Mobilising green finance in Eastern Europe, the Caucasus and Central Asia

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09 June 2017
The OECD is supporting countries of Eastern Europe, the Caucasus and Central Asia (EECCA) to reconcile their environment and economic goals since 1990s.

**Eastern Europe:**
- Belarus, Moldova and Ukraine;

**Caucasus:**
- Armenia, Azerbaijan and Georgia;

**Central Asia**
- Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

This document is also without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.
EECCA countries by income level

- EECCA countries vary, but are either upper- or low-middle income economies except Tajikistan (by World Bank’s definition).

Real GDP per capita in 2015 (Constant 2010 USD)

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP per capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>3 797 USD</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>6 117 USD</td>
</tr>
<tr>
<td>Belarus</td>
<td>6 174 USD</td>
</tr>
<tr>
<td>Georgia</td>
<td>3 969 USD</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>10 617 USD</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>1 017 USD</td>
</tr>
<tr>
<td>Moldova</td>
<td>1 978 USD</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>933 USD</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>6 933 USD</td>
</tr>
<tr>
<td>Ukraine</td>
<td>2 826 USD</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>1 857 USD</td>
</tr>
</tbody>
</table>

Source: WB (2017)
World Bank national accounts data
Objective:

- Improve clarity on how 11 EECCA countries and their development cooperation partners are working together to finance climate action in the countries, using:

  - OECD DAC Rio-Marker data (DAC CRS)
  - Project-level documents (evaluation reports, appraisal documents etc.)
  - National database in the countries

OECD (2016), Financing climate action in Eastern Europe, the Caucasus, and Central Asia, OECD publishing, Paris, [LINK]
Climate-related development finance vs Total finance for climate actions (USD in 2014)

Global total CF (±340-650bln)

All CF from developed to developing countries (±40 - 175bln)

Climate-related ODA, climate funds, and MDB finance (±35-48bln)

Climate-related development finance*  
Global vs EECCA countries (committed 2013-14)

**EECCA**
7.1%  
(USD 3.3bln/y)

**Global**
92.9%  
(USD 47.3bln/y)

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### Mitigation vs Adaptation (USD bln/y)

- **Mitigation**
  - EECCA (ave. 2013-2014): 3.0
  - Global total (ave. 2013-2014): 35.6

- **Adaptation**
  - EECCA (ave. 2013-2014): 0.6
  - Global total (ave. 2013-2014): 17.5

- **Multi-focal (both)**
  - EECCA (ave. 2013-2014): 0.3
  - Global total (ave. 2013-2014): 5.8

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Sources: OECD (forthcoming) Climate-related development finance in EECCA, based on OECD-DAC Creditor Reporting System.

Note(*): The financial flows are delivered through bilateral (mainly DAC members) and multilateral channels and calculated as a two-year average between 2013 and 2014.
Largest amount committed to energy sector, reflecting high infrastructure investment needs

Annual climate-related development finance by sector (2-year average between 2013 and 2014) (USD Million, 2013-price)

Sources: OECD (2016) Financing climate action in EECCA, based on OECD-DAC Creditor Reporting System
Potential to mainstream climate consideration into development finance in some sectors

Climate-related development finance as a share of total bilateral and multilateral development finance (2-year average between 2013 and 2014)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Mitigation only</th>
<th>Adaptation only</th>
<th>Multi-focal</th>
<th>Not climate-related</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>65</td>
<td>4</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>Agriculture, Forestry, Fishing</td>
<td>6</td>
<td>20</td>
<td>0.6</td>
<td>74</td>
</tr>
<tr>
<td>Industry, Mining, Construction</td>
<td>11</td>
<td>0</td>
<td>70.6</td>
<td>88</td>
</tr>
<tr>
<td>Water Supply &amp; Sanitation</td>
<td>21</td>
<td>10</td>
<td>5</td>
<td>63</td>
</tr>
<tr>
<td>Transport &amp; Storage</td>
<td>40.7</td>
<td>-</td>
<td>-</td>
<td>95</td>
</tr>
</tbody>
</table>

Sources: OECD (2016) Financing climate action in EECCA, based on OECD-DAC Creditor Reporting System
But, still large financing gap to achieve EECCA’s climate targets
Ongoing country-level analysis: Mobilising finance for implementation of Georgia’s (I)NDC

[Targeted publication date: December 2017]
Initial findings on key challenges to mobilising green finance

1. Low risk-return profiles

2. Limited low-cost, long-term finance

3. Non economic barriers

Challenges to green finance mobilisation

Preliminary result
Initial findings on key challenges to mobilising green finance

1. Low risk-return profiles

- Policy predictability challenges
- Low level of energy and transport tariffs
- Policy misalignment (investment planning, industry dev., HPPs etc.)
- Technical project risks (lack of track-record, scalability etc.)
2. Limited low-cost, long-term finance

- Credit rating issues and high interest rate
- Limited securities market development
- Limited options for financial sources/instruments
- Risk mitigation instruments present but to be further explored
- Competition for capital with other infrastructure asset and with retail banking
Initial findings of key challenges to mobilising green finance

3. Non economic barriers

- Information gap among both financial institutions and their clients
- Capacity gaps at all level (e.g. gov., banks, investors, borrowers)
- Concerns about social impact
- Institutional arrangement

Preliminary result
Inventory of Energy Subsidies in the EU’s Eastern Partnership countries *

[2017-forthcoming]

[* Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine]
OECD work on energy subsidies in some EECCA countries: Key findings

- **All major types of energy subsidies** exist in the countries (direct budget transfers, tax expenditure, transfer of risk to government and induced transfers).
- **Scales of energy subsidies vary across the countries.**

Source: OECD (2017-forthcoming), Inventory of energy subsidies in the EU’s Eastern Partnership countries
Most of the (quantified) fossil fuel subsidies in the region aim to **benefit residential consumers**. Often, such subsidies are seen as **social measures**.

Under-taxing certain fuels, and reduced VAT and excise taxes (or tax exemptions) on energy carriers: **leading to substantial drain on government budgets**.

Government support to energy efficiency measures and renewables is **still limited and largely incomparable** to the subsidies for fossil fuels.

Source: OECD (2017-forthcoming), Inventory of energy subsidies in the EU’s Eastern Partnership countries
### Upcoming reports (forthcoming 2017)

<table>
<thead>
<tr>
<th>Title</th>
<th>Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory of energy subsidies in the EU’s Eastern Partnership Countries</td>
<td>Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine</td>
</tr>
<tr>
<td>Clean urban public transport investment programme (with Excel-based model for financial planning)</td>
<td>Kazakhstan and Moldova</td>
</tr>
<tr>
<td>Mobilising finance for NDC implementation in Georgia</td>
<td>Georgia</td>
</tr>
<tr>
<td>Facilitating Access to Green Private Finance: IFIs-supported credit-lines</td>
<td>Ukraine and Georgia</td>
</tr>
<tr>
<td>Designing, financing, regulating and managing Multi-Purpose Water Infrastructure in the EECCA region</td>
<td>All EECCA countries</td>
</tr>
</tbody>
</table>
Thank you.

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