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ENVIRONMENT DIRECTORATE
ENVIRONMENT POLICY COMMITTEE

GREEN Action Task Force

Draft synthesis report on Progress on Green Economy Transition in Eastern Europe, the Caucasus and Central Asia, and ways forward for the GREEN Action Task Force

Draft for discussion

2022 GREEN Action Task Force Annual Meeting, Tbilisi, Georgia, 01 July 2022

This draft synthesis report summarises preliminary key findings on progress with greening the economic transition in Eastern Europe, the Caucasus and Central Asia and work implemented under the GREEN Action Task Force since the 8th Environment for Europe Ministerial Conference held in 2016.

This draft will become part of the OECD's contribution, together with more detailed substantive chapters, to [the 9th Environment for Europe Ministerial Conference](#) to be organised on 5-7 October 2022 in Cyprus. Other technical chapters that provide further details of different thematic topics will be circulated to the Task Force members for review by the middle of July.

This draft was prepared for discussion under first agenda item on 1 July.

Delegates are invited to provide comments on the draft synthesis report during the Annual Meeting and in writing by 5 July 2022.

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Table of contents

1. Synthesis on Progress on the Green Economy Transition in Eastern Europe, the Caucasus and Central Asia, and future directions of the GREEN Action Task Force work	4
Progress towards a green economy in Eastern Europe, the Caucasus and Central Asia	5
Remaining challenges and further opportunities for green and inclusive growth in the region	10
Need for environmental and climate policies to be adaptive to the increasingly diverse country contexts and evolving socioeconomic, geopolitical and climatic conditions in the region	13
Future direction of the GREEN Action Task Force work in the coming years	13
References	15
Annex A. A proposed structure of the report	19
Tables	
Table 1.1. Climate action: Status of NDC updates, net-zero targets and NAPs in EECCA countries	6
Figures	
Figure 1.1. Energy productivity in Countries of Eastern Europe and the Caucasus	10
Figure 1.2. Total funding allocated by environmental categorisation	11
Figure 1.3. Trends on fossil fuel subsidies in Eastern Europe and the Caucasus countries	12

Note from the Secretariat

1. At its 2021 annual meeting (12-13 October 2021), the the GREEN Action Task Force delegates agreed on the following inputs from the Task Force to the 2022 “Environment for Europe” (EfE) Conference (5-7 October, Nicosia, Cyprus):

- (i) contribute to the 2022 EfE conference preparations led by the UNECE, and
- (ii) review progress on greening the economic development in the region of Eastern Europe, the Caucasus and Central Asia (EECCA) and showcase the outputs and achievements of the GREEN Action Task Force.

2. The implementation of the first item has already started, including through the Secretariat’s participation in the EfE preparatory meetings. Further contribution is being made, for example, through commenting on and contributing to EfE documentation in consultation with the UNECE and UNEP, and participating in the meetings of UNECE Committee on Environmental Policy (3 February and 9-12 May 2022).

3. In order to achieve the second objective, the Task Force Secretariat started the development of an analytical synthesis report (henceforth “**the report**”) that would:

- **take stock of progress** on policy developments towards green economy transition in the EECCA countries;
- **showcase selected GATF contributions** on integrating environmental and climate considerations into development pathways of the EECCA countries, and mobilising finance for action; and
- **provide an outlook for the future:** including action points for the Task Force in co-operation with the EECCA countries to enhance the momentum for green economy transition in the region.

4. The report will cover the period since the Batumi EfE Ministerial (June 2016) until early 2022.

5. Annex 1 of this paper presents the proposed structure of the entire report. Technical chapters that provide further details of different thematic topics will be circulated to the Task Force members for review by the middle of July. The presentation of the final report is expected at a side event during the EfE Conference in Nicosia.

6. Delegates are invited to provide comments on the draft synthesis report during the Annual Meeting and in writing by 5 July 2022.

1. Synthesis on Progress on the Green Economy Transition in Eastern Europe, the Caucasus and Central Asia, and future directions of the GREEN Action Task Force work

This section will highlight key messages from the main chapters of the report on progress towards a green economy transition and remaining challenges in the countries of Eastern Europe, the Caucasus and Central Asia (EECCA). The section will also discuss a possible future direction of work to be done under the GREEN Action Task Force (Task Force) hosted by the Organisation for Economic Co-operation and Development (OECD) to promote further policy reform and scale up financing for a rapid, ambitious and inclusive transition towards a green economy in EECCA countries.

Progress towards a green economy in Eastern Europe, the Caucasus and Central Asia

7. **Since the collapse of the Soviet Union, the countries of Eastern Europe, the Caucasus and Central Asia (EECCA)¹ have been undergoing profound changes while pursuing their transformation towards building market economies and democratic societies.** Although still conserving some of their Soviet-period specialisations, most of the region's economies underwent important structural changes, trade liberalisation and privatisation. For example, from an initial very low base, the importance of the service sector has increased in a spectacular way in most EECCA countries (Gevorkyan, 2018^[1]).

8. **Countries of the EECCA region have been on long journeys to pursue an economic development that is also environmentally sustainable.** The last decade witnessed an accelerated awareness of, and more ambitious response to, local environmental impacts of the traditional path of economic development and the global trade and economic activities. All EECCA countries have adopted the 2030 Agenda for Sustainable Development and the Paris Agreement on climate change (OECD, 2021^[2]).

9. **The Eighth Environment for Europe Ministerial Conference held in Batumi, Georgia, in 2016, was an important step in confirming the EECCA countries' commitment to improving environmental protection and advancing action towards sustainable development** (UNECE, 2016^[3]). There is recognition among the governments of EECCA countries that structural and institutional reforms in their economies and governance arrangements must accompany setting the ambitious objectives towards a rapid, ambitious and just transition towards a green economy.

Policy frameworks and governance arrangements towards a green economy

10. **Many countries of EECCA have set and updated national targets to guide their transition towards a green economy, including on environmental protection, climate change and natural resource management.** For instance, **Kazakhstan, Kyrgyz Republic (Kyrgyzstan), the Republic of Moldova (Moldova), Ukraine and Uzbekistan** have developed their overarching national strategies and programmes on green economy. The adoption of the Concept on Transition to Green Economy of **Kazakhstan** dates back to 2013, followed by the on-going implementation of three major stages of actions towards 2050 (Kazinform, 2018^[4]). **Tajikistan** is developing its national green economy strategy at the time of writing (Government of Tajikistan, 2021^[5]). Despite various challenges to effective implementation of those high-level strategies and programmes, they have provided the EECCA countries with a foundation for integrating environmental considerations into broader sectoral development policies and targets as well as mandates of government institutions in each country.

11. **All EECCA countries have also adopted their national targets of climate action through their Nationally Determined Contributions (NDCs)** (Table 1.1.). Many of the countries have also raised the levels of ambition of the climate mitigation targets through NDC update processes (OECD, 2021^[2]). Further, several EECCA countries such as **Armenia, Kazakhstan, Ukraine and Uzbekistan**, have developed their targets on net-zero carbon emissions. **Kazakhstan, Georgia and Uzbekistan**, for example, have also started developing long-term low-emission development strategies (OECD, 2021^[2]; Government of Georgia, 2021^[6]). Most EECCA countries have also started the process of developing National Adaptation Plans (NAPs). Among them, **Armenia** has submitted its NAP to UN Framework Convention on Climate Change in May 2021 (Government of Armenia, 2021^[7]). In addition to national-level strategies, **the five Central Asian countries** established a process of developing a regional climate

¹ EECCA countries include Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Republic of Moldova, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

change adaptation strategy to promote transboundary co-operation to strengthen the climate resilience in the region (Green Central Asia, 2021^[8]).

12. **EECCA countries have also significantly advanced their efforts to modernise broader environmental policies and legislation at both strategic and technical levels.** For example, **Armenia Georgia, and Moldova and Ukraine** have been reviewing their legislative arrangements on environmental regulations, monitoring of implementation, and tools for enforcement and compliance promotion for further improvement (EU4Environment, 2021^[9]; EU4Environment, 2021^[10]). **Uzbekistan** adopted a series of environment-related laws, such as the Concept on the Environmental Protection until 2030, Strategy on Municipal Waste Management for the period 2019–2028 and Strategy for the Conservation of Biological Diversity for the period 2019–2028 (UNECE, 2020^[11]). The revised Environmental Code of **Kazakhstan**, adopted in 2019, has enhanced the application of polluters pay principle through environmental permits. The amendment aimed to ensure that polluters will more appropriately take measures to prevent negative impacts on the environment in cost efficient ways (OECD, 2019^[12]). **Georgia** has also adopted a Law on Environmental Liability that aims to define the legal regulation on issues related to environmental damage, based on the polluter pays principle (Government of Georgia, 2021^[13]). To assess progress and effectiveness of environmental policies, several EECCA countries in partnership with the UN Economic Commission for Europe, conducted Environmental Performance Reviews over the past decade: Uzbekistan in 2020, Kazakhstan in 2019, Tajikistan in 2017 and 2012, Belarus in 2016, Georgia in 2016 and Moldova in 2014 (UNECD, 2022^[14]).

Table 1.1. Climate action: Status of NDC updates, net-zero targets and NAPs in EECCA countries

Country	Updated NDC status	Increased ambition in updated NDC?	Net-zero target? (sectors, year)	LT-LEDS communicated to UNFCCC?	Measures to formulate and implement NAP?
Armenia	Update drafted, approved and submitted to the UNFCCC	Yes (set 2030 target, maintained 2050 target)	Yes (in NDC, economy-wide, 2050)	No	12
Azerbaijan	Under development	Unclear	No	No	3
Belarus	Update drafted, approved and submitted to the UNFCCC	Yes	No	No	0
Georgia	Update drafted, approved and submitted to the UNFCCC	Yes	No	Nearing finalisation	1
Kazakhstan	Update drafted and under review	No	Yes (declaration, economy-wide, 2060)	Under development	1
Kyrgyzstan	Update drafted, approved and submitted to the UNFCCC	Yes	No	No	3
Moldova	Update drafted, approved and submitted to the UNFCCC	Yes	No	No	9
Tajikistan	Update drafted, approved and submitted to the UNFCCC	Yes	No	No	3
Turkmenistan	Update under development	Unclear	No	No	2
Ukraine	Update drafted, approved and submitted to the UNFCCC	Yes	Yes (in policy document, economy-wide, 2060)	Yes (2018)	0
Uzbekistan	Update drafted, approved and submitted to the UNFCCC	Yes	Yes (declaration, energy, 2050)	Under discussion	3

Note: The UNFCCC's annual summary of progress on NAPs tracks 23 measures in the process of formulating and implementing a NAP. Source: Updated and based on (OECD, 2021^[21])

13. **The development of those national strategies and policies has in many cases been also accompanied by the creation of various inter-ministerial co-ordination mechanisms.** They aim to facilitate cross-ministerial dialogue on the integration of green and environmental considerations into the development policy processes. **Georgia** has added “Sustainable Development” to the official name of its Ministry of Economy and Sustainable Development. **Moldova** and **Kyrgyzstan** created respective inter-ministerial committees that co-ordinate policy processes on greening the economic development. These are also examples of initiatives that have good examples of placing the green agenda closer to economic and financial decision-making bodies.

14. **In general, there has been a positive development where the environmental ministries and agencies have been strengthened, even though they were undergoing frequent changes.** For example, within the new governmental structure, adopted by the Parliament of **Moldova** in 2021, the Ministry of Environment was restored as a separate institution. It has become the central body to be responsible for the development and promotion of the national policies in the field of environmental protection and rational use of natural resources in the country. 62 posts that have been approved as the overall number of staff for the Ministry doubled compared to the 29 experts working on the environment within MADRE². In **Ukraine**, after the period of prolonged institutional reform of environment administration, during which the Ministry of Environment was first merged with the Ministry of Energy, a separate Ministry of the Ecology and Natural Resources was re-established. **Kazakhstan** has also re-established the Ministry of Ecology, Geology and Natural Resources in 2021.

Emerging trends that drive the green economy agenda in EECCA countries

15. **Several countries of Eastern Europe and the Caucasus³ have been preparing to align their environmental policies with EU laws and standards in the context of implementation of the EU Association Agreements** (Andrusevych et al., 2020_[15]). The Association Agreements have also provided countries such as **Armenia, Georgia, Moldova** and **Ukraine** with a framework for enhanced political and economic links with the EU and approximation towards far-reaching legislation including the EU’s Water Framework Directive (OECD, 2021_[16]). The EU Industrial Emissions Directive (IED) and the Environmental Liability Directive (ELD) have driven the efforts to improve environmental legislative set-ups for compliance assurance in many Eastern Europe and the Caucasus countries (EU4Environment, 2021_[17]). Eastern Europe and the Caucasus countries have been reforming environmental permits for large emission sources in compliance with EU Industrial Emissions Directive, greening small- and medium-sized enterprises (SMEs) and translating recommendations into actual changes to environmental regulations (EU4Environment, 2021_[17]). In this context, **Azerbaijan** and **Moldova** launched their online self-assessment tools for greening SMEs to help them assess their environmental performance, increasing their competitiveness by reducing their costs (EU4Environment, 2021_[17]). **Armenia** launched a project to assess how implementation of the EU Best Available Techniques reference documents (EU BREFs) on extractive waste can improve the environmental management in the mining sector (EU4Environment, 2021_[17]).

16. **EECCA countries have integrated green stimulus measures into their response to the COVID-19 pandemic and their broader recovery packages** (OECD, Forthcoming_[18]). Analysis conducted under the Green Action Task Force identified more than USD 220 million allocated to green recovery measures in the EECCA region between 2020 and 2021 (OECD, Forthcoming_[18]). Selected examples include:

² MADRE: Ministry of Agriculture, Regional Development and Environment of the Republic of Moldova

³ The Eastern Europe countries include Belarus, Moldova and Ukraine and the Caucasus countries include Armenia, Azerbaijan and Georgia.

- **Uzbekistan** invested in infrastructure for improved water supply and sanitation as well as irrigation through its Anti-Crisis Fund (OECD, 2021^[19]). The country has also provided financial support for energy efficiency improvements in industry.
- **Azerbaijan** supported activities to restore degraded lands for sustainable dryland agriculture (OECD, Forthcoming^[18])
- In **Armenia**, the government created a short-term employment programme in the agricultural sector that simultaneously provided work for vulnerable communities and improved resilience and water quality through reforestation of riparian zones (OECD, 2021^[19]).
- The government of **Moldova** supported the development of villages in the Coşniţa area as sustainable tourism destinations, improving service delivery to the local community in the process (OECD, 2021^[19]).
- The Rural Development Agency of **Georgia** incentivised its beneficiaries to adopt resource and energy efficiency practices (OECD, 2021^[19]).
- **Georgia** and **Moldova** also provided finance support to Micro, Small and Medium Enterprises (MSMEs) that qualified as being particularly innovative and green (OECD, Forthcoming^[18]).

Efforts to scale up financing for green economy transition in EECCA

17. **In recent years, EECCA countries such as Armenia, Georgia, Kazakhstan, Kyrgyzstan and Ukraine have embarked on efforts to align the policy objectives of financial-sector development with their national climate and environmental targets.** There has been an increasing recognition among the EECCA countries about the importance of mobilising private-sector finance for sustainable investment, and using funding from governments and development financial institutions more wisely to catalyse private-sector investment.

18. **A functioning, stable and deeper banking sector is a precondition for economic growth and investment promotion in general, and provides an important basis for green finance mobilisation.** In **Kyrgyzstan**, a sustainable finance roadmap forms an integral part of the country's Green Economy Development Programme adopted in 2019 and sets out plans to create the basis for the country's transition towards a green economy (Sustainable Banking Network, 2020^[20]). **The National Bank of Georgia** (NBG) adopted a Roadmap for Sustainable Finance in **Georgia**, the NBG Principles on Environment, Social and Governance (ESG) Reporting and Disclosure, and a Sustainable Finance Taxonomy (NBG, n.d.^[21]). **Kazakhstan** has established the Green Finance Centre (GFC) under the Astana International Financial Centre (AIFC). **Kazakhstan** issued an AIFC's Statement of Commitment to Sustainable Finance Principles. The GFC has developed various standards such as AIX Green Bonds Rules and led the issuance of green bonds in the country (AIFC, n.d.^[22]).

19. **Kazakhstan was the first country in the EECCA region to issue a green bond but other countries soon followed suit. Armenia, Georgia and Ukraine** have also issued green bonds. Between the second half of 2020 and early 2022, eight green bonds were issued in the region, two in each of the four countries, amounting to approximately USD 2 billion in total (OECD, Forthcoming^[23]). Currently, the OECD is conducting a regional study on green bonds in **Eastern Europe and the Caucasus countries and Kazakhstan**. The study aims to assess the role that EECCA bond markets can realistically play in financing long-term green investments and helping countries achieve their climate-related targets (OECD, Forthcoming^[23]).

20. **While capital markets in EECCA countries are still developing and not yet making significant contributions to financing green investments, there are already signs that green bonds are becoming an asset class in its own right.** They have begun to gain traction in the region as a complement to bank financing (OECD, Forthcoming^[23]). The regulations and the market infrastructure supporting the expansion of the local capital markets are being developed and improved to support issuers

and investors. However, this issuance is still limited, only nascent and takes part in the corporate sector, with rather little engagement by governments. As evidenced by the experience of other countries, sovereign green bond issuance can send the right signals to market participants and can foster the transformation of the bond markets to finance the green transition.

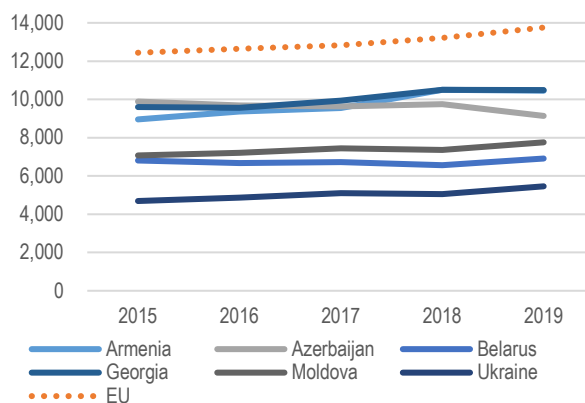
21. **The reform of existing, or establishment of new, public funds for environmental investments is now re-gaining interest of environmental policy makers in many countries of the EECCA region.** Once common in many countries, such funds were typically governmental institutions, capitalised by a variety of earmarked public revenue sources, including pollution charges and fines. Notwithstanding their generally modest role and challenges with the efficiency and effectiveness of the use of resources, these comprehensive funds were an important instrument of public environmental finance and provided financing, usually in the form of grants or soft loans, to a wide range of environmental protection activities for both the public and private sectors. Overtime, many of these funds have been consolidated into state budgets. In the countries where such funds still exist, such as Moldova or Ukraine environmental authorities try to reform them in line with good international practices. Also new funds are being established, which are better capitalised, better focused, better governed and use more sophisticated financial products and can support bigger investments. Support by the international development partners, both financial and through technical assistance, plays an important role in their better performance.

Improving environmental footprint of economic activities in EECCA

22. **In line with those policy reforms, several indicators have shown signs of progress in resource productivity and environmental quality in the EECCA region. However, a significant improvement remains necessary.** EECCA countries have collected data based on the Green Growth Indicators in partnership with the OECD. The Indicators chart some of the environmental footprint of economic activities in the region. For instance, carbon and energy productivity has continued to increase in the region, meaning that EECCA countries' economic growth partially decoupled from carbon dioxide (CO₂) emissions and use of energy. Although the progress made is encouraging, there remains a large room for improvement. EECCA countries' CO₂ and energy productivity is much lower than the EU countries average Figure 1.1. Exposure of the population in the region to fine particulate matter (e.g. PM_{2.5}) remains high. Associated welfare costs of premature deaths due to PM_{2.5} pollution represent up to 12% of GDP equivalent in Eastern Europe and the Caucasus countries, which is twice higher than the global average of 5.8% (OECD, 2022^[24]).

Figure 1.1. Energy productivity in Countries of Eastern Europe and the Caucasus

[USD 2015: Energy productivity, GDP per unit of Total primary energy supply]



Source: OECD.stats Green Growth Indicators

Remaining challenges and further opportunities for green and inclusive growth in the region

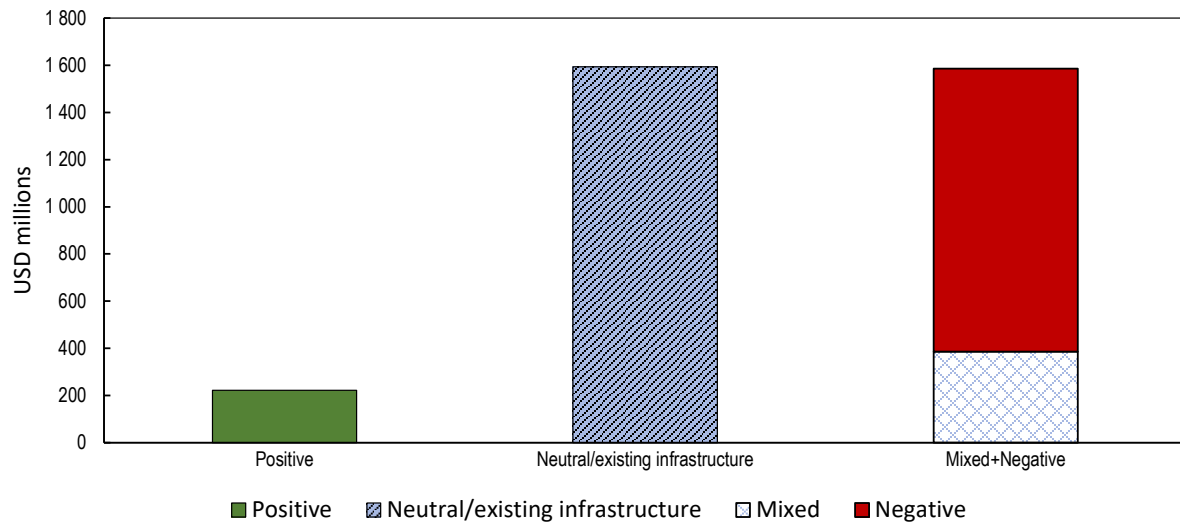
23. Despite the steady progress since 2016, the achievement of EECCA countries' national targets towards a green economy transition is still facing a range of political and technical challenges. Many of them go beyond the environmental policy sphere. For example, the political situation in several countries has been very unstable and delayed environmental policy reform. The political tensions ranged from continued conflict between Armenia and Azerbaijan, through high levels of political instability in Georgia and Moldova which followed anti-government protests in 2020 and 2021 to social protests that occurred in Belarus, Kazakhstan or Kyrgyzstan. These prolonged conflicts and tensions create an unstable base for policy, institutional and legal developments which stifle any policy making and implementation progress.

24. Access to affordable financing, effective use of it, as well as the lack of good quality investment projects, have consistently been among the greatest challenges to implementing actions for green economy transition (OECD, 2018^[25]). This challenge is further constrained by the protracted geopolitical uncertainties in the region and a significant economic slowdown, especially in 2021, due to the COVID-19 pandemic (World Bank, 2022^[26]). Reduced economic activities and trade, inflationary pressures, debt sustainability concerns, and rising interest rates have all made it even more challenging for the countries to access affordable financial resources, including those that can be directed to green investment. Russia's war in Ukraine has further deteriorated the challenge through the sharp declines in remittances, commodity trades, migration, and investor confidence and foreign direct investment (World Bank, 2022^[26]; EBRD, 2022^[27])

25. Assessments of COVID-19 recovery packages, conducted under the GREEN Action Task Force, show that the total funding volume allocated to measures evaluated to have a mixed or negative environmental impact is seven times larger than funding for measures with an environmentally positive impact. As shown in **Error! Reference source not found.**, almost USD 1.6 billion were allocated to measures with a mixed or negative environmental impact (OECD, Forthcoming^[18]). An almost equal amount was allocated to existing infrastructure or to measures that are unlikely to have a sizeable environmental impact beyond business-as-usual (OECD, Forthcoming^[18]). Only USD 222 million

were allocated to measures with a positive environmental impact during the period from the beginning of the COVID-19 crisis in 2020 to February 2022. This means that stimulus packages overall still lean heavily towards business-as-usual type activities, rather than the low-carbon transformational investments required.

Figure 1.2. Total funding allocated by environmental categorisation

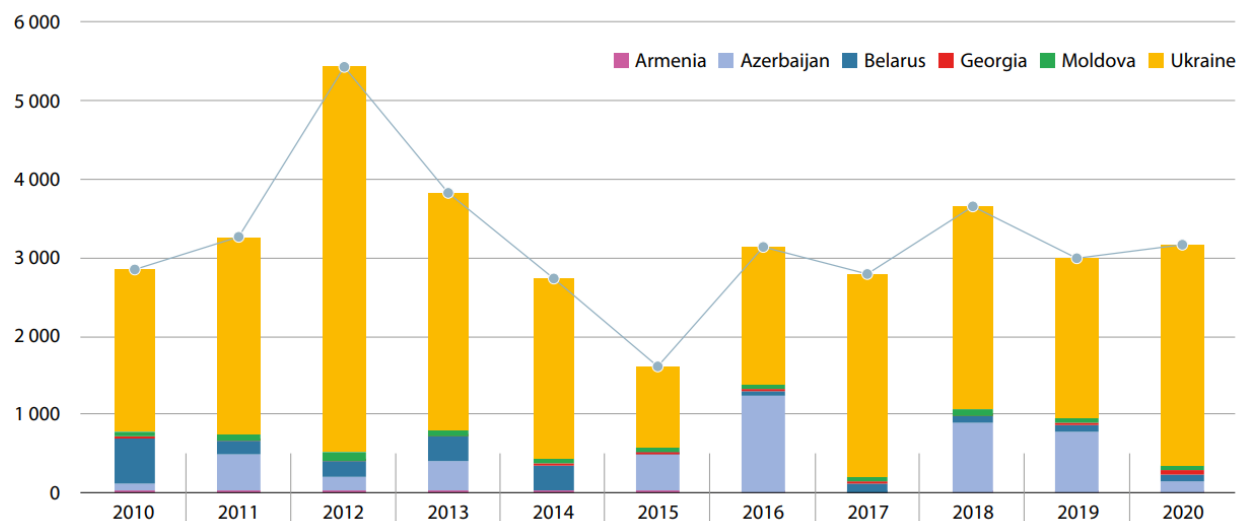


Source: OECD EECCA Green Recovery Database

26. **Although reforming fossil-fuel subsidies and support is a key policy measure to tackle climate change, reduce pollution and contribute to long-term energy security in the EECCA region, the progress on subsidy reforms remains slow.** The COVID-19 crisis made the countries painfully aware of the need to mobilise significant additional funds to support their health systems and economies. Despite reduced economic activity and low energy prices in 2019 and 2020, total government support provided to producers and consumers of fossil fuels in the Eastern Europe and the Caucasus region increased by more than 6% from 2019 to 2020.

Figure 1.3. Trends on fossil fuel subsidies in Eastern Europe and the Caucasus countries

[Million USD]



Note: Users of tax expenditure estimates should bear in mind that the Inventory records tax expenditures as estimates of revenue that is foregone due to a particular feature of the tax system that reduces or postpones tax relative to a jurisdiction's benchmark tax system, to the benefit of fossil fuels. Hence, (i) tax expenditure estimates could increase either because of greater concessions, relative to the benchmark tax treatment, or because of an increase in the benchmark itself; (ii) international comparison of tax expenditures could be misleading, due to country-specific benchmark tax treatments.

Source: OECD Fossil-Fuel Subsidies database, <https://www.oecd.org/fossil-fuels/data/>.

27. **Ambitious long-term strategic plans for fulfilment of requirements under the EU Association Agreements and international environmental commitments have also revealed significant legislative and institutional challenges** (OECD, 2021^[16]). On water management, for example, a recent OECD study highlights that it is unlikely that **Georgia, Moldova and Ukraine** will fully meet their stated policy targets by 2030 following a “business as usual” application of existing policy frameworks (OECD, 2021^[16]). Challenges are numerous including legal and regulatory gaps and insufficient implementation of adopted actions, insufficient capacity and head count of national experts on subject areas, inconsistent development and application of economic policy instruments and co-ordination challenges due to fragmented institutional frameworks. These areas have all been leading to inefficiencies in water management, and broader environmental management, in the countries (OECD, 2021^[16]).

28. **There is also considerable scope for promoting infrastructure projects that will boost investment and employment in EECCA countries, while addressing energy security concerns and contributing to decarbonisation.** The governments of EECCA and their development partners have been increasing their efforts to develop sustainable infrastructure projects to improve energy efficiency and integrate renewables into the energy supply. In most cases, however, the current slate of projects does not amount to the transformative scale needed, and continues to perpetuate the regional dependency on fossil fuels (OECD, 2019^[28]; OECD, 2021^[29]). In the transport sector, most EECCA countries are investing more intensively in road projects than in other modes of transport and underspending on maintenance and modernisation of existing rail assets, meaning that railway systems in these countries continues to be inefficient (OECD, 2019^[28]; OECD, 2021^[29]).

29. **Developing environmentally and economically sustainable water management activities also suffers from constrained access to funding.** Water infrastructure in EECCA countries is generally under-developed. Where infrastructure exists, it is often in poor condition due to chronically under-funded

maintenance and repair, and a lack of systematic rehabilitation. Poor water policy frameworks in the region often contribute to the issue of lack of funding by increasing future financial liabilities and further demand for finance for operational and capital expenditure. Outdated design and construction standards also have led to building significantly over-sized water supply and sanitation systems in rural areas, and counter-productive incentives remain in place to build assets in areas prone to water-related natural hazards.

Need for environmental and climate policies to be adaptive to the increasingly diverse country contexts and evolving socioeconomic, geopolitical and climatic conditions in the region

30. **Efforts to support the transition to a green economy should be context specific. This requires consideration of economic, environmental and geopolitical risks to each of EECCA countries, as well as their experience of known and tested approaches to manage the risks.** The economies of EECCA, once under the common system of the Soviet Union, are becoming increasingly diverse in their own socio-economic contexts and development pathways. For instance, the Eastern Europe and Caucasus sub-region is increasingly aligning environmental policies with those of the European Union. Central Asia's economic, trade and political ties with Russia have remained strong, while the countries have been deepening their relations with the People's Republic of China through the Belt and Road Initiative. Each EECCA country has its specificity in economic structure, political priorities, development needs and institutional arrangements. Taking approaches to economic recovery from the COVID-19 pandemic as an example, EECCA countries have taken varying pathways to respond the crisis and advance recovery efforts, as highlighted in Annex 1 of (OECD, 2021^[30])

31. **Deep uncertainties stemming from various sources make it even more challenging for EECCA countries to assess and select policy and investment options that can support their green economy transition.** Among the greatest sources of uncertainties at the time of writing are the socioeconomic and geopolitical impacts of the war in Ukraine. The EECCA countries, like other countries across the world, also face deep uncertainty as to how climate change may translate into impacts on the ground. Uncertainty in broader socio-economic and technological contexts in the region also compounds the political and climate uncertainties, affecting greatly the decision-making on actions in support of green economy transition.

32. **Climate change is already affecting socioeconomic systems in the EECCA region to varying extents, presenting a dynamic and uncertain future** (Botta, Griffiths and Kato, 2022^[31]). In Central Asia, one of the most vulnerable regions to climate risks, climate change scenarios suggest that the surface temperature in the region can rise with a range from 3°C to 7°C on average for the period of 2071-2100 compared to 1950-2001 (Liu, Liu and Gao, 2020^[32]). Choices of policy measures and infrastructure developments for an increase of 3°C could differ significantly from those for a 7°C increase. The negative impacts of a changing climate are occurring, and likely to increase, on top of the existing socioeconomic challenges to managing water, energy and land in the region. Similarly, a study shows that Eastern Europe and the Caucasus countries are also becoming increasingly vulnerable to the impacts of climate change, such as damages from frequent extreme weather events (Kampel and Gassan-Zade, 2021^[33]).

Future direction of the GREEN Action Task Force work in the coming years

33. **The long-standing collaboration between the countries of EECCA and OECD countries through the GREEN Action Task Force has produced the country- and region-specific evidence base to inform the environmental and climate related policy reforms over the past decades.** It relates to, for instance, pragmatic policy options, investment needs for their implementation and effectiveness of

the policies implemented in the light of the EECCA countries' green economy programmes, environmental legislation, NDCs and other strategic documents on sustainable development. The Task Force has also developed and provided EECCA countries with a range of practical tools to support policy decision making, such as Green Public Investment Programmes, a web platform on Green Growth Indicators, Water-Hydropower-Agriculture Tool for Investments and Financing (WHAT-IF), to name just a few examples.

34. **The Task Force is shaping its activities for the period between 2023 and 2024.** The work programme envisages activities that support national-level policy dialogues on priority issues for greening of the economy in the countries, developing administrative capacity for environmental management and cross-ministerial coordination for green growth. The Task Force will continue to facilitate knowledge sharing and in-country development of “smarter” regulation of environmental performance especially on climate change mitigation and air pollution abatement. Another focus is on strengthening the economic and financial dimensions of water management through analytical work and the multisector national policy dialogues on water. Work on sustainable finance will also continue. It aims to promote sustainable infrastructure for low-carbon development through analyses of planned infrastructure projects and decision-making frameworks for infrastructure development and strategic planning. The Task Force will also continue supporting the development of domestic public expenditure programmes and financial instruments.

35. **EECCA countries and their partners, including the GREEN Action Task Force, can do more to make the countries' action on green economy transition more ambitious, equitable and efficient, while also making the action practical and implementable.** There are a number of opportunities for the Task Force to enhance its support for the EECCA region for the several years leading up to the next Environment for Europe Ministerial.⁴

⁴ This section will be completed on the basis of the GREEN Action Task Force discussion of the documents: “Future Directions of the GREEN Action Task Force beyond the 2022 Environment for Europe” Ministerial Conference (5-7 October 2022, Cyprus) [ENV/EPOC/EAP(2022)2] and the “Draft GREEN Action Task Force Programme of Work for the Period 2023-2024” [ENV/EPOC/EAP(2022)1].

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Annex A. A proposed structure of the report

Possible topics to be covered	Examples of relevant TF work that could feed into the topic*
1. Synthesis on Progress on the Green Economy Transition in Eastern Europe, the Caucasus and Central Asia, and future directions of the GREEN Action Task Force work	
<i>Aim: To summarise key facts and messages from the entire report, and propose a few action points for the Task Force in support of the EECCA countries' transition towards a green economy</i>	
PRESENTED IN THIS DOCUMENT.	
<ul style="list-style-type: none"> • Highlights of key messages from the following substantive sections • Action points for the next years to promote further policy reform and scale up financing for a rapid, ambitious and inclusive transition towards a green economy transition in EECCA countries <p><i>[Note 1: The proposed action points could be linked with the renewal of the mandate of the Task Force and be aligned with its new Programme of Work for the period 2023 and 2024 to show coherence.]</i></p> <p><i>[Note 2: This section will also aim to generate substantive discussion and engage a broader range of countries in the Task Force work.]</i></p>	<p>[Reference to the Programme of Work for 2023-2024:</p> <ul style="list-style-type: none"> • Economy-wide, cross-sectoral policies for green growth • Environmental policies for green growth • Water management, biodiversity protection and climate adaptation, and • Sustainable infrastructure, green investment and finance]
FOLLOWING SECTIONS WILL CIRCULATED IN JULY	
2. Recent socioeconomic and environmental trends towards sustainable development in EECCA	
<i>Aim: To provide a few key trends in recent years, which will impact future opportunities for sustainable development in the EECCA region</i>	
<ul style="list-style-type: none"> • Recent macroeconomic development, including the impacts of the COVID-19 impacts and issues related to on-going recovery efforts • Key environmental challenges in the region: Using selected Green Growth Indicators on (e.g.) air quality, water, waste, land, resource productivity. • Policy requirements at the international level, such as the 2030 Agenda for Sustainable Development, the Paris Agreement, the EU Association Agreements, EU Green Deal, etc. • Other key risks and vulnerabilities, including those related to climate-related natural hazards, geopolitical tensions, natural resource security, internal unrest, etc. 	<p>OECD work on Green Growth Indicators</p> <p>Country profiles included in the two sustainable infrastructure reports</p> <p>TF COVID paper,</p> <p>Relevant work by the OECD (e.g. Eurasia Competitiveness Programme) and other relevant institutions.</p>
3. Progress on mainstreaming green economy in national strategies and plans in EECCA	

<i>Aim: To highlight progress on mainstreaming of green growth considerations into national strategies and plans in selected thematic areas</i>	
<p>Setting national targets and policy frameworks consistent with the Paris Agreement and the SDGs</p> <p>(providing an overview of progress since the Batumi Conference in 2016 in adopting national development plans, sectoral strategies and targets, inter-ministerial bodies, etc.)</p>	<p>TF Report on updates on NDCs, LT-LEDS and other UNFCCC-related milestones in EECCA countries</p> <p>EU4Env Progress report</p> <p>EUWI+ final report and outputs</p> <p>Sustainable Infrastructure reports on CA and EaP countries (2019 and 2021)</p>
Greening the post COVID-19 economic recovery	TF paper on COVID responses in EECCA
Promoting sustainable infrastructure investments in energy, transport and industry sectors	SIPA project's outputs
Supporting sustainable water resources management and water supply and sanitation through policy reforms and use of economic instruments	Products of the TF Water programme
Reconciling environmental and competitiveness objectives in the mining and extractive industry .	Mining and Green Growth in the EECCA
Building clear and comprehensive compliance and enforcement mechanisms for environmental regulatory frameworks	Case studies on environmental compliance assurance systems in selected EaP economies
Strengthening the administrative capacity for environmental management and green transition	TF work on administrative capacity
4. A focus on finance for green growth in EECCA	
<i>Aim: To highlight key challenges and progress made to redirect public and private financing to support environmentally sustainable and socially inclusive development in EECCA</i>	
<p>Reforming energy and fossil fuel subsidies to support green growth and addressing social implications of subsidy reforms</p> <p><i>[Water-related subsidies could also be discussed as appropriate.]</i></p>	<p>Fossil Fuel subsidy studies in EaP</p> <p>Moldova study on implication of FFS reforms (tbd where best social issues should be discussed in this report - here or elsewhere)</p> <p>Any early findings from work on Just Transition in Kazakhstan</p>
<p>Making use of financial instruments and mechanisms for catalysing green finance and investments</p> <p><i>[e.g. green bonds, environmental funds, credit lines for SMEs with donor TA grants, green public investment programme, etc.]</i></p>	Past and ongoing studies on green bonds, risk mitigation instruments, environmental funds, fiscal incentives for SMEs, etc.
<p>Developing domestic financial systems consistent with the Paris Agreement and the SDGs as well as various on-going discussion on sustainable finance in and outside the region</p> <p><i>[e.g. ESG disclosure, financial inclusion/education, etc.]</i></p>	<p>ESG work in Georgia</p> <p>Household survey in Kyrgyzstan (on use of commercial bank and microfinance for green investment)</p>