

## *Foreword*

Over the last two decades, the countries of Eastern Europe, Caucasus and Central Asia (EECCA) have undergone significant political and economic reforms that, for most, resulted in sustained economic growth. However, the recent global financial and economic crisis that began at the end of 2008 hit the region hard, and virtually all countries suffered a sharp contraction of their economies. Amongst other things, the crisis revealed a multitude of structural weaknesses in the public financial systems of the EECCA countries that badly affected their economic performance. While the crisis has seriously affected EECCA economies, it also provides an opportunity for the governments of these countries to speed up the implementation of public finance reforms, and, in this context, to exploit opportunities to green their budgets in order to provide a more environmentally sustainable basis for further development.

This report aims to help EECCA countries' environmental administrations to harness the potential benefits of ongoing public finance reforms. A number of EECCA countries are introducing multi-year budgeting which aims to allocate resources in line with programmatic needs and priorities, to promote predictability and stability of funding, and to consolidate various sources of financing. The extent to which the environmental sector is being integrated into the medium-term budgetary processes in the EECCA countries is in the main focus of this report.

The analysis in this report is based on a regional survey that involved ten EECCA countries – namely Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, the Kyrgyz Republic, Moldova, the Russian Federation, Ukraine and Uzbekistan – and involved both ministries of environment and finance. The preliminary results of the survey were discussed at several different meetings (in October 2010 in Almaty, Kazakhstan; in November 2010, in Riga, Latvia; and most recently, in May 2011, in Berlin, Germany).

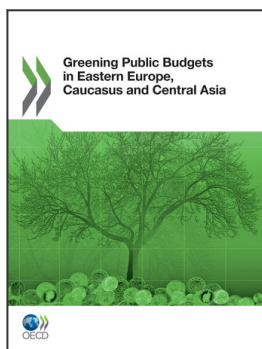
The report should be of interest to several different audiences: to ministries of environment, who need to enhance their knowledge and understanding of modern budgetary systems in order to ensure their programmes are well integrated into national programmes and budgets; to central planning (finance and economic affairs) ministries who are often not familiar with the rationale and potential benefits of environmental programmes; and donors who, despite moving to direct budget support, may wish to support partner countries ensure that the environment sector is not marginalised in the process of budget allocation.

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The views expressed in this report are those of the authors and do not necessarily reflect those of the OECD or its member countries.



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