



LAUNCHING WORK ON ACCESS PRIVATE FINANCE FOR
ENVIRONMENTAL INVESTMENTS IN EU EASTERN
PARTNERSHIP COUNTRIES

5- 6 June 2014, Paris

Access to Private Finance for Environmental Investments in EU EaP Countries

INTRODUCTION TO THE PROJECT CONCEPT

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Context for the project

- OECD's long-lasting experience of work on public environmental finance in Eastern Europe, Caucasus and Central Asia (EECCA)
- Demand from countries to examine the opportunities and obstacles to the private banking sector financing of green investments
- Focus on the EaP countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine)



“Green” investments

- Convergence around the idea that green types of investment constitute investments in:
 - sustainable energy
 - energy efficiency
 - renewable sources of energy
 - recycling and waste management or wastewater treatment
- Also referred to as “clean”, “sustainable”, “climate change”, “low-carbon”, “environmental” or “environmentally-related”
- No consensus on the precise definition



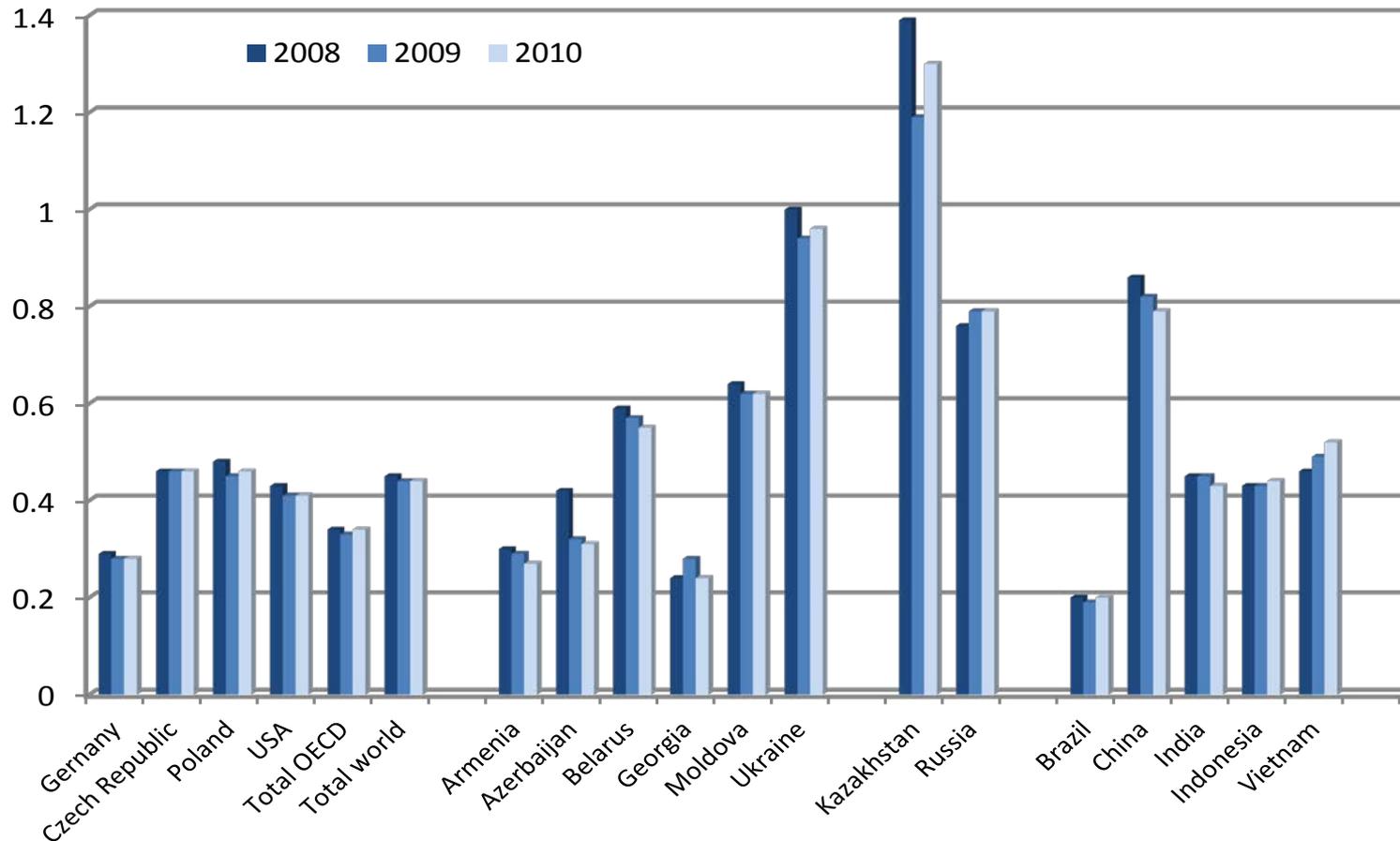
Lessons learnt from preliminary research

- Existence of relatively **low cost opportunities** to improve performance given high energy and carbon intensities of EaP economies
- **Low levels of green investment**, both public and private
- Financial and capital markets expanding but insufficiently developed – **banks dominant**
- After the crisis, **international capital became more scarce and expensive**
- Official levels of **non-performing loans (NPLs)** have increased across the region
- **Interest rates** on loans and spreads on commercial bank loans in national currency decreasing but still high



Carbon intensity

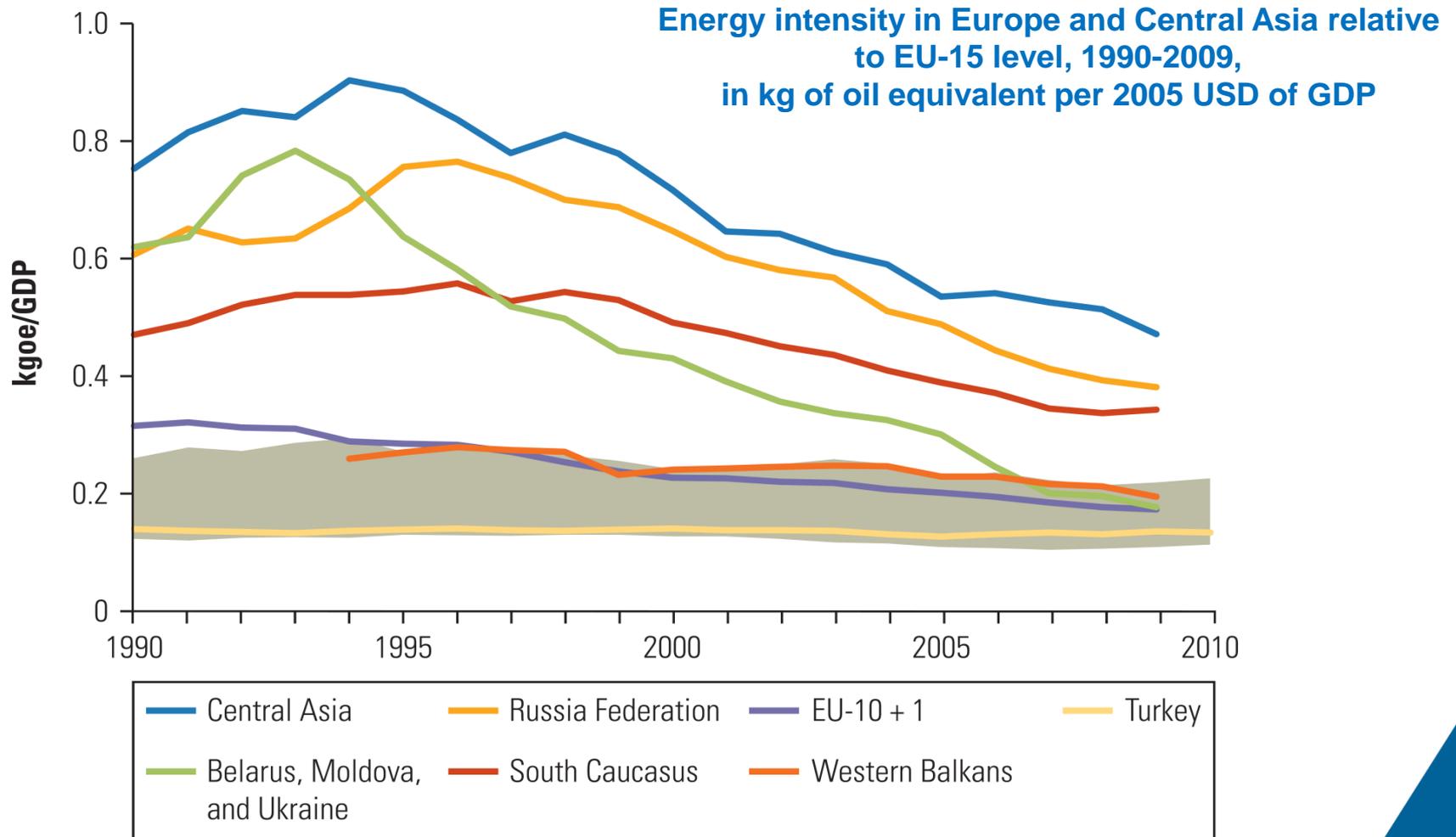
Carbon intensity measured in kg of CO₂ per 2005 USD of GDP



Source: IEA.



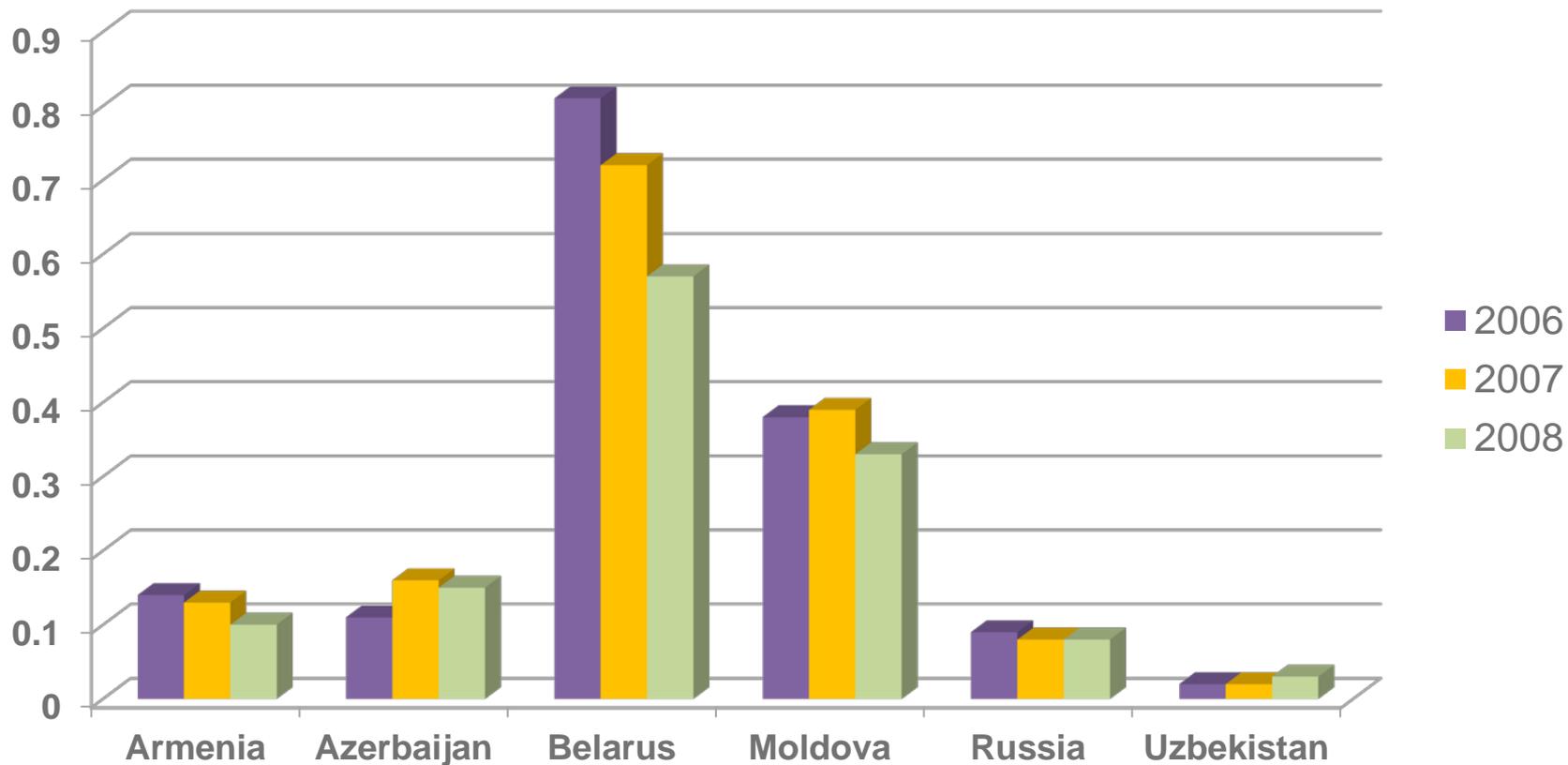
Energy intensity



Source: World Bank calculations based on 2011 IEA data.

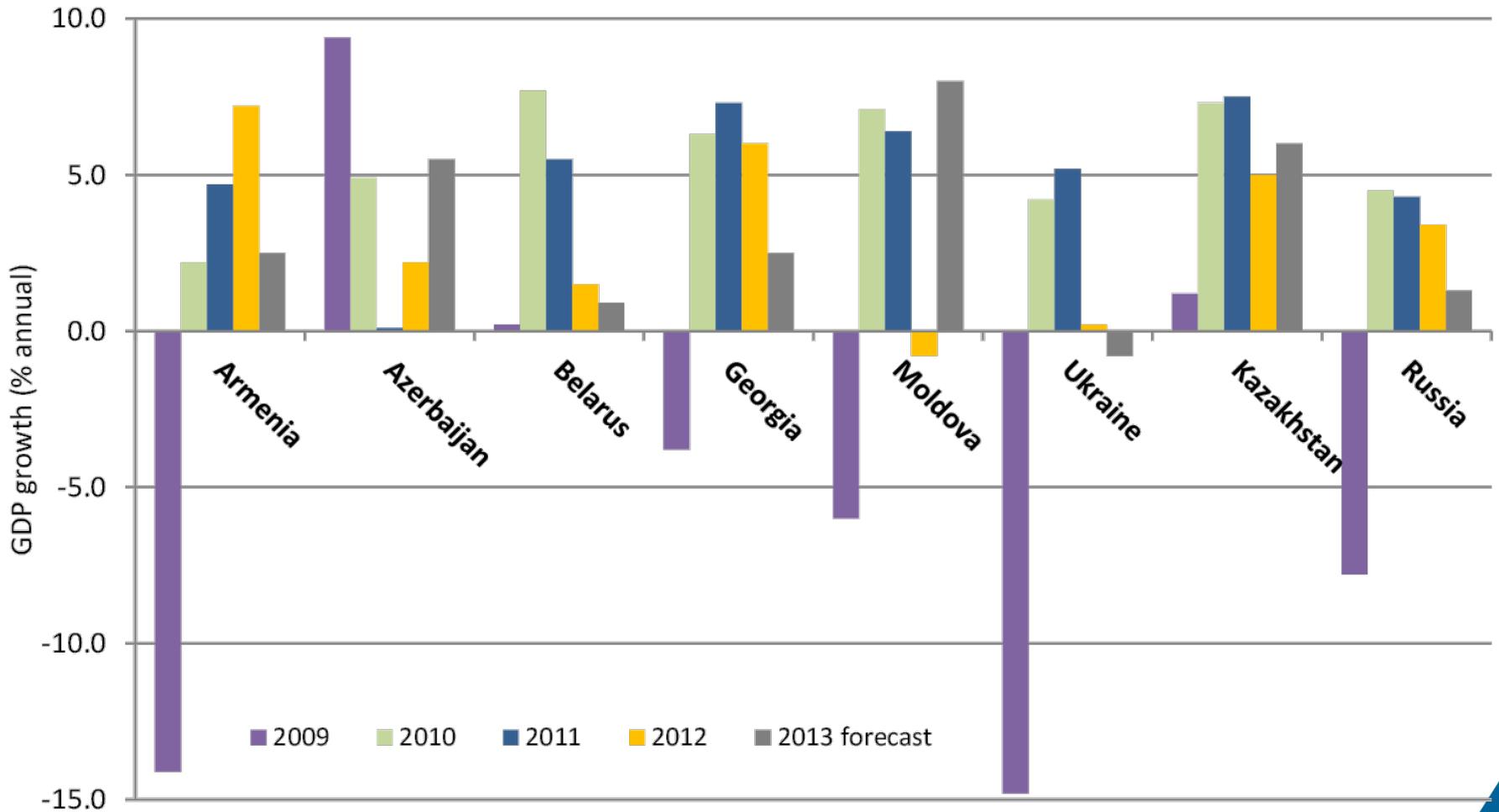


Domestic public environmental expenditure as a share of GDP, 2008





Gross domestic product (% annual)



Source: World Bank, WDI database, EBRD.



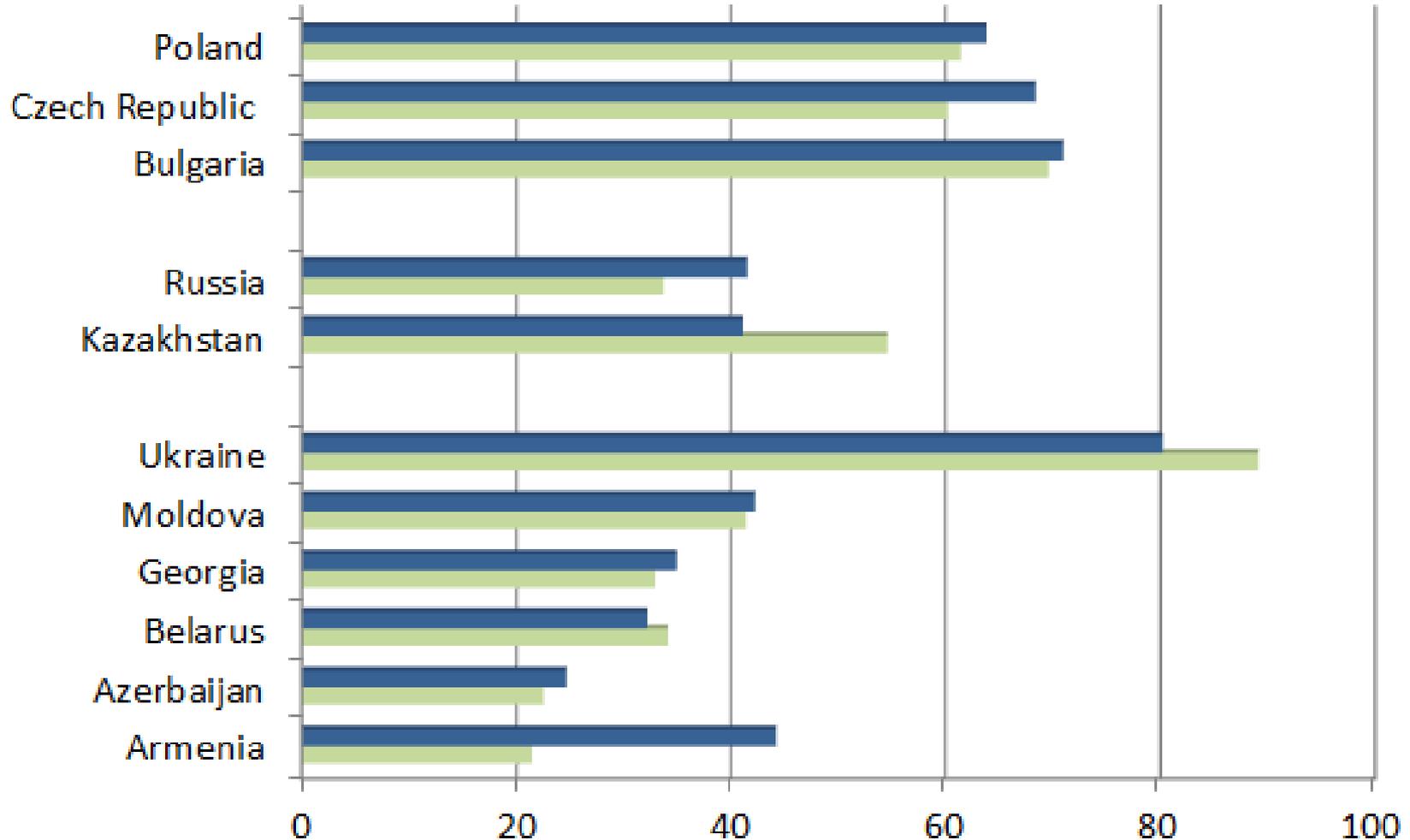
Number of banks in EaP countries, 2012 (Excluding Belarus)

	Armenia	Azer- baijan	Georgia	Moldova	Ukraine
Banks	22	43	19	14	184
- of which stated owned		1	0	1	2
- 5 Bank Concentration Ratio	48.6%	58.3%	92.4%	70.3%	31.6%
Microfinance institutions	12	30	60	60	1
Leasing companies	3	8	25	25	21
Private equity/Venture capital firms	2	2	5	5	13

Source: EIB, 2013.



Domestic credit provided by financial sector (% of GDP)

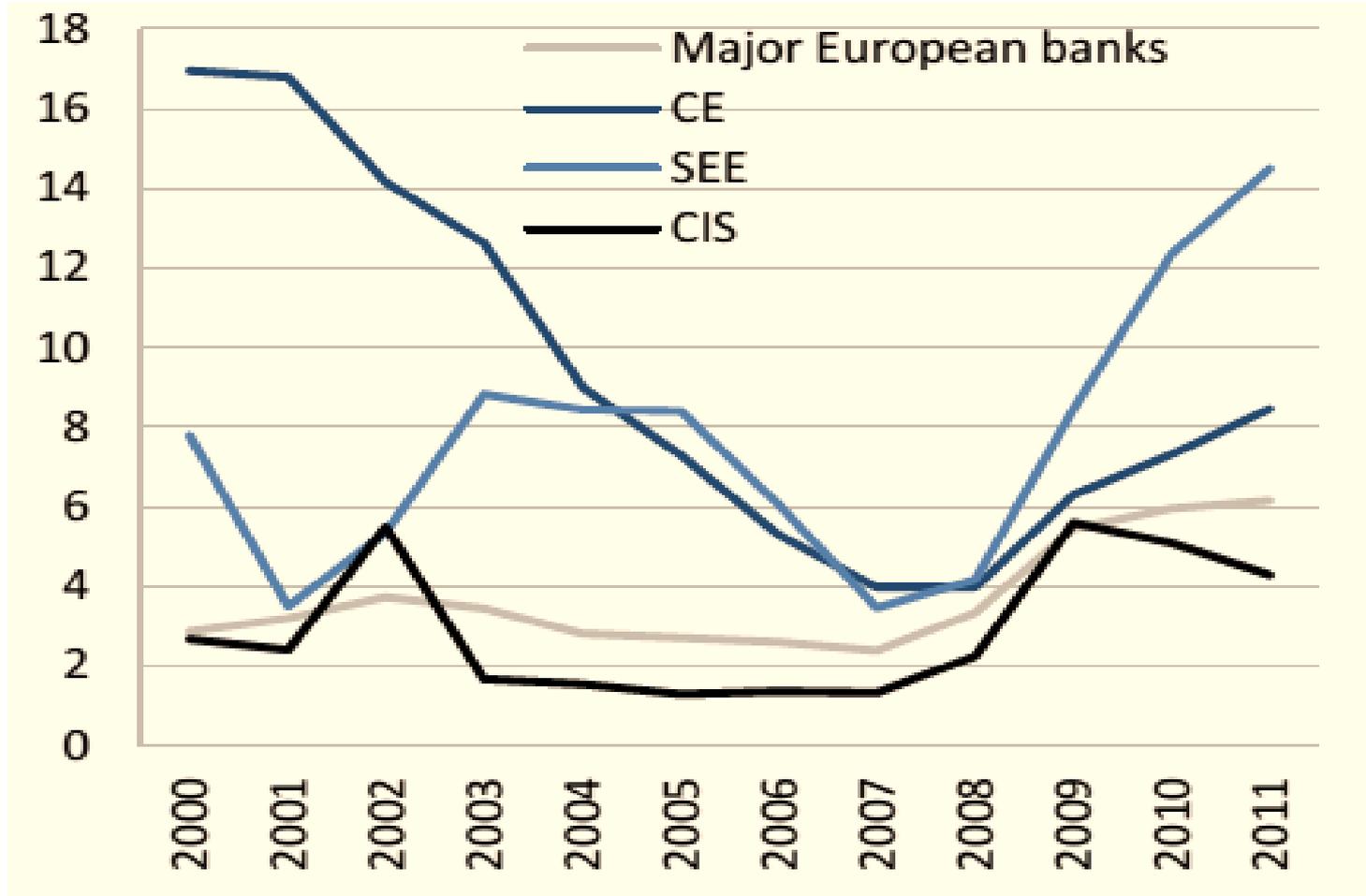


Source: World Bank, WDI database.

■ 2012 ■ 2009

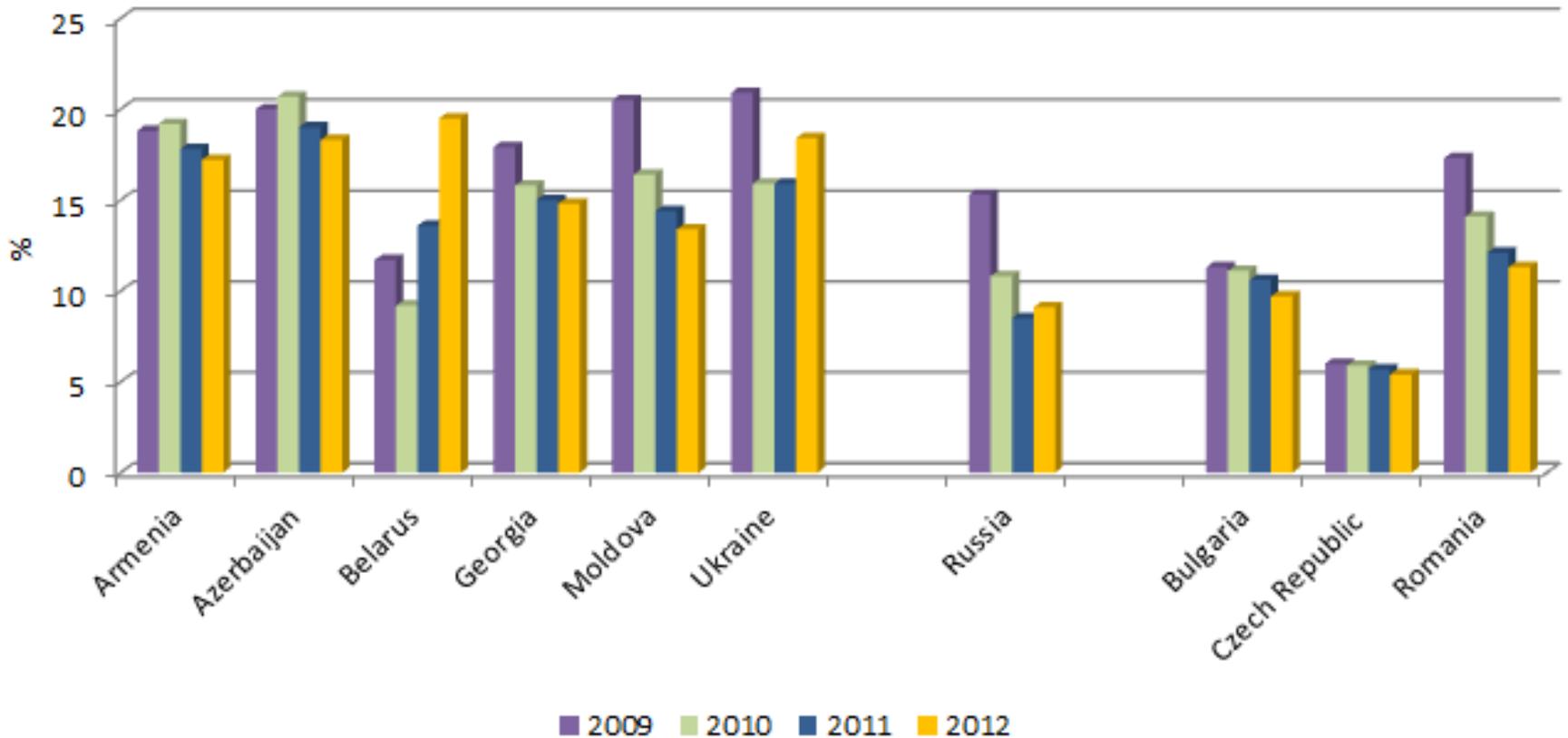


Ratio of non-performing loans by region





Annual interest rates on loans, %



Source: World Bank, WDI database.



IFI-supported environmental credit lines

- Analysis covered 3 groups of IFIs
 - MDBs
 - donor DBs
 - finance institutions
- ...in EaP countries + Russia and Central Asia
- Most significant financier: EBRD
 - through its SEFFs
 - EUR 422 mln in the EaP countries (2013)
 - EUR 183 mln – Russia and Central Asia (2013)
- About 70 local banks have had access to such credit lines resources, and technical expertise



Focus of the project

- IFI-supported environmental credit lines – the major source of long-term financing for green investments in the EaP countries
 - Summarise lessons learned and analyse what governments can do to facilitate access to private finance but ...
 -also how they can help to create demand for green investment
 - Identify areas where donor/IFI support may be particularly catalytic
 - Promote dialogue among governments, banks and other stakeholders on green investment



Main phases of the project

Phase 1: Scoping: inventory of credit lines, data and development of methodology

Inventory of existing credit lines

Checking availability of performance information and other conditions for the in-depth analysis

Development of the methodology for in-depth analysis

Dialogue with IFIs and local banks, including an expert meeting



Phase 2: In-depth country-level analysis of specific credit lines relevant for green growth

Selection of countries and credit lines for analysis

Data gathering

Interviews with local stakeholders

Drafting case studies

Discussing results of analysis with stakeholders



Phase 3: Development of recommendations and policy dialogue

Consolidation of case studies

Summarising key lessons learned from the implementation of IFI credit lines

Identification of conditions for raising effectiveness of current credit lines

Identification of conditions for making green credits a viable local business model

Organisation of an international conference