



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

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

1	The environmental and resource productivity of the economy	<ul style="list-style-type: none">• Carbon and energy productivity• Resource productivity: materials, nutrients, water• Multi-factor productivity
2	The natural asset base of the economy	<ul style="list-style-type: none">• Renewable stocks: water, forest, fish resources• Non-renewable stocks: mineral resources• Biodiversity and ecosystems
3	The environmental dimension of quality of life	<ul style="list-style-type: none">• Environmental health and risks• Environmental services and amenities
4	Economic opportunities and policy responses	<ul style="list-style-type: none">• Technology and innovation• Environmental goods & services• International financial flows• Prices and transfers• Skills and training• Regulations and management approaches
	Socio-economic context and characteristics of growth	<ul style="list-style-type: none">• Economic growth and structure• Productivity and trade• Labour markets, education and income• Socio-demographic patterns



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

1.3. Energy subsidies

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

