GREEN Action Task Force

Draft Summary Record: 2019 Annual Meeting of the Task Force for the Implementation of the GREEN Action Programme

30 September – 1 October, Boulogne-Billancourt, France

This meeting was chaired by

- Mr Jürgen Keinhorst, Director, Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, Germany
- Mr Dzmitry Matusevich, Deputy Minister, Ministry of Economy, Belarus

All the meeting documents and presentation slides are available on the event webpage (https://oe.cd/gatf2019)

Douglas HERRICK, Policy Analyst, Green Growth and Global Relations Division, Environment Directorate, douglas.herrick@oecd.org

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Summary Records

Background, meeting objectives and participants

This document captures main issues covered and raised during the 4th Annual Meeting of the GREEN Action Task Force, its major highlights and takeaways. The event took place on 30 September – 01 October 2019 in Paris and gathered about 80 participants from both Eurasian and OECD countries, particularly representatives of environment, economy, energy, agriculture and foreign affairs ministries and state institutions, as well as from embassies, international organisations and development finance institutions (DFIs).

The main objectives of the event were to:

- Take stock of the progress made in implementing the Programme of Work of the Task Force since the last annual meeting in October 2018 and present the next steps
- Exchange best practices and challenges between Eurasian and OECD countries in improving their environmental, social and economic performance
- Identify possible ways forward to further advance the green growth policy agenda within (and outside of) the region of Eurasia

The meeting focused on the topics of sustainable infrastructure development, cooperation with development finance institutions to promote green investment, strategic planning for water management, and the role of national environmental funds. Several discussion papers and support material were prepared by the OECD to facilitate discussion at the meeting. All documents related to the event are available on the event website.
Discussion highlights

Item 3. Infrastructure and sustainable development: State of play in Central Asia and the Caucasus

The session aimed to explore challenges related to ensuring that large-scale infrastructure projects align with long-term development and climate goals. The session showed that many countries in the Eurasian region have moved towards greening their economies, but bolder action is needed to address remaining challenges. The insufficiencies in current pipeline of projects and institutional frameworks as well as the projected investment gap until 2030 present major stumbling blocks in delivering sustainable infrastructure in line with the SDGs and the Paris Agreement, according to the draft OECD report presented to the Task Force.

The Task Force members agreed that despite advances in certain countries in the region, long-term and low-carbon development strategies/visions are relatively rare in the region, and current institutional setups are not in most cases fit for purpose because they do not fully integrate climate goals and other SDGs into decision-making processes. Improvements on these two fronts should go hand in hand with enhanced data availability and transparency of infrastructure project pipelines.

It was highlighted that development banks and the banking sector more broadly have a key role to play in the green transition. The good example include the Development Bank of Kazakhstan’s Green Initiative, supporting investments into less resource-intensive sectors, however steeper action might be performed within the region.

Item 4. International standards and tools for aligning infrastructure investment to SDGs

This session aimed to present emerging standards and analytical tools for mainstreaming socio-economic and environmental factors into strategic infrastructure planning. The discussion showed that infrastructure, as an essential component of achieving the SDGs, should be perceived more holistically and greater attention should be paid to the upstream, systems-level infrastructure planning, taking into account all project phases. Such an approach might result in optimisation of environmental, social and governance aspects, long-lasting operation, identification and mitigation of potential risks early in the planning process and eventually increased bankability of infrastructure projects.

It was pointed out that the Strategic Environmental Assessment (SEA) should play a vital role, particularly in identifying linkages between strategic plans and projects to advance SDGs, multi-purpose functions and cost-effectiveness of infrastructure.

Progress in certain countries (e.g. Azerbaijan, Kazakhstan, Mongolia) related to SEAs, EIAs, the Paris Agreement and low-carbon development presented at the meeting demonstrated the growing importance of the green transition on national policy agendas. However, action needs to be swifter and more robust, particularly by supporting innovative and inclusive solutions and building awareness among policy-makers, to allow for adoption of more integrated, flexible and coherent approaches in planning for infrastructure compatible with the changing environment.

Item 5. Engagement of and collaboration with development finance institutions in the GREEN Action Task Force’s work

Representatives of the World Bank, European Investment Bank, the European Bank for Reconstruction and Development, and the Development Bank of Kazakhstan presented their banks’ functioning and main activities, including ambitious climate targets and the
growing share of the banks’ portfolios devoted to energy efficiency and sustainability-related projects.

Several Task Force members stressed an important role that development finance institutions (DFIs) play in supporting green investment in the region. In many instances they remain the major providers of capital and drivers of green projects, including through working with local intermediaries. The participants also acknowledged increasingly ambitious objectives that DFIs set for themselves in supporting the transition to a low-carbon and green economy. They also acknowledged DFIs’ efforts to develop innovative risk reduction mechanisms that help stimulate the take-up of available funds. Several participants highlighted the need to better define green investment and welcomed the initiative of the European Union on the sustainable finance taxonomy.

The Task Force members concurred that Development Finance Institutions (DFIs) should be invited to the Task Force Annual Meetings on a more regular basis, as appropriate. It was suggested that the future collaboration between DFIs and the Task Force might focus on (i) informing policy debates on necessary legal and regulatory reform that can stimulate demand for green finance and awareness raising about the benefits of green investment, (ii) capacity building in project preparation and working on the taxonomy of sustainable investment, (iii) deeper involvement of economy and energy ministries, (iv) turning the strategies into investment plans and development of green project pipelines, (v) using DFIs funding to unlock own resources and setting up and tracking innovative green financial products, (vi) financing of SMEs. The Task Force members asked the Secretariat to explore the scope of co-operation further and develop more specific suggestions in the 2021-2022 Programme of Work and Budget proposal for the Task Force consideration’s at the next Annual Meeting.

Item 6: Strategic planning for delivering water sector reform and SDGs

There has been considerable progress in improving strategic planning for delivering water sector reform. Countries of the region, including Belarus and Ukraine reported significant in-country efforts to improve strategic planning and river basin planning, progress development of water supply and sanitation systems, introduce the requirement for SEAs, make better use of the SDGs accounting platform and develop capacity while aligning legislation with EU Directives. The EUWI+ project was reported as facilitating this progress.

Item 7. Role of national environmental funds in promoting green investments

The session aimed to explore the experience with the currently operating and planned environment and environmentally related (e.g. energy efficiency) funds in the region and to discuss challenges related to their establishment and operation. Regional examples showed a number of dedicated domestic institutions that provide finance for green projects and a growing interest in setting up new institutions. The existing environmental funds can be categorised into two types: (1) Traditional environmental funds (e.g. Azerbaijan, Kyrgyz Republic, Moldova, Uzbekistan), some of which have been fully consolidated into the state budget (e.g. Belarus, Kazakhstan, Turkmenistan, Ukraine) and (2) Specialised clean energy funds, which have emerged more recently (e.g. Armenia, 2005; Georgia, 2010; Ukraine, 2018). The latter type tends to be better focused, better capitalised and use more sophisticated financial instruments tailored to the needs of the market. Two emerging examples of good practice are Armenia’s Renewable Resources and Energy Efficiency Fund and Ukraine’s Energy Efficiency Fund which demonstrate ambition to mobilise finance for projects supporting efficient and green energy in the region.
The discussion focused on the best ways to ensure added-value of public finance provided through environmental funds. Some suggestions included improving the spending strategies of the Funds, diversifying revenue sources, and better leveraging private and international finance. Equally important to generating sufficient revenues to support environmental investments, the funds should also ensure transparent reporting on spending and actual performance. The Task Force members agreed also that further work is needed to review rates of environmental charges and fines that generate revenue for the Funds to better incentivise companies (and citizens) to act responsibly.

The Task Force members welcomed the discussion and asked the Secretariat to undertake further work on expanding the typology of domestic financial institutions in the region, ensuring more effective and efficient operations of the funds according to good practices for public environmental expenditure management and work with countries to assess the operations of existing funds as well as provide advice on how best to set up new funds when their existence is warranted.

**Item 8. Bureau election and other business**

Ms. Ekaterine Mikabadze of Georgia was nominated to serve as Co-Chair for the 2020 Annual Meeting.

Mr. Dzmitry Matusevich of Belarus was nominated to serve as a Bureau member for the period 2019-2020.

**Day 1: 30 September 2019**

**Item 1. Opening**

**Welcome by the Co-chair:**
- Mr. Jürgen KEINHORST, Director, Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, Germany

**Welcome by OECD Secretariat:**
- Mr. Rodolfo LACY, Environment Director, OECD

1. The Chair of the session, Mr. KEINHORST, opened the meeting by welcoming participants and providing his opening remarks. He particularly stressed the rich agenda of the meeting, which aims to discuss the topics of sustainable infrastructure, green finance, water management and the role of environmental funds. He expressed his gratitude to the Slovak Republic for hosting the last Annual Meeting in Bratislava and reminded participants that the document [ENV/EPOC/EAP/M(2018)2] contains its summary record. He also informed about the recent changes, notably that Mr. Mykola KUZIO (a former Co-Chair of the Task Force) has recently stepped down as Bureau member and Ms. Ekaterine MIKABADZE, who agreed to step in as Co-Chair of this meeting for Mr. KUZIO, had to cancel her attendance. To designate second Co-Chair and remaining Bureau members, he suggested to move the Item on Bureau Election at the end of Day 1. Having no major
objections, the members of the Task Force adopted the draft agenda of the meeting [ENV/EPOC/EAP/A(2019)3].

2. Mr. LACY welcomed all participants and, on behalf of OECD, expressed pleasure to host the meeting in the new building of the Environment Directorate. He reminded participants of the inspiring debate at the last Annual Meeting in Bratislava on which this meeting’s discussions would build. He stressed the added value of the Task Force, which provides a unique forum for a mutual exchange of best practices and challenges between the Eurasian region and OECD countries, building on the OECD and its partners’ work on environment. He briefly zoomed in to the main issues on the meeting’s agenda, including strategic planning for delivering sustainable infrastructure in line with the SDGs, cooperation with Development Finance Institutions (DFIs), water sector reform as well as the role of national environmental funds. Lastly, he invited all participants to have active and fruitful discussions.


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<th>Highlights</th>
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<td>• The Task Force’s Programme of Work for 2019-2020, currently at its mid-term, is being implemented through 4 Programme Areas.</td>
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<td>• Good progress has been achieved in the implementation of all areas of work, some of them bringing very concrete results on the ground, as for example: completion of the revisions of the Environmental Code in Kazakhstan, support to improving long-term water security in Belarus, or revising mid-term action plan for water supply and sanitation strategy implementation in Moldova.</td>
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<td>• The launch of the EU4Environment Action in January 2019 was an important reinforcement of the implementation of Programme Area 1, which facilitates national green growth policy dialogues in the region, Programme Area 2 that supports green finance and investment and Programme Area 3, which helps to integrate environmental, economic and sectoral policies for green growth. The project is implemented in co-operation with UN Environment, UNECE, UNIDO and the World Bank.</td>
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<td>• The EUWI+ Initiative has a leading role in Programme Area 4, which focuses on strengthening water management in Eurasian countries through policy dialogues, capacity building, economic instruments and strategic planning guidance.</td>
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Presentation by the OECD Secretariat:
• Ms. Kumi KITAMORI, Head of the Green Growth and Global Relations Division, Environment Directorate, OECD
• Mr. Krzysztof MICHALAK and Mr. Matthew GRIFFITHS, Programme Managers, Environment Directorate, OECD

3. The Chair reminded participants of the meeting document Programme of Work and Budget for 2019-2020 of the GREEN Action Task Force [ENV/EPOC/EAP(2019)1],
endorsed at the last Annual Meeting, and the room document *List of events and meetings under the GREEN Action Task Force*, detailing main meetings and events held since October 2018.

4. Ms. KITAMORI shed more light on the progress made in implementing Programme of Work of the GREEN Action Task Force since its adoption at the last Annual Meeting in October 2018, within its four Programme Areas: (1) national green economy dialogues, (2) green finance and investment, (3) integrating environmental, economic and sectoral policies for green growth, (4) strengthening water management. Under *area 1*, the collaboration related to the EU4Environment crosscutting initiative (OECD together with UNEP, UNECE, UNIDO, the World Bank as implementing partners), aiming to support Eastern Partnership (EaP) countries to green their economies, was highlighted. Another highly relevant example includes policy dialogue in Kazakhstan on issues such as sustainable infrastructure or water-energy-food nexus. For *area 2*, she stressed the work on public investment programme for clean urban public transport in Kazakhstan, Kyrgyz Republic and Moldova; sustainable investment and green finance in Georgia; sustainable investment needs in Armenia; and sustainable infrastructure (a rapid assessment in 8 countries) which will be discussed under Item 3.

5. As for *area 3*, Ms. KITAMORI mentioned the in-country collaboration in reform of regulatory framework for large enterprises and SMEs, compliance and enforcement, and capacity building; two recently completed projects in Kazakhstan (policy guidance on air pollution prevention as part of the revision of the country’s Environmental Code, and on green growth indicators); and the recently finished report on mining and green growth indicators in EECCA countries. The water-related cooperation under *area 4* has focused on multi-stakeholder national policy dialogues in both EaP and Central Asia countries and has assisted, amongst other things, in development of national long-term water strategies and water policy outlooks. Key projects include the EUWI+ project conducted together with UNECE and an EU Member States Consortium of Austria and France. Last but not least, she expressed gratitude for financial and in-kind support provided by the Task Force members and partners, reminded that the Task Force is at the midterm of its current work programme, and mentioned the productive meeting of the Task Force Bureau in April 2019.

6. Mr. MICHALAK followed up with a deeper dive into the programme areas 1, 2 and 3. In *area 1*, he highlighted the first meeting of the EU4Environment Regional Assembly (June 2019, Brussels), that paid particular attention to the institutional strengthening for green economy in EaP countries observing a gaining importance of environmental bodies such as Ministries, departments within the Economy Ministries, or agencies. Under *area 2*, the work in Moldova (fiscal instruments and reform related to energy subsidies), Georgia (green finance for SMEs), Kyrgyz Republic and Moldova (green investment programmes in public transport), Kazakhstan (analysis on green finance flows), and the rapid assessment of sustainable infrastructure planning in 8 Eurasian countries was stressed. He also underlined recent cooperation with the National Bank of Georgia (on environmental, social and governmental principles for commercial banks), Armenia (defining investment needs for green economy), and the Kyrgyz Republic (the banking sector’s lending activities), Ukraine (energy subsidies reform – on hold due to government changes) and new work on green bonds. For *area 3*, Mr. MICHALAK mentioned the leading role of EU4Environment and its inception meetings in all EaP countries (March-April 2019); the recently finalised report on mining and green growth in

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1 launched in January 2019 and funded by the EU
EECCA countries; projects in Kazakhstan (policy guidelines on air pollution prevention, green growth indicators, extended producer responsibility scheme review, contribution to the UNECE’s environmental performance review); and upcoming meetings on BAT approach implementation (23-25 October 2019, Seoul), and 6th OECD Forum on Green Finance and Investment (29-30 October 2019, Paris).

7. Mr. GRIFFITHS shared further details on the cooperation under programme area 4, highlighting particularly the milestone Multi-stakeholder EUWI+ policy dialogues in Azerbaijan and Belarus and capacity building including regional trainings on strategic planning in EaP countries and small-scale water systems in Moldova. Equally, he stressed the work on economic instruments and water security indicators (in Armenia, Belarus, Kazakhstan); the publication of reports on economic regulation system for Moldova’s water supply and sanitation; Shardara’s multi-purpose water infrastructure in Kazakhstan; as well as the forthcoming policy perspectives for irrigation sector reform in Tajikistan. Other significant efforts included the OECD-led chapter on water management in the UNECE’s environmental performance review of Uzbekistan; support to improving long-term water security in Belarus, work on a revised mid-term action plan for water supply and sanitation strategy implementation in Moldova, progression of the Draft Water Strategy in Azerbaijan; and ongoing contributions to water strategy development in Georgia and Ukraine. In terms of upcoming activities, Mr. GRIFFITHS mentioned the EUWI+ week (November 2019) and EUWI+ national policy dialogues (in Armenia, Georgia, Moldova, Ukraine and Belarus).

**Item 3. Infrastructure and sustainable development: State of play in Central Asia and the Caucasus**

**Highlights**

- Many countries in the Eurasian region have moved towards greening their economies, but bolder action is needed to address remaining challenges. The insufficiencies in the current pipeline of projects and institutional frameworks as well as the projected investment gap until 2030 represent major stumbling blocks for the delivery of quality infrastructure in line with the SDGs and the Paris Agreement, according to the draft OECD report presented to the Task Force.

- The Task Force took note of the work led by Zoï, which undertakes environmental and geographical screening of projects under the Belt and Road Initiative (BRI) through projections of alternative scenarios to ‘business as usual’ approach, with a view to support implementation of sustainable and energy-efficient projects within the BRI.

- Similar exercises represent a valuable input in strengthening project evaluation, attracting green finance and supporting good decision-making in the process of planning and implementation of sustainable infrastructure.

- Despite advances in certain countries in the region, long-term and low-carbon development strategies/visions are relatively rare in the region, and in most cases current institutional setups are not fit for purpose because they do not fully integrate climate goals and other SDGs into decision-making processes. Improvements on
these two fronts should go hand in hand with enhanced data availability and transparency of infrastructure project pipelines.

- Development banks and the banking sector more broadly have a key role to play in the green transition. One good example from the region is the Development Bank of Kazakhstan’s Green Initiative, supporting investments into less resource-intensive sectors.
- Shortcomings in the planning processes for sustainable infrastructure are not unique to Eurasia. In OECD countries, for instance, planning tends to focus solely on climate rather than adopting a more comprehensive approach.

Presentation by the OECD Secretariat:
- Ms. Kumi KITAMORI, Head of the Green Growth and Global Relations Division, Environment Directorate, OECD
- Mr. Alin HORJ, Policy Analyst, Global Relations Secretariat, OECD

Presentation from partner organizations:
- Mr. Viktor NOVIKOV, Project Development and Management in Central Asia, Zoï Environment Network

Open discussion with lead discussants:
- Mr. David ADVADZE, Acting Head of the Sustainable Development Division, Ministry of Economy and Sustainable Development, Georgia
- Mr. Isfandiyor SHUKUROV, Head of the Department of State Control over the Use and Protection of Water Resources, the Committee for Environmental Protection under the Government of the Republic of Tajikistan


9. Ms. KITAMORI emphasized that the draft OECD report represents a rapid assessment of 8 countries (Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Tajikistan, Turkmenistan, Uzbekistan) based on inputs from a survey in respective countries. She pointed out that the report consists of two main parts, with the 1st part focusing on the hotspot projects analysis and the 2nd part looking into long-term strategies and institutional settings. The first part aims to support improvement of infrastructure quality and international connectivity through an analysis of ongoing and planned projects in the region. It observes, for example, that the estimated investment gap to deliver quality infrastructure in line with SDGs in the region amounts to 6.8% of GDP until 2030 and that landlocked countries underperform in connectivity. It also looks into what role regional initiatives, such as CAREC and the Belt and Road Initiative (BRI) play and identifies Central Asia’s main opportunities (better integration in value chains, co-benefits of international investments, energy investment in innovation) and threats
(environmental externalities and absence of environmental criteria, risk of becoming transit corridors, fiscal burden, vulnerability to climate change and carbon lock-in).

10. Mr HORJ talked about the findings from 1st part of the report, which is mapping high-impact infrastructure projects in Central Asia and Caucasus. He informed that it tracks over 900 projects in 8 countries based on their environmental and connectivity impact, scale and status (ongoing or planned), out of which more than a half by value are energy-related. The main conclusions from the analysis, such as strong focus on roads, insufficient shift towards renewable energy investments, and poor access to relevant data, point to the fact that current projects in the pipeline could prevent us from delivering the objectives of the Paris Agreement.

11. Mr. NOVIKOV presented the insights of Zoï’s report “Greening the Belt and Road Projects in Central Asia”, which reflects on the Belt and Road Initiative’s (BRI) increasing impact on economy and infrastructure across Eurasian countries, as well as various BRI corridors with different actors and motives. Mr. NOVIKOV explained that the report aims to provide a wider (i.e. beyond project-level) picture, taking into account environmental trends and megatrends, by conducting environmental and geographical screening of selected BRI projects. He specified that the work includes in-country sectoral clustering of projects while checking them against the environmental regulations and practices in China and Central Asia, and pointed out that the information on the latter was often fragmented and challenging to gather. He concluded that the report provides support in the implementation of sustainable and energy efficient projects within the BRI and projections of the both ‘business as usual’ as well as ‘application of proposed solutions’ scenarios.

12. Mr. ADVADZE mentioned that Georgia is currently undergoing the general (post-Soviet) infrastructure reform, targeting primarily the water supply sector (around 220 projects with total amount of EUR 200 million over 2018-2019), road infrastructure (especially east-west and north-south express and arterial roads, in total amount of EUR 2.7 billion), municipal infrastructure (around 1200 projects in 2018 and 2019), education infrastructure (in total amount of EUR 65 million in 2019), tourism infrastructure (total amount of EUR 85 million over 2018-2019) and environmental sector. He specified that these projects also take into account SDGs, particularly SDG 6 and 7 in water supply engineering projects, SDGs 9 and 11 in water supply, road and municipal projects, SDG 4 in educational projects and SDG 12 in tourist sector, which is rapidly evolving. Last but not least, Mr ADVADZE pointed out two strategies related to sustainable infrastructure, namely the Mountain Development Strategy for 2019-2023 and spatial arrangement reform, which includes sustainable development plans for towns and regions, is crucial for increasing living conditions and foresees creation of new jobs.

13. Mr. SHUKUROV briefly introduced Tajikistan’s main commitments to green economy principles and the transition towards renewable energy. He reminded participants of the country’s hydro power potential, currently owning 60% of water resources in Central Asia, as well as its vulnerability to climate change. The UN-led water programme for sustainable development was highlighted as an example of good international cooperation. Mr. SHUKUROV expressed Tajikistan’s readiness to collaborate with international partners and make concrete actions to develop hydro/water power plants. Echoing Mr. NOVIKOV, he confirmed the country’s National Development Plan up to 2030, focused on greening of the whole economy and preserving environmental balance.

14. The session spurred a lively debate, with a number of countries and partner institutions sharing their feedback and experience. Ms. Martine ROHN confirmed Switzerland’s financial support for the Task Force’s work on sustainable infrastructure in
Central Asia and stressed the need to avoid stranded assets. Ms. Ulviyya VELIYeva talked about Azerbaijan’s recent national developments, especially the joint GCF and UNDP project on capacity building for climate change adaptation and mitigation programmes, launched in 2018; the national strategy for solid waste management for the period of 2018-2020; the action plan on reducing negative effects of plastic packaging; and EUWI+ project to provide safe drinking water.

15. Mr. Fulai SHENG (UNEP) suggested that the OECD should look beyond the water-energy-food nexus and more broadly throughout the SDGs, such as at the role of nature-based solution; and asked about Task Force’s engagement in BRI projects. Mr. Griffiths responded by stressing the OECD’s water-related work e.g. on capacity development and bridging the financing gap in achieving the SDGs. He confirmed the importance of exploring opportunities of nature-based solutions (such as costs reduction, increased sustainability etc.), while also building confidence in regulatory frameworks. Ms Kitamori informed about the OECD’s joint work programme with China, and emphasised that so far the collaboration under the Task Force is limited to the OECD and EECCA countries.

16. Ms. Gjorv asked whether the report references regulatory work in countries or the UNECE’s Environmental Performance Reviews. Ms. Marchal (OECD), explained that due to the project’s very initial phase, its insights are currently limited to what/how projects and strategic planning could be harmful to the environment, and much work remains to be done (e.g. on alignment of project pipelines with long-term goals, to reach out with government, local sectors etc.). To answer Mr. Nicholas Bonvoisin’s (UNECE) question on data gathering, Mr. Horj briefed about the coordination meeting with Zoï, the use of commercial databases of transnational companies and possible consideration of multi-purpose infrastructure in the next phase. Ms. Yvonne Lindenlaub stressed that Germany sees the report as a good starting point to go beyond general capacity building, taking into account different country environments.

17. Ms. Elisabete Quintas da Silva confirmed that the report might also be inspiring for Portugal’s efforts to align infrastructure with the SDGs, highlighted its added value in defining gaps, institutional setup, mapping of tools and procedures for planning and implementation phase. Ms. Rohn reminded that the topic equally featured at international fora such as OSCE and 4th UN Environment Assembly. In his concluding remarks, the Chair underlined that similar exercises would be useful for strengthening projects evaluation (either project-by-project or groups of projects), attracting sustainable finance and supporting good decision-making in respective countries.

Item 3. (continued)

Presentation by the OECD Secretariat:

- Mr. Douglas Herrick, Junior Policy Analyst, Environment Directorate, OECD

Open discussion with lead discussant

- Mr. Sohib Saifnazarov, Deputy Minister, Ministry of Economy and Industry of the Republic of Uzbekistan
- Ms. Aisulu Amanova, Head of the Strategic Planning Department, Ministry of Economy, Kyrgyz Republic
• Mr. Assylkhan AITZHANOV, Advisor to the CEO, Development Bank of Kazakhstan

18. The Chair announced the continuation of Item 3 and invited the OECD Secretariat to present respective part of the report. Mr. HERRICK introduced the 2nd part of the OECD report, which looks into long-term strategies, institutional setups, and better alignment of infrastructure decisions with long-term goals. He briefly went through the contents of the report, by highlighting its key findings arguing that, apart from a few examples, most countries in the region have yet to develop long-term (as well as low-carbon development) strategies/visions; most EECCA countries lack effective inter-ministerial coordination; and the investment in the region have continued to favour status quo rather that long-term goals. The examples of good practice, inside or outside Eurasia, were mentioned (such as UK’s Committee on Climate Change and Colombia’s system of inter-ministerial coordination and Uzbekistan’s coordinating commissions on particular strategy goals). Mr. HERRICK summarised key messages from the analysis, notably that current strategic documents and institutional setups do not fully support climate goals as well as other SDGs, the need to (i) develop long-term decarbonisation strategies using a whole-of-government approach and list of infrastructure projects aligned with long-term goals, as well as (ii) improve data availability and transparency of infrastructure planning.

19. The Chair invited the lead discussants to kick off the discussion. Mr. SAIFNAZAROV presented the Concept of the Strategy of Investment and Industrial Policy of the Republic of Uzbekistan. He stressed that the concept defines the main developments linked to infrastructure, urbanisation and heating network (to move towards closed production of district heating). The concept’s approach foresees geographical coverage of the regions, with each region treated separately. He also highlighted the housing policy up to 2030, which should ensure the coverage of additional residential area.

20. Ms. AMANOVA talked about recent developments in the Kyrgyz Republic. She stressed that in 2019 the government adopted the strategy up to 2040 (focused on sustainable development, agriculture, energy, ecosystems, mining industry) and the government programme for greening the economy, containing 118 action tasks and relevant benchmarks. Equally, she mentioned that the low-carbon development concept paper, prepared by several ministries, was put on hold until the ratification of the Paris Agreement, which is currently being reviewed by the Parliament. As for the in-country infrastructure development, Ms. AMANOVA highlighted improving access to drinking and irrigation water, and expanding trade cooperation through development of transport corridors, planning facilitation and evaluation mechanisms. There are several committees at the governmental level, such as the Steering Committee on Climate Change, the Steering Committee on Green Economy and the Steering Committee on SDGs, which interact with each other to ensure coordination.

21. Mr. AITZHANOV presented the Green Initiative of the Development Bank of Kazakhstan (DBK), which aims to promote sustainable development of national economy through investments into less resource-intensive sectors. He informed that DBK has a strong support from the government and quasi-sovereign status. He stressed the country’s target of 50% share of alternative and renewable energy of total electricity production by 2050, set by the state strategy for renewable energy, ensuring support for energy investors and generators. The examples of renewable energy projects financed by DBK, such as wind and solar power plants in Nur-Sultan and Kapshagay, were also mentioned.

22. In the open discussion, Mr. Fulai SHENG (UNEP) signalled that even in OECD countries, the sustainable infrastructure planning has its gaps and tend to focus mainly on
climate. Mr. Nicholas BONVOISIN (UNECE) pointed out the United Nations Special Programme for the Economies of Central Asia (SPECA) that attempts to coordinate energy-water-development using environmental data, and the UNECE’s Task Force on the water-food-energy-ecosystems nexus to promote coordination between sectors.

**Item 4. International standards and tools for aligning infrastructure investment to SDGs**

**Highlights**

- The Task Force highlighted OECD guidelines and tools available to guide governments towards effective planning and development of sustainable infrastructure.
- Infrastructure, as an essential component of achieving the SDGs, should be perceived more holistically and greater attention should be paid to the upstream, systems-level infrastructure planning, taking into account all project phases. Such an approach might result in optimisation of environmental, social and governance aspects, long-lasting operation, identification and mitigation of potential risks early in the planning process and eventually increased bankability of infrastructure projects.
- Similarly, the Strategic Environmental Assessment (SEA) should play a vital role, particularly in identifying linkages between strategic plans and projects to advance SDGs, multi-purpose functions and cost-effectiveness of infrastructure.
- Progress in certain countries (e.g. Azerbaijan, Kazakhstan, Mongolia) related to SEAs, EIA, the Paris Agreement and low-carbon development demonstrate the growing importance of the green transition on national policy agendas. However, action needs to be swifter and more robust, particularly by supporting innovative and inclusive solutions and building awareness among policy-makers, to allow for adoption of more integrated, flexible and coherent approaches in planning for infrastructure compatible with the changing environment.

Presentation by the OECD Secretariat:
- Mr. Masamichi KONO, Deputy Secretary-General, OECD

Presentation from partner organizations:
- Mr. Fulai SHENG, Head of the Research and Partnerships Unit, UNEP
- Mr. Nicholas BONVOISIN, Chief of Operational Activities and Review Section, Environmental Division, UNECE

23. Mr. KEINHORST, as the Chair, briefly introduced the topic and invited Mr. KONO to deliver his keynote address on the OECD’s work on sustainable infrastructure and contribution to the G20 and APEC processes. In his intervention, Mr. KONO highlighted the work under the OECD’s multi-disciplinary initiative on Strategic Policies for Sustainable Infrastructure, namely (1) the OECD Reference Note on Environmental and
Social Considerations in Quality Infrastructure (with inputs from World Bank), (2) the OECD/IMF Reference Note on the Governance of Quality Infrastructure Investment (developed together with the International Monetary Fund), (3) a Compendium of Good Practices on Quality Infrastructure Investment, (4) The OECD Framework for the Governance of Infrastructure, (5) The OECD Principles for Public Governance of Public-Private Partnerships.

24. Responding to the keynote speech, the Chair asked Mr. KONO about effective pricing and taxation of carbon, using the example of EU Emission-Trading Scheme (EU ETS). In his response, Mr. KONO highlighted OECD’s insights from effective carbon rates across countries and new tools on financing, especially blended finance. He equally encouraged delegates to provide their insights and comments, which will be crucial for forthcoming OECD work.

25. Mr. SHENG gave an overview of main UNEP’s activities related to sustainable infrastructure and sustainable public procurement (SPP). He underlined that infrastructure is essential to achieving SDGs. As most of the tools so far focus on project assessment level or at a later stage, he suggested to explore in greater detail the upstream, systems-level infrastructure planning, as well as countries’ capacity to implement them. As a way forward, he proposed the use of integrated approaches (composed of sectoral, spatial, institutional, sustainability, project phase analysis). He argued that such approaches could result in optimisation of environmental, social and economic challenges, long-lasting infrastructure, identification and mitigation of potential risks early in the planning process and eventually increased bankability of infrastructure projects. The examples of UNEP work on sustainable infrastructure include Sustainable Infrastructure Partnership (to raise awareness, develop streamlined normative and technical guidance and build capacities in developing countries), GEF-funded projects on sustainable infrastructure, UN resolution on sustainable infrastructure aimed to adopt globally applicable good practice guidelines, and the UNEP work under EaP GREEN on sustainable public procurement (SPP, in Belarus, Georgia, Kazakhstan, the Kyrgyz Republic, Ukraine) and its further tailoring to infrastructure.

26. Mr. BONVOISIN presented the UNECE legal instruments: the Aarhus Convention, the Espoo Convention and the application of Strategic Environmental Assessment (SEA). He highlighted UNECE work on procedure set by the Protocol on SEA, pilot SEAs and transboundary Environmental Impact Assessments (EIAs) in Armenia, Azerbaijan, Belarus-Ukraine, Georgia, Kazakhstan and Moldova. He briefly presented the main goals of each instrument and mentioned the involvement of IFIs (such as EIB, EBRD, the World Bank) in the implementation activities. To navigate policymakers through a multitude of tools available, notably the renewable energy policy “Hard TALK” was mentioned, aimed to support sustainable energy using a nexus approach. Mr. BONVOISIN emphasised the SEA process (in identifying linkages between strategic plans and projects to serve multiple purposes, advance many SDGs and be cost-effective), the need to move beyond the traditional mind-set of sectoral infrastructure planning (with EIA as mitigation element) towards a more integrated approach (echoing Mr. SHENG), and consideration of new criteria for prioritisation of investments and projects to serve multiple purposes.

27. The session was followed by a rich discussion, kicked-off by Ms. Oxana PALADICIUC (Moldova) by sharing recent national efforts to green the economy and SMEs, and stressed importance of SEA, which was useful in this respect. Ms. Leyla ALIYEVA (Azerbaijan) stated that Paris Agreement issues feature high on country government’s agenda and informed about preparation of the national documents such as
low-carbon development strategy, plan for the adaptation to the climate change for vulnerable sectors, 4th communication to the UNFCCC, strategy for the SDGs implementation, 1st and 2nd voluntary review of the SDGs implementation. She also underlined the adoption of EIA law and preparation of respective secondary legislation, and recent ratification of the 1st and 2nd amendment to the Espoo Convention.

28. Ms. Elisabete QUINTAS da SILVA reflected on the UNEP’s presentation by asking what would be an ideal combination of mentioned instruments. In his response, Mr. SHENG highlighted the need to tailor an ideal infrastructure to specific conditions (by looking at what is required, for who we are building for, what is missing, or needs to be improved), taking into account the whole process, all the way down to the demolition of the infrastructure. Ms. Virginie MARCHAL (OECD) stressed the need to build awareness also among policymakers so that they are aware of the wider consequences of their actions. Ms. ROHN suggested sustainable infrastructure to be shortlisted for the themes of the next Environment for Europe (EfE) ministerial meeting (autumn 2021) and reminded that infrastructure planning is not only political, but also investors’ decision.

29. The Chair stressed the importance of coherence between different long-term strategies, and was particularly interested in hearing the view of DBK with regard to Kazakhstan’s mentioned strategies (Kazakhstan 2050, green economy strategy up to 2030, low-carbon development strategy). Mr. AITZHANOV (DBK) answered that despite many coal-based power plants in the country, Kazakhstan has set an ambitious goal of 50% share of renewable energy by 2050, with which other strategic documents have to be aligned. The gradual raise of alternative energy share indicates the country is on track. At the same time, the government attracts green investment through feed-in tariffs, preferential rates, guarantees, etc.

**Item 5. Engagement of and collaboration with development finance institutions in the GREEN Action Task Force’s work**

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<th>Highlights</th>
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<tr>
<td>The Task Force took note of the presentations made by the representatives of the World Bank, European Investment Bank, European Bank for Reconstruction and Development, and Development Bank of Kazakhstan on the banks’ functioning and main activities. They feature ambitious climate targets, while a growing share of the banks’ portfolios is devoted to support energy efficiency and sustainability.</td>
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<td>Several Task Force members concurred that Development Finance Institutions (DFIs) should be invited to the Task Force Annual Meetings on a more regular basis, as appropriate.</td>
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<td>The future collaboration between DFIs and the Task Force might focus on (i) informing policy debates on necessary legal and regulatory reform that can stimulate demand for green finance and awareness raising about the benefits of green investment, (ii) capacity building in project preparation and working on the taxonomy of green investment, (iii) deeper involvement of economy and energy ministries, (iv) turning the strategies into investment plans and development of green project pipelines, (v) using DFIs funding to unlock own resources and setting up and tracking innovative green financial products, (vi) financing of SMEs.</td>
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The Task Force members asked the Secretariat to explore the scope of co-operation further and develop more specific suggestion for the Task Force consideration.

Presentation by the OECD Secretariat:
- Mr. Krzysztof MICHALAK, Programme Manager, Green Growth and Global Relations Division, Environment Directorate, OECD

Presentation of country experience
- Ms. Gayane MINASYAN, Lead Environmental Specialist, World Bank Group
- Ms. Adina RELICOVSCHI, Head of Environmental Policy Unit, Environment, Climate and Social Office, European Investment Bank
- Mr. Sabin STANESCU, Associate, Energy Efficiency and Climate Change, European Bank for Reconstruction and Development
- Mr. Assylkhan AITZHANOV, Advisor to the CEO, Development Bank of Kazakhstan

30. The Chair of the session, Mr. KEINHORST, informed that the session will follow-up on the discussion held at the last Annual Meeting and Bureau meeting and stressed the importance to indicate barriers and seize opportunities to mobilise green finance supporting sustainable investment in the region, in particular taking account of the important role of development finance institutions. He also introduced the meeting document “Discussion note on enhancing co-operation between the GREEN Action Task Force and development finance institutions” [ENV/EPOC/EAP(2019)2].

31. Mr. MICHALAK recalled the discussions from Bratislava, which highlighted the lack of good projects (instead of the lack of finance); and the need to strengthen cooperation between the Task Force and Development Finance Institutions (DFIs). The examples of such collaboration included, for example joint work with EBRD in Armenia, donor coordination in Kazakhstan, wider cooperation with DFIs through (i) OECD Development Assistance Committee, (ii) OECD Centre on Green Finance and Investment, (iii) Green Growth Knowledge Platform, and (iv) Research Collaborative on Tracking Private Climate Finance. He suggested discussion to be oriented towards identifying added-value of future cooperation; potential topics of common interest and practical outputs and outcomes; best mechanisms (and roles of partners) to enhance such cooperation, including DFIs’ engagement in Task Force Bureau and Annual meetings.

32. Ms. MINASYAN described how the World Bank (WB) pursues its activities in respective countries. The collaboration with a particular country is based on a “Country Partnership Framework”, usually for a period of 3-5 years, resulting from a systematic country diagnostic and mapping. WB provides concessional loans to eligible countries through IBRD, which defines conditions such as debt sustainability or single borrower exposure (a limit on how much the country can borrow from a single institution). There are different types of financing, such as (i) investment project financing, (ii) development policy financing (finance provided based on negotiation on what policies are going to be adopted by the government), (iii) programme for results – P4R, which is rapidly expanding (loans linked to results of the projects that government implements itself), (iv) trust funds and grants (relatively rare for Eurasia region, usually only for fragile countries) and (v)
private financing (direct project guarantees through e.g. MIGA, IFC). The WB services include technical assistance (OECD-similar work), business advice (especially via IFC), donor aid coordination, reimbursable advisory services (for countries “having graduated” from WB). Ms. MINASYAN sees the added-value of future cooperation between the WB and Task Force especially in informing policy debates and awareness raising; involvement of ministries of economy, environment and energy; and capacity building (for environmental safeguards to be part of development, implementation and monitoring of plans and projects).

33. Ms. RELICOVSCHI shared a brief overview of the European Investment Bank’s (EIB) mission and activities. She stressed that the EIB portfolio is well aligned with the EU policies and most of its products and practices harmonised with those of the WB. The future goal is to transform EIB into the EU’s climate bank, with the current target to achieve 35% climate-related and 55% sustainable investments as a share of total investments by 2025. She highlighted the two innovative elements of the EU Invest programme: (1) the taxonomy, aiming to define what does “climate” and “environment” means for loans and projects, and which could be used outside of EU as well, and (2) “sustainability proofed” investment that will be defined by a forthcoming guidance document on the climate, environmental and social proofing of projects (by the summer 2020). Various financial products are available under two investment windows: (i) infrastructure and investment window (to stimulate strategic investment in various sectors) and (ii) SME window to improve access to finance for SMEs and small and mid-cap companies. The main challenges observed in the Eurasia region include financing of SMEs mainly through financial intermediaries; setting up and tracking of green products; ESG compliance; planning, prioritisation and identification of project pipelines, particularly in environmental sector (there is more alignment e.g. in the transport sector). The current project in Kazakhstan focuses on SMEs moving beyond projects in the agribusiness sector.

34. Mr. STANESCU outlined the main portfolio and objectives of the European Bank for Reconstruction and Development (EBRD). He stated that EBRD is owned by countries (EU and non-EU) as well as the EIB. Its aim is to promote development and transition in the region of the EU, EECCA, North Africa and Turkey. The current target is to achieve 40% of business volumes in energy efficiency, renewable energy and climate resilience. The EBRD work is driven by the country diagnostics and other framing documents. EBRD, together with the ICLEI and the OECD, developed the methodology for the Green Cities Programme, which EBRD has used to prepare individual City Action Plans that would serve as tool for the city to identify major environment/pollution performance gaps and short-, medium- and long-term investments that governments need to make. The pilot studies have been prepared for cities of Yerevan and Tbilisi. Another joint project with OECD, related to Nationally Determined Contributions (NDCs), is currently focusing on modelling emissions scenarios and its translation into investment plans in respective sectors (upcoming support for Ukraine using a top-down approach). Mr. STANESCU pointed out that EBRD activities in the region of Central Asia are primarily linked to climate resilience, especially in irrigation, transport and agriculture sector; and that the support for SMEs is aimed at increasing resilience and energy efficiency. A future collaboration under the Task Force might target Paris Agreement implementation, given its current priority in the EBRD portfolio.

35. Mr. AITZHANOV elaborated on the Development Bank of Kazakhstan’s (DBK) operation and vision relating to financing green energy. The core DBK’s action towards sustainability include (i) approval of sustainable development policy (in May 2019), (ii) the “Development Index” introduction in crediting policy (in August 2019), evaluating
projects based on indicators such as impact on economy, productivity, export, private sector, industry, sustainable social development; and (iii) ongoing update of the DBK’s strategy for 2014-2023 (integration of ESG factors, green bonds). DBK is interested to explore ways of collaboration to increase financing for renewable energy projects, which currently represents 3% of DBK’s credit portfolio, and would welcome further methodological support in assessing environmental requirements and green projects risks, guidance on sustainable infrastructure, as well as good practice on green energy support.

36. The interventions were followed by an open discussion, with many participants expressing their views and national experience. Ms. LINDENLAUB (Germany), mentioned (i) the importance of coordination and prioritisation of the optimal engagement of stakeholders and resources in project development, and (ii) Eastern Europe Energy Efficiency and Environment Fund (E5F), which is currently active in Armenia, Belarus, Georgia, Moldova and Ukraine, as a good example. Ms. ROHN (Switzerland) noted that companies would need clear criteria to know what it means to be green (e.g. in mining sector) and, together with Mr. KURILLA (Slovakia), agreed on having DFIs at the table during Task Force’s Annual and Bureau meetings. In addition, Mr. KURILLA shared a few national examples related to cooperation with DFIs, particularly the Low-carbon Strategy, prepared together with the WB; the use of EBRD’s Green Economy Financing Facility (GEFF) in municipalities; and launching of green bonds to refinance structural loans of state-owned Water Construction Company. He was also interested to hear more about the upcoming climate transformation of EIB. Ms. VALIYEVA (Azerbaijan) highlighted the in-country developments, notably the ongoing collaboration under EU4Environment, recently started cooperation with the WB on solid waste management improvement, and planned joint work with EBRD under the Green Cities Programme.

37. Reflecting on the discussion, the Chair provided his concluding remarks underlining the need to find an optimal “clustering” of capacity building programmes between OECD, DFIs and countries; as well as to identify finance mobilisation that countries can/cannot do on their own. He also stressed importance of preparing bankable projects and projects evaluation strategies and appreciated a growing share of banks’ portfolios devoted to energy efficiency and climate agenda.
**Day 2: 1 October 2019**

*Item 6. Strategic planning for delivering water sector reform and SDGs*

**Highlights**

- Multi-level and cross-sectoral coordination and cooperation are instrumental to support the work of the European Union Water Initiative Plus for the Eastern Partnership (EUWI+).
- Examples from Belarus and Ukraine featured significant in-country commitment to improve strategic planning and river basin planning, carrying out SEAs on strategy documents, better use the SDGs accounting platform and develop capacity while aligning legislation with EU Directives.
- Generally, the session observed a great level of ownership of key activities under the GREEN Action Task Force and good progress achieved in planning strategically for delivering water sector reform. A number of interventions from the floor, including Azerbaijan, Georgia and Moldova expressed commitment to ongoing reforms including revision of water strategies in line with EU directives.

**Presentation of country experience**

- Mr. Dzmitry MATUSEVICH, Deputy Minister, Ministry of Economy, Belarus
- Ms. Sniazhana DUBIANOK, Deputy Director for Research, Central Research Institute for the Integrated Use of Water Resources, Ministry of Natural Resources and Environmental Protection, Belarus
- Mr. Vladyslav MARUSHEVSKYI, Deputy Director of Strategy and European Integration, Ministry of Ecology and Natural Resources, Ukraine
- Mr. Oleksandr BON, Head of Water Department, Ministry of Ecology and Natural Resources, Ukraine

**Open discussion with lead discussant**

- Mr. Alisher MAMADZHANOV, Environmental Affairs Officer, UNECE

38. The newly appointed co-chair, Mr. Dzmitry MATUSEVICH (Belarus) opened the session by stating the strategic importance of revising national strategies and plans for water management in response to emerging domestic priorities and international commitments, such as the Sustainable Development Goals (SDGs), the Paris Agreement or Association Agreement with the EU. Expectedly, the countries of the region are at a different starting point, as some countries have set and quantified ambitious goals, and others are in the midst of implementing or updating their initial strategies. Mr. MATUSEVICH underscored the importance of multi-level and cross-sectoral coordination and cooperation to support the work of the EU Water European Union Water Initiative Plus for the Eastern Partnership (EUWI+).

39. Mr. MATUSEVICH then presented in more detail the experience of Belarus on Strategic Planning for Water Security and Water-related SDGs to update the 2030 Water
Strategy until 2035. He started with the hierarchy of key national strategic documents defining the environmental and water policies in the country, shared the mechanisms and tools for implementing and funding programs (including using IFI resources), and emphasised the features of the 2009-19 World Bank-funded project for the development of water supply and sanitation systems, which involves 74 facilities in 6 regions/oblasts. Mr. MATUSEVICH highlighted how the Ministry of Economy is being instrumental in coordinating all the government bodies in the field of water use and protection.

40. Ms. DUBIANOK (Belarus) shared some of the innovative approaches developed by the Central Research Institute for the Integrated Use of Water Resources. The institute is coordinating the activities of Ministry of Natural Resources and Environmental Protection, in particular through the administration of the accounting platform on SDG, the preparation of a report on Strategic Environmental Assessment (SEA) of water strategies and pilot-testing actions aimed at implementing the Water Strategy until 2030 at the local level (OECD-led activities in the Kopyl district/rayon of Minsk region/oblast):

41. Mr. MARUSHEVSKYI kicked off the country presentation for Ukraine by conveying a few words from Mr. Mykola KUZIO, who completed his mandate as one of the Task Force Co-chairs, underlying his gratefulness and the undeterred commitment of the newly established Ministry of Energy and Environmental Protection to continue to promote the sustainable use of natural resources and energy.

42. Accordingly, Mr. BON (Ukraine) outlined that main directions, objectives and activities remain unchanged, in particular the commitments and obligations under the Associated Agreement with the EU. Ukraine is aligning its “water” legislation to six EU Directives in the areas of the water framework directive, marine strategy, nitrates directive, drinking water directive, urban wastewater treatment directive, and flood directive. As the changes in the primary legislations are nearly completed, Mr. BON set forth how European and international partners are playing a catalytic role for their implementation with SEA, water-basin approach, convergence towards EU norms of the monitoring system, cross-sectoral synergies, and alignment of results in line with SDG, among others.

43. Building on the remarks of Mr. BONVOISIN (UNECE) from the day before, Mr. MAMADZHANOV presented the benefits of using SEA in the water sector in particular in transboundary co-operation - as approximately 60% of the world's fresh water supply is located in 276 transboundary rivers with 40% of the world's population. The presentation provided examples of the use for the water strategy in Belarus and for the river basin management plan for the Alazani-Iori basin in Georgia.

44. Discussions demonstrated a great level of ownership of key activities under the GREEN Action Task Force, including the use of SEA, development of river basin planning and capacity development activities. Ms. Marianne GJORV (Norway), whose country has been funding country-specific work for many years in the region - including the planned water policy outlooks for selected countries, commented on Norway’s more recent focus on water management and biodiversity preservation to further adaptation and resilience to climate change. To conclude this session, the co-chair, Mr KEINHORST (Germany), underlined the good progress achieved in planning strategically for delivering water sector reform, noting that 10 years ago, countries were not making specific connection with SEA and international commitments such as the SDGs.
Item 7. Role of national environmental funds in promoting green investments

Highlights

- The existing environmental funds can be categorised into two main types: (1) Traditional environmental funds (e.g. Azerbaijan, Kyrgyz Republic, Moldova, Uzbekistan), some of which have been fully consolidated into the state budget (e.g. Belarus, Kazakhstan, Turkmenistan, Ukraine) and (2) Specialised clean energy funds, which have emerged more recently (e.g. Armenia, 2005; Georgia, 2010; Ukraine, 2018). The latter type tends to be better focused, better capitalised and use more sophisticated financial instruments tailored to the needs of the market.

- Two emerging examples of good practice are Armenia’s Renewable Resources and Energy Efficiency Fund and Ukraine’s Energy Efficiency Fund which demonstrate ambition to mobilise finance for projects supporting efficient and green energy in the region.

- Revolving funds are an emerging instrument in the region to finance green projects.

- To ensure added-value of the environmental funds, countries might consider streamlining/improving Funds’ spending strategies, diversifying revenue sources, and better leveraging private and international finance.

- Equally important to generating sufficient revenues to support environmental investments, the funds also need to ensure transparent reporting on spending and actual performance.

- Task Force members agreed that further work is needed to review rates of environmental charges and fees that generate revenue for the funds to better incentivise companies (and citizens) to act responsibly.

- The Task Force members welcomed the discussion and asked the Secretariat to undertake further work on expanding the typology of domestic financial institutions in the region, ensuring more effective and efficient operations of the funds according to good practices for public environmental expenditure management and work with countries to assess the operations of existing funds as well as provide advice on how best to set up new funds when their existence is warranted.

Presentation by the OECD Secretariat:

- Ms. Nelly PETKOVA, Project Manager, Environment Directorate, OECD

45. Mr. KEINHORST introduced the session by informing that countries in the region have experimented with establishment and operation of various environmental funds, having earmarked public revenue sources, including environmental charges and fines. Recalling of the diversity in institutional setup, financing and role of these institutions, he stressed that the session will aim to share observations on the state of play, experience with the operation, as well as lessons learnt and recommendations on the design of institutional and operational measures of the funds inside and outside of the Eurasia’s region.

46. To set the scene, Ms PETKOVA provided an overview related to the evolution and typology of the national environmental funds in the Eurasia region. She informed that the currently operating funds are either traditional environmental funds (in Azerbaijan, Kyrgyz
Republic, Moldova, Uzbekistan) or specialised clean energy funds (in Armenia, Georgia, Ukraine). As opposed to the former, the latter are independent legal entities, self-sustainable and innovative; have own professional staff, balance sheet, various revenue sources (budget allocations, grants, donors, project fees) and targeted spending programme. They therefore support bigger and focused investments, use more sophisticated financial instruments tailored to the needs of the market, have strong accountability and transparency and better leverage private and international finance. Some of the past OECD work on public environmental expenditure management and environmental funds were mentioned to further guide countries’ efforts. These include e.g. Recommendations of OECD Council on Good Practice of Public Environmental Expenditure Management; and Handbook for Appraisal of Environmental Projects Financed from Public Sources.

47. The follow-up discussion has showed great level of interest among countries and partners, particularly in how to ensure the added-value and effective operation of such funds, and featured some good examples. Mr. MICHALAK (OECD) mentioned the option of effective “recycling” of the funds’ revenues, which primarily target environmental improvements, and shared the example of the Nature Development Fund that is being set up by the government of Kyrgyzstan is with contributions from the Kumtor gold mine. Mr. BONVOISIN (UNECE) highlighted environmental compensatory programmes of major development projects, environmental expenditure indicator (as one of the most challenging to collect), and shared example of Mongolia’s fund with contributions from the mining companies for site rehabilitation.

48. Mr. Kakhaber KUCHAVA (Georgia) raised a point on how such funds could contribute to make people and companies more environmentally responsible, on top of only covering costs of initiatives. Germany (Mr. KEINHORST) added that the decision on set-up and structure of the fund should more broadly explore whether it fits into the general financing system and environmental policies of the state. He also highlighted Germany’s recent adoption of carbon tax, targeting mainly sectors outside EU ETS, which should generate EUR 90 million over the first few years. Ms. GJORV mentioned Norway’s Government Pension Fund, supporting long-term investments in more than 17 countries, as a potentially good example. Switzerland (Ms. ROHN) was interested in international guidelines for the national fund to promote sustainable infrastructure.

49. In light of the discussed, Ms. PETKOVA stressed that the presented list of funds is not exhaustive and expressed the Secretariat readiness to complete the picture according to the mentioned examples. She equally highlighted the need to estimate credible and adequate level of the pollution charge rate to not only generate sufficient revenues, but also encourage companies (and citizens) to act responsibly and invest into new low-carbon technologies. On the issue of carbon pricing, the examples from Kazakhstan (emission trading scheme) and Armenia (NDC’s reference to consider introducing a carbon tax) were pointed out. The past OECD work on environmental funds was referenced in response to the question from Switzerland. Last but not least, Ms. PETKOVA underlined the importance of transparent reporting on spending as well as performance of the fund (e.g. how it supports the achievement of national goals) that could in turn also positively impact the behaviour of companies and society at large.

Item 7 (continued)

Presentation of country experience:

• Mr. Karen ASATRYAN, Director, Renewable Resources and Energy Efficiency Fund, Armenia
Ms. Yuliia HOLOVATIUK-UNGUREANU, Director, Energy Efficiency Fund, Ukraine

50. The second part of the session was chaired by Mr. MATUSEVICH who invited lead discussants to share their experience. Mr. ASATRYAN presented the structure and main activities of the Armenia’s Renewable Resources and Energy Efficiency Fund (R2E2), together with an overview of the country’s economy and energy system. Established by the government in 2006, the R2E2 promotes financing and market development of the renewable energy and energy efficiency projects. The fund’s core activities include feasibility studies, energy and investment grade audits, projects financing (via banks or directly), assistance with elaboration of regulations and strategies (e.g. NEEAP), energy saving measures in public facilities, and various workshops and information campaigns. R2E2 has multiple beneficiaries (such as ministries, public and municipal organisations, business entities, households), and partners (public bodies, local banks and credit institutions, international organizations, NGOs). As a self-sufficient organisation, R2E2 is being financed by multiple sources (governmental loans, donors, services, banks, public). Mr. ASATRYAN shared information on some of the key R2E2 projects (energy savings in social and public facilities, energy efficiency in non-gasified communities, solar and photovoltaic power plants, and geothermal exploration) as well as identified some of the benefits of having such a fund (works independently from the government and political interference, better cooperates with international financial institutions, generates its own income, has a revolving window to generate revenue from the money once already invested).

51. Ms. HOLOVATIUK-UNGUREANU talked about the Energy Efficiency Fund (EEF), which is a tool for large-scale energy modernisation of residential sector in Ukraine. The overall aim of the fund is to increase energy efficiency and reduce CO₂ emissions and direct beneficiaries are homeowner associations (HOA). Following the adoption of secondary legislation, EEF has become operational in 2019. It is financed via state budget (EUR 1.5 billion) and contributions from Germany (EUR 20 million) and the EU (EUR 80 million), which are managed by the IFC (trust fund). There will be two types of grants for HOA offering either 40% coverage of project costs and 20% reduction of heating and hot water bills or reductions of 50% and 60%, respectively, for the 2nd type. Each project will undergo an energy audit before its verification and grant disbursement. The ultimate strategic goal of the EEF is to achieve an average energy savings of 20%, improved living conditions and savings on utilities by 2025.

52. Shared examples from Armenia and Ukraine has encouraged a number of participants to share their views and feedback. Ms. HARUTYUNYAN stated that the system of environmental fees in Armenia allows for implementation of projects supporting energy efficiency, green spaces restoration and environmental education, and is currently under review based on OECD database on environmental fees. She also stressed country’s cooperation with OECD on green finance mobilisation and under EU4Environment initiative focused on environmental insurance system and approximation of legislation to the EU law. Mr. SEKOYAN (UNDP) shared the organisation’s main activities in Armenia such as implementation of its national climate change mitigation and adaptation agenda and the Paris Agreement, and two ongoing projects on (i) scaling up investment in energy efficiency of buildings and (ii) green urban lighting programme, both using revolving funds.

53. Responding to Mr. ASATRYAN’s question on prioritisation of profitable or sustainable projects, Mr. AITZHANOV explained that the fund try to balance these two
elements, as the project might be unprofitable in the beginning and the finance can only be invested into profitable areas once it returns to revolving fund. Ms. Anna GOLUBOVSKA-ONISMOVA (UN NGO MAMA-86) was interested in potentially using experience from Ukraine’s EEF to improve the environmental fund, having also in mind a recent merge of the Ukrainian Ecology and Energy Ministry. In her response, Ms. HOLOVATIUK-UNGUREANU confirmed that they are ready to provide expertise from the establishment and operation of EEF that might be useful for setting up another environmental fund in Ukraine. Ms. PETKOVA briefly pointed out that such discussion catalyse efforts to identify optimal use of financial support from government and other sources to promote green investments.

**Item 8. Bureau election and other business**

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<td>The Task Force recognised the vacancies in the Bureau and adopted nomination of Mr. MATUSEVICH to serve as Bureau member for the period 2019-2020 and the Co-Chair of the 2019 Annual Meeting, as well as nomination of Ms. MIKABADZE to serve as Co-Chair of the 2020 Annual Meeting.</td>
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54. The Chair reminded participants of two vacant seats in the Bureau of the Task Force as Mr. KUZIO of Ukraine (who served as Co-Chair) and Mr. NURLYBAI of Kazakhstan have recently stepped down; and that Mr. Dzmitry MATUSEVICH (Deputy Minister of Economy of Belarus) expressed interest to serve as the Vice-Chair, as well as the Co-Chair of this [2019] Annual Meeting. Since no objections were raised, the Chair announced Mr. Matushevich as Bureau member and the Co-Chair of this meeting, and informed that Ms. Ekaterine MIKABADZE (Vice Minister of Economy and Sustainable Development of Georgia), has expressed her interest to formally serve as Co-Chair of the 2020 Annual Meeting. These nominations were adopted by the Task Force.

**Item 9: Closing remarks and next steps**

55. Ms. KITAMORI expressed her appreciation for the discussions and her hope that it will be followed by the real impact and implementation on the ground. She equally mentioned that due to the limited time, each Annual Meeting cannot cover all areas of work of the GREEN Action Task Force, but reassured participants that the next one will try to follow-up on the topics discussed today, as well as other areas of interest and priority to the Task Force members. Mr. MATUSEVICH provided his closing remarks and thanked the interpreters and OECD Secretariat for facilitating the meeting.