

**ENVIRONMENT DIRECTORATE  
ENVIRONMENT POLICY COMMITTEE**

**GREEN Action Task Force**

**Mid-term progress report on GREEN Action Task Force to the Committee on  
Environmental Policy of UNECE**

**The Third Annual Meeting of the GREEN Action Task Force**

**22-23 October, 2018, Bratislava, the Slovak Republic**

Item 9.

Action required: For discussion. Delegates are invited to send written comments on this draft report by 15 November 2018 to Takayoshi Kato (OECD): [Takayoshi.Kato@oecd.org](mailto:Takayoshi.Kato@oecd.org).

The GREEN Action Task Force, launched at the 8th Environment for Europe Ministerial Meeting in Batumi (8-10 June 2016), has been invited to contribute a progress report to the Committee on Environment Policy of the UNECE. This draft report consists of the following as per the guidelines provided by the UNECE Committee on Environmental Policy:

- Overview of main achievements
- Lessons learned and challenges
- Further steps
- Examples of key findings and messages

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1. One of the outcomes of the Eighth Environment for Europe (EfE) Ministerial Conference in Batumi, Georgia (8–10 June 2016) was the Ministerial Declaration, which stated: “We welcome the work of the Environmental Action Programme Task Force, and we invite the Organization for Economic Cooperation and Development to continue its activities under its new name, the Green Economy and Environment (GREEN) Action Programme Task Force, in cooperation with relevant partners” (paragraph 12).

2. In this context, the GREEN Action Task Force will be part of the “mid-term review” of the implementation of the Batumi outcomes to be discussed by the Committee on Environment Policy (CEP) of the UNECE. The present document is a draft of the mid-term review report of the GREEN Action Task Force. Following approval by the Task Force, this mid-term review report will be submitted to the CEP for its meeting in January 2019.

## Overview of main achievements

### *National green economy dialogues and strategies*

3. At the regional level, the OECD has organised three Annual Meetings of GREEN Action Task Force (November 2016 in Paris, October 2017 in Almaty, and October 2018 in Bratislava). The meetings gathered from 60-90 people each time. It facilitated the exchange of experiences in various aspects of greening the economy, review of progress made in greening the economies of the region of Eastern Europe, the Caucasus and Central Asia (EECCA); discussion on how remaining challenges can be addressed; assessment of results from implementing work of the Task Force.

4. The OECD has organised several Green Action Policy Dialogues at the national level with some of the EECCA countries since 2016. These Policy Dialogues aimed to support high-level cross-ministerial policy discussion on priority issues and political action identified by various initiatives on green growth. Examples include the following.

- Three Policy Dialogues were held in Kazakhstan (October 2016, and July and October 2017). These Policy Dialogues discussed several priority issues for Kazakh policy makers who worked on the country’s transition towards a green economy. Focus of the Policy Dialogues included a possible review of the implementation of the 2013 Green Economy Concept of Kazakhstan and its revisions in light of new challenges faced by the country, development and use of green growth indicators to measure the progress, analytical work on the revision of environmental pollution charges and tracking green finance in the country.
- Two Policy Dialogues on green finance mobilisation were held in Georgia (June 2017 and March 2018). The Dialogues discussed action needed to scale up finance for implementation of the country’s climate targets and review sources of capital and financial instruments that are currently and potentially available for this purpose.
- One Policy Dialogue was held in Kyrgyzstan on its draft Sustainable Finance Roadmap (June 2018). The participants discussed a draft Sustainable Finance Roadmap, shared information on current and planned activities related to sustainable finance, domestic and international institutions, enhanced communication and co-ordination among different ministries and governmental agencies to embed sustainable finance agenda in broader policy frameworks.

### *Environmental, economic and sectoral policies for green growth*

5. The OECD provided some EECCA countries, such as Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Moldova and Ukraine, with support for improving the analytical basis for a set of adapted green growth indicators. For the Eastern Partnership Countries, the activities were implemented under the EU-funded EaP GREEN Project. The OECD conducted and published a

regional-level analysis “*Measuring the Green Transformation of the Economy: A Guide for EU Eastern Partnership Countries*” in 2016. The OECD also conducted country-level analysis on Armenia, Azerbaijan, Kyrgyzstan and Moldova.

6. The OECD also implemented activities to help EECCA countries reform environmental policies especially for greening business practices of small and medium sized entities (SMEs), some of which were in the context of the EaP GREEN project. Such work included regional-level studies such as “Toolkit for Greening SMEs in the EaP region” and those at a national level (e.g. on Armenia, Georgia, Moldova and Ukraine). The focus of the projects included:

- completion of two pilot projects in Ukraine and Georgia to identify the main opportunities for, and obstacles to, the deployment of climate-friendly, energy- and resource-efficient technologies and business practices
- organisation of a regional conference on greening SMEs (March 2016, Moldova) that discussed the role of the regulatory framework to green the enterprise sector, lessons learned from the two pilot projects.

### ***Green investment and finance***

7. The OECD has implemented various projects that aimed to mobilise, redirect and/or access further green finance from various sources: private, public, international, national. As outputs of the projects, the OECD has conducted a range of projects and published associated analytical reports:

- Report on energy subsidies in the Eastern Europe and Caucasus countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine) (2018)
- Report on energy affordability and environmental impacts of reforming major energy subsidy schemes in Moldova (2018)
- Financing Resource Efficient and Cleaner Production by SMEs in the Eastern Europe and Caucasus countries (2018)
- Report on mobilising finance for climate action in Georgia (2018)
- Analysis of the state of, and support to, low-carbon mobility in Kazakhstan (2017)
- Report on climate-related development finance for EECCA countries (2016)
- Report on environmental lending in the Eastern Europe and Caucasus countries (2016)

8. The OECD organised, among others, an international conference “[Unlocking Private Finance for Energy Efficiency and Greener, Low-Carbon Growth in the Eastern Partnership and Central Asia Countries](#)” in June, 2017 in Brussels, supported by the EaP GREEN project and the International Climate Initiative (IKI). The conference brought together over 100 participants, and identified key challenges and ways forward to better align financial mechanisms with policy reforms to scale up green investments in support of energy efficient and low-carbon growth, and creation of new business opportunities and green jobs in the EECCA region.

### ***Strengthening water management***

9. The OECD has implemented various projects to strengthen water management in the EECCA region. Our work in Central Asia has focused the broad theme of “the economics of water security” while our work in the Eastern Partnership countries has been under the European Union Water Initiative Plus project (EUWI+).

10. Work in this area has consisted of supporting National Policy Dialogues (NPDs) on water, implemented in close cooperation with UNECE and combines robust analytical work, reference to international good practices, and facilitation of the multi-stakeholder NPD process. Publications have included:

- Reforming Sanitation in Armenia - Towards a National Strategy

- Improving Domestic Financial Support Mechanisms in Moldova's Water and Sanitation Sector
- Water Policy Reforms in Eastern Europe, the Caucasus and Central Asia – Achievements of the European Union Water Initiative, 2006-16
- Improving Economic Instruments for Water Resources Management in the Republic of Buryatia (Lake Baikal Basin)
- Cooperative water management in the Kura River basin
- Reforming Economic Instruments for Water Management in EECCA countries
- Reforming Economic Instruments for Water Resources Management in Kyrgyzstan
- Sustainable Business Models for Water Supply and Sanitation in Small Towns and Rural Settlements in Kazakhstan
- Multi-Purpose Water Infrastructure Policy Perspectives - Recommendations to Maximise Economic Benefits
- Strengthening Shardara Multi-Purpose Water Infrastructure in Kazakhstan
- Facilitating the Reform of Economic Instruments for Water Management in Georgia

### Lessons learned and challenges

#### *Challenges to and lessons from activities conducted under the Task Force*

11. Despite progress in establishing the institutional basis for integrating economic and environmental objectives, the projects implemented between 2016 and 2018 have encountered several challenges with regard to the strategies, policies and their implementation. Such challenges and lessons learned include:

- lack of overarching and targeted policies fostering the green economy transition, with clear goals and targets,
- overall political and economic instability which causes frequent changes in priorities thus creating problems of continuity and delays in implementation,
- limited awareness of the benefits of greening economic development and costs of inaction,
- gaps and contradictions in the legislative frameworks, challenging law enforcement and limited use of compliance promotion measures,
- distortions from environmentally harmful subsidies for water and energy, combined with the policy framework that is not yet supportive for green investments,
- lack of best practices and references to green technologies applicable in national conditions,
- underdeveloped institutional and human capacities at all administrative levels and sectors as well as insufficient co-ordination with other ministries (e.g. finance ministries) to implement green economy initiatives.

12. OECD projects on green finance have also often encountered common challenges to scaling up green investment across the EECCA region, and gained some lessons. These issues and lessons include the need to better co-ordinate various sources of finance, and to diversify financial instruments and tools. Awareness and capacity enhancement is also among the highest priorities, highlighting the importance of investing in people (both those within financial institutions and their clients). Stakeholders the OECD have worked with often underlined the vital role of domestic capital (public and private) and the need to reduce the perceived risks associated with green projects, and capital and transaction costs for such projects.

***Possible challenges the organisation of future Policy Dialogues may face***

13. Co-operation with the countries that have co-organised the Policy Dialogues has been constructive and efficient. Future expansion of the scope of countries, ensuring participation by high-level officials and implementing actions identified during Policy Dialogues may face some challenges, including the following:

- An unstable political situation leading sometimes to periods when decisions by the EECCA governments are made with substantial delays or to the revision/cancelling of previously concluded agreements;
- Ongoing administrative reforms and structural difficulties leading to a frequently changing institutional configuration within the government and high staff turnover;
- Lack of own resources within some of the EECCA governments, exacerbated by the current global economic downturn.

**Further steps**

14. The GREEN Task Force members met on the 22<sup>nd</sup> and 23<sup>rd</sup> of October and endorsed its Programme of Work and Budget for 2019 and 2020 (PWB 2019-2020). The PWB 2019-2020 addresses the following four mutually supportive themes. Further details are available in an OECD document [ENV/EPOC/EAP(2018)1/REV] <sup>1</sup>

15. **Activities under Programme Area 1** will support the on-going national-level policy dialogues in Georgia and Kazakhstan and the launching of dialogues in other countries upon request. It is proposed that the annual meetings of the Task Force are also included under this Programme Area since they provide an important mechanism for the annual review of progress, the exchange of country experiences in regional policy dialogue, and building consensus on future priorities. Emphasis will also be placed on strengthening administrative capacity for environmental management and cross-ministerial coordination for green growth.

16. **Activities under Programme Area 2** will build on work carried out in 2017-18 and will focus on supporting the development of domestic public expenditure programmes and financial instruments, subsidy reform, mobilising private sector finance and a better use of international finance. The new project on sustainable infrastructure investment in Central Asia and the Caucasus (2019-2023) is also being prepared.

17. **Activities under Programme Areas 3** will continue to have an emphasis on developing “smarter” environmental regulations, developing policy instruments to address challenges of air pollution (from large enterprises, including SOEs and SMEs), greening the extractive industries, support to strengthening environmental compliance assurance and environmental liability. The work will continue to support the development of green growth measurement.

18. **Activities under Programme Area 4** will include those carried out under the European Union Water Initiative project (EUWI+) for the six EaP countries which was launched in 2016 and will continue to 2020. The OECD will also implement capacity development activities on developing national water strategies and water-related SDGs. It will also consider long-term water security issues through delivery of water outlooks that will look at the challenges the Eastern Partnership region is expected to face in the future, the potential policy responses and opportunities for economic growth. The proposed outlook will consider water demands and stresses and identify risks and challenges concerning future water security. In particular, it will review the role of water in energy production in the region and how the reform of water allocation rules and economic

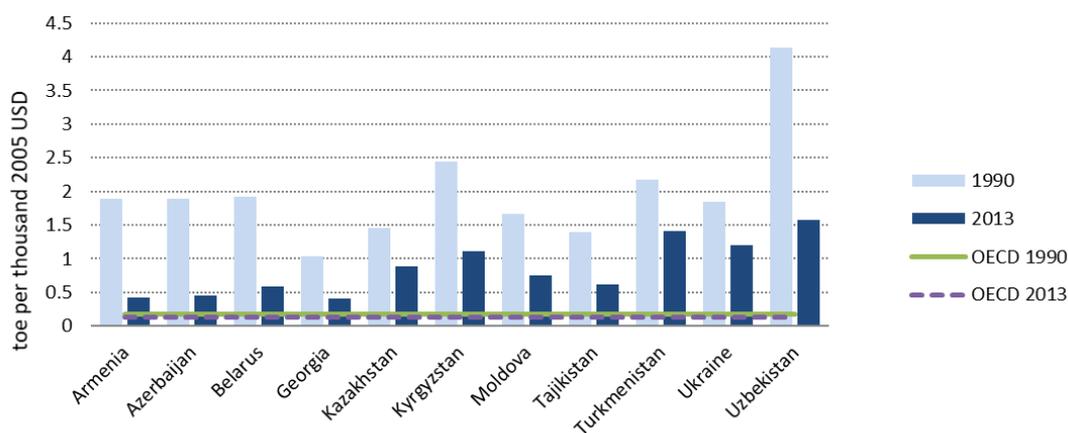
<sup>1</sup> See <https://oe.cd/2nq>

instruments can influence the impacts on water quantity and quality and therefore water, food and energy security.

### Examples of key findings and messages from recent studies

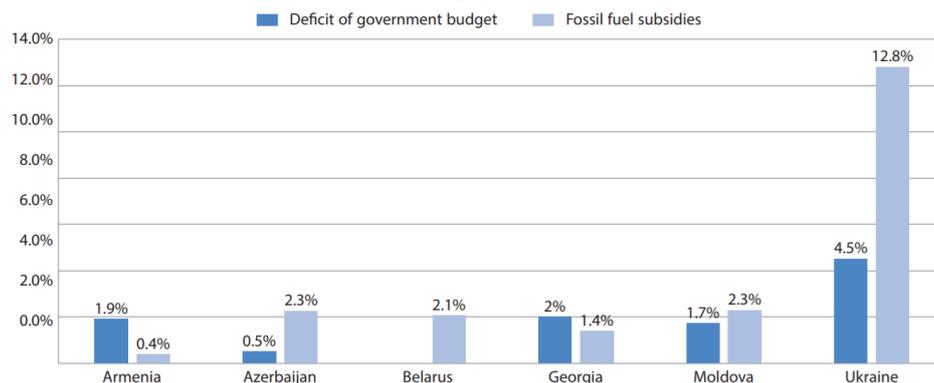
19. Energy intensity of 11 EECCA countries, for instance, declined by about 60% on average from 1990 to 2016. Despite these efforts and progress, there is still much to be done in EECCA. The energy intensity I just mentioned is still 4.5 times higher than the OECD average (Figure 1)

**Figure 1. Energy intensity in EECCA countries (1990-2013) (Total primary energy supply / GDP)**



20. Energy subsidies undermine the transition for a low-carbon economy in many ways, An OECD study quantifies government deficits and fossil-fuel subsidies as percentage of GDP in 2014 in six Eastern Europe and the Caucasus countries (Figure 2).

**Figure 2. General government deficit and quantified fossil-fuel subsidies as % of GDP in 2014**



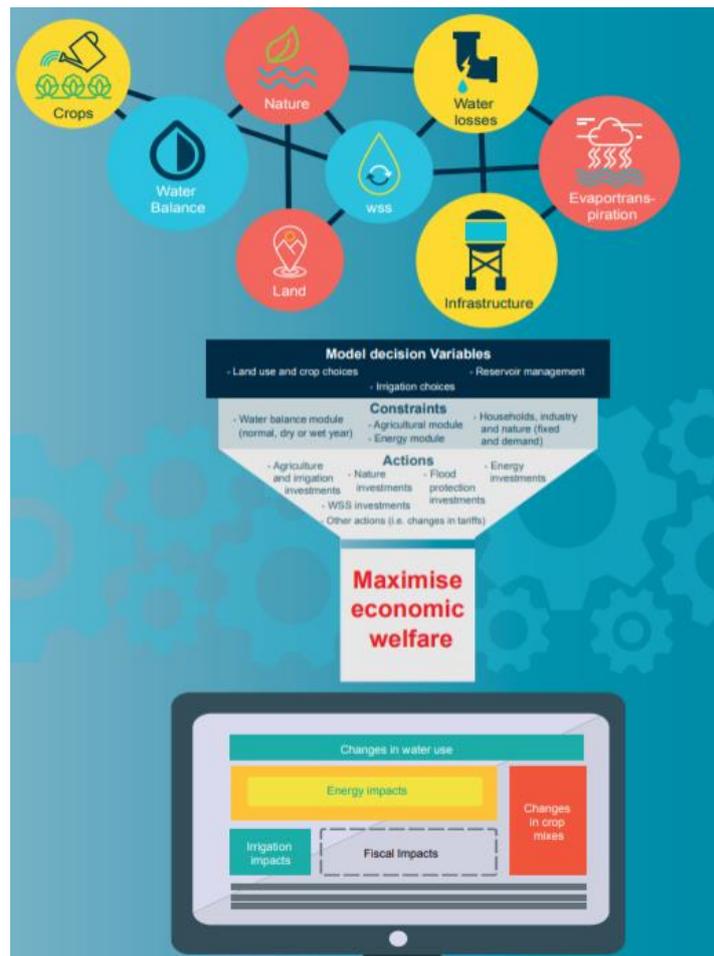
*Note:* In 2015, Ukraine's fossil fuel subsidy reforms, declining GDP and the currency devaluation led to halve the size of fossil fuel subsidies from 2014 (in USD).

*Source:* OECD (2018a), Inventory of Energy Subsidies in the EU's Eastern Partnership Countries, Green Finance and Investment, OECD Publishing, Paris, <https://doi.org/10.1787/9789264284319-en>

21. Energy transition for a low carbon economy in some of EECCA countries needs to consider the water-energy-food nexus that presents the need for greater resource co-

ordination, management, and policy alignment across sectors with various implications for inclusive socio-economic development and water and energy security. For instance, hydropower electricity generation through multi-purpose water infrastructure (MPWI) may generate both positive and negative externalities. Given the wide range of potential actions and scenarios to be considered, the OECD developed, through a case study on Kazakhstan, the “WHAT-IF” computer model in order to facilitate policy dialogue aimed at prioritising investments and governance actions. (Figure 3)

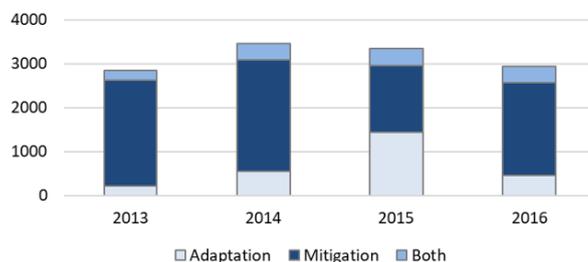
**Figure Error! No text of specified style in document.. A hydro-economic decision support tool for Multi –Purpose Water Infrastructure**



Source: OECD (2017), Multi-Purpose Water Infrastructure – Recommendations to maximise economic benefits, OECD Publishing, Paris, English: <https://oe.cd/2lo>

22. International development finance has been, and is likely to remain, one of the most important financial sources for green growth in the region (Figure 4). Yet, private finance needs to be scaled up, as international and domestic public finance alone will not be enough to meet the climate change and green growth goals in EECCA countries.

**Figure 4. Climate-related development finance committed to EECCA countries (USD million -2016 price)**



*Note:* Definition of climate-related development finance and scope of the database, please see: <http://www.oecd.org/dac/environment-development/Annex%2018.%20Rio%20markers.pdf>.

*Source:* Updated on OECD (2016), Financing Climate Action in Eastern Europe, the Caucasus and Central Asia, <https://doi.org/10.1787/9789264266339-en>