

Greening economies in the EU's Eastern Partnership countries

AZERBAIJAN

Greening economies is important because the current models of growth continue to erode the stocks of natural assets and undermine the integrity of ecosystem services on which economic activity depends. Failure to adequately manage natural capital will result in increasing costs of substituting the services it provides. Impacts on economic development are unpredictable as changes in ecosystems, and their capacity to support growth, do not follow a linear, foreseeable trajectory.

How can Azerbaijan benefit from greener growth?

Azerbaijan's geographical location in the Caucasus region makes the country uniquely endowed with rich biodiversity and variety of landscapes. Azerbaijan also holds economically important natural resources, most importantly oil and gas which have been central to Azerbaijan's economic growth.

During the past years, Azerbaijan's economy became more integrated into the global economic marketplace. Wide-ranging economic reforms have resulted in improving regulatory efficiency and encouraging domestic economic diversification, especially in the areas of agriculture, tourism and information and communications technology. Foreign investments remain an important factor of stable social and economic development of the country.

However, many years of petroleum production and industrial development have had profound environmental consequences on soils, water, air, nature and directly on health of the citizens. Some 70% of available surface water resources are heavily polluted due to industrial operation but also inadequate municipal wastewater treatment. Decline of emissions from stationary sources was offset by an increase of emissions from mobile sources.

Although waste disposal practices have been significantly improved by upgrading operations and by limiting the number of disposal sites, existing landfills do not meet international sanitary standards and the practices of waste recovery, reuse and recycling are limited.

As Azerbaijan improves its economic performance, integrating environmental concerns into sectoral policies remains a key challenge for the future in order to mitigate negative environmental impacts from high-impact economic sectors. Considering the finite nature of oil and gas resources, Azerbaijan needs to diversify its economy through uncovering the potential of other sectors, while addressing environmental sustainability.



Which EaP GREEN activities are planned in Azerbaijan?

Despite several environmental strategies being in place in Azerbaijan, there is an urgent need to better coordinate actions on greening the economy across different economic sectors. Azerbaijan's green transformation can foster economic growth and social development while ensuring that natural assets continue to provide material inputs and services on which economy and well-being rely. Greening economic growth can enhance productivity and innovation, create new jobs and markets, and generate additional fiscal revenue. In this context, the EaP GREEN programme aims to help the government establish an integrated policy framework for the transition to a green economy through the reform of policy instruments, adoption of new analytical tools, an improved access to environmental finance, the support of capacity development, and the implementation of pilot projects in the public and private sector.

Key achievements of the EaP GREEN components in Azerbaijan:

- **Development of green growth indicators:** The regional expert meeting “Shared environmental information system and green growth” took place on 10-11 March 2015 in Paris with the participation of two delegates from Azerbaijan. The meeting raised awareness about the value of GGIs and identified 6-7 headline indicators for regional use.
- **Greening SMEs:** The OECD led a country-level stakeholder consultation on promoting better environmental performance of SMEs on 21 May 2015 in Baku. The workshop proposed the strengthening of government policies to promote voluntary environmental compliance and green business practices at SMEs in Azerbaijan.
- **Reform of product taxation:** The OECD organised a national stakeholder workshop on economic instruments for managing environmentally harmful products on 21 May 2015 in Baku. The discussion focused on excise taxes on motor fuel and vehicles, and on extended producer responsibility schemes.
- **Reform of environmentally harmful subsidies:** A survey of energy subsidies in EaP countries - including Azerbaijan - will be launched in the second half of 2015. An international consultancy firm was selected through an open-tender to roll-out the project. Preliminary results will be presented towards the end of the year.
- **Promotion of better use of SEA and EIA:** The initial assessment of the national legislative and institutional structures against the provisions of the UNECE Protocol on SEA was carried out during May-October 2014. The UNECE assists national authorities in Azerbaijan in drafting the new EIA and SEA law between October 2014 - November 2015. These provisions are tested through a pilot application of SEA to the Action Plan on Alternative and Renewable Energy Resources Use during February - October 2015.
- **Demonstration projects and capacity building in resource efficient and cleaner production (RECP):** Eight demonstration companies were selected to participate in the first round of RECP assessments in Azerbaijan. Findings were presented at a final review meeting on 20 February 2015, as well as at the national RECP conference which was held on 21 April 2015 in Baku.
- **Organic agriculture:** EaP Green was one of the main sponsors of the 5th International Conference on Organic Sector Development in Central/Eastern European and Central Asian countries held on 16-17 April 2015. A break-out session on organic agriculture and green economy featured speakers from Armenia, Moldova, Georgia, Azerbaijan, Belarus and Ukraine. This programme component is led by UNEP.

How is the EaP GREEN programme organised?

The “Greening Economies in the European Union’s Eastern Neighbourhood” (EaP GREEN) programme supports the six the Eastern Partnership (EaP) countries to move towards green economy by decoupling economic growth from environmental degradation and resource depletion. These countries are: **Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.**

The programme is structured around three components:

- Governance and financing tools for sustainable production and consumption (SCP) and green economy;
- Strategic Environmental Assessment and Environmental Impact Assessment accompanying SCP policy implementation; and
- Demonstration projects. Governments and the private sector are the key target groups of EaP GREEN.

The programme is financially supported by the European Union and other donors, and is jointly implemented by four international organisations – OECD, UNECE, UNEP, and UNIDO. The OECD acts as the leading partner with responsibility for overall coordination and visibility.

The EaP GREEN programme has two Focal Points in each participating country: one from a national ministry of environmental affairs, and another one nominated by the national ministry of economy related matters.

The Programme’s Steering Committee (SC) oversees the programme implementation. Its members include the NFPs, the European Union and representatives of the four implementing partners. The SC meets annually. Such meetings are open to the NGO community and donors, as well as other international organisations.



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