



MOBILISING GREEN FINANCE IN EASTERN EUROPE, CAUCASUS AND CENTRAL ASIA

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About the GREEN Action Task Force (hosted by the OECD)



- Supporting countries of Eastern Europe, Caucasus and Central Asia (EECCA) to reconcile environment and economic goals since 1990s
- Unique platform for collaboration between EECCA and OECD countries and development partners
- Working on both regional- and country-level projects on, among others, green finance and investment:

- Inventory of climate-related development finance for EECCA
- Inventory of energy subsidies in Eastern Europe and Caucasus
- Reforming economic instruments for water management in EECCA
- Financial mechanisms for resource efficiency at SMEs in Eastern Europe and Caucasus
- Country reviews on green finance mobilisation in Georgia and Ukraine
- Development of a Sustainable Finance Roadmap of Kyrgyzstan
- Tracking green finance flows in Kazakhstan
- Support in designing green public investment programme (Kazakhstan, Kyrgyzstan, Moldova)
- Review of national funding entities
- Climate and environmental risk disclosure policies

See also
<https://oe.cd/2ly>



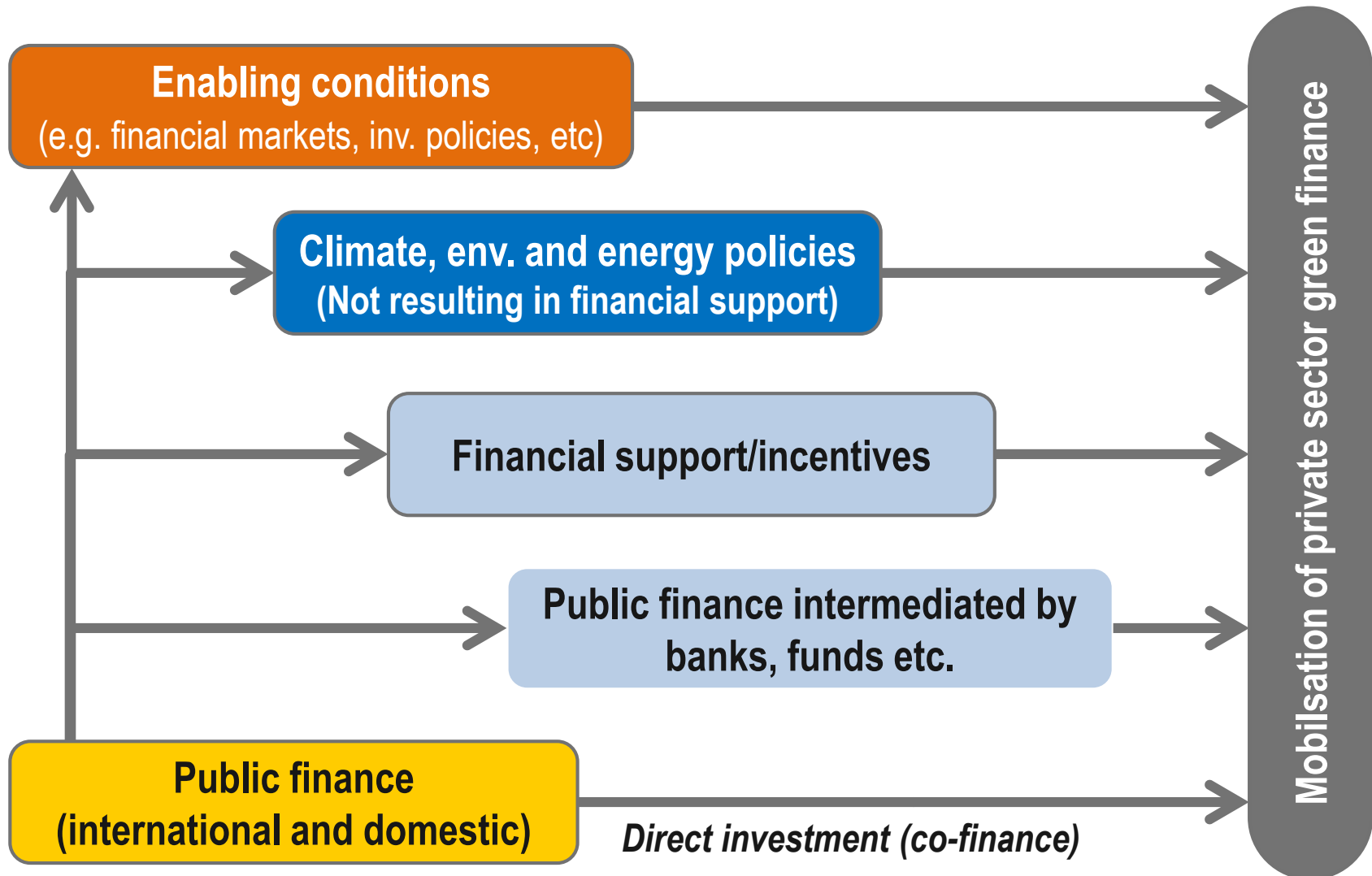
EECCA need massive investment in climate action from various sources

- Gross investment needs can be several billions per year until 2030 and beyond to achieve EECCA's national goals on climate change and green growth.
- Both public and private finance plays crucial roles in mobilising finance to meet the needs.

Country	Estimated investment needs/year ave.	Period
Kazakhstan	USD 3.3 bln/ year	2014 - 2049
Georgia	USD 1.6 bln/ year	2017 - 2030
Moldova	USD 340 mln/ year	2015 - 2030



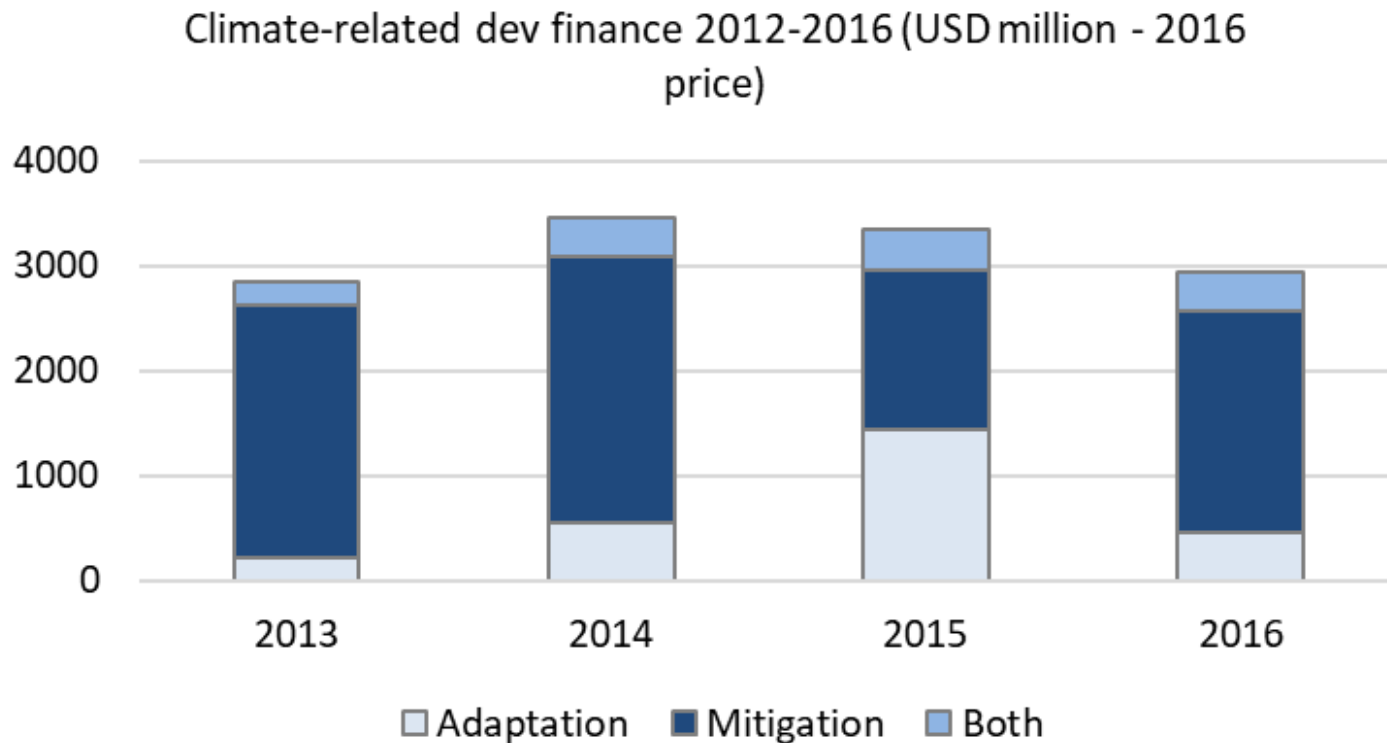
Various ways in which development/public finance can mobilise green investment in EECCA





Development finance is and will remain one of the most important sources

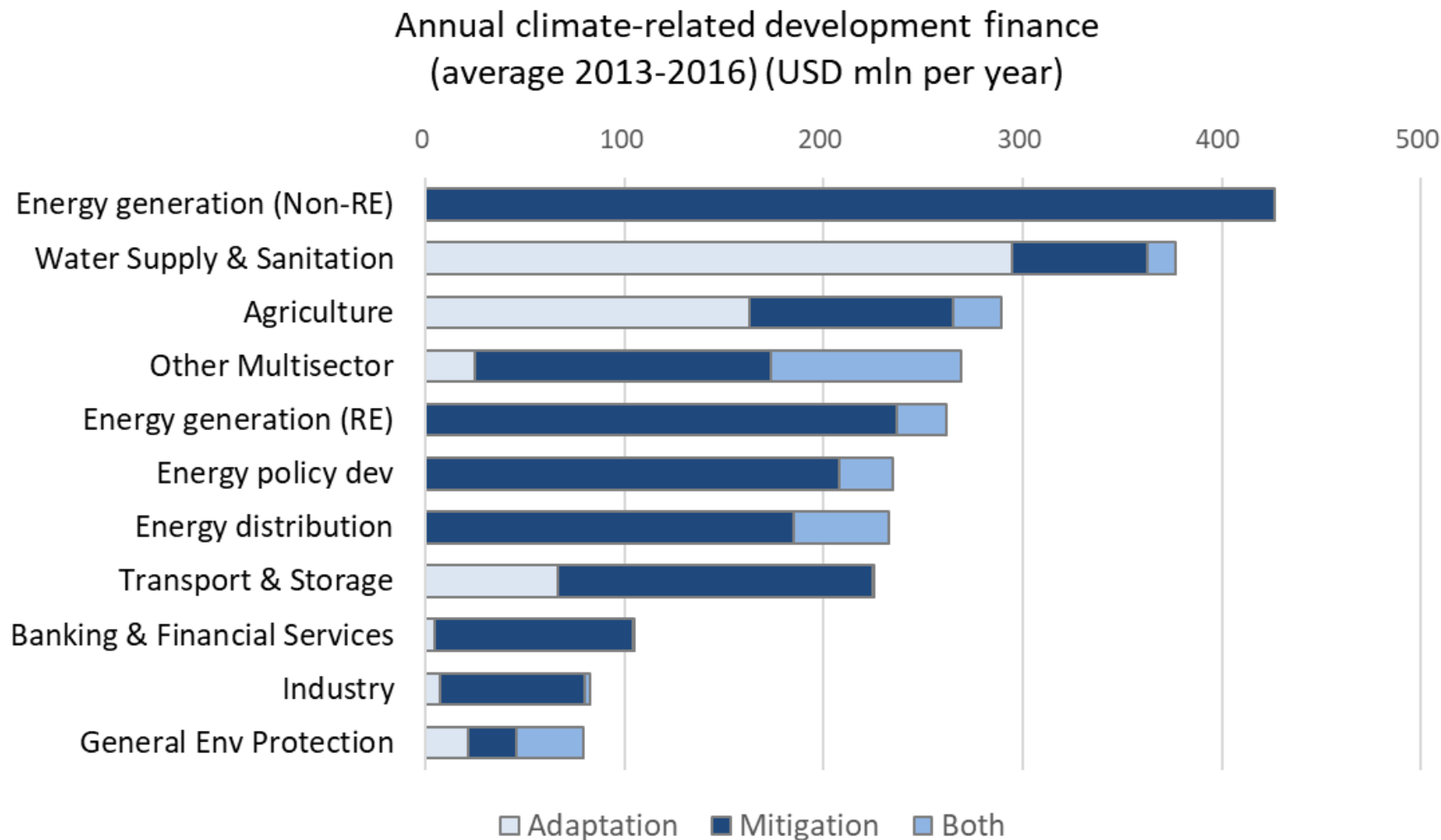
- Bilateral and multilateral providers committed more than USD 3 billion/year to 11 EECCA countries to support climate action (2013-2016)



Source: OECD (2018)



Largest amount committed to energy sector, reflecting high infrastructure investment needs

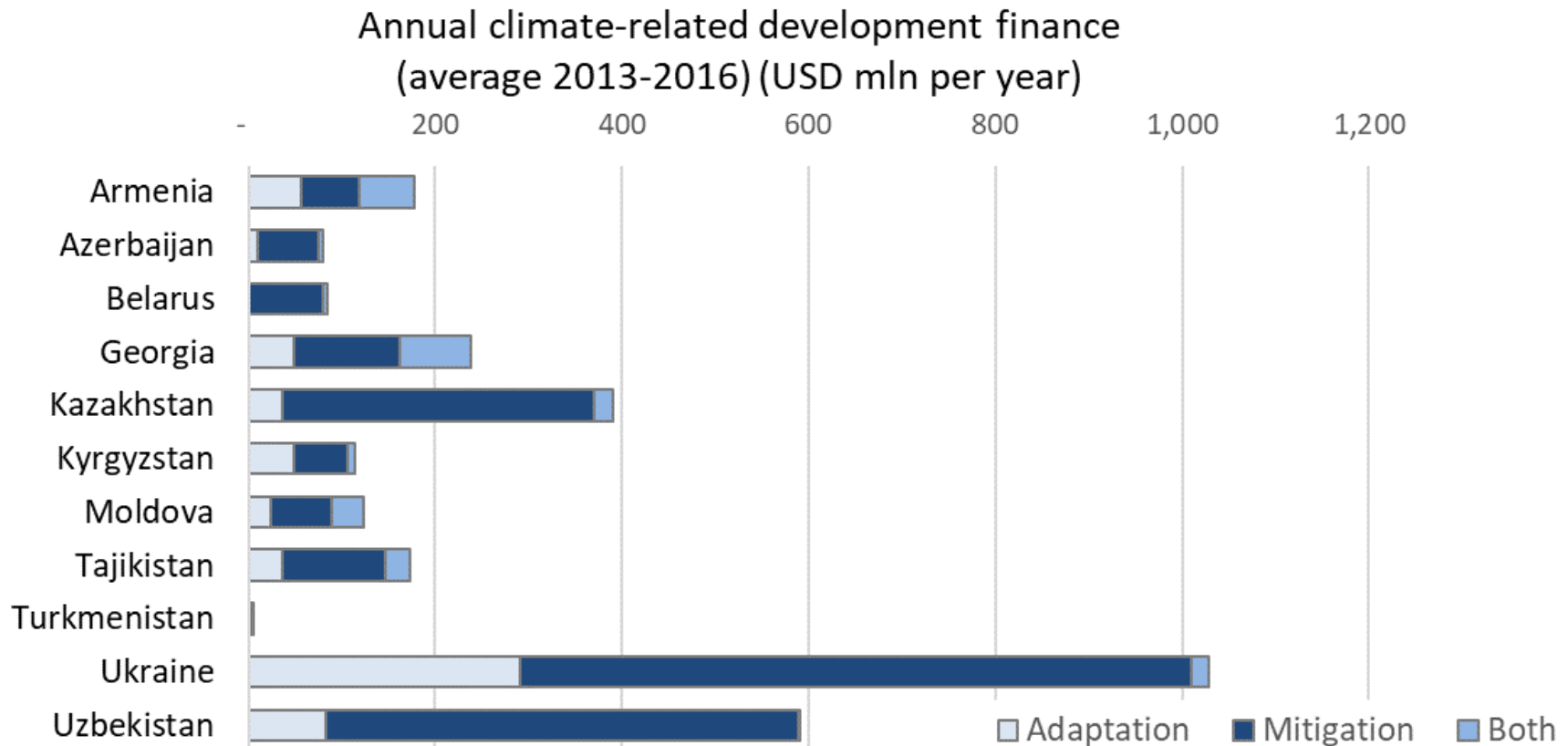


Source: OECD (2018)



The levels of committed amounts greatly differ among EECCA countries

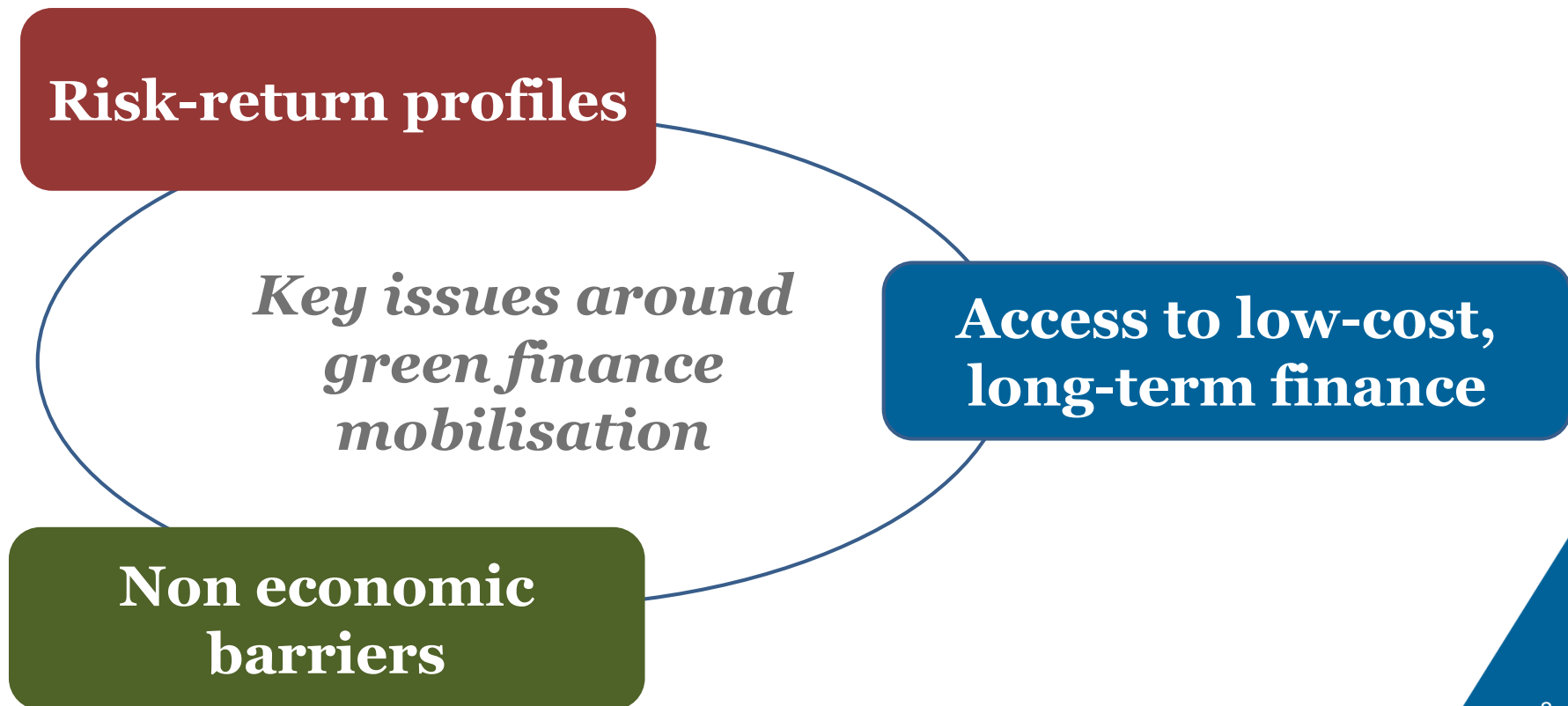
- possibly reflecting varying sizes of economy, stages of development, geopolitical interests, countries' needs and readiness to access climate finance, etc.





Major issues around mobilising finance for climate action on green growth in EECCA

- Public finance is crucial, but not enough, so to be wisely used to catalyse domestic and private-sector finance.





Major issues around mobilising green finance in EECCA

Risk-return profiles of green investment

Policy predictability challenges

Low levels of tariffs (e.g. energy, water, transport) and env. policy stringency

Policy misalignment (investment planning, industry dev., etc.)

Technical project risks (lack of track-record, scalability etc.)



Major issues around mobilising green finance in EECCA

Access to low-cost, long-term finance

Credit rating issues and high lending interest rates (esp. for local currencies)

High collateral requirements, short payback periods, FX risks

Limited options for financial instruments (including use of capital markets)

Competition for capital with other infrastructure asset and with retail banking



Major issues around mobilising green finance in EECCA

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 (e.g. subsidy reform)

Institutional arrangements and human resource attraction/retention



Key messages for making best use of development finance and mobilise private-sector financing in EECCA

- Develop and implement policies that **connect** NDC ambitions with actual economic incentives and **drive demand** for green finance (especially **adaptation**)
- **Better coordinate** among public and private actors from the beginning
 - ...to avoid inefficiencies and build confidence for financial decision making
- Strengthen the **role of national development banks and/or public funds** (some can be DAEs) in channeling development finance and catalyse domestic capital



Key messages for making best use of development finance and mobilise private-sector financing in EECCA

- **Diversify** financial instruments and mechanisms for mobilisation of green investment (and complementing bank lending)
- **Align banking-sector regulations/policies** (incl. on disclosure) with climate and environmental objectives
- **Improve financial literacy** for different groups of populations to help create demand for green finance

Thank you.

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For more work on the GREEN Action Task Force,
visit: <https://oe.cd/2ly>

