



Action funded by the European Union

# EU4Environment

Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova, Ukraine

# A partnership for green development in **Ukraine**



Action implemented by:





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**Greening Ukraine's economy is urgently needed as 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.** This decade is decisive for boosting the resilience of societies and economies in the context of urgent climate and environmental challenges. The shift becomes even more pertinent in the context of the global health emergency of the coronavirus (COVID-19) pandemic.

The EU-funded "EU4Environment" Action, launched in 2019, helps Ukraine, as well as five other partner countries - Armenia, Azerbaijan, Belarus, Georgia and the Republic of Moldova - preserve their natural capital and increase people's environmental well-being, by supporting environment-related action, demonstrating and unlocking opportunities for greener growth, and setting mechanisms to better manage environmental risks and impacts.

EU4Environment integrates in a single strategic framework initiatives to achieve: greener decision making, sustainable economy and green growth, smart environmental regulations, ecosystem protection and knowledge sharing.

## How can Ukraine benefit from greener growth?

As part of its co-operation with the European Union, Ukraine has made commitments to a green economy. This is reflected in the Eastern Partnership Summit Declarations and in the Association Agreement with the EU. In Chapter 6 of the Association Agreement, Ukraine commits to strengthen co-operation on environmental issues thereby contributing to the long-term objectives of sustainable development and a green economy.

Investing into greener growth will bring benefits to Ukraine while failure to adequately manage natural capital will result in increasing costs of substituting the services it provides:

**Reducing air pollution will make people healthier:** Currently, welfare costs associated with air pollution by fine particles represent almost 8% of GDP equivalent in Ukraine, compared to 3.8% on average in the EU. The mean exposure to fine particles (PM2.5) by population of Ukraine is twice higher than the WHO guideline (21 vs 10  $\mu\text{g}/\text{m}^3$ ).

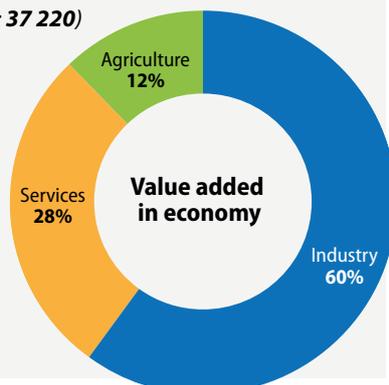
**A less wasteful, more resource-efficient approach will make the economy more competitive:** The industrial sector in Ukraine accounts for 34.5 % of final energy consumption (2015), a share that is considerably higher than in the EU (25.3 %). Ukraine's outdated technologies, especially in the mining and metallurgical sector, have resulted in excess consumption of primary resources, materials and energy. Despite some improvements, Ukraine's CO<sub>2</sub> and energy productivity remains the lowest among the EaP countries and well below the EU level. Over 296 million tonnes of waste are generated in the country (2016), with 97.8% by the industry and almost 74% by the mining and quarrying sectors.

### SOCIO-ECONOMIC CONTEXT

Real GDP per capita, 2010 USD,  
2018: **7 680** (EU average: **37 220**)

Labour tax revenue,  
% of total, 2018: **40**  
(EU average: **56**)

Population density,  
inhab./km<sup>2</sup>, 2018: **73**  
(EU average: **116**)



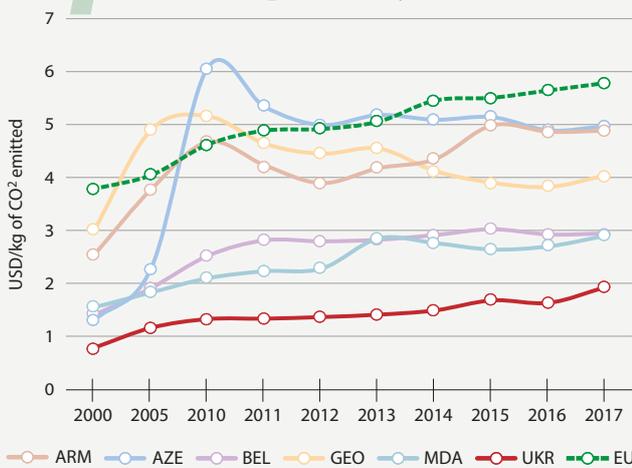
**Greening will open new employment and economic growth opportunities:** With a population of 44.6 million, the country faces relatively high unemployment rate of 9.3%. Greening of Small- and Medium-Sized Enterprises (SMEs) will be crucial as they play an important role in the economy by employing more than 4 million people and generating about 20% of the GDP but also considerable aggregate environmental footprint. Ukraine's big export market is the EU where consumers increasingly take environmental considerations into account.

**A safeguarded ecosystem, restored land and forests will provide economic and ecological services:** Ukraine's rich natural resources are under pressure from overuse and pollution. About 16% of Ukraine's territory is covered by forest with only about 15% of this area under sustainable management certification. Ukraine's relatively abundant renewable water resources, 3 910 m<sup>3</sup> per inhabitant/year, are under pressure from industrial, agriculture and household pollution.

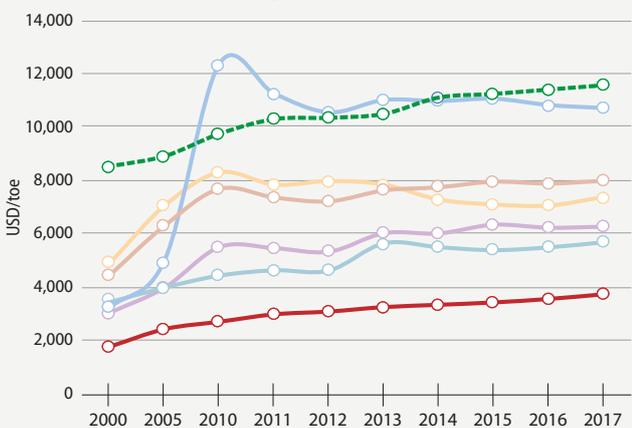
## FOUR DIMENSIONS OF GREEN GROWTH

### 1 Environmental and resource productivity, 2017

#### CO<sub>2</sub> Productivity



#### Energy Productivity



### 2 Natural asset base

**CROPLAND, 2015: 75% of total land area**  
(EU average: 41%)

**WATER, 2015: 2.5% of total land area**  
(EU average: 3%)

**Total renewable water resources: 3 910 m<sup>3</sup> per inhab./year** (countries under 1 700 m<sup>3</sup> are considered water-stressed)

**FOREST STOCK, 2015: 2 196 mln. m<sup>3</sup>**  
(EU average: 950 mln. m<sup>3</sup>)



### 3 Environmental dimension of quality of life

Deaths from PM2.5, 2017: **694** per 1 mln inhab.  
(EU average: 402)



Welfare cost associated with PM2.5 pollution, 2017: **8%** of GDP (EU average: 3.8%)

Population with access to improved drinking water sources, % of total, 2017: **86.5%**  
(Euro area average: 98.1%)

### 4 Economic opportunities and policy responses

Environment-related technologies, 2016: **6.9%** of total (EU average: 10.8%)



\* To support policies in aligning economic and environmental priorities and to monitor progress towards green economy, the OECD developed a measurement framework which consists of a set of green growth indicators that can capture progress in four areas of green growth: <https://www.oecd.org/greengrowth/green-growth-indicators/>



# How does the EU help?

## Areas of cooperation within EU4Environment in Ukraine



### Greener decision making

**OBJECTIVE:** Make political leaders, civil servants and the general public aware and supportive of green growth and promote economic and environmental policy integration.

This work is implemented by UNEP and UNECE.



#### WHAT IS THE BASELINE IN 2019?

- An Environmental Strategy till 2030 adopted (2018)
- An inter-ministerial group on green economy established
- An array of reference frameworks, manuals and tools for green economy transition developed
- The Law on Environmental Impact Assessment (EIA) adopted in 2016 and the Law on Strategic Environmental Assessment (SEA) in 2018

#### WHAT WILL BE ACHIEVED BY 2022?

- A functional green planning and decision-making system established and civil servants well prepared to apply green economy concepts in their work
- 4 million people reached across the EaP region by communication campaigns and made aware of green economy issues
- SEA and EIA legislation fully aligned with relevant EU Directives and the UNECE Espoo Convention
- Strategic environment assessments applied in priority economic sectors and critical capacity built for SEA and transboundary EIA application



**DID YOU KNOW?** Ukraine is Party to the UNECE Convention on EIA in a Transboundary Context (Espoo Convention) and, since 2015, also Party to its Protocol on SEA.



### Circular economy and new growth opportunities

**OBJECTIVE:** Scale-up public and private action on circular economy and sustainable production and lifestyles.

This work is implemented by UNEP and UNIDO.



#### WHAT IS THE BASELINE IN 2019?

- Green components, including innovation potential, integrated into its Small- and Medium-Sized Enterprises Strategy Development 2020 and its Action Plan (2018),
- Development of National Strategy on Industrial Development until 2025 launched
- Resource Efficient and Cleaner Production (RECP) Centre established in Kiyv and the RECP clubs in Kharkiv and Chernihiv
- The National Waste Management Strategy until 2030 adopted and the development of a draft law on waste management launched
- A Law on public procurement adopted (2019)

#### WHAT WILL BE ACHIEVED BY 2022?

- Resource savings of up to 15% in water and energy use and 2-3% in raw materials reached by SMEs that apply RECP approach
- Waste maps prepared in selected Ukrainian municipalities
- Product Environmental Footprint practices applied by selected manufacturing enterprises
- Sustainability criteria for the new priority product groups defined and pilot public tenders launched
- SMEs managers trained on eco-innovation and RECP approaches



**DID YOU KNOW?** SMEs represent 99% of businesses in Ukraine (more than 25% in resource intense industrial sector), but only 9% are currently using RECP. The Government of Ukraine is working on support to SMEs as confirmed by the creation of the SME Development Office (SME portal) and adoption of the Small Business Act.



## Environmental level playing field

**OBJECTIVE:** Improve incentives and governance mechanisms that aim at correcting market failures related to the environment, thus ensuring a level playing field in the context of intensified economic exchange with the EU.

This work is implemented by the OECD.



### WHAT IS THE BASELINE IN 2019?

- Approximation of the legislation with the EU Directives on Industrial Emissions and Medium Combustion Plants launched
- Development of dedicated regulatory framework for SMEs (General Binding Rules) identified as a priority
- Fossil fuel subsidies, that reached nearly 13% of GDP in 2014, significantly reduced in 2016
- Public Administration Reform Strategy and its Action Plan until 2021 adopted
- A Reform Support Team established in the former Ministry of Ecology and Natural Resources
- Environmental management structures strengthened, including the merger of Ministries of Ecology and Natural Resources and of Energy into the Ministry of Energy and Environment Protection

### WHAT WILL BE ACHIEVED BY 2022?

- National legislation regulating environmental management in large enterprises aligned with that of the EU
- General Binding Rules for SMEs developed for priority economic sectors
- Environmental inspectorate strengthened and equipped with more effective compliance promotion instruments and non-compliance responses
- Inventory on subsidies updated and published on line in the OECD Fossil-Fuel Subsidies Database
- Operations of selected national public funding entities that provide green finance strengthened
- Debt capital financing for green investments (including through green bonds) mobilised
- Administrative capacity of public environmental administration strengthened and new capacity building activities designed and carried out



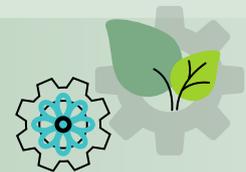
**DID YOU KNOW?** In 2016 to support Ukraine in reforming its economy and public administration, the "Reform Support Teams" (RSTs), formed of young professionals outside the Ukrainian civil service, were created in a number of pilot Ministries (Ministries of Finance, Economic Development and Trade, Infrastructure and Agrarian Policy and Food). The initiative was funded by the EU, EBRD and other international donors. After the pilot phase, more Ministries benefited from the creation of RSTs, including the former Ministry of Ecology and Natural Resources (now, Ministry of Energy and Environment Protection).



## Monitoring progress at environment-economy nexus

**OBJECTIVE:** Facilitate regional knowledge sharing and coordination, monitor progress towards green economy.

This work is implemented by the OECD.



### WHAT IS THE BASELINE IN 2019?

- National set of the OECD-based green growth indicators (GGIs) developed and integrated into statistical system of Ukraine
- Increasing demand from industry and public for better environmental reporting

### WHAT WILL BE ACHIEVED BY 2022?

- Policy makers equipped with up-to-date regular measurement tools to assess progress in greening the economy
- The public engaged in evaluating greening the economic growth of Ukraine



**DID YOU KNOW?** Out of more than 100 OECD indicators, 60 were adopted in Ukraine, in line with strategic development goals. Data on selected GGIs for Ukraine are also collected by OECD and are also available in the OECD statistical database.

## About

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- **Budget:** about EUR 20 million for the six EaP countries (with EUR 19.5 EU contribution)
- **Duration:** 2019-2022
- **Implementing agencies:** OECD, UNECE, UNEP, UNIDO and the World Bank.
- **Overall guidance:** European Commission.
- **Key national partners in Ukraine:** Ministry of Energy and Environment Protection and Ministry for Development of Economy, Trade and Agriculture.

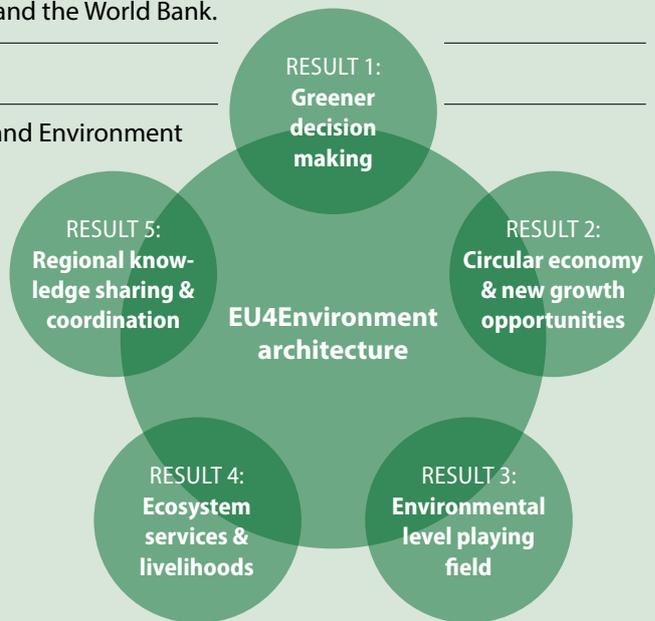
By bringing together environmental and economic actors, EU4Environment helps to deliver policy and legislative changes, making planning and investment greener, stimulating the uptake of innovative technologies, adopting new business models, and creating green jobs. It also promotes better environmental governance, improved management of protected areas and forests, and sustainable trade.

The scope of the Action was defined in cooperation with all partner countries. It targets both public and private sector actors, aiming at creating a critical mass of capacity for greener growth.

It ensures continuity of engagement of the European Union within the Eastern Partnership and builds on political engagements of the partner countries since the Eastern Partnership's establishment in 2009 and the results achieved.

It also provides a vehicle for implementing the European Green Deal, a new green growth strategy that aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy as well as the Joint Communication "Eastern Partnership Policy Beyond 2020: Reinforcing Resilience – An Eastern Partnership that Delivers for All".

The EU4Environment Programme builds on important achievements of past cooperation programmes, such as Greening Economies in the Eastern Neighbourhood (EaP GREEN), the Forest Law Enforcement and Governance (FLEG), and the Emerald Network, which were completed in 2017-18. See more in [EaP GREEN brochure](#) and [Infographic](#).



**Sources:** OECD Green Growth Indicators database, Environment at a Glance - OECD Indicators, World Bank Development Indicators database, Eurostat, EU4Business, Green Growth Knowledge Platform, EU4Environment inception report, EUWI+ inception report, EaP GREEN Brochure, OECD report *Inventory of Energy Subsidies in the EU's Eastern Partnership Countries (2018)*, OECD report *Green transformation in Ukraine (2016)*.

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