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The “Environment for Europe” mid-term review of the Astana Conference main outcomes: environmental performance reviews

Environmental performance reviews: progress made in preparation for the third cycle

Note by the secretariat

Summary

Building upon the success of the United Nations Economic Commission for Europe (ECE) Environmental Performance Review (EPR) Programme, at the Seventh “Environment for Europe” Ministerial Conference (Astana, 21–23 September 2011), Ministers invited ECE to conduct its third cycle of EPRs, which “may include environmental governance and financing in a green economy context, countries’ cooperation with the international community and environmental mainstreaming in priority sectors” (ECE/ASTANA.CONF/2011/2/Add.1, para. 13).

Following a request by the Committee on Environmental Policy (CEP) (ECE/CEP/2012/2, paragraph 25 (f)), the secretariat prepared the present document to report on progress made in preparation for the third cycle of EPRs. The document aims to facilitate the discussion by CEP during the mid-term review.

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Overview of third cycle preparations

1. Preparations for carrying out a third cycle of environmental performance reviews (EPRs) are practically completed. Preparations for the third cycle involved an evaluation of the broad structure of the reviews and the outlines (main issues) to be covered by each of the chapters. This process was based on a close cooperation between the Expert Group on EPRs and the secretariat. Against the backdrop of the emphasis put by Heads of State and Government at the United Nations Conference on Sustainable Development (Rio+20 Conference) on the need to promote the transition to a green economy within the context of sustainable development, the new chapter outlines, where appropriate, also contain references to green economy issues. The third cycle was launched with a review of the Republic of Moldova. The review mission took place in February 2013, and the peer review is scheduled for October 2013. A main challenge ahead is to engage countries in requesting third cycle reviews and to mobilize resources required for conducting them.

I. Introduction

2. The United Nations Economic Commission for Europe (ECE) EPR Programme started in 1994, and the second cycle of reviews is very near the end. Given the general satisfaction with the Programme, the Ministers at the Seventh “Environment for Europe” Ministerial Conference held in Astana in 2011 invited ECE to conduct a third cycle of reviews for eligible ECE member countries. The Ministerial Declaration adopted in Astana identified three important blocks of issues that could be addressed by the third cycle reviews: (a) environmental governance and financing in a green economy context; (b) countries’ cooperation with the international community; and (c) environmental mainstreaming in priority sectors (ECE ASTANA.CONF/2011/2/Add.1, para. 13).

3. These three blocks of issues are closely interrelated. Broadly speaking, environmental governance is about how environmental decisions are taken and who takes them, which involves government, businesses and civil society as major stakeholders and, at the international level, effective cooperation and knowledge sharing of countries. Effective environmental governance is also dependent on the extent to which environmental considerations have been mainstreamed in policies and strategies for economic and social sectors. The overarching goal is to attain sustainable development by promoting the transition to a green economy.

4. The concept of green economy has attracted increasing attention in the wake of the recent global financial crisis, partly because it was seen as an opportunity to promote “green growth” by including environment-friendly (and climate-friendly) investments in stimulus packages to support the recovery of the world economy. But the importance of the concept of green economy goes far beyond the short-term impacts of fiscal stimulus packages. In a more general way, the defining feature of a green economy is that its long-term growth path is shaped by public and private investments that reduce environmental pollution, increase the efficiency of energy and natural resource use and preserve biodiversity and ecosystem services. Green-growth policies are therefore at the interface of the economic and environmental dimension of sustainable development.

5. At the heart of the green economy concept are innovative, environmentally sound technologies (“eco-innovations”), which are the carrier of structural changes in the economy that promote (environmentally) sustainable economic growth. In fact, against the background of rising environmental pressures, the development and deployment of eco-innovations has become a dynamic growth market in the world economy. This pertains

also to technologies designed to mitigate climate change and facilitate the adaptation to climate change impacts.

6. The term “technology” refers to the total available knowledge concerning the means and methods of producing goods and services. The term therefore covers not only “hardware” (such as machinery and equipment and physical infrastructure) but also “software” (such as know-how for the production and use of machinery and equipment, policy instruments designed to reduce pollution and new land management and irrigation techniques in agriculture), as well as organizational technology, i.e., the legal and institutional arrangements that support and complement the use of hard and soft technology. In a more general way, eco-innovations should help reconcile the objective of achieving sustainable development targets with concerns about maintaining the competitiveness of national economies. The main areas for the application of green technologies are energy and resource efficiency (notably in buildings, industry and transport), renewable energy sources, organic agriculture and sustainable water and waste management.

7. It should be recalled that eco-innovation also includes the deployment of already existing technologies that may be new to a given business or new to a country as a whole, although already applied by other businesses within or outside a given country. In general, eco-innovations consist of incremental improvements of existing technologies rather than fundamental breakthroughs. Many, if not most, countries, and notably lower income countries, will be mainly engaged in adapting these new technologies to their specific national and local contexts. Promotion of these technologies will therefore require not only an adequate framework for technology transfer (including protection of intellectual property rights) but also the strengthening of domestic capacities for research and development, education and training, as well as access to financial resources (such as venture capital).

8. While the key role of government in promoting green growth is to create a favourable framework for the innovation activities of the private sector, appropriately designed environmental policy can help promote eco-innovation activities if there is sufficient stringency in environmental policy instruments, policy predictability and flexibility for polluters to choose how best to achieve the set policy objectives. By way of illustration, stringent economic instruments for environmental protection may create incentives for polluting firms to switch production technologies towards less polluting ones. In agriculture, adequate irrigation tariffs at cost recovery levels may lead to the use of innovative irrigation technologies (such as drip irrigation) that entail reduced use of water consumption. Green procurement of public services and eco-labelling may help create markets for environmentally friendly goods and services. In a more general way, the wide range of policy instruments required to pursue green-growth strategies therefore include all the traditional environmental policy instruments, including regulations and standards. But, in general, economic instruments such as taxes and market-based permit trading schemes may be preferred to regulations and standards given that they provide a continuous incentive for polluters to engage in searching for innovative ways to reduce pollution.

9. Against this background, the third cycle of ECE EPRs could pay increased attention to the effectiveness of environmental policy as regards the promotion of eco-innovation and the identification of major obstacles towards the transition to a green economy. This could include also international cooperation in matters of eco-innovation technology.

II. Main activities since the Astana Conference

A. Production of country reviews

10. Since the Astana Conference in September 2011, the ECE secretariat has been involved in the production of the following EPRs:

- (a) Albania (review mission in October 2011; peer review April 2012);
- (b) Romania (review mission in November 2011; peer review April 2012);
- (c) Morocco (review mission in November 2012; draft report is being prepared);
- (d) The Republic of Moldova (review mission in February 2013; draft report is being prepared);
- (e) Croatia (review mission in March 2013; draft report is being prepared).

11. The only country that is being formally reviewed within the framework of the third EPR cycle so far is the Republic of Moldova. At the time of writing, the draft report is being processed by the secretariat for submission to the Expert Group on EPRs and subsequently to the Committee on Environment Policy (CEP) in October 2013.

12. The reviews of the other three ECE member States belong to the second cycle reviews. It should be noted, however, that the second cycle review of Croatia was undertaken using terms of reference for individual chapters that are in line with those of the third cycle. The same standards were applied to the EPR of Morocco.

13. The EPR of Morocco was organized at the special request of the Moroccan Government. The draft report is being finalized by the secretariat for submission to the Expert Group on EPRs in September 2013. It should be noted that this is the first EPR prepared for a country outside the ECE region. This project is carried out in collaboration with the United Nations Economic Commission for Africa (ECA), of which Morocco is a member. The aim of this collaboration is to transfer relevant know-how from ECE to ECA while at the same time helping Morocco strengthen its environmental performance.

B. Defining the main building blocks of third cycle environmental performance reviews

14. Based on the guidance received by the secretariat from CEP and the Expert Group on EPRs, it was decided that third cycle reviews will have four blocks — an introductory chapter and three main parts divided into chapters dedicated to specific topics. For each chapter revised outlines, i.e., a detailed list of major issues that could/should be covered, have been developed with the help of the Expert Group on EPRs, as set out below.

15. *Introduction: Environmental overview.* This will provide a succinct synopsis of the socioeconomic context and major developments (in terms of environmental pressures and natural resource use) in key environmental areas (such as air, climate change, water, waste, land, soil and biodiversity).

16. *Part I: Environmental governance and financing in a green economy context.* Major issues to be covered are:

- (a) The legal and policymaking framework and its implementation, including specific green economy initiatives such as energy efficiency, renewables, low carbon mobility, increased resource efficiency, including energy and water use efficiency, green jobs and eco-innovation;

- (b) Regulatory instruments and their enforcement;
- (c) Economic instruments and environmental expenditures, including investments in innovative green technologies;
- (d) Environmental monitoring, information and education.

17. *Part II: Domestic-international interface.* This part focuses on:

- (a) The implementation of multilateral environmental agreements (MEAs) and commitments, bilateral cooperation and international technical assistance on environment and sustainable development;
- (b) Policies and measures to address climate change adaptation and mitigation.

18. *Part III: Integration of environmental considerations with economic sector policies and selected environmental sector issues.* This part covers environmental issues, including green technology issues, in selected socioeconomic sectors such as industry, energy, transport, agriculture, forestry, health and housing, but also in water resources management, air protection, waste management, biodiversity and nature protection. Up to four sectors and areas in total will be selected for each EPR in consultation with the country under review.

19. In each part the main focus will continue to be the identification and assessment of major changes that have occurred since the second EPRs. Special emphasis will also be put on the implementation of recommendations made and the identification of domestic efforts with regard to the introduction of innovative green technologies and major obstacles encountered in this area.

III. Preliminary findings

20. So far, the analytical framework for the EPRs has provided sufficient flexibility to allow the countries reviewed to be treated in a differentiated manner. A one-size-fits-all approach would evidently not work, given the different stages of economic development, geographical location, natural resource endowments, environmental pressures and cultural traditions of the countries reviewed. This flexibility will also hold for the third cycle reviews. Examples of country achievements and challenges ahead in the three areas highlighted by the Astana Ministerial Conference for the third cycle EPRs (see para. 1 above) are presented below.

A. Republic of Moldova

21. Salient issues identified during the third review of the Republic of Moldova include, inter alia, the weaknesses of the existing institutional capacities and legal framework for environmental policy; the absence of effective pollution charges for air and water pollution; the need to take the setting of water tariffs out of the local political process; and the lack of an integrated environmental monitoring system. But the review also revealed some positive trends that are supportive of the greening of economic growth, such as the progressive upward adjustment of electricity tariffs to cost recovery levels; the considerable progress made in creating the legal and institutional basis for the promotion of renewable electricity; and the launching of schemes for improving energy efficiency in the national economy.

22. In the agricultural sector, efforts are under way to strengthen organic farming. Subsidies for pesticides and fertilizers were abolished. On the other hand, poor soil conditions (which is among the major environmental problems in the Republic of Moldova), reflect, inter alia, use of poor cultivation technologies, insufficient crop rotation

and limited access to information on efficient land use. There is also scope for introducing compensation schemes for ecosystem services and regional watershed protection services provided by landowners. And the water sector needs massive investments to upgrade and enhance the water supply and sewerage infrastructure, which, in turn, will have to go along with a stringent application of the user pays (cost recovery) principle.

23. The Republic of Moldova is Party to 19 MEAs. However, in implementing the obligations and commitments under those MEAs the country relies mostly on external financial assistance. Such an approach cannot be sustained and the Republic of Moldova has to focus on environmental objectives that could be achieved within the country's own means instead of elaborating ambitious programmes and action plans that are too dependent on international funding.

B. Croatia

24. Croatia has made great progress since the first EPR in managing and protecting its environment. The process of accession to the European Union contributed to the modification, refinement and reformulation of many of Croatia's laws, regulations and ordinances. Waste management is in the process of modernization, which involves substantial investments from national and foreign sources. The use of economic instruments has been expanded, and the polluter pays principle has been applied successfully. For example, waste charges have been introduced for specific waste streams, such as waste from packaging, electrical and electronic equipment, lubricating oil, batteries and accumulators, end-of-life vehicles and tires. Revenue from these charges is invested in the recycling and reuse of these types of waste. Revenue from pollution charges together with environmental charges for vehicles is used for the remediation and closure of waste disposal sites and illegal dumpsites, as well as for enhancing energy efficiency in the country. Permitting and environmental impact assessment procedures were amended to make them more transparent, coordination of inspection activities has improved and risk-based planning approaches have been adopted.

25. But the review also revealed some weaknesses. For example, while Croatia established its first comprehensive legal framework for strategic environmental assessment (SEA) with the 2007 Law on Environmental Protection, SEA implementation is as yet virtually non-existent. In the six years since the establishment of the SEA framework, no SEA has been completed, although SEA screenings had been carried out for three strategic documents. In addition, multi-year delays have been observed in the compilation and adoption of the national state-of-the-environment reports.

26. The process of accession to the European Union has helped Croatia to ratify several MEAs and start the implementation process. However, full implementation of the MEAs, especially at the level of regional and local self-government, is lacking, and capacities at all levels, including vertical cooperation, are insufficient.

C. Morocco

27. Since 2003, Morocco has been increasingly placing emphasis on matters of sustainable development. It pays particular attention to the implementation of the Millennium Development Goals. As a result, among others, access to drinking water reached 100 per cent in urban areas and 91 per cent in rural areas; connection to sewerage systems reached some 89 per cent in urban areas and 40 per cent in rural areas; and the rural electrification rate increased from 22 per cent in 1996 to 96 per cent in 2009. In spite of these achievements, the country does not have a coherent national strategy and an action

plan on the protection of its environment which involves all the relevant public authorities and stakeholders. The low status of the national environmental authority also weakens the enforcement of environmental legislation.

28. The Moroccan Government's green-growth agenda is largely based on major infrastructure projects in the energy sector (promotion of renewable energy sources, improvement of energy efficiency); agriculture (promotion of less water-intensive crops, investments in more efficient irrigation systems); the water sector (rehabilitation of water supply and sewerage networks, with attendant positive health effects due to improved sanitary conditions, reduced water losses and water pollution). There are, moreover, efforts to promote cleaner production methods in industry.

29. Morocco faces the challenge of strengthening the role of economic instruments for pollution abatement and aligning its regulatory policy with good international practices. More stringent use of tariff policies for water and electricity is required to achieve a more rational use of these resources. There is also a need to reform environmentally harmful subsidy schemes.

30. Morocco has acceded to a number of global and regional environmental agreements and is actively developing its international environmental cooperation. To meet the requirements of these agreements, various programmes and action plans have been developed. However, national environmental legislation is often not yet in conformity with international norms and concepts.

IV. Further steps

31. After the launch of the third cycle with the review of the Republic of Moldova, the challenge for the secretariat is to encourage other eligible countries to request a corresponding performance evaluation, and to ensure continuing support in terms of financial and human resources from member countries for conducting these reviews. It is also hoped that the third cycle reviews will make it possible to shorten the review cycle for eligible countries, which was some seven to nine years during the second cycle.

32. A recurrent challenge is to ensure that reviewed countries assume full ownership of the EPR "project" in terms of effectively supporting the secretariat and the teams of international experts during the whole production process, especially during review missions. The performance of the Government of the Republic of Moldova has set a very high standard in this respect.

33. The extent to which the third cycle EPRs will dwell on issues related to the intersection between eco-innovation policies and environmental policy will depend on the specific country situation and available information. Nevertheless, concrete examples that illustrate the effective usefulness of environmental policy with regard to the promotion of eco-innovation can contribute to sharing of information and accumulation of knowledge on these issues. The main challenge for environmental policy is to design cost-effective policy instruments that lead to an improved quality of the environment. And this will continue to be the main focus of the EPRs also for the third cycle reviews.

34. The secretariat is discussing possibilities for reviewing countries in the third cycle in 2013–2014 with potential candidate countries. Montenegro has confirmed its preparedness and Serbia has expressed its preliminary interest to be reviewed in this period. Ukraine has been contacted but has not formally replied yet.

35. While the core secretariat for the EPR Programme is provided by the ECE regular budget, the operational budget for the Programme will continue depending on extrabudgetary funds provided by donors directly to the EPR trust fund or through

contributions in kind, mostly in the form of country experts provided by countries and international organizations and institutions like the United Nations Environment Programme and the European Environmental Agency.

36. The extrabudgetary funding requirements for the review of any given country range between US\$ 100,000 and US\$ 200,000, depending on a number of factors, such as mission costs, number of chapters, availability of country experts and fluctuations in currency exchange rates. These cost requirements cover the preparatory mission, the fact-finding mission, consultancies, participation of representatives from the countries under review in the meeting of the Expert Group on EPRs and the peer reviews that take place during CEP sessions, the launch event and the translation and printing in local languages. As a result the successful implementation of the Programme will depend, to a large extent, on contributions in cash and in kind by interested donors.

V. Questions for discussion

37. It is proposed to discuss the following issues:

(a) Is there a need to further adapt the structure of third cycle EPRs in order to achieve an adequate coverage of major issues related to national eco-innovation as a key vehicle for promoting the transition to a green economy?;

(b) Which countries are interested in being reviewed in the third cycle in the nearest future (2014–2015)?;

(c) Which countries wish to pledge contributions to the EPR Programme for the period 2014–2015?
