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ENVIRONMENT DIRECTORATE
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GREEN Action Task Force

GREEN Action Task Force Programme of Work for the Period 2021-2022

1. This document outlines areas of work of the GREEN Action Task Force for the period 2021-2022. It was endorsed by the GREEN Action Task Force during the 2020 Annual Meeting (13 October 2020, virtual).

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GREEN Action Task Force Programme of Work for the Period 2021-2022

Introduction

1. This document outlines elements of the GREEN Action Task Force's Programme of Work for 2021-2022. It builds on the implementation of the PWB for the period 2019-2020 and discussions at the 2019 and 2020 meetings of the Task Force's Bureau (18 April 2019 in Paris and 2 April 2020, virtual), the 2019 Annual Meeting of the GREEN Action Task Force (Paris, 30 September – 1 October 2019) as well as the Meeting of the OECD Environment Policy Committee (Paris, 25-27 September 2019). It was endorsed by the GREEN Action Task Force during the 2020 Annual Meeting (13 October 2020, virtual).
2. This document presents activities that will be implemented in 2021-22 as a continuation of projects for which funding (including multi-year grants) has been received, approved or negotiated in 2019-20. It also presents new activities that could be implemented if additional funding is secured and assuming that the GREEN Action Task Force's mandate will be extended at the next Environment for Europe (EfE) Ministerial Conference (Nicosia, Cyprus, 3-5 October 2022).
3. The present document presents the activities that would be implemented by the OECD only, recognising that much of the OECD work is, and is expected to be, part of joint projects with other international organisations.

Background

4. Since 2016, the GREEN Action Task Force has been a unique platform for interested OECD and Eurasian countries and international organisations to promote green growth and environmental sustainability in Eurasia.
5. Several activities carried out under the Task Force thus far have already generated concrete results on the ground (see List of events, meetings and publications under the GREEN Action Task Force during 2020-2021 [ENV/EPOC/EAP(2021)2], 2020 Implementation Status Update Report [Room Document 1], and the 2019-2020 publication catalogue).
6. The key objectives of the Task Force for the period 2021-22 remain the same, i.e. to:
 - Support development of effective and efficient policies that have real impact on the ground in terms of improving environmental performance while creating opportunities for sustainable and inclusive growth;
 - Contribute to the development of human capital to support policy development and implementation;
 - Facilitate greener investment and finance;
 - Understand country needs and respond to developing trends.

7. However, the work of the Task Force would not be relevant without taking account of the impacts of the COVID-19 pandemic which has triggered the most severe recession in recent years and is causing enormous damage to people's health, jobs and well-being. Even in countries where the pandemic's health impacts and the containment measures have been relatively light, including certain countries in the Eurasia region particularly in the early months of the global outbreak, early data are making clear that the economic and social costs of the pandemic are large and will be felt in the months and possibly years to come. Therefore, the work of the Task Force will aim to provide the countries in the region with necessary support for a green and inclusive recovery from the impacts of the pandemic – a recovery that not only provides income and jobs, but also has broader well-being goals at its core, integrates strong climate and biodiversity action, and builds economic, social and ecosystem resilience.

8. The work of the Task Force will continue to take account of differentiated developments within the region, e.g. those in the EU's Eastern Partnership and in Central Asia, and specific needs of individual countries. The activities will put strong emphasis on strengthening the engagement of key line ministries from the Eurasian countries, especially Environment, Economy and Finance; opportunities for enlarging attendance of a wider range of interested OECD countries; and representation of the EU and of Development Finance Institutions.

9. All activities will continue to draw on relevant work within the OECD's core programme of work, including that of the OECD Environment Policy Committee, the Green Growth Strategy and Eurasia Competitiveness Programme, among others. They will also be part of joint projects with other international organisations, such as UNECE, UNEP and UNIDO under the EU-funded EUWI+ project or the EU4Environment Initiative as well as joint programmes funded by other countries.

Areas of work in 2021-2022

10. In the previous programming periods, the Task Force work had previously been structured around four mutually supportive Programme Areas:

Programme Area 1. National green economy dialogues and strategies,

Programme Area 2. Green finance and investment,

Programme Area 3. Integrating environmental, economic and sectoral policies for green growth,

Programme Area 4. Strengthening water management.

11. The activities implemented in these areas all have contributed to the greening of the economy in the region, in particular mobilising market incentives, improving the design and implementation of environmental and other framework policies (including fiscal, investment, competition and innovation policies), and building the necessary knowledge base, effective governance, and capacity.

12. The four-part structure "Programme Areas 1-4" of the Task Force work programme for 2021-2022 is maintained to allow completion of several activities ongoing or launched in 2019-2020. At the same time, their coverage and emphasis are adjusted to better reflect the priorities of the Task Force members. An increasing focus will be placed on supporting the countries' capacity for planning and development of sustainable infrastructure, strengthening the linkages along the energy-water-land nexus in the context of climate change, and supporting a 'just' (more socially equitable) green transition. All these activities will be implemented with an important objective of aligning COVID-19 related economic stimulus packages with ambitious policies to tackle climate change and environmental damage.

13. The Task Force's work will also extend to new issues that have not yet been extensively addressed earlier, for example, climate change adaptation/resilience and biodiversity, or incorporating these areas into the existing work e.g. on green investment and finance.

14. In response to the views expressed thus far by the Task Force and its Bureau, the Secretariat has adopted the following slightly modified new programme area headings:

Programme Area 1: Economy-wide, cross-sectoral policies for green growth and sustainable development

15. Activities will support national-level policy dialogues on priority issues for greening of the economy in selected countries, including in the context of the post-COVID recovery. Emphasis will also be placed on strengthening administrative capacity for environmental management and cross-ministerial coordination for green growth, including on job impacts of green policies. Work will also address the energy-water-land nexus in light of climate mitigation and adaptation in Central Asia. The work will continue to support the development of green growth measurement. Annual Meetings of the Task Force will take stock of crosscutting issues for greening of the economy.

Programme Area 2: Environmental policies for green growth: Climate change mitigation, air pollution, circular economy

16. Work will continue to support in-country development of “smarter” regulation of environmental performance of large enterprises as well as SMEs, with emphasis on addressing challenges of air pollution, strengthening environmental compliance assurance, including compliance promotion, non-compliance responses, and instruments for environmental liability. This area will also include support to the application of policy instruments for greening the extractive industries as well as promoting circular economy, including the implementation of Extended Producer Responsibility systems.

Programme Area 3: Water and ecosystems management, biodiversity protection and climate change adaptation

17. A primary aim is the continuation and enhancement of the National Policy Dialogues facilitated jointly by UNECE and OECD in both the EaP and Central Asia regions. Activities will focus on the completion of the European Union Water Initiative Plus (EUWI+) project for the EaP countries and preparation for possible follow-up. Work in Central Asia aims to enhance the inter-sectoral coordination for water security at the national level, supporting the EU-Central Asia Enhanced Regional Cooperation on Environment, Climate Change and Water (WECCOP) programme. Work will focus on the economic and financial dimensions of water management, feed into the NPD process and may be complemented by new work on the energy-water-land nexus (under Programme Area 1). Additional ‘Water Policy Outlooks’ for enhancing environmental performance and resource security are planned. Exchange of reform experience between the EaP countries and Estonia and Lithuania is envisaged.

Programme Area 4: Sustainable infrastructure, green investment and finance

18. Work is planned to promote sustainable infrastructure for low-carbon development through analyses of planned infrastructure projects and decision-making frameworks for infrastructure development and strategic planning. Activities will support building national capacity to ensure environmental and socioeconomic sustainability of infrastructure projects and enhanced regional connectivity. Work on green investment and finance will build on achievements delivered in 2019-2020 and focus on supporting the development of domestic public expenditure programmes and financial instruments, energy subsidy reform, mobilising private sector finance and a better use of international finance. Support to national financial institutions to enhance selection and preparation of green and low-carbon and climate resilient investment is also envisaged.

19. The brief descriptions of individual activities and projects are presented in the Annex.

Budgetary situation

20. The total indicative budget for the GREEN Action Task Force Work Programme (Areas 1-4) for the 2021-22 biennium is EUR 8 380M. This is less than the budget of EUR 9 242M for the current biennium 2019-2020. This reduction is due to a cautious approach taken, whereby the follow-up of some significant activities, completed in 2019-2020, has not been included in the new work programme, as prospective donors have not been identified to support such work beyond 2020. This includes activities and multi-year projects funded by Kazakhstan (Programme Area 2, already concluded) and Norway (Programme Area 2 and 3, which will conclude in early 2021). This is the situation as of 1st January 2021.

21. **Table 1** provides the breakdown of estimated costs, funds available and funds still needed for the full Programme of Work for 2021-2022. Further information on “funds available” and “funds still needed” are also provided below.

Table 1. Budgetary situation for Programme Areas 1-4 for 2021-2022

PROGRAMME AREA	Total Estimated Costs (EUR k)	Funds available (EUR k)	Funds still needed (EUR k)
1. Economy-wide, cross-sectoral policies for green growth and sustainable development:	2 540	1 540	1 000
2. Environmental policies for green growth: Climate change mitigation, air pollution, circular economy	1 390	990	400
3. Water and ecosystems management, biodiversity protection and climate change adaptation:	1 740	640	1 100
4. Sustainable infrastructure, green investment and finance:	2 710	1 260	1 450
TOTAL	8 380	4 430	3 950

Funds available (Categories A and B in Annex)

Funds are available in the amount of around **EUR 4 430 000** to implement the activities in 2021-2022. The budgetary situation to support the Programme is considered generally sound for 2021, in particular due to multi-year contributions from Germany and the European Union. In addition, Switzerland and Germany have continued to provide regular contributions on an annual basis. The financial contribution from Norway for activities implemented over 2018-2020 is being extended into Q1 2021, as the finalisation of the projects has been delayed due to Covid-19 related restrictions. Financial contributions already in hand as of 1st January 2021 are included in “**Funds available**” in Table 1 above and further information on country support is provided below:

Box 1. Funds available (2021-2022)

In 2021-2022 the funds available to support the GREEN Action Task Force Work Programme are estimated to be EUR 4.43 million. This is inclusive of the following country contributions:

- **Germany:** Programme Area 1 (national GREEN Action Platforms, regional Task Force Annual Meetings, greening Covid-19 economic responses, regional cooperation for energy-water-land nexus transformation in Central Asia) and Programme Area 4 (green finance and the preparation phase of addressing sustainable infrastructure).
- **Switzerland:** overall support for Programme Areas 1,2,3 and 4
- **Norway:** Programme Area 3 (Water Outlooks and SDG workshop and greening the extractive sector, completion by end of Q1 2021)
- **EU:** Programme Areas 1 (monitoring progress, administrative capacity support under EU4Environment); Programme Area 2 (environmental regulations and compliance promotion under EU4Environment), Programme Area 3 (EUWI+ completion by end of Q2 2021) and Programme Area 4 (green finance under EU4Environment)

In addition, additional funding has been secured for exchange on water policy reforms between EaP and Baltic countries under Programme Area 3 as a joint activity with the OECD Environment Policy Committee.

Funds still needed (category C in Annex)

22. There is still a funding shortfall for the next biennium in the order of about **EUR 3 950 000**. While activities in 2021 are mostly secured, a considerable funding gap remains for 2022. This is particularly so for Programme Area 3 where the feasibility to be able to continue activities to follow up on the EUWI + is dependent on funding which is not yet secured in the amount of about EUR 600K for 2022.

23. The funding for the new multi-year grants with Germany to support the work on addressing sustainable infrastructure (for 2021-2024) under Programme Area 4, and the low-carbon, climate-resilient energy-water-land use nexus transformation in Central Asia (2021-2024) under Programme Area 1 is in negotiation to be accepted in 2021. The full volume to support both projects for activities in 2021-2022 amounts to about EUR 2 400K.

24. In addition, this Programme of Work includes a number of new activities as listed below, which would **require additional financial support** from countries in the order of about EUR 1 200 000:

- **Programme Area 1: a regional review of progress on green economy as input to the Environment for Europe (EfE) Ministerial Conference**
- **Programme Area 2: follow-up to the greening of mining study**
- **Programme Area 3: Water Policy Outlook for Armenia, regional Water Policy Outlook (EaP or Central Asia); biodiversity finance**
- **Programme Area 4: support to project preparation capacity development.**

25. Activities for which financial contributions that are not yet secured and for which prospective donors are not yet identified are included in “**funds still needed**” in Table 1 above.

26. Further details of activities are outlined in Annex.

Annex A. Activities under the 2021-2022 Programme of Work

27. Activities for 2021-2022 are outlined below, organised by Programme Areas 1-4 which are defined under the following categories, depending on progress and funding status:

- A. **“Continuation”** for work streams that have already started and are funded,
- B. **“New”** for activities that have already been scoped and funded and are to be launched, and
- C. **“Under Consideration”** for those being scoped but for which the funding is not yet secured, as of September 2020.

28. Some thematic work streams included under “Continuation” may contain elements that are still under consideration and are not yet funded. In such cases, it is clearly indicated as such in the description.

29. In terms of the budget situation as represented in Table 2, the cost of the activities under categories “A” and “B” are estimated under “Funds available” while the costs of the activities under category “C” are estimated under “Funds still needed”.

1. Economy-wide, cross-sectoral policies for green growth and sustainable development

A. Continuation (Funds available)

In-country GREEN Action Platforms

30. This activity will support the organisation of a series (1-2 times/year) of national high-level cross-ministerial policy dialogues on promoting green economic development in interested countries. The GREEN Action Platform has already been launched in Kazakhstan and in Georgia (some jointly with UNEP) and dialogues are planned in other countries, depending on country interest and available funding. In the EaP countries, OECD will support UNEP leading work under the EU4Environment Initiative which will continue to assist governments with the establishment of national inter-ministerial coordination platforms/working groups on green economy where appropriate.

Regional high-level policy dialogue through Annual Meetings of the GREEN Action Task Force

31. The Annual Meetings of the Task Force, which in recent year attracted high-level participation of several Deputy Ministers from countries of the Eurasian region, serve as an important mechanism for an annual review of progress, exchange of country experiences and country-level projects with other countries in a form of regional policy dialogue and building consensus on future priorities.

Monitoring of progress at the economy-environment nexus

32. Work under this area will facilitate further monitoring of progress with integration of economic and environmental goals. This will include assistance to identify performance indicators and to set systemic data collection and processing mechanisms. Based on progress achieved under the EaP GREEN project, the development of country reports based on Green Growth Indicators will be facilitated under

EU4Environment. This will serve to promote policy debates on green growth and enable progress evaluation, peer review and benchmarking mechanism. The analysis of green growth indicators will also be deepened through specific thematic reviews. Links will be ensured with the System of Environmental and Economic Accounts (SEEA) and the use of indicators that are being developed to measure progress towards SDGs.

Administrative capacity for environmental management strengthened

33. The work has already started under EU4Environment with individual countries to develop plans for human and institutional capacity building of Ministries of Environment and of Economy to promote green growth. Interventions will include assessment of administrative capacity in the environmental sector, benchmarking, provision of advice, and, if feasible, establishing and making sustainable “policy and reform” support units that can combine the knowledge of local conditions (via local experts) in conjunction with international experience, and the catalytic role of international assistance. The support will also be extended to the Ministries of Economy as currently they are becoming drivers of greening economies in several countries of the region. The OECD SIGMA’s Principles of Public Administration and experience from the establishment of the Reform Support Teams in Ukraine will be used as guidance.

B New (Funds available)

Greening post COVID-19 government economic stimulus/recovery measures

34. A new element of the Work Programme will review and monitor the post-COVID-19 economic recovery plans and their potential impacts on greening the economies in EECCA countries and provide hands-on support to EECCA countries to ensure that their government efforts to support economic recovery are aligned with objectives on climate change, biodiversity and wider environmental protection. The latter will be implemented by providing services of economic advisers to ministries of finance/economy in 3-4 countries. This will be supplemented by in-country capacity building activities at the country and regional level. The work will also aim to address more ambitious question on how post-COVID recovery measures will integrate or speed up promoting the transition to a greener, climate-resilient and low-carbon economy. This will be done by incorporating the findings of the analysis of the responses to COVID-19 pandemic and the new measures identified into other work areas. The underlying message would be that not proactively acting now during economic recovery on climate change and environmental degradation could be as destabilising to societies and economies as COVID-19 but are on a different time scale.

High-Level Policy Dialogue: Benefits of regional cooperation on the energy-water-land nexus transformation in Central Asia

35. A high-level dialogue is envisaged to expose the barriers to integrated management of energy, water and land at a national level and how these barriers then impact regional cooperation in Central Asia. The dialogue aims to develop the case for improved economic and financial thinking around these issues and demonstrate the business case for cooperation with the view of to securing political support for follow-up activities. The dialogue will be supported by a discussion paper.

C. Under consideration (Funds needed)

Regional mechanisms for the low-carbon, climate-resilient transformation of the energy-water-land nexus in Central Asia

36. New work could aim to operationalise the energy-water-land nexus in Central Asia through robust economic and financial analyses at a regional and national level to identify nexus opportunities, demonstrate the business case for cooperation across the sectors and between countries, raise capacity and increase trust, creating political momentum. The project could support countries to modify planning processes and adopt a whole-of-government approach to addressing the nexus, develop and

operationalise a regional water-energy strategy with environment as a cross-cutting element and develop and apply tools to increase private sector involvement in nexus-related investments and provide mechanisms to quantify the trade-offs that are inherent to such investment projects. The work could aim to promote integration of policy, technology and investment for the low-carbon and climate-resilient transformation. The programme could design a pilot financing mechanism to promote accelerated uptake of investment in nexus-related best available techniques.

Regional review of progress in greening the economies in Eurasia (input to the “Environment for Europe” Ministerial Conference, 2022, tbc)¹

37. The GREEN Action Task Force’s mandate (as well as the mandate under its earlier name EAP Task Force) has been linked to the “Environment for Europe” (EfE) Ministerial Conferences. At the 8th EfE Conference in Batumi (June 2016), Ministers “welcome[d] the work of the Environmental Action Programme Task Force and invite[d] the Organisation 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”.

38. The next EfE Ministerial Conference, that will take place in 2022 in Nicosia, Cyprus, provides an opportunity for showcasing the results of the GREEN Action Task Force’s work and for influencing the policy debate. The GREEN Action Task Force will develop an analytical synthesis report on the achievements of the GREEN Action Task Force’s work in promoting green growth the EECCA region since the Batumi EfE Ministerial. This will be supplemented by a high visibility brochure highlighting Task Force’s activities, successes and lessons learned since Batumi. Following the request from the organisers of the Nicosia Conference, the GREEN Action Task Force will also contribute to the two chosen themes of the conference: (1) greening the economy of the pan-European region: working towards sustainable infrastructure and (2) applying principles of circular economy to sustainable tourism.

2. Environmental policies for green growth: Climate change mitigation, air pollution, circular economy

A. Continuation (Funds available)

“Smart” regulation of environmental impacts promoted

39. Work will continue to support countries in establishing differentiated, effective and efficient regimes for strengthening environment and economic performance of industrial and energy production operations and large emission sources. Work, which is undertaken under EU4Environment, support reform of regulatory regimes for large emission sources using the EU Industrial Emission Directive as reference. It aims to enhance regulatory effectiveness and efficiency, reduce administrative and compliance costs to industry while not compromising environmental objectives. Special attention will be paid to reducing the regulatory burden and to the simplification of environmental procedures low-risk installations, majority of which are Small and Medium Sized Enterprises (SMEs) while respecting the overall legal administrative framework and appropriate environmental requirements. The use of information-based instruments for

¹ As the currently agreed dates for the EfE Conference (3–5 November 2021) overlapped with the new dates for the twenty-sixth session of the Conference of the Parties to the UNFCCC (new dates: 1–12 November 2021), the Bureau of the UNECE Environmental Policy Committee, at its virtual meeting on 4 June 2020, agreed to recommend that the Committee consider rescheduling the Ninth Ministerial Conference to take place in 2022 (preferably late spring – beginning of summer 2022).

promoting environmental performance will be supported. Coordination between all relevant ministries and involvement of civil society, including the private sector, will be ensured.

Environmental compliance assurance and environmental liability regimes strengthened

40. Strengthening the efficiency and effectiveness of enforcement institutions and instruments, such as e.g. environmental taxes, other monetary payments and penalties for pollution, will be carried out to enhance compliance with the environmental requirements while not stifling economic performance of the regulated community. Special efforts will be attached to working with business associations as agents of compliance promotion. This work, which is also carried out under EU4Environment, will address the issue of environmental liability, using the provisions of the EU Environmental Liability Directive as guidance. Furthermore, work will be carried out to enhance administrative capacity for compliance assurance, including by developing interaction between relevant authorities. Judiciary will be involved in capacity building too. Cooperation will be enhanced with relevant EU and international bodies.

Supporting the development of Extended Producer Responsibility (EPR) Systems

41. The objective of this work, which will be carried out in co-operation with UNEP under EU4Environment, will be to assist countries in the region to develop transparent, sound and sustainable Extended Producers Responsibility (EPR) schemes for priority waste streams, such as for example Electric and Electronic Equipment Waste, end of life vehicles, or packaging. It will also assist designing legal and institutional arrangements for monitoring performance, and sharing experience from applying the systems to various products and product groups. Experience from EaP countries that piloted EPR schemes will be shared. This work will consist of country specific and regional analysis, a regional review of results, exchange of experience among experts from the Eurasia and OECD countries (including EPR practitioners) and the policy dialogue among ministries of environment and economic affairs.

C. Under consideration (Funds needed)

Greening the extractive industries

42. If funded, the work under this element will build upon the work completed during 2019-2020 on analysis of approaches from OECD countries that can reduce the environmental impact of the extractive sector and the possible application of these approaches in Eurasia. Building on the regional and country level work done on mining during this current period, the 2021-2022 phase will include the assessment of the effectiveness of economic instruments applied to mining (such as, among others, rents, royalties, and taxes) and the review and identification of optimal financial mechanisms to reduce mining pollution. It will also examine financial mechanisms and policy instruments to ensure that existing and legacy pollution from both operational and non-operational mine sites is contained. As part of this, new approaches to the reprocessing (“re-mining”) of mining waste as well as enabling policies will be explored in further detail, as will integration into the circular economy. Finally, policies to support decarbonisation and as well as biodiversity protections will also be examined. The work under this element will include analysis of the approaches in the OECD countries, analysis of the situation in selected Eurasia countries together with recommendations for reform.

Analysis of the vulnerability of jobs in the extractives sectors and development of measures to manage it

43. Many communities will be impacted by the transition away from fossil fuels, and identifying those most at risk can help decision-makers target policy action. If funded, this activity will aim to help the EECCA economies to plan for and manage the impacts of transitions away from fossil fuels on the communities most at risk. The work towards this goal will start by identifying the factors that can predict the impact of future energy transitions, over various timescales, by combining information on fossil fuel extraction, labour force statistics, government goals and policies, and the network of supporting industries. The primary aim

will be to establish direct effects on the workforces; but data allowing, it might be possible to describe indirect effects on workforces not directly employed in the fossil fuel sectors. The result will be a detailed map of where workforces are particularly exposed to shocks or changes in the sector. Building on this work, the objective will be to develop workable transition management strategies. This work will show where local institutions can be strengthened to help workers deal with the transitions, what training needs to be provided, which local stakeholders need to be involved in designing regional development policies, how local politics and narratives and the identities of workers themselves can be changed to embrace the transition.

44. This activity will promote collaboration amongst development finance institutions who have worked with extractive industries in the regions or conducted vulnerability assessments done previously and build on their work. It will also facilitate cross-ministerial dialogue and knowledge exchange by taking an industry policy perspective that spans ministries of economy, labour, energy and trade as well as statistical offices.

3. Strengthening water and ecosystems management, biodiversity protection and climate change adaptation

A. Continuation (Funds available)

European Union Water Initiative Plus (EUWI+) - National Policy Dialogues and Strengthening Legal and Regulatory Frameworks for Eastern Partnership

45. The work under EUWI+ is currently planned to be completed in Q2 2021. A final Regional Conference in 2021 will bring together all the results and lessons learned under EUWI+ and pave the way for follow-up activities. Key outputs for presentation at this event will include a synopsis of the OECD's work on water security in Belarus and a presentation of the recommendations on facilitating the reform of surface water abstraction charges in Georgia.

Developing policy tools for enhancing environmental performance and resource security, increasing climate change resilience and greening economic growth in EECCA - Water Policy Outlooks and SDG capacity development

46. This work will finalise the support to water policy reforms and contribution to achieving water security through the development of three Water Policy Outlooks for Georgia, Moldova and Ukraine, that signed Association Agreements with the EU. A capacity development event on the use of SDG reporting to facilitate implementation of national strategies will be delivered and a report on the event published.

Exchange of country experience in water policy reforms between EaP and Baltic countries

47. Outreach, cross-country exchange and capacity development of the water supply and wastewater treatment sector will continue through a set of activities for exchange between EaP countries and Estonia and Lithuania, in cooperation with the EU's Structural Reform Support Service. The project will support the preparation of roadmaps for the consolidation of the water utility sector, a pre-requisite for sustainable and socially acceptable financing strategies. This will include an analysis of possible solutions, financial and governance incentives, analysis of international experience and a capacity development component.

C. Under Consideration (Funds needed)

Follow-up project to EUWI+

48. EUWI+ aimed to ensure that national, transboundary and regional mechanisms were in place to support planning, approval and implementation of water policy, strategies and plans, and associated legal and regulatory frameworks in line with the EU Water Framework Directive, principles of Integrated Water Resources Management and relevant Multilateral Environmental Agreements. It has also promoted

development of local management and expert capacity within national and river basin authorities for the development of coherent policies, strategies and budgetary frameworks. The follow-up project will be scoped to operationalise this policy work as the countries move towards implementation of their strategic plans and alignment with international obligations. The EUWI+ follow-up work may involve new implementing partners such as IFIs and other EU Member States with relevant experience to share. The project would look towards the economic soundness of water policies, supporting sustainable investments to progress strategy implementation and also consider the social factors of the policy reform agenda and affordability constraints as new infrastructure is delivered. EUWI+ further supported the NPD process in Armenia, Azerbaijan, Georgia and Moldova and re-launched the process in Ukraine and launched it from scratch in Belarus. Under the follow-up project, the in-country NPDs would continue to provide a platform for dialogue among key stakeholders to advance water policy design and implementation. Analytical work would be used to inform and substantiate policy reforms with solid evidence and facilitate actual implementation. NPD meetings would also be used to help establish priorities for institutional capacity building and establishment of a sustainable training mechanism to contribute to the development and strengthening of national capacities in the areas of water policy and economic analysis of water use. Capacity development activities will be designed to ensure ownership and sustainability, and sufficient “social return on investment”.

Water Policy Outlooks to enhance environmental performance and resource security

49. This work would focus on Armenia, which signed its Comprehensive and Enhanced Partnership Agreement (CEPA) with the EU in November 2017 and this is now a major driver of activities under the water reform agenda. CEPA includes approximation towards 5 EU water related directives and development of legislation and robust River Basin Management Plans are a key part of this approximation. The activities under this project will focus on delivery of a water policy outlook for Armenia based upon the lessons learned from the three country outlooks produced in 2018-21. In addition, a regional outlook could be produced to look specifically to the challenges the Eastern Partnership region or Central Asia region is expected to face in the future, the potential policy responses and opportunities for economic growth. Supporting this, capacity development activities will focus on policy tools for strengthening water management and achieving the water-related Sustainable Development Goals.

Finance tracking/roadmap for biodiversity

50. This new work could draw on some of the other activities under consideration, which would touch upon ecosystem services mapping against infrastructure planning (see Sustainable infrastructure for low-carbon development in Central Asia).

51. The objective of this new work could be to examine policies to spur finance for biodiversity from all sources (public and private, national, regional and international), improve biodiversity-relevant investments tracking and enhance the cost-effectiveness of biodiversity financing. Activities also consider how to address the distributional implications of biodiversity policies.

4. Sustainable infrastructure, green investment and finance

A. Continuation (Funds available)

Sustainable Infrastructure for Low-Carbon Development-Hot spot analysis and needs assessment

52. Building on the earlier analysis of the “hotspot” analysis and needs assessment for sustainable infrastructure on the five Central Asian Countries and Azerbaijan, Georgia and Mongolia, continued work will analyse planned infrastructure projects, decision-making frameworks related to infrastructure development and strategic planning documents in Armenia, Belarus, Moldova and Ukraine. It will compare current investment flows with countries’ national development objectives to identify misalignments and

provides policy-makers with recommendations to improve the integration of climate change and other environmental concerns into infrastructure development decision-making processes.

Financing climate-resilient infrastructure

53. This work will identify the priority steps needed to scale up financing for the adaptation of infrastructure to climate change effects, focussing on the mainstreaming of adaptation requirements into investment processes rather than the provision of infrastructure specifically intended for adaptation. Specific work will include reviewing approaches to: understand and characterise climate risks to the focused country; possible methodologies available for economic and financial analysis; and choose relevant adaptation measures to be taken to make infrastructure resilient to climate change. It will build on OECD analysis of financial planning and investment project identification for the water supply and sanitation sector under the GREEN Action Task Force, as well as other OECD-wide work on a range of policy instruments that governments could use to increase the resilience of infrastructure networks. The work will examine key issues in interested two countries on how to improve climate risk information available to potential investors, how to identify and screen public investments to take account of adaptation needs, better use of policies and regulations that facilitate public and private partnerships for climate-resilient infrastructure investment and carry out analysis of possible financial solutions (e.g. risk mitigation instruments and transaction enablers) to scale up finance for climate-resilient infrastructure.

54. Subject to additional funding, possible application of a geospatial tool is envisaged for mainstreaming of ecosystem-based climate resilience considerations for better selection and planning of infrastructure projects for selected Central Asian countries or at the regional level.

Reforming energy subsidies

55. This work will support selected countries in their efforts to advance crucial energy subsidy reforms in the region. The project will build on the analysis of "Energy subsidies in the EaP countries" conducted by the OECD as part of the EU-funded EaP GREEN project. The work could focus on the reform of tax expenditures (or tax revenue foregone due to special tax exemptions, deductions, tax rate reductions) which are more difficult to account for and are often overlooked in the subsidy debate. Unlike the OECD countries which estimate their tax expenditure on an annual basis, most of the EaP governments do not prepare such information for parliamentary scrutiny.

56. Since raising energy prices can make good economic and environmental sense but should not lead to increased affordability challenges when policy reform is viewed in its totality, the activities will also analyse the impacts of reforming selected major fossil-fuel subsidy schemes on energy affordability. This work will build on the currently implemented project that is analysing energy affordability for vulnerable households in Moldova.

57. Energy subsidy reform may also be addressed in selected Central Asia countries, as a key policy area crucial to promote investment in low-carbon energy systems, subject to funding confirmation.

Greening public expenditure

58. These activities will widen an application of tools developed in 2017-20 to help government authorities responsible for environmental and public finance management to design green public investment programmes in line with good international practices. The existing tools that will be used include the OECD Council Recommendation on Good Practices for Public Environmental Expenditure Management as well as costing tools (e.g. the OPTIC model that helps to estimate the costs of priority public investment programmes that will support climate-related projects) and targeted training material on managing green public investment programmes at the national and/or sub-national level developed for Kazakhstan, Moldova and Kyrgyzstan. The specific activities will include three additional country-level projects on the costing of priority climate-related public investment programmes within government

authorities and improving the leveraging effect of public funds and the effectiveness of sector and budget support from donors, where available.

59. The OPTIC model will also be adapted and applied to public expenditure on other types of infrastructure investment (e.g. energy, water, transport, industry) in selected countries in Central Asia, subject to funding confirmation.

Greening reviews of selected national funding entities

60. This work will provide interested national funding entities with evidence based analysis and policy recommendations to enhance their capacity in appraisal and implementation of green projects as well as reduction of various project-related risks and transaction costs. Activities will include review of selected national public funding entities' practices and support their capacities for providing and mobilising green finance in two to three interested countries. This will build on the discussions on the role of environmental funds and national development banks carried out at the 2019 Task Force meeting.

61. This work will also review of approaches to blending public and private resources and leveraging private sector capital in a cost-effective way can help stimulate more demand for green investments. This will include analysis of the feasibility of establishing a special-purpose "green investment bank", or refocusing activities of existing public financial institutions to mobilise private investment in green infrastructure.

Role of monetary and banking policy in green lending

62. Building on the work with the National Bank of Georgia on introducing Environmental, Social and Governance Principles into the operations of the commercial banks, this work will analyse further the role monetary and central bank policies can play in motivating commercial banks in the countries of the region to increase their lending for green investments. One example of such "green" banking policy is the introduction by the central bank of differentiated reserve ratio requirements directed in favour of low-carbon projects. Given that there is very little knowledge about and experience with working with central banks in the target region, this project will be innovative and will aim to establish the baseline of the extent to which green banking regulations are a realistic option for the Eurasia region. The envisaged activities will include analysing the potential role of monetary policies and macro-prudential financial regulation in commercial banks' lending strategies and the expansion of credit directed towards low-carbon projects and businesses and organising a regional meeting with the participation of all countries of the region, including representatives of Ministries of Finance, central banks and commercial banks but also other relevant actors in the market.

Annual conferences on green finance and investment

63. Lessons learnt from the activities carried out under this areas will be summarised and discussed with relevant national and international stakeholders at annual regional conferences which will involve government officials from Ministries of Environment, Economy, Finance and Energy of the EaP and Central Asia countries, representatives of International Finance Institutions and multilateral financing facilities active in the region, International Organisations and donor countries. Experts from commercial banks and other domestic financing institutions, as well as academics, consultants, officials from green/climate related initiatives, NGOs will also invited to take part in the debate.

B. New (Funds available)

Greening Debt Capital Markets in Eurasia: The Role For Green Bonds

64. The EECCA countries are lagging behind other regions in the world in tapping into bonds markets to finance green investments. Private sources of finance, such as equity or bonds, that can leverage bank financing, have hardly been used so far (except recently in Ukraine). The main objective of this work will be to assess the role that bonds markets can realistically play in financing long-term green infrastructure

investments in the region, identifying barriers to and opportunities for introducing green bonds in the local capital markets, and identifying the role governments could play to support the development of the green bonds market in the region with the objective to unlock additional resources of finance for green investment.

65. The project will engage governments and financial regulators in a policy dialogue on needed legal and regulatory reforms that can help launch a green bonds market. The project will also raise awareness across different stakeholders of the opportunities that green and sustainability bonds provide as an alternative source of long-term green financing.

Analysis of trends in green investment policies in the target countries and risk of “stranded” assets

66. This work will review existing studies and carry additional analysis of the potential impacts of global and national climate-related policies on existing and new fossil energy-based infrastructure whose costs may not be fully recovered because of reduced demand/revenues or early retirement “stranded assets”. The work will look at challenges for carbon dependent countries and structural, fiscal, social and other implications, including systemic risk of continuing investment in high-carbon economy versus (partial) divestment of coal, oil and gas-related assets. A critical review of existing studies (carried out by the OECD, IEA, World Bank, the EBRD and others) will be carried out that modelled various policies and a workshop on the development of scenarios of the degrees of asset “stranding” in different countries will be organised.

Sustainable infrastructure for low-carbon development in Central Asia

67. The objective of this work would be to assist countries in the region transition towards cleaner energy, transport and industrial systems through better alignment of infrastructure investment projects with NDC and SDGs. The activities could foster sound investment decision-making and good practices for the selection and development of infrastructure projects, through multi-dimensional sustainability assessments (economic, environmental and social impacts) as well as the development of long-term low-emission development strategies and enabling policy frameworks (e.g. sectoral, investment, fiscal policies). Specific country-level work will focus on Kazakhstan and Uzbekistan. Wherever possible, regional activities will involve the participation of Kyrgyzstan, Tajikistan and Turkmenistan. This work envisages to include exchange with other countries beyond the Task Force membership that are part of the OECD Eurasia Competitiveness Programme (Mongolia) and OECD Southeast Asia Regional Programme. The work could also entail the introduction of responsible business conduct and sustainable finance principles in the investment portfolios of countries financing projects. Regional and national policy dialogues, sustainability analyses and capacity building for low-carbon and climate-resilient infrastructure could be carried out, building on earlier work mentioned above.

68.

C. Under consideration (Funds needed)

Support to Project Preparation Capacity Development

69. Investors often cite the lack of bankable or investment ready projects as the main reason why private capital is not flowing as expected to the countries in the region. Whether projects are funded by grants or loans, they need to be well prepared, including project valuations, cost/benefit analyses and determinations of financial feasibility. To analyse the perceived lack of well-prepared investment projects this activity will aim at reviewing existing donor assistance activities, operations of IFIs as well as domestic mechanisms in the region that provide support and training for identifying and selecting environmentally related investment projects; developing project appraisal rules and procedures; management practices, as well as developing expenditure plans and disbursement mechanisms. The analysis will aim to provide recommendations on strengthening project preparation capacity in the region.

70. Depending on the results of the review, the activity may also develop a model capacity building training course that can provide support to conducting due diligence and preparation of projects for

financing. The training course could be tested in one or two countries targeting executives or local government officials who work for utilities or industry and who are concerned with financial project preparation as well as government policy makers who are responsible for provision of green investment support in the EECCA countries. The experience can be shared within the region and replicated using domestic training institutions.