

**European Union Water Initiative
Eastern Europe, Caucasus and Central Asia
(EUWI EECCA) Working Group**

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**Working Group on Integrated Water
Resources Management**

Seventh meeting*
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Working Group on Monitoring and Assessment

Thirteenth meeting*
Geneva, 3 and 4 July 2012

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

Prepared by UNECE and OECD

Summary

This document gives an outline of objectives, current state and plans for the future development of the National Policy Dialogues on Integrated Water Resource Management and on Water Supply and Sanitation. National Policy Dialogues are the main operational instrument under the European Union (EU) Water Initiative in the countries of Eastern Europe, Caucasus and Central Asia (EECCA).

The EUWI EECCA Working Group, the Working Group on Integrated Water Resources Management and the Working Group on Monitoring and Assessment are invited to discuss progress with the implementation of the programme, as well as provide comments and recommendations for the future implementation of the National Policy Dialogues.

* Joint meeting of the two Working Groups.

I. Background and objectives of National Policy Dialogues

1. National Policy Dialogues (NPD) on integrated water resources management (IWRM) and water supply and sanitation (WSS) are the main operational instrument of the European Union Water Initiative (EUWI) Component for Eastern Europe, the Caucasus and Central Asia (EECCA). The EUWI, including its EECCA Component, was launched at the World Summit on Sustainable Development in Johannesburg in 2002. It contributes to the implementation of Millennium Development Goals (MDGs). The United Nations Economic Commission for Europe (UNECE) is the strategic partner for support to the policy dialogue processes on IWRM, whereas the Organization for Economic Co-operation and Development (OECD) is the strategic partner for WSS and financial aspects of IWRM. All together, since 2006 the EUWI NPDs have been carried out in nine countries.

2. In 2006, NPDs/IWRM started in Armenia, Kyrgyzstan, the Republic of Moldova and Ukraine. In 2010 and 2011, policy dialogues on IWRM were initiated in Azerbaijan, Georgia, Tajikistan and Turkmenistan. Thus, NPDs/IWRM are presently implemented by the UNECE in eight countries.

3. NPDs on WSS and/or on the economic and financial dimension of water resource management are implemented in six countries: Armenia, Georgia, Kyrgyzstan, Russian Federation (in 2010), the Republic of Moldova and Ukraine. In 2012, the NPD in Russian Federation will resume focusing on the economic and financial dimension of water resources management. In addition, the OECD, in cooperation with the World Bank and (since recently) EBRD, facilitated the regional policy dialogue on private sector participation in WSS in EECCA. A regional policy dialogue meeting on this topic was held in January 2010 in Moscow, Russian Federation, involving most EECCA countries and their international partners.

4. The NPDs/IWRM provide practical assistance to strengthen IWRM implementation in EECCA countries. Activities build on the principles of IWRM as enshrined in the UNECE Convention on the Protection and Use of Transboundary Watercourses and International Lakes (Water Convention), the UNECE/WHO-Europe Protocol on Water and Health, the EU Water Framework Directive (WFD) and other relevant documents.

5. The NPDs/WSS provide practical assistance to EECCA countries in achieving water-related MDGs through improving the legal, institutional and regulatory framework in WSS and overall sector governance in line with international best practices and OECD expertise.

6. In those countries, where the NPDs cover both IWRM and WSS aspects and/or the economic and financial dimension of water resource management, the NPD process is implemented by UNECE and OECD in a coordinated way. In some countries, one of the partners takes the lead with the other partner providing inputs on selected issues. In the Russian Federation, OECD is paving the way. In Tajikistan and Turkmenistan, the dialogues are currently implemented by UNECE only.

7. Following the request by the Government of Kazakhstan on the initiation of a NPD, the NPD in Kazakhstan starts in 2012. The NPD will cover both IWRM and WSS issues. A joint UNECE/OECD preparatory mission to Kazakhstan took place in May 2012.

II. Activities and stakeholders involved

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

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

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

National Policy Dialogues on Integrated Water Resources Management

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

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

13. In coordination with UNECE or as stand-alone projects, the OECD promotes the use of economic instruments to manage water resources: economic instruments can trigger water efficiency and promote low-cost options; they can allocate water where it is most needed; they can generate revenues to fund water-related institutions, infrastructures and services. Because they promote flexible responses, economic instruments are particularly appropriate to adapt water infrastructures and services to climate change, a trend that particularly affects the Caucasus and Central Asia. OECD's contribution to NPDs/IWRM can lead to, *inter alia*, economically sensible river basin management plans or strategies to adapt to climate change, effective reforms of tariff policies (for irrigation,

hydropower and other water uses), or sustainable business models for river basin councils or water users associations.

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

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

National Policy Dialogues on Water Supply and Sanitation

16. The MDGs on WSS remain a distant objective for activities in most EECCA countries¹. Countries in the region are often plagued with oversized, costly to operate, and decaying infrastructures. Although several countries attract donors' attention to finance investment to rebuild or extend water supply networks and wastewater treatment plants, it is not clear how water utilities will ensure proper operation and maintenance of existing and new infrastructures: capacities and financial resources are scarce.

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

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

¹ See OECD (2011), *Ten Years of Water Policy Reforms in EECCA*, for a recent assessment.

III. Implementation of the National Policy Dialogues until June 2012

A. Country activities

Armenia

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

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

21. A Policy Brief “Summary of results and lessons learned from the implementation of the Armenian NPD on IWRM” was published in 2010.² Plans for the continuation of the NPD/IWRM include the economic and financial dimension of IWRM and pilot projects to support further implementation of IWRM principles in Armenia.

Azerbaijan

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

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

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

² See <http://www.unece.org/index.php?id=25663>.

and organisation of a regional conference on water security and economic aspects of IWRM in Azerbaijan.

Georgia

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

26. The NPD/IWRM in Georgia focuses on three major topics: preparation of a National Water Law based on the IWRM principles and the EU Water Framework Directive; setting targets for the implementation of the Protocol on Water and Health; and transboundary activities, including cooperation with the neighboring Azerbaijan and accession to the Water Convention. A report with an overview of on-going activities in the water sector in Georgia was finalised in June 2011.³ This report serves as a tool for planning future NPD activities. The first Steering Committee meeting (June 2012), which was followed by a Stakeholders Workshop, focused on new water legislation, as well as the EU Water Framework Directive, given the EU-Georgia Association Agreement currently under development. In addition to the EC grant, the NPD/IWRM in Georgia is supported by the Government of Finland.

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

Kyrgyzstan

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

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

30. Following the interruption of the NPD process in 2010 due to political changes that occurred in the country, the dialogue process on water policy in Kyrgyzstan resumed in mid-2011. A joint Steering Committee for both IWRM and WSS issues was established. The Steering Committee met three times in 2011 and once in 2012. The dialogue process focuses on the (a) implementation of river basin management approach through development of the river basin management plan for the Chu River; (b) setting targets and target dates at national level in the context of the UNECE/WHO-Europe Protocol on Water and Health (on the basis of preliminary study implemented in two pilot

³ See <http://www.unece.org/index.php?id=27186>.

basins – the Chu River Basin and the Issyk-Kul Basin); (c) improving economic instruments for water resource management in the Issyk-Kul basin. In 2010-2012, the NPD/IWRM in Kyrgyzstan is supported by the EC and by the Government of Finland. The Danish Ministry of Foreign Affairs has provided an international expert who assists in the development of the policy package on the river basin management plan for the Chu River. The Government of Norway is providing support to the target setting process. The work on economic instruments for water resource management is supported by Switzerland and EC (Aidco).

Republic of Moldova

31. The NPD/IWRM in the Republic of Moldova started in 2006. The dialogue resulted in three policy packages adopted in 2009-2010, including a Governmental Order on wastewater discharges from municipal sources (2009), a Draft Order of the Agency “Apele Moldovei” on the establishment of river basin management authorities and river basin councils (2009), and an Action Plan to achieve the water-related MDGs under the Protocol on Water and Health. In 2009-2010 with financial assistance of the Government of Switzerland under an agreement between the Swiss Agency for Development and Cooperation (SDC) and UNECE, the dialogue focused on the setting up of targets and target dates on water and health in accordance with the Protocol on Water and Health. It resulted in a Government Decision on the targets under the Protocol that was adopted on 20 October 2010.⁴ The continuation of the NPD/IWRM supported by SDC will focus on the monitoring of implementation of the targets established under the Protocol on Water and Health and supporting the achievement of certain targets set, in particular in relation to the management of small scale water supplies and public information. This work will be done in close coordination with the NPD on WSS.

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

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

34. The ongoing third phase of the NPD on WSS (from late 2011) focuses on developing an adaptation strategy for WSS to make it more resilient to climate change, and on sustainable business models for sanitation in small towns and villages in Moldova. The ongoing phase is supported by the EC (DG ENV and Aidco) and the OECD/EAP Task Force. The NPD on WSS will provide useful inputs to the revised Government strategy for WSS, and to the national adaptation strategy.

Russian Federation

35. The policy dialogue on WSS was launched in 2010 and focused on improving the legal, institutional and regulatory framework for private sector participation in WSS. Key outputs from the NPD were lessons learnt from the private sector participation in WSS in

⁴ The full description of the targets adopted by the Republic of Moldova including the rationale and baseline for each of them is included in the publication http://www.unece.org/fileadmin/DAM/env/water/publications/documents/guidelines_E/W_H-book-MD-En-2011.pdf

the Russian Federation and in EECCA and the Assessment of the framework for private sector participation in WSS in the Russian Federation, with respective recommendations. The two documents provided useful input to the process of developing a Federal law on WSS, adopted later in 2011, as well as the process of improving the Federal law on concession agreements and related subsidiary regulations. The policy dialogue on WSS was supported by the EC/Aidco, World Bank, Russia development bank (*Vnesheconombank*), “*Evrasijskij*” (large private operator) and by three Directorates of the OECD.

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

Tajikistan

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

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

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

Turkmenistan

40. The NPD/IWRM kick-off meeting was held in December 2010, followed by the first Steering Committee meeting in April 2011. As part of the NPD/IWRM in Turkmenistan, an inter-ministerial expert group was established with a task to review the national legislation of Turkmenistan in light of the adoption of the standards of the UNECE Water Convention, including IWRM principles enshrined in the Convention. The expert group held eight meetings. The group concluded that the Water Convention corresponds to the interests of Turkmenistan. Also, it developed a detailed analysis of the national legislation. In November 2011, a national workshop on IWRM was organized to familiarize the participants with IWRM implementation in the EU and in the EECCA countries, as well as to discuss the tools and opportunities for application of IWRM principles in Turkmenistan. A report on the opportunities to introduce river basin management approach in Turkmenistan was commissioned to an international consultant. In 2010-2012 the NPD/IWRM in Turkmenistan has been supported by Norway, the EC and GIZ.

Ukraine

41. In Ukraine, the dialogue process on IWRM started in late 2007. A first policy package, approved by the Steering Committee in 2008, was a plan to achieve sustainable water management, safe drinking water and adequate sanitation under the Protocol on

Water and Health. The plan was implemented in 2009-2010 with financial support from Norway and in-kind contributions from Israel. The NPD/IWRM also focused on strengthening legal and institutional framework for water management with the view to tackle the challenges of climate change.

42. Two policy packages were developed within the NPD/IWRM, namely (i) a draft concept on adaptation of water policy in Ukraine to climate change, based on the UNECE Guidance on Water and Adaptation to Climate Change, and (ii) terms of references for the future project on climate change impacts on water resources in the Dniester River Basin. In addition, a proposal has been submitted to the Ministry of Economy on harmonization of national legislation with the EU Floods Directive. These policy packages facilitated the development of a pilot project on reducing vulnerability to extreme floods and climate change in the Dniester basin, which is now implemented under the framework of ENVSEC by UNECE, OSCE and UNEP. The final Steering Committee meeting of NPD/IWRM under the EC grant was organized in November 2010.

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

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

B. Coordination and communication activities

Side-event at the Seventh “Environment for Europe” Ministerial Conference

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

Annual meeting of the EUWI EECCA Working Group

46. The annual meetings of the EUWI EECCA Working Group provide an important platform for the exchange of experience between EECCA countries on the implementation of NPDs. The 15th meeting of the EUWI EECCA Working Group took place on 7-8 November 2011 in Bucharest, Romania. The meeting, hosted by the Romanian Ministry of Environment and Forestry with support from the EC, brought together over 40 officials from the EECCA countries and EU Member States, representatives of NGOs, private sector, IFIs and international organisations, as well as experts from the WSS sector.

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

World Water Forum 2012

48. The OECD, together with the World Bank, organised a workshop on *Strategic Financial Planning for Water* at the World Water Forum in March 2012, in Marseille, with extensive reference to the methods and outcomes from NPDs/WSS in EECCA. Participants committed to set up a resource platform on strategic financial planning.

World Water Week 2011

49. The EUWI Multistakeholder Forum, organised on 25 August 2011 as a side event during the World Water Week in Stockholm, Sweden, provided an opportunity for stakeholders to be updated on recent developments within the EUWI, and to exchange feedback on the provisional EUWI Strategic Framework. The highlights of the EUWI in the EECCA region were presented and received a positive feedback.

Role of NPDs in promoting regional cooperation

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

Communication activities

51. A newsletter, "Update on National Policy Dialogues", ensures dissemination of information on NPDs in EECCA countries to policy makers and stakeholders and serves to promote the EUWI, as well as share the experience accumulated in EUWI implementation in the EECCA region. Four issues of the newsletter were published from mid-2011 to mid-2012 in English and Russian.⁵ In addition, short interviews on the implementation of NPDs/IWRM in Kyrgyzstan, Tajikistan and Turkmenistan in Russian language were recorded by UNTV and displayed at YouTube in early 2012.⁶ Press releases covering the NPD Steering Committee meetings are regularly issued by UNECE in English and Russian languages to ensure the visibility of the EUWI NPDs.⁷

⁵ See <http://www.unece.org/environmental-policy/treaties/water/areas-of-work-of-the-convention/european-union-water-initiative-and-national-policy-dialogues/envwatempd-publications.html>.

⁶ See <http://www.youtube.com/watch?v=bNGFYXFeXes> (Kyrgyzstan),
<http://www.youtube.com/watch?v=GoJQpGtp2Q> (Tajikistan),
<http://www.youtube.com/watch?v=H88djqEbvE> (Turkmenistan).

⁷ See <http://www.unece.org/index.php?id=24027>.

IV. Lessons learned and challenges ahead

52. Implementation of EUWI in EECCA countries through NPDs on IWRM and WSS has made important contributions to the development of water sector reforms and the achievement of water-related MDGs. The importance of the EU Water Initiative and the role of NPDs as powerful tools to promote reform of the water sector, the development of modern water strategies and legislation and intersectoral cooperation was acknowledged and welcomed at the Seventh Ministerial Conference “Environment for Europe” (Astana, Kazakhstan, 21-23 September 2011).⁸

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

54. The experience with implementation of the NPDs demonstrated that the dialogues respond to countries needs and are much requested: countries in which the NPDs were supposed to end, requested for their continuation; countries which were not initially interested, requested to start NPDs (Kazakhstan). Donors and international organizations also find an interest in NPDs as, in many instances, NPDs provide a platform to share expertise and coordinate initiatives.

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

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

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

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

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

60. Good coordination with development partners often helps to ensure sustainability of the results of NPDs in the medium term: e.g. on several instances, EC and bilateral donors followed up on specific priority actions and technical assistance needs identified

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Ministerial Declaration ECE/ASTANA.CONF/2011/2/Add.1, paragraph 4 and the Chair’s Summary ECE/ASTANA.CONF/2011/2/Add.2, paragraphs 25 and 63.

in the policy dialogue process on WSS. Cooperation with other international organizations active in the EECCA region is important to ensure that reforms in the water sector are developed and effectively implemented.

61. The NPDs/IWRM are successfully building on the multiple UNECE activities, including (a) activities under the UNECE environmental conventions, in particular the Water Convention (e.g. the programme of pilot projects on adaptation to climate change in transboundary basins) and its Protocol on Water and Health, (b) UNECE environmental performance reviews (EPR) programme; (c) UNECE projects and activities on the ground, such as those implemented by the Regional Adviser on the Environment. Such synergies should be maintained and extended. Direct contacts and regular cooperation of UNECE in different UN fora with the governments of the EECCA countries help to achieve political commitment of these governments to NPD implementation and ensure their long-term sustainability.

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

63. There are increasing synergies established between, on one hand, national and, on the other hand, transboundary and regional cooperation activities in the EECCA region. The number of activities within NPDs supporting national policies for transboundary cooperation with neighboring countries is growing. Coordination with regional initiatives such as the Aral Sea Basin Programme-3 opens possibilities to support regional cooperation processes through the national dialogues.

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

Annex I. Funding of the National Policy Dialogues

1. In 2010-2012, the NPDs on IWRM and WSS were financed by the EC, bilateral donors and international organizations.

2. Several governments provided support to NPDs/IWRM, implemented by UNECE. The Government of Finland supported the continuation of the NPD in Kyrgyzstan and the development of the NPD in Georgia. It also provided expert support on EU WFD issues for Azerbaijan and Georgia. The Government of Norway supported NPD/IWRM activities in Turkmenistan and the target setting activities in Kyrgyzstan. The Government of Switzerland provided funding for the pilot project on payments for ecosystem services under the NPD/IWRM in Armenia, for the support of expert travel as well as for the NPD/IWRM in Uzbekistan.⁹ The Danish Ministry of Foreign Affairs through DANIDA provided expert support for NPDs/IWRM in Tajikistan and Kyrgyzstan. The Government of Germany through GIZ provided additional funds for meetings and local consultancy in Tajikistan and Turkmenistan. OSCE supported the organization of Steering Committee meetings in Azerbaijan. ENVSEC through OSCE has supported the organization of a stakeholder meeting in Georgia. In-kind contribution was also provided by UNECE, including the contribution by regular budget staff. The total NPDs/IWRM funding for 2010-2012 was EUR 1'996'800, of which EUR 849'900 (43%) was provided by the EC.

3. The NPDs on WSS and on the economic and financial dimensions of water resources management, implemented by OECD, relied on the following additional support in 2010-2012. The Government of Austria and EC (DG ENV) provided funds for the NPD in Moldova. The Government of the Czech Republic supported the NPD in Moldova. The Governments of Finland and Germany supported the NPDs in Armenia and Ukraine. Germany also provided funds for a project on economic dimension of water resources management in the Kura river basin in 2011-2012. Germany also supports NPDs through the EAP Task Force; this includes resources used to develop the report *Ten Years of Water Sector Reform in EECCA* (OECD, 2011), presented at the Astana Ministerial Conference in 2011. The Government of Switzerland provided funds for the work on economic instruments for water resources management in Kyrgyzstan. The NPD in Russia in 2010 was co-sponsored by the World Bank, Russia development bank (*Vnesheconombank*), "*Evrasijskij*" and by three Directorates of the OECD. UNDP and GIZ supported the organization of one meeting in Kyrgyzstan.

4. For the forthcoming period, with regard to the NPDs on WSS, the Government of Norway supports work on the use of economic instruments for water resources management in Kazakhstan, Kyrgyzstan and/or Tajikistan. The Government of Switzerland supports work on water resources management in Kazakhstan, Kyrgyzstan and/or Azerbaijan. Germany renewed its support to water-related work in the context of the EAP Task Force.

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

Table 1. NPDs funding in 2010-2012

Funding government or agency <i>2010-2012 - amount in Euros</i>	Joint OECD- UNECE	UNECE	OECD
European Union (EuropAid)	1,900,000	-	-
European Union (DG Environment)	-	-	200,000
Government of Austria	-	-	235,000
Government of the Czech Republic	-	-	10,000
Government of Denmark	-	243,000	-
Government of Finland	-	⁽¹⁾ 342,000	⁽²⁾ 430,000
Government of Germany (GIZ)	-	23,700	-
Government of Germany (BMU)	-	-	560,000
Government of Norway	-	212,400	-
Government of Switzerland	-	100,000	⁽²⁾ 60,000
OSCE	-	12,200	-
ENVSEC through OSCE	-	13,600	-
UNECE	-	⁽³⁾ 200,000	-
OECD	-	-	na
Total estimated	1,900,000	1,146,900	1,495,000

Notes:

⁽¹⁾ 300'000 EUR provided as contribution to UNECE, 42'000 EUR provided as expert support to the NPDs/TWRM in Azerbaijan and Georgia.

⁽²⁾ equivalent to the share of a larger grant allocated to water projects in EECCA.

⁽³⁾ estimated – including input by UNECE regular budget staff.

Table 2. NPDs funding in 2012-2015

Funding government or agency <i>2012-2015 - amount in Euros</i>	Joint OECD- UNECE	UNECE	OECD
European Union (DG DevCo)	⁽¹⁾ 3,200,000	-	-
Government of Germany (BMU)	-	-	200,000
Government of Norway	-	⁽⁴⁾ 210,000	⁽²⁾ 390,000
Government of Switzerland	-	-	⁽²⁾ 40,000
UNECE	-	⁽³⁾ 200,000	-
OECD	-	-	na
Total estimated	3,200,000	410,000	630,000

Notes:

⁽¹⁾ covering the period February 2012 – January 2016.

⁽²⁾ equivalent to the share of a larger grant allocated to water projects in EECCA.

⁽³⁾ estimated for 2013-2015 – including input by UNECE regular budget staff.

⁽⁴⁾ committed for 2013-2015.

5. The funding by bilateral donors and international organizations is an important source for NPDs in 2010-2012 and has allowed strengthening and broadening the NPD process, as well as supporting the preparation of policy packages and pilot projects. It is important to mention that the funding by bilateral donors and international organizations has taken a variety of forms: from direct financial contributions to in-kind expert support, financing of selected meetings and pilot projects.

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

7. This contribution sets the programme on a solid basis. Additional contributions from bilateral donors and other institutions are needed to ensure the success of on-going projects, and respond to new requests from EECCA governments. In particular, hiring an additional full-time professional staff at the UNECE would be important for stable functioning of the programme.
