

> Applying an environment and climate change lens to an MSD programme: insights from RECONOMY

12th December 2022



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The Donor Committee for Enterprise Development

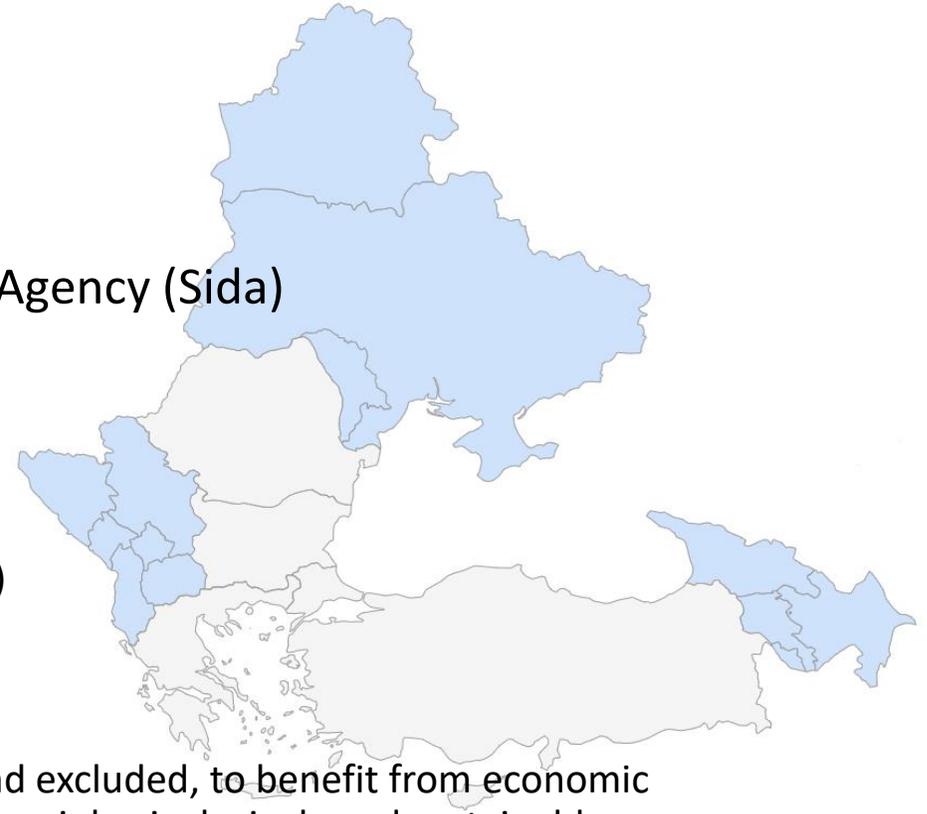


Structure Overview

- Short introduction to RECONOMY
- Practical example: applying ECC lens in RECONOMY pilot projects
- Methodological basis for Environment & Climate Change
Integration: how do we align ourselves with climate-resilient development pathways?
- Lessons learnt and recommendations for practitioners
- Q&A session

RECONOMY Intro

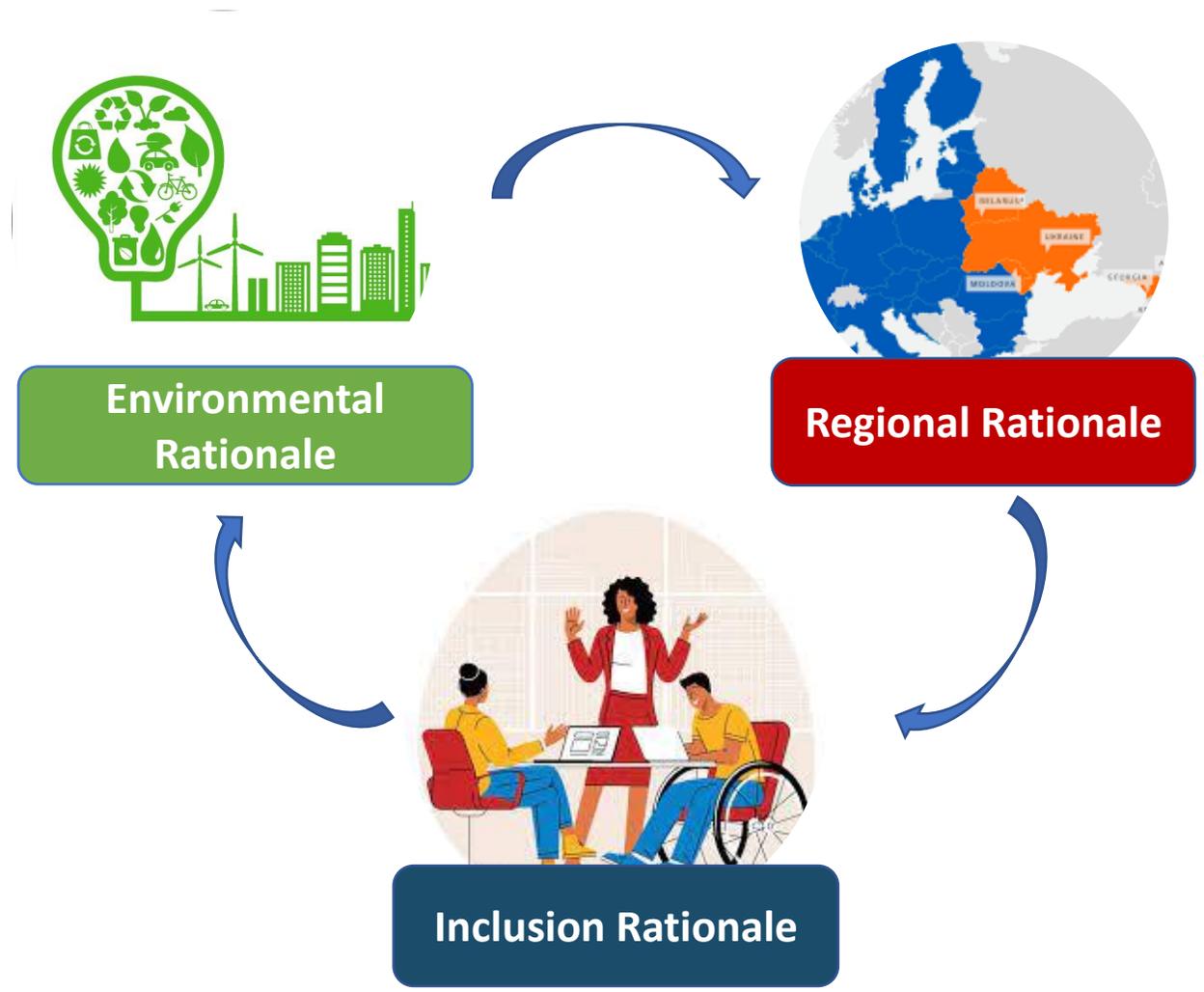
- **Donor:** Swedish International Development Cooperation Agency (Sida)
- **Main implementer:** HELVETAS Swiss Intercooperation
- **Duration**
 - Western Balkans: July 2020 – March 2023 (Inception Phase)
 - Eastern Partnership: July 2020 – December 2022 (Inception Phase)
 - Main Phase for both regions: 2023 – 2027
- **Main goal**
 - To enable women and youth, including the most disadvantaged and excluded, to benefit from economic opportunities by increasing their income and taking up decent/green jobs, inclusively and sustainably.
- **Coverage**
 - Western Balkans: Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia
 - Eastern Partnership countries: Armenia, Azerbaijan, Georgia, Moldova, Belarus, and Ukraine



Pilot project Green Energy Transition

- Region: Armenia, Azerbaijan, and Georgia (South Caucasus region)
- Timeframe: June 2021 – December 2022
- Focus of the project: Green Energy Transition in Built Environment





What: relevance & focus

- Global energy transition accelerating
- Considerable renewable energy potential in the region
- More opportunities in absorbing workforce

How: systems for services, competencies & influencing underperform

- Lack of a better understanding of services by the private sector for investment in energy efficiency
- Countries of the region face skill shortages & deficiencies
- Regulatory frameworks tend to disable innovation & adoption of renewable energy solutions

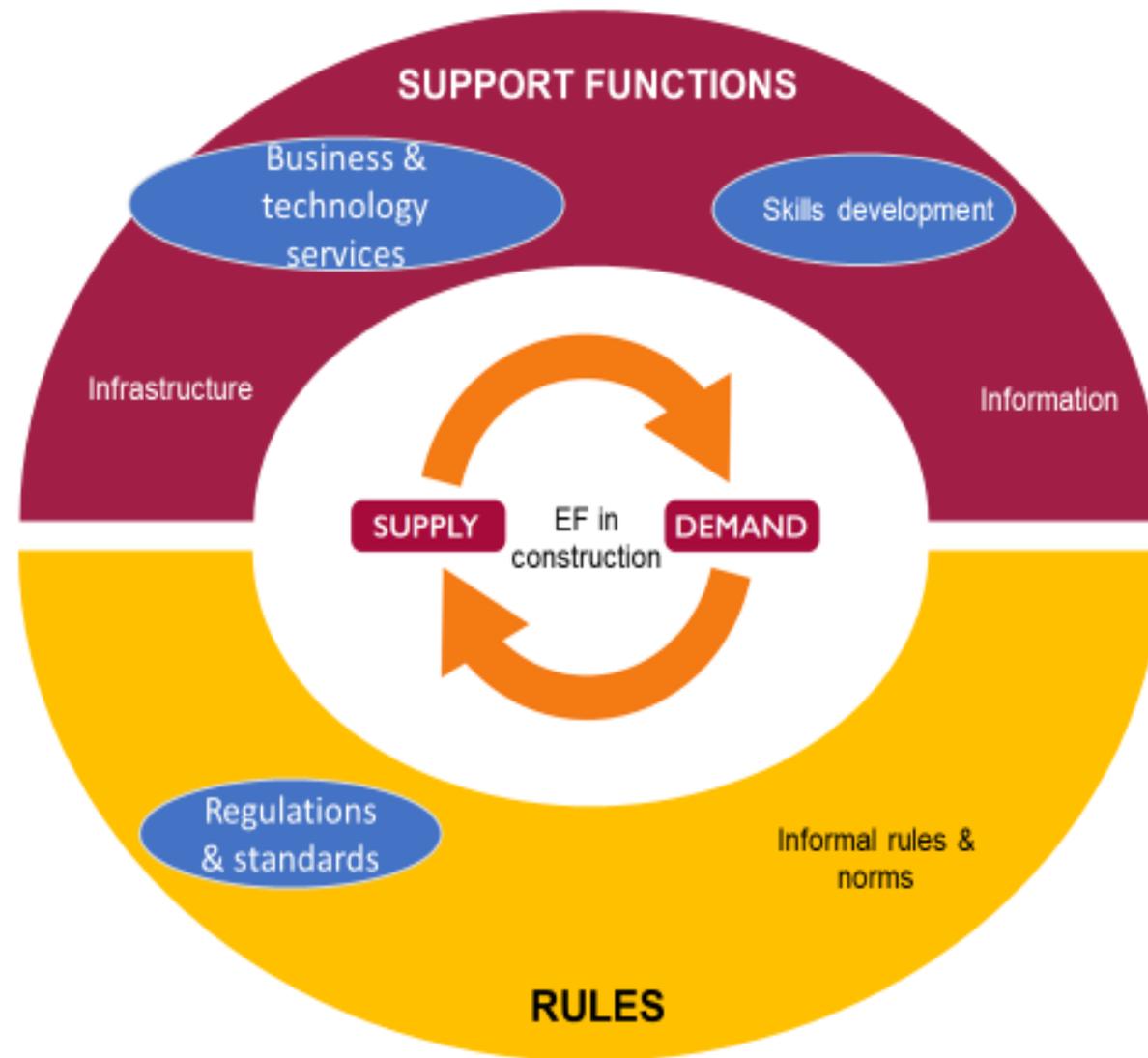
Why: systems underperform

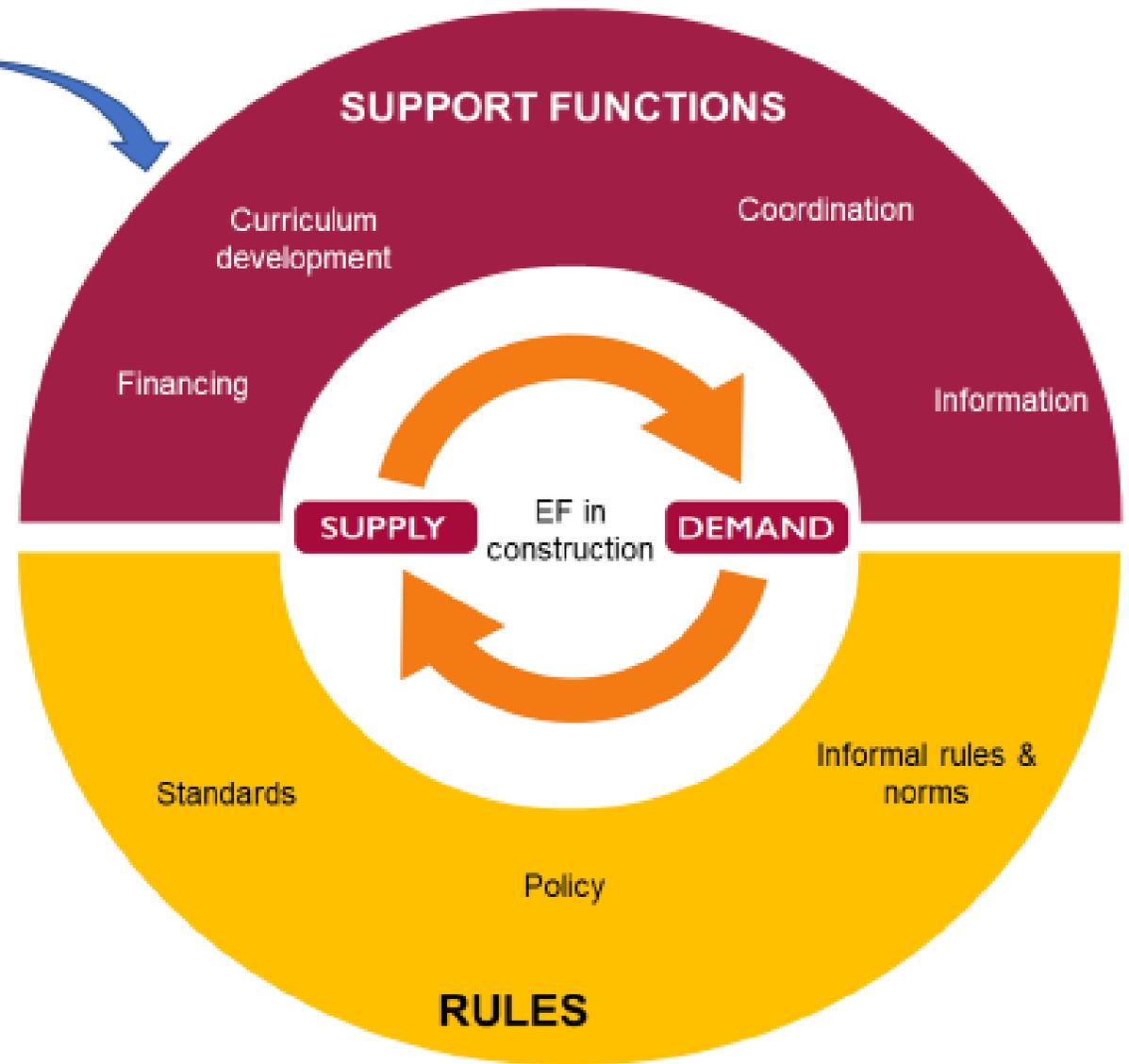
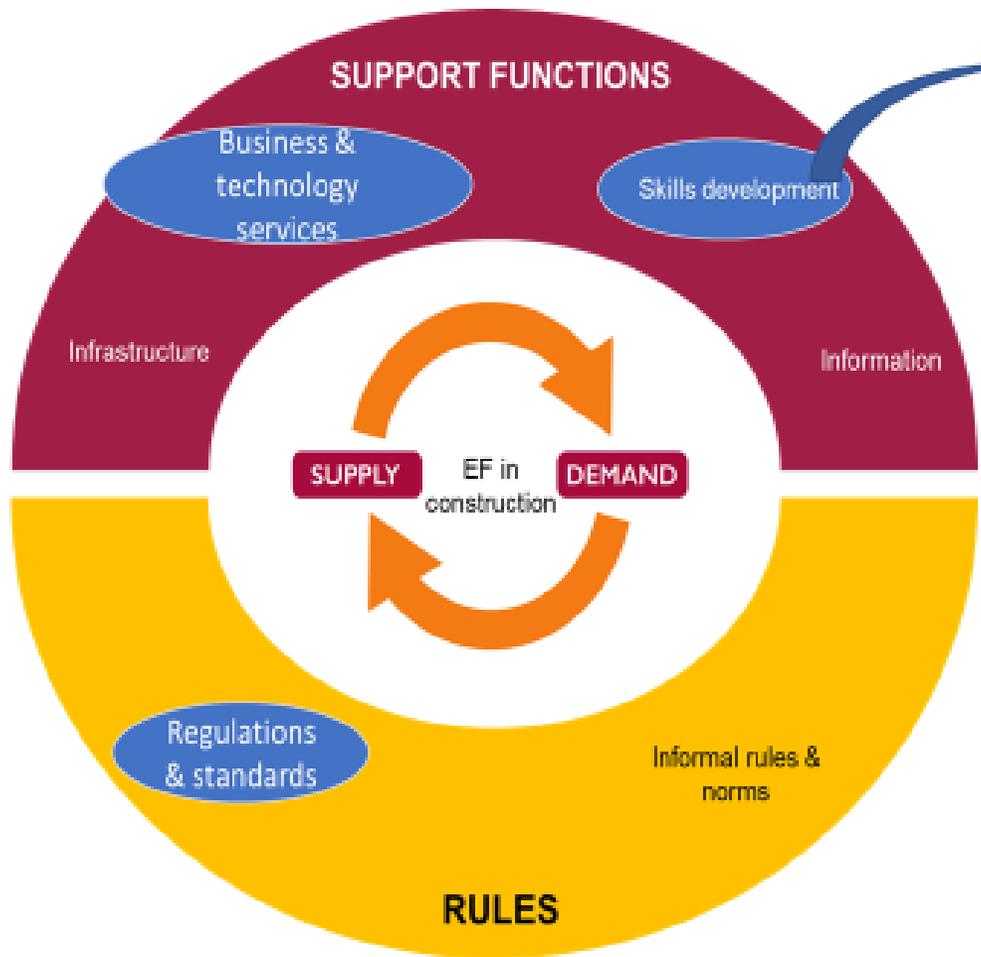
- The application of a one-size-fits-all approach to service provision → less relevance & diversification of business & technical services
- The low quality of education/training & skill mismatches → prevent women & young people from obtaining & retaining good jobs or starting their own economic initiatives
- Private sector enterprises/associations lack the capacity to influence firm or industry-specific regulations → stifling enabling environment for the role of the private sector role in energy efficiency

Relevance

Symptoms

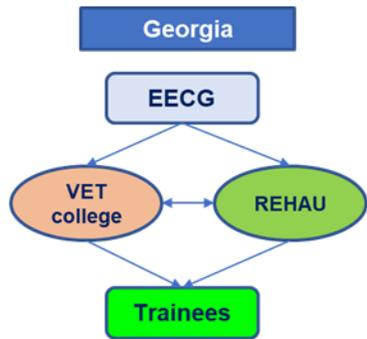
Root causes





Engaged Market Actors – multinational companies

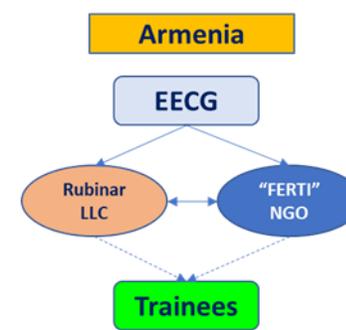
- REHAU (Georgia)
- KNAUF (Azerbaijan)
- PV (Armenia)



The linkage between VET college and REHAU has been established and first training was conducted by REHAU's certified trainer



The linkage between the Baku University and KNAUF has been established and KNAUF has been providing skills development trainings at the workshop of the VET college under the Baku University



The linkage between the Rubinar LLC and Armenian NGO FERTI has been established and the solar systems, energy saving and energy efficiency as well as solar photovoltaic (PV) systems related trainings are conducted

Opportunities/benefits

- Common standards
- Worldwide recognized certification system
- Presence in all regions of RECONOMY

KNAUF Georgia/Armenia promised support in establishing contacts with KNAUF branches in other countries, and also expressed readiness for cooperation in Georgia and Armenia

Climate-resilient development

Green and Inclusive Transition

Mitigation /
Decarbonization

Adaptation / Disaster Risk
Reduction

Key Barriers and
Enablers for Change

Transition Risks

Physical Climate Risks

Business-related and societal
risks resulting from transition to
net-zero economy

Awareness	Capacity
Resources	Practices

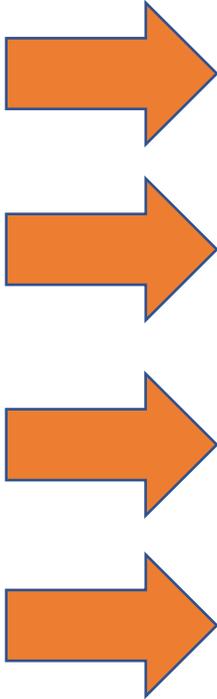
Risks resulting from climate
variability and extreme weather
events

ECC Integration

Knowing your sector / Forecasting the forward-looking dynamics:
What are the ECC impact "costs" for the system? How value chains will be affected? How will it influence the target groups?

Selecting your approach:
Decarbonization // Adaptation Capacity + specific pathways

Applying the Green Transition Barriers and Enablers Lens:
What are the rules and norms / supporting functions bringing you closer and limiting you? Who are the system actors? Who are the champions of change on your side?



KMLC

MRM

Strategy

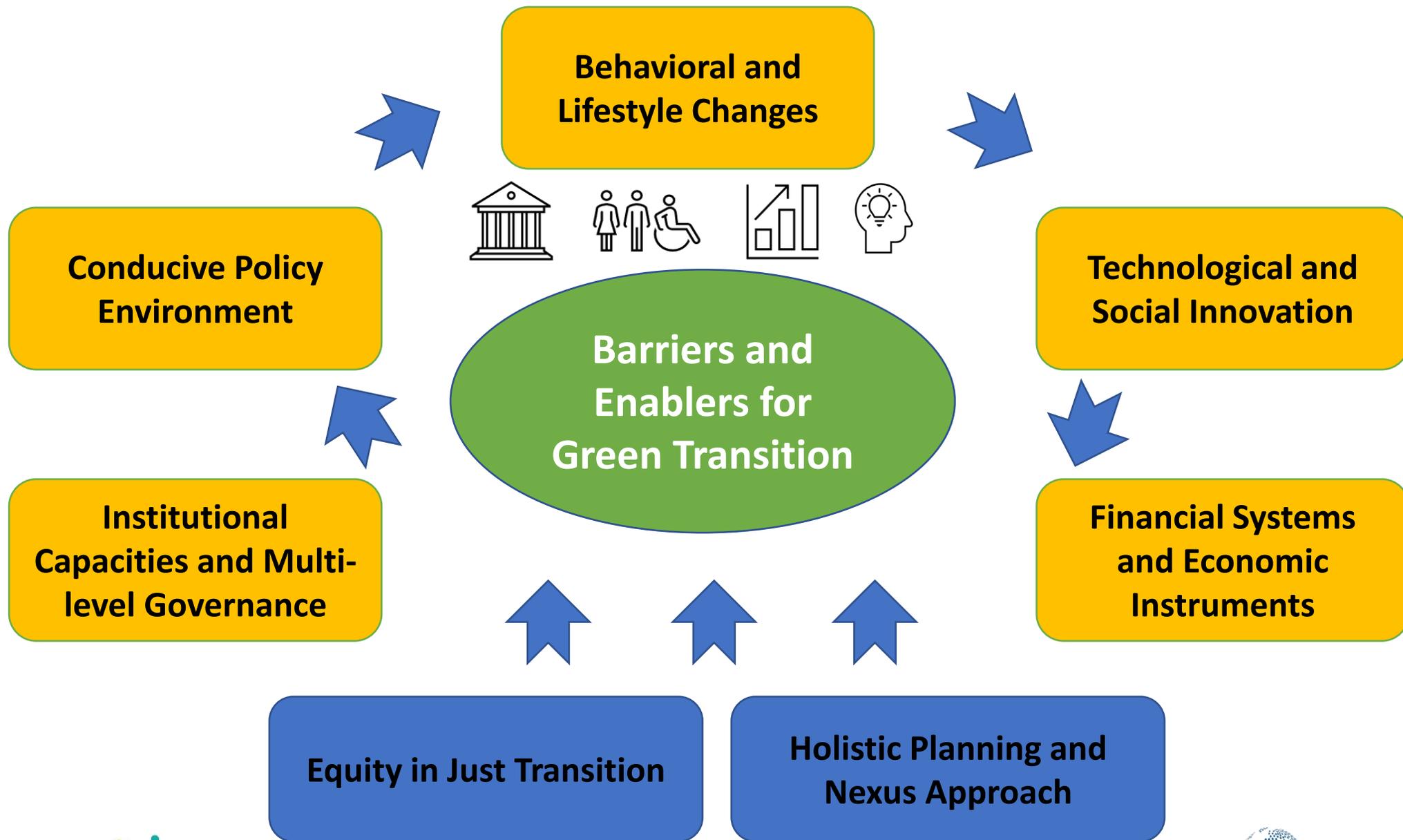
Diagnosis

**MSD
Cycle**

Vision

Intervention

Type of Risks	Climate-related Transition Risks	Climate-related Physical Risks	Other Environmental Risks
Examples	<ul style="list-style-type: none"> • Policy and Legal Risks (carbon pricing, strict eco standards, etc.) • Technological Risks (outdated tech, slow uptake of new technologies) • Market and Reputation Risks (shifts in consumer behavior, increased costs of energy and raw materials) 	<ul style="list-style-type: none"> • Acute Natural Hazards (heat waves, droughts, floods, etc.) • Climate Variability (shifts in seasons, agroclimatic zones, water regime, etc.) 	<ul style="list-style-type: none"> • Air pollution • Soil pollution and degradation • Water pollution • Biodiversity loss • Degradation of ecosystems • Deforestation • Desertification • Etc.
Impacts on the Market Systems	<ul style="list-style-type: none"> • Increased investment needs combined with higher interest rates • Increased regulatory pressure, including in international trade • Labour market frictions (changing nature of jobs) 	<ul style="list-style-type: none"> • Lowered workforce productivity • Increased utility costs, raise in commodity prices, etc. • Damaged infrastructure • Other 	<ul style="list-style-type: none"> • Health-related issues • Lowered productivity (e.g., in agriculture) • Etc.



Environment & Climate Change (ECC) Integration in RECONOMY

Initial Simplified Environmental Impact Assessment	<ul style="list-style-type: none">Initial assessment of the program context, opportunities for ECC integration and key risks. Served as a ground for further steps.
Sector Selection and Initial Diagnosis	<ul style="list-style-type: none">Development of criteria for ECC lens in sector selection process. Collaborative selection of the sectors, initial diagnosis and ideation of interventions based on analysis of opportunities/risks and other aspects.
Procurement and Partner Selection	<ul style="list-style-type: none">Integration of ECC perspective in the Requests for Proposals (technical part and capability). Evaluation of applications and decision-making with ECC lens
In-Depth Assessment and Co-creation	<ul style="list-style-type: none">In-depth collaborative assessment of the ECC context regarding proposed interventions, key opportunities, and risks, as well as partner's organizational capacity. Ongoing revision in collaboration with Program Facilitation Unit
Monitoring and Results Measurement	<ul style="list-style-type: none">Integration of ECC perspective in the Results Chains / Intervention Guides; identification of relevant indicators – when applicable. Joint analysis of implementation and required adjustments / support by Implementing Partners and Program Facilitation Unit
Capacity building	<ul style="list-style-type: none">Identification of capacity building needs of the IPs based on the In-Depth assessment of organizational capacity and context of interventions and implementation of relevant back-stopping activities
Knowledge Management, Learning + COMMS	<ul style="list-style-type: none">Capturing and documenting the knowledge and ensuring proper exchange within the program and with external actorsMainstreaming ECC in communication strategy and products

A photograph of several white wind turbines in a grassy field under a clear blue sky. The image is partially obscured by a blue circular graphic on the left side of the slide.

Conclusions: for Donors

- Merging Environmental and Economic Development objectives are still required at the Policy level: current cross-integration is high but not sufficient
- Translate Policy into Practice and invest in overcoming "mainstreaming fatigue" (ECC can't be treated as part of the long list of "transversal topics").
- Capacity building and awareness are key: both at the side of donor agencies staff and project implementors.
- Guidelines and comprehensive tools for ECC Integration in MSD projects (and beyond) are missing. Gaps should be addressed: a) ECC add-on to MSD operational guide; b) Frameworks for addressing socio- economic factors of green transition; c) tools for measuring greening indicators; etc.

Conclusions: for Practitioners

- Start early – ECC integration lens should be applied from Day 0, when you start planning your project proposal, and further integrated into all stages of the project cycle. Build clarity on your approach and objectives
- Consider ECC as an overarching context: both physical impacts and socio-economic shifts should be considered. Long-term forecasting exercise is a must-do!
- Go beyond the national borders - many transition risks and trends can be identified at the regional/ global level only (e.g., in international trade or cooperation)
- Capacitate your staff and partners. ECC experts can't be just a next-door department, all of you should build your knowledge and buy-in

