

# “GREENING ECONOMIES IN THE EASTERN NEIGHBOURHOOD” (EaP GREEN) PROGRAMME:

## Draft Programme of Work 2013-2016



ENVIRONMENT DIRECTORATE  
ENVIRONMENT POLICY COMMITTEE  
TASK FORCE FOR THE IMPLEMENTATION OF THE ENVIRONMENTAL ACTION  
PROGRAMME FOR CENTRAL AND EASTERN EUROPE, CAUCASUS AND CENTRAL ASIA

**“GREENING ECONOMIES IN THE EASTERN NEIGHBOURHOOD” (EaP GREEN) PROGRAMME:**

**Draft Programme of Work 2013-2016**

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## **I. OVERALL DESCRIPTION**

The current document presents the long-term (2013-16) programme of a new multi-donor, multi-partner programme – EaP GREEN (Greening Economies in the Eastern Neighbourhood), which has been launched in January 2013. A complementary document [ENV/EPOC/EAP(2013)2] outlines the work plan for 2013. EaP GREEN targets six countries of the European Union’s Eastern Partnership (EaP): Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova and Ukraine. The programme is supported by the European Commission and other donors, and involves joint implementation by four international organisations – OECD, UNECE, UNEP, and UNIDO. The total EaP GREEN budget for a period of implementation of 48 months is 12.5 million Euros.

### **Programme objectives and links to political processes**

The programme’s overall objective is for the EaP countries to move towards a green economy by decoupling economic growth from environmental degradation and resource depletion. More specifically, the Programme aims to:

- to mainstream sustainable consumption and production (SCP) into national development plans, legislation and regulatory framework with a view to provide a sound legal basis for future policy development, in line with the regional and international agreements and processes and consistently with existing EU acquis in the relevant policy areas;
- to promote the use of the Strategic Environmental Assessment (SEA) and Environmental Impact Assessment (EIA) as essential planning tools for an environmentally sustainable economic development;
- to achieve a shift to green economy through the adaptation and adoption of sustainable consumption and production practices and techniques in selected economic sectors (manufacturing, agriculture, food production and processing, construction).

The programme responds to commitments made by countries, the European Union and international partners in several international forums: the Warsaw Eastern Partnership Summit, the Seventh “Environment for Europe” Ministerial Conference, and the Rio+20 Summit.

### **Expected results and components of the Programme**

The expected results of the Programme are:

- national legislation and sectoral regulatory frameworks are examined in depth and the presence or lack of elements that are relevant to SCP is assessed;
- proposals for changes in national legislation and regulatory frameworks are formulated in order to provide stronger incentives for SCP and are achieved in those countries that have opted for implementing them;

- measurable improvements in resource efficiency and environmental performance are achieved in selected economic sectors;
- SEA and EIA are integrated into the national regulatory framework and are more regularly used in decision making;
- public authorities' professional and institutional capacities to develop and implement policies to promote sustainable production and consumption are strengthened;
- capacity development activities targeting private sector actors, including the domestic financial sector, are carried out.

Such results will be sought through an integrated approach which will combine policy reform; professional and institutional capacity building in government, economic sectors and financial markets; and support for enterprises to provide access to affordable financing and appropriate technology and management systems. Although EaP GREEN is a regional programme, many of its activities will be implemented nationally and the results shared in various regional forums. Both policy support and demonstration projects are envisaged.

Through a prior process of regional exchange of experience and views, the partner EaP countries agreed that SCP and green growth promotion more generally need a reinforced focus on implementation. They underlined that overcoming the relatively weak capacity of environmental ministries in the region and their extreme institutional instability will be a major challenge in pursuing these objectives in the EaP countries. At the same time, there was a wide consensus around the fact that the success of SCP and green growth promotion will highly depend upon the involvement of the non-environmental community, including ministries of economy and finance, line ministries, NGOs and the private sector, as well as broader considerations of the political economy of reform and mobilisation of finance for SCP-supportive investments.

### **Programme components**

The EaP GREEN Programme is structured around three components<sup>1</sup>:

#### ***Component 1 - Governance and financing tools for promoting SCP***

Component 1 aims to (a) support advancements in the relevant sectoral policies' regulatory framework as well as (b) to promote demand and supply of SCP of both the public and private sector. The first objective (a) will be carried out through a series of activities aiming to promote the integration of SCP into the national regulatory framework. This work mainly implies activities at policy level. Priority will be given to those elements that are in line with regional and international agreements as well as the parts of the EU acquis included in the Association Agreements negotiations. In countries where an Association Agreement is not planned to be signed in the near future, activities will be implemented along the lines proposed above but outside the Association Agreement framework. The second objective (b) will be supported through a series of demonstration projects which are to be implemented both in the field and at policy level in a number of selected economic sectors.

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<sup>1</sup> Section II presents a detailed description of each component.

***Component 2 - SEA and EIA: accompanying SCP policy implementation***

Component 2 aims to support the integration of environmental considerations into the preparation and adoption of laws, policies, plans, programmes and projects by ensuring that environmental assessments are carried out for initiatives that are likely to have an impact on the environment, in line with the EU Directives on EIA and SEA as well as the Espoo Convention on Environmental Impact Assessment in a Transboundary Context and its Protocol on Strategic Environmental Assessment.

***Component 3 - Demonstration Projects***

A set of projects (regional or national with regional value or replication potential) intended to demonstrate the benefits of the work implemented under Components 1 and 2 is envisaged. They will be identified in cooperation with partner countries and could be implemented in relation to the introduction of a specific policy or policy instrument, on a sector basis or with a more specific territorial focus. The proposed sectors are: manufacturing, agriculture, food production and processing, and construction. The projects will target both demand and supply side of production and will include actions for stimulating public and private consumers' demand.

**Responsibilities for implementation**

Four partner organisations are responsible for different elements of the programme:

- OECD (Organisation for Economic Co-operation and Development) will serve as coordinator of the programme, and support the implementation of market-based approaches to promote green growth and the reform of environmentally-harmful subsidies, the greening of banks and small- and medium-sized enterprises, and the adoption of green growth indicators;
- UNECE (United Nations Economic Commission for Europe) will support the implementation of strategic environmental assessments and environmental impact assessments of national development activities;
- UNEP (United Nations Environmental Programme) will help mainstream sustainable production and consumption in national policies through strategic policy setting, as well as help countries implement sustainable public procurement and organic agriculture policies and practices;
- UNIDO (United Nations Industrial Development Organization) will assist private sector actors adopt resource efficient practices and cleaner production.

The OECD and UN Partners will provide analytical expertise and facilitate the process of policy reform in the EaP region. Regular information flow between the European Commission, the OECD, the UN Partners and the beneficiary countries will be ensured through the communication channels of the EaP Platform, the EU Delegations, as well as direct contacts with relevant actors in the beneficiary countries. EU Delegations will play a key role in supporting the Programme in the beneficiary countries, providing technical advice and ensuring coordination with ongoing activities in the relevant fields.

## **Stakeholder participation and governance**

The programme is targeted at several actors, primarily government authorities in EaP countries who need to improve their policies and capacity in order to unleash the potential of the region to shift to a greener path of growth. Within this programme, various arms of the government will be involved, including ministries of environment and ministries of finance and economy, statistical offices and sectoral ministries. The private sector actors and the International Finance Institutions (IFIs), as well as the domestic banking sector representatives will be important partners as well. This includes major development and commercial banks active in the region, such as the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), KfW (Kreditanstalt für Wiederaufbau), the Asian Development Bank (ADB), and the World Bank.

Experts, government officers and environmental NGOs from the region will contribute with technical expertise and concrete policy and regulatory reform actions to the programme implementation. The programme will be implemented in close coordination with related domestic and international projects in the region.

A regional Steering Committee will oversee programme implementation. The Steering Committee will meet at least annually. National Focal Points will be designated by the beneficiary governments.

The EaP GREEN programme activities will be coordinated with other bilateral and multilateral projects, implemented in the region with support from the European Commission and other donors. Furthermore, the programme implementation will benefit from the past or on-going initiatives on the EaP GREEN partners, such as the OECD's EAP Task Force, Eurasia Competitiveness Programme and the Sigma Programme; the UNECE's work under the "Environment for Europe" umbrella and within the Espoo Convention, the UNEP's Green Economy Initiative and the 10-Year Framework of Programmes on Sustainable Consumption and Production Patterns (10YFP), as well as the UNIDO's "Green Industry" initiative.

## II. DETAILED DESCRIPTION OF EACH COMPONENT

### Component 1: Governance and financing tools

#### 1.1 Support strategic policy setting (lead implementing partner: UNEP)

##### *Background*

While over the last two decades progress has been achieved in establishing the institutional basis for integrating economic and environmental objectives, strategies and policies specifically targeting Sustainable Consumption and Production (SCP) often remain under-developed or declarative in the Eastern Partnership (EaP) countries. SCP is rarely mainstreamed into national development strategies. Environmental policy is mostly implemented separately from sectoral policies. The latter ones, in turn, do not include many SCP elements, with the exception of some energy efficiency considerations (i.e. building and transport). Therefore a more strategic approach to SCP would be required in EaP countries.

International experience and agreements can serve as benchmarks for adopting a strategic approach towards SCP in the EaP countries. Thus, the European Union has taken some important steps over the past decade towards developing a more integrated policy framework aimed at encouraging sustainable consumption and production patterns. In particular, the EU Sustainable Consumption and Production and Sustainable Industrial Policy Action Plan) has been under implementation since its approval in 2008. Within the “Environment for Europe” process, Ministers of Environment, including from the EaP countries, made commitments as concerns the development of a more integrated policy framework aimed at encouraging SCP patterns nationally. From a global perspective, the 10 Year Framework of Programmes (10 YFP) on SCP, which was adopted in the Rio+20 conference (June 2012), is an important driving force for SCP promotion. A Global SCP Clearinghouse, to be established under 10 YFP, will serve as a dynamic information hub in order to share knowledge on SCP policies, tools, initiatives and best practices.

##### *Objectives*

- To support the development of national SCP policy frameworks, and more specifically to (a) promote the integration of resource efficiency and SCP policies into national economic and development planning and implementation processes; (b) develop and implement national SCP programmes or action plans where these are requested; and (c) show the added value of SCP practices in transitioning to a green economy.

##### *Activities*

- **Organisation of two regional workshops.** The first regional workshop will be conducted in 2013 to raise awareness on SCP approaches, exchange experience, review overall SCP status progress in the region, and learn success stories from the EaP and other European countries. Another regional meeting will be organised in 2015-16.
- **Development of national SCP programmes in three EaP countries.** This activity will identify, and establish if necessary, an intra-governmental working group on SCP policy development and create a multi-stakeholder platform for SCP in order to achieve cross-sectoral integration and



buy-in from all policy sectors and partners. UNEP’s Guidelines “Planning for Change” could be used to support this activity. A government-designated lead ministry will oversee the development of activities listed below, to be adapted according to the countries' needs and priorities:

- *Preparation of a scoping study* to identify trends and patterns of consumption and production, based on the available studies; evaluation of ecological, economic and social impacts of consumption and production patterns of key areas/sectors – i.e. food production and processing, building, industry, transport and waste; review of ongoing relevant strategies, policies and activities, identification of key stakeholders, and planned SCP relevant plans and practice;
  - *Demonstration of environmental, economic and social benefits* of the implementation of SCP. Such an exercise consists of quantitative sectoral analysis based on the use of modelling. This will demonstrate the possible outcomes of policies and investment in to support SCP as compared with a “business as usual” case scenario;
  - *Selection of priority areas*, definition of objectives and targets of a SCP programme at national level through consultation;
  - *Selection of the relevant policies and initiatives to develop a SCP programme* with budget and timelines where applicable;
  - *Establishment of country indicators and of a monitoring and reporting system*. This activity will follow discussions with governments and will be implemented in cooperation with the OECD and close consultation with the UNECE and the European Environment Agency;
  - *Approval of the SCP strategy/action plans/programme by government*, including a road map for subsequent implementation.
  - *Development of a road map for the SCP strategy implementation*, if required from the country.
- ***Preparation of an updated regional report on SCP*** highlighting key findings from three national reports;
  - ***Setting up and management of a Regional Information Exchange platform***. This activity will be implemented through the following tasks:
    - Setting up of an European regional web portal<sup>2</sup> for information exchange establishing a SCP regional knowledge exchange platform in English and Russian languages as part of UNEP’s SCP Clearing House (launched by the end of 2012);
    - Establishment of links to the Green Economy Knowledge Platform.

## ***1.2 Progress measurement (lead implementing partner: OECD)***

### ***Background***

Changing the development path requires careful fine-tuning to the national context and a very broad consensus within society and due ownership on the side of non-environmental communities. Creating such

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<sup>2</sup> The web portal will be the same as the Information Clearing House on SCP, a European platform being part of the Global SCP Clearing House serving the 10YFP.

ownership in EaP countries and elsewhere requires analytical evidence that resonates both with environmental and non-environmental communities. To generate such evidence, governments may need to revisit the set of indicators that they currently use.

EaP countries have repeatedly called for assistance in developing green growth indicators during regional meetings in 2010-11 convened under the umbrella of the OECD-led Task Force for the Implementation of the Environmental Action Programme in Central and Eastern Europe (the EAP Task Force). This process can proceed from the OECD set of core green growth indicators, which draws from existing work in international organisations, and in OECD and partner countries. The proposed set is neither exhaustive nor final, and has been kept flexible enough so that countries can adapt it to different national contexts. It includes four groups of indicators: environmental and resource productivity, the management of natural assets, environmental quality of life, and economic opportunities arising from environmental policies.

The target group for this work is government as a whole. In addition to Environment Ministries, main partners would include ministries of economic development and national statistical offices. Work will be carried out in close cooperation with bilateral and multilateral institutions active in the region including UNECE and the European Environment Agency, and will take account of latest developments in the EU.

#### *Objectives*

- Support the introduction and practical application of green growth indicators in three countries using the OECD set of Green Growth indicators in order to support the integration of economic and environmental data sets and thus establish a basis for better policy planning, including the development of National SCP strategies;
- Promote public and political debate in EaP countries on progress toward Green Growth by preparing and disseminating reports based on “headline” green growth indicators;
- Build capacity for monitoring and promoting Green Growth in EaP countries.

#### *Activities*

- ***Develop a policy reform handbook to support the development of green growth indicators by countries*** (2013-14): Through a regional dialogue with countries, existing OECD materials will be discussed with a view to adapting them to the differing national contexts in the region. A handbook will be prepared to support experience sharing, training, and country-level activities. As part of this process, the OECD will also facilitate the transfer of experience from EU member states that have already applied the OECD set of green growth indicators e.g. the Czech Republic and the Netherlands;
- ***Implement country projects to monitor progress towards Green Growth using the OECD set of Green Growth indicators*** (2013-15): The OECD will work with three countries to implement pilot projects for defining national-level sets of green growth indicators. The information collected and analysed through this process will be used as a basis to foster dialogue among ministries and other stakeholders on the development and implementation of national policies in support to SCP and green growth more generally. This process will involve ministries of economy and environment, and statistical agencies primarily, as well as other relevant governmental and non-governmental stakeholders.

- ***Develop capacity within EaP governments to assess progress toward Green Growth (2015-16):*** The experience accumulated in demonstration projects and preparatory work will be shared to support capacity development in other EaP countries. National level events will be organised for this purpose in countries that were not involved in demonstration projects. These events would aim to further motivate and support the development of capacity to develop and use green growth indicators in the countries concerned. These activities will be closely coordinated with the work of the European Environment Agency to develop shared information systems in the region.
- ***Promote public and political debate in EaP countries on progress toward Green Growth by preparing and disseminating reports based on “headline” green growth indicators (2014-16):*** Drawing on related work in the OECD, up to ten “headline” green growth indicators will be identified that would be suitable for EaP countries. Such indicators, which are representative of the broader set of green growth indicators, are targeted at top-level policy makers and civil society. The OECD will facilitate the launch of national-level processes (with a possible regional component) to collect and disclose headline indicators. Among other things, this will increase transparency and accountability of government vis-à-vis the general public and to the broader international community.

### ***1.3 Identifying environmentally-harmful subsidies (EHS) and launching subsidy reform (lead implementing partner: OECD)***

#### ***Background***

Reforming EHS is a fundamental element of strategies aimed to green economies. It offers a range of benefits, such as:

- *in relation to environmental policy goals:* reduce the use of resource intensive inputs / activities (extraction, production, distribution, transformation, use), saving resources (e.g. water, energy), causing less pollution (hence saving on policy measures), lesser impacts on the environment;
- *in relation to economic goals:* increase competitiveness by exposing subsidised sectors to competition and supporting future competitiveness by resource availability; fix market distortions by making resource prices reflect resource value, and making polluters pay for their pollution; overcome technological ‘lock-in’ whereby more environmentally-friendly technologies/practices are unable to compete on an equal basis with the subsidised sector;
- *in relation to fiscal goals:* improve (cost)-effectiveness of meeting objectives, including social objectives, and releasing of public funding, thus enabling governments to re-allocate budget to other areas e.g. education, energy saving and / or reducing debt.

While the potential benefits of reforming EHS have been widely recognised in OECD countries, progress has often been impeded by opposition from affected groups such as farmers (when removing agricultural subsidies), and consumers, energy-intensive sectors and haulage firms (when removing energy and transport related subsidies). Thus effective reform strategies need to identify ways in which the adverse effects of subsidy reform, particularly on poor and vulnerable groups, could be mitigated without undermining the environmental effectiveness of the reforms.

Determining the environmental impact of different subsidies is often complicated because specific policy measures do not take place in isolation, but within a broad and evolving socio-economic and technological context. Due to very patchy hard data and information but also because of the lack of a harmonised methodology for recording and reporting subsidies, identifying and calculating the size of

environmentally-harmful energy subsidies in the EaP countries (as well as in the EU member states, for that matter) is not an easy task and will require the concerted efforts of many different parties in a given government.

Within the OECD/EAP Task Force, EaP countries have expressed interest in working to phase out EHS. There is some evidence that EHS in EaP countries are large. For example, the International Energy Agency (IEA), estimated that, in 2010, fossil fuel subsidies for consumers (oil, coal, gas, electricity) totalled about USD 1 billion in Azerbaijan (about 1.5% of GDP), and about USD 8 billion in Ukraine (about 6% of its GDP). However, the magnitude of EHS in EaP countries and their potential impacts have generally not been assessed. This involves identifying subsidies (which take a variety of complex forms), estimating their size also in relation to international prices, and assessing their environmental impacts. This provides a basis for devising reform strategies. All of these tasks require careful analysis and data gathering.

The programme activities will be implemented in parallel with the EU's "Roadmap for a resource efficient Europe" which calls on member states to phase out EHS by 2020, with due regard to the social impact of such reforms, in particular on the poor. As part of this process, the member states should identify the most significant EHS, prepare plans and timetables to phase out EHS, and report on progress by 2012-13. Activities will draw on EHS work carried out by the OECD and the IEA, including work on fossil fuel subsidies for the G20. It will make use of a model linking the level of subsidy reduction and related greenhouse gases (GHG) emission decrease, which is being designed by the OECD. By early 2013, the model and the methodology are expected to be ready to be tested at country-level.

#### *Objectives*

- Implement projects in three countries to develop action plans to reform environmentally harmful subsidies (EHS) in selected sectors (such as energy, agriculture or water).
- Build capacity in other EaP countries to develop action plans to reform EHS.
- Build political support for such reforms by demonstrating their benefits and identifying ways in which adverse impacts on affected groups could be mitigated.

#### *Activities*

- ***Developing policy guidance tools to prepare EHS reform action plans.*** This will involve presentation and adaptation of the analytical tools developed by the OECD for measuring subsidies and estimating their environmental impacts. This task will include several regional meetings targeting officials from Ministries of Environment, Finance and Economy and other sectoral ministries to build capacity and share experience about EHS reform. Representatives from EU countries will be invited to share their experience with EHS reform.
- ***Implement projects in three countries to develop action plans to reform environmentally harmful subsidies (EHS) in selected sectors (such as energy, agriculture or water).*** Each pilot project will consist of the following steps:
  - Agreeing with the country the scope and focus of work; the selection of subsidy schemes for analysis and eventual reform;
  - Adapting the OECD/EAP Task Force tool/model to the needs of the country, and gathering data to quantify subsidy schemes and estimate their environmental impacts;

- Preparation of an action plan that presents the environmental, economic and fiscal benefits of subsidy reform, and identifies ways in which any adverse impacts on poor or vulnerable groups or sectors could be mitigated. The action plan will present a detailed cost analysis of the proposed reform that will support the arguments for its implementation;
- Facilitation of national-level policy dialogue to generate political support for the adoption and implementation of the actions plan.
- ***Build capacity and political support in other EaP countries to develop action plans to reform EHS.*** Organisation of stakeholder meetings in the EaP countries other than those hosting the pilot projects to disseminate policy recommendations and lessons learned from other countries in the region. These meetings will also aim to demonstrate the benefits of EHS reform and ways of off-setting the potential adverse effects on poor and vulnerable groups or sectors. Policy briefs will be developed to disseminate results and good practice approaches.

#### ***1.4 Reforming tax policies: creating market incentives for greener products (lead implementing partner: OECD)***

##### *Background*

Well-designed taxes can be a powerful incentive for reducing the environmental impacts of products, for fostering the use of less environmentally harmful alternatives, and for generating revenue for the public budget. For example, fuel taxes have been used in many countries to reduce the consumption of fossil fuels, and differentiated taxes applied to vehicles, detergents, and batteries have stimulated the market for cleaner alternatives. Many other examples about the use of economic instruments as part of sustainable product policies can be listed and will be subject to analysis.

At a recent expert meeting, hosted by Poland in early March 2012, several EaP countries expressed interest in adopting new, or improving the existing, economic incentives targeted at environmentally harmful products. So far, Armenia and Moldova have introduced product taxes, and several others (notably Ukraine) are interested in developing this instrument. Some EaP countries (e.g. Azerbaijan and Ukraine) have fuel taxes labelled as “charges on air emissions from mobile sources”, while others use fuel tax differentiation based on environmental factors (lead and sulphur content, diesel/petrol, etc.).

The proposed work would draw on the past OECD/EAP Task Force experience of designing and evaluating the effectiveness of economic instruments for environmental management, including pollution charges/taxes, in EaP countries and beyond. One of the principal problems with the performance of these instruments in the partner countries is their exclusive revenue-raising focus, without much concern about their environmental effectiveness, enhancing which is a key challenge. This work will also draw on the extensive work that the OECD has done on environmentally related taxes and economic instruments. OECD data bases in these areas will help to benchmark performance in EaP countries.

The EU legal requirements aimed at promoting better product policies, waste recycling and higher resource efficiency, as well as the EU Environmental Technology Action Plan will be used as references and benchmarks for this activity. The implications for trade policies, including those arising from WTO membership of some EaP countries, will be considered.

### *Objectives*

- Facilitate the reduction of the environmental impacts of priority, largely diffused manufactured products (to be defined in cooperation with the pilot country) by assisting three EaP countries in the application of product-related economic instruments;
- Build capacity in the other EaP countries for more effective environmental management through the introduction and/or reform of product taxes.

### *Activities*

- ***Preparation of an inventory and toolkit for developing or reforming product-related economic instruments*** (2013-14): An inventory will be made of existing economic instruments targeting environmentally harmful products (product taxes, tax differentiation, deposit-refund and extended producer responsibility schemes) in EaP countries, and an assessment made of the potential benefits of their wider use. This analysis will draw on related experience in EU and OECD countries. Building on this analysis, a toolkit will be prepared to guide the design of the policy, legal, and technical aspects of specific categories of such instruments in EaP countries;
- ***Reforming market-based instruments in three EaP countries*** (2013-15): Pilot projects will be implemented in three countries to design economic instruments for environmental management of products; two in EaP countries with existing product tax schemes, and another in a country interested to establish one. The instruments would be designed drawing on experience from EaP and OECD countries, and involve consultation with governmental and non-governmental stakeholders. Interactions with tax, trade, customs, and sectoral policies will be explored. The pilot projects will result in specific recommendations on how the policy, legal and, possibly, institutional frameworks should be reformed and will accompany the countries in their implementation;
- ***National-level capacity building*** (in the course of 2015): Drawing on the results in the three pilot projects, capacity building workshops will be organised in the three other EaP countries. The objective will be to disseminate policy recommendations and lessons learned from the two pilot countries, as well as guidance for designing product-related economic instruments (described below).

## ***1.5 Improving investment policies and access to finance (lead implementing partner: OECD)***

### *Background*

Better access to finance is a crucial enabling factor for promoting green investments. Currently, access to both domestic and international finance in the EaP countries is limited by various factors including the global economic and financial crisis, capacity constraints within governments and the private sector, or flawed policies, including investment policies.

International Financing Institutions (IFIs) have established environmental credit lines in commercial banks, sometimes with support from donors such as the EU. However, they often do not become self-sustaining when IFI and donor support ends.

Most financing for green growth investments, particularly in the wealthier EaP countries, will have to come from private sources. Existing mechanisms will have to be scaled up significantly. Recognising this, IFIs such as the EBRD, the European Investment Bank (EIB), the World Bank and the Asian Development

Bank, have established credit lines earmarked for environmental purposes in commercial banks. In addition to supporting immediate investment priorities, IFIs have established such credit lines in order to support the capacity of local banks to conduct due diligence assessments and to demonstrate the viability of green financing as an attractive business model. However, this will only happen if local banks see sufficient opportunities to make the necessary investments in staff and capacity compared to other business opportunities. This in turn requires sufficient demand from borrowers and a supportive policy framework. These are some of the issues that need to be addressed to enable environmental credit lines in commercial banks to become self-sustaining once IFI or donor support is withdrawn.

#### *Objectives*

- Facilitate green investments in three countries<sup>3</sup> by recommending how environmental credit lines in commercial banks could be established and/or become self-sustaining.
- Promote more self-sustaining environmental credit lines in commercial banks through better cooperation between governments and the private banking sector.

#### *Activities*

- ***Assessment of lessons learnt from the operation of environmental credit-lines in three pilot countries*** (by end 2015). An assessment will be made of lessons learnt from the implementation of specific IFI credit lines disbursed through local commercial banks. Both the factors that have facilitated successful disbursement and the factors that have impeded it will be identified. This will provide a basis for analysing the incentive framework for the domestic banking sector to continue provide credits for this type of projects. Experience from other OECD and EU countries and EU projects (such as INOGATE) will be taken into account. In particular, the analysis will cover the design and management of environmental credit lines, the factors influencing demand for access to credit; the factors that have facilitated or impeded the disbursement of credit; and the development of recommendations on the demand and supply sides for how such credit lines could become self-sustaining.
- ***Developing recommendations for improved disbursement of environmental credit-lines in commercial banks***. Based on the results of the analysis and interaction with the main stakeholders, recommendations for the government and the banking sector will be developed by end of 2015- early 2016
- ***International discussion of lessons learnt and outlook for long-term action***. Following the development of the analytical framework for the analysis, communication with new partners, such as domestic commercial banks, and in-depth work at the country level, an international conference focusing on the EaP countries will be organised to discuss lessons learned. It will present an opportunity for IFIs and donors, the banking sector, government authorities and borrowers to identify good practices for better matching demand and supply for domestic banking credit for green investments and define a longer-term agenda for involving the domestic banking sector in green investment (by early or mid-2016).
- ***Extending awareness and capacity raising activities to all EaP countries***. Such activities will be organised in the EaP countries in which pilot projects were not implemented. Drawing on the

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<sup>3</sup> The number of countries will depend on the existence of IFI-supported credit lines and the interest of commercial banks. There are EaP countries in which such credit lines have been implemented, e.g. through the EBRD's Sustainable Energy Initiative or KfW credit lines.

experience gained through the regional and pilot country studies, the OECD will present the main lessons learned and will examine, in cooperation with the government authorities and other stakeholders, how this experience could be applied in the host country. As part of preparatory work, a brief review of the host country's experience with environmental credit lines will be conducted.

### ***1.6 Promoting public consumption changes through Sustainable Public Procurement (SPP) practices (lead implementing partner: UNEP)***

#### *Background*

Governments in ENPI partner countries are important consumers, as their expenditure represents around 20% of the GDP, ranging from 11.3% in Azerbaijan to 27.3% in Moldova. Harnessing the government's purchasing power for the promotion of sustainable public procurement could bring significant environmental, social and economic benefits in target countries. With the exception of Georgia and Ukraine, where governments have already taken specific steps to make their procurement practices more sustainable, none of the ENPI partner countries have national green public procurement policies in place. Even where relevant provisions for SPP have been enacted in legislation, operational policies are lacking. The activities outlined below aim at strengthening public procurement systems, enact a basis for SPP, and develop national SPP action plans, tailored to the needs and specific context of the targeted countries, taking into account progress already made.

#### *Objectives*

- To assist countries in the development and implementation of sustainable public procurement policies by increasing awareness and building the capacities of policy makers and procurement managers in the EaP region.

#### *Activities*

- ***Regional awareness raising and capacity building on Sustainable Public Procurement.*** The training sessions, building on the results of the OECD SIGMA project, will target relevant policy-makers and heads of procurement in the region to increase their awareness and capacity for SPP policy development and implementation. Globally, there is little understanding of environmental and social aspects in procurement in national public procurement institutions (regulatory, supervisory and supporting bodies), and at the operational level. Hence, the training sessions will aim at highlighting the potential benefits that could be derived from Sustainable Public Procurement, the challenges as well as the opportunities of SPP implementation based on existing experiences carried out in some countries in the region. UNEP's and the EU's existing tools for capacity building and implementation of SPP will need to be adapted to EaP countries' conditions and will be translated into Russian.
- ***Rollout of the Approach in three EaP countries.*** The countries will be selected through consultation and assessment of their interest and readiness to develop SPP policies. The first step is to create a National SPP Steering Committee comprised of relevant procurement stakeholders in order to gather buy-in from all relevant stakeholders and oversee SPP implementation. The Committee should be led by the Public Procurement Authority (Ministry of Finance) and co-chaired by the Ministry of Environment and will meet regularly throughout the year. A nation-



wide comprehensive effort is necessary to realise the potential for SPP<sup>4</sup>, and will be ensured by the multiplicity of actors taking part in the national Steering Committees. This activity will have the following sub-activities:

- Definition of appropriate engagement strategies with procurement stakeholders: mapping of the relevant stakeholders and identification of the functions and responsibilities of the main actors in the procurement system.
- Establishment of a baseline for monitoring progress and reporting: information and data collection using UNEP's "Status Assessment" tool and the OECD's "Methodology for Assessment of National Procurement Systems, an analysis of the current status of public procurement will be a first step in the establishment of progress and monitoring indicators;
- Revision of the existing legal framework: the review will explore and outline the possibilities for inserting sustainability criteria in the procurement process. When necessary, proposals will be formulated for the improvement of procurement regulations in order to allow for the insertion of such sustainability criteria;
- Collection of procurement data for the prioritization of products and services: Data on government expenditure will be collected, with the support of the institutions that are part of the National SPP Steering Committee (Public Procurement Authorities, Ministry of Finance, Ministry of Treasury), as well as other relevant public organisations (National Statistics Agency, Public Procurement Observatories). The data will be used to select a number of priority products and services using UNEP's prioritization tool which takes into account the following aspects: country's sustainable development priorities; ranking of government expenditure; scope for improving on-going government procurement; and, influence on the market;
- Evaluation of the market's capacity to supply sustainable goods and services: Building on the results of the prioritization exercise, a market readiness analysis will take place to evaluate the markets capability to respond to tenders with sustainability criteria. The analysis will take into consideration the current and potential production capacity;
- National SPP Action Plan: building on the results of the activities described above, a national SPP action plan will be developed and adopted in coherence with existing SCP and sustainable development policies. The action plan will provide the necessary political commitment and support for an adequate deployment of sustainable public procurement on the ground.

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<sup>4</sup> UNEP-EEA Report No 3/2007, "Sustainable consumption and production in South East Europe and Eastern Europe, Caucasus and Central Asia"

## ***1.7 Promoting more sustainable production processes (lead implementing partner: OECD)***

### *Background*

A growing number of large companies worldwide recognise the advantages of cleaner production in terms of reduced costs in materials, energy, and compliance with environmental requirements, as well as in responding to expectations of customers, investors and local communities. However, SMEs, particularly micro-businesses, have limited capacity to learn about and interpret environmental regulations. Many EU and other OECD countries have addressed this challenge by simplifying requirements for low-risk facilities, for example, through standardised permits or general binding rules. Many have also implemented information-based tools and regulatory and financial incentives to encourage SMEs to comply with and go beyond environmental requirements. Strategies for greening SMEs are usually sector-specific, reflecting the environmental risk profile of the sector concerned, and involve business and trade associations.

In EaP countries, SMEs represent the growing majority of all businesses. Although small businesses' individual environmental footprint may be low, their aggregate impact is considerable. However, EaP countries have given little consideration to the greening of small businesses, and the legal, policy and institutional means to enhance the environmental performance of SMEs is lacking.

The proposed work within the EaP GREEN will draw extensively on the advanced experience in this area of countries such as France, Germany, Ireland, the Netherlands, Poland and the United Kingdom. The EU's "Think Small First" approach to policy making and regulation, adopted as part of the Small Business Act for Europe (2008), will serve as benchmark. One of this Act's ten principles is "enable SMEs to turn environmental challenges into opportunities" – a paradigm which lies at the heart of the transition to green growth. DG Environment's ECAP programme will also be an important source of good practice information. Cooperation will also be established with the OECD Eurasia Competitiveness Programme and the EC-funded TAM/BAS programme implemented by the EBRD, will be fully coordinated with related activities of UNEP and UNIDO carried within the Programme.

### *Objectives*

- To implement projects in up to three countries to establish a policy framework for improving the environmental performance of Small and Medium Sized Enterprises (SMEs);
- To develop capacity in the other EaP countries to promote better environmental performance of SMEs;
- To promote government-to-business and business-to-business dialogue in the EaP region on the benefits of sustainable production, including the growing importance of green markets.

### *Activities*

- ***Preparation of an SME Greening Toolkit based on OECD and EU materials*** (2013-15): A toolkit will be prepared based on international, particularly EU, experience, presenting guidance on the main instruments to promote environmental compliance and green business practices in SMEs. This toolkit will facilitate the diffusion of good practices from EU member states, such as SME environmental advice and guidance web sites in the UK or Green Offer programme of Enterprise Ireland. Regional meetings involving the participation of ministries of economy and environment, business and trade organisations and other non-governmental actors will be conducted to ensure that the toolkit is adapted to the context in EaP countries, and widely disseminated. In addition, two-three sectoral roadmaps will be developed to support the

introduction of new approaches for improving the environmental performance of SMEs in those sectors. These will be based on the experience of general binding rules in the EU member states. Sectors will be defined as part of regional-level policy dialogue. The roadmaps will focus on sectors with a high revenue generation and job creation potential.

- ***Implementation of pilot projects in up to three countries*** (2015-16): Pilot projects in up to three EaP countries will be implemented with a view to establishing the necessary national-level policy framework for improving the environmental performance of SMEs. This will involve the development of recommendations on the design and introduction (through policy and legislative changes) of specific regulatory, information-based and financial instruments for the greening of SMEs. A number of national stakeholder meetings, with broad participation of business representatives, will be conducted to discuss and validate such recommendations. This will be reinforced by input from activities conducted by UNIDO at the company level.
- ***National-level stakeholder consultation on measures to improve the environmental performance of SMEs*** (2015-16): National multi-stakeholder consultation meetings in three or four EaP countries that will not host a pilot project will be organised to build consensus on policy measures necessary to improve the environmental performance of SMEs. These will draw on the experience gained in the pilot projects, and the analysis conducted to support the implementation of this activity. Representatives of small business associations from EU countries will be invited to participate in the stakeholders meetings. Possibilities for direct sector-to-sector contacts between EU and EaP countries' business groups on the issues of environmental performance of SMEs will be explored.

## Component 2- SEA and EIA: accompanying SCP policy implementation

SEA is a primary tool for mainstreaming the environment into economic development and integrating green economy and sustainable consumption and production targets into decision-making. Present legislation and capacities for SEA in the partner countries are significantly less developed than those for EIA. The degree of openness to interventions supporting development of SEA and EIA systems is likely to vary among partner countries and this is in turn likely to impact upon the possibilities to undertake certain activities and to achieve the expected results. Georgia has adopted a light regulatory approach to permitting in the belief that this will accelerate economic development; it may therefore be difficult to achieve progress in EIA in this country. Armenia has ratified the Protocol on SEA and has indicated its willingness to implement further SEA pilot projects; its EIA system is increasingly structured. Azerbaijan is in the process of adopting new EIA legislation; the opportunity to implement an SEA pilot project will be verified with the government. Belarus has demonstrated a capacity to adapt EIA legislation rapidly and efficiently as well as openness to the development of an SEA system. The Republic of Moldova is enthusiastic about the approximation process and has shown a willingness to strengthen its legislation and to implement an SEA pilot project. Ukraine is starting to revise its EIA and permitting system with the assistance of an EU-funded project, and it has demonstrated openness to SEA in a highly successful pilot project in the Crimea region. The following activities will be implemented as part of this component.

### ***2.1 Revision of the existing national regulatory and legislative framework (lead implementing partner: UNECE)***

#### *Background*

Partner EaP countries inherited the Soviet system of environmental assessment and state ecological expertise, but each has since developed significantly its legislation. This activity will include the review of the current systems and the drafting of recommendations on how to strengthen the legal framework for SEA and EIA. As appropriate, assistance in drafting legislative amendments will also be offered. The revision of national regulatory and legislative frameworks with regard to trans-boundary EIA and SEA has proved to be an efficient tool for identifying weaknesses and potential improvements.

#### *Objectives*

- To improve awareness, understanding and acceptance of the necessary legal, regulatory, administrative and other measures necessary for proper implementation of SEA and EIA systems.
- To promote the integration of EIA and SEA systems into the legal, regulatory, and administrative frameworks of the partner countries.

#### *Activities*

- ***Legislative review of SEA and, as appropriate, of EIA*** (up to 5 national reviews). Each review would include a period of in-country examining legislation, procedures and, as appropriate, practice (case study), and would build upon earlier reviews where still relevant, as well as the national implementation reports collected under the Espoo Convention<sup>5</sup> and its Protocol on SEA. An international expert would be assisted by a local expert (consultant), with review results being presented to government at a roundtable event or similar. Recommendations would cover legislative, process and institutional improvements. The review would be carried out as a joint

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<sup>5</sup> Convention on Environmental Impact Assessment in a Transboundary Context (Espoo, 1991) - the "Espoo (EIA) Convention"

activity between the government and the external legal expert. As national authorities' commitment is key for a successful Programme implementation, their active role in the review will be sought.

- **Legal drafting for SEA legislation** (up to 2 countries). Countries requiring assistance in drafting of legislation would be assisted by the EaP-GREEN Programme. Drafting would be supported in part by general guidance on resolving possible systemic inconsistencies between the Espoo Convention and environmental assessment within the framework of state ecological expertise, which is to be developed by a consultant for UNECE in 2013.
- **Sub-regional overview**. The results of the previous and new national legislative reviews would be combined with information gathered by an ECE consultant developing general guidance on resolving a possible systemic inconsistency between the Espoo Convention and environmental assessment within the framework of state ecological expertise. The resulting document would provide a valuable tool for the partner EaP countries in understanding the different approaches taken across the sub-region.

## **2.2 Capacity building on SEA/EIA procedures, following good practices including those in use in the EU Member States (lead implementing partner: UNECE)**

### *Background*

This activity represents the bulk of component 2 and should primarily comprise participative capacity-development workshops for stakeholders and pilot SEA or EIA procedures selected by the partner countries. The focus would be on SEA, where the greater opportunities for leverage for sustainability can be realized.

Most of the plans and programmes subject to SEA are either regional or local land-use plans. Capacity building on the regional/local level is of particular importance as many strategic decisions impacting on people's everyday lives, including for instance decisions on land-use planning, are made at the provincial level. This generally is also the level at which the public has the greatest opportunities and interest in influencing strategic decisions. Thus improving countries' capacities in SEA is most efficient if training and other activities are targeted at both national and regional/local level. Due to the prominent role of land-use plans, the involvement of relevant planning authorities is an important factor as well. Activities should target the provision to national authorities of the necessary knowledge and capacities for advising and training local authorities on SEA.

Based on the feedback received from the countries, training courses and other capacity-building activities are most efficient if combined with pilot SEA or EIA projects. However, selection of a suitable project, plan or programme, and good involvement of relevant authorities are vital for a successful project.

The activities set out below reflect and expand those requested by the partner EaP countries through the work plan adopted by the Meetings of the Parties to the Espoo Convention and SEA Protocol.

### *Objectives*

- To increase awareness and common understanding of the benefits of SEA at national and local levels and in different sectors, including the benefits of public participation and the consultation of relevant authorities;
- To diffuse knowledge across stakeholders of how to apply SEA at national and local level;

- To improve understanding and acceptance among decision-makers, relevant authorities and the public of the effects of plans, programmes and projects implementing SCP policies;
- To elaborate and support the implementation of recommendations for further improving the effectiveness of SEA and EIA systems, including a strategy for promoting approval;
- To provide opportunities for public participation in decision-making and strengthened governance in this area.

#### *Activities*

- ***National level training on SEA*** (up to 3 events in each of the six EaP countries). For each country, a tailored case study would be developed. Events would aim to bring together sectoral ministries, including those responsible for economics, industry, agriculture and health, as well as civil society representatives, consultants (practitioners), planners and environmental authorities. Courses would last four to five days, with the first in each country being delivered by two internationally-recognized trainers; subsequent events in the same country should have at most one international trainer, supported by local trainers. One event at the national level should be much shorter (half day) and should aim to raise awareness among senior decision-makers. The main success factor in such training courses is qualified trainers with good practical experience and local knowledge, who are able to tailor the case study specifically to the target country and relevant sector.
- ***Regional/local level training on SEA*** (up to 3 events in each of the 6 EaP countries). For each country a tailored case study likely to focus on land-use (including agriculture and industry) planning would be developed. Events would aim to bring together planners, local health, environmental and other authorities, consultants (practitioners) and civil society representatives. Courses would last four to five days, and would primarily be delivered by local trainers who have benefitted from earlier national-level training.
- ***Development of national guidance documents*** (up to 6). These documents would be developed in close cooperation with the national authorities, but might be based upon the materials in the ECE simplified resource manual (mentioned earlier) and the outcomes of national legislative reviews. They should also build upon earlier development by Georgia, the Republic of Moldova and Ukraine of national manuals for the implementation of SEA.
- ***Sub-regional coordination and experience-sharing events*** (up to 3 events). These sub-regional events would bring together representatives of the six partner EaP countries and some civil society representatives. They would provide the opportunity to share successes, challenges, solutions and experiences, as well as the results of capacity-building activities. They also encourage the development of personal relationships between experts in neighbouring countries. The events would focus on how SEA and EIA are supporting SCP policy implementation. They would follow the successful model of sub-regional cooperation workshops held under the Espoo Convention in Yerevan (2007) and Tbilisi (2011), for the Caucasus sub-region, and in Chisinau (2008) and Minsk (2010), for the Eastern Europe sub-region, and under the Belgrade Initiative on SEA (with agreements submitted by Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova) in Chisinau and Minsk in 2008. The sub-regional overview developed within activity 2.3.1 should be presented and explained in one of these events, as should the below-mentioned factsheets on application of SEA/EIA.

- **Pilot SEAs and EIAs** (up to 6). Pilot procedures would be applied to government land-use or sectoral plans and programmes, but might also include SEA of plans developed within activity 2.1.1, or plans developed within activity 2.2.4, as appropriate. The SEA process would be coordinated with UNEP. The pilots would support the SEAs and EIAs, notably with respect to public participation and consultation processes, as well as providing an analysis of effectiveness and the need for further regulatory, administrative or institutional strengthening. The underlying environmental assessments would be undertaken by the partner EaP countries with support or, in the case of project-level EIAs, by the project proponent, developer or investor. Detailed description of this activity will require coordination with the other Programme activities.
- **Factsheets on application of SEA/EIA** to (i) industrial reconversion and investment plans, and (ii) sustainable agricultural practices. These factsheets would need to be translated into the national languages, published in an attractive format and disseminated through the sectoral ministries, thematic events under the Programme, national contacts and other mechanisms to be identified. Coordination with the Programme's communications strategy is mandatory.
- **Participation in regional meetings on SEA/EIA** would be supported financially (up to 3 government or civil society representatives from each of the 6 countries each year), subject to clear commitments to the relevant UNECE legal instruments.

### ***2.3 Strengthening the administrative capacities of the authorities in charge of the environmental assessments (lead implementing partner: UNECE)***

#### *Background*

This activity will provide for the involvement of planners, competent authorities and decision-makers, and include clarification of responsibilities for SEA and EIA procedures, including for effective public participation, and the critical identification of what is and who takes the decision on a proposal. It will mainly be implemented through activities 2.3.1 and 2.3.2 as most of the activities mentioned above also enhance the administrative capacity of the authorities in charge of the environmental assessment.

However, when planning these activities special attention should be paid to the role of authorities in the process. A clear definition of both the competent authorities in decision-making and the responsibilities for arranging public participation are needed for efficient EIA and SEA. More specifically, in the case of SEA commitment and clear division of roles among other relevant authorities (planning, health, etc.) is required to achieve its targets of impacting strategic decision-making. For sectoral plans and programmes, joint capacity-development activities can help to strengthen coordination between government departments.

#### *Objectives*

- To involve all the relevant actors: planners, competent authorities and decision-makers (environment, health etc.) at central and local levels in the legislative reviews, technical assistance, training on and pilot implementation of EIA and SEA (as set out above).
- To define and clarify responsibilities and roles of each of them for the SEA and EIA procedures, including the arrangements for ensuring effective public participation.
- To strengthen cooperation between the sectors and tiers of government
- To enhance the administrative capacity of authorities in charge of the environmental assessment.

*Activities*

- ***Carry out legislative reviews of EIA and SEA, pilot projects, training and technical assistance*** (as outlined under 2.3.1 and 2.3.2), seeking active involvement of relevant authorities and stakeholders;
- ***Prepare recommendations*** that cover both legislative process and institutional improvements;
- ***Share and discuss the recommendations*** with governmental authorities at roundtable events;
- Include institutional building as part of the training objectives;
- Define and clarify roles and responsibilities of national authorities in the national guidance documents.



### **Component 3 – Demonstration Projects**

#### ***3.1 Resource efficient and cleaner production (lead implementing partner: UNIDO)***

This project activity is aligned with the joint global UNIDO-UNEP Resource Efficient and Cleaner Production (RECP) Programme. This programme will be selectively supported within the geographic limitation of the EaP countries and to the extent activities are consistent with overall EaP GREEN programme and could benefit from alignment with the global UNIDO-UNEP RECP programme.

The overall objective of the regional RECP Demonstration Component is to improve the resource productivity and environmental performance of businesses and other organisations in the target industry sectors in the EaP countries and thereby contribute to sustainable industrial development and generation of employment and incomes. This overall objective will be achieved through the implementation of RECP concepts, methods, practices and techniques by enterprises and other organisations. Benefits at enterprise level will be monitored in verifiable manner using a common framework of indicators for resource productivity (productive output per unit of consumption of materials, water and energy) and pollution intensity (intensity of generation of GHG emissions, waste water and waste per unit of productive output), as per methodology developed and trialled internationally under the global UNIDO – UNEP RECP Programme (including in Republic of Moldova). The Demonstration Programme will be strongly and integrally aligned with EaP-GREEN to achieve a high degree of EU visibility in the field of SCP in the EaP region.

Based on the findings of past and ongoing implementation of national RECP programmes in Ukraine (since 2007) and Moldova (since 2009), and on the results of preparatory activities in both Armenia and Azerbaijan (during 2008-2009), the following strategic directions will be followed to consolidate SCP initiatives in the EaP countries:

Consistently with the objectives of the regional RECP Demonstration Programme, *the projects to be implemented as part of EaP-GREEN will foster a business-oriented approach* that aims to capture benefits with regard to production efficiency, reduction of wastes and emissions and safer and responsible production.

*Priority sectors for the Regional RECP Demonstration Programme are food and beverage, chemical, and construction materials.* These sectors are largely consistent with those identified in the EaP-GREEN programme. Such sectors have good development potential across the region, whilst they also contribute to improvements in living standards and regionalisation of economic growth and job creation. Moreover, construction materials are pivotal for greening of buildings and sustainable urban and infrastructure development at large. In Armenia, Azerbaijan, Belarus and Georgia all three priority sectors will be covered under this regional RECP demonstration programme. In Ukraine, it is proposed to focus upon construction materials while the chemical sector would be addressed in the Republic of Moldova. The reason behind this distribution of sectors is due to the fact that the other two regional priority sectors are already covered through their respective ongoing UNIDO-led national RECP programmes. Further refinement and scoping to relevant sub-sectors and target enterprises will be undertaken with consultation with and upon endorsement of partner EaP countries in order to ensure synergies with national industrial development and environment priorities and maximize socio-economic and environmental benefits of the intervention.

*Development of networks of national RECP experts and advocates.* The plant level RECP assessments will be conducted by national experts, trained and coached under the programme. The national experts could be from business membership organizations (industry sector associations, industry federations or chambers of commerce and industry), technical institutes or university. National experts will be involved

in the follow up of the assessment findings (i.e. support for the implementation of feasible RECP opportunities, including, where appropriate, preparation of business plans and investment proposals) and monitoring of actual benefits achieved (using a common set of resource efficiency and pollution intensity indicators) in order to create a strong evidence base for the applicability and benefits of RECP. These records of achieved benefits will be widely disseminated in order to generate awareness, mobilize participants for the replication programmes and undertake advocacy for policy change conducive to RECP implementation.

*Complementary focus on entrepreneurial capacity building and industrial upgrading.* The entrepreneurial capacities of the business sector reportedly deserve further strengthening to improve business performance and long-term business-survival in EaP countries. Albeit not specific to RECP, it impacts also on the ability of enterprises to appreciate the full benefits and importance of implementing RECP. The Regional RECP Demonstration Programme will therefore complement specific RECP content with additional modules on principles and practices of production economics and business management.

*Trial and anchoring of replication mechanisms.* Previous sustainable production and related projects in the EaP countries have not yet been able to achieve significant scaling-up beyond the limited number (typically not more than a dozen per country/project) of demonstration enterprises receiving detailed technical and/or financial assistance. Special consideration is therefore given to include during the duration of this regional RECP demonstration already the development and trial of replication mechanisms or activities, based on regional nuclei or circles of enterprises (known as for example EcoProfit or alike in different EU member states), including the provision of coaching and technical support to such circles by the national experts trained and coached under the demonstration programme. These circles will be linked with business organisations (e.g. local chambers, industry clubs) and/or local government or (regional) development institutions to ensure their sustainability. It can then be expected that the networking among enterprises continues after completion of the present regional demonstration programme. This also creates a sustained linkage with and participation in the global RECPnet so that the countries can continue to benefit from international experience sharing and peer learning.

Under this overarching approach, work is planned in three areas: human and institutional capacity development; enterprise level implementation, dissemination and replication; and technology support. The details of these sub-activities are outlined below.

### ***3.2 RECP human and institutional capacity development (lead implementing partner: UNIDO)***

#### *Background*

A cadre of national experts having been trained and having developed assessment skills and business advisory competencies and experiences under the RECP Programme delivers value-adding RECP services to enterprises and other organizations in each EaP country. The RECP services to be developed and delivered by the national experts will be complementary to other types of environmental and energy advisory services (such as assistance on environmental law and permitting, environmental impact assessment and design and installation of effluent and waste treatment facilities). The RECP Demonstration Programme will therefore contribute to diversification of the environment and related business advisory services and should, already during the implementation of the Programme, gradually be made available to interested companies on (semi)-commercial basis. The national experts will be identified in cooperation with EaP partner countries and selected on the basis of qualifications and experience record and may come from e.g. business membership organisations, technology institutes, etc. Under the regional RECP demonstration programme these will be further trained in order to deliver in coordinated and sustainable manner RECP assessment, training, information, advisory and related services that are valuable to enterprises and other organisations.

*Objectives*

- To establish or strengthen a nationally appropriate mechanism for delivering value-adding RECP services to enterprises and other organisations in each EaP country.

*Activities*

- Identification, training and coaching of national experts in basic and advanced RECP methods and applications as well as supportive management/entrepreneurship topics. Successful implementation of RECP initiatives requires groups of national experts in each EaP country that can deliver RECP services to enterprises and other organisations in different regions and sectors in their home country. National experts will be identified and selected from relevant technical and or business institutions (e.g. universities, regional development agencies, chambers, industry and/or business associations, or private consultants) and are required to have an engineering or highly related disciplinary background, demonstrated experience in service delivery to enterprises and demonstrated affinity and understanding of environment and energy issues. The basic training will be on the RECP assessment methodology and include a combination of class room training and supervised execution of RECP assessment(s) for selected companies (in combination with activity 2.4.2.1), using the UNIDO Cleaner Production toolkit and other resources, leading to awarding of a UNIDO Cleaner Production Award to the national experts upon their presentation of a successfully completed RECP Assessment for at least one demonstration company. Short term advanced training needs will be identified and suitable training modules offered to foster further professional development, both on specialised RECP topics (where appropriate jointly with UNEP (e.g. on responsible production) as well as on management/entrepreneurship topics that would strengthen companies' capacities to implement RECP (e.g. financing, production economics, industrial maintenance, etc.). This activity will require the implementation of the following tasks:
  - Training of national experts in basic RECP assessment methods (in two consecutive rounds);
  - Preparation, marketing and delivery of expert training on advanced RECP topics that are supportive to RECP implementation in the target groups (depending on needs identified for example on chemicals management, industrial energy efficiency, technology transfer and/or environmental management accounting).
- ***Awareness raising and understanding of RECP opportunities and benefits at national and regional levels among enterprises, government and civil society.*** The Programme will implement in each EaP country an integrated programme of activities to improve awareness and understanding of RECP opportunities and benefits, and thereby contribute to the development of a market (or demand) for delivery of RECP services (and thereby enhance sustainability of the programme's achievements). This activity will require the implementation of the following tasks in each EaP country:
  - Establish, update and maintain an interactive bi-lingual (English-local language) website on RECP in each EaP country;
  - Organise and host at least two national RECP conferences/symposia in each EaP country;
  - Organise and deliver regular series of awareness and dissemination seminars in different regions of each EaP country and for different target groups and sectors.

- ***Efficient sharing of knowledge and experience and peer learning among national RECP experts from EaP countries.*** A key factor for maximising the impact of RECP is the development and implementation of an organisational arrangement in each EaP country that fosters collaboration, advocacy and sharing of best practices among the national experts, in a manner that responds to the needs of business and government sectors in their home country. This can be achieved through different mechanisms, including for example: focal or coordination point in government (e.g. industrial development agency) or industry associations, setting up of an association of RECP service providers or creation of a national RECP unit or centre in a suitably qualified and reputable national institution. This activity will require the implementation of the following tasks:
  - Provision of multi-stakeholder project steering function and appointment of national lead expert/RECP coordinator to draft and approve annual work programmes and review annual reports;
  - Assessment of institutional capacities in four countries (Armenia, Azerbaijan, Belarus and Georgia) and of existing NCPPs in two countries (Republic of Moldova and Ukraine) and development or refinement of nationally-tailored RECP service delivery model and structure (with stakeholders' input);
  - Putting in place of agreed nationally tailored RECP service delivery model, including governance and oversight functions in four countries (Armenia, Azerbaijan, Belarus and Georgia), and further strengthening of existing RECP service delivery mechanisms in two countries (Republic of Moldova and Ukraine).
- ***Setting up a customized mechanism for coordination and cooperation among national experts for RECP advocacy and sustained RECP service delivery.*** Such activity aims to create a community of practice among the national RECP experts from the different EaP countries and to support the professional and institutional development for RECP in the EaP region. The infrastructure (ICT etc) that is being set up for the global RECPnet will be utilized for this purpose, whilst in addition it is foreseen to organise three regional meetings of key national experts (kick off, mid-term and final). This activity will require the implementation of the following tasks:
  - Facilitate exchange of information, knowledge and experience on RECP implementation among EaP countries and efficient utilization of international knowledge from RECPnet;
  - Organisation of three regional meetings of key national RECP experts.

### **3.3 RECP Implementation, Dissemination and Replication (lead implementing partner: UNIDO)**

#### *Background*

The key expected outcome of this activity is to foster the implementation of a number of RECP concepts, methods, practices and technologies by enterprises and other organisations and to support the monitoring and verification of the resulting environment, resource use and economic benefits. Documented post-implementation benefits/successes are the foundation for communications and advocacy initiatives and will hence be widely disseminated through publications, workshops and other media. In addition to the standard approach for RECP implementation through fully-fledged RECP assessments in a number of selected demonstration companies, this demonstration component also foresees the development and trial of alternative assistance models aimed at replication of key RECP solutions in larger groups of enterprises (scaling-up). The activity will specifically target enterprises operating in the food and beverage, construction materials and chemical sectors. Implementation at enterprise level will be accompanied by capacity building of the enterprises and monitoring and evaluation of the environment, resource use, economic and potential other social benefits accomplished by enterprises.

#### *Objectives*

- To allow enterprises and other organisations in the EaP countries to implement RECP concepts, methods, practices and techniques and to monitor and verify their environment, resource use and economic benefits.

#### *Activities*

- Support the demonstration of the potential for improved resource productivity and environmental performance through RECP in enterprises and other organizations in all EaP countries. National experts will conduct detailed RECP assessments in some 20 demonstration companies in three sectors (in Armenia, Azerbaijan, Belarus and Georgia) and 8 demonstration companies in one sector (Moldova and Ukraine). The assessments will identify, evaluate and promote customised RECP opportunities and support enterprises with their implementation. The company assessments include techno-economic and environmental evaluation and support for the identification of financing options. Follow-up support will be provided to monitor and evaluate the benefits attained from RECP implementation, and use this information for preparation and dissemination of RECP success stories that document post-implementation financial, resource use and environmental benefits. Experiences gained from the demonstration projects will be reviewed with a view to identify barriers and enablers for implementation and input these to activities 2.2.4. This activity will require the implementation of the following tasks:
  - Identification and recruitment of demonstration companies from priority sectors, on the basis of company commitment and taking into consideration, where appropriate, suggestions and recommendations from industrial development agencies, industry associations and chambers of commerce;
  - In-depth RECP assessments of some 20 demonstration companies in four countries (Armenia, Azerbaijan, Belarus and Georgia) and some 8 companies in the remaining two countries (Moldova and Ukraine), staggered over two rounds (in connection with basic RECP training, activity 2.4.1.1);
  - Follow-up monitoring and techno-economic, environmental and financial evaluation of benefits achieved after RECP implementation in participating demonstration companies;

- Preparation, publication and dissemination of at least 7-10 enterprise success stories for each EaP country, each documenting post-implementation results achieved through RECP.
- ***Development, trial and installation of mechanisms for regional replication and scaling up of RECP in enterprises and other organizations in each EaP country.*** A customized group-based replication programme will be developed and trialled based on hands-on training of groups of some 7-10 SMEs, combined with individual coaching. Members of the group would be guided through the execution of consecutive steps for the implementation of RECP. The replication programme would be delivered twice in parallel in two or three different regions in four countries (Armenia, Azerbaijan, Belarus and Georgia) (total of 6 groups in these countries, achieving programme completion by at least 40 SMEs per country) and twice in parallel in one region in the remaining two countries (Republic of Moldova and Ukraine) (approximately 15 SMEs per country). This activity will require the implementation of the following tasks:
  - Development of a RECP replication programme and relevant resource materials, including translation into local languages;
  - Promotion of RECP replication programme in 1 to 3 regions in each EaP country and recruitment of companies;
  - Delivery of the replication programme in 2-3 regions in four countries over two rounds (total of 6 groups each for Armenia, Azerbaijan, Belarus and Georgia) and one region in remaining two countries (total of two groups each for Republic of Moldova and Ukraine);
  - Evaluation of impact of replication programme on participating enterprises and preparation and distribution of success booklets.

### ***3.4 RECP technology support (lead implementing partner: UNIDO)***

#### *Background*

The key expected outcome of this activity is to achieve an improved access to appropriate and affordable RECP practices and techniques, in particular for the target industry sectors. Common technical needs will be identified following the RECP assessments, customized technical solutions will be identified, and appropriate mechanisms developed for their transfer and/or deployment and effective implementation, operation and maintenance in the EaP countries.

#### *Objectives*

- To identify and promote the transfer and widespread deployment of appropriate and affordable RECP techniques and technologies for the target industry sectors.

#### *Activities*

- Development, evaluation and promotion for investment and implementation of pilot projects for adaptation and adoption of innovative RECP technologies in target sectors in all EaP countries. Specific opportunities for the adaptation and adoption of cleaner (RECP) technologies will be developed, assessed in detail and promoted for investment and implementation, with a view to create a set of pilot projects demonstrating the technical potential of industry modernization and adoption of Best Available Techniques and Best Environmental Practices (BAT/BEP). The

technology component will cover all three targeted subsectors. This activity will require the implementation of the following tasks:

- Undertake technology gap assessment with identification of appropriate RECP technologies;
- Undertake detailed feasibility and investment analyses for selected RECP opportunities with high potential (for emissions/waste reduction and/or replication);
- Prepare and promote (for investment and implementation) pilot projects involving innovative RECP technologies.

### ***3.5 Stimulating innovation and more sustainable goods and services through sustainable public procurement (lead implementing partner: UNEP)***

#### *Background*

In order to move towards more sustainable consumption and production patterns, emphasis needs to be placed on the change of consumption behaviours both from institutional and individual consumers. The role of governments is key in shifting consumption patterns and in creating incentives to increase the supply of more sustainable products. On the one hand, sustainable public procurement engages the purchasing power of governments through their public spending to stimulate better environmental and social performance of products in the market. On the other hand, product information tools, such as voluntary labelling (hereafter referred to as eco-labelling), provide consumers with information about the product's impacts and give market incentives to producers to produce environmentally and socially beneficial products.

As mentioned in the Policy Component (see section 2.2.3), there is considerable lack of operational policies, even where GPP-relevant provisions have been. The mandate for the implementation of environmentally sound procurement practices in ENPI countries stems from the Ministerial Declaration of the 2003 Kiev Environment for Europe Ministerial Conference, as well as in the Johannesburg Plan of Implementation and Agenda 21. It is also important to note that eco-labelling is taking off in some countries (e.g. Belarus).

Following the development of SPP National Action plans in the target countries under Component 1 (see point 2.2.3); the demonstration component will focus on supporting the implementation of SPP. This component will also aim at fostering the use of eco-labelling in target countries. This contributes to the EU's objective to increase market penetration of more sustainable products while improving the environmental performance of industries in transition countries.

#### *Objectives*

- To effectively implement sustainable public procurement in targeted countries;
- To raise awareness of public authorities, producers and consumers about the potential of eco-labels, including through the dissemination of best practices for practical implementation of eco-label related EU directives to the industry and public;
- To increase understanding and skills of policy-makers in applying eco-labelling.

### Activities

This demonstration component, built on policy development 2.2.3., will aim at increasing the procurement of more sustainable goods and services, on a whole life cycle basis.

- Technical support for the implementation of Sustainable Public Procurement (SPP) will be delivered through the following activities:
  - Selection of priority products and services: In consultation with the national SPP Steering Committee, and building on the results of the prioritization exercise (see section 2.2.3), a group of products/services will be selected for short term/immediate action .
  - Development of common product guidelines for prioritized products and services: development of sustainable product guidelines for priority products and services, with standard technical specifications to be inserted in tenders. Having a common set of criteria for each specific product or service would considerably reduce the administrative burden for tendering companies and public administrations implementing sustainable public procurement
  - Build capacity in the public sector procurers: Training material and tools will be adapted to fit the needs of the target countries. Training will target procurers will focus on the insertion of sustainability criteria throughout the whole procurement process.
  - Assistance throughout the procurement process: UNEP will provide assistance to the development of tenders with sustainability criteria targeting prioritized products/services, as well as in the elaboration of bidding document and contract management;
  - Elaboration of a Sustainable Products and Service Registry: In order to facilitate the implementation of sustainable public procurement, a registry will be created with the available sustainable products and services. The registry will build on the prioritized goods and services, and the market readiness analysis (see section 2.2.3).
  - Implementation of report and monitoring mechanisms: Building on the results of the policy component (section 2.2.3), and taking into account the specified priority products and services, specific reporting and monitoring systems will be developed in the countries.
- **Awareness raising and capacity development** to enhance synergies between eco-labelling and SPP, targeting policy makers. This activity will be delivered through the following tasks:
  - A national consultation and training workshops will be carried out (in conjunction with component 2.2.3), at national level, targeting policy-makers, public purchasers and other relevant stakeholders including consumer associations, on the application of SPP and eco-labelling as policy tools to create the demand for and enhance supply of sustainable products.
  - Further technical assistance will be provided to the private sector on compliance with sustainability criteria for public procurement. UNEP will ensure that the target industries are part of the prioritized products/services (see 2.2.3), ensuring maximum synergies. UNEP will target its technical assistance to private sector, chambers of commerce, industry representatives. Eco-innovation potentials for specific products and services would also be explored.



- Information campaign targeting all relevant stakeholders, highlighting the government's role in "leading by example" through sustainable public procurement. The information campaign will build on the "quick wins" and communicate on best practices.

### ***3.6 Promoting organic agriculture (lead implementing partner: UNEP)***

#### *Background*

There are significant opportunities for promoting organic farming in the EaP countries, given the low level of pesticide and fertilizer use since 1994, the significant share of small farms, and the availability of agricultural labour<sup>6</sup>. Export opportunities exist as well, given the close proximity to the EU, which is one of the biggest and fastest growing markets for organic products.

UNEP undertook scoping studies on green economy and organic agriculture in Armenia, Moldova and Ukraine in 2011. The study revealed that benefits of organic farming in Eastern Europe and Southern Caucasus include: direct economic benefits from the organic production system and markets, i.e. higher profitability, creation of jobs, fostering business growth for farming and processing; substantially reduced negative externalities such as pollution, greenhouse gas emissions, negative effects on human health, reduced loss of biodiversity; and improved ecosystem services (e.g. soil quality, water purification, biodiversity conservation, regulation of carbon).

Support could be provided to strengthen the organic agri-food supply chain, by developing relevant policies, traceability systems, certification schemes, investment mechanisms and research, as well as technical capacity-building and trade facilitation. UNEP intends to support EaP partner countries in setting up a regional organic agriculture standard that could promote the development of organic farming. This standard is expected to enhance export opportunities and promote intra-regional trade, thus further expanding markets for organic producers.

#### *Objectives*

- To increase production and trade of organic agricultural products by building the capacity of the private sector (farms and companies) to access growing international and European markets for organic products;
- To demonstrate the value and feasibility of a sub-regional organic agriculture standard.

#### *Activities*

- ***Provide training, market information, and marketing tools to farms and companies*** to prepare them for establishing and expanding businesses and trade in organic agriculture. Specific activities will include:
  - Development of packages that provide market information and analysis for different products and different markets, including the European and emerging markets, to organic farms and companies;
  - Identification of tariff and non-tariff barriers to trade in organic products and provide hands on training to overcome them;

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<sup>6</sup> UNEP-EEA Report No 3/2007, "Sustainable consumption and production in South East Europe and Eastern Europe, Caucasus and Central Asia".

- Guide companies in packaging, branding and marketing their products and support their participation in international organic trade fairs to expand their business and product lines;
- Document best practices and lessons learnt from different activities and make them available to organic producers, traders and development partners supporting the organic sector.
- ***Organise three annual Regional Workshops on Organic Agriculture*** with participation of private sector, export promotion bodies, and policy-makers. These workshops should, inter alia, aim to catalyse i) development and subsequently implementation of a roadmap for policies and supply chain partnerships to promote production and trade of organic agricultural products, ii) develop capacity and share information about economic, environmental and poverty reduction benefits of investing in organic agriculture, and (iii) create momentum in the region for transitioning towards a green economy through organic agriculture.
- Develop a feasibility study for sub-regional organic standards in consultation with government agencies, farms, companies and/or business associations representing them. Specific activities will include:
  - Conduct cost benefit analysis of developing and using a sub-regional standard vs. continuing with business as usual (use of international or non-local standards);
  - Develop a feasibility study for a sub-regional standard based on comparison of existing national standards. A regional technical working group will be established to develop this study. Representatives of the ministries of agriculture, bureaus of standards, organic producers and traders will be members of the working groups. At least three meetings of the working group;
  - Develop a roadmap to operationalize the sub-regional organic standard at farm and company level.