

Towards a Green Economy in **Ukraine**

Work in Progress – 2019-20



Action implemented by:



Towards a Green Economy in Ukraine

EU4Environment Work in Progress – 2019-20

Since 2019, the EU-funded EU4Environment Programme has been supporting Ukraine, 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 Ukraine and at the regional level.



Greener decision making

- **Introductory Green Economy course:** Celebrating the EU Green Week in Ukraine, EU4Environment launched the online course "Introduction to the Green Economy" and its Ukrainian version: 55 people are enrolled and 12 are certified. The course, open to civil servants and the broader public, shows how an inclusive green economy can be achieved at the international, national and sectoral levels.

- **In-depth Green Economy policy-making training course:** Seven civil servants in Ukraine 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? Strategic Environmental Assessment (SEA) and "green" hydrogen: In 2020, Ukraine stepped up its efforts to plan the development of "green" hydrogen as part of the country's ambitions under the European Green Deal. A formal draft government strategy on hydrogen is to be developed in 2021. However, the **country has already applied the initial step of the SEA procedure** – "scoping" – at the informal "Roadmap" stage of hydrogen development to determine the scope of the future SEA.

Level-up environment: In April 2020, the government created the Ministry of Environmental Protection and Natural Resources. In the previous government, these functions had been merged with the Ministry of Energy. It also set up an inter-ministerial working group for implementation/monitoring of the European Green Deal. These steps will help Ukraine to further update and implement its EU Association Agreement, including the annexes on environment and climate.



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 Ukraine. 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.





Circular economy and new growth opportunities

- **Sustainable Public Procurement (SPP) and eco-labelling:** EU4Environment helped integrate SPP provisions into Ukraine's new Public Procurement Law and analyse SPP progress since the EaP GREEN programme completion (2017). The results were presented to 56 government and business representatives at the SPP and eco-labelling workshop in Ukraine.
- **New co ordination body for Sustainable Public Procurement and Green Public Procurement:** Ukraine set up a body to co ordinate activities on promotion and application of SPP. Additionally, it created the Green Public Procurement in Ukraine Consultative group to support the co ordinating body.
- **Eco-modernisation of the Ukrainian industry:** Ukraine held a national conference – “Eco-modernisation of Ukrainian Industry: From Resource Efficiency to Circular Economy”. It took stock of results from eight years of Resource Efficient and Cleaner Production (RECP) and looked at how it could facilitate transition to a circular economy in Ukraine.
- **Industrial waste mapping in Ukrainian municipalities:** Two selected regions will participate in a recently launched pilot project on industrial waste mapping.
- **RECP clubs for SMEs:** 20 small and medium-sized enterprises (SMEs) – members of two RECP clubs in Poltava and Khmelnytskyi – met regularly to benefit from facilitated peer coaching modules. Despite the COVID-19 crisis, the clubs organised 12 training modules to help SMEs develop individual RECP strategies and action plans.
- **Recycling for footwear and apparel industry training:** RECP experts and manufacturing enterprises learned remotely about waste recycling in focus industries to achieve resource-efficiency goals.
- **RECP monitoring visits:** Ten industrial enterprises-alumnae of the RECP Demonstration component under the **EaP GREEN** programme were visited to analyse how they applied resource-efficiency measures in 2016-20. As a result, eight business cases were prepared, expanding the RECP good practices database in the EaP region.
- **Gender sensitisation in greening national industries:** The training workshop promoted gender equity. It helped better understand gender stereotypes and their influence on decision making, introduced gender aspects in the field of RECP and circular economy, and presented basic statistics on Ukraine in the field of gender equality.

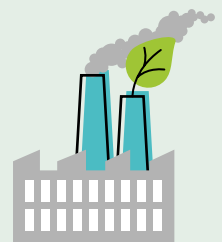


DID YOU KNOW? Product Environmental Footprint (PEF) pilots based on the life-cycle assessment methodology are considered the backbone of the EU Single Market for Green Products initiative. PEF is a technical alternative to eco-labelling schemes promoted in the EaP region, including Ukraine. Pilot projects of PEF application at selected export-oriented manufacturing enterprises in Ukraine are planned in 2021.



Environmental level playing field

- **Assessing progress on greening SMEs:** The evaluation, part of the SME Policy Index, showed that Ukraine has made significant improvements in support for greening SMEs, with the SME Strategy 2020 calling for support for greening SMEs and the uptake of green technologies.
- **Creation of the Climate Fund in Ukraine:** EU4Environment has participated in discussions and shared its expertise with the Ukrainian partners related to the creation of the Climate Fund.
- **Collection of 2010-19 data on fossil fuel subsidies for the OECD-IEA database:** The inclusion of Ukraine, 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.
- **Updating the national set of OECD-based green growth indicators:** Ukraine continues its green transformation. EU4Environment helps with updating green growth indicators to better measure progress.



DID YOU KNOW? Data on fossil fuel subsidies for 2010-19 for EaP countries, including Ukraine, 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 Ukraine in 2018 accounted for 2.27% of gross domestic product. About 9% of this support went to fossil fuel producers and about 91% to consumers. Visit: <https://stats.oecd.org/>

Highlights of COVID-19 green responses in Ukraine

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. The drop in remittances due to lockdown measures and increased unemployment in migrant-receiving countries has had a negative impact on Ukraine, where remittances account for 10% of gross domestic product (GDP). Based on International Monetary Fund estimates, GDP of Ukraine was expected to have the steepest decline in the region: -7.2% in 2020 compared to 3.2% in 2019 before reaching 3% in 2021. Unemployment was projected to rise to 11% in 2020 and 9.6% in 2021 compared to 8.5% in 2019.

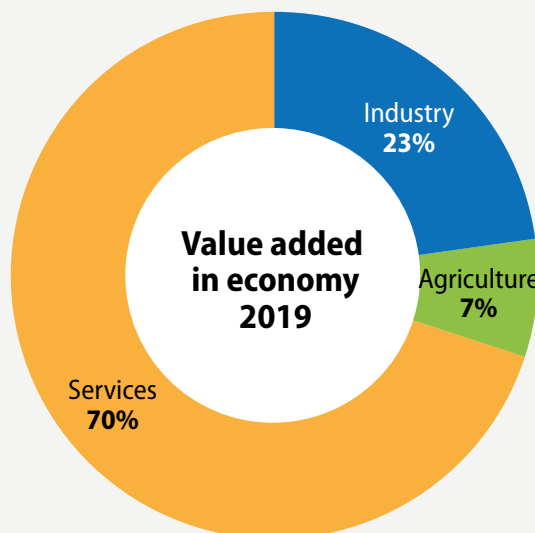
In response to the economic downturn, Ukraine took emergency measures to mitigate the socio-economic consequences of the pandemic. Some of these measures, highlighted below, aim at advancing environmental objectives:

- **Re-establishing the Ministry of Environmental Protection and Natural Resources:** This was an important milestone to level-up environmental priorities, which began in June 2020 (following its merger with the Ministry of Energy in the previous government. An ambitious work plan was developed and a team set up. The priority areas include: 1) reduction and control of industrial pollution; 2) reform of waste management, including nuclear waste; 3) rational use of natural resources, including reform of the forestry sector, and sustainable management of water resources and fishery; 4) conservation of biodiversity and development of NPF; and 5) prevention and adaptation to global climate change.
- **Industrial transformation and alignment with the European Union:** The significant drop in economic activities led to a challenging situation in the industrial sector, especially in the chemical and timber processing industries. The government adopted measures to respond to immediate needs of maintaining industrial operations, including the Industrial Support Programme and provision of funds. As part of the ongoing process of institutional transformation, the government created a separate Ministry of Strategic Industries in September 2020. The Strategy for the Industrial Complex to 2025, which is under

SOCIO-ECONOMIC CONTEXT

Population 2019: **43 994 min.**

Real GDP per capita 2019: **11 070 USD 2015**



development, contains several items relevant to the EU industrial strategy adopted in 2020, and aims to be aligned with EU developments.

- **Water supply, sewerage, waste management** were included as one of the priorities into the State Program on economic stimulus activities planned for 2020-22 in response to the impact of COVID-19. It prioritises instruments for functional groups (SMEs, international trade, investment and innovation, job creation and labour market development, smart regulation of economic activity) and six sectoral groups (industry, agriculture, energy, information and communication technology, service industries, transport and infrastructure).

To support Ukraine 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.



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**.

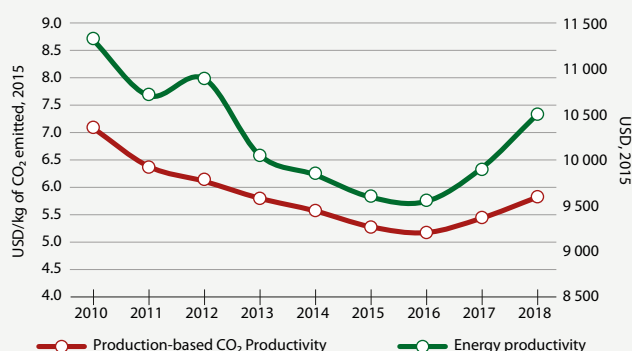


Highlights of regional activities

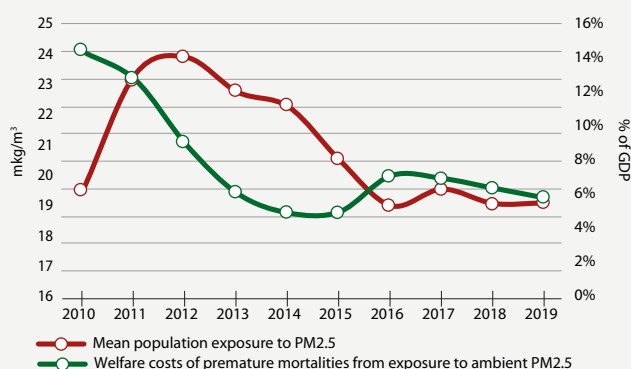
- Sub-regional workshop on the practical application of SEA and transboundary EIA:** More than 40 representatives of environmental authorities from the EaP countries, including Ukraine, exchanged experiences in the development of national environmental assessment systems. In addition, they received guidance 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 Ukraine. 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 Ukraine, 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 UKRAINE: WHAT DO THEY TELL US?

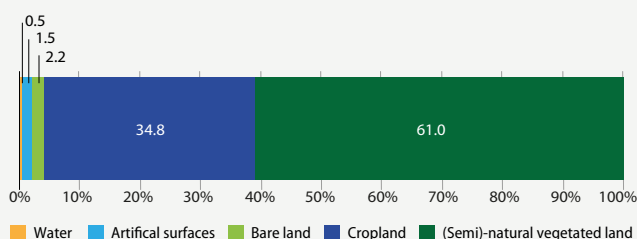
1 Environmental and resource productivity: Higher CO₂ and energy productivity means a less polluting, more resource-efficient economy, and a better climate and environment



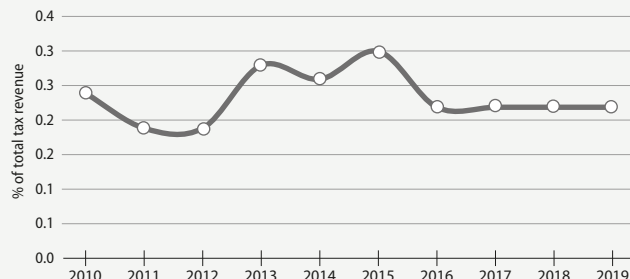
2 Environmental dimension of quality of life: Lower exposure to fine particles means cleaner air and healthier people, and is less costly for the government



3 Natural asset base 2018: 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 Ukraine:** Ministry of Environmental Protection and Natural Resources; Ministry for Development of Economy, Trade and Agriculture

EU4Environment at a glance: EaP countries in 2020

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

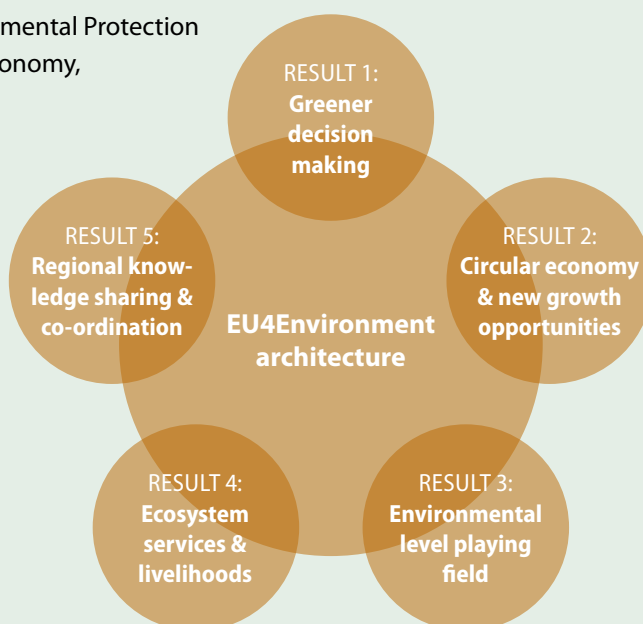
Over 250
experts trained
on RECP

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:

