established in 2004 within the boundaries of the existing eight development regions. The REPAs are responsible for the work coordination of Local Environmental Protection Agencies (LEPAs), which were reorganized in 2005. LEPAs are in charge of the implementation and enforcement of environmental legislation at the county level. There are 42 LEPAs at present, one for each county, plus the Danube Delta Biosphere Reserve Administration. In addition, the National Environmental Guard (NEG) was set up in 2005 as a specialized body subordinated to the MEWM, by merging the forestry and hunting territorial inspectorates. The staff from the former inspection bodies of the Ministry and local environmental agencies also merged into the NEG. The county branches of NEG are working closely to the LEPAs, carrying out the control functions.

EPR, 2001, update 2007

At present it is difficult to recruit highly qualified staff because salaries are low and the public authorities are not held in high esteem. However, the capacity of inspectorates, and therefore the effectiveness of enforcement, depends on the number of staff (which is insufficient in many cases), as well as on their competence, which is evolving from a policing role towards an

advisory role. For instance, the functioning of the current compliance monitoring system in Moldova is undermined by the weak capacities of the laboratories and the small number of inspection staff of the State Environmental Inspectorate. In Georgia, there is a significant lack of capacity at the regional inspection offices due to insufficient and under-qualified staff.

Box 2.2

Insufficient administrative capacity for environmental protection in Bosnia and Herzegovina, The former Yugoslav Republic of Macedonia and Tajikistan

Bosnia and Herzegovina's institutional structure in the environment field is complex and there is a lack of central coordination and implementation even for international agreements. Capacity at the State level is particularly weak. There is a gap between attribution of environmental responsibilities and means to fulfill them. The number of vacant posts is significant and administration development is limited. The low number of environmental specialists has led many officials to be multifunctional in order to cover this lack.

EPR, 2004

The Ministry of Environment and Physical Planning (MEPP) in the Former Yugoslav Republic of Macedonia has insufficient staff, and in particular lacks specialized staff in areas such as environmental impact assessment, monitoring, integrated pollution prevention and control, and climate change. The State Environmental Inspectorate (eight inspectors in mid-2005, of whom four are in Skopje), which operates within the MEPP, supervises the implementation of laws and other acts, as well as enforcement of and compliance with the conditions stipulated in individual permits. The number of inspectors is clearly insufficient while the number of prosecutions for breaches of environmental law indicates that enforcement level is very low. This can be attributed to various factors, such as the lack of human and financial resources, the weakness of the legal and judiciary systems, and deficiencies in the legislation.

EPR, 2002

The Tajik environmental institutions have restraint capacities due to the lack of staff and limited salaries. For instance, the staff in Dushanbe's Committee for Nature Protection and Forestry consists of 29 persons paid from the Committee's budget (including eight in four rayon committees). The average salary is 20 somoni per month (less than $7). Low salaries are one of the main reasons for the high turnover of inspectors and other staff, particularly in the rayon (district) and small town committees. Moreover, with a staff of only three, the Department for Land Use is responsible for issues related to the sustainable use of agricultural land.

EPR, 2004

In addition, environmental authorities in most of the reviewed countries generally have very limited financial resources to carry out their duties. In many cases, budgets cover little more than personnel costs. For example, environmental authorities in Armenia devote 70 per cent of their budgets to pay salaries, and in Kyrgyzstan the figure is 95 per cent. This leaves almost no resources for operational expenses and often none for investments. For example, Tajikistan's Hydrometeorology Agency and State Epidemiological Service are currently suffering from a lack of funds to maintain or replace equipment, a reduction in staff and a decline in laboratory inspection standards.

Institutional task sharing and coordination

The frequent restructuring and/or fragmentation of functions among several institutions without a clear division of responsibilities for their implementation has caused a general lack of continuity in environmental policymaking. Political instability has in many cases led to repeated reorganizations of national, regional and local environmental structures. The ensuing changes in geographical coverage and the consequent transfers of files, changes in staff, leadership and priorities hamper the development of inter-ministerial coordination mechanisms. A key problem is that in almost all reviewed countries, coordination mechanisms between ministries, whether formal or informal, are rather weak.

Box 2.3

Frequent reorganization of Ukrainian environmental institutions

Over the last five years, a number of steps have been taken to build and strengthen the institutional system for environmental management in Ukraine. However, these actions may not have achieved the expected results because of the too frequent reorganizations of environmental authorities. These frequent changes of the Ministry of Environmental Protection leadership have led to the dilution of the strategic vision and its coherence and have resulted in a weakening of the efficiency of staff's work, a scattering of technical and human resources and the inefficient use of financial resources.

EPR, 2006

In addition, there is overlapping of mandates of institutions for the management, inspection and control of the environment. Biodiversity protection and sustainable use of natural resources, for example, are managed and controlled by a number of institutions in most of the reviewed countries. Similarly, legal competences in the field of water management are divided among a number of ministries (e.g. five ministries in the case of The former Yugoslav Republic of Macedonia). Another related problem is the lack of coordination between environmental inspectorates and other ministries' inspectorates. In general, different inspectorates plan their visits in isolation, which often leads to inefficient and non-comprehensive inspection, or sometimes to a few enterprises' being "over-visited", and to duplication and ineffective use of resources. Moreover, there is practically no coordination among environmental public authorities regarding the location of monitoring stations, sampling or data exchange. However, some countries have made considerable efforts to solve these problems. Estonia, like other former EU candidate countries, restructured and clarified task sharing with regard to water management before acceding to the EU.

Box 2.4

Imbalance and unclear institutional task sharing in Belarus

Environmental permitting, inspection and enforcement operate simultaneously at three levels: national, regional and local. The responsibilities of staff at all these levels are not clear and the use of existing resources is not optimal. Within the Ministry of Natural Resources and Environmental Protection, there is a certain imbalance between the tasks related to the use and protection of natural resources and those related to environmental protection. There is only one department (geology) with direct functions related to the use of natural resources (mineral resources). The Ministry does not have departments responsible for water use or forestry for instance, although some of these functions are under the responsibility of the respective specialized inspectorates. There is also a separate Ministry of Forestry. In addition, it is not clear which body is responsible for water use and water management. The Central Research and Development Institute of Water Resource Use is subordinated to the Ministry of Natural Resources and Environmental Protection and is funded through its budget, but its main purpose is scientific research and it is not a Ministry department.

EPR, 2005, update 2006

Vertical coordination within ministries of environment and local environmental protection agencies also requires attention. In Tajikistan, for example, there appears to be little exchange of knowledge or experience between the two. This creates problems, in particular regarding inspections, because there is a lack of clarity and consistency regarding who initiates and carries out an inspection, the central office or the staff of the local committees. In Ukraine, the governance system reform in the late 1990s resulted in the allocation of some environmental responsibilities to the oblast and municipal councils. For the time being, however, the distribution of these responsibilities is not clearly determined. This negatively influences relations between the two structures and prevents efficient enforcement of laws.

Compliance and enforcement issues

In most of the reviewed countries, mechanisms to ensure compliance with and enforcement of environmental policies and legislation are weak and need to be strengthened. This is a result

of several factors, including gaps in environmental laws/regulations, frequent restructuring of environmental institutions, insufficient availability of financial resources for enforcement purposes (training, staffing, technical equipment) and weak monitoring systems, especially at the subnational level.

The ineffectiveness of compliance and enforcement mechanisms is generally connected with an incomplete legal basis and insufficient institutional capacity. Contradictory legislation together with ambiguous definitions also causes difficulties in implementation. In some countries, enforcement officers lack sufficient legal powers to apply adequate sanctions, and unannounced environmental inspections are not possible without a court order for on-site inspections. There is still a strong focus on command-and-control mechanisms instead of compliance assistance and promotion and the combined use of incentives/economic instruments. The result is that operators are not encouraged to implement any environmental protection measures unless these are imposed on them. The relationship between enforcement tools (binding tools) and compliance assistance and promotion tools (soft tools) is rather weak. Proactive approaches like information campaigns, seminars and training activities to inform the regulated community of new laws and other developments are not broadly used. Where there is a system of environmental tax rebates for the investments that operators make for pollution abatement, as in Belarus and Moldova, the rebates are not usually big enough to ensure the introduction of best available techniques, which are relatively expensive. In addition, both permitting authorities and operators generally suffer from the administrative burden resulting from the failure to prioritizing among pollution sources. A major obstacle to an effective permitting system is the use of maximum allowable concentrations (MACs) alone, without taking into account the limitation of quantities of pollution discharged.

In many countries' environmental agencies, policymaking functions are not separated from enforcement tasks, even though international practice suggests that separating the issuance of permits from enforcement makes both processes more effective and prevents conflicts of interest. For instance, Belarusian environmental inspectorates are involved in controlling and monitoring the environment and issuing permits, while also developing environmental legislation and instruments for its implementation. In Estonia, by contrast, environmental inspectorates now check compliance with environmental permits and enforce the law, whereas previously inspections were carried out by the staff of the county environmental departments, which also issued environmental permits. Political instability also weakens institutional compliance and enforcement. Frequent restructuring of ministries of environment and other environmental institutions is a major impediment for policy enforcement. These changes have a negative effect on enforcement functions, as it occurs in Montenegro, Serbia, Ukraine and others.

Another major enforcement issue in most of the reviewed countries is connected with

Box 2.5

Staff quality is enhanced by effective training in Belarus

In 2004, the State introduced a system of control of environmental activities under all ministries and in all enterprises separate from the inspectorates. Under this system, in each ministry and enterprise there is a person or persons responsible for ensuring compliance with environmental legislation through staff training, distribution of relevant information and notification of new guidelines. The Ministry of Natural Resources and Environmental Protection facilitates this programme by providing training and methodological assistance. It has also been proposed that the Government initiate a programme to assess the knowledge of all enterprise managers on environmental legislation and regulations. At the same time, the training programmes for inspectors are used quite effectively. The Ministry often invites external experts, including specialists from universities, to give lectures. Programmes are organized for new inspectors, as well as for experienced staff who have a possibility of enhancing their qualifications.

EPR, 2005, update 2006

the lack of financing for environmental activities and initiatives. Overall, allocated resources are not enough to replace obsolete monitoring and other equipment to reinforce institutional capacity in this area. For example, the lack of vehicles and communication tools makes last-minute inspections impossible in many countries such as Azerbaijan, Georgia and Tajikistan. The Moldovan State Environmental Inspectorate falls short in accomplishing the necessary sampling and analyses for emissions control due to the lack of financial support and up-to-date equipment. In addition, staff are not receiving the necessary training to deal with new rules and techniques.

B. Challenges ahead

Institutional reforms have been undertaken in reviewed countries, though the measures are partial and progress is very uneven, with some progress at the national level but less at the local level. In general, compliance with environmental regulations focuses on the quantity of enforcement actions taken rather than on achieving environmental targets. Weak institutions do not have the incentives or means to achieve environmental objectives. They still suffer from weak authority, outdated management and decision-making practices, scarcity of human and financial resources, high turnover of professionals and frequent restructuring.

The economic, social and other problems associated with the transition period make the practical and immediate implementation of and compliance with the newly adopted legislation, norms and standards difficult. In practice, only a few countries have strengthened their enforcement mechanisms and ensured efficient institutional task sharing and cooperation. Overall, the organization and effectiveness of environmental inspectorates remain weak. Enforcement structures need to be better consolidated and empowered, and financial resources allocated for these purposes. In addition, introducing new requirements or improving existing practices call for the development of new competencies within the environmental authorities and their bodies through training and retraining. Training should therefore be a key component of any improvement strategy.

Recommendation 2:

Governments in all EECCA and SEE countries should urgently address the serious bottlenecks caused by weak environmental institutions. They should strengthen the level, mandate and capacities of the environmental authorities to make these more competent and effective, and should consolidate and empower enforcement structures, in particular at the subnational level. They should also clarify institutional task sharing by assessing the role of environmental bodies and should improve institutional coordination mechanisms, both horizontally (between sectoral authorities, between divisions of the same ministry) and vertically (between the national and subnational levels).

MOBILIZING FINANCING FOR ENVIRONMENTAL PRIORITIES

A. Progress achieved and problems encountered

Financing environmental priorities

Almost all reviewed countries have developed environmental policies and strategies, although many of these documents do not contain priority actions or indicate the financial resources needed to achieve objectives. In some cases, when the funding requirements are identified, the government has other priorities and does not provide all the necessary funding for the implementation of programmes. Also, the lack of deadlines and concrete targets makes it hard to assess progress in policy achievement.

Box 3.1

Lack of priorities in programmes and strategies hinders the efficient use of environmental funds in Ukraine

As a result of the increase in revenues, the average size of the projects financed by the National Environment Fund increased almost fivefold between 1998 and 2003, more than twice as fast as the Consumer Price Index. However, priorities appear too vague to provide strict guidance for the projects to be financed. More narrowly defined priorities would reduce the flow of unsuitable demands, thus facilitating the appraisal process. At the oblast (province) level, a review conducted by Danish Co-operation for Environment in Eastern Europe in 2001 found most of the funds in violation of the Saint Petersburg Guidelines on Environmental Funds in the Transition to a Market Economy. Expenditures were not targeted precisely enough to meet environmental objectives, and there were no clear procedures for project selection or management.

EPR, 2006

Political will to finance environmental protection is generally weak in most of the reviewed countries. Regular cuts in budgetary funding indicate that environmental protection receives little attention. In some cases, the allocated funds are not even enough to ensure the normal functioning of state agencies. Also, the level of environmental investment in reviewed countries is usually low. Most national environmentally-related expenditures are generally spent on maintenance and operation of existing, often obsolete and inefficient equipment and installations; very few resources are put into introducing new, environmentally sound technologies. In addition, environmental expenditures of government offices are usually insufficiently coordinated. However, some countries, such as Kazakhstan, Moldova, Montenegro and Serbia, have shown progress in the management of public resources by implementing results-oriented budgeting, developing medium-term expenditure frameworks and better controlling budgetary resources.

The implementation of preventive policy measures for operating activities is unsatisfactory in almost all reviewed countries. Several examples have demonstrated that the annual costs of implementing such measures are lower than the costs of environmental remediation in case of contamination. In recent years, the public and private sectors have carried out some remediation activities. However, it is often unclear where the liability for environmental damage lies, and the costs of remediation are high. Consequently, a heavy burden falls on public budgets, while there is insufficient funding for remediation of orphan sites. For example, the clean-up of a single mining site in Kazakhstan has been estimated to cost €62 million, while the annual costs of current security measures to contain contamination in the same mine amount to about €2 million.

Box 3.2

Financial planning for implementation of the waste management strategy in Serbia

Serbia adopted a National Waste Management Strategy in 2003, and a new Law on Waste Management in line with EU directives has been submitted for adoption. Financial planning for implementation of the Strategy and, in the future, the Law, includes the financing and co-financing of projects by the Directorate for Environmental Protection, the Environmental Fund and the National Investment Programme (financed by Serbia's privatization revenues).

During 2004, the Directorate for Environmental Protection financed or co-financed several activities totaling €800,000. These included the sanitation and remediation of existing dumpsites in four municipalities, the development of technical documentation for clean-up and remediation of existing dumpsites for 19 municipalities and the development of technical documentation for construction of seven regional landfills for 38 municipalities. In 2005, the Directorate for Environmental Protection co-financed 24 projects (total value €300,000). The projects involved the development of technical documentation for construction of three regional landfills for 16 municipalities and for sanitation, closure and rehabilitation of existing dumpsites for 22 municipalities.

Since 2005, the Environmental Fund has co-financed a series of important projects involving regional and municipal waste landfills, some of them on the basis of public tender. The share of co-financing was between 40 per cent and 60 per cent of total values of the projects.

Within the National Investment Programme, four projects regarding waste management were selected to be financed in the period 2006–2007 (total value of €20 million). These projects include the support to local self governments for construction of regional landfills (€4.3 million) and collection of communal waste (€2 million), detailed PCBs inventory and replacement of devices that contains PCBs (polychlorinated biphenyls) and their export for treatment (€2 million), and clean-up and recultivation of existing dumpsites (€2.7 million).

EPR, 2006

Financial mechanisms for environmental protection

In the 1990s, following the advice of the international community, most of the reviewed countries introduced a number of economic instruments (pollution charges, taxes on the use of natural resources, user charges for the provision of municipal environmental services, etc.) to raise revenues for environmental expenditures. However, in most cases, economic instruments have not been designed as incentives but rather to finance general reforms and budget deficits. The lack of monitoring and transparency in the implementation of economic instruments, the low collection rates and inefficient economic incentives for environmental commitment have contributed to making such instruments generally ineffective.

Environmental taxation and utility pricing can be key tools for moving towards sustainable development, as they can have positive effects on the environment by stimulating innovation and efficiency when properly designed and applied. In reviewed countries, however, environmental charges are quite low and sometimes poorly enforced. Electricity, heating, water supply and waste disposal tariffs often remain below cost levels, and users are not encouraged to save natural resources or energy. In addition, as in these countries enterprises do not usually operate in market-based competitive conditions with tight constraints on production costs, and as they still benefit from a number of protection measures, including some exemptions and subsidies, the incentive effect of the pollution charge system is undermined. Many subsidies are hidden and take the shape of, for example, tax rebates. In addition, current environmental tax systems are in general difficult and expensive to monitor and enforce, as they do not focus on the biggest polluters. The number of substances covered by the pollution charges is very high; payment is usually based on

permitted emissions, not on actual emissions; and the number of enterprises liable to pay such taxes is theoretically too high to be properly managed by the administration.

In recent years, some countries have improved their environmental tax systems. For example, Armenia has reformed its system by adopting the Law on Nature Protection and Nature Use Charges and related by-laws, with positive results. In 2001, Belarus began establishing emission limits based on the actual production of enterprises rather than on their nominal capacity (a traditional practice in all reviewed countries), which resulted in more realistic figures and thus an increase in charges and fines for excess pollution.

Other market-based economic instruments such as tax differentiation, green public procurement, emissions trading and fiscal incentives (income tax deductions for environmental investments, investment tax credits, accelerated depreciation, debt-for-nature swaps) are still not broadly

Box 3.3

Raising revenues for environmental purposes in Belarus

In Belarus, the resources available in the Environment Fund were insufficient for implementing the 2001–2005 National Action Plan for Rational Use of Natural Resources and Environmental Protection and its action plans at national and regional levels. As a result, fees have been raised in real terms over several years, incrementally, for water extraction, wastewater discharge, air emissions and waste disposal. One indicator of these actions' success was an increasein revenue of the Environment Protection Fund (now a budgetary fund) by a factor of 13, from $9.5 million in 2000 to about $25 million in 2004. This has resulted in a better financing of environmental priorities.

EPR, 2005

Box 3.4

Impact of economic instruments on the environment: the Estonian experience

In Estonia, environmental taxes have been in use since 1991. Over a 15-year period (1991–2005), revenue from environmental taxes has shown constant growth, but still not in proportion with economic growth rates. This is due to the stimulating role of environmental taxes on environmental protection. If entrepreneurs undertake efficient environmental protection measures, their amount of payable environmental taxes decreases.

Environmental taxes received have been used in the State budget for financing environmental protection and nature conservation activities during this 15-year period. From 1991 to 1999, the money was used through the Environmental Fund, outside the State budget. Since July 1999, it has been used through the Environmental Investment Centre, operating under the State budget. Previously, State functions such as environmental inspection and development of information technology were also financed through the Fund. In recent years, financing of those activities has been shifted more and more to the State budget. Current financing is project-based. The projects are grouped into programmes according to priority sectors to be financed. The money is not redirected to the sector from where it was received, but to where it is the most beneficial for Estonia from the environmental protection point of view. According to this principle, more than 40 per cent of finances have been allocated to the water sector, a priority for Estonia, although the sector itself has given only 15 per cent of the money received.

The impacts of economic instruments in reducing environmental pollution have been remarkable during the last 15 years. For example, the water pollution load has decreased substantially, in particular that of organic pollution (by more than 7 times), emission of suspended solids (by almost 7 times) and total phosphorus and oil pollution (by 4 times). Reduction in total nitrogen pollution has been the lowest (by 3 times). In 2005, Estonia decided to make economic instruments in place more effective by strengthening the regulatory framework for nature use and protection. The adoption of the Environmental Charges Act (2005) called for a dramatic increase in a vast great majority of environmental tax rates (up to 100 per cent in certain cases). The objective was to give a clear signal both to the business and the public sectors about the willingness of the State to use its natural resources and the environment in a sustainable manner.

EPR, 2001, update 2006

used in reviewed countries. Debt-for-environment-swaps initiatives have started in Georgia, following the example of Bulgaria.

Environment protection funds also play a significant role in financing environmental expenditures in reviewed countries, virtually all of which have established environmental funds. While the funds' revenues have generally grown in recent years, the expenditure management side remains weak. In a few countries, a large share of expenditures is spent for purposes other than the environment. In general, there is little transparency in the way the funds operate, including how decisions on distribution of funds are made and how priorities are set. In many cases, no advice is sought from other stakeholders, including enterprises, scientific organizations, environmental NGOs and the general public, on the most efficient use of environmental funds. Also, often there is no estimate of financial needs in the area of environmental protection, and procedures for accessing environmental funding for project financing are too complex.

Mobilizing international donors

Reviewed countries urgently need foreign contributions in order to sustain environmental protection and amelioration. However, most of them have not included the environment as a priority in their strategies and plans to attract international donors, which has resulted in low levels of environmental financing. Moreover, they have not fully explored possibilities for attracting foreign assistance. Overall, national institutions do not effectively use the different financial instruments and mechanisms available for funding environmental projects, such as the funds available under the new EU neighbourhood programmes, the Global Environment Facility (GEF) umbrella and the Kyoto Protocol's flexible mechanisms. Another problem in accessing international funds is the unavailability of professional resources (i.e. project management units) to deal with international institutions and project preparation. In addition, the general lack of communication between the authorities and donors and the continual institutional restructuring have contributed to reducing international environmental cooperation in many countries.

Box 3.5

Environmental protection not listed as a priority for international financing in Moldova

In the period under review, the Government of Moldova did not include environmental protection as one of its main priority areas when requesting international technical assistance. As a consequence, the country assistance strategies or their equivalents of the international financial institutions (International Monetary Fund, the World Bank, European Bank for Reconstruction and Development), international organizations (the European Commission, United Nations Development Programme) and bilateral donors that are active in the country do not list environmental protection as a priority. If the European Bank for Reconstruction and Development and World Bank projects, whose primary purpose was other than environmental protection, are excluded, the total amount of external financial resources in the country for the period 1998–2003 could be estimated at around $7 million compared to the domestic expenditures of around $81 million. While this corresponds to the trends in other countries in the EECCA region, where domestic environmental expenditures are significantly higher than foreign ones, Moldova has the potential to attract more external sources of financing. A step in the right direction is the National Programme of Technical Assistance for 2005–2006, which was developed in support of the poverty reduction strategy (Economic Growth and Poverty Reduction Strategy Paper, 2004–2006). The projects outlined in the Programme corresponding to Economic Growth and Poverty Reduction Strategy Paper priority areas have a better chance of attracting the attention of potential donors.

EPR, 2005, update 2006

B. Challenges ahead

Political and institutional obstacles in the financing of environmental projects persist in reviewed countries. Economic instruments currently in use have often been designed more to raise revenue than to encourage changes in environmental behaviour. Recent economic growth has generated new opportunities to mobilize internal resources, but national systems of environmental charges continue to be inefficient. There is a general need to broaden the use of market-based instruments (e.g. greening of public procurement, tax differentiation, fiscal incentives) and build effective environmental taxation mechanisms (taxes on pollution, products, land use and natural resources) in order to move towards sustainability.

At the same time, the political will to allocate the necessary funds for environmental purposes is weak, and there is not enough public awareness regarding environmental issues to push governments to act more effectively. Investment in environmental infrastructure remains low, as does the understanding of the advantages of better environmental management. A well-functioning environmental infrastructure has numerous benefits, not only for the environment and human health but also for the economy. When governments are not fully convinced of the importance of protecting their environment, it is difficult to attract international technical assistance or make optimal use of financial resources.

Although progress has been achieved in establishing environmental funds in virtually all countries, their management is not efficient enough to manifestly improve environmental protection. In general, the procedures for obtaining project financing from environmental funds are too complex and selection criteria are unclear, which hampers the financing of environmental priorities and stringent monitoring of performance in the use of the funds.

Recommendation 3:

To increase the effectiveness of environmental financing, Governments in all EECCA and SEE countries should review procedures, improve institutional capacity, and make proper use of economic instruments. A more solid foundation for identification of projects and prioritization of spending of environmental funds should be developed, and transparency, financial planning and project-cycle management should be introduced systematically. Investments in environmental infrastructure should be increased. Governments should foster cooperation with the private sector with a view to develop innovative instruments for the financing of environmental infrastructure.

MONITORING ENVIRONMENTAL PROGRESS AND READJUSTING TARGETS

A. Progress achieved and problems encountered

Assessing progress in the national environmental situation

Today all reviewed countries prepare various types of environmental assessments and reports with differing scopes, levels of detail and periodicities (state of the environment reports, environmental statistics reports, reports on sectoral environmental issues, national reports on the implementation of specific MEAs, etc.). Most are of a descriptive nature and lack indicators. When indicators are used, they are not standardized and frequently represent bulky figures (i.e. tons and cubic meters) that do not help decision makers and the general public to understand the causes and effects of environmental conditions, to link these with economic and social developments, to assess the cost-effectiveness of policy implementation or to make comparisons with other countries.

Box 4.1

Developing environmental indicators to monitor the state of the environment in Uzbekistan

The project "Environmental Indicators to Monitor the State of the Environment in Uzbekistan" is part of a broader initiative for the development of a national environmental information management system, the so-called Atrof-Muhit Environment Programme of the State Committee for Nature Protection of Uzbekistan supported by the United Nations Development Programme. The main objective of this project component is to develop indicators for monitoring a number of selected environmental parameters in the country.

In order to identify and define an appropriate suite of environmental indicators for Uzbekistan, the project has adopted an extensive participatory process, including official levels, technical and scientific circles, non-governmenal organizations (NGOs) and local community groups. After establishing the set of indicators, the project is developing a monitoring strategy for each indicator; the protocols for managing the data and a database to store, process and analyse the data; and an environmental information system to share the data.

The Environmental Information System (EIS) is one of the outputs of the project. The data stored in the EIS database comes from 91 environmental indicators monitoring the state of the environment in Uzbekistan at national, regional and local levels. Each indicator monitors a different aspect of the environment, e.g. air pollution or land salinization. The data is available on the Internet via a standard Web browser. The EIS allows for querying, analysing and displaying environmental data online.

EPR, 2001, update 2007

Regular assessment of the environmental situation is difficult in most of the reviewed countries due to the absence of efficient monitoring networks and modern equipment to improve the quality of data collection, processing and reporting. For example, existing air quality monitoring networks in EECCA countries were generally established in the 1970s and 1980s according to Soviet standards. Some countries have recently updated and supplemented such standards. However, comprehensive and regular control of current standards is extremely difficult and costly owing to an overly large number of substances to be monitored (a legacy of the past). In addition, monitoring is usually based on manual sampling; there are very few automated monitors. As a consequence, both monitoring and enforcement by environmental authorities remain unmanageable tasks.

Box 4.2

Ukraine's regional environmental monitoring programme: the Zaporizhia Oblast case

In 2001, the Zaporizhia Oblast Council adopted an environmental monitoring programme for the oblast for the period 2001–2010. Developed in collaboration with all oblast governmental bodies, major polluting enterprises and local NGOs and with support from the regional environmental fund, the programme is based on a format and procedure for data submission managed by Ecocentre. This company operates an Internet-based database to manage data inputs from all of the oblast's monitoring networks – including those of Hydromet, the Ministry of Health and the State Committee for Water Management – and emissions data from polluting enterprises. Implementation is monitored by a regional interdepartmental commission led by a Vice-Head of the oblast administration. Some 16 million hryvnias (about $3 million) from various sources has been earmarked for the programme's implementation. It has served as a basis for developing other regional programmes, such as a programme to resolve environmental crises in Zaporizhia for the period 2001–2010 that has involved some 100 polluting enterprises; a programme promoting environmental protection, the rational use of natural resources and environmental security for Zaporizhia Oblast for the period 2003–2010; a programme for rehabilitating mining sites; and a programme for handling hazardous wastes.

EPR, 2006

Overall, the results of environmental monitoring are not efficiently used to assess environmental conditions, the driving forces behind changes in the environment, and the effectiveness of environmental protection measures, nor are they used effectively for making decisions, developing policy or enhancing public awareness. In addition, information gaps are widespread due to the lack of regular national environmental monitoring and reporting. Thus, parliaments and governments do not receive state-of-the-environment reports to use as a basis for law- and policymaking. In Ukraine, national reports on the state of the environment were formerly published annually in Ukrainian and English, but since 2002 none has been published.

Another key obstacle to monitoring environmental progress in most of the countries is the lack of a fully developed reporting system covering both financial reporting and performance results. This hampers broader assessment of environmental improvements, including those resulting from the subsidies provided by the environmental protection funds. Also, self-monitoring by industrial enterprises remains weak, and voluntary company reporting has rarely been introduced. Often an ideal self-monitoring system cannot be established for reasons such as lack of financial resources or suitable instruments. In Moldova, for example, as long as not all polluters submit reports, data on

Box 4.3

Russia's experience with environmental and social reporting

Based on global experience and the initiation of serious large-scale corporate social responsibility (CSR) and sustainability reporting to present their economic, environmental and social performance, as of July 2006 41 Russian companies have issued their non-financial reports. Fourteen of these are included as sections into the companies' annual reports; 17 are prepared in the form of social reports, six as sustainability reports and four as environmental reports. At the same time, 11 companies prepared their reports with application of the Guidelines of Global Reporting Initiative (GRI) and AA1000S Process Standard for Report Preparation methods and performance indicators, among them JSC Norilsk Nickel, JSC LUKOIL, JSC Unified Energy System of Russia, JSC Tatneft, JSC YUKOS, Ilim Pulp Corporation, JSC Northwest Timber Company, NOVOGOR-Prikamie LLC, EvrazHolding Ltd, Shell and BP. RUSAL has prepared its non-financial report in compliance with 10 principles of the United Nations Global Compact.

The four Russian companies which present their environmental policy in the form of special environmental reports are JSC Gasprom, JSC Ryazan State District Power Plant, JSC Arkhangelsk Pulp and Paper Factory and JSC Northwest Timber Company. Although small in number, these environmental reports are highly transparent in most aspects of environmental responsibility. The systems of environmental management applied by these leading Russian companies meet the ISO 14001 requirements.

UNECE, 2006

waste handling are incomplete. Moreover, environmental information reporting does not usually follow international indicators and guidelines for its preparation, such as the "Guidelines for the Preparation of Governmental Reports on the State and Protection of the Environment" endorsed by the Kiev Ministerial Conference "Environment for Europe" (2003). Reports generally lack consistency because they are based on environmental indicators and data generated using different methodologies across different monitoring areas, and national environmental standards and classification systems are often incompatible with international ones.

Despite such deficiencies, some progress has been achieved in monitoring. Armenia and Azerbaijan are making active efforts to establish and upgrade monitoring networks. Exchange of environmental data and information is improving, for example, as in Belarus and Ukraine, where interagency monitoring commissions have been established. Moldova has made some progress in improving air pollution monitoring methods. Uzbekistan and UNDP are developing a joint project on environmental indicators to monitor the state of the environment in the country. An Environmental Protection Monitoring Committee and an environmental information centre have been established in Kazakhstan's Ministry of Environmental Protection as part of the institutional reform to modernize the country's environmental monitoring system. The Ministry has also established a Regional Centre for Monitoring of the Caspian Sea Region.

Box 4.4

Upgrading environmental monitoring through the project "Joint River Basin Management for the Kura River" in Armenia, Azerbaijan and Georgia

The project "Joint River Basin Management for the Kura River", funded by the EU Tacis Programme, includes several subprojects being carried out by national technical working groups in Armenia and Azerbaijan and Georgia. These groups meet in plenary workshops, allowing country-to-country interaction. Steady progress is being made to upgrade technologies and the monitoring of water quantity and quality in the Kura Basin, with a view to acheiving consistency within and across countries, as well as data sharing. Transboundary reviews and management can be done only when all three countries have a sound understanding of conditions and threats, and this project is making important progress in this direction. Capacity-building components include reviews of water management practices, raising public awareness, and early-stage pollution "hot spot" identification through improved monitoring. Broader political concerns mean that a formal basin-wide steering group, international commission, or other high-level and politically endorsed entity is not possible now. Nevertheless, all three countries are clearly supportive and will benefit from technical cooperation.

UNECE, 2006

The importance of independent assessments in monitoring progress

Among the most important independent environmental assessments carried out in EECCA and SEE countries are the UNECE Environmental Performance Reviews (EPRs). The EPR is an important instrument for strengthening national environmental governance. It includes a broad analysis of the environmental activities in a country and contributes to enhancing cooperation between various national sectors of the economy. It also includes an independent analysis by international experts, providing an outside perspective on national environmental problems. Ministries of environment use these reviews as a reference during consultations, negotiations and the preparation of project proposals, strategies and programmes. The EPR reports and their recommendations are also important tools for the development of environmental policies, harmonization with EU standards and requirements, and integration of environmental policy into sectoral policies. In Armenia, for example, various programmes undertaken in line with EPR recommendations have strengthened the capacities of relevant stakeholders, including environmental authorities, government institutions, the expert community and NGOs. Overall, countries use EPRs as sources of information for state institutions, environmental organizations (governmental and non-governmental), the business sector and the

general public. Broader publicity on the reviews' launching at the national level combined with the availability of reports in national languages (to date in Belarus, Moldova, Ukraine, Serbia and Montenegro) have supported the practical application of recommendations as well as increased involvement of civil society in the process.

Assessments carried out by the Organisation for Economic Co-operation in Europe (OECD) Non–OECD Member Countries Division, and especially by the Task Force for Implementation of Environmental Action Plans (EAP TF), have had a positive influence on the countries' environmental policy development. Also, reviewed countries are taking advantage of opportunities to build monitoring and reporting capacities in the framework of the UNECE Working Group on Environmental Monitoring and Assessment (WGEMA). In 2002, the European Commission and the European Environment Agency (EEA) concluded a grant agreement on strengthening environmental information and observation capacity in EECCA. To implement a part of this agreement, UNECE and EEA set up a project "Support to the activities of the UNECE Working Group on Environmental Monitoring and Assessment". Its objective was to strengthen environmental information and observation capacity and networks in order to provide reliable and relevant information on the state of the environment as a basis for improved policymaking and public awareness. Other independent assessments, such as the World Bank Country Environmental Analysis and assessment reports by EEA, in collaboration with WGEMA, for the fifth and sixth Ministerial Conferences "Environment for Europe" have also contributed to a more accurate appraisal of the environmental situation in the region.

B. Challenges ahead

Although significant progress has been achieved in some countries, the state of monitoring and information management remains critical in reviewed countries. Most of them have redesigned their monitoring systems, but lack of funds has inhibited major progress. Outdated standards and measuring methods and obsolete equipment are still widely used. In many cases, monitoring is under the control of different authorities which often have poorly defined responsibilities and/or quite different functional competences. In addition, most of the reviewed countries need to strengthen their self-monitoring systems. Improved self-monitoring in industries often results in better process performance and more environmentally friendly production, which pay off in economic terms.

Another major issue relating to monitoring environmental progress is the weakness of national reporting systems, including systems for reporting by enterprises to the authorities. The overall lack of regular assessment reports and lack of trends in the main environmental indicators makes it difficult to track and evaluate policy implementation in many countries. As a result, national targets and priorities have not been properly updated and readjusted.

Recommendation 4:

Governments in all EECCA and SEE countries should conduct an overall review of their environmental monitoring systems, including readjusting their targets so as to better understand actual environmental priorities and develop more realistic environmental programmes and strategies for their effective funding. To that end, focused environmental indicators should be selected, monitoring equipment modernized and data collecting, processing and reporting improved. Environmental authorities should enforce self-monitoring in enterprises.

INTEGRATING ENVIRONMENTAL POLICY INTO SECTORAL POLICIES

A. Progress achieved and problems encountered

Environmental policy integration

Environmental policy integration is still at an early stage and is being addressed in a fragmented way across reviewed countries. To date there has been only limited progress in developing and implementing concrete initiatives for sectoral integration. The economic crisis resulting from the transition reduced the pressures of key sectors (energy, transport, industry, agriculture) on the environment in the last decade of the twentieth century. This trend is starting to be reversed and, in the meantime, policies have not been adequately reformed to integrate environmental considerations.

Regional awareness of the need for sectoral integration and related tools has been steadily growing thanks notably to the "Environment for Europe" process and EU accession requirements. In this context, the implementation of the EECCA Environmental Strategy (2003) represents a step towards better integration of environmental concerns into sectoral policies throughout the region. In parallel, national sectoral strategies and programmes to improve environmental protection are increasingly being adopted, notably for energy, forestry and waste management. For example, Serbia adopted a National Waste Management Strategy in 2003 and Montenegro developed an Energy Efficiency Strategy for 2005–2006.

Environmental policy integration can also be driven by sustainable development strategies, which provide tools for sectoral integration. In 2002, the World Summit for Sustainable Development urged States not only to take immediate steps to make progress in the formulation and elaboration of national strategies for sustainable development, but also to begin implementing these strategies by 2005. In reviewed countries, sustainable development strategies are being developed (e.g. in Croatia, Montenegro, Serbia, Slovenia, Tajikistan, The former Yugoslav Republic of Macedonia and Ukraine) or implemented (e.g. in Belarus, Bulgaria, Estonia, Kazakhstan, Latvia, Lithuania, Moldova, Romania and the Russian Federation). Exceptions are Armenia, Azerbaijan, Bosnia and Herzegovina, Georgia and Kyrgyzstan, where there is no strategy at all, and Turkmenistan and Uzbekistan, which did not provide information on such strategies.

Implementation tools

Traditional regulatory instruments are still widely used in most of the reviewed countries. The environmental impacts of economic development and general patterns of production and consumption are typically not taken into account. More appropriate tools to deal with such impacts and promote environmental policy integration include environmental impact assessment, strategic environmental assessment, environmental management systems and market-based instruments.

Environmental impact assessment (EIA), which is usually applied to private-sector projects, can be an important tool for integration of environmental considerations into economic decisions. Virtually all reviewed countries have already adopted their own EIA schemes. Many countries

Box 5.1

Integrating environmental protection goals into other sectors in Romania

The main policy objective in Romania, as spelled out in the National Development Plan, is to integrate environmental protection goals into other sectors. In this context, the Government of Romania is strengthening efforts to provide a more consistent framework for implementing Strategic Environmental Assessment (SEA) in the country and establishing a wider set of factors in decision-making that shall be set up for each relevant category of plans and programmes likely to have an environmental impact. Human resources capacity for implementing the EU SEA Directive will be reinforced by the hiring of five persons in 2007 at the Directorate for Horizontal Legislation and Regulations within the Ministry of Environment and Water Management. As Ministry staff have not the requisite experience to implement the SEA and Reporting Directives, training sessions and logistical equipment supply (PCs and database) will be provided. In parallel, implementation guidelines for SEA will be drafted. In addition, training of representatives of sectoral ministries and the general public will be offered, leading to a better knowledge of the requirements and application of the SEA legislation to national plans/programmes.

EPR, 2001, update 2006

in the UNECE region have ratified the UNECE Espoo Convention. Also, the EU EIA Directive (85/337/EEC), introduced in 1985 and amended in 1997, has been transposed by new EU member countries and accession countries.

Strategic environmental assessment (SEA) is seen as a key instrument for sectoral integration, providing for extensive public participation in government decision-making in numerous development sectors, from land-use planning to transport, agriculture and industry. SEA is not mandatory and is undertaken much earlier in the decision-making process than EIA. The Protocol on Strategic Environmental Assessment to the Espoo Convention has been signed by all countries in the region, except Azerbaijan, Belarus, the Russian Federation and the Central Asian States.

Box 5.2

Bulgaria's experience with strategic environmental assessment as a tool for integrating environmental considerations into sectoral planning

In Bulgaria, legal requirements on SEA as a tool for integration of environmental considerations in sectoral planning and programming have been enforced since July 2004. The national SEA legislation follows the principles and provisions of the EU Directive 2001/42/EC on the Assessment of the Effects of Certain Plans and Programmes on the Environment (SEA Directive). To date, some SEAs for programmes in the energy and transport sectors have been carried out. However, the number of SEA procedures implemented is not high enough to take lessons from the process. Two recent examples of SEA for energy and transport programmes are given below:

- *National Long-term Programme for the Development of Renewable Energy Sources*

After screening (first stage in the SEA process), the Ministry of Environment and Water (MoEW) has issued a decision on the need of strategic environmental assessment for the programme. The Ministry also issued some guidelines on the scope of the SEA, in which attention devoted to specific issues such as the assessment of the impact of wind farms development on birds migration at Via Pontica on the Black Sea coast, or the assessment of the likely impact on the water regimes (changes in the water shed and the water flow) as a result of the water use. The SEA report for this programme is currently under preparation.

- *Sectoral Operational Programme "Transport"*

The Ministry of Environment and Water has screened the Programme and issued a decision on the need of an SEA for such a programme, as part of the assessment. Within the assessment preparation, consultations on its scope have been carried out with environmental authorities (MoEW, Basin Directorates) and NGOs. Public access to the draft of the SEA was granted in order to gather public opinions. The documentation has been submitted to MoEW, and the Ministry has expressed its written opinion on the SEA report, with some remarks to be reflected in the final draft of the assessment. The final draft is expected to be presented to the Ministry in order to follow the last step of the procedure – the statement of approval for the programme.

EPR, 2000, update 2006

To date, only a few countries outside the EU have implemented SEA in line with the UNECE Protocol on SEA and the EU SEA Directive (2001/42/EC). Many obstacles are hindering the proper implementation of SEA throughout the region. For example, there is a delay on approving/publishing the SEA related legislation in Romania due to the difficulties on the identification/setting up of structures responsible for its implementation. However, many countries in South-Eastern and Eastern Europe as well as in the Caucasus subregion are now developing capacity in SEA with a view to making it a legal requirement.

Environmental management systems (EMS) are also important instruments for achieving integration in the business sector, as they allow managers to identify new opportunities, introduce cleaner technologies and cut production costs. The use of such systems is becoming more popular, and the number of enterprises with environmental certification (ISO 14000, EMAS) is increasing steadily throughout reviewed countries. Also, in most of these countries, the industrial sector's environmental performance can be drastically improved with the gradual implementation of integrated pollution prevention and control principles based on the EU IPPC Directive (96/61/EC). In this context, some reviewed countries are developing national policy and legal frameworks in line with IPPC requirements. New EU member countries in the region have already harmonized their frameworks with the requirements.

Box 5.3

Integration of environmental concerns in industry: examples from Eastern Europe, Caucasus and South-Eastern Europe

- In Ukraine, the first steps towards the introduction of an integrated permitting system have been taken in 2005 and a National Strategy to Introduce Cleaner Production has recently been drafted. However, the development of a policy and legal basis, a BAT database, technical guidance on sectoral and horizontal BAT, and training on procedural and technical aspects of BAT are still needed to ensure the effective implementation of integrated permitting in Ukraine.

- Belarusian enterprises have begun to request ecological certification (ISO 14000). In 2003, six enterprises were certified and two of them have international certificates. National standards for ecological certification based on ISO 14000 series have been published. This process is promoted by legislation that states that enterprises that go through certification for the first time will get a 10 per cent reduction in pollution charges during three years. Currently, the implementation of a pilot project in the Grodno oblast is establishing an integrated approach to environmental permitting. The experience acquired from this project can be used for the establishment of a nationwide integrated permitting and enforcement system. EPR, 2005

- In Azerbaijan, environmental requirements were not introduced and the Ministry of Ecology and Natural Resources (MENR) was not involved in decision-making during the privatization process. However, the system for oil and gas exploration under the new production sharing agreements is performing well. Now, before a well can be drilled, an environmental impact assessment (EIA) has to be approved by the Ministry of Ecology and Natural Resources. Drilling cuttings may no longer be dumped on the seabed (until recently a common method in many places in the world), nor is it permitted to dump drilling mud into the sea or to discharge associated water (properly treated), not even if the only problem is a salt content higher than that of the Caspian Sea. EPR, 2003, update 2006

- In Bosnia and Herzegovina, as the environment is not seen as a priority in privatization, the Directorate for Privatization does not insist on environmental investments when negotiating with potential investors. However, some investors in the country have voluntarily taken environmental measures and curbed pollution. The case studies of such companies may be instrumental in developing policies to encourage new owners to invest in pollution prevention and resource-saving technologies. EPR, 2004

- In Georgia, there are no enterprises with ISO 14000 certificate and EMS, BAT, environmental audits as well as environmental insurance have not yet been implemented. EPR, 2003, update 2006

Market-based instruments (e.g. environmental taxes, emissions trading, public green procurement, fiscal incentives, tax differentiation) and economic instruments that send market signals about products through labelling and similar information rather than prices (e.g. eco-labels, voluntary agreements) are being introduced by many countries, but at a slow pace.

In addition, there has been little integration of environmental considerations into legislative and policy documents on privatization. Only a few reviewed countries have succeeded in ensuring compliance with environmental requirements during this process. A good example was Estonia's privatization procedure, which included environmental requirements in its schemes. From 1996 to 1999, a government decision specified that 5 per cent of the funds from the sale of an enterprise were to be devoted to the environment. The collected money was mostly used to finance projects for environmental rehabilitation and construction of industrial wastewater treatment plants and landfills. Similarly, Bulgaria has prominently integrated environmental policy objectives into the industrial privatization process. However, this approach is not yet systematic. For instance, Montenegro, which initiated privatization in 2005, has not incorporated environmental requirements into the process. Nevertheless some foreign companies have undertaken independent environmental audits before purchasing objects in the country, thus assuming environmental commitments under the privatization contract.

Institutional cross-sectoral instruments

Institutional weakness remains a major issue for integrating environmental policies into sectoral policies in most of the reviewed countries. To address this issue, governments are making efforts to introduce institutional instruments for environmental policy integration, such as environment units in sectoral ministries (agriculture, transport, energy, industry) and inter-ministerial commissions for consultation during the development of legislation and strategies. At present, however, interaction between environment and sectoral ministries usually takes place merely at the communication level and often at a late stage of the consultation process.

Many governments have also created sustainable development bodies (National Councils or Commissions on Sustainable Development) to improve policy coordination and cross-sectoral cooperation. The advantage of these bodies lies in their cross-sectoral nature: they comprise the three pillars of sustainable development. But often national commissions on sustainable development do not have enough political weight (e.g. in Armenia and Azerbaijan) or are non-operational (e.g. in Georgia, Moldova and Ukraine). For example, Armenia established its National Council on Sustainable Development in 2002, but the Council does not have an active role in the political process. In Ukraine, the National Commission on Sustainable Development, which was created in 1997, is chaired by the Deputy Prime Minister and involves a number of government agencies, has met only once and become non-operational shortly after 1999, as no resources had been allocated for its secretariat or its functioning. Ukraine's National Council on Sustainable Development was established in 2003, but again no resources have been earmarked for preparing documentation and analysis or for management functions. In Azerbaijan, a government Commission on Sustainable Development has been created but has not thus far proven politically influential.

B. Challenges ahead

Integration of environmental concerns into sectoral policies remains a challenge for reviewed countries and for the whole UNECE region. As countries finish their transition towards a market

economy and their economies gather steam, new strains on the environment are emerging. Therefore, more explicit environmental policy integration is needed at the policy, institutional and sectoral levels. However, governments generally lack the necessary institutional and regulatory frameworks for environmental policy integration into policymaking and are not widely using market-based instruments that reinforce integration through market mechanisms.

Sectoral integration requires that environmental authorities be stronger in relation to other parts of government as well as the private sector. Integrating environmental considerations means that all ministries and government agencies must accept responsibility. It is not sufficient for ministries of environment to act alone; all parts of government need to be actively involved. Political will is also indispensable for overcoming resistance from some economic sectors. Thus, both the private sector and civil society should be involved, not just through the regulatory framework but also through market incentives and voluntary approaches. The recent emergence and establishment of new institutional and political cross-sectoral instruments, such as sustainable development state bodies and strategies, is encouraging for integration, but these instruments also have to work effectively in practice.

Recommendation 5:

Governments in all EECCA and SEE countries should institutionalize the integration of environmental policy into sectoral policies, and should promote involvement of the private sector and effective public participation in the policy integration process. In particular, they should ensure the implementation of related instruments (e.g. a sustainable development strategy, a poverty strategy) to support a broad and effective integration of environmental policies into sectoral policies, and should introduce specific tools and mechanisms (including, as appropriate, strategic environmental assessment, environmental impact assessments, environmental management systems, national environment and health action plans, market-based tools, etc.) integrating environmental requirements into transport, energy, agriculture and other key sectors.

Annex I

Status of the UNECE Environmental Performance Review Programme, 2007

UNECE member countries [1]	UNECE EPR 1st Review	UNECE EPR 2nd Review	EU member countries
Albania	2002		
Armenia	2000		
Azerbaijan	2003		
Belarus [2]	1997	2005	
Bosnia and Herzegovina	2004		
Bulgaria [2]	1995	2000	X
Croatia	1999		
Estonia	1996	2001	X
Georgia	2003		
Kazakhstan	2000	2007	
Kyrgyzstan	2000	(2008)	
Latvia	1998		X
Lithuania	1998		X
Moldova	1998	2005	
Montenegro [3]	2002	2007	
Romania	2001		X
Russian Federation [2]	1999		
Serbia [3]	2002	2007	
Slovenia	1997		X
Tajikistan	2004		
The former Yugoslav Republic of Macedonia	2002		
Turkmenistan			
Ukraine	1999	2006	
Uzbekistan	2001		

Notes:
(1) UNECE member countries eligible for the EPR Programme.
(2) In cooperation with OECD.
(3) In 2002, the first EPR was conducted on Yugoslavia.
Reports of the respective EPRs can be found at the following website address:
http://www.unece.org/env/epr/countriesreviewed.htm

Annex II

References

Commission of the European Communities. "European Neighbourhood Policy" Armenia Country Report. Brussels, 2005. Available at: http://ec.europa.eu/world/enp/pdf/country/armenia_country_report_2005_en.pdf

Commission of the European Communities. "European Neighbourhood Policy" Azerbaijan Country Report. Brussels, 2005. Available at: http://ec.europa.eu/world/enp/pdf/country/azerbaijan_country_report_2005_en.pdf

Commission of the European Communities. "European Neighbourhood Policy" Georgia Country Report. Brussels, 2005. Available at: http://ec.europa.eu/world/enp/pdf/country/georgia_country_report_2005_en.pdf

Commission of the European Communities. "European Neighbourhood Policy" Moldova Country Report. Brussels, 2004. Available at: http://ec.europa.eu/world/enp/pdf/country/moldova_enp_country_report_2004_en.pdf

Commission of the European Communities. "European Neighbourhood Policy" Ukraine Country Report. Brussels, 2004. Available at: http://ec.europa.eu/world/enp/pdf/country/ukraine_enp_country_report_2004_en.pdf

Commission of the European Communities. Albania Stabilisation and Association Report. Brussels, 2004. Available at: http://ec.europa.eu/enlargement/pdf/albania/cr_alb_en.pdf

Commission of the European Communities. Albania 2006 Progress Report. 2006. Available at: http://ec.europa.eu/enlargement/pdf/key_documents/2006/Nov/al_sec_1383_en.pdf

Commission of the European Communities. Bosnia and Herzegovina 2006 Progress Report. Brussels, 2006. Available at: http://ec.europa.eu/enlargement/pdf/key_documents/2006/Nov/bih_sec_1384_en.pdf

Commission of the European Communities. Analytical Report for the Opinion on the application from the former Yugoslav Republic of Macedonia for EU membership. Brussels, 2005. Available at: http://ec.europa.eu/enlargement/archives/pdf/key_documents/2005/package/sec_1425_final_analytical_report_mk_en.pdf

European Commission. Azerbaijan Country Strategy Paper 2002–2006. Brussels, 2001 Available at: http://ec.europa.eu/comm/external_relations/azerbaidjan/csp/02_06_en.pdf

European Commission. Belarus Country Strategy Paper and National Indicative Programme 2005–2006. Brussels, 2004. Available at: http://ec.europa.eu/comm/external_relations/belarus/csp/csp05_06.pdf

European ECO-Forum. Background Paper for the Round Table on Environmental Policy Integration at the Fifth "Environment for Europe" Ministerial Conference, Kiev, May 21–23, 2003.

European Environment Agency. Belgrade's Assessment 2007 (draft version). Available at: http://ewindows.eu.org/belgrade07

Organisation for Economic Co-operation and Development (OECD). Environmental Management in EECCA. Paris, 2005. Available at: http://www.oecd.org/document/34/0,2340,en_2649_34291_34983714_1_1_1_1,00.html

OECD/Environment Action Programme (OECD/EAP). Task Force Secretariat - Regional Meeting on Progress in Achieving the Objectives of the EECCA Environment Strategy, Kiev, 18-19 May 2006.

Regional Environmental Centre for the Caucasus. The year of achievements. Annual Report 2003. 2004. Available at: http://rec.caucasus.net/recc/index.php?t=index&f=20&su=02070&lang=eng

Regional Environmental Center for Central and Eastern Europe. Highlights of the Regional Environmental Reconstruction Programme for South Eastern Europe. 2003. Available at: http://www.rec.org/REC/programs/REREP/HighlightsofREReP.pdf

Regional Environmental Center. Environmental Snapshot of South Eastern Europe, REReP Country Profiles. 2006. Available at: http://www.rec.org/REC/Programs/REREP/docs/rerep_country_profiles.pdf

UNECE Working Group on Environmental Monitoring and Assessment, Committee on Environmental Policy - Sixth session, Geneva, 12–14 June 2006. Guidelines for the application of environmental indicators committee on environmental policy.

UNECE Committee on Environmental Policy, Thirteenth session, Geneva, 9–11 October 2006. Environmental policy and international competitiveness: can we afford a better environment in a globalizing world?

UNECE EPR Programme - all EPR reports are available at: http://www.unece.org/env/epr/

World Bank. Building Blocks for a Sustainable Future, Review of Environment and Natural Resource Management in the Republic of Belarus. October 2002. Available at: http://www.countryanalyticwork.net/Caw/CawDocLib.nsf/vewDispAgencyList/2EDDFC3B08D0393E85256D09005B1D6C/$file/Belarus+Building+Blocks+-+Oct+2002+P071140.pdf

World Bank. Serbia and Montenegro, Country Environmental Analysis. February 2003. Available at: http://www.countryanalyticwork.net/Caw/CawDocLib.nsf/vewProduct/85256BC30067844F85256D09005A5656/$file/Serbia-Mont_CEA_2003.pdf