



Action funded by the European Union

EU4Environment

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

Towards a Green Economy in **Azerbaijan**

Work in Progress – 2019-20



Action implemented by:





Towards a Green Economy in Azerbaijan

EU4Environment Work in Progress – 2019-20

Since 2019, the EU-funded EU4Environment Programme has been supporting Azerbaijan, along with the other five Eastern Partner (EaP) countries, in pursuing its path of green transformation. It helps 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.

During 2020, the work was considerably affected by the COVID-19 pandemic. Despite this unprecedented global challenge, the programme pursued its planned activities and generated several concrete results on the ground.

This brochure highlights activities under EU4Environment in 2019-20, showing concrete results in Azerbaijan and at the regional level.



Greener decision making

- **Environmental Impact Assessment (EIA) and Strategic Environmental Assessment (SEA) legislation:**

Azerbaijan progresses on its commitment to apply EIA, including in a transboundary context, to prevent and mitigate damage to the environment and health from economic growth. A virtual roundtable was held to support development of secondary legislation on EIA and SEA.

- **Introductory Green Economy training course:** The Azerbaijani online version of the course (open to civil

servants and the broader public) is under preparation. The training materials are translated into the national language and ready for launch in 2021.

- **In-depth Green Economy policy-making training course:** Seven civil servants took part in a tailored online course. They learned how to review, analyse and integrate green economy, sustainable consumption and production approaches into policies and strategies at national and sectoral levels.



DID YOU KNOW? SEA and energy sector: According to the EU Directive on SEA and the UNECE Protocol on SEA, SEA is obligatory for government plans and programmes in different sectors. This includes the energy sector when setting the framework for development consent for specific projects. Azerbaijan has used recommendations of the SEA pilot supported under the EU-funded EaP GREEN (2013-18) to improve its milestone document in the energy sector – the **National Strategy on the Use of Alternative and Renewable Energy Sources 2015-20**.

Reducing plastic waste: Azerbaijan is taking important steps to reduce the impact of plastic waste on the environment. In 2020, it put forward amendments to its draft Law on Environmental Protection to impose restrictions on the import, production, sale and delivery of polyethylene bags up to 15 microns thick, as well as on plastic disposable tableware.



Circular economy and new growth opportunities

- **Resource Efficient and Cleaner Production (RECP)** proves to be a profit-oriented environmental strategy for manufacturing small and medium-sized enterprises (SMEs). It is considered to be an

important part of the new online self-assessment tool for greening SMEs in Azerbaijan.



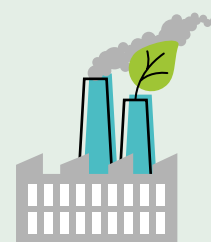
DID YOU KNOW? RECP benefits: The stakeholders' analysis in Azerbaijan identified at least ten institutions and organisations with potential to benefit from including RECP in their business strategy.



Environmental level playing field

- **New online self-assessment tool for greening SMEs in Azerbaijan:** EU4Environment contributed to the development of an online tool to help SMEs assess their environmental performance.
- **Assessing progress on greening SMEs:** The evaluation, part of the SME Policy Index, showed that Azerbaijan has a number of sectoral plans that support the green economy. Although they do not specifically target SMEs, they may potentially benefit some SMEs and build a foundation for their growth.
- **Collection of 2010-19 data on fossil fuel subsidies for the OECD-IEA database:** The inclusion of Azerbaijan, along with other EaP countries, in the OECD-IEA database on fossil fuel subsidies is an important milestone in

achieving transparency in this area. It also recognises the efforts of EaP governments to disclose information on the size of government support provided to the energy sector in these countries.



- **Unlocking the potential of the green bond market:** The work analyses the possibility of using green bonds to raise additional resources for the transition to a low-carbon and resilient economy.
- **Strengthening the administrative capacity of the environmental sector:** The analysis was launched to assess administrative capacity for greening the economy, identify gaps and recommend reforms.



DID YOU KNOW? Data on fossil fuel subsidies for 2010-19 for the EaP countries, including Azerbaijan, is available in the OECD-IEA database on fossil-fuel subsidies and integrated into the OECD database on green growth indicators. For example, total fossil fuel support in Azerbaijan in 2018 accounted for 1.94% of gross domestic product. About 62% of this support went to fossil fuel producers, while 38% went to consumers. Visit: <https://stats.oecd.org/>



Ecosystem Services and Livelihoods

- **Biodiversity and sustainable forestry:** The European Union and the World Bank signed an agreement at the end of 2020 allowing the World Bank to join EU4Environment in 2021. This work will support ecosystem services and livelihoods in the six EaP countries, including Azerbaijan. The activities will strengthen the Emerald Network and the management

of existing protected areas and sites. They will also contribute to better forest conservation and sustainable use, prevention of illegal trade and awareness about new green finance instruments for the sustainable management of forests and ecosystem services.



Highlights of COVID-19 green responses in Azerbaijan

The year 2020 was marked by the unprecedented global challenge of the COVID-19 pandemic whose health and socio-economic impacts affected all countries around the world. In Azerbaijan, where the extractives sector generates around 35% of gross domestic product (GDP) and over 90% of exports, the fall in commodity prices has had a negative impact. Based on International Monetary Fund estimates, GDP of Azerbaijan was expected to fall to -4% in 2020 compared to 2.2% in 2019 before reaching 2% in 2021. Unemployment was projected to rise to 6.5% in 2020 and 5.8% in 2021 compared to 4.8% in 2019.

In response to the economic downturn, Azerbaijan took emergency measures to mitigate the socio-economic consequences of the pandemic. Some of these measures, highlighted below, aim at advancing environmental objectives:

- **Azerbaijan 2030:** Among its key elements, “Azerbaijan 2030: National Priorities for Socio-Economic Development” aims to ensure a high quality ecological environment, promotion of green technologies and development of alternative and renewable energy sources.
- **Action Plan for the post-COVID-19 period:** The plan has three elements: 1) support for economic growth and entrepreneurship; 2) employment and social welfare support; and 3) microeconomic and financial stability.
- **Creation of a new green growth structure within the Ministry of Ecology and Natural Resources:** The Green Development and Innovations Subdivision of the International Co operation Division is under creation.
- **Commissions on climate change and water management:** Azerbaijan approved the composition of a state commission on climate change. A presidential decree established a new commission on water management to address water scarcity.
- **Creating green jobs:** The number of public jobs was increased from 38 000 to 90 000 to support employment generation during the pandemic. The jobs involve disinfection activities and rendering social services to vulnerable groups but also include developing urban green space.



DID YOU KNOW?

EU4Environment has revamped its **website**. It provides an extensive overview of its work on the implementation of green policies in EaP countries.

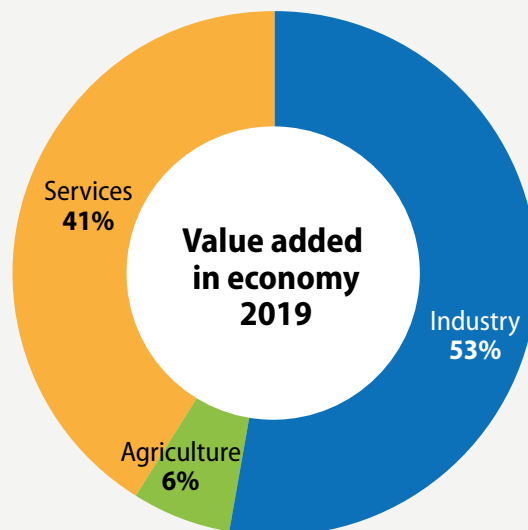
As of 31 December 2020, EU4Environment counted 329 newsletter subscribers and reached out to 150 000 people on social media.

Subscribe to our monthly **newsletters** and follow us on **Facebook**.

SOCIO-ECONOMIC CONTEXT

Population 2019: **10 048 min.**

Real GDP per capita 2019: **14 451** USD 2015



- **Improving solid waste management:** The Action Plan includes solid waste management to prevent unsanitary conditions and environmental pollution in order to mitigate the negative consequences of COVID-19.
- **Supporting cleaner air:** Azerbaijan plans to import 300 environmentally friendly buses. These will either run on compressed natural gas or have hybrid engines to replace old vehicles that contribute to high levels of air pollution in Baku. This aims to sustain the decreased air pollution during the pandemic. Work continues on the financial, administrative and fiscal measures needed to increase import of new and ecologically friendly vehicles into the country and reduce use of older ones.
- **Promoting energy efficiency:** Azerbaijan is working on a draft “National Energy Efficiency Action Plan” with support of EU4Energy. This aims to enhance the energy sector by promoting energy efficiency and use of renewable energy sources.
- **Supporting biodiversity:** A project was launched to establish a biosphere reserve in Zagatala region, the first reserve in the South Caucasus.

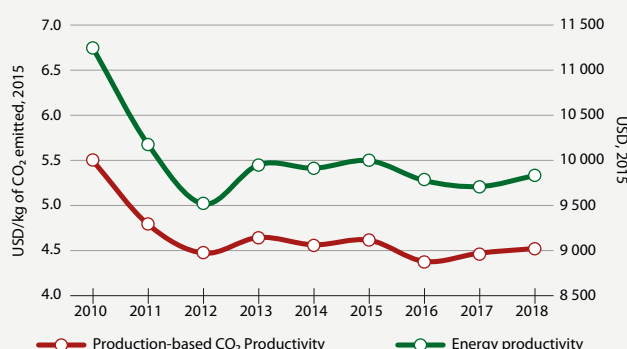
To support Azerbaijan in these efforts, EU4Environment held a virtual country consultation with government officials. Participants reviewed the country's situation in light of COVID-19 and discussed how to tailor EU4Environment activities to support green recovery from the crisis more effectively.

Highlights of regional activities

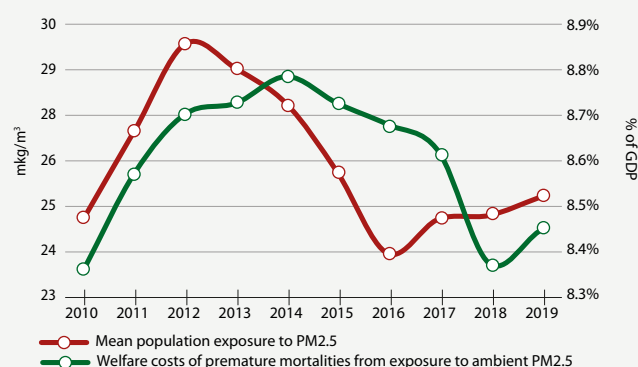
- **Sub-regional workshop on the practical application of SEA and transboundary EIA.** More than 40 representatives of environmental authorities from the EaP countries, including Azerbaijan, exchanged experiences in the development of national environmental assessment systems. In addition, they received guidance and targeted training on applying environmental assessment tools and good international practice.
- **Transboundary EIA procedures/Espoo Convention video:** It raises awareness on EIA procedures and promotes related benefits for the EaP countries.
- **Regional training on Environmental Management Systems (EMS):** More than 50 experts from the EaP countries took part in this hands-on training. Using the example of an Austrian chocolate producer, participants worked on its full production cycle – from cacao beans to the final product. They also analysed and developed the key stages of the EMS application – from stakeholders' analysis to conformity monitoring standards.
- **Regional workshop on the implementation of eco-industrial parks.** More than 140 participants from EaP and Central Asian countries reviewed the operations of eco-industrial parks. They used international best practices, such as improving socio-economic and environmental performance of park residents, promoting resource efficiency and circular economy, and creating innovative avenues for responsible business practices.
- **Regional seminar on Best Available Techniques (BAT):** More than 50 participants reviewed progress in applying the BAT approaches in the EaP countries, including Azerbaijan. They discussed challenges and accomplishments, while learning from the experiences of peer countries and EU members on approaches to support implementation.
- **Regional seminar on risk-based approaches to environmental compliance assurance.** About 50 officials and experts, including from Azerbaijan, shared experiences and learned best practices in using risk-based approaches to environmental compliance assurance in the EU and EaP economies. The EU Network for the Implementation and Enforcement of Environmental Law (IMPEL) also participated.
- **Two EU4Environment Regional Assembly meetings** reviewed progress with EU4Environment implementation and agreed on plans. The meetings also provided a platform for regional knowledge sharing and dissemination of best practices.

GREEN GROWTH INDICATORS IN AZERBAIJAN: WHAT DO THEY TELL US?

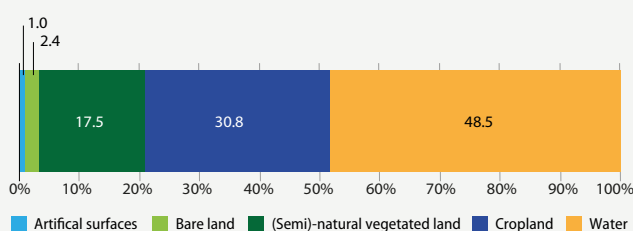
1 Environmental and resource productivity: Higher CO₂ and energy productivity means a less polluting, more resource-efficient economy, and a better climate and environment



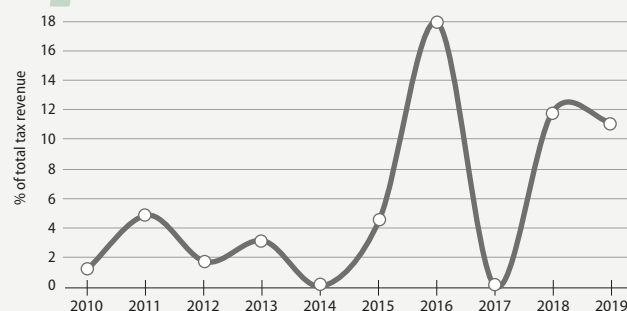
2 Environmental dimension of quality of life: Lower exposure to fine particles means cleaner air and healthier people, and is less costly for the government



3 Natural asset base: Stable stocks of natural resources ensure sustainable use, which is essential for green economy transition



4 Economic opportunities and policy responses: Removing fossil-fuel subsidies can reduce fiscal deficits, make renewable energy more competitive, and lower carbon and air pollution



About

EU4Environment

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



Action funded by the European Union

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

- **Budget:** about EUR 20 million for the six EaP countries (with EUR 19.5 EU contribution)
- **Duration:** 2019-2022
- **Implementing agencies:** Organisation for Economic Co-operation and Development (OECD), United Nations Economic Commission for Europe (UNECE), United Nations Environment Programme (UNEP), United Nations Industrial Development Organization (UNIDO) and the World Bank
- **Overall guidance:** European Commission
- **Key national partners in Azerbaijan:** Ministry of Ecology and Natural Resources; Ministry of Economy

EU4Environment at a glance: EaP countries in 2020

7 000
views of our new look
website since its launch
in mid-October

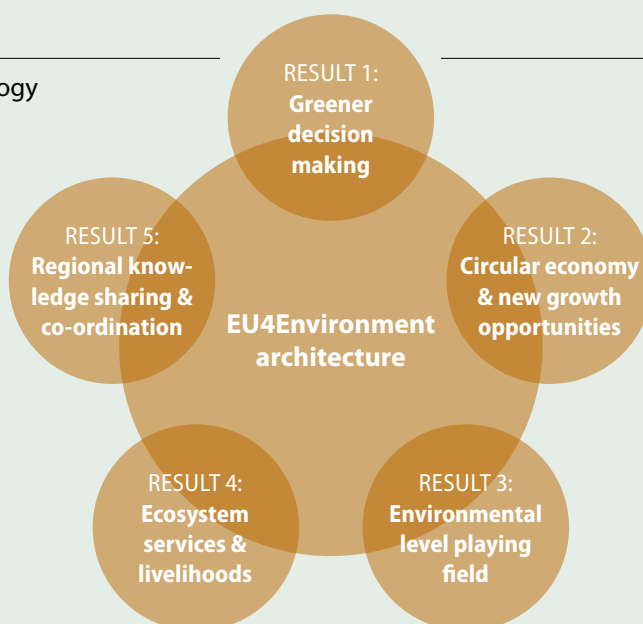
Over 250
experts trained
on RECP

Over 190
participants
trained on SEA



Over 100
people took a new
Green Economy course

Over 90
SMEs consider RECP as a
part of COVID-19 recovery



Follow us:



www.eu4environment.org/



www.facebook.com/EU4Environment-100539842031096



www.youtube.com/channel/UCi1GrwqTT-WJ30ztZMPq3xw



www.flickr.com/photos/182351066@N07



<http://eepurl.com/gUNbg1>

Contact us:



eu4environment@oecd.org

Sources: OECD Statistics on green growth indicators (population, real GDP, economic structure, GGIs); World Bank database (remittances); IMF World Economic Outlook (GDP and unemployment projections); OECD paper "COVID-19 crisis response in EaP countries" (remittances, informality, extractives data, COVID-19 green responses); ILO paper "Women and men in the informal economy: A statistical picture" (informality); interventions by the country representatives at the EU4Environment country consultations (COVID-19 green responses); inputs by the National Action Co ordinators and the Implementing Partners.

Disclaimer: This country profile was produced with the financial assistance of the European Union. The views expressed herein can in no way be taken to reflect the official opinion of the European Union, its members or the governments of the Eastern Partnership countries. This document and any content included herein are without prejudice to the status of, or sovereignty over, any territory, to the delimitation of international frontiers and boundaries, and to the name of any territory, city or area.

Action implemented by:

