MISSION: Technical assistance to the formulation and implementation of the green economy strategic framework (Phase 1)

PAYS: Republic of Uzbekistan

1. Mission context

Country context

1. **Since 2017, Uzbekistan has embarked in a program of deep economic, social and political reforms.** Uzbekistan is a lower-middle income economy and the most populous country in Central Asia. Per capita income average $1750 in 2019 or about $11,250 in PPP terms. In 2017, the Government of Uzbekistan (GoU) embarked on a wave of reforms to enact a transition from a closed, state-directed economy to an open, market-based economy. Key reforms over the last five years have notably included (i) the liberalization of prices, trade tariffs and the exchange rate, (ii) the opening of the economy to private initiative and privatization of state-owned enterprise, (iii) the extension of social safety nets to cushion vulnerable households against short-term impacts of reforms and (iv) the overhaul of public financial management– notably the reduction of off-budget expenditure and adoption of a public finance management (PFM) reform strategy. The GoU has also undertaken efforts to address sectoral challenges and bottlenecks, taking steps to increase the energy supply, remove internal price distortions and remove onerous regulations that previously sustained SOEs at the cost of private sector growth. Public capital expenditures have risen from $3.5 billion in 2016 to $16.6 billion in 2019. Most of these resources were allocated to the renovation and modernization of infrastructure in the energy, water and transportation sectors.

2. **At the same time, Uzbekistan is facing significant environmental challenges and is one of the country most vulnerable to climate change in the world.** With 80% of its territory occupied by grasslands and desertic areas, Uzbekistan's economy is particularly exposed to climate change. Since the early 1950s, average temperature in the country has risen twice faster than global warming rate. Current projections estimates that – barring resolute mitigation measures - average temperature in the country will increase by 1.8 to 3.3 C° by 2050. Without additional adaptation measure, climate change and overexploitation of natural resources will decrease Uzbekistan's economic potential in the years to come. In the energy sector, increased water scarcity - already visible through the disappearance of 25-70% of ice glaciers in the largest river basins - will decrease the productivity of hydropower which currently accounts for 14% of energy generation. The agro-food sector, which accounts for 32% of GDP and 90% of water use, will also be negatively impacted as soil salinization rise and yields drop. Increase emissions of particle matters in the air will lead to more respiratory diseases and lower labor productivity. The loss of biodiversity will curtail the country's tourism potential. All of these effects are already apparent in the Aral Sea ecological disaster. To ensure that growth, job creation and human development remain sustainable, Uzbekistan will need to address the dual challenge of climate change and environmental protection by greening its economy.

3. **Uzbekistan's green policy framework has historically been aimed at preventing direct environmental damage rather than mainstreaming sustainability into the economy.** Uzbekistan inherited a fairly well-functioning set of institutions which (i) assess the environmental impact of investment projects and (ii) regulate air pollution, wastewater discharge and waste generation. Over the

last few years, the GoU reformed this system with a view of making it more comprehensive, effective and less burdensome on private businesses. New considerations on biodiversity were added with the adoption of a flora and fauna protection law in 2016, a biodiversity strategy in 2019 and the transfer of the main natural reserves to the main environmental body (the State Committee on Ecology and Environmental Protection or "SCEEP"). Up to 2017, the sector policies were based on five-year programs of action that facilitated the allocation of funding. The GoU discontinued the practice in 2017 and replaced it with a long-term strategy for the sector: the Concept on Environmental Protection until 2030. In the University of Yale 2020 Environmental Performance Index, Uzbekistan ranked 88th overall out of 180 countries, though room for progress remain on biodiversity (140th) and air quality (177th).

4. **The GoU has taken first steps to mainstream the fight against climate change into sector policies and obtained encouraging results.** The energy sector, which accounts for 71% of greenhouse gases (GHG) emissions, has been at the forefront of these efforts. Over the last five years, the GoU has adopted specific legislation and ramped up public investment to develop renewable energy (hydro and solar power). However, renewable energy sources (RES) still only account for 14% of generation. More significantly, a lot of effort went in improving energy efficiency: adoption of a law to improve efficiency in construction, renovation of aging energy plants, elimination of leaks in the oil and gas industry, limitation of energy consumption in transport etc. These measures allowed Uzbekistan to reduce its carbon emission intensity per unit of GDP by 45% from 2010 levels – though the country still remains far above global average: 0,6 vs. 0,18 ToE per $1000 produced. Additional measures have been taken in other sectors, notably a large afforestation program in the Aral Sea basin which increased the national carbon sink. Authorities also started to implement adaptation measure in agriculture such as the introduction of efficient irrigation techniques (drip-in irrigation). The combination of these efforts allowed Uzbekistan emissions to remain relatively stable over the past decades in spite of robust economic growth. Its emissions per capita are quite low (5.95 tons of CO2 per capita) and far lower than emissions in neighboring Kazakhstan (21,8 tons), OECD average (12,9 tons) or global average (7,5 tons).

5. **Nevertheless, green and economic policies still suffer from a lack of coordination and integration in Uzbekistan.** The agendas of environmental protection, climate change and economic policies are largely treated as separate workstreams. They are supervised by different institutions and subject to distinct strategies. As a result, public policies tend to be disjointed. In the best case, they yields poor synergies instead of mutually reinforcing one another. In the worst scenario, they directly play against one another. For instance, public investment and tax incentives to develop renewables energy co-exist alongside fossil fuel subsidies that undercut their economic returns. Financial incentives to introduce drip-in irrigation in farming takes place alongside a long-standing policy of not charging farmers of water abstraction. The relative absence of interministerial councils dedicated to cross-cutting issues (the Coordination Council on Implementation of SDGs being an exception) further impedes policy coordination across agencies. Cognizant of these challenges, the GoU adopted in 2019 a Strategy for the Transition to Green Economy (hereafter "the Strategy") with a dedicated Interdepartmental Council to coordinate its implementation.

Policy context

6. **The Strategy for Transition to Green Economy is a policy framework aimed at achieving sustainable economic progress through the integration of green economy principles into the ongoing structural reforms.** The Strategy recognizes that the "*insufficient level of energy efficiency in the economy, irrational consumption of natural resources, slow renewal of technologies, low participation of small businesses in the implementation of innovative solutions*" hinders the attainment

of the country's sustainable development goals. To remedy this, the Strategy seeks to establish a transition to a green economy based upon full compliance with the national SDGs, rational use of resources and prioritization of green instruments. Covering a period up to 2030, the Strategy sets five priority directions with targets to meet by 2030 (detailed below).

Table 1 - The Strategy for Transition to Green Economy (2019)

Goal: Achieve sustainable economic progress contributing to social development, reduction of greenhouse gas emissions, climate and environmental sustainability by integrating green economy principles into implemented structural reforms.	
Directions	**Indicators**
1. Increase of **energy efficiency** of basic economy sectors 2. Diversification of energy consumption and development of **renewable energy** sources use 3. Adaptation and mitigation of **climate change** effects, increase of energy efficiency of natural resources use and **conservation of natural ecosystems** 4. Development of financial and non-**financial mechanisms** of green economy support 5. Development of **institutional framework**, improvement of regulatory and legal framework for the introduction of green technologies, development of mechanisms for regulation and control of energy efficiency, integration of green economy principles into education and science, improving potential and support of green investments	– reduction of greenhouse gas emission factor per gross domestic product unit by 10% versus 2010 level – doubling energy efficiency indicator and reduction of GDP carbon intensity – development of renewable energy sources by bringing their percentage to 25% or more of total volume of electric power generation – providing access to modern, affordable, and reliable power supply of 100% of population and economy sectors – modernization of industrial enterprises infrastructure due to increase of energy efficiency by at least 20% and implementation of environmentally friendly technologies and production processes – expansion of production and use of petrol and motor vehicles with improved characteristics in energy efficiency and environmental safety, as well as development of electric transport – achieving neutral balance of land degradation – Increasing the average productivity of the production of basic agricultural products to 20-25 percent;

Source : Presidential decree PP-4477, October 4th 2019

7. **The Strategy does not contain an implementation plan.** However, the Strategy defines a list of 21 priority areas (e.g. electricity power industry, renewable energy sources, introduction of green technologies, support for green investment). Each priority area contains reform items (e.g. reform of the tariff policy to stimulate RES, renovation of water treatment facilities to improve efficiency, introduction of fees to reduce GHG emissions, design of pro-green fiscal policies). The Strategy foresee that those items are to be implemented within the framework of national and sector strategies with the support of purpose built funds (Green climate fund, Adaptation fund), private investment, development aid and state budget funding.

8. **To coordinate the implementation of the Strategy, the GoU created the Interdepartmental Council**. The Interdepartmental Council on the promotion of the green economy brings together the ministries in charge of economic management (Economy, Finance, Investment & Trade) and line ministries most involved in climate change and environmental protection (e.g. Energy, Water,

Agriculture) as well as dedicated agencies (e.g. SCEEP, UzHydromet, Academy of Sciences…). The Council is chaired by the Minister of Economy. Crucially, the Council is tasked with designing and submitting each year to the Cabinet of Ministers an action plan to implement the strategy. The Council is therefore well positioned to become the primary forum for policy discussion and formulation on the green economy, climate change and environmental protection. To this date however, the Council has not convened nor produced its first action plan and is virtually inactive. Within the Ministry of the Economy, there is no department or staff in charge of preparing, supporting and following-up on the activities of the Council. Responsibilities for implementing the Strategy within other ministries and agencies at the technical level is equally unclear. No working group exists under the Council to prepare policies, evaluate proposals and make recommendations. The Council does not include members coming from civil society. It does not include coordination mechanisms with donors.

2. Detailed objectives and expected outcomes and deliverables

Objective 1 – Support the formulation of the green economy roadmap

Baseline and needs of the beneficiary (MoEDPR). The MoEDPR is tasked with coordinating the work of the green economy stakeholders to produce a roadmap for the strategy and integrate it in the next five-year plan. The MoEDPR expects a rough first draft to be ready by the end of the year but the final document might take more time to produce. A new department has been created within the ministry to handle this new agenda – the Department for green and innovative economy – but lacks experienced staff. As a result, the MoEDPR has difficulties in (i) assimilating the analytical work produced by experts and consultants, (ii) putting it into perspective with national constraints, priorities and reforms and (iii) coordinating various working groups to produce concrete deliverables. Consequently, the MoEDPR has requested that AFD finance a long-term, embedded, green economy expert to shadow the new department director and help him set up the new team.

Expected outcome. By the end of the mission, the MoEDPR wants to have formulated a state-of-the-art green economy roadmap and trained staff to coordinate and monitor its implementation through dedicated working groups.

Missions of the expert. The expert will be mobilized for a duration of 18 months, renewable for a longer term under the "scaled-up TA" upon satisfactory performance. The expert will be embedded into the Department for the Development of the Green and Innovative Economy and report to its director and the first deputy Minister. Office space and supply will provided by the MoEDPR. The mission of the expert will include:

a. **Provide assistance to expand the existing green economy Strategy** by (i) participating in the working groups created under the Council, (ii) formulating proposals for making additions and changes to the Strategy's priority areas, actions, target indicators – taking into account current international experience and (iii) introducing appropriate monitoring mechanisms to follow the implementation of the Strategy by ministries and agencies.

b. **Prepare a long-term action plan for the Strategy** and assists in its implementation, including making proposals to improve administrative effectiveness and create incentive mechanisms to promote the Strategy based upon international best practices.

c. **Assist in the coordination of the green economy stakeholders** including through the development of a monitoring and evaluation framework to measure results and donor and technical partners coordination.

d. **Work with international coalitions for the green economy that can support Uzbekistan's transition**, for instance by studying the accession of the country to the UN Partnership of Action for a Green Economy (PAGE), supporting the preparation to join the "Green Growth and Global Goals – 2030" initiative or the organization of the 2022 international conference "Green energy for Developing countries".

Expert profile. The expert is meet the following selection criteria:

- Advanced degree (Master's or PhD) in environment or natural resource economics/management, environmental science, engineering or other relevant fields with at least 6 years of professional experience in the outlined areas ;
- Fluency in both English and Russian or Uzbek ;
- Track record of leading preparation and implementation support of a range of policy relevant analytical work demonstrated by, for example, publications in peer-reviewed journals that have been applied, directly or indirectly, to policymaking ;
- Track record in strategic engagement with multidisciplinary teams, and with senior-level government, private sector, NGOs, and development partners ;
- Demonstrated skills in teamwork, including coaching, mentoring and motivating staff; contributing to the work of others, putting the team first, and resolving conflicts.

Deliverables. The expert will work under the supervision of the MoEDPR, producing deliverables as deemed necessary by the Ministry (e.g. green economy action plan, monitoring framework etc.). In addition, the expert will inform AFD of the progress of its work through monthly *short* (2-3 pages max.), bullet-point style summaries of the main actions he/she worked on over the past weeks.

5. Contact

The focal points at AFD for this service – to be copied in every email sent by Expertise France on the subject - shall be:

Côme DECHERY
Task team leader
Governance division (DOE/CIT/GOV)
Agence française de développement (AFD)
5 rue Roland Barthes 75598 paris cedex 12
Courriel : decheryc@afd.fr

Thierry LATREILLE
Public financial management specialist
Governance division (DOE/CIT/GOV)
Agence française de développement (AFD)
5 rue Roland Barthes 75598 paris cedex 12
Courriel : latreillet@afd.fr

Sardor NAZAROV
Operation officer
AFD Tashkent office (DOE/ORE/TAS)
Courriel : nazarovs@afd.fr