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BUILDING THE GROUND FOR A GREEN ECONOMY: Lessons learned from cooperation in the Eastern Partnership (EaP) framework

Draft Summary Record, 27 March 2024

Date: 13 – 14 March 2024

Venue: Armstrong Hall, Bedford Hotel, Brussels, Belgium

Format: Hybrid meeting (in person & via Zoom)

Language: English

Action implemented by:



DRAFT SUMMARY RECORD

The conference "Building the Ground for a Green Economy: Lessons Learned from Cooperation in the Eastern Partnership (EaP) Framework" took place in Brussels and online on 13-14 March 2024. This event aimed to discuss progress on, and lessons learned from, policy action encouraging a green transition in the EaP countries. By doing so, the conference sought to promote sustainability and ownership of results achieved within the EaP framework, and to ensure that future cooperation remains calibrated to both country-specific and region-wide needs and priorities. Besides discussing overall progress, the conference participants looked more in detail at three thematic areas: making public administration fit to facilitate a green transition; sustainable public procurement; as well as product policies and the EU's Single Market. The meeting brought together the Ministries of Environment and of Economy of Eastern Partnership countries, the National Action Coordinators, representatives of EU institutions and Member States, civil society, and the EU4Environment implementing partners (OECD, UNECE, UNEP, UNIDO, and the World Bank). Meeting documents are available electronically.

Item 1. Opening session

In her opening remarks, Mrs. Adrienn Kiraly, Director for Neighbourhood East and Institution Building at the European Commission, urged the EaP countries to accelerate and make more effective their green transition efforts. She highlighted the shared, longstanding commitment to building a green economy in the EaP framework, citing commitment expressed during EaP Summits and ministerial meetings on environment and climate. This commitment resulted in a comprehensive support package, including the EU4Environment programme. Mrs. Kiraly emphasized the significant role of the Economic and Investment Plan (EIP) in promoting green investments in the EaP countries. She also recognized the progress made by partner countries, expressing gratitude to them and the EU4Environment implementing partners for their contributions to policy reform and institution building. The speaker underscored the importance of involving a wide range of stakeholders, including governments, civil society, and the private sector, in advancing the green growth agenda. Mrs. Kiraly reaffirmed the value of regional cooperation in achieving green transition goals and reiterated the EU's commitment to supporting EaP countries in this endeavour. In this context, the European Union has allocated €20 million for the EU4Environment follow-up, scheduled to commence in early 2025.

Representing the implementing partners, Mr. Christophe Yvetot, Head of the UNIDO Brussels office, and Mr. Krzysztof Michalak, Senior Project Manager at the OECD, presented briefly the progress achieved through the EU4Environment programme. Mr. Yvetot (UNIDO) highlighted the successful implementation of Sustainable Public Procurement (SPP) and eco-labelling activities in various countries, in addition to providing training for line ministries on green economy policy development and analysis. Furthermore, the implementing partners offered valuable assistance in finalising legal reforms on strategic environmental assessment and transboundary environmental impact assessment in Azerbaijan, Moldova, and Ukraine. The speaker highlighted the impact of support for enhancing resource efficiency and promoting the circular economy uptake at various levels, particularly at the enterprise level. For example, EU4Environment helped to identify potential annual savings of €3.4 million from resource efficiency measures at pilot companies in Georgia and Ukraine. The private sector has already invested €700 thousand to save almost €800 thousand annually, demonstrating significant success in resource efficiency. Mr. Yvetot stressed that for inspiring further action, over two hundred business cases were prepared and published in six languages, documenting successful stories from SMEs that adopted resource efficiency and cleaner production.

Mr. Michalak (OECD) highlighted very good progress made on implementing work on reforming environmental regulations, promoting environmental compliance and assisting countries in mobilising green finance. He referred, in particular, to extensive analysis and dialogues with the EaP countries on reforming the system of environmental inspections and instruments for compliance promotion and response to non-compliance. In addition to in-depth reviews which provided guidance to reform, he recalled several capacity building activities for regulators and inspectors. He highlighted the role of the

environmental citizens organisations in ensuring compliance and the importance the dialogues with the private sector. Mr. Michalak also referred to several activities that provided the EaP countries support to reforming the system of environmental taxes and charges, reforming public financial institutions and developing public environmental investment programmes. These were supported by analysis of the ways to mobilise finance from capital markets, especially through the use of green bonds. He recalled that the EU4Environment conference on green finance organised in September 2023 provided a forum for a major review of progress and challenges in the area of green finance in the region.

Mr. Andrzej Januszewski of DG Environment, European Commission expressed appreciation for the results achieved within the EaP framework, in particular progress made with support from the EU4Environment programme. He stressed that the regional angle remains valuable, while also highlighting the importance of looking at enlargement prospects. Mr. Januszewski recalled that EU environmental legislation is both ambitious and dynamic and provided examples of recent legal changes and initiatives in conjunction with the European Green Deal. Mr. Januszewski stressed the benefits of a green transition and the need to learn from experience to adjust transition strategies.

Item 2. Highlights of progress and lessons learned in the Eastern Partnership countries

Each delegation highlighted selected results and lessons learned from the EU4Environment programme and plans for ensuring the sustainability of results:

- **Armenia:** Mrs. Gayane Gabrielyan, Deputy Minister of Environment, stressed that Armenia is progressing towards a green economy in key sectors, such as energy, transport, agriculture, and waste management. The country's green transition is aligned with the EU-Armenia Comprehensive and Enhanced Partnership Agreement (CEPA). Among other things, Armenia is developing a green investment taxonomy. In the energy sector, the country aims at rapidly expanding its renewable energy sources, while in waste management, efforts are focused on modernising infrastructure and implementing an extended producer responsibility system. As a result of the green transition, new job opportunities are emerging, creating demand for green skills development. In this context, Mrs. Gabrielyan made an overview of the steps taken in Armenia on enhancing green skills, supported by the EU4Environment programme. She also highlighted work in support of SME greening in the cities of Gyumri and Vagharshapat, located in the Shirak and Armavir regions. Mrs. Gabrielyan outlined the follow up actions and stressed that public authorities are key enablers of the green transition. She also acknowledged the EU4Environment work and impact in the areas of sustainable public procurement (SPP) and eco-labeling – hoping to see future pilot SPP tenders and strengthening of professional training of procurement specialists. She underlined the need for enhanced private sector dialogue.
- **Azerbaijan:** The Azerbaijani National Action Coordinator underlined the work on resource use by SMEs in the country as an initiative welcomed by the private sector and supported by the government. The workshop on developing business plans led by the UNIDO team in Azerbaijan attracted representatives from other EaP countries, including Georgia. The interest in RECP is confirmed by additional initiatives: 15 new enterprises took part in the introductory training in December 2023, and the Azerbaijan State University of Economics is preparing a teaching course monograph based on the EU4Environment materials.
- **Georgia:** Mr. David Advadze, Head of Sustainable Development Division, both from the Ministry of Environmental Protection and Agriculture and Ms. Nato Ormotsadze, Senior Specialist of Sustainable Development Division of the Department of Environment and Climate Change, made an overview of progress in Georgia. The final national conference on resource efficiency held in November provided a useful platform to discuss SME greening with different stakeholders. The speakers stated that Georgia aspires to become a country focused on waste prevention and recycling. They also underlined the value of EU4Environment support for updating the national waste management strategy until 2030 and the associated action plan until

2026, as well as for policy action in areas such as procurement, green financing, and environmental compliance assurance. For example, Georgia amended the state procurement law thanks to EU support and is working on transposing nine procurement by-laws in line with EU norms. The officials confirmed their country interest in further greening the private sector and continue working on issues related to forestry and biodiversity protection.

- **Republic of Moldova:** Ms. Veronica Arpintin, State Secretary of the Ministry of Economic Development and Digitalisation, and Ms. Irina Punga, General-Deputy Secretary of the Minister from the Ministry of Environment, took the floor on behalf of the Republic of Moldova. Both speakers referred to the EU approximation process and the need to have a greater access to knowledge and finance. Ministry representatives also underlined that:
 - Digitalisation is moving fast, as do innovative technologies, therefore feasibility studies need to be prepared faster.
 - The EU accession process is on-going, with national environmental legislation being modernised, but capacity for its implementation needs significant strengthening in Moldova. This applies to alignment with the European Green Deal, but also to meeting the Paris Agreement and climate neutrality commitments.
 - Access to green/sustainable finance is a significant priority, where stronger ties to banks and SME development agencies are necessary.
 - Business sector needs better tools for collecting and reporting environmental data, to influence/educate consumers and the market.
 - EU4Environment was instrumental for the development of a national eco-label, which will help improve access to European markets. A public awareness campaign, which was carried out within the programme, helped to start changing people's mindset. Further work is needed on transposing the EU eco-labelling regulation, as well as more training for consumers.
- **Ukraine:** Ms. Nadiya Bihun, Deputy Minister of Economy of Ukraine, provided an online presentation, and Ms. Svitlana Sushko, Acting Head of the Reform Support Team from the Ministry of Environmental Protection, further elaborated the information on progress achieved in Ukraine. Deputy Minister Bihun particularly mentioned the support on Circular Economy promotion in the country, as well as exploratory foresight currently being implemented as a recent highlight from the EU4Environment implementation. Also, the value of greening procurement was stressed and the need to further support the greening of public and private investment. Inter-ministerial cooperation was mentioned as an important avenue for promoting a green economy. Dialogue with the private sector and institutional capacity development remain important. Ministry representatives also underlined that:
 - Despite Russia's war of aggression, which hampered many reforms, the work of EU4Environment helped the country to maintain a green agenda.
 - In February 2024, the country adopted a new government procurement strategy, with a major focus on sustainable public procurement (SPP). This, alongside the anti-corruption agenda, will mandate further work on SPP.
 - Important for the future will be early/continuous market engagement to ensure that businesses are ready to respond to SPP tenders and comply with eco-label requirements.
 - Under the current war economy, the issue of damaged building/housing presents an opportunity to re-build with circularity in mind. A lot of donor money is entering Ukraine right now and its spending will need to have green criteria.
 - Ukrainian authorities are thankful for work on three Extended Producer Responsibility by-laws and their alignment with EU directives. Draft law on packaging waste is now undergoing government approval.
 - Other current needs of ministries in Ukraine include reforming environmental finance, environmental taxes, environmental fund, and promoting inter-ministerial cooperation (especially on implementing the national energy and climate action plan).

- Institutional capacity building is also needed as many left country/lost to conflict and Ukraine needs to attract more people towards civil servant work (Finland and Sweden, GIZ working in various areas on this already).

As part of discussions under Item 2, Mr. Leonid Kalashnik (UNECE) briefly presented a pilot Strategic Environmental Assessment (SEA) for a draft urban development plan of the city of Ganja, Azerbaijan. The speaker outlined key milestones and outcomes of this pilot exercise under the EU4Environment programme, which identified potential negative effects of the plan implementation and measures to prevent or mitigate those effects. The SEA provides government authorities (who will decide on the adoption of the plan) useful information to help them consider the environmental and health effects and related mitigation measures so that better informed decisions can be taken for the benefit of this community and the environment.”

Item 3. Moving beyond EU4Environment: What priorities for the future?

Mr. Gérald Audaz, Team Leader for EIP, Green, and Connectivity, European Commission introduced this item by recalling the EU support for building the ground for a green economy in the EaP countries and the pivotal role of the Economic and Investment Plan. Mr. Audaz recalled that the European Commission has been working in 2023 on shaping up a new programme that is due to start in early 2025, the description of which was shared ahead of the meeting. He stressed that Item 3 was designed to receive feedback from the partner countries on more specific needs.

As an introduction to the panel discussion, Ms. Angela Bularga, Programme Officer, presented the key elements of the future programme. She explained that it will support the partner countries’ recovery by promoting green, circular economy and pollution reduction with a focus on measures necessary for the Economic and Investment Plan (EIP) to deliver. The speaker stated that the follow up programme will ensure continuity and flexibility of implementation at the regional and national level, especially considering the evolving context in the region. She also referred to complementary programmes, such as “EU for Climate Resilience” and the need to fully take account of synergies with EU-funded actions, including through bilateral portfolios, as well as support from EU Member States and other donors. Mrs. Bularga provided a brief overview of the planned scope of work under programme’s five thematic areas, which include:

- (i) circular economy promotion;
- (ii) pollution reduction with a focus on water as a critical resource for the economy;
- (iii) legislative alignment with the European Green Deal, including, where relevant, with Chapter 27 of enlargement negotiations and facilitation of the accession process;
- (iv) institutional integration into EU-wide cooperation, and
- (v) promotion of compliance with international commitments relevant for the Global Gateway Strategy.

During the plenary discussion, the participants acknowledged the relevance of all five components of the new programme and highlighted their priorities. They emphasized the need to build on the momentum generated by past achievements and underlined the importance of more private sector involvement to drive the green transition forward. Additionally, there was a shared recognition of the importance of finding a balance between the ambition and speed of reforms.

The high value of support for aligning with the European Green Deal, including at the local level, and approximation to EU legislation and cooperation with relevant institutions was stressed. Participants emphasized the importance of EU *acquis* transposition into national law and the need for more support for legislative reforms, coordination, and networking, as well as enhanced communication.

Also, the participants stressed that regular updates on legal developments and a communication platform to share data on fast-developing technologies are essential. They underscored the need for

digitalization of the circular economy, enhancing dialogue with the private sector, and creating new markets, with a focus on SMEs as a priority.

Access to green loans and the development of green finance taxonomy were also identified as crucial aspects in enabling the green transition. There was a call for supporting the development of investment-ready portfolios of environmental projects. The participants stressed the fact that the feasibility of green investment projects remains an issue. Bringing on board international financing institutions and local commercial banks remains critical. The need to act on waste management projects was highlighted.

The development of legislation on organic agriculture, land protection, reducing pesticide usage, and addressing climate and security were also identified as areas requiring attention. The participants also highlighted the need for further work on environmental labeling and green public procurement.

The need was confirmed to further support capacity building of state administrations at the national level and in municipalities specifically on new topics such as the circular economy. In this regard, the online training course on the Circular Economy currently under development in Ukraine serves as an example of the programme's response to the demand for such knowledge. Making such courses a part of the onboarding mechanism for new staff could mitigate the issues associated with high turnover of staff in the public sector.

These collective priorities underscore the comprehensive approach needed for EU support to facilitate a successful green transition in the Eastern Partnership countries.

At the end of the session, Mr. Audaz explained that the European Commission will work to develop a more detailed description of the action and a contract with several implementing partners will be put in place by late 2024. He invited written input to be provided within 2-3 weeks after the meeting.

Item 4. Making public administration fit to facilitate a green transition in EaP countries

Mr. Krzysztof Michalak, Senior Programme Manager, OECD, and Ms. Irina Belkahia, Assistant Action Coordinator, OECD presented the outcomes of a regional review of administrative capacity for a green transition. To set the scene, Mr. Michalak stressed that while well-functioning environmental authorities play a crucial role for enabling a green transition, there is no single approach or an ideal institutional setup to do so. As EaP countries aim at decoupling economic growth from environmental degradation, they have initiated comprehensive reforms to modernise of policies, legislation, and operational processes, as well as to strengthen environmental authorities and collaboration with sectoral ministries.

It was stressed that the environmental administrations face significant challenges, including a lack of appeal for the younger generation. In Azerbaijan, civil service statistics reveal that a large majority of staff (56%) leave before completing ten years of service, with only 15.8% of civil servants being younger than 30 years. Understaffing and high staff turnover are particularly evident in Moldova, where there are up to 45% vacancies, and about a quarter of the Ministry's staff left in 2022. This rapid turnover has resulted in a lack of institutional memory, low knowledge retention, and increased pressure on existing staff. Recruiting suitable staff has become a significant issue. An unbalanced workload has also driven knowledgeable experts away from public administration, as a small number of experts with solid expertise are shouldering most of the tasks. Furthermore, there are significant knowledge gaps and practical skills needed for implementing the green economy, compounded by the complex requirements for EU approximation. There is also insufficient capacity for data-driven policy making. These issues underscore the urgent need for comprehensive reforms and targeted efforts to address the capacity and appeal of the environmental authorities.

To strengthen countries' administrative capacity for a green transition, Mr. Michalak put forward several key recommendations that can be implemented in the short to medium term perspective. Firstly,

it is essential to continue improving the attractiveness of environmental administration, including through enhanced salaries, comprehensive training, and active participation in knowledge exchange. Furthermore, there is a need to review institutional arrangements to ensure a robust framework that supports the transition to a green economy. This includes the establishment of green economy focal points in sectoral Ministries and the creation of inter-ministerial coordination mechanisms dedicated to green economy and specific priority issues. Leveraging digital opportunities within public administration is crucial. Additionally, the development of self-assessment and monitoring tools for administrative capacity can provide valuable insights. Moreover, it is important to direct technical support from international partners to domestic training programmes. Providing support to regional and local authorities, both in terms of budgets and knowledge, is another vital step to strengthen administrative capacity for green transition. Finally, enhancing the participation of civil society and universities is crucial in fostering collaboration and knowledge-sharing.

Item 5. Sustainable Public Procurement (SPP) as an accelerator of a green transition

This special session highlighted the achievements in the promotion of SPP in Georgia, Moldova, and Ukraine. Best practices in terms of public purchasing tenders that include sustainability criteria from EU countries were also presented. EaP countries presented their own SPP and eco-labelling progress under the EU4Environment programme, building also on results from the previous EU support as part of the EaP GREEN programme. A panel discussion enabled countries' representatives to reflect on the sustainability and continuity of these steps in the next phase of regional programming.

All partner countries stressed a need in elaborating, improving and strengthening legislation in the area of public procurement and eco-labelling; further developing the knowledge of procurement practitioners; supporting public tender document development and launching further SPP pilot tenders; and working with businesses/SMEs to facilitate their ability to respond to national SPP tenders and access broader European markets thanks to compliance with domestic and international eco-labelling schemes.

Item 6. The role of product policies and the EU's Single Market for Green Products (SMGP)

Item 6 of the meeting was dedicated to introducing the EU's Single Market for Green Products (SMGP) in the EaP countries, including the piloting of Product Environmental Footprint (PEF) methodology at the selected manufacturing enterprises of Georgia and Ukraine. The session highlighted issues of raising awareness on SMGP as well as engaging the key stakeholders in creating the enabling environment for promoting green production processes in the region. After the introduction of the recent policies and practices of PEF/SMGP in the EU made by an international expert, national experts presented challenges of piloting PEF methodology in dairy, leather, and textile sectors. Representatives of four companies from the private sector shared their views on the needs and perspectives of making their products more environmentally friendly considering export opportunities to the EU. The panel discussion with representatives of government, expert community and NGOs also reviewed the existing green products policies, the necessary perspective developments as well as support required to improve the environmental footprint of industrial sector in the EaP countries.

Item 7. Wrap up and closure of the event

Mr. Krzysztof Michalak (OECD) and Mrs. Angela Bularga (European Commission) summarised the outcomes of the discussions and closed the meeting. They reiterated the value of regional, multistakeholder cooperation and stressed the long-term focus on results. The speakers expressed gratitude to the participants for providing multiple examples of progress towards a green economy. They stressed that the Eastern Partnership has provided a supportive framework for building the green economy in the partner countries and demand for peer exchange remains high. They also recalled the consensus around the need to involve more the private sector and ensure a level playing field but also a just green transition with the aim of ensuring benefits for people and the environment.