

# Policy Responses to COVID-19 and the Green Transition

Emerging Good Practices in Eurasia

POLICY PERSPECTIVES



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## Preface

**The COVID-19 pandemic has challenged the resilience of the world's health systems, economies and governance in unprecedented ways. To confront the crisis and prepare for a robust economic recovery, governments around the world at both national and subnational levels have had to make difficult decisions under considerable uncertainty.**

As the urgency of the climate crisis becomes ever more apparent, it is essential that all governmental policies support efforts to achieve the objectives of the Paris Agreement and the transition to a low-emission, resilient economic model. Across OECD and G20 countries, governments have allocated an estimated USD 336 billion to recovery measures that have a likely positive environmental impact. However, this amount is nearly matched in size by measures with negative or 'mixed' impacts (approximately USD 334 billion).<sup>1</sup>

Early evidence suggests that similar trends are emerging in the region of Eastern Europe, the Caucasus and Central Asia (EECCA), with both 'green' and negative/mixed measures combined in policy response packages.<sup>2</sup>

The present document showcases measures that support greening the economic recovery in selected EECCA countries – Armenia, Georgia, the Republic of Moldova, Ukraine and Uzbekistan – and suggests opportunities for them to be scaled up.

This document has been prepared as part of the GREEN Action Task Force, which is a platform through which OECD supports the countries of Eastern Europe, the Caucasus and Central Asia (EECCA) countries in developing policies that improve environmental quality and social well-being, while creating opportunities for strong economic growth and decent jobs. The Task Force facilitates the exchange of experiences and the development of policy responses for a resilient, sustainable, and inclusive economic recovery in the EECCA region.

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1. OECD (2021), "The OECD Green Recovery Database: Examining the environmental implications of COVID-19 recovery policies", OECD Policy Responses to Coronavirus (COVID-19), 19 April 2021, <https://www.oecd.org/coronavirus/policy-responses/the-oecd-green-recovery-database-47ae0f0d/>

2. OECD (2021), "COVID-19 and greening the economies of Eastern Europe, the Caucasus and Central Asia", *OECD Policy Responses to Coronavirus (COVID-19)*, 17 February 2021, <https://www.oecd.org/coronavirus/policy-responses/covid-19-and-greening-the-economies-of-eastern-europe-the-caucasus-and-central-asia-40f4d34f/>

# Overview

## EECCA and COVID-19

**Eastern Europe, the Caucasus and Central Asia (EECCA), like other regions of the world, has been seriously impacted by the COVID-19 pandemic. Most governments responded to the health crisis with strict containment measures. Domestic and international travel restrictions directly affected not only the tourism and hospitality industry but also demand for and prices of petroleum and petroleum products. Although infection and death rates vary widely, the economic impact is unquestionable across all EECCA countries.**

Figure 1. Total COVID-19 cases per million

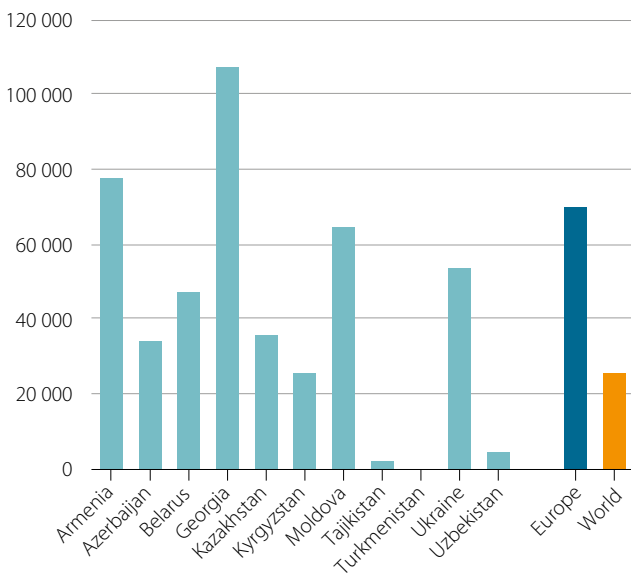


Figure 2. Total COVID-19 deaths per million

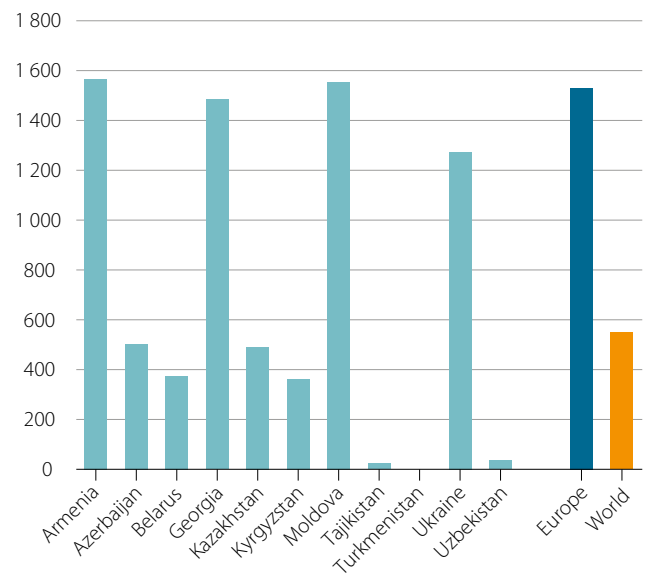
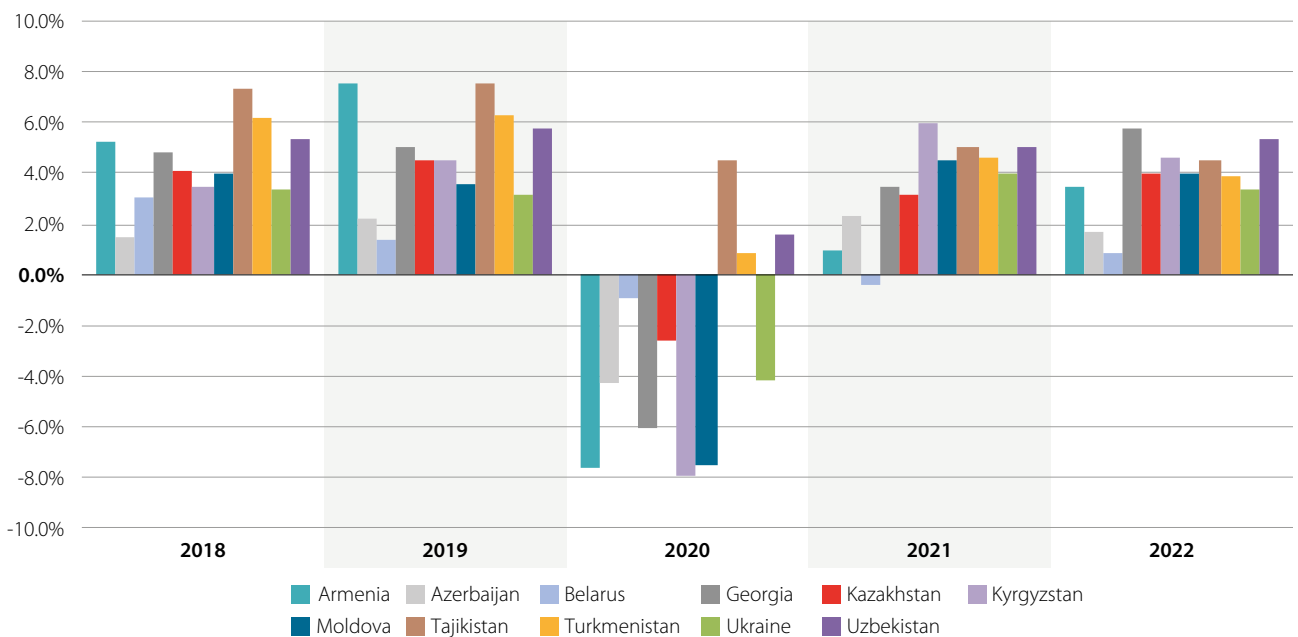


Figure 3. Real GDP growth in EECCA countries (2018-2022)



Source: IMF (2021), World Economic Outlook.



OECD analysis of the policy responses of its member countries, the G20 and EECCA countries has shown that the proportion of funds dedicated to green measures (i.e. measures that support the transition towards low-emission, resilient development) was comparable to unsustainable and ‘mixed’ measures.<sup>1</sup>

The analysis also identified the following recommendations to craft efficient recovery plans:

1. **Avoid weakening climate policies [pages 6-7]**
2. **Consider making direct support to firms contingent on environmental improvements [pages 8-9]**
3. **Invest in low-carbon infrastructure [pages 10-11]**
4. **Preserve incentives while protecting vulnerable communities [pages 12-13]**
5. **Maintain government support for innovation and start-ups [pages 14]**

More recent analysis showed how several EECCA countries put these principles into practice, for example:

### The continuation of the pre-recovery support to firms and industries during the pandemic helped the low-carbon transition

**1** Despite competing priorities and limited fiscal space, pre-pandemic plans to install clean energy in public buildings and encourage green transport alternatives in **Georgia** continued and accelerated during the first waves of the COVID-19 pandemic.

The government of **Ukraine** made support for the country's energy sector conditional on energy efficiency improvements and the integration of renewable energy sources, and Georgia's Rural Development Agency incentivised its beneficiaries to adopt resource and energy efficiency practices.

2

### Greening stimulus packages support the longer-term recovery

**3** As part of its recovery package, **Ukraine** undertook an initiative to improve the energy efficiency of public buildings across the country, including hospitals and educational facilities. At the regional level, Vinnytsia in Ukraine designed similar measures, encouraging retrofits of existing building stock to improve energy efficiency and incentivising energy and resource efficiency measures in infrastructure projects across the region. **Uzbekistan**, as part of its recovery package, invested in infrastructure for improved water supply and sanitation as well as irrigation through its Anti-Crisis Fund.

In **Armenia**, the government created a short-term employment programme in the agricultural sector that simultaneously provided work for vulnerable communities and improved resilience and water quality through reforestation of riparian zones. In **Moldova**, the government supported the development of villages in the Coşniţa area as sustainable tourism destinations, improving service delivery to the local community in the process.

4

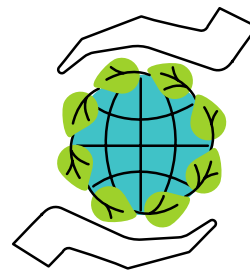
**5** In **Moldova**, the government launched a programme to support small and medium enterprises (SMEs) impacted by the crisis and accelerate the adoption of circular economy, energy efficiency and resource efficiency principles. Training, awareness-raising and consulting initiatives aimed to encourage “eco-innovation” through green and circular business models.

1. OECD (2021), “COVID-19 and greening the economies of Eastern Europe, the Caucasus and Central Asia”, OECD Policy Responses to Coronavirus (COVID-19), 17 February 2021, <https://www.oecd.org/coronavirus/policy-responses/covid-19-and-greening-the-economies-of-eastern-europe-the-caucasus-and-central-asia-40f4d34f/>; OECD (2021), “The OECD Green Recovery Database: Examining the environmental implications of COVID-19 recovery policies”, OECD Policy Responses to Coronavirus (COVID-19), 19 April 2021, <https://www.oecd.org/coronavirus/policy-responses/the-oecd-green-recovery-database-47ae0f0d/>



# 1

## Avoid weakening climate policies



### OECD RECOMMENDATION ON COVID-19 RESPONSE AND RECOVERY PACKAGES

**Emergency support to industries, firms and individuals should not include the repeal or watering down of environmental policies. Backtracking on environmental policies, such as weakening environmental rule enforcement, dismantling carbon markets or lowering vehicle fuel efficiency standards must be avoided. Although some industry lobbies have been pushing to weaken standards or to delay the introduction of planned climate policies and initiatives, it may be difficult to undo relaxation of environmental standards, even if intended to be temporary. Uncertainty caused by undoing some climate policies could reduce incentives for innovation and investment and harm employment in low-carbon sectors.**

### INTEGRATION OF RENEWABLE POWER GENERATION IN GEORGIA

Globally, the COVID-19 pandemic triggered the halting or postponement of various infrastructure projects due to budget constraints. Contrary to this trend, there were several renewable energy projects in Georgia that not only proceeded during the COVID-19 pandemic but were even scaled up beyond the original scope. The most notable example is the installation of 13 solar power plants with a total installed capacity of 333 kW in 13 public schools in Batumi. Additionally, the initiative contributed towards increased awareness of pupils in the field of renewable energy. The initiative expanded over the course of 2020 to include five additional solar panel systems for public buildings

in Tbilisi. The Georgian Energy Development fund implemented the project with financial support from Lithuania and technical assistance from Lithuania and Ukraine.

*There were several renewable energy projects in Georgia that not only proceeded during the COVID-19 pandemic but were even scaled up beyond the original scope.*



Solar panels installed on a public school building in Batumi, Georgia.

Photo: Georgian Energy Development Fund





A Euro-6 standard bus in the renovated Chavchavadze Avenue in Tbilisi (August 2020).

### GREENING PUBLIC TRANSPORT DURING THE PANDEMIC IN GEORGIA

Tbilisi, the capital of Georgia, suffers from acute traffic congestion, air and noise pollution due to an increased private car ownership and to deteriorating public transport systems. Despite some improvements road safety remains a major problem. To improve the situation, prior to the pandemic Tbilisi City Hall started developing a Sustainable Urban Mobility Plan. The Plan actively supports the restructuring of the public transport service systems as well as non-motorised mobility (e.g. bicycles, scooters). On the basis of the plan principles, key roads and public transport facilities were refurbished, as well as dedicated lanes for non-motorised transport and charging stations for electric

vehicles were planned and constructed. Even prior to the Plan's development, excise taxes on electric and hybrid vehicles were lowered nationwide to incentivise their uptake.

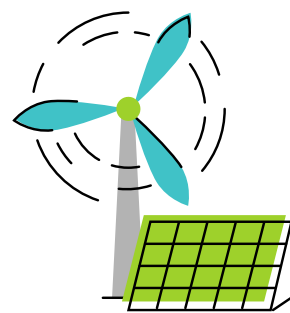
As Georgia entered the initial wave of the pandemic, implementation of the plan accelerated. The acceleration was due in part to a 20% uptick in private motor vehicle use which resulted from a suspension of public transport services during the curfew. Electric charging stations are being constructed along major highway routes and green public transport systems are under development in Bakuriani and Batumi.



Electric scooters for hire and charging stations for electric cars in central Tbilisi (October 2020).



## 2 Make support conditional on environmental improvements



### OECD RECOMMENDATION ON COVID-19 RESPONSE AND RECOVERY PACKAGES

Many companies struggling from the unprecedented shocks stemming from the COVID-19 pandemic have required support, including bailouts, to stay afloat. Such support should not, however, come without conditions, driving investment toward low-carbon production modes and emissions reductions where feasible. For low-emission firms, governments can ensure that they are eligible for and covered by policies providing access to low-cost financing and flexibility on deadlines. For more emissions-intensive companies, support should be conditional on environmental improvements, including in the areas of energy and resource efficiency.

### RESOURCE EFFICIENCY IN RURAL DEVELOPMENT IN GEORGIA

During the pandemic Georgia's Rural Development Agency provided targeted support and co-financing programmes for rural SMEs. Notably, in an effort to reduce forest degradation from illegal firewood extraction and decrease carbon emissions, several programmes promoted the production of cleaner fuels and the purchase of energy-efficient furnaces by offering co-financing for energy efficiency and renewable energy projects for commercial activities, including the installation of solar panels.

There is scope for expansion of the programme within Georgia, including to municipalities, and the regional counterparts of the Rural Development Agency – the National Small and Medium Entrepreneurship Development Centre in Armenia and the Small and Medium Business Development Agency in Azerbaijan – could design analogous programmes.



Solar panels used on an agricultural complex in Georgia.

Photo: Vladimir Valishvili, UNDP



***Technical constraints blocked the full integration of the new renewable generation capacity into the grid and rebalancing of the power and heat generation mix away from coal-fired co-generation plants in favour of lower-carbon technologies.***

### CONDITIONAL SUPPORT FOR THE ENERGY SECTOR IN UKRAINE

Renewable energy production had accelerated quickly in Ukraine prior to the pandemic thanks in part to a special green tariff. However technical constraints blocked the full integration of the new renewable generation capacity into the grid and rebalancing of the power and heat generation mix away from coal-fired co-generation plants in favour of lower-carbon technologies. As demand plummeted with the onset of the pandemic, renewable producers were unable to adjust generation levels accordingly and the government's debt to these producers increased considerably.

Despite the pandemic, the Ukraine government and the National Energy and Utilities Regulatory Commission

began paying off its debts and introduced a series of reforms to strengthen the financial sustainability of the energy system and improve the regulatory framework, allowing for smoother integration of renewable energy sources into the power grid and more rational management of power and heat supply between low-carbon and high-carbon sources.

On the demand side, the Ukraine's government, in collaboration with the Energy Servicing Companies (ESCOs), focused on reducing energy consumption by local communal utilities with the aim to reach up to 35% during periods of high demand for heat and electricity.

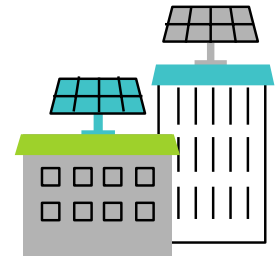


Wind turbines at Saryi Sambir, Ukraine.



A worker installs solar panels on the roof of a private house in Uzhgorod, Transcarpathia, Ukraine.

# 3 Invest in low-carbon infrastructure



## OECD RECOMMENDATION ON COVID-19 RESPONSE AND RECOVERY PACKAGES

Public debt has soared as governments grapple with the COVID-19 pandemic, and restrictions and demand shocks have led to sharp increases in unemployment. Investment in “shovel-ready” infrastructure projects that simultaneously provide much-needed employment opportunities and contribute to the low-carbon transition, such as retrofitting buildings to improve energy efficiency, can provide a cost-effective way to meet several government objectives at the same time.

## WATER SUPPLY, SANITATION AND IRRIGATION INFRASTRUCTURE IN UZBEKISTAN

As part of the economic recovery from COVID-19 the Anti-Crisis Fund was set up in Uzbekistan under the Ministry of Finance in 2020. The Fund allocated UZS 500 billion (approximately USD 46.8 million) to the construction of water supply and sanitation facilities and UZS 400 billion (approximately USD 37.5 million) to the development of irrigation and land improvement facilities. The programme targets regions of Uzbekistan with particularly low levels of access to centralised drinking water supply and other services and supports the government’s efforts to achieve the Sustainable Development Goals, notably SDG 6: Clean water and

sanitation. Other EECCA countries with relatively low levels of access to safe drinking water (e.g. Tajikistan), could stand to benefit from similar programmes.

*The Anti-Crisis Fund programme targets regions of Uzbekistan with particularly low levels of access to centralised drinking water supply and other services*



Uzbekistan is classified as a water-stressed country. Improving infrastructure for water supply, sanitation and irrigation is essential for increasing water efficiency in the country.







*The government promoted energy saving measures ... improved thermal insulation and HVAC systems, installation of individual heat substations and better insulated windows, in about 1 000 public buildings across the country, including hospitals and health centres.*

### ENERGY EFFICIENCY IN PUBLIC BUILDINGS – AT THE NATIONAL AND REGIONAL LEVELS IN UKRAINE

Energy efficiency improvements form a central component of the recovery plans in Ukraine designed by the national government and the regional government of Vinnytsia in the western of the country. At the national level, the government promoted energy saving measures, e.g. improved thermal insulation and HVAC systems, installation of individual heat substations and better insulated windows, in about 1 000 public buildings across the country, including hospitals and health centres. The projects simultaneously addressed ventilation concerns, reducing the risk of COVID-19 transmission, and long-standing energy efficiency issues while providing employment opportunities nationwide.

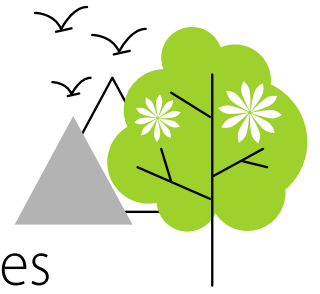
At the regional level, local authorities in Vinnytsia supported the introduction of resource and energy saving technologies in public buildings (e.g. hospitals, kindergartens) and utility companies, launched incentives for the inclusion of energy efficiency measures to infrastructure projects and encouraged local producers to opt for local raw materials. There is considerable scope for scale-up of both the national and regional programmes to retrofit ageing public buildings across the country.



Energy efficiency improvements are a key part of Ukraine's efforts to reduce its greenhouse gas emissions.

# 4

## Preserve incentives while protecting vulnerable communities



### OECD RECOMMENDATION ON COVID-19 RESPONSE AND RECOVERY PACKAGES

**In addition to the difficult challenge of integrating environmental and climate concerns into recovery packages, policy makers must ensure that vulnerable communities do not disproportionately shoulder the burden of response measures. While carbon pricing and the phase-out of fossil fuel subsidies are essential tools to align incentives with climate goals, unless there are compensatory measures, the relative impact of such policies is greater for lower-income households and small businesses than for higher-income households and larger companies. The uneven impacts of policies should be carefully analysed, and where possible vulnerable communities should be protected and supported.**

### SUSTAINABLE TOURISM DEVELOPMENT IN RURAL COMMUNITIES IN MOLDOVA

Due to border closures and travel restrictions, the demand for domestic tourism in Moldova spiked during the pandemic, with urban dwellers particularly in the capital Chisinau seeking vacation destinations within the country.

The local authorities of the town of Coşniţa, in partnership with public associations, responded to the demand by transforming the village of Pohrebea

and three other nearby villages into rural tourism destinations with a range of outdoor leisure facilities. The rural community, which had previously had relatively poor access to basic infrastructure services (less than 30% of the population connected to the sewerage system), reaped the benefits of infrastructure development projects as well as employment opportunities from the nascent tourism industry.





*The programme employed vulnerable groups, including rural Armenians and stateless individuals residing in Armenia, to develop riparian forest zones by planting willow trees along riverbanks.*

#### TARGETED EMPLOYMENT PROGRAMMES TO IMPROVE RESILIENCE AND ECOSYSTEM SERVICES IN ARMENIA

As part of its recovery package, the government of Armenia, in co-operation with the Hayantar State Non-Governmental Organisation (ArmForest) and the Foundation for the Preservation of Wildlife and Cultural Heritage, designed a temporary employment programme in the agricultural sector. The programme employed vulnerable groups, including rural Armenians and stateless individuals residing in

Armenia, to develop riparian forest zones by planting willow trees along riverbanks.

The programme provided daily remuneration to the participants and contributed to the country's "10 Million Trees" initiative, aimed at improving resilience to climate change and the provision of ecosystem services (e.g. water filtration, erosion prevention, flood management).

Left: Sustainable tourism activities in Pohrebea and nearby villages in Moldova showcase local produce, traditions and rural hospitality.



# 5

## Maintain support for innovation and start-ups



### OECD RECOMMENDATION ON COVID-19 RESPONSE AND RECOVERY PACKAGES

**As governments respond to the current COVID-19 crisis, they must continue to prepare for the threats posed by climate change. To prepare for the transition to a greener economy, public support for innovation in the form of grants, tax credits and innovation prizes has a key role to play. Many government support measures tend to favour incumbent firms, but as the economic recovery gathers speed it is essential that low-carbon innovations receive the support they need.**

### “ECO-INNOVATION” AND EFFICIENCY INCENTIVES FOR SMALL AND MEDIUM ENTERPRISES (SMEs) IN MOLDOVA

Moldova’s SME development agency ODIMM launched a series of fiscal and financial support measures for SMEs and entrepreneurs. The main aim was to limit job losses and bankruptcies. A “Greening SMEs” programme was a key component of these measures. Under the Programme technical assistance, including training, consulting and mentoring, as well as direct financial support for SMEs to implement plans to green their activities. The OECD directly supported ODIMM with developing and launching an online green self-assessment tool for SMEs, where enterprises can receive

customised recommendations on actions they could take to improve their environmental performance, based on their sector, resource consumption and size. It also provides ODIMM with valuable information about which firms were trying to go green, and a means to support them with technical and financial assistance.

SMEs committed to improving energy and resource efficiency, adopting circular economy principles and “eco-innovation”, which included integrating green technologies.

*The “Greening SMEs” Programme, which provides technical assistance, including training, consulting and mentoring, as well as direct financial support, helps SMEs to implement plans to green their activities.*







Norwegian Ministry  
of Climate and Environment

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