

Greening Economies in the EU Eastern Neighbourhood

From commitment to results

EaPGREEN
Partnership for Environment and Growth



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Abbreviations

EaP	EU Eastern Partnership
EaP GREEN	Greening Economies in the EU Eastern Neighbourhood
EHS	Environmentally harmful subsidies
EIA	Environmental impact assessment
EU	European Union
GDP	Gross domestic product
IFI	International financial institution
OECD	Organisation for Economic Co-operation and Development
RECP	Resource-efficient and cleaner production
SCP	Sustainable consumption and production
SEA	Strategic environmental assessment
SMEs	Small and medium-sized enterprises
SPP	Sustainable (green) public procurement
TPES	Total Primary Energy Supply
UNECE	United Nations Economic Commission for Europe
UN Environment	United Nations Environment Programme
UNIDO	United Nations Industrial Development Organization
USD	United States Dollars

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EU, OECD, UN Environment, UNECE, UNIDO, 2018

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Foreword

Environmental protection and climate action are not only internationally recognised political necessities; they are also good investments in job creation and an overall more resilient economy. Greening the economy creates opportunities for economic diversification, increased competitiveness and access to new markets. A greener economy and preserved ecosystem services, alongside peace and security, are also important factors of resilience, especially at community level. Improved human well-being and social equity, with reduced environmental risks and ecological scarcities, are crucial for the quality of life of our citizens.

Following commitments taken globally and within the Eastern Partnership (EaP) framework, the European Union (EU) initiated a regional “Greening Economies in the Eastern Neighbourhood (EaP GREEN)” project in support of greener growth in six partner countries: Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova (hereafter “Moldova”) and Ukraine.

With the EU’s support, important progress was made in demonstrating the opportunities for better management of natural capital in a context of higher economic productivity and competitiveness. We welcome the pioneering character of the EaP GREEN that brought together environmental and economic policies, allowed a better understanding of green economy concepts, established the inter-ministerial co-operation channels and helped launch several concrete action with many of them leading to important changes on the ground.

Evidence presented in this brochure shows that the EaP GREEN has been instrumental for achieving a wide range of results, including policy reform, institutional development and adoption of new practices and technical solutions by enterprises. Many of the pilot and demonstration projects implemented under the EaP GREEN brought about tangible and measurable monetary and environmental benefits. Furthermore, even in the short term, the project is expected to generate at least EUR 20 million for the private sector in partner countries – more than double the EU’s contribution.

This brochure highlights the key results and outputs of the EaP GREEN at the regional and national level for the period of 2013-18. The results also highlight a fruitful institutional co-operation between four Implementing Partners: the Organisation for Economic Co-operation and Development (OECD), the United Nations Economic Commission for Europe (UNECE), the United Nations Environment Programme (UN Environment) and the United Nations Industrial Development Organization (UNIDO).

Despite progress in establishing the institutional basis for integrating economic and environmental objectives, a number of challenges remain to level-up the green economy transition. EaP countries must continue strengthening intersectoral and inter-ministerial co-ordination, and scale up public and private action on the circular economy and sustainable production and lifestyles. At the same time, they must improve incentives and governance mechanisms to correct market failures (thus ensuring a level playing field in the context of intensified economic exchange with the EU) and accelerate private sector green investments. It is also important to keep informing and educating the public at large to enhance and improve public participation in planning and decision making.

We believe the EaP GREEN provides solid operational experience and well-established relations with key national partners and with international development partners and finance institutions. We are confident that a fast transformation to a greener economy is a shared goal of the EaP countries and the EU, which together will help bring the green economy transition to the next level.



Population



Population density
(capita per Km²)



GDP per capita (PPP at constant
2011 international USD)

Belarus



9 513 000



47



16 621

Minsk

Ukraine



45 198 200



78



7 457

Kyiv

Republic of Moldova



Chisinau



3 554 150



124



4 742

Georgia



3 679 000



64



9 109

Tbilisi

Armenia



2 017 712



106



7 909

Yerevan

Baku

Azerbaijan



9 651 349



116.8



16 695

EaP COUNTRIES: PATHS TO A GREEN ECONOMY

A green economy improves human well-being and social equity, reducing environmental risks and ecological scarcities. A green economy aims to be resilient and provide a better quality of life for all within the ecological limits of the planet. Green growth policies can attract investment and innovation by providing clear policy signals to investors and consumers seeking new opportunities in markets that will foster growth and employment.

The EaP GREEN has prompted a mentality change with the region starting to recognise the benefits of green economies and the costs of inaction. It has also created political momentum that engages the Ministries of Economy and of Environment together with other government agencies and national stakeholders simultaneously to move firmly down the path towards this goal.

EaP countries in transition

Since the turn of the century, gross domestic product (GDP) has increased in all six EaP countries, though to a varying degree (Figure 1). All countries were badly hit by the economic crisis of 2008-09. However, most of them have since recovered, have become more integrated into the global economy and have developed strong trade relations with the EU. The growth of the services sector has helped reduce the overall intensity of environmental pressures. Although the share of agriculture in the economy declined, it still remains important in some countries in terms of GDP and employment, and exerts pressure on land and water resources. Remittances from nationals working abroad are an important source of income, especially in Armenia and Moldova.

However, the transition to market-based, democratic societies has been uneven and suffered reversals. The situation has been particularly difficult in Ukraine since 2014. Other countries also experienced political instabilities that impacted the economy and the operations of public administration. Moderate economic growth after the global economic crisis

generated revenues that helped reduce poverty, re-establish health and social services, and support public investment programmes. However, the collapse of commodity prices in recent years and weak economic growth in Western Europe and the Russian Federation (hereafter “Russia”) have reversed some of these achievements. The short-term economic outlook for many EaP countries remains challenging as they continue to be affected by slow structural and market reforms, weak public finance and increasing geopolitical risk aversion that affects existing and potential investors. The greater exposure to market forces and opening for international trade have led to important improvements in the level of energy used and emissions generated for each unit of GDP produced (Figure 2).

From a green growth perspective, the main challenge for the region is to transform natural wealth into other forms of capital, to boost the productivity and competitiveness of economies and to invest in education and infrastructure without compromising environmental objectives.

Figure 1. **Real GDP change** – percentage change compared to year 2000

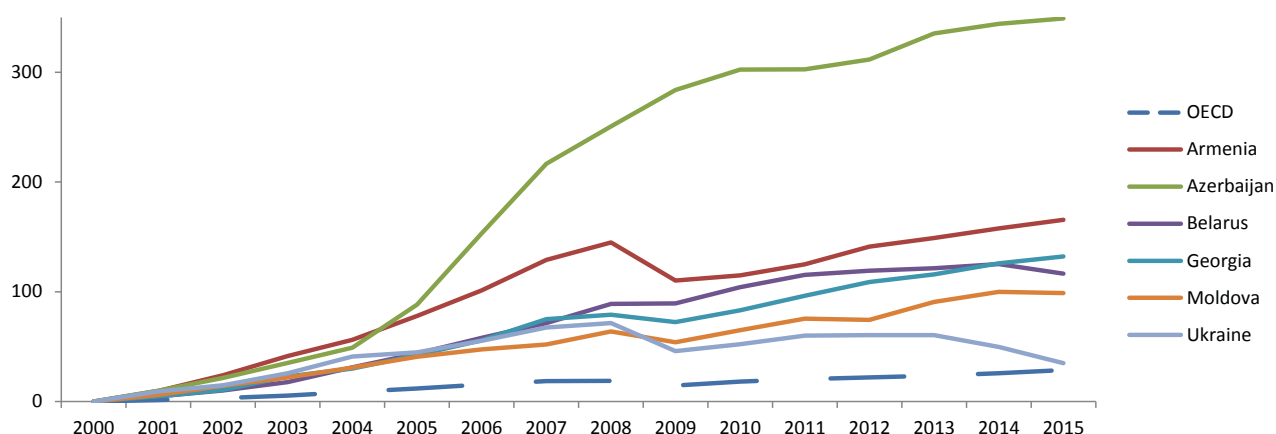
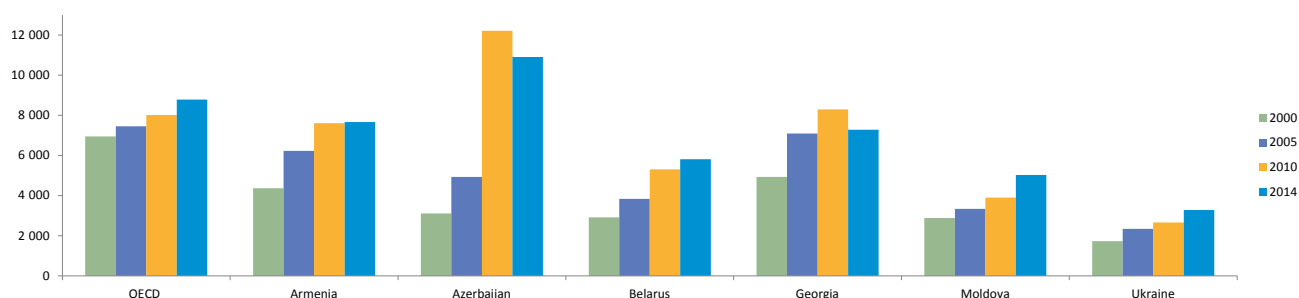


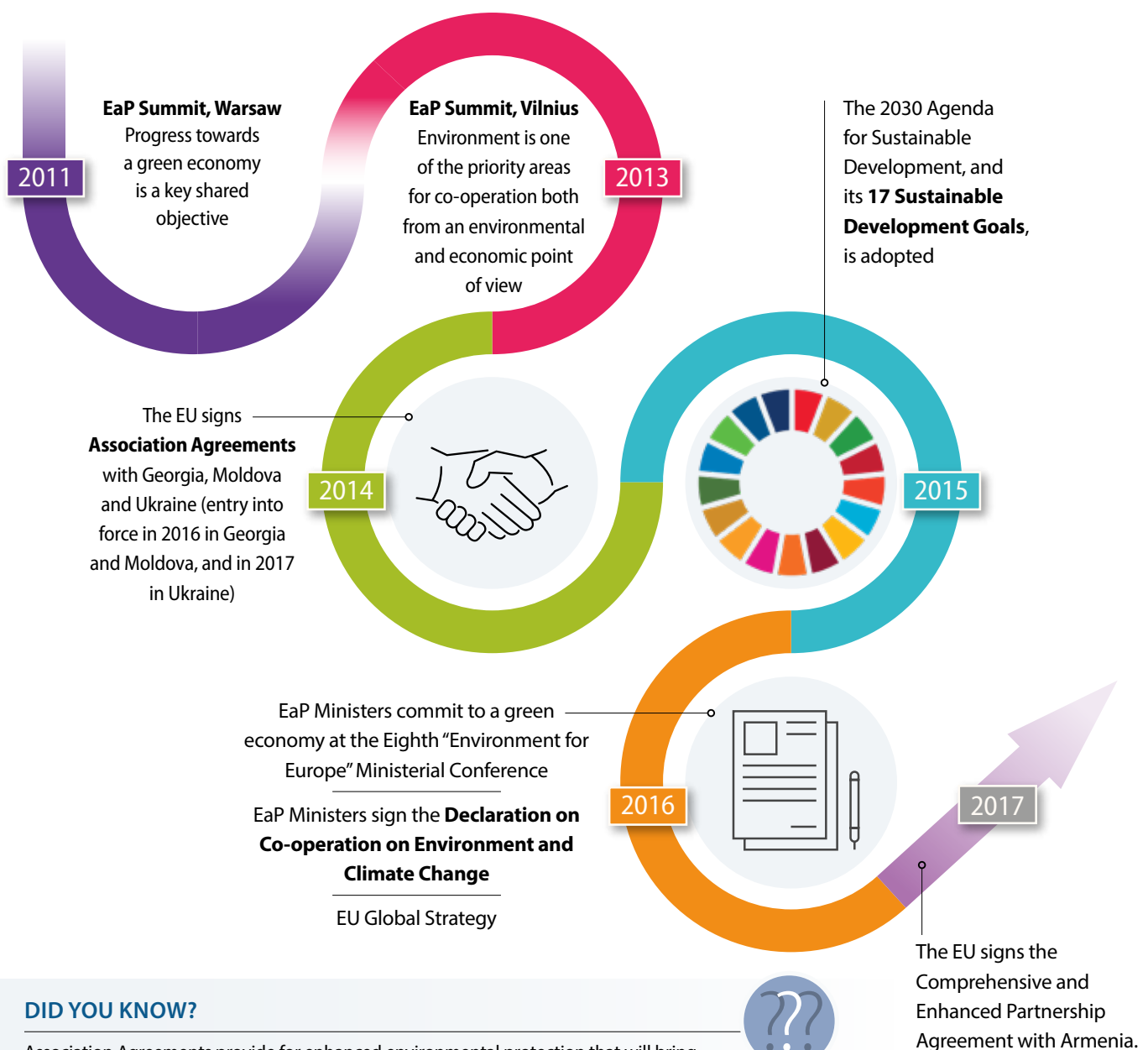
Figure 2. **Energy productivity in EaP countries** – GDP per unit of TPES, USD 2010



Commitments to a green economy

The EaP countries committed to a transition towards a green economy in the 2011 and 2013 Declarations of the “Eastern Partnership” Summits and in other international forums. Translating these commitments into action required continued mobilisation across governments, with joint action from the Ministries of Economy and of Environment, and by different stakeholders.

At the national level, green economy and sustainable development have been recognised as “guiding principles” in several national development strategies. The commitment to greening the economy was also an important part of international co-operation.



Objectives

Following the pathway towards a green economy needs investments to limit pollution, increase energy and resource efficiency, and better use natural assets (both in production of foods and ecological services) for economic development, well-being and inclusiveness.

The EaP GREEN's overall goal has been for EaP countries to decouple economic growth from environmental degradation and resource depletion without undermining social equity. Pursuing green growth aims to result in an economy that is low-carbon, resource-efficient and resilient. It should follow the principles of sustainable production and consumption and is socially inclusive.

The EaP GREEN has contributed to building capacity for the transition towards a green economy in the six EaP countries. Primary beneficiaries of the project have been government authorities, especially the ministries responsible for environmental protection and economy; the expert community, the private sector and civil society organisations working on green growth issues; and, ultimately, all EaP countries' citizens.

MAIN OBJECTIVES:

- Mainstream sustainable consumption and production (SCP) and green economy principles in national development plans, sectoral legislation and regulatory frameworks.
- Promote use of strategic environmental assessment (SEA) and environmental impact assessment (EIA) at the strategic and project levels.
- Facilitate the greening of selected economic sectors, with a special focus on small and medium-sized enterprises (SMEs).
- Mobilise national and international financing and make returns on environmental investments attractive to the private sector.





Activities

The EaP GREEN project has provided independent, objective and evidence-based analyses that relied on sound and robust economic and financial principles. It has also developed methodological, legal and conceptual material based on international good practice adapted to country conditions and needs. In-country pilot projects have demonstrated how policies and tools can be applied in practice.



MAIN ACTIVITIES:

- Facilitate **inter-ministerial and cross-sectoral policy debates and reforms underpinned by economic analysis** for making a stronger case for greening the economy.
- Help governments devise their **overall strategy, national planning and public expenditure** to speed up green transformation and identify risks at the environment and economy nexus.
- Facilitate access to finance and enhanced international trade opportunities for **sustainable (organic) product groups**.
- Support governments in aligning their legislation to the **international legal framework**.
- Introduce policy tools (**SEA and EIA**) to mainstream green economic issues and other environmental and health aspects in strategic documents and specific projects and to support countries in attaining the Sustainable Development Goals.
- Assess policy reforms to reduce the impact of **environmentally harmful products and subsidies** and, simultaneously, to raise revenues.
- Provide **direct support to enterprises** for improving resource efficiency and cleaner production.
- Assist with **greener development for SMEs**.
- Help **raise awareness of the opportunities for a green economy transition** with policy makers, academia, businesses, the media and the public.

Structure and key achievements

Governance and financial tools

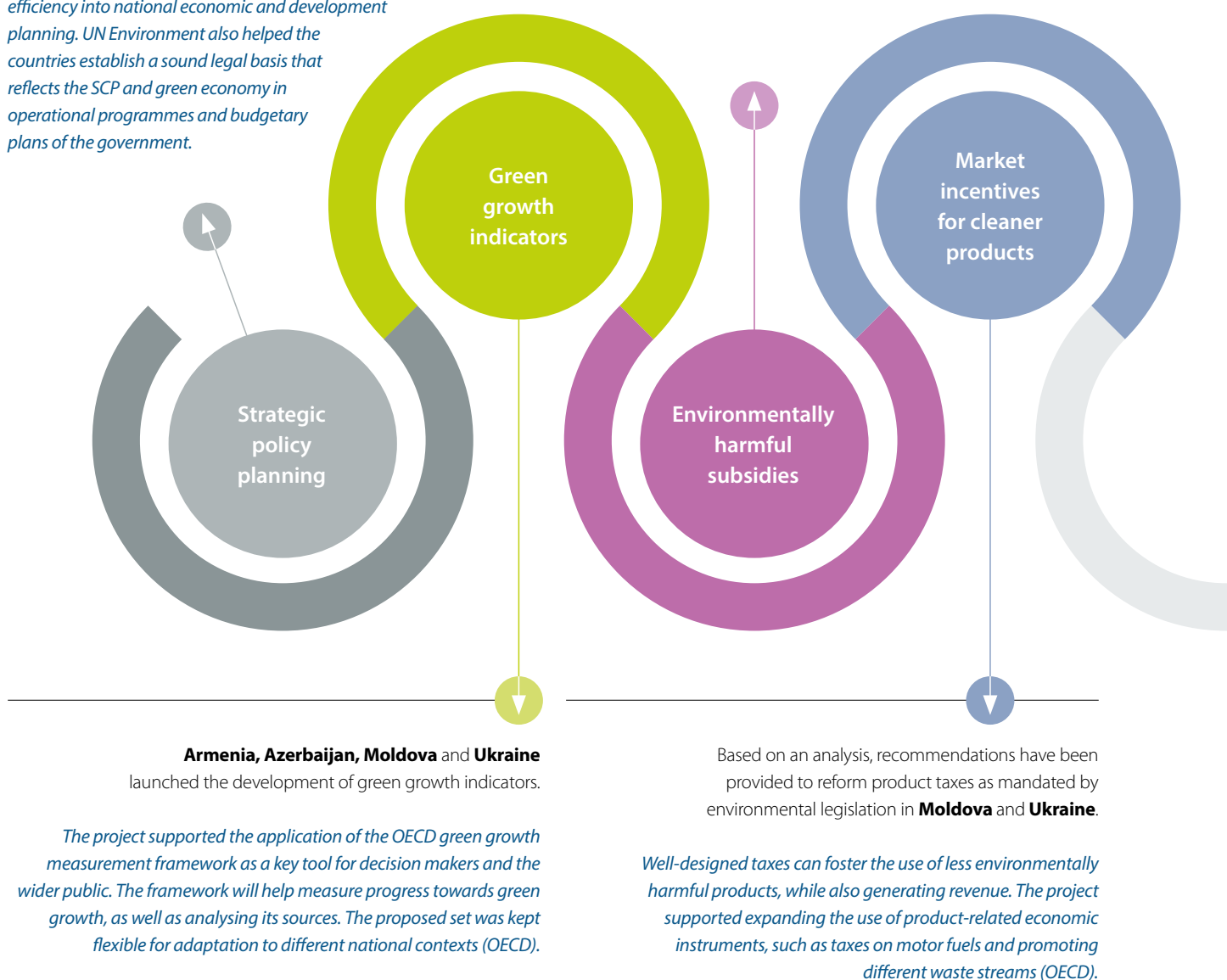
Belarus, Moldova, Ukraine and **Georgia** developed quantitative sectoral analyses that demonstrate environmental, economic and social benefits of a transition to a green economy. Belarus, Moldova and Georgia launched the development of national green economy strategies or action plans.

Belarus and **Moldova** developed green economy action plans and programmes adopted by their governments.

The project helped EaP countries establish national sustainable consumption and production (SCP) and green economy policy frameworks that contributed to a better integration of resource efficiency into national economic and development planning. UN Environment also helped the countries establish a sound legal basis that reflects the SCP and green economy in operational programmes and budgetary plans of the government.

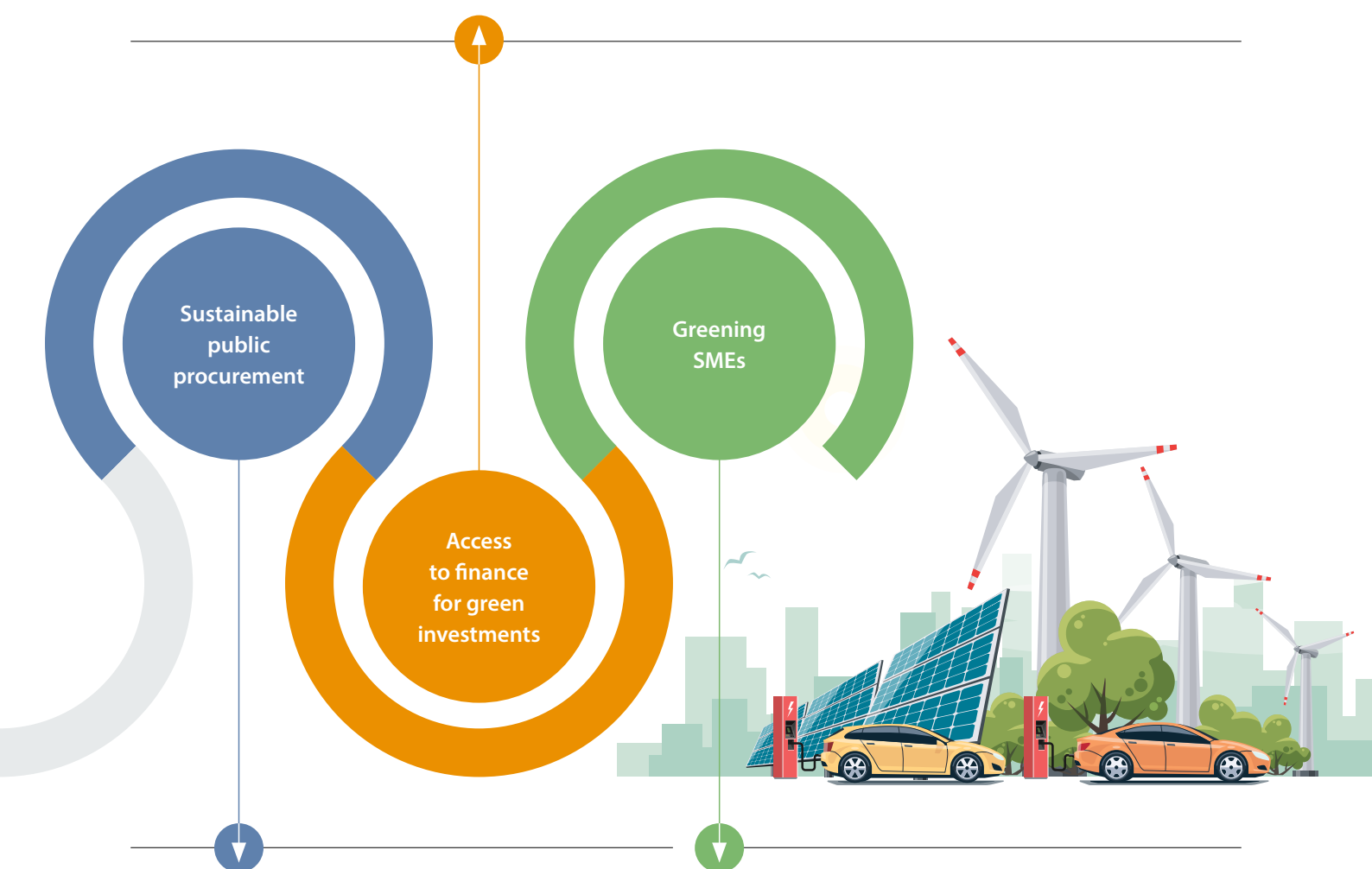
In-depth analysis estimated government support to producers and consumers of oil and petroleum fuels (particularly in the transport sector), natural gas, coal and electricity, and heat generated from these fuels in **all six EaP countries**. The study also analysed government support to investments in energy efficiency and renewable energy sources. In addition, in **Moldova**, the OECD assessed energy affordability and environmental impacts of reforming major subsidy schemes in the energy sector.

The study estimated the volume of energy subsidies in the EaP region, providing the first comprehensive and consistent record of such subsidies. This improved transparency, and provided a solid analytical foundation for reform (OECD).



Ukraine analysed selected environmental credit lines, extended to the State Export-Import Bank of Ukraine for investments in energy efficiency and renewable energy sources. In **Georgia**, the analysis focused on access to green finance for SMEs. In **Azerbaijan** and **Belarus**, expert workshops discussed ways to scale-up financing for green investments. The meetings were supported by discussion papers.

The project identified how governments in the EaP region could increase demand for environmentally-related lending. This was achieved by studying the experience of selected commercial banks in the region with the design and implementation of environmental credit lines supported by international financial institutions (IFIs) and disbursed to end borrowers in these countries (OECD).



Belarus, Moldova and **Ukraine** reviewed legal and regulatory frameworks and conducted market assessments for sustainable public procurement. **Moldova** and **Ukraine** adopted national SPP Policy and Action Plans.

Since governments are important consumers – their expenditure accounts for about 20% of the EaP countries' GDP – the project supported design of Sustainable Public Procurement Policies (SPP) and Action Plans, which can pave the way to market transformation. SPP rely on clear, justifiable, verifiable and ambitious environmental criteria for products and services to promote the production and purchase of more sustainable products and services (UN Environment).

Armenia, Georgia, Moldova and **Ukraine** launched a policy and regulatory reform to green SMEs and incorporated the results of the SME greening analysis into SME Development Strategies.

Small and medium sized enterprises (SMEs) represent a growing majority of all businesses, and although the environmental footprint of these may be low, their aggregate impact is considerable. The project helped to strengthen the legal, policy and institutional frameworks to improve the environmental performance of SMEs (OECD).

Structure and key achievements

Strategic environmental assessment (SEA) and environmental impact assessment (EIA)

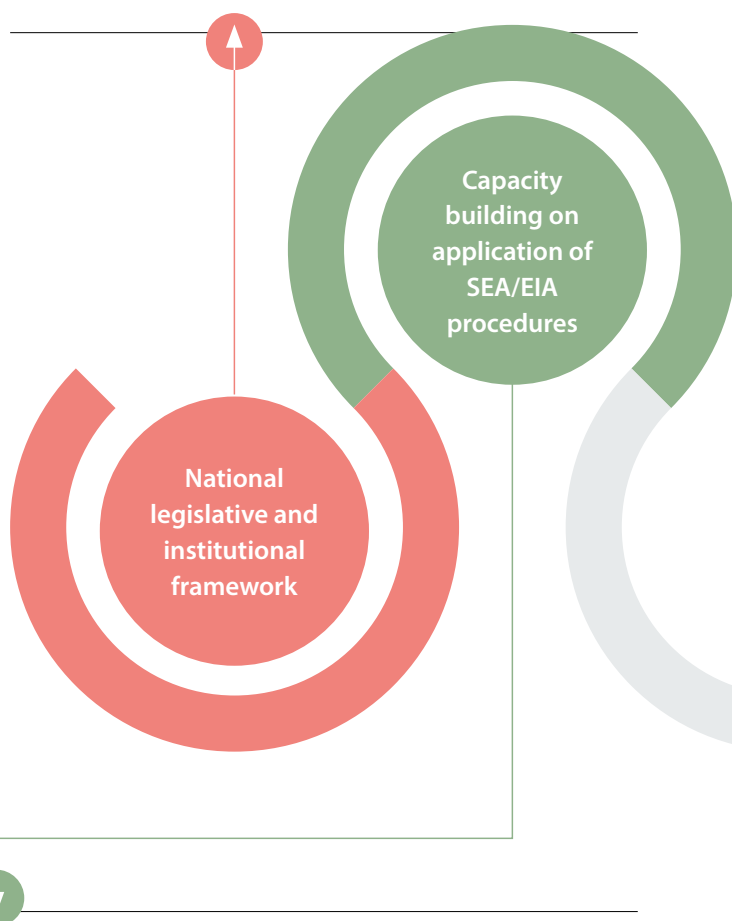
SEA and EIA are procedural tools to integrate green economy targets and other sustainability issues into strategic and project-related decision making. In this way, environmental and health implications are considered before decisions are made. Efficient implementation of SEA and EIA will or may help attain the Sustainable Development Goals. An SEA is applied to governmental plans, programmes or policy documents in accordance with requirements of the UNECE Protocol on Strategic Environmental Assessment to the Espoo Convention (Protocol on SEA) and the EU SEA Directive. The project helped EaP countries develop and implement SEA legislation, as well as to improve the practices and legal and institutional frameworks of EIA (particularly in the transboundary context).

All six EaP countries launched comprehensive legislative and institutional reforms of SEA and EIA.

The project supported legal reviews to ensure the national legislative framework complies with international standards. UNECE assistance also helped raise awareness on the main legal requirements related to SEA and EIA among decision makers such as political representatives or governmental authorities preparing plans, programme and policies, or those approving specific projects.

DID YOU KNOW?

- **Armenia** adopted the Law on EIA and Expertise in 2014.
- In **Azerbaijan**, the revised Law on EIA passed second reading in Parliament in April 2018.
- **Belarus** adopted the new Law on environmental expertise, SEA and EIA in 2016, as well as secondary legislation on SEA and EIA in 2017.
- **Georgia** adopted a new Environmental Assessment Code in June 2017.
- **Moldova** adopted the first and second amendments of the Espoo Convention in 2016, as well as the Law on EIA in 2014. In 2017, it adopted secondary legislation on EIA and the Law on SEA.
- **Ukraine** adopted the Law on EIA (2017) and the Law on SEA (2018).



- **Armenia, Azerbaijan, Georgia** and **Moldova** successfully carried out five pilot SEAs.
- The Ministry of Environment and Natural Resources Protection of **Georgia** prepared and endorsed national guidelines on the practical application of SEA and EIA.
- **Armenia, Azerbaijan, Moldova** and **Ukraine** also drafted national SEA guidelines.
- Five experts from **each EaP country** were trained as SEA trainers – this represents a core group of “SEA pioneers” to further promote and raise awareness on SEA in the EaP countries.
- The transboundary pilot EIA on post-project analysis enhanced dialogue between **Belarus** and **Ukraine** on shared environmental and health impacts.

Extensive training was combined with pilot SEAs to illustrate approaches, methods and tools, as well as to identify potential bottlenecks for SEA procedures as outlined in the national legislation. The project also supported development of national guidelines for practical implementation of SEA processes (UNECE).

Demonstration projects

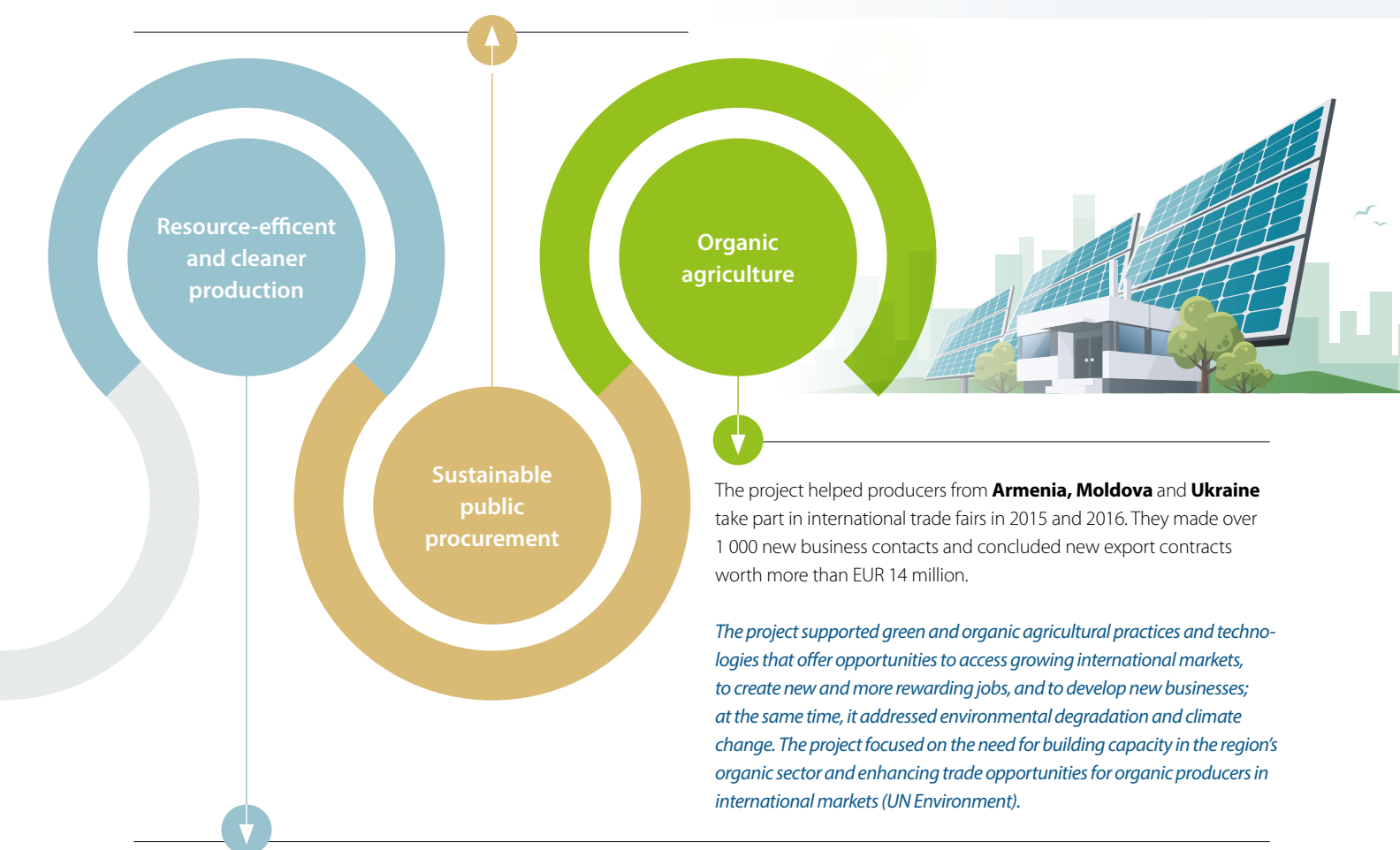
Moldova and **Ukraine** launched 30 pilot tenders and awarded 8 for selected sustainable product groups.

SPP enables public spending to stimulate better environmental and social performance of products. This component fostered inclusion of sustainability criteria, especially the use of eco-labelling, and supporting implementation of SPP through enhancing capacity and developing guidelines (UN Environment).

DID YOU KNOW?



About 400 SMEs and organisations across the EaP region were familiarised with RECP solutions, which may bring significant economic and environmental benefits: savings of EUR 9.4 million were identified with the range of EUR 2 000 – EUR 20 000 per enterprise, reaching up to EUR 100 000 in some cases.



The project helped producers from **Armenia, Moldova** and **Ukraine** take part in international trade fairs in 2015 and 2016. They made over 1 000 new business contacts and concluded new export contracts worth more than EUR 14 million.

The project supported green and organic agricultural practices and technologies that offer opportunities to access growing international markets, to create new and more rewarding jobs, and to develop new businesses; at the same time, it addressed environmental degradation and climate change. The project focused on the need for building capacity in the region's organic sector and enhancing trade opportunities for organic producers in international markets (UN Environment).

- **All countries** initiated policy dialogues adapting resource efficient and cleaner production (RECP) to national conditions.
- **More than 100 SMEs** from food, chemicals and construction materials sectors were assessed using UNIDO-UNEP RECP methodology and started implementing identified RECP solutions.
- In collaboration with 20 municipalities of the EaP region, **24 RECP clubs** with more than 250 member SMEs were established to scale-up RECP application and stimulate peer coaching supported by RECP resource package in six national languages.

- RECP activities were included in the National Action Plan of **Belarus** on the Green Economy to 2020, including the RECP Center, RECP clubs and educational programmes.

The preventive approach to reduce use of materials, water and energy, minimise environmental impacts and protect human health enables enterprises to comply with environmental laws and regulations, as well as enhance environmental productivity. The project supported enterprises with the identification, evaluation and implementation of appropriate RECP solutions (UNIDO).

EaP COUNTRIES: KEY ACHIEVEMENTS

The EaP GREEN helped six countries of the European Union Eastern Neighbourhood to progress faster towards a green economy. It contributed to decoupling economic growth from environmental degradation, increasing productivity and competitiveness, strengthening natural capital management and enhancing environmental quality of life. The EaP GREEN engaged the Ministries of Economy and of Environment together with other government agencies and national stakeholders to recognise the benefits of greening economies and the costs of inaction.



ACKNOWLEDGEMENTS

The EaP GREEN has been a collaborative effort made possible by the dedicated commitment and support from the EaP National Focal Points from the Ministries of Environment and of Economy of the EaP countries.

The following persons played important co-ordination roles and greatly contributed to the success of the project:

In ARMENIA: Ms Anahit Aleksandryan, Ms Aneta Babayan and Mr Khachik Hakobyan

In AZERBAIJAN: Mr Murad Abdullayev, Ms Aynur Arazova, Mr Ayaz Gadirov, Ms Gulshan Hajiyeva, Mr Natig Heydarov, Ms Pervin Khasiyeva, Mr Elchin Mammadov and Mr Ruslan Rustamli

In BELARUS: Ms Irina Komosko, Mr Dzmitry Matusevich, Ms Marina Philipuk, Ms Alena Sinilo, Ms Natallia Zharkina and Mr Yury Zyuzenkov

In GEORGIA: Ms Tamar Aladashvili, Mr Otar Antia, Ms Nino Kvernadze, Ms Nino Lazashvili, Ms Tea Levidze and Ms Nino Tkhilava

In MOLDOVA: Ms Maria Nagornii, Mr Silviu Neghina, Ms Lilia Palii, Mr Gheorghe Salaru and Ms Svetlana Turcanu

In UKRAINE: Ms Liudmyla Musina and Ms Nataliia Trofymenko.

Many more government officials, experts, representatives of non-governmental organisations (NGOs), private and banking sectors from the EaP countries were actively involved in various elements of the EaP GREEN and their significant contributions are greatly appreciated.

Armenia



Project launched: 2013

Key strategic partners:
Ministry of Nature Protection
Ministry of Economy

KEY ACHIEVEMENTS OF THE EaP GREEN

● Green growth indicators

- Development of a national set of green growth indicators

● Environmentally harmful subsidies

- First comprehensive inventory of environmentally harmful subsidies in the energy sector

● Greening small and medium-sized enterprises (SMEs)

- Inclusion of the requirements to promote better environmental performance of SMEs in the official Strategy for SMEs Development 2016-18

● Strategic environmental assessment (SEA) and environmental impact assessment (EIA)

- Application of SEA to the National Strategic Development Plan, Roadmap and Long-Term Investment Plan for Solid Waste Management

- Adoption of the Law on EIA and Environmental Expertise (addressing also SEA)

● Resource-efficient and cleaner production (RECP)

- Establishment of a network of green clubs for SMEs in the cities of Ararat, Dilijan, Hrazdan and Vanadzor
- Carrying out of 22 individual RECP assessments of SMEs
- Government commitment to establish Green Economy Center reflected in the State Programme of Armenia
- Acquisition of RECP monitoring equipment and hands-on training on its use

● Organic agriculture

- Creation of 20 business contacts between Armenia's organic agriculture producers and international partners
- Development of capacity of 60 organic producers



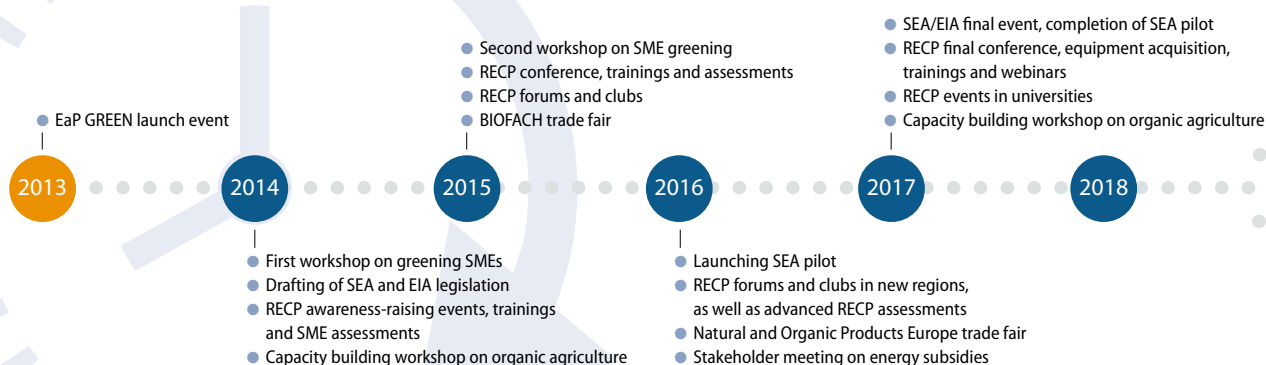
GREENING SMEs

The government of Armenia has made considerable efforts to support SMEs, which represent 98% of all operating legal entities and contribute 27% of GDP. In 2013, upon request from the Ministry of Economy, the first pilot project promoted better environmental performance of SMEs. A survey of 416 SMEs across all regions (marzes) and targeted sectors served to develop of the SME Guidance. Through recommendations for information-based instruments, the SME Guidance creates market demand for green practices and improves access to financing. The results of the SME greening analysis were incorporated into the SME Development Strategy 2016-18.



ORGANIC AGRICULTURE

The agricultural sector remains one of the important pillars of the national economy, contributing to almost 20% of GDP. To enhance capacity, increase competitiveness and facilitate integration of the national organic producers into the internal market, an assessment identified the EU market potential for Armenian organic products. Three national capacity building workshops prepared participants for international trade fairs, reaching 60 organic producers, small-scale farmers, associations, non-governmental organisations and government officials. Participation of the Armenian producers at the BIOFACH trade fair (2015) and at the Natural and Organic Products trade show (2016) resulted in, on average, 15-20 new business contacts for each exhibitor with potential buyers.



"Over the last few years, the EaP GREEN provided important support to greening Armenia's economy. Good progress was made with several tangible results and I was very pleased to be personally involved as the National Focal Point. I hope we will continue our co-operation in the future in order to help Armenia to achieve economic growth, improve environment and align our policies with EU and international standards."



Khachik HAKOBYAN, Deputy Minister of Nature Protection

DID YOU KNOW?



If pilot SMEs in Armenia implement all RECP solutions proposed by the EaP Green, it could save **EUR 1 million** annually.

Within 24 hours of its web launch, the EaP GREEN organic food video had reached **over 100 000 people**.

KEY OUTPUTS

- Infographics and video on the green economy and EaP GREEN project results (2018)
- Overview report on green investments and finance in Armenia (2018)
- National guidelines on SEA (2018)
- Capacity building strategy on SEA and EIA (2018)
- Video and brochure on the Protocol on SEA in Armenian (2018)
- Draft amendments of the Law on EIA and Expertise and draft Governmental Decision on SEA (2017)
- Survey of energy subsidies (2017)
- SEA scoping (2016) and environmental report (2017)
- National RECP Primers in Armenian, video and case study booklets (2017, 2015)
- Regional technology pocket guides (2017)
- RECP rapid assessments business cases (2017)
- RECP clubs facilitator manual and workbook (2016)
- Report on green growth indicators produced in co-operation with the OSCE (2016)
- Success stories for organic exporters (2016)
- Report on promoting better environmental performance of SMEs in Armenia (2015)
- Review of Armenian national legislative and institutional frameworks for SEA and EIA (2014)
- Market assessment report identifying the EU market potential for Armenian organic products (2014)
- RECP national webpage: www.recp.am



COUNTRY OVERVIEW

Following a dramatic drop in Armenia's GDP in early 1990, hyperinflation and important outward migration, Armenia launched important structural and institutional reforms that enabled the economy to recover. Armenia's GDP growth averaged 11% between 2000 and 2008. Agriculture, services, jewellery production and other market-oriented manufacturing have replaced the heavy industry inherited from Soviet times. The country's economy recovered after the 2008-09 crisis, but GDP growth has been slowing with the economic downturn in Russia. Falling global prices for mining and metals products, also negatively affect Armenian exports.

Historical weaknesses of environmental management have weighed heavily on the economy. For example, Lake Sevan (right), the biggest alpine lake in Caucasus which occupies one-sixth of the country's territory and holds the country's most important water supplies, is heavily contaminated by persistent organic pollutants. The rate of deforestation has risen in recent years, reaching 1.4% annually. Illegal logging often results in the loss of high-value species and soil erosion.

To address these challenges, Armenia developed a range of environmental policies and laws and incorporated sustainable development to its Strategic Development Programme for 2014-25. Green growth challenges are also identified in key sectoral policies. The National Water Programme for the Strategy for the



Development of the Energy Sector, for example, which aims to diversify energy resources and promote energy efficiency and renewable energy.

Armenia's GDP by economic sector (2015)

Azerbaijan



Project launched: 2013

Key strategic partners:
Ministry of Ecology and Natural Resources
Ministry of Economy

KEY ACHIEVEMENTS OF THE EaP GREEN

● Green growth indicators

- Development of a national set of green growth indicators
- Establishment of an inter-ministerial working group on measuring the process of greening the economy

● Environmentally harmful subsidies

- First comprehensive inventory of environmentally harmful subsidies in the energy sector

● Access to finance for green investments

- Analysis of the policy and institutional framework, and review of the development of the green finance market and recommendations for scaling up green investment

● Strategic environmental assessment (SEA) and environmental impact assessment (EIA)

- Application of pilot SEA to the National Strategy on the Use of Alternative and Renewable Energy Sources 2015-20
- Development of draft amended Law on EIA and submission to Parliament

● Resource-efficient and cleaner production (RECP)

- Completion of seven RECP assessments of individual enterprises
- Training of 15 national experts on RECP methodology
- Organisation of six RECP forums that engaged 200 participants
- Establishment of green clubs for SMEs in four municipalities (Ganja, Khachmaz, Sumgayit, Yevlakh)



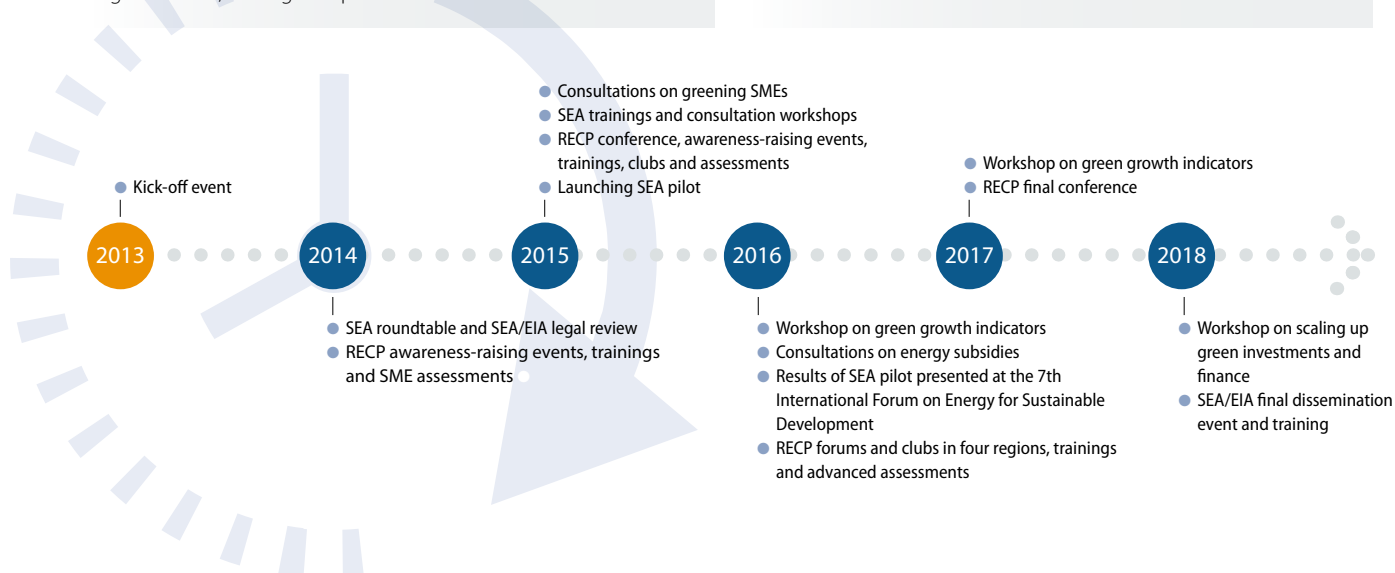
GREEN GROWTH INDICATORS

A project to identify and develop a national set of indicators to assess progress towards green growth of Azerbaijan's economy was launched in 2016. The Inter-Ministerial Working Group was created to facilitate dialogue across the government on green economy measurement. The work resulted in the development of the GGI-based report, which presents the state of, and progress towards, greening the national economy. The report also highlights challenges and provides recommendations for setting up a national green measurement system. Such a system includes national context and diversity among regions; data availability and accessibility; and over a long period, better links and collaboration between statistical agencies, policy makers and across the government; and regular update of information.



SEA/EIA CAPACITY BUILDING

The pilot SEA of the National Strategy on the Use of Alternative and Renewable Energy Sources 2015-20 helped build capacity to apply SEA in Azerbaijan. The activities resulted in the creation of a core group of SEA "pioneers" who can further support development of the national SEA system, and disseminate information on SEA to relevant stakeholders. Through built-in training workshops, the pilot SEA provided an opportunity for ten national experts to enhance their knowledge on SEA, as well as gain practical experience with implementation of SEA procedures. Also, participation of representatives of Azerbaijan in the sub-regional events significantly contributed to better understanding of the principles of good SEA practice.



"We highly value our partnership and appreciate the quality of work and expertise that had been provided in the context of the EaP GREEN. The analysis and discussions of ways to scale up green finance helped to encourage private green investment. Several activities carried out under the project shed light on important issues as Azerbaijan is progressing in the early stages of greening its economy and energy mix."



Rauf GURBANOV, Deputy Director of Economy Department, State Agency on Alternative and Renewable Energy Sources

DID YOU KNOW?



The **pilot SEA** provided recommendations on **enhancing environmental performance of renewable energy projects**, including identification of potential conflicts between renewable energy and other economic sectors.

The RECP Club is the **peer coaching mechanism** for self-application of RECP in municipalities. Four municipalities (Ganja, Khachmaz, Sumgayit, Yevlakh) supported the creation of RECP clubs, attracting more than 30 enterprises.

KEY OUTPUTS

- Infographics and video on the green economy and EaP GREEN project results (2018)
- Report on green growth indicators (2018)
- Recommendations on the application of SEA procedure (2018)
- Amended draft Law on EIA (2018)
- Overview of green investments and finance in Azerbaijan (2018)
- Azerbaijan's commitment under the Batumi Initiative on Green Economy (BIG-E) (2017)
- Survey of energy subsidies in Azerbaijan (2017)
- Video and brochure on the Protocol on SEA in Azerbaijani (2017)
- RECP videos and National Primer (2017, 2015)
- SEA scoping (2015) and environment report (2016)
- RECP clubs facilitator manual and workbook (2016)
- RECP business cases (2015)
- Review of legislative and institutional frameworks for the application of SEA and EIA (2014)
- RECP national webpage: <https://recpaz.wordpress.com>



COUNTRY OVERVIEW

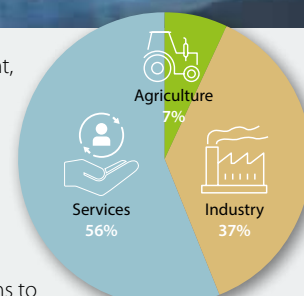
Azerbaijan's oil and gas sector accounts for about one-third of the country's GDP and nearly all exports. Oil production accelerated after independence from the Soviet Union: in 2014, Azerbaijan was the 21st largest producer of oil in the world and the 32nd largest producer of indigenous gas. Azerbaijan became a strategic transit corridor once new production capacities and pipelines were put into operation in the early 2000s. The country is also rich in mineral resources such as aluminium, copper, iron ore, lead and limestone.

The economic boom resulting from the sector, which translated into an average 15% annual growth rate (real GDP) between 2000 and 2010, enabled Azerbaijan to achieve upper middle-income status. However, a shift towards a more diversified economy remains a major challenge. Agriculture is another important sector that accounts for only 7% of GDP, but employs 37% of the workforce.

Azerbaijan's energy intensity is the lowest of EaP countries thanks to strong economic growth and relatively stable energy supply. The share of renewables in energy supply increased between 1990 and 2010. It reached 3.3% in 2010, but has since declined. Although waste generated per capita has decreased in recent years, it remains a key environmental concern. Uneven distribution of water resources, salinity of groundwater and surface water resources pollution due to lack of wastewater treatment are major challenges. Efforts have nonetheless been made to reduce pollution from the oil and gas industry.



Azerbaijan's overarching policy document, *Azerbaijan 2020: Look to the Future*, integrates environmental concerns. It is accompanied by the Action Plan on improving ecology and the efficient use of natural resources for 2015-20. In 2016, the Ministry of Economy presented the details of the Strategic Roadmap that aims to diversify the economy through agriculture, SMEs and services, manufacturing, tourism, logistics and trade. Although the roadmap still focuses on oil and gas sectors, the State Strategy on Use of Alternative and Renewable Energy Sources (2012-20) has become an important document guiding government decision making in the area of energy.



Azerbaijan's GDP by economic sector (2015)

Belarus



Project launched: 2013

Key strategic partners:

Ministry of Natural Resources and Environmental Protection
Ministry of Economy

KEY ACHIEVEMENTS OF THE EaP GREEN

● Strategic policy planning

- Development and adoption of the National Green Economy Action Plan (2016-20)
- Setting up of an inter-ministerial co-ordination working group on the green economy

● Environmentally harmful subsidies (EHS)

- First comprehensive inventory of environmentally harmful subsidies in the energy sector

● Sustainable public procurement (SPP)

- Assessment of the integration of selected product categories into the procurement system and of market supply capacity

● Access to finance for green investments

- Analysis of the policy and institutional framework, and review of the development of the market for green finance and recommendations for scaling up green investment

● Strategic environmental assessment (SEA) and environmental impact assessment (EIA)

- Adoption of a new Law on State Ecological Expertise, SEA and EIA, and related secondary legislation

● Resource-efficient and cleaner production (RECP)

- Establishment of the RECP Center under the Institute of Business and Management of Technology of Belarus State University
- Inclusion of RECP activities in the Green Economy Action Plan of the Government to 2020
- Completion of RECP assessments for 24 enterprises
- Establishment of RECP clubs in the cities of Minsk, Molodechno, Vilejka and Sluck involving 62 enterprises
- Establishment of two RECP sectoral clubs (road construction and railways) with 39 participating SMEs
- Acquisition of two sets of RECP monitoring equipment and relevant hands-on training for 20 experts



RESOURCE-EFFICIENT AND CLEANER PRODUCTION (RECP)

RECP entails the continuous application of preventive environmental strategies to processes, products and services to increase efficiency and reduce risks to humans and the environment. The EaP GREEN introduced the RECP concept for the first time in Belarus. It was applied in 125 enterprises through direct assessments or RECP clubs, which improved resource productivity and environmental performance. Six geographical and sector-based RECP clubs, with representation from all regions of the country, carried out a large-scale awareness-raising campaign, including RECP promotion on the occasion of

the UN in Belarus Anniversary Train. The project also supported establishment of the RECP Center at Belarus State University. It was equipped with a range of measurement tools, ensuring sustainability of project results and a widening range of RECP services to allow the country to apply methodology on its own. Together with educational videos and web-based trainings on different aspects of RECP implementation, thematic webpage and YouTube established the web presence of RECP. The country-specific concept was developed and presented in the National RECP Primer.

- EaP GREEN launch event
- SEA trainings at the municipal level

2013

2014

- FI green economy modelling training and consultations
- SPP and eco-labelling capacity building
- Sub-regional conference on results of pilot transboundary EIA
- RECP awareness-raising events, trainings and SME assessments

2015

- Green economy consultations
- Workshop on greening SMEs
- SPP workshops
- Roundtable on SEA
- RECP conference, trainings, forums and clubs

2016

- Stakeholder meeting on energy subsidies
- Amendments to the SEA/EIA legislation
- RECP forums, club, trainings and responsible production seminar
- Creation of the RECP Center
- Workshop on eco-innovation

2017

- RECP final conference, technology trainings with web broadcasting and assessments monitoring
- Two sectoral RECP clubs

2018

- Workshop on scaling up green investments and finance
- SEA/EIA final dissemination event and training

"Greener economic development is a key priority for Belarus. The adoption of the National Green Economy Action Plan (2016-20) was an important step forward. We value the contribution of the EaP GREEN Project to bringing changes on the ground, transforming legislation and raising the debate on greening economic development across the government and among different stakeholders. We hope to have more such projects in the future and welcome partners to continue our co-operation."



Iya MALKINA, First Deputy Minister of Natural Resources and Environmental Protection of the Republic of Belarus

Dmitry MATUSEVICH, Deputy Minister of Economy of the Republic of Belarus

DID YOU KNOW?



A joint pilot EIA between Belarus and Ukraine resulted in recommendations for improving transboundary EIA procedure and post-project analysis in Belarus and Ukraine.

Belarus ended fossil fuel subsidies worth **EUR 180 million** in 2016. However, fossil fuel subsidies are still larger than the country's budget deficit.

2 300 staff were trained on sustainable public procurement (SPP) under the EaP GREEN.

KEY OUTPUTS

- Infographic and video on Green Economy and EaP GREEN project results (2018)
- Overview of green investments and finance in Belarus (2018)
- Survey of energy subsidies in Belarus (2017)
- National RECP Primers (2017, 2015)
- RECP clubs facilitator manual and workbook (2017)
- Technology pocket guides for dairy, construction and chemical production subsectors (2017)
- RECP club and programme leaflets (2017, 2015)
- RECP Center report on circular economy (2017)
- Belarus commitment for the Batumi Initiative on Green Economy (BIG-E) (2016)
- Green economy modelling study (2016)
- SPP market study (2016)
- Legal review for SPP implementation (2015)
- Status assessment of SPP in Belarus (2014)
- Review of national legislation on implementation of the Protocol on SEA to the Espoo Convention (2014)
- Recommendations for carrying out transboundary EIA procedure and post-project analysis (2014)
- RECP national webpage and YouTube channel: www.recp.by

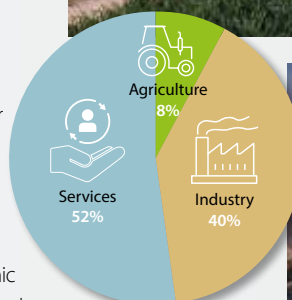


COUNTRY OVERVIEW

After a decade of strong economic growth between the late 1990s and the late 2000s, the Belarussian economy faced repeated downturns. Despite low growth in real GDP in recent years, the level of real GDP per capita remains the highest in EaP countries. Central government planning characterises the economic system in which state-owned companies account for most of the GDP and employment.

Energy efficiency measures and reduction in the share of oil in energy have contributed to reducing the level of greenhouse gas emissions per unit of GDP. More efficient water use has resulted in lower level of use per capita and less wastewater discharge.

The 2030 National Strategy for Sustainable Socioeconomic Development sets out the objectives for sustainable development, provides for the introduction of a green economy, and promotes sustainable consumption and production. The overarching environmental policy document is the Environmental Protection Strategy for Belarus for the period until 2025. The National Action Plan for the Green Economy adopted in December 2016 aims to enhance development of the organic agriculture sector; promote and regulate energy-efficient construction and development of renewable energy; promote "green" government expenditures by revising the public procurement law; stimulate eco tourism; and promote public participation and education for sustainable development.



Belarus' GDP by economic sector (2015)



Georgia



Project launched: 2013

Key strategic partners:

Ministry of Environment Protection and Agriculture
Ministry of Economy and Sustainable Development

KEY ACHIEVEMENTS OF THE EaP GREEN

● Strategic policy planning

- Completion of a green economy modelling analysis to support the development of the Green Economy Strategy

● Environmentally harmful subsidies (EHS)

- First comprehensive inventory of environmentally harmful subsidies in the energy sector

● Greening small and medium-sized enterprises (SMEs)

- Inclusion of requirements for enhancing environmental performance of SMEs in the SME Development Strategy 2016-20
- Analysis of policies, instruments and channels to mobilise private finance for SMEs for green investments

● Strategic environmental assessment (SEA) and environmental impact assessment (EIA)

- Adoption of a new Environmental Assessment Code by the government, which has been approved by Parliament

● Resource-efficient and cleaner production (RECP)

- Completion of 15 feasibility studies for RECP financing in selected enterprises, with two companies receiving support in the credit application process closely monitored by the RECP financing expert
- Establishment of RECP clubs in the cities of Rustavi, Kakheti, Kaspi and Kutaisi
- Capacity development of 18 national experts and application of RECP solutions in 18 companies
- Purchase and acquisition of a set of RECP monitoring equipment and hands-on training



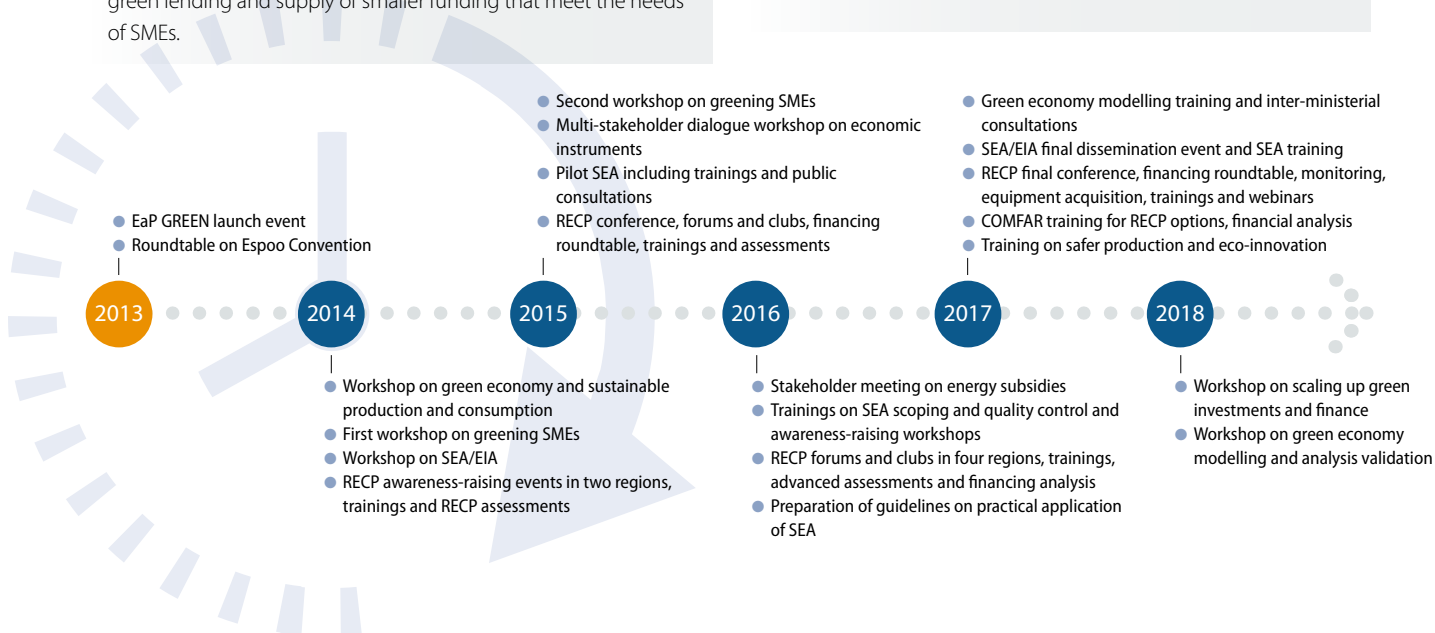
ACCESS TO FINANCE FOR SMEs

SMEs in Georgia account for more than 99% of all firms. Government measures that facilitate access to finance for businesses target corporations with loans of EUR 90 000 or more, while many environmental improvements by SMEs may cost between EUR 8-9 000 and EUR 13 000. Upon a request from the Georgian government, the EaP GREEN assessed access to green finance for SMEs. The in-depth analysis helped identify the challenges to, and market gaps in, SME green financing. It also provided recommendations on where the government could step in to correct market failures and motivate higher demand for green lending and supply of smaller funding that meet the needs of SMEs.



SEA/EIA CAPACITY BUILDING

Development of new national legislation for SEA and EIA started with an in-depth review of the legal framework and analysis of elements and gaps in the institutional setting. A draft Environmental Assessment Code, prepared in 2014 on the basis of good international practice, was discussed at the public hearing and final roundtable meeting in May and September 2015. The drafting process resulted in adoption of the Code by Parliament on 1 June 2017; it entered into force in January 2018.



"Georgia is committed to a transition to a green economy and has been actively involved in several activities under the EaP GREEN since the very beginning. The results of our joint efforts are reflected in several strategic documents, such as a new Environmental Assessment Code and the SME Development Strategy 2016-20. The project also provided an opportunity to stimulate regional dialogue, share experience and learn best practices. We believe that continuity of such support can help Georgia to address its economic challenges, while preserving the environment and improving human well-being."



Irma KAVTARADZE, Deputy Minister of Economy and Sustainable Development

DID YOU KNOW?



Georgia adopted national legislation on SEA and EIA in 2017 based on good "national legislation on SEA and EIA in 2017" practices.

Green economy actions in just three sectors (tourism, construction and agriculture) could result in an **additional 1% of GDP each year to 2030.**

KEY OUTPUTS

- Green economy modelling analysis (2018)
- Infographics and video on the green economy and EaP GREEN project results (2018)
- Study on access to private finance for SMEs for green investments in Georgia (2018)
- Survey of energy subsidies in Georgia (2017)
- National capacity building strategy on SEA and EIA (2017)
- Video and brochure on the Protocol on SEA in Georgian (2017)
- National RECP Primers and a video (2017, 2015)
- RECP clubs facilitator manual and workbook (2017)
- RECP clubs and enterprises success stories (2017, 2015)
- Guidelines on SEA and EIA (2017)
- Report on promoting better environmental performance of SMEs in Georgia (2016)
- Report on RECP financing options (2016)
- SEA scoping and environmental report (2015)
- Review of EIA legislation on implementation of the Espoo Convention (2014)
- Analysis of national legislation and gaps related to implementation of the SEA Protocol (2014)
- RECP national webpage: www.recp.ge



COUNTRY OVERVIEW

Georgia's economy grew steadily in the 2000s, due largely to structural and market reforms that improved the business environment, strengthened public finance systems, upgraded infrastructure and liberalised trade. However, growth slowed after the economic crisis of 2008-09. The lower oil and commodity prices affected the level of remittances and capital inflows.

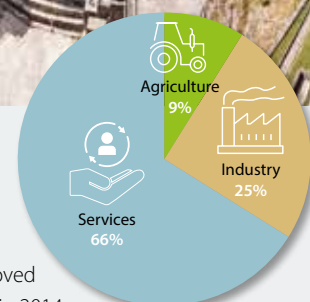
Georgia is situated at a strategically important crossroads of Western Asia and Eastern Europe, which has enabled the country to become a logistics hub. Tourism is a growing sector. Georgia's key exports are mineral products, machinery and appliances, chemical products and transport equipment.

Georgia's energy intensity is the second lowest in EaP countries, after Azerbaijan. Georgia ranks the highest of EaP countries in terms of renewable energy due to its high share of hydropower. The government intends to pursue development of hydropower and biofuels in energy.

The European Union and Georgia signed an Association Agreement in 2014 that came into force in 2016. It encompasses objectives related to sustainable development and environment. It also introduces a preferential trade regime through the Deep and Comprehensive Free Trade Area, which Georgia signed to achieve its gradual economic integration into the EU internal market.



The process of EU association helped clarify environmental policy objectives in Georgia, which have been driven by the National Environmental Action Plan for 2012-16. The Georgian government approved the development strategy "Georgia 2020" in 2014, which included promoting green growth as one of its key objectives. It also developed a Green Growth Policy Paper in 2016.



Georgia's GDP by economic sector (2015)

Republic of Moldova



Project launched: 2013

Key strategic partners:

Ministry of Agriculture, Regional Development and Environment
Ministry of Economy and Infrastructure



KEY ACHIEVEMENTS OF THE EaP GREEN

● Strategic policy planning

- Adoption of the Program on the Promotion of the Green Economy in the Republic of Moldova for 2018-20
- Inclusion of the results of the project in the National Development Strategy "Moldova 2030"
- Setting up of inter-ministerial co-ordination working groups on the green economy

● Green growth indicators (GGIs)

- Development of a green measurement framework

● Environmentally harmful subsidies (EHS)

- First comprehensive inventory of environmentally harmful subsidies in the energy sector
- Assessment of energy affordability and environmental impacts of reforming major subsidy schemes in the energy sector in Moldova

● Market incentives for cleaner products

- Improvement of the design of existing instruments and development of new instruments for reducing pollution and introducing greener products

● Sustainable public procurement (SPP)

- Adoption of National SPP Action Plan
- Adaptation of procurement guidelines integrating sustainability criteria for selected product categories for pilot tenders (organic fruits and vegetables, energy-efficient windows and doors)
- Training of trainers and public procurers, as well as capacity building for 60 economic operators on the new requirements (sustainability criteria) for public tenders
- Launching of 15 pilot SPP tenders

● Greening small and medium-sized enterprises (SMEs)

- Integration of the provisions on Greening SMEs into the updated SME Development Strategy 2012-20 and in the Program on the Promotion of the Green Economy to 2020

● Strategic environmental assessment (SEA) and environmental impact assessment (EIA)

- Adoption of the Law on EIA, the Law on SEA and secondary legislation on EIA
- Application of SEA pilots for the Orhei Town Master Plan and the National Roadmap for the Greening of the Economy of the Republic of Moldova
- Preparation of the Roadmap on Capacity Building on SEA and EIA in the Republic of Moldova

● Resource-efficient and cleaner production (RECP)

- Completion of RECP assessments in 17 enterprises and advanced RECP assessments in 3 enterprises
- RECP clubs in two regions of Balti and Orhei with participation of 64 enterprises

● Organic agriculture

- Exhibition by six Moldovan producers at the BIOFACH trade fair who establishing contacts with potential buyers
- Communication campaign on organic agriculture and eco-labelling through TV and Internet
- Support provided to 18 farmers to initiate the conversion to organic agriculture
- Training of teachers from 20 schools on sustainable consumption and production
- Opening access to organically produced food to 300 school pupils





STRATEGIC POLICY PLANNING

The Republic of Moldova (hereafter “Moldova”) successfully established an institutional and legal framework for a green economy. A quantitative green economy sectoral analysis focusing on agriculture and energy was developed in 2015 and an inter-ministerial working group on green economy and sustainable development, co-chaired by the Deputy Minister of Environment and Economy, was established. Several activities contributed to awareness raising of benefits of green economy and sustainable consumption and production. These included a thematic week in schools and universities and a series of high level events and workshops – including the national forum of NGOs on green economy. Information was shared through communication channels such as the Ministry and other websites, press releases, television documentaries and social media. In the final phase of the EaP GREEN the Programme for the Promotion of Green Economy was drafted and revised following several rounds of inputs from the inter-ministerial working group and recommendations from the SEA. The Programme was approved by the Government in January 2018. The inter-ministerial working group will continue its work to ensure cross sectoral policy dialogue and monitor implementation of the Programme.

“On behalf of the Government of the Republic of Moldova I would like to emphasise the EaP GREEN’s significant support for strengthening and enhancing our efforts to implement Sustainable Development and Green Economy principles at the national level. The key achievements are the development of the Programme on the Promotion of the Green Economy and the National Report on Green Growth Indicators. We highly value the assistance offered for SMEs Greening, strategic environmental assessment, promotion of organic agriculture, sustainable public procurement, energy efficiency and cleaner production. I would like to express my deepest gratitude for valuable support provided by the European Union and the Implementing Partners. We look forward to the continuity and sustainability of our co-operation.”



Lilia PALI, General Secretary of the Government, State Chancellery



GREEN GROWTH INDICATORS

The development of the Programme for the Promotion of Green Growth was accompanied by the development of a green growth measurement framework to monitor and evaluate progress and support an efficient framework for decision making. The work on green growth measurement at the national level began in 2013-2014, with the preparation of the draft pilot report “Measuring the Green Growth in the Republic of Moldova”. The subsequent phase of this process benefited from several initiatives, such as the adjustment of a set of environmental indicators established by the UNECE, conducted by the Ministry of Environment, and the development of the revised version of the State of Environment Report (2016). Several country reports and statistics were used as sources for analysing green growth in the Republic of Moldova. The chief data source was the Statistical Yearbook of the Republic of Moldova 2016 and updated macroeconomic data as of 15 March 2017. The shortlist of GGI for Moldova serves as a basis for policy development and for monitoring the country’s performance towards the greener economic development. The list will be further improved and expanded to add the qualitative dimension to the quantitative indicators selected to measure progress achieved in this domain in the coming years.

DID YOU KNOW?



Applying the RECP approach has enabled 81 enterprises in Moldova to save **EUR 1.45 million** and 1 million m³ of water, avoid 8 000 tonnes of greenhouse gas emissions and 7 000 tonnes of solid waste annually.

The waste management sector in Orhei Town (Moldova) was transformed thanks to the EaP GREEN SEA pilot application, Moldova adopted national legislation on SEA and EIA from 2014 to 2017.



KEY OUTPUTS

- Infographics and video on the green economy and EaP GREEN project results (2018)
- Assessment of energy affordability and environmental impacts of reforming major energy subsidy schemes in Moldova (2018)
- Report on measuring the performance of green economic development in Moldova (2017)
- Survey of energy subsidies in Moldova (2017)
- Roadmap for the adjustment of the SPP legislation (2017)
- SPP brochure, guidelines and training toolkit (2017)
- SEA scoping (2016) and environmental report of the Green Economy Roadmap (2017)
- Guidelines on practical application of SEA (2018)
- Roadmap on SEA/EIA capacity building (2018)
- Video and brochure on the Protocol on SEA in Romanian (2017)
- RECP clubs facilitator manual and workbook (2017)
- Legal review for SPP implementation (2016)
- National RECP Primers and videos (2016, 2015)
- TV spot on organic agriculture (2016)
- Green economy scoping study (2015)
- Analysis of economic instruments for managing environmentally harmful products (2015)
- Promoting better environmental performance of SMEs in Moldova (2015)
- SPP market study for selected categories of products (2015)
- SEA scoping (2014) and environment report of the Orhei Town Master Plan (2015)
- RECP clubs brochure (2015)
- Report on eco-labelling (2015)
- Review of SEA national legislation framework (2014)
- RECP national webpage: www.ncpp.md



COUNTRY OVERVIEW

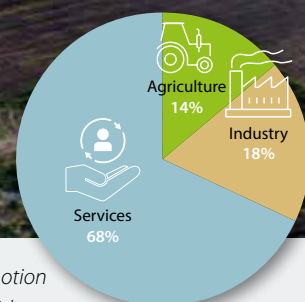
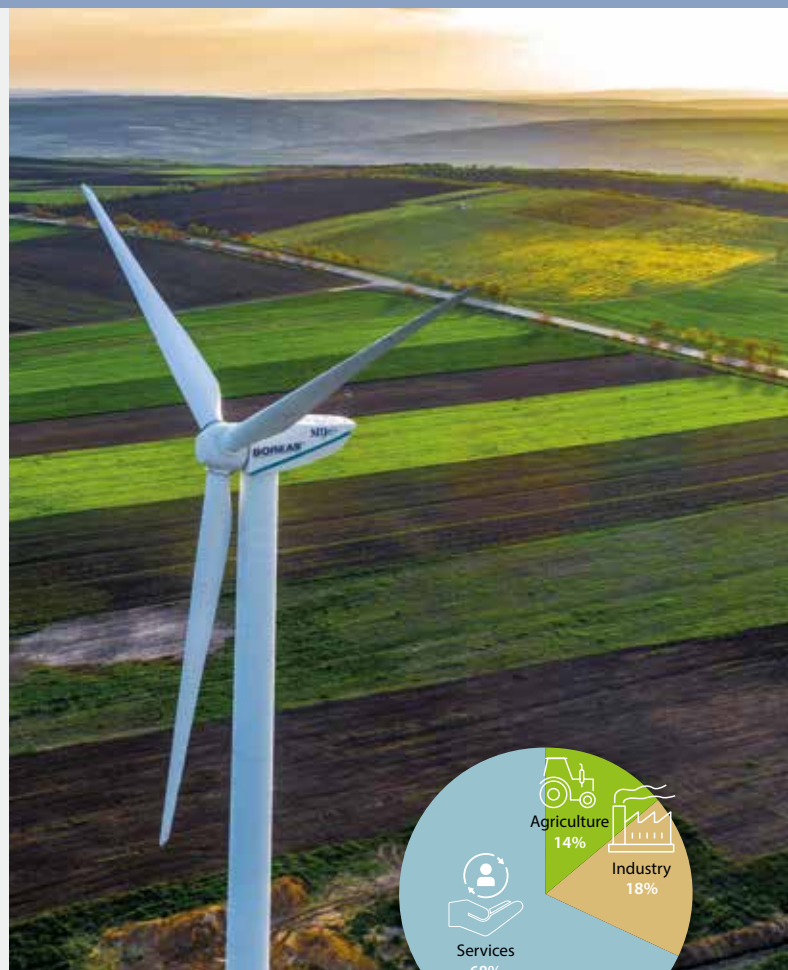
After the breakup of the Soviet Union in 1991, energy shortages, political uncertainty and trade obstacles challenged the Republic of Moldova's economy. As part of an ambitious economic liberalisation effort in the 1990s and early 2000s, Moldova allowed prices to rise more freely, stopped issuing preferential credits to state enterprises, backed land privatisation, removed export controls and exerted less control on interest rates.

Despite strong growth in GDP per capita (+26% between 2005 and 2011) and some progress in reducing poverty, Moldova remains the poorest country in Europe. The share of value added in the services sector has been increasing over the years, but agriculture still accounts for 33% of employment and 14% of Moldova's GDP compared to 1.7% of GDP in OECD member countries.

From 2000 to 2013, domestic electricity consumption increased by 21% and heat consumption increased by 10%, while greenhouse gas intensity decreased during the same period. This shows signs of decoupling of economic growth from the growth in greenhouse gas emissions. Despite recent improvement, Moldova continues to suffer from significant environmental degradation due to excessive use of pesticides, industrial pollution and inadequate environmental infrastructure.

Moldova and the EU signed an Association Agreement and a Deep and Comprehensive Free Trade Agreement (DCFTA) in 2014. Under the Association Agreement, which entered in force in July 2016, Moldova committed to activate structural reforms and to harmonise its legislation with the EU *acquis communautaire*.

The 2020 National Development Strategy of Moldova and other strategic documents, such as the Environmental Strategy of Moldova for 2013-23 and the National Strategy for Sustainable Development of Agriculture in 2008-15, integrate green economy objectives.



In 2015, the *National Program for the Promotion of the Green Economy* was launched to guide government efforts to green economic development.

Moldova's GDP by economic sector (2015)

Ukraine



Project launched: 2013

Key strategic partners:

Ministry of Ecology and Natural Resources

Ministry of Economic Development and Trade

KEY ACHIEVEMENTS OF THE EaP GREEN

● Strategic policy planning

- Approval of economic modelling results for the agriculture and energy sectors
- Establishment of an inter-ministerial working group on the green economy

● Green growth indicators (GGIs)

- Analysis of green growth measurement framework and development of a national set of green growth indicators

● Environmentally harmful subsidies (EHS)

- First comprehensive inventory of environmentally harmful subsidies in the energy sector

● Market incentives for cleaner products

- Improvement of the design of existing instruments and development of new instruments for reducing pollution and introducing greener products

● Sustainable public procurement (SPP)

- Adoption of National Action Plan for the implementation of SPP
- Development of sustainability criteria for selected products for pilot tenders (thermal insulation material, paintwork material, and washing and cleaning products)
- Adaptation of the SPP Guidelines, and details on the newly defined requirements for selected product categories
- Training of trainers and public procurers, as well as capacity building for 70 economic operators on the new sustainability criteria for public tenders
- Launch of 15 pilot SPP tenders

● Access to finance for green investments

- Analysis of green credit lines provided by international finance institutions through local banks and recommendations for increased lending to green investments

● Greening small and medium-sized enterprises (SMEs)

- Incorporation of provisions for enhancing environmental performance of SMEs in the SME Development Strategy 2020

● Strategic environmental assessment (SEA) and environmental impact assessment (EIA)

- Adoption of the Law on SEA
- Adoption of the Law on EIA

● Resource-efficient and cleaner production (RECP)

- Launch of educational programmes on RECP for university students
- Reaching out to over 1 000 participants through 27 RECP awareness-raising events
- Establishment of RECP clubs in Kharkiv and Chernihiv involving 35 companies and training RECP club facilitators in three more regions: Lviv, Poltava and Mykolaiv
- RECP assessment of 13 enterprises in construction materials production sector

● Organic agriculture

- Training of 60 organic producers on participation in international trade fairs
- Support for participation of 11 organic producers in the BIOFACH trade fair





ENVIRONMENTALLY HARMFUL SUBSIDIES

Despite common arguments in favour of energy subsidies (supporting rural and industrial development, improved energy access and security, poverty alleviation), their economic cost often places a significant burden on a country's finances. This, in turn, weakens its growth potential and encourages wasteful energy consumption. Among the EaP countries, Ukraine had the highest level of energy subsidies, reaching nearly 13% of GDP in 2014. The project studied fossil fuel subsidies in Ukraine to help the government identify and better measure their volume. This work represented the first comprehensive and consistent record of energy subsidies, covering support to fossil fuels to both consumers and producers, renewable energy sources and energy efficiency measures. The analysis also looked at pricing and tax policies in the energy sector, which lie at the heart of energy subsidy reforms.



SUSTAINABLE PUBLIC PROCUREMENT (SPP)

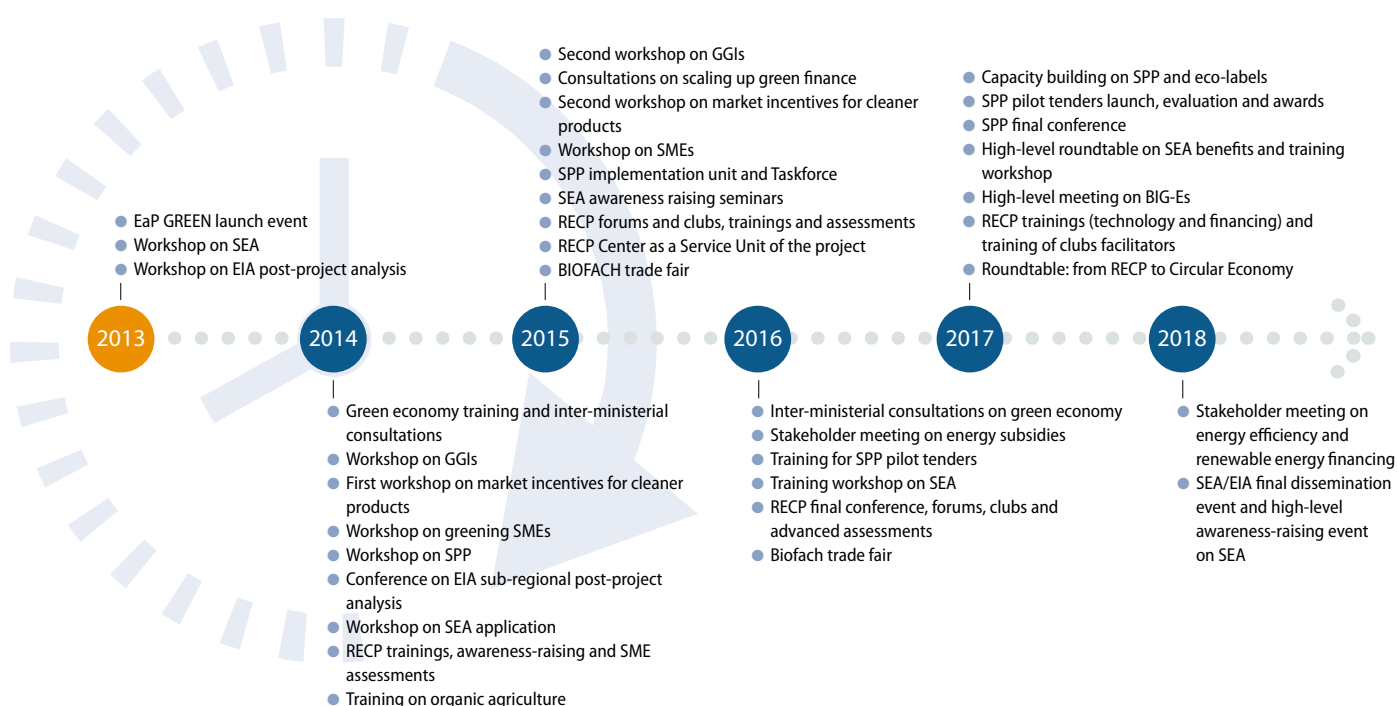
Ukraine made significant progress towards introducing sustainable public procurement (SPP) policies and practices. Several national events and trainings raised awareness and strengthened capacity on SPP approaches among a broad range of stakeholders. Ukraine developed a national SPP Action Plan established, a steering committee for SPP-related activities, and assessed the status of public procurement to gauge progress. A review of legal and regulatory frameworks for SPP recommended changes to regulations. A market study helped assess the capacity of the local market to respond to future SPP tenders. Workshops were held on applying sustainability criteria and eco-labels for future pilot tenders. Fifteen such tenders were issued for priority products – detergents and cleaning products, insulation material, paints and varnishes – and five received contracts.



MARKET INCENTIVES FOR CLEANER PRODUCTS

Ukraine has made several attempts to introduce environmental taxes on harmful products. However, in line with the government's tax consolidation policy, it pursued the differentiation of general excise taxes based on environmental criteria. The project work on economic instruments for managing environmentally harmful products in Ukraine aimed to improve the design of existing instruments and develop new ones. This, in turn, sought to provide incentives for both reducing pollution and introducing greener products. It focused on two principal policy instruments: environmentally related product taxes and extended producer responsibility (EPR) schemes. Ukraine's

interest in EPR schemes is driven by its waste management challenges and the need to harmonise its legislation with the EU under the Association Agreement. Municipal solid waste (MSW) management is one of the key environmental challenges in Ukraine: less than 4% of the country's MSW is processed and only 2.5% is recycled, while 30 million tonnes of MSW end up in legal and illegal landfills. The project reviewed Ukraine's experience with the design and implementation of each of these instruments and provided recommendations based on international best practices.



"With support of the EaP GREEN project, the Ukrainian government has undertaken considerable efforts to green its economy. In particular, significant progress was achieved in promoting green finance instruments and reforming fossil fuel subsidies. We appreciate the alignment of the EaP GREEN activities with Ukraine's policy directions and priorities and encourage partners to continue working together."



Mykola KUZYO, Deputy Minister of Ecology and Natural Resources

DID YOU KNOW?



EaP GREEN supported the participation of organic producers in the international organic trade fair BIOFACH, (2015 and 2016). This allowed for over 900 business meetings with interested buyers, and led to **new export contracts** with a value of more than **EUR 14 million**.

USD 12.3 billion of investment in energy efficiency in Ukraine resulted in **savings of USD 21.3 billion** between 2015-30. Fossil fuel subsidies reached nearly 13% of GDP in Ukraine in 2014, but were eliminated in 2016.

KEY OUTPUTS

- Green economy modelling analysis (2018)
- Infographics and video on the green economy and EaP GREEN project results (2018)
- National guidelines on SEA (2018)
- SEA and EIA capacity-building roadmap (2018)
- Report on access to private finance for green investments: energy efficiency and renewable energy financing in Ukraine (2018)
- Batumi Initiative on Green Economy (BIG-E): Actions by Ukraine (2017)
- Energy subsidies in Ukraine (2017)
- Roadmap on adjustment of the SPP legislation (2017)
- SPP Guidelines (incorporated lessons learned from pilot tenders) (2017, 2016)
- Brochure and video on the Protocol on SEA in Ukrainian (2017, 2016)
- RECP publication on eco-innovations (2017)
- Technology pocket guides for dairy, construction and chemical production subsector (2016-17)
- 16 RECP publications in periodicals and specialised media (2015-17)
- Report on green transformation in Ukraine (2016)
- RECP Primer (2016, 2015), video, club facilitator manual and workbook (2016)
- RECP booklets of business cases (2016, 2015)
- Success stories for organic exporters (2016)
- Report on economic instruments for managing environmentally harmful products in Ukraine (2015)
- Report on promoting better environmental performance of SMEs in Ukraine (2015)
- Legal review for SPP implementation (2015)
- Market study for selected categories of products in SPP (2015)
- Report on eco-labelling (2015)
- Status assessment of SPP (2014)
- Recommendations for post-project analysis within EIA procedure (2014)
- Regional market assessment study on EU market potential for Ukrainian organic products (2014)
- 13 RECP videos on specialised YouTube channel
- RECP national webpage: www.recpc.org, including a specialised RECP clubs web platform www.recpc-club.org.ua



COUNTRY OVERVIEW

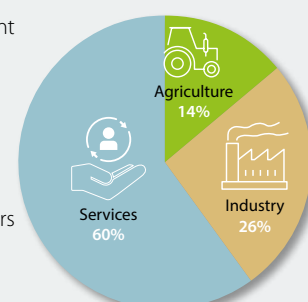
Ukraine is the most populated country in the region (45.4 million, 2014) with a well-developed industrial base and rich natural resources. The slowdown of the global economy after 2008, dramatic political changes and the subsequent conflicts in the eastern regions of Ukraine all led to serious deterioration of the country's economy in 2015-16.

External political and economic factors are seriously challenging Ukraine's economic development model. As one example, outdated technologies, especially in the mining and metallurgical sector, have resulted in excess consumption of primary resources, materials and energy. The agriculture sector contributes 14% to total GDP, 31.5% to total exports, and also plays an important role in ensuring food security.

Despite recent improvements, the energy intensity of Ukraine's economy is three times higher than that of the EU. This makes the country one of

the ten most energy-intensive economies in the world. Challenges faced by the energy sector are diverse, including maintaining energy security, and improving the reliability and quality of supply.

The principles of sustainable development and the green economy are reflected in the 2014-17 Action Plan for the implementation of the Ukraine-EU Association Agreement and the Ukraine 2020 Sustainable Development Strategy. The Action Plan of the Cabinet of Ministers for 2016, which aims at supporting both strategic documents, contains a comprehensive package of tasks geared towards the green transformation of Ukraine's economy.



Ukraine's GDP by economic sector (2015)



CO-ORDINATION AND REGIONAL CO-OPERATION UNDER THE EaP GREEN: MAJOR OUTCOMES

The EaP GREEN has been an important means for the European Union to support the partner countries to progress faster towards a green economy and improve environmental management more generally. The project developed methodological and conceptual material based on international good practice and adapted to the country conditions.

The project was instrumental in bringing together four implementing agencies: OECD, UN Environment, UNECE and UNIDO, to work hand in hand with the six EaP countries, the EU and OECD member countries to support the region in promoting the greener economic agenda.

Co-ordination and regional co-operation

The key ingredients of the EaP GREEN were:

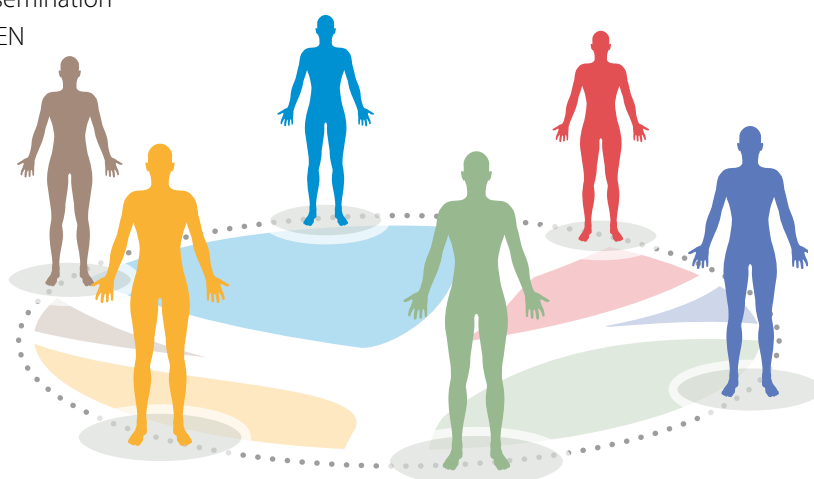
1. **independent, objective and evidence-based analyses**
2. **methodological and conceptual material based on international good practice adapted to country conditions and needs**
3. **in-country pilot projects to demonstrate how policies and tools can be applied in practice, including expertise from other transition economies, and to build capacity to sustain the results.**

A steering committee oversaw implementation of the EaP GREEN. The committee was composed of representatives of the Ministries of Environment and of the Economy from the beneficiary countries, the four implementing organisations (OECD, UN Environment, UNECE and UNIDO) and the European Commission. The committee has met annually to discuss progress with the delivery of substantive products and their impact, issues that impeded implementation and ways how they might be alleviated. The meetings also allowed peer learning of best practices policy and discussing recommendations provided to countries.

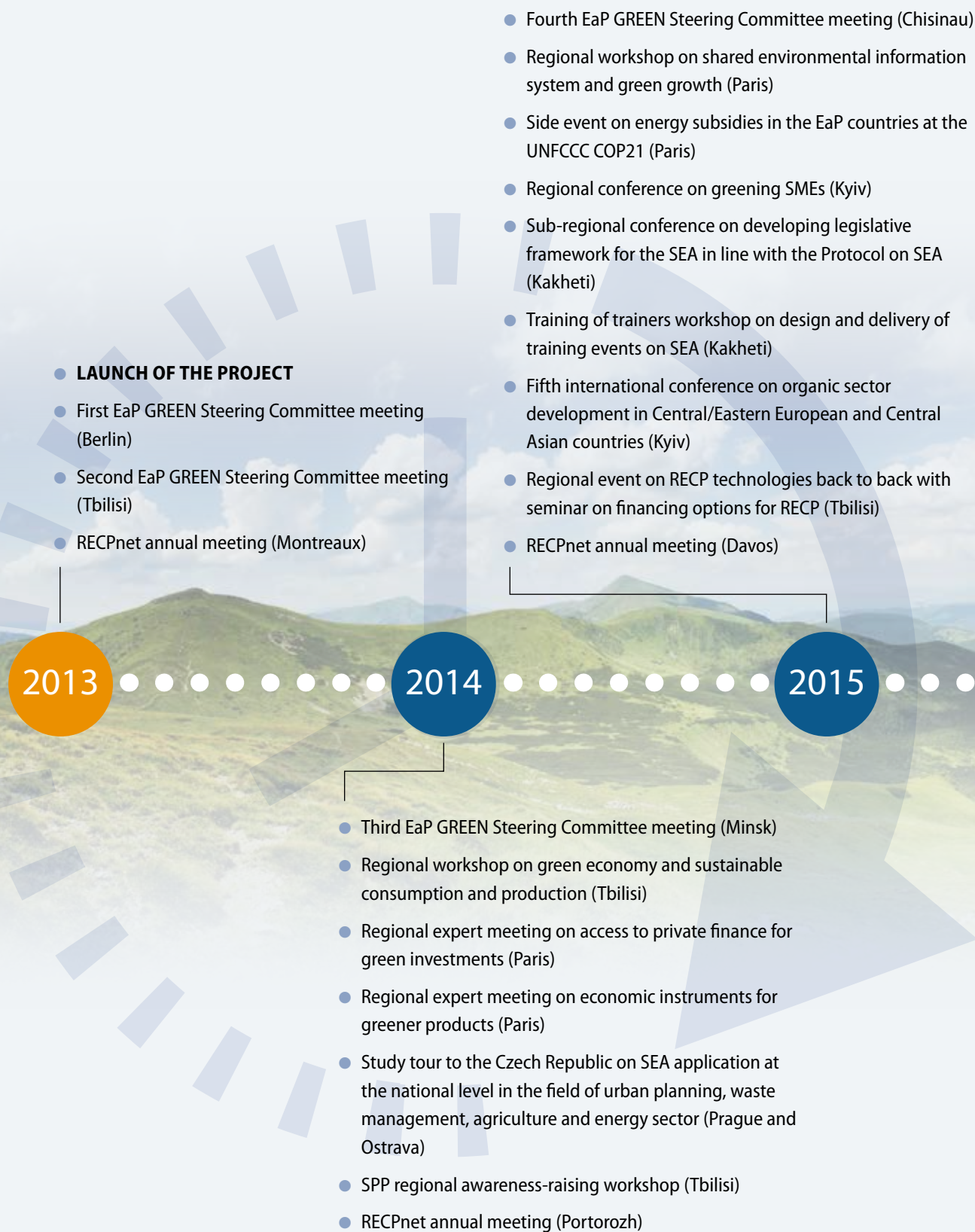
The EaP GREEN was supported by communication strategy. A number of actions included: maintenance of a dedicated EaP GREEN project website in English and Russian (www.green-economies-eap.org); dissemination of information about activities to the EaP GREEN National Focal Points and other stakeholders, and about outputs and impacts through press releases, articles, video clips and news; and preparation and dissemination of the comprehensive brochure, informative leaflets and regular country updates that presented work in individual EaP countries.

Particular emphasis was made to prepare and disseminate information about the EaP GREEN at two high-level events:

- “Environment for Europe” Ministerial Conference (8-10 June 2016, Batumi, Georgia). During the Ministerial Conference in Batumi, the EaP GREEN organised a well-attended, highly visible and high-level side event that involved the ministers from the EaP countries and senior officials from the EU, OECD, UN Environment, UNECE and UNIDO. The event provided an opportunity to present the objectives of the EaP GREEN and its main achievements on selected components. A publication and communication stand in Batumi provided an opportunity to disseminate information about the EaP GREEN to more than 2 000 participants of the conference. The EaP GREEN also helped all six EaP countries to formulate and officially announce specific green economy commitments as part of the Batumi Initiative on Green Economy (BIG-E).
- EU EaP Ministerial meeting on Environment and Climate Change (18 October, 2016, Luxembourg). Inputs to the EaP Ministerial included a presentation of the EaP GREEN results at the ministerial dinner and the meeting itself, as well as the presentation of an EaP GREEN brochure that summarised the main results. The project was singled out as an example to follow in the EaP Declaration on Environment and Climate Change adopted by the ministers.



Regional project timeline





- EaP GREEN side event on the green economy at the meeting of the UNECE Committee on Environmental Policy (Geneva)
- International conference on unlocking private finance for energy efficiency and greener, low-carbon growth in the Eastern Partnership and Central Asia Countries (Brussels)
- Second sub-regional workshop: Sharing experience with introducing SEA and EIA in selected countries of Eastern Europe and the Caucasus (Kiev)
- RECPnet annual meeting (Helsinki)
- Final EaP GREEN Conference “From Commitment to Results” (Brussels)

2016

- Fifth EaP GREEN Steering Committee meeting (Brussels)
- Regional journalist training on green economy and environmental story telling (Batumi)
- EaP GREEN side event at the 8th Environment for Europe Ministerial Conference (Batumi)
- Commitments for green economy actions by Belarus, Georgia and Moldova under the Batumi Initiative on Green Economy (BIG-E)
- RECPnet annual meeting (Batumi)
- Regional conference on greening SMEs (Chisinau)
- Presentation of the EaP GREEN at the EaP Ministerial meeting on environment and climate change (Luxembourg)

2017

2018

- Consolidation of results and reporting
- **END OF THE PROJECT** (April 2018)

Key region-wide outputs

Strategic policy planning	UNEP (2015), <i>Sustainable Consumption and Production Policies and Initiatives in Eastern Europe and the Caucasus: Review of Progress and Way Forward</i> (English and Russian)
Green growth indicators	EaP GREEN (2016), <i>Measuring the Green Transformation of the Economy: A Guide for EU Eastern Partnership Countries</i> (English and Russian) OECD (2017), <i>Policy Highlights on Measuring the Green Transformation of the Economy</i> (English and Russian)
Reform of environmentally harmful subsidies	OECD (2018), <i>Policy Highlights on Energy Subsidies in EU EaP Countries</i> (English and Russian) OECD (2018), <i>Inventory of Energy Subsidies in the EU's Eastern Partnership Countries</i> (English and Russian, and country chapters in Armenian, Azerbaijani, Georgian, Romanian and Ukrainian)
Creating market incentives for greener products	OECD (2015), <i>Creating Incentives for Greener Products: A Policy Manual for Eastern Partnership Countries</i> , (English) OECD (2015), <i>Roadmap for Policy Action for Creating Incentives for Greener Products</i> (English and Russian)
Sustainable public procurement	UNEP (2012), <i>Sustainable Public Procurement Implementation Guidelines Introducing UNEP's Approach</i> (English and Russian)
Access to finance for green investment	OECD (2017), <i>Unlocking Private Finance for Energy Efficiency, and Greener, Low-carbon Growth in EaP countries and Central Asia</i> (English and Russian) OECD (2016), <i>Environmental Lending in EU Eastern Partnership Countries</i> (English)
Greening small and medium-sized enterprises (SMEs)	OECD (2018), <i>Environmental Policy Toolkit on Greening SMEs in EU Eastern Partnership Countries</i> (English and Russian) OECD (2016), <i>Policy Highlights on Greening SMEs</i> (English and Russian) UNIDO/OECD (2018) <i>Financing Resource-Efficient and Cleaner Products by SMEs in the EU Eastern Partnership Countries: A Stakeholders' Guidebook</i> (English)
Strategic environmental assessment (SEA) and environmental impact assessment (EIA)	UNECE (2018), <i>Manual on Strategic Environmental Assessment for Trainers</i> (English and Russian) UNECE (2017), <i>Good Practice Recommendations on the Application of the Convention to Nuclear Energy-related Activities</i> (English and Russian) UNECE (2017), Video on benefits of SEA and the Protocol on SEA (Armenian, Azerbaijani, English, Georgian, Romanian, Russian and Ukrainian) UNECE (2016), <i>Protocol on Strategic Environmental Assessment, Facts and Benefits</i> (Armenia, Azerbaijani, English, Georgian, Russian, Romanian and Ukrainian) UNECE (2015), <i>Practical Guidance on Reforming Legal and Institutional Structures with regard to the Application of SEA Procedure in accordance with the UNECE Protocol on SEA</i> (English) UNECE (2015), <i>Overview of Legislative and Administrative Reforms for Implementing Strategic Environmental Assessment in Eastern Europe and the Caucasus</i> (English and Russian)
Resource-efficient and cleaner production (RECP)	UNIDO (2017), Regional RECP technology pocket guides for SMEs in selected production sectors: dairy production; construction materials and chemicals prototyped (English, Russian and five national languages) UNIDO (2017, 2015), National RECP Primers, RECP club facilitator manuals and success stories reflected in the six national RECP project webpages (English and six national languages)
Organic agriculture	UN Environment (2017), Success stories of organic producers of the EaP region entering the EU market with their organic produce (English) UN Environment (2017), European market assessment for the main organic export products from Armenia, Moldova and Ukraine. UN Environment (2016), An exporter toolkit on accessing the EU market and on marketing, packaging and branding of organic products (English)

Remaining challenges and ways forward

Despite progress in establishing the institutional basis for integrating economic and environmental objectives, the strategies, policies and their implementation face several challenges in the six EaP countries.

In addition to the overall political and economic challenges, key obstacles hampering the path towards a green economy include:

- lack of overarching and targeted policies fostering the green economy transition, with clear goals and targets
- overall political and economic instability that causes frequent changes in priorities, thus creating problems of continuity and delays in implementation
- limited awareness of the benefits of greening economic development and the costs of inaction
- gaps and contradictions in the legislative frameworks, challenges to law enforcement and limited use of compliance promotion gaps and contradictions in legislative frameworks, challenges for law enforcement and limited use of compliance promotion measures
- insufficient application of SEA as a tool for greening plans, programmes or policies, and inefficient application of EIA at the project level resulting in unsustainable investments
- distortions from environmentally harmful subsidies combined with a policy framework that is not yet supportive of green investments
- low access to green finance, in particular for SMEs, and limited capacity to prepare bankable projects
- lack of best practices and references to green technologies applicable in national conditions
- inadequate awareness, support and engagement of the public at large,

- under-developed institutional and human capacities at all administrative levels and sectors, as well as insufficient co-ordination and leverage with other ministries to implement green economy initiatives.

The EaP GREEN strived to support governmental actions towards greening public policies and to reinforce management approaches applied by private sector actors. It provided a strong basis for using more advanced approaches to bring the green economy transition to a new level.

The EaP GREEN Partners will continue support to address several issues mentioned above based on solid accumulated experience and well-established relations with key national partners in the ministries, the research community, civil society organisations and businesses, as well as with international development partners and financial institutions.



About EaP GREEN

The EaP GREEN has worked with the government authorities of the six Eastern Partnership countries: Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova and Ukraine. It brought together the Ministries of Environment and Economy, as well as the ministries in charge of finance, industry, agriculture and statistics.

The private sector, the international financial institutions and the domestic banking sector representatives have also been important partners of the EaP GREEN. Activities have been implemented in close consultation with the non-governmental community and co-ordinated with other relevant projects funded by the EU and other donors in the region.

The National Focal Points (appointed by the Ministries of Environment and Economy of each country), the European Commission and the Implementing Partners met annually as part of a steering committee to oversee implementation of the EaP GREEN.

The project was funded by the European Union and jointly implemented by four international organisations – OECD, UN Environment, UNECE and UNIDO. Additional financing was provided by Austria, Germany, the Netherlands, Norway, Slovenia and Switzerland.

EaP GREEN
Partnership for Environment and Growth



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