OECD
BETTER POLICIES FOR BETTER LIVES

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

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GREEN
ACTION TASK FORCE

About the GREEN Action Taskforce
(hosted by the OECD)

- 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;

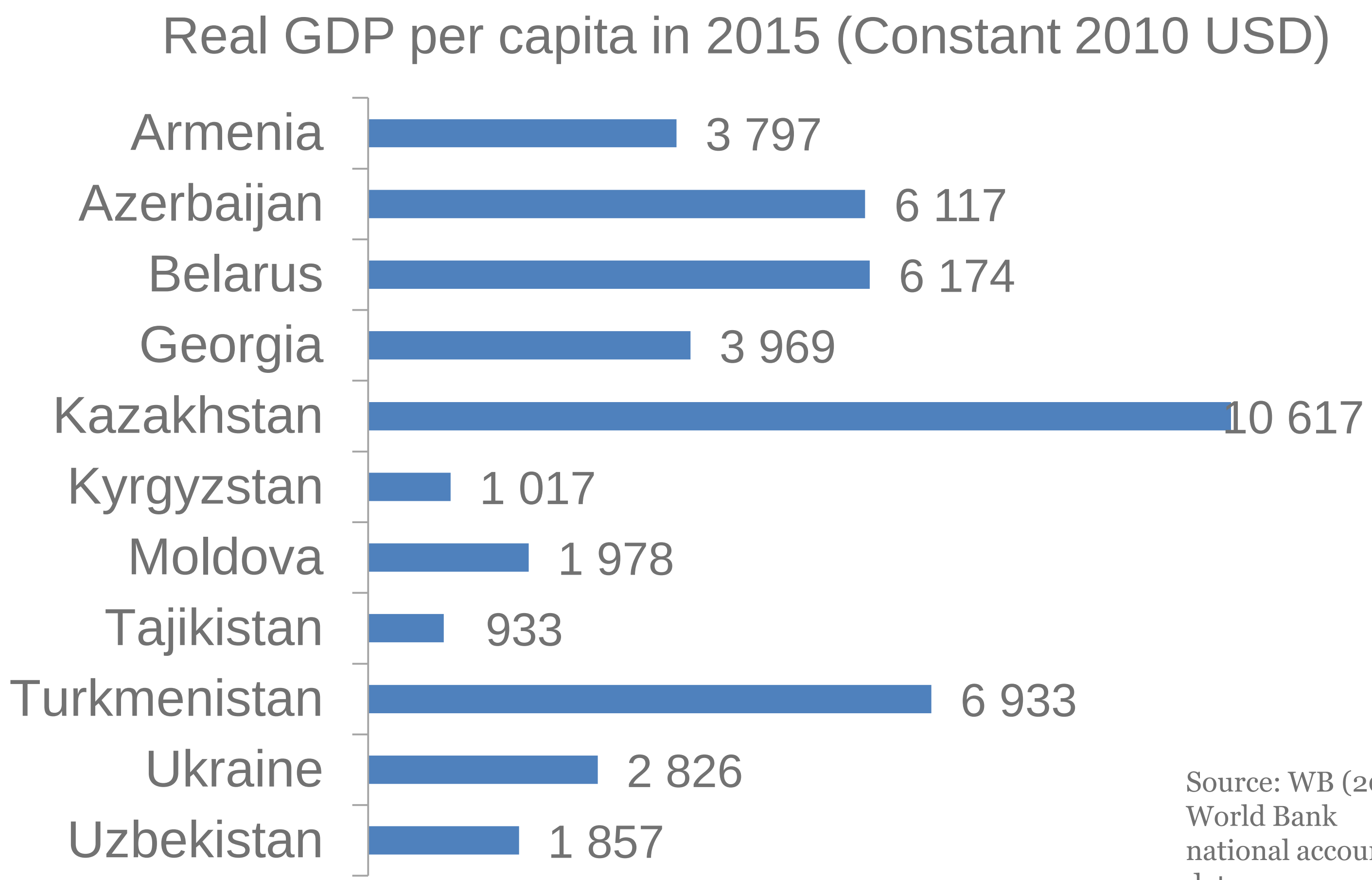
Caucasus:
- Armenia, Azerbaijan and Georgia;

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

Source: IEA(2015)Energy Policies Beyond IEA Countries - Eastern Europe, Caucasus and Central Asia 2015
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).



Source: WB (2017) World Bank national accounts data

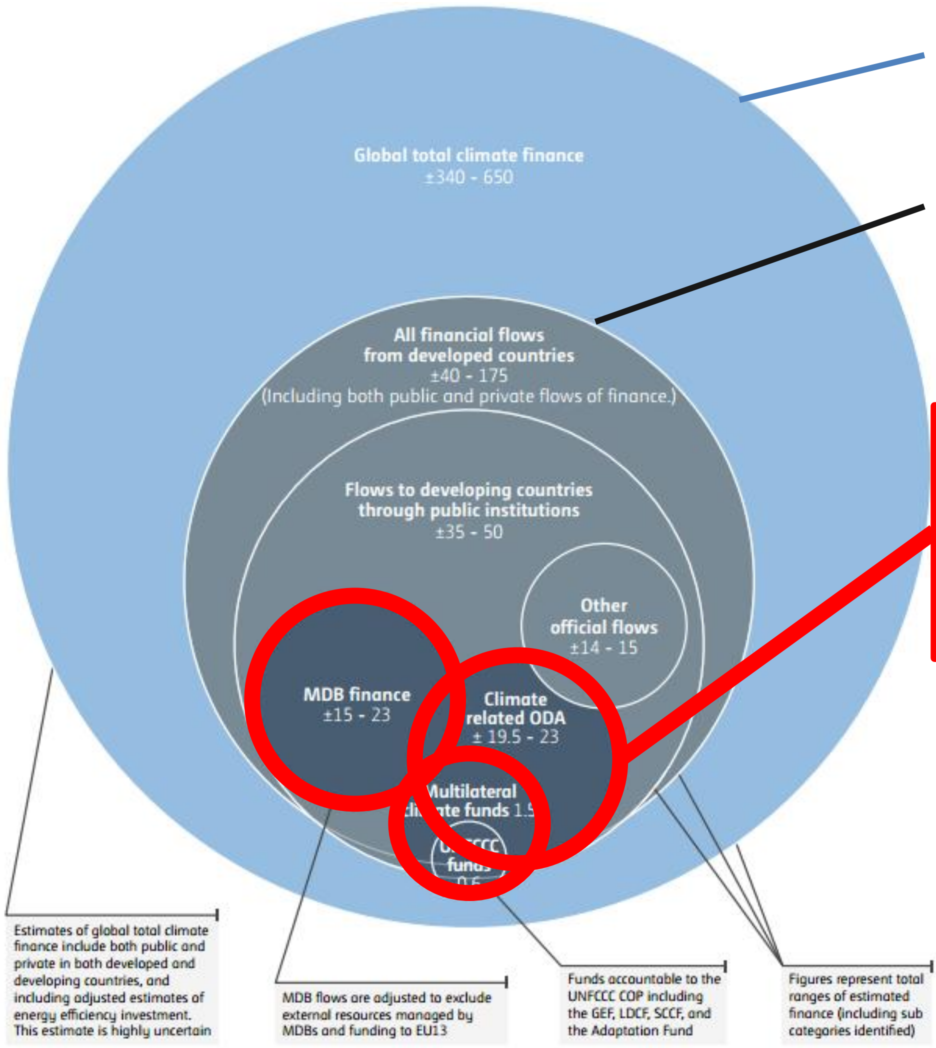
OECD work on climate-related development finance in EECCA –published 2016

- Objective:
  - **Improve clarity** on how 11 EECCA countries and their development co-operation 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)



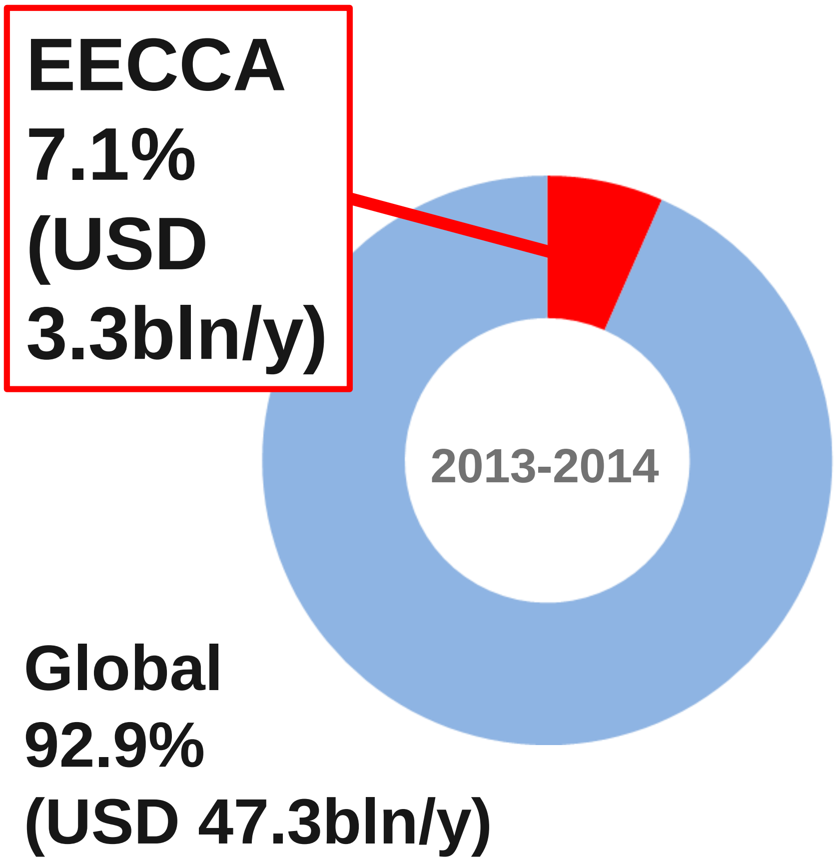
Global total CF (±340-650bln)

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

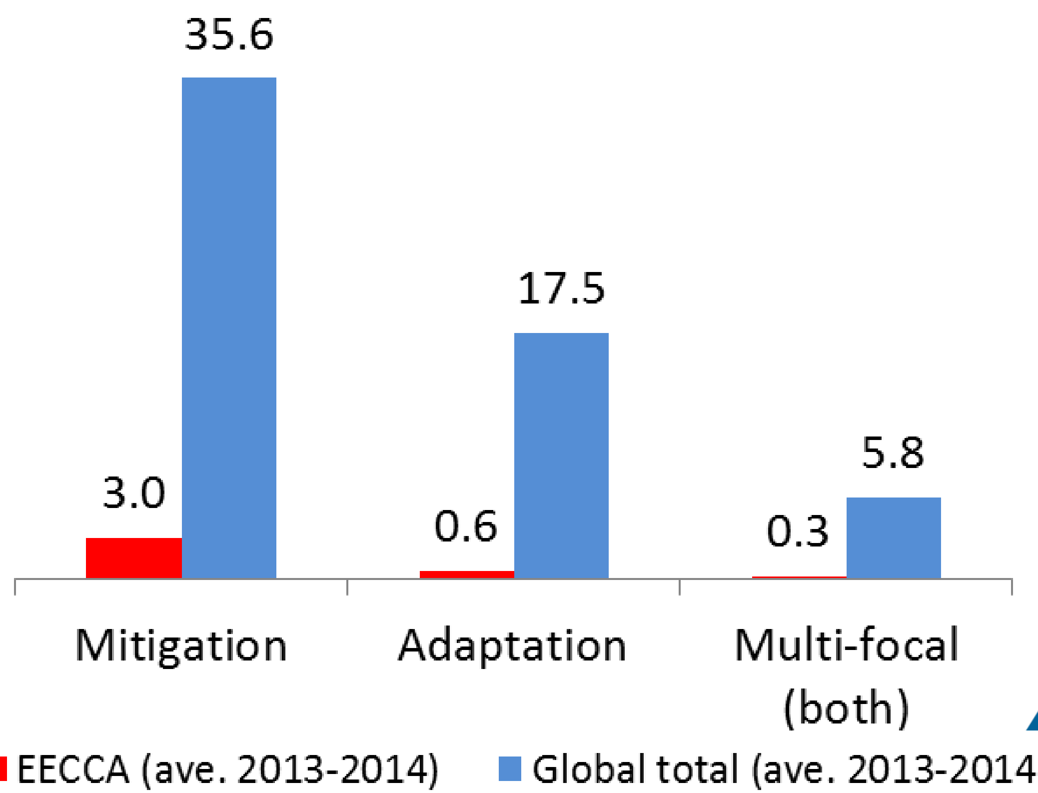
Climate-related ODA, climate funds, and MDB finance (±35-48bln)

Source: UNFCCC SCF (2016) 2014 Biennial Assessment and Overview of Climate Finance Flows Report

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



Mitigation vs Adaptation (USD bln/y)

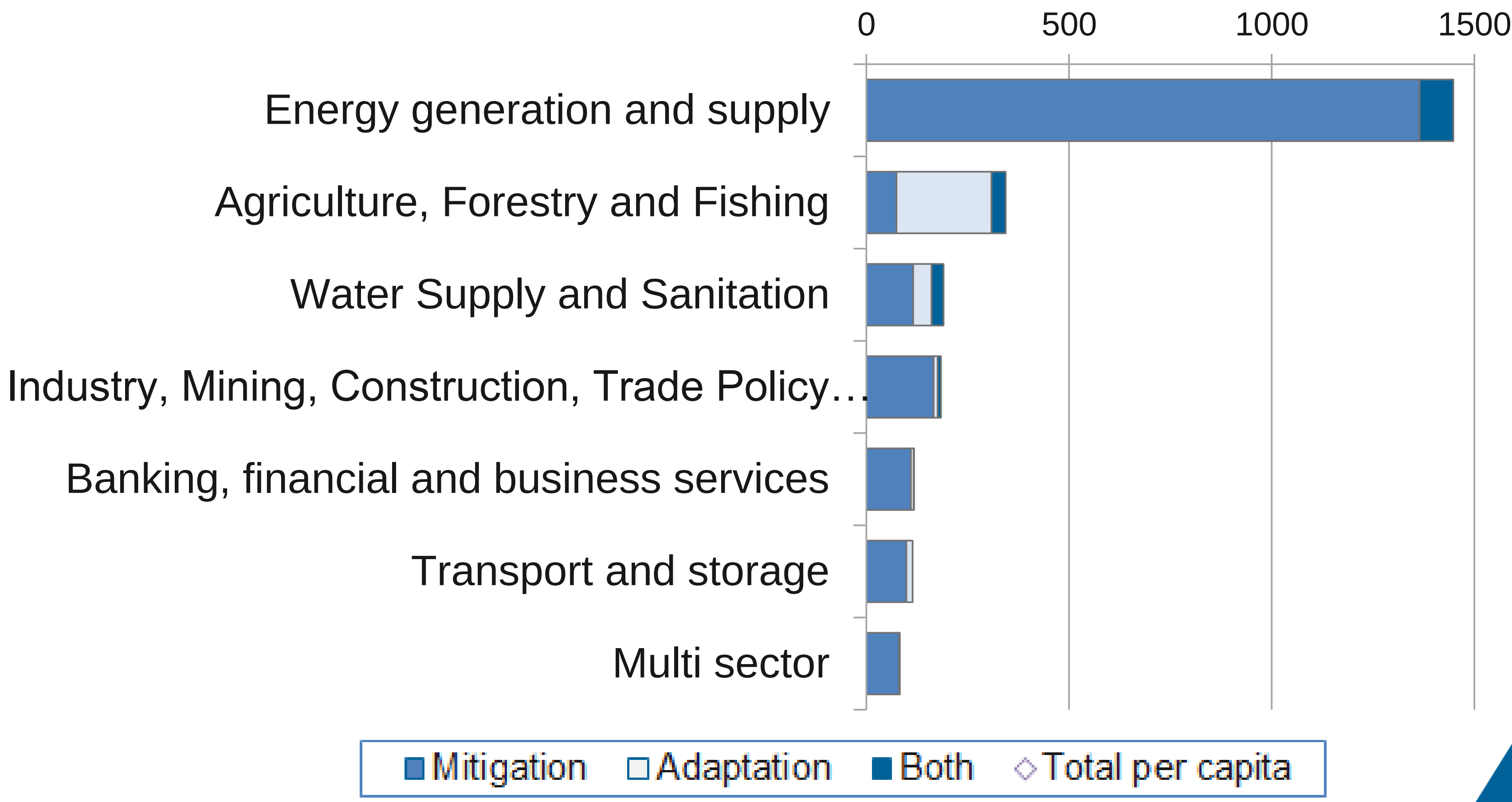


Sources: OECD (forthcoming) Climate-related development finance in EECCA, based on OECD-DAC Creditor Reporting System

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

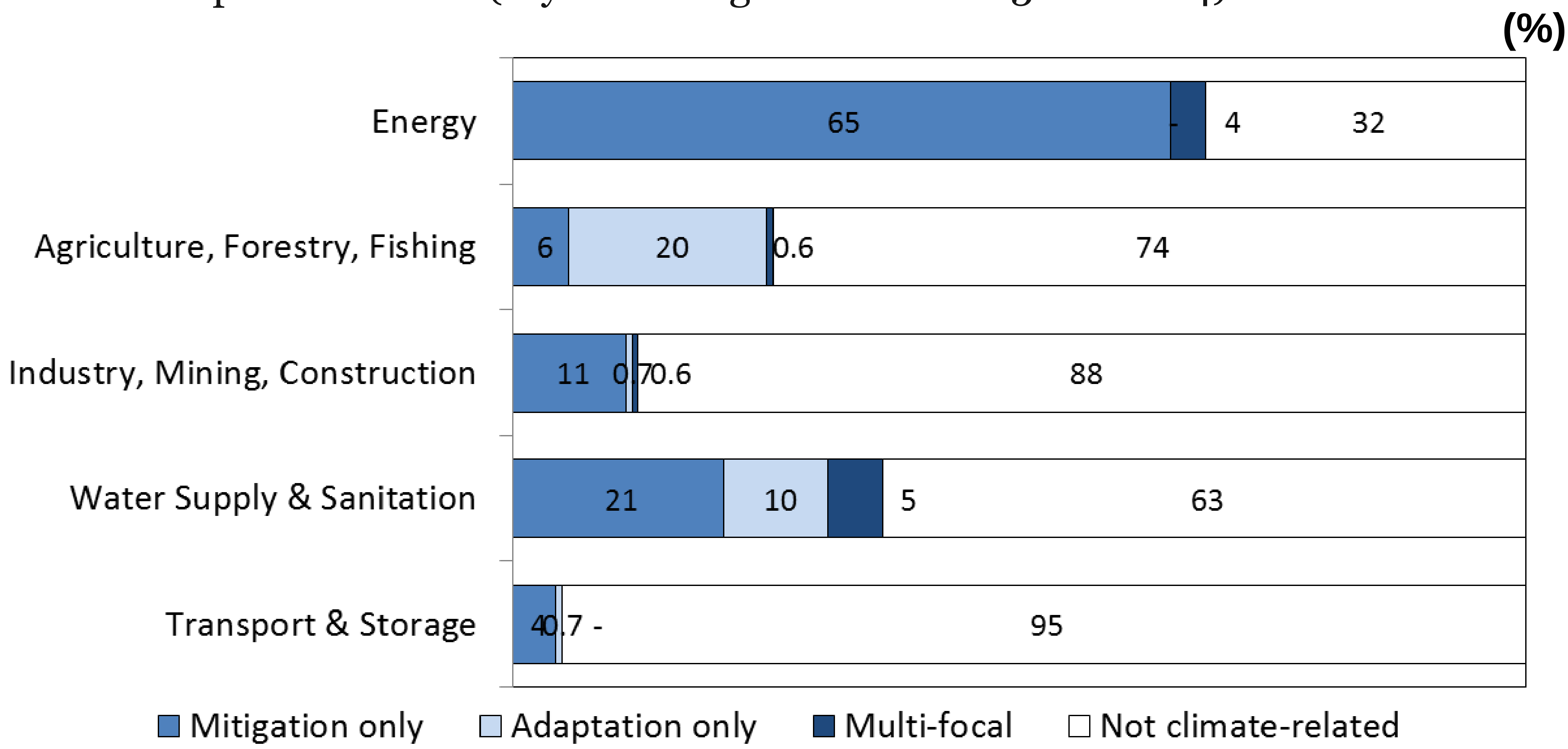
Annual climate-related development finance by sector (2-year average between 2013 and 2014) (USD Million, 2013-price)



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)



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]

Photo credits: Delso, Diego, 2016

Initial findings on key challenges to mobilising green finance

Preliminary result

Challenges to green finance mobilisation

1. Low risk-return profiles

2. Limited low-cost, long-term finance

3. Non economic barriers

Initial findings on key challenges to mobilising green finance

Preliminary result

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.)

Initial findings on key challenges to mobilising green finance

Preliminary result

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

Preliminary result

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

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

OECD work on energy subsidies in some EECCA countries: Key findings

- 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

Ongoing OECD work under the GREEN Action Taskforce

Upcoming reports (forthcoming 2017)	Scope
Inventory of energy subsidies in the EU's Eastern Partnership Countries	Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine
Clean urban public transport investment programme (with Excel-based model for financial planning)	Kazakhstan and Moldova
Mobilising finance for NDC implementation in Georgia	Georgia
Facilitating Access to Green Private Finance: IFIs-supported credit-lines	Ukraine and Georgia
Designing, financing, regulating and managing Multi-Purpose Water Infrastructure in the EECCA region	All EECCA countries

Thank you.

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www.oecd.org/environment/

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www.oecd.org/env/outreach/eap-tf.htm