

Executive Summary

Prior to the COVID-19 pandemic, the countries of the European Union's Eastern Partnership (EaP)¹ had experienced rapid growth and, in many cases, begun undertaking sweeping market reforms. As EaP countries turn their attention to the economic recovery, the planning and delivery of sustainable infrastructure that provides high-quality essential services (e.g. electricity, mobility) could allow governments to stimulate the economy while laying the groundwork for more sustainable development patterns aligned with long-term climate and development goals. EaP countries continue to diversify their economies and energy supplies and chart diverging courses towards alignment of legislation and policy with regional integration initiative (i.e. the Eurasian Economic Union in the cases of Armenia and Belarus; the European Union in the cases of Georgia, Moldova and Ukraine). At the same time, their infrastructure systems require increased investment to support inclusive economic development and facilitate integration into global value chains.

In the transport sector, EaP countries need to scale up investment to take advantage of their strategic position along emerging transport corridor initiatives including the EU's Transport Corridor Europe-Caucasus-Asia (TRACECA) initiative and China's Belt and Road Initiative (BRI). At present, poor quality transport networks, including ageing road and rail systems, as well as numerous regulatory and policy barriers to cross-border flows constrain economic growth and trade. In many EaP countries, marked service disparities between urban and rural districts act as a barrier to economic opportunities for rural residents.

In the energy sector, most EaP countries' primary concern is energy security through diversification of supply. In terms of power generation, renewable energy sources and, in the cases of Armenia and Belarus, nuclear energy are important components of countries' diversification strategies. However, existing capacity of electricity generation from renewable sources remains small in most EaP countries, and current investment trends do not demonstrate a major shift in energy mixes across the region, which still depends heavily on fossil fuel-fired power plants (particularly natural gas and, in the case of Ukraine, coal). There is considerable scope for improving the efficiency of transmission and distribution systems to reduce losses as well as for improving the energy efficiency of heating systems and building stock.

The current infrastructure gap in EaP countries combined with the economic downturn resulting from COVID-19 represent a major challenge in the region, but also an opportunity to promote infrastructure projects that will boost investment and employment while contributing to progress towards long-term objectives of the Paris Agreement and the Sustainable Development Goals (SDGs).

Many of the infrastructure projects planned and under construction in the region do not yet fully support countries' long-term development and climate objectives. Some large-scale energy projects for improving energy efficiency and integrating renewables into the energy supply have emerged, but in most cases the current slate of projects does not amount to the transformative scale needed, and continues to perpetuate

¹ The EU Eastern Partnership (EaP) is a joint initiative for strengthening the relationships between the European Union, its member states and six countries (hereafter the Eastern Partnership countries): Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.

the regional dependency on fossil fuels. Many transport projects aim to refurbish existing road infrastructure assets and improve domestic connectivity. However, rail systems in many EaP countries are falling into disrepair as the modal share of cargo and passenger turnover as well as investment priorities shift in favour of road transport.

Mainstreaming climate and development considerations in infrastructure investment decisions and strategies is needed and requires action on multiple fronts; from upstream sustainable infrastructure planning to project prioritisation, financing and delivery. The following improvements in existing institutions and strategies could help countries improve consistency between their long-term development goals and current investment plans:

- Developing, adopting and implementing long-term economic development plans with clear priorities and targets supplemented by a cascading system of shorter-term and sector-specific strategies, development programmes and action plans;
- Developing, adopting and implementing mid-century low-emission development strategies, as encouraged by the Paris Agreement, to evaluate current projects and mid-term strategies against long-term visions and goals;
- Improving coordination between ministries and agencies to develop integrated and cross-sectoral infrastructure strategies that account for the trade-offs and synergies between different SDGs;
- Integrating environmental and social impacts in infrastructure project evaluation and prioritisation, through the systematic use of Environmental Impact Assessment, and the adoption and implementation of international standards for sustainable infrastructure;
- Strengthening capacities related to the planning, screening, construction and operation of sustainable infrastructure projects, at all levels of governments.



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