



Green Transitions Guidance Note

Enabling policies and strategic frameworks: towards a more strategic approach to supporting the green transition

IBC Training Programme on Green Transitions

The United Nations Issue-based Coalition (IBC) on Environment and Climate Change for Europe and Central Asia

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Executive Summary

A green transition is the process of moving towards a low carbon, resource efficient and socially inclusive economy. It represents a national challenge that requires innovation, infrastructure investments, and changes in consumption and production patterns. To bring those about, governments need to provide leadership and put in place enabling policies at both economywide and sectoral levels. Strategic frameworks are required to guide and facilitate the development and implementation of those enabling policies.

UNCTs are well positioned to become leading partners for the green transition. Indeed, UNCTs across the Europe and Central Asia region have been supporting the green transition. But it is not clear that the strengths of UNCTs are being fully exploited. A greater focus on enabling policies and strategic frameworks can help to increase the contribution of UNCTs to green transitions.

This Guidance Note identifies seven key elements to be integrated in national strategic frameworks for the green transition: making the case for green transition reforms; leveraging economywide policies; developing comprehensive strategic frameworks at sectoral level; using a coherent set of policy instruments to guide the green transition; ensuring the financial sustainability of green investment plans; providing a conducive enabling environment for private investment; and adapting governance arrangements to support the green transition.

The development and implementation of national strategic frameworks for the green transition can be informed by the ambition, structure and content of existing strategic frameworks at supranational level – such as the European Green Deal and the Pan-European Strategic Framework for Greening the Economy.

The other components of the IBC training programme on green transitions have identified policy reforms that can be implemented in sectors that have a strategic importance for the green transition. Sector-level action needs to be complemented with economywide policies that affect the behaviour of economic actors across different sectors, such as taxation policy, budgetary (expenditure) policy, trade policy, social protection policy, and gender equality policy.

UNCTs are encouraged to adopt a more strategic approach to promote the green transition. Each UNCT will need to assess which elements to include in its strategic approach, and how to sequence them, taking into account the country context and its own capacities and expertise. To achieve transformative action, UNCTs need to pursue system-wide engagement (combining expertise and mandates), focus on supporting the development of more robust investment and finance frameworks, and develop their own capacities in these areas.

This Guidance Note identifies three strategic lines and seven entry points for UNCT action. First, promoting the development of a national vision for the green transition, by creating demand for green transition reforms, encouraging leadership of the green transition from national leaders, and supporting the development of a national green transition agenda or strategy. Second, influencing key national processes, by supporting greening the national development plan and greening the national budget process. And third, influencing sector development, by supporting greening the sectoral policy and investment planning processes, and supporting governance improvements.



About this Guidance Note

The aim of this Guidance Note is to help United Nations Country Teams (UNCTs) in Europe and Central Asia to better understand the role of enabling policies and strategic frameworks in the transition to a green economy, and to formulate a more strategic approach to support programme countries in their green transitions.

This Guidance Note is part of a series of five guidance notes developed by the United Nations Issue-based Coalition (IBC) on Environment and Climate Change for Europe and Central Asia as part of the IBC Training Programme on Green Transitions. It has been developed by Roberto Martín Hurtado (UNECE consultant) under the guidance of Nick Bonvoisin and Sarangoo Radnaragcha (UNECE). A draft of the Guidance Note was presented at the IBC training webinar on the same topic that took place on 29th November 2022, which provided key input for the finalisation of the Guidance Note.

Why do UNCTs need to engage with enabling policies and strategic frameworks for the green transition?

A green economy is a low carbon, resource efficient and socially inclusive economy. In a green economy, growth in income and employment are driven by public and private investment into economic activities and assets that allow reduced carbon emissions and pollution, enhanced energy and resource efficiency, and prevention of the loss of biodiversity and ecosystem services. A green transition is the process of moving towards a green economy.

While the concept of green transitions is not yet fully understood in the Europe and Central Asia region, it is finally taking hold. Progress is taking place, as it can be seen in a recent subregional assessment for Eastern Europe and Central Asia (OECD, 2022). In some countries, such as Tajikistan, the green transition has started to be recognised as an economic imperative.

At the country level, the transition to a green economy represents a national challenge that requires innovation, infrastructure investments, and changes in consumption and production patterns. To bring those about, governments need to provide leadership and put in place enabling policies at both economywide and sectoral levels. Strategic frameworks are required to guide and facilitate the development and implementation of those enabling policies. But many governments in the region are in the midst of multiple crises, facing severe budgetary constraints following the impact of COVID-19, with fossil fuel-dependent economies, and public administrations that need significant strengthening.

UNCTs are well positioned to become leading partners for the green transition. UN country programmes can support the whole economy. They can provide the type of sustained support over many years that is required for the green transition, unlike some project-based initiatives. UNCTs do not have incentives to push specific solutions (such as “loans”) and provide “untied” support. UNCT staff are well regarded technically by host governments and partners and have access to the knowledge generated by the UN family at country, regional and global level. UN senior management have access to host country leaders, including the head of government and the ministers of finance and planning, and can play the role of “critical friend”.



UNCTs across the Europe and Central Asia region have been supporting the green transition. Most UNSDSFs include environment and climate change as a strategic result and result groups have been delivering a range of activities. For example, in Georgia this includes support for improved environmental governance, the formulation of climate-related strategies, capacity development, the adoption of greener technologies, or international engagement.

However, it is not clear that the strengths of UNCTs are being fully exploited. A recent review suggests that UNCTs are not yet leveraging the whole country programme to support green transitions (see Box 1). A greater focus on enabling policies and strategic frameworks can help to increase the contribution of UNCTs to green transitions. UNCTs are starting to adopt such a focus. For example, in Kyrgyzstan, since 2019, the Partnership for Action on Green Economy has supported the development of a whole-of-government/society approach that has influenced mid-term planning and informing the adoption of measure to reach net zero by 2050. And in Uzbekistan UNDP has been a leading supporter for the development of the Green Growth Strategic Framework (currently in the Cabinet of Ministers). Participants at the webinar highlighted the need for strong leadership from UN resident representatives (regarding both their internal and external roles), and identified joint programming as a key tool to increase the strategic impact of UNCTs.

Box 1. How are UNCTs supporting the green transition?

A review of 10 UNSDCF conducted in 2021 by the IBC on Environment and Climate Change shows that support for environmentally sustainable development and addressing climate change is one of UNCT's strategic priorities for every country. In some of them a strategic priority is to explicitly address environment and climate change, in others the element of environment protection and addressing climate change is part of the more broadly formulated priority aiming to promote green and sustainable development or growth. The links between environment and climate change and other development priorities are relatively well analysed, but environment and climate change are essentially treated as a sector or thematic area. While specific environmental and climate outcomes, outputs, indicators and targets are identified, environment and climate change are generally not well reflected in the “non-environmental” outcomes and outputs of the UNSDCF. The review recommended to allocate adequate expertise, time and resources at the very beginning of the UNSDCF planning process to ensure that environment and climate change are better reflected in the UNSDCF implementation, monitoring and evaluation plans. The IBC on Environmental and Climate Change has produced guidance on how to integrate environment and climate change in UNSDCF.

Source: Adapted from Martonakova (2021a, 2021b)



What are the key elements to be integrated in national strategic frameworks for the green transition?

The Training Programme on Green Transitions developed by the IBC on Environment and Climate Change includes specific attention to four themes: sustainable finance, energy, circular economy and plastics. The training webinars for those four themes have illustrated the size of the green transition challenge and identified solutions and entry points specific to those themes. They have also touched upon policy and strategic issues that cut across the different themes. This section brings together and further develops those cross-cutting issues.

Making the case for green transition reforms. The green transition will deliver many economic, social and environmental benefits. Policy reforms are generally an upwards struggle, as the proponents of the reforms have to fight both inertia and the “losers” from the reforms. It is thus important to raise awareness about the need for green transitions and articulate the benefits of the reforms to change the narrative (from short term to longer term thinking and from threats to opportunities). This includes communicating with the general public (for example through TV and social media). There are a number of analytical tools available that can inform the design of green transition reforms (for example, the UNDP fossil fuels subsidy simulator).

Leveraging economywide policies. Specialized agencies are understandably driven to address the green transition from a “sector-based” perspective. Those working in the agricultural sector, for example, may look at how improved access to markets, land reform, or water efficiency can contribute to green transition objectives. It is important to complement this perspective with support for greener economywide policies. These include, for example, fiscal policies (taxation and expenditure), trade policies (import and export), social policies (important to ensure a just transition), or policies regarding private sector participation (for example, in the energy and water sectors).

Developing comprehensive strategic frameworks at sectoral level. Effective strategic frameworks for the green transition would include ambitious policy goals; numeric targets; responsibilities; timelines; and a monitoring, evaluation and learning framework. They should promote a sequenced approach, starting with the “low-hanging fruit” (such as energy or water efficiency). They should use science-based information to support decision-making (such as that facilitated by the Global Framework for Climate Services, see Box 2). They should support an integrated policy approach, making sure that different national and sectoral strategies are coherent and that cross-sectoral coordination is effective. They can (and probably should) build on existing sectoral frameworks.

Using a coherent set of policy instruments to guide the green transition. In addition to public investments, governments can make use of an ample set of policy instruments for guiding economic actors. A green transition toolbox would include regulatory instruments (such as bans and technical standards), economic instruments (such as charges, taxes, and subsidy reform), and information-based instruments (such as awareness-raising, education, and information disclosure). It is important to ensure the coordination of policy instruments by thinking in terms of “policy packages”.



Ensuring the financial sustainability of green investment plans. There is no shortage of “supply of finance”; financial institutions can supply the required finance. To tap into that supply of finance, countries need to articulate the “demand of finance” and ensure that projects and programmes are “financially sustainable”. The development of integrated national finance frameworks and sector finance strategies (spelling out finance principles, targets and instruments) would help to establish a strategic approach to financing the green transitions.

Providing a conducive enabling environment for private investment. While public investments have an important role to play in the green transition, public finance is not enough. The green transition requires a major mobilization of private sector investments. Governments can and should steer private sector decisions to deliver the green transition. Economic actors (businesses and households) need a comprehensive and stable policy framework that provides the incentive structure and the security that will allow them to make their investment decisions.

Adapting governance arrangements to support the green transition. The concept of the green transition is not always well known or understood (sometimes being reduced to the “energy transition”) and line ministries often do not see their roles and responsibilities in the green transition. Delivering the green transition will often require developing the capacities of institutions and individuals -- for example in terms of policy analysis, cross-sectoral coordination and inclusive multi-stakeholder engagement.

Box 2. The Global Framework for Climate Services

The Third World Climate Conference established in 2009 the Global Framework for Climate Services (GFCS) to enhance the availability and application of science-based information to support decision-making in climate risk management and adaptation to climate variability and change, particularly in the priority areas of agriculture and food security, disaster risk reduction, energy, health and water resources management.

The GFCS tracks the implementation of National Framework for Climate Services and their support to National Adaptation Plans (NAPs) at country level. The GFCS has started to publish a Climate Services Annual Report that provides details in terms of capacity of countries to produce and apply science-based information and services to support adaptation efforts. The inaugural 2022 report focuses on energy and explains how countries can improve their energy infrastructure, resilience and security through better climate services, supported by sustainable investments.

Source: WMO staff

What existing supranational strategic frameworks can inform country-level action?

The development and implementation of national strategic frameworks for a green transition can be informed by the ambition, structure and content of existing strategic frameworks at supranational level. In this section we describe briefly the European Green Deal, which in practice is roughly equivalent to a national strategic framework, and the Pan-European Strategic Framework for Greening the Economy, which is a reference for all UN programme countries in



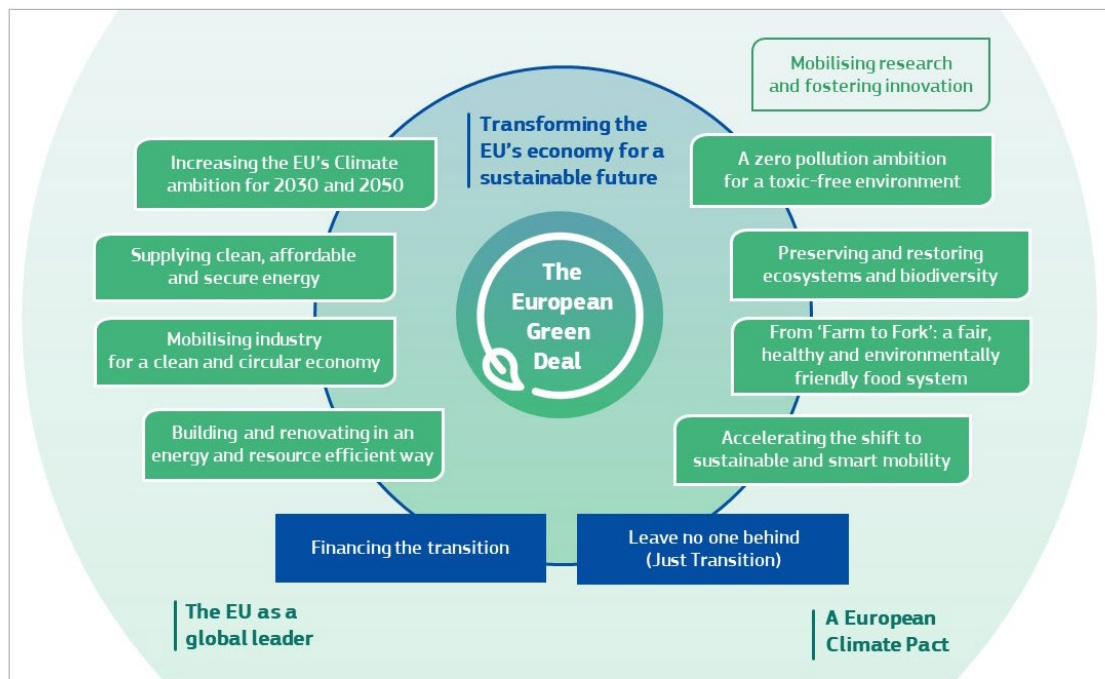
Europe and Central Asia. There are also relevant subregional frameworks, such as the Western Balkans Green Agenda.

The European Green Deal

Since 2019, the European Union (EU) has been developing a strategic framework to transform the EU's economy for a sustainable future. The European Green Deal is an integral part of the EU's strategy to implement the UN 2030 Agenda for Sustainable Development and the sustainable development goals. In December 2019, the European Commission put forward a Communication that set out the overall aim, two strategic pillars (designing a set of deeply transformative policies, and mainstreaming sustainability in all EU policies) and several policy objectives (see Figure 1).

The Communication also included a roadmap for the development of the different building blocks of this strategic framework over the following two years. Recognizing that the green transition requires significant investment from both the EU and the national public sector, as well as the private sector, the European Commission presented in January 2020 the European Green Deal's Investment Plan, which aims to mobilize at least EUR 1 trillion of investments. At the same time, it presented the Just Transition Mechanism to help support those most affected by making investments more attractive and proposing a package of financial and practical support worth at least EUR 100 billion. Since then, it has presented sectoral strategies or action plans for industrial development, circular economy, agri-food, biodiversity, energy, climate targets, chemicals, climate adaptation and blue economy.

Figure 1. The European Green Deal



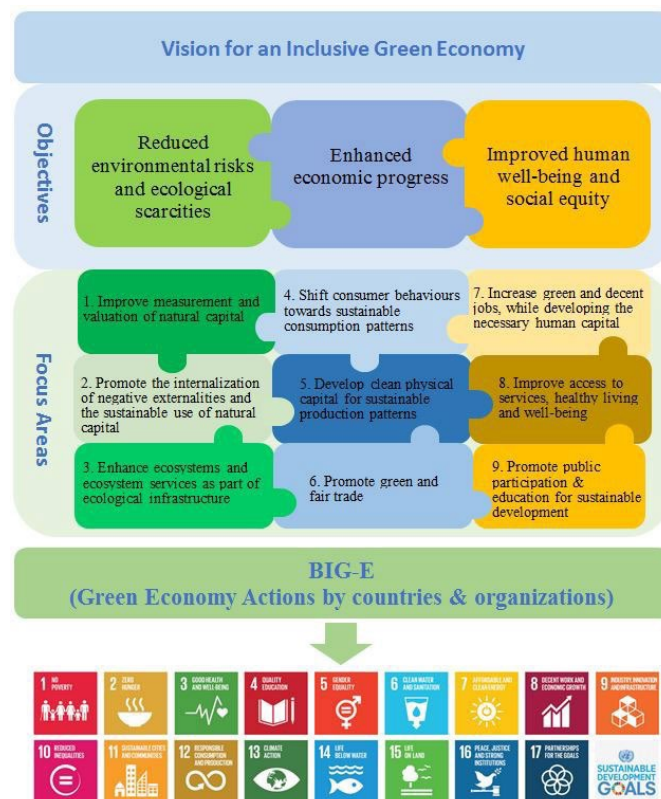


The Pan-European Strategic Framework for Greening the Economy

In June 2016, the Eighth Environment for Europe Ministerial Conference endorsed the Pan-European Strategic Framework for Greening the Economy. This Strategic Framework aims to guide the region in its transition to an inclusive green economy by 2030. To do so, it proposes a vision, three objectives and nine focus areas (see Figure 2) that build on the policy effort that followed from the Rio+20 Conference outcomes and the 2030 Agenda, as well as on the knowledge base and good practices developed in the region. The Strategic Framework is expected to serve environment ministers in initiating and sustaining discussions on the green economy transition in their national governments and, ultimately, in creating an inter-ministerial policy process to bring forward such an agenda involving key constituencies, including the public at large and the private sector.

Putting the Strategic Framework into practice involves mainstreaming the green economy approach into regional and national policies. At the national level, key drivers of implementation include clear leadership and communication, coordination across ministries and multi-stakeholder engagement, as the transition to a green economy entails numerous activities across multiple sectors. Engaging the private sector, civil society, local authorities and other relevant stakeholders is crucial to ensure ownership, private investment flows, the establishment of partnerships and behavioural changes.

Figure 2. Pan-European Strategic Framework for Greening the Economy





How can economy-wide policies be leveraged to promote the green transition?

The other components of the training programme have identified sectoral policy reforms that can be implemented in specific sectors that have a strategic importance for the green transition. Sector-level action needs to be complemented with economywide policies that affect the behaviour of economic actors across different sectors. This section briefly describes how some of those economywide policies can promote the green transition.

Taxation policy. The primary objective of taxation is to raise financial resources to pay for public programmes. Ineffective taxation deprives the public sector of resources to support the green transition. But tax systems are also designed to provide all types of incentives (for example, promoting childbirth). Many countries in Europe and Central Asia have experience with environmental taxes – sometimes the revenue is earmarked (“hypothecated”) to fund environmental programmes. It is important to ensure that those taxes are effective regarding their environmental objectives (specifically the “internalization of externalities”). Beyond environmental taxes, there is a major scope to “green the tax system” so that first they “do no green harm” and second “do green good”. Tax codes have evolved over time and many provisions introduced for one worthwhile purpose may be undermining the green transition. Tax exemptions are a particular concern.

Budgetary policy. Public expenditures in UN programme countries in Europe and Central Asia represent about 30% of GDP, though the rate varies widely from about 15% of GDP (Kazakhstan, Tajikistan) to about 45% of GDP (Serbia). How those public resources are spent can have a major impact on the green transition. Green procurement policies can help to develop the capacity of private sector suppliers to provide greener goods and services. In terms of the green transition, the structure of the budget and the objectives of budgetary programmes is more important. Public expenditures can be allocated support a just transition (see “social policy” below), to finance infrastructure programmes that contribute to decarbonizing the economy and increasing its resilience to climate change, or to develop the capacities of public administrations, the private sector and other stakeholders to develop and implement greener solutions. As governments face budgetary constraints, it is important to ensure that public resources are directed to programmes that provide the highest societal benefits.

Trade policy. Some countries use trade policy to protect national sectors from international competition, or to easily raise funds (from trade tariffs). These policies may undermine the green transition, for example by limiting access to greener technologies, by reducing incentives for specific sectors to adapt (such as growing crops more adapted to new climate conditions), or by constraining the ability of the whole economy to adapt (for example, importing virtual water).

Social protection policy. The green transition, as any major economic change, brings winners and losers (for example, jobs will be lost in carbon-intensive industries). Social policy can help minimize the negative social impacts of the green transition (through income support, retraining of workers and other tools). By doing so, it will help to promote the social acceptability of green reforms.

Gender equality policy. The structural changes associated with the green transition will bring about opportunities for improving gender equality. For example, as new sectors emerge and grow,



governments can put in place programmes to ensure that women have access to and benefit from green job opportunities. At the same time, a gender perspective needs to be integrated in the design of sectoral policies and green infrastructure programmes, so that the green transition responds to the needs of women and is gender inclusive.

What are some entry points for UNCTs to support strategically the green transition?

UNCTs are encouraged to adopt a more strategic approach to promote the green transition. Each UNCT will need to assess which elements to include in its strategic approach, and how to sequence them, taking into account the country context and its own capacities and expertise. This section presents a menu of possible entry points and suggests some activities that could be pursued.

To achieve transformative action, UNCTs need to pursue system-wide engagement (combining expertise and mandates), focus on supporting the development of more robust investment and finance frameworks, and develop their own capacities in these areas.

Promoting the development of a national vision for the green transition

- *Create demand for green transition reforms.* This may involve commissioning country-specific analyses of the benefits of the green transition, carrying out communication efforts to raise awareness, and promoting green transition ideas through regular sector level work.
- *Encourage leadership of the green transition from national leaders* (president, prime minister, minister of economy, finance or of planning, ...). This may involve organizing informal briefings and meetings with senior advisors, mobilizing senior UN management at country and regional level to carry out high-level dialogue, and organizing high-level events.
- *Support the development of a national green transition agenda or strategy.* This may involve engaging with presidential or prime minister's office and ministries of finance and planning to secure government leadership; engaging with public administration at different levels (including municipal level), business associations, trade unions, other civil society organizations, academia and development partners interested in promoting the green transition to ensure buy-in from stakeholders; financing analyses that support the transition; and supporting the process of developing the agenda or strategy.

Influencing key national processes

- *Support greening the national development plan.* This may involve engaging with the ministry of planning; commissioning the development of supporting analyses (such as the multiple benefits of green investments) and tools (for example, to select the projects and programmes that will be included in the national investment plan); developing capacities in sectoral ministries to develop green investment programmes; and facilitating national



dialogues in the process of national development planning with participation of all relevant stakeholders.

- *Support greening the national budget process.* This may involve engaging with the ministry of finance; commissioning the development of supporting analyses (such as public expenditure reviews from a green transition perspective, or a review of how the tax system supports or undermines the green transition); developing capacities in sectoral ministries to develop green budget submissions and in Parliament to question budget proposals from a green transition perspective; and supporting the participation of stakeholders in the process of preparing the national budget.

Influencing sector development

- *Support greening the sectoral policy and investment planning processes.* This may involve engaging with the minister's office and planning units of sectoral ministries; supporting the acquisition and management of more robust data; commissioning the development of supporting analyses (such as a review of how existing sectoral policy frameworks enable or undermine the green transition); supporting the development of "greener" sector investment plans and finance strategies (including using Strategic Environmental Assessment); and supporting the development of a monitoring, evaluation and learning frameworks.
- *Support governance improvements.* This may involve supporting the development and implementation of tools to increase transparency and facilitate accountability regarding green transition targets; supporting a capacity development programme in a specific sector; supporting a cross-sectoral capacity development programme; encouraging and facilitating the participation of other sectors and stakeholders (including business associations and trade unions) in sectoral planning processes; and encouraging and supporting the development of annual sector reviews.



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