Component 1: Governance and financing tools for Sustainable Consumption and Production – Reporting on Progress

1.1 Support to strategic policy setting
1.2 Measuring progress towards greening economic growth
1.3 Identifying and reforming environmentally harmful subsidies
1.4 Market incentives for green products
1.5 Improving investment policies and access to finance
1.6 Promoting green procurement
1.7 Greening Small and medium-sized enterprises

Krzysztof Michalak, OECD
1.1 Supporting Strategic Policy Setting

• Overall status of progress: Steady progress

• Notable outputs and results
  – Regional review of SCP policies and practices
  – GE modeling analysis developed, Inter-ministerial Working Group on GE established (Moldova)
  – Preliminary GE modeling (Belarus)
  – Data collection (Ukraine)

• Key findings
  – Implementing GE will likely bring economic returns while reducing costs and improving national resilience to external shocks (e.g., energy price volatility), environment (e.g. air pollution), and job opportunities.
  – SCP/GE policies are emerging in all of the countries, however, significant efforts are required for further advancement: central coordinating bodies, policies, investment etc.

• Challenges and barriers: Changes of government, political uncertainty, administration (registration of the project)
## 1.2 Monitoring progress towards green growth

<table>
<thead>
<tr>
<th></th>
<th>The environmental and resource productivity of the economy</th>
<th>The natural asset base of the economy</th>
<th>The environmental dimension of quality of life</th>
<th>Economic opportunities and policy responses</th>
<th>Socio-economic context and characteristics of growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>• Carbon and energy productivity</td>
<td>• Renewable stocks: water, forest, fish resources</td>
<td>• Environmental health and risks</td>
<td>• Technology and innovation</td>
<td>• Economic growth and structure</td>
</tr>
<tr>
<td></td>
<td>• Resource productivity: materials, nutrients, water</td>
<td>• Non-renewable stocks: mineral resources</td>
<td>• Environmental services and amenities</td>
<td>• Environmental goods &amp; services</td>
<td>• Productivity and trade</td>
</tr>
<tr>
<td></td>
<td>• Multi-factor productivity</td>
<td>• Biodiversity and ecosystems</td>
<td></td>
<td>• International financial flows</td>
<td>• Labour markets, education and income</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>• Prices and transfers</td>
<td>• Skills and training</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td>• Skills and training</td>
<td>• Regulations and management approaches</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td>• Regulations and management approaches</td>
<td></td>
</tr>
</tbody>
</table>
1.2. Green growth indicators

Progress and Outputs:

• Great interest and progress made in exploring the use of GGI (eg. Moldova, Ukraine)

• Bringing together work on GGIs and the Shared Environmental Information System (SEIS) and Ministries of Economy, Environment and the Statistical Offices

• Mapping of the SEIS/EEA-UNECE environmental and OECD green growth indicators and their dataflows
1.2. Green growth indicators

Key findings:
• Mapping of the SEIS/EEA-UNECE environmental and OECD green growth indicators and their dataflows:
  – 11 of 24 OECD green growth indicators can be paired with environmental indicators developed under the SEIS
  – Of the 13 green growth indicators that cannot be produced with dataflows from environmental indicators, 8 indicators fall under “Economic opportunities and policy responses”, which go beyond considerations of the environmental indicators.

But also challenges:
• methodological interpretation (esp. economic opportunities and the resource productivity)
• co-ordination between agencies
• robustness, reliability, confidentiality of data
• lack of resources for creating appropriate data flows
1.3. Energy subsidies

Findings:

- Renewed policy interest as a result of the financial and economic crisis and the need for fiscal reforms
- Most energy subsidies in the EaP countries go to consumers, through regulated energy prices, e.g. regulated electricity and district heating prices, or regulated fuel prices (gasoline, diesel)
- Subsidies are generally poor and inefficient instruments for achieving policy goals, better targeting of existing subsidies is needed
Challenges:

• Energy subsidies are a very politically-sensitive issue

• Insufficient understanding of the economic definition of subsidies: mostly understood as direct budgetary transfers to consumers and producers while many subsidy schemes are privileges/benefits assigned through the Tax and Customs Codes

• Patchy data and information, lack of transparency in subsidy allocation
1.4. Market incentives for green products

**Progress:** country specific analysis (Armenia, Moldova, Ukraine) and dissemination activities (Azerbaijan, Belarus, Georgia)

**Key findings:**

- Where environmental product taxes exist, they are used without any environmental purpose, exclusively for revenue raising.

- Significant interest in Extended Producer Responsibility (EPR) in environment ministries, but mainly to shift the waste management cost burden;

- Ukraine and Moldova consider industry-run schemes, but those face obstacles within the government.
1.4. Market incentives for green products

Main message:

• Choose the right instrument for a specific environmental objective (taxes to send a price signal to reduce consumption of a harmful product, EPR for the recovery and safe management/recycling of used products).

Challenge:

• Environment ministries lack capacity to develop EPR schemes and lack institutional weight to influence finance ministries over tax design.
1.5. Access to private finance for green investments

Key findings:

- Low levels of green investment, both public and private
- Financial and capital markets expanding but insufficiently developed – bank lending dominant
- Levels of non-performing loans have increased, interest rates on loans prohibitive
- Environmental credit lines, provided by IFIs and disbursed through local banks, remain practically only source of long-term financing for green investments in the region,
- Ukraine (industrial energy efficiency), Georgia (support to hydropower projects) and Moldova (residential energy efficiency)
1.5. Access to private finance for green investments

Challenges:

• Interesting but requires the involvement of both governments, IFIs, commercial banks and borrowers which makes the process complicated

• Country level work in Ukraine has been delayed due to difficult political and economic conditions, the project launch was postponed several times over the course of the year

• Banks are not natural partners in policy work, difficult for banks to see their private benefits from the analysis, reluctance to provide information
1.6 Sustainable Public Procurement

- **Overall status of progress:** Steady progress

- **Notable outputs and results**
  - Based on studies and consultations, SPP national action plans developed, priority products for SPP demonstration selected; energy-efficient doors and windows, organic fruits and vegetables (*Moldova*).
  - Based on studies and consultations, SPP national action plans developed, priority products for SPP demonstration selected; heat insulation materials, paintwork materials, as well as washing and cleaning products (*Ukraine*).
  - National focal points and Steering Committee established (*Belarus*).

- **Key findings**
  - Market studies confirmed local productive capacities for some of the priority products and the potential responsiveness of the market to SPP tenders.

- **Challenges and barriers:** administration (delay in registration of the project).
1.7. Greening SMEs

Progress and outputs: country specific analysis (Armenia, Moldova) and the first edition of the Toolkit

Key findings:

• Some diversification of requirements (EIA, permitting procedures, reporting, inspections)

• Environmental policies for SMEs mentioned in government strategies

• Ministries of economy (Moldova, Armenia) are planning to introduce green aspects into SME support policies but rely on donor funding

• Some information instruments have been put in place (Georgia Green Business Award)

• Private banks provide financing for energy efficiency and renewable energy
1.7. Greening SMEs

Challenges:

- Over-regulation of SMEs through single-medium permitting but without compliance monitoring
- Environment ministries are not engaged in compliance promotion
- Information instruments are under-utilised
- Business support organisations created in three countries, but no clear green agenda
- Financing mechanisms are limited to IFI credit lines
- Lack of technical and financial support for green practices
1.7. SMEs receiving support for resource efficiency actions

- Public grants or guarantees
- Funding from banks or investment companies
- Private funding from friends and relatives
- Technical assistance from the government
- Technical assistance from private consultants
- Technical assistance from business associations or customers

Armenia
Ukraine
Moldova
EU