Expert meeting - LAUNCHING WORK ON ACCESS TO PRIVATE FINANCE FOR GREEN INVESTMENTS IN EU EASTERN PARTNERSHIP COUNTRIES
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“Inclusive and sustainable industrial development”
Income vs. resource consumption

Source: UNEP (2011)
Global material consumption would nearly triple between 2008 and 2050 to 180 billion ton annually assuming that per capita consumption would globally average current OECD levels from 2030 onward.

Source: Dittrich et al. (2012)
The Cobb–Douglas production function

\[ Y = A \times K^\alpha \times L^\beta \]

With total output \( Y \) as a function of total-factor productivity \( A \), capital input \( K \), labor input \( L \)

and **technology** and **efficiency** regarded as two main component of total-factor productivity
The Business Case

The productivity opportunity totals $2.9 trillion in 2030 from an investor perspective

Resource Efficient and Cleaner Production (RECP)

RECP is the continuous application of preventive environmental strategies to processes, products and services to increase efficiency and reduce risks to humans and the environment.

RECP addresses three sustainability dimensions individually and synergistically:

**Production efficiency**
Through improved productive use of natural resources by enterprises

**Environmental safeguard**
Through minimization of the impact on nature by enterprises

**Human development**
Through reduction of risks to people and communities from enterprises and supporting their development
Green Industry Initiative

**Economic**
*More Innovation and Growth; Increased Resilience...*
- Increase resource productivity
- Bring down production costs
- Foster technology development and innovation
- Improve competitiveness
- Open up new markets
- Develop new businesses

**Social**
*More Employment, Rising Incomes and Empowerment...*
- Create new jobs and make existing jobs more secure
- Reduce poverty
- Develop new skills and capacity
- Improve occupational health and safety conditions
- Safeguard health and safety of communities
- Lower risks to consumers

**Environmental**
*More Efficient Resource Use; Less Waste and Pollution...*
- Reduce environmental pollution
- Counteract resource depletion
- Prevent degradation of ecosystems
- Mitigate climate change
- Combat water scarcity
Joint UNIDO-UNEP RECP Programme

To establish and support National Cleaner Production Centres (NCPCs) which foster adaptation and adoption of Resource Efficient and Cleaner Production (RECP)

Programme launched in 1994 and expanded to 50+ countries

Clearly demonstrated triple benefits of RECP

Experience needs to be *scaled-up* and *mainstreamed* to contribute to the achievement of decoupling goals
**Target Cause**

Limited implementation of RECP by businesses and other organisations

**Contributing Cause**

RECP not mainstreamed in policy and enterprise finance and society at large

**Contributing Cause**

ESTs and sustainable product designs not transferred, adapted and replicated

**Root Cause**

Policy and regulatory framework not existing or enforced

Lack of financial mechanisms

Limited awareness of and advocacy for RECP

Service providers not existent and/or services not responding to real needs

**Present Status**

Unsustainable economic growth

Continued poverty

**Root Problem**

High pollution and waste intensities of businesses and other organisations

Inefficient use of natural resources (including energy) by businesses and other organisations

**Primary Effects**

* Environmental degradation
  * Productivity losses

**Secondary Effects**

* Reduced competitiveness of industries
  * Constrained market access
  * Unattended consumer needs

**Present Status Indicators**

Unsustainable economic growth

Continued poverty

**Problem-analysis tree**
## Mainstreaming and Scaling-Up

<table>
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<tr>
<th>Terminology</th>
<th>Description</th>
<th>Principle</th>
<th>Application Areas</th>
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<tr>
<td>Mainstreaming</td>
<td>Making it common place, integrated and accepted in daily practice (as compared to specialized side-activity)</td>
<td>Embedding</td>
<td>Procedures, rules, systems and/or institutions of government and businesses, markets, societies and</td>
<td>Doing it routinely</td>
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<tr>
<td>Scaling-Up</td>
<td>Achieving a comparable output with a significantly lower input</td>
<td>Efficiency gains: <em>walk the RECP talk</em></td>
<td>Methods, tools, techniques and technologies</td>
<td>Making it easier</td>
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Global RECP Programme: Workstream on Financing Instruments

Assessing and promoting financing instruments for mainstreaming RECP into enterprise finance

Currently positioning the intervention
  o Critical review of existing financing mechanisms
  o Identification of concrete strategies and options

Assessing concrete cases to:
  o Develop approaches to mainstream RECP into core business strategies of client companies
  o Develop approaches to make better use of the range of traditional sources of finance (both development and mainstream)
  o Identify and promote innovative RECP financing mechanisms and business models
Seco’s Green Credit Trust Fund

Seeks to increase the attraction for investments in cleaner technologies

A reduction of the demand on collaterals (50% guarantee; max 500 kUSD) and a partial reimbursement (up to 25 %) of the invested capital, based on the environmental impact resulting from the investment

Vietnam, Peru, Colombia; expansion?
RECP Programme in Ukraine

Building blocks:
- Capacity and Network; Implementation and Replication; Policy and Regulatory Framework; Technology and Innovation; Investment and Finance

Cooperation agreement signed with IFC
- *Promoting green investments in Ukrainian enterprises*
- UNIDO to provide technical assistance on RECP
- IFC to review assessments and advise on feasibility
- Working through commercial banks (market rates, standard guarantee requirements, longer payback and grace periods)

MoU signed with NEFCO
- Credit line (soft loans, lower guarantee requirements, longer payback)

Contact established with EBRD
Regional Resource Efficient and Cleaner Production Demonstration Programme / EaP GREEN

**OECD:**
- green growth indicators,
- environmental taxation and subsidy reform, improving access to finance and greening of SMEs

**UNECE:**
- strategic environmental assessment,
- environmental impact assessment

**UNEP:**
- strategic planning, sustainable public procurement, organic agriculture

**UNIDO:**
- resource efficient and cleaner production in the manufacturing sector

**Coordination and visibility (OECD and EC)**
EaP RECP Demonstrations

1. Human and Institutional Capacity Development
   - Establish or strengthen a nationally appropriate mechanism for delivering value adding RECP services to enterprises and other organizations in each EaP country

2. Implementation, Dissemination and Replication
   - Allow enterprises and other organizations in the EaP countries to implement RECP concepts, methods, practices and techniques and to monitor and verify their environment, resource use and economic benefits

3. Technology Support
   - Identify and promote the transfer and widespread deployment of appropriate and affordable RECP techniques and technologies for the target industry sectors
Lessons learnt

Accessing financing for RECP is a recurrent (perceived) challenge for enterprises
Existing sources/mechanisms untapped (information asymmetry / deficient marketing)
Senior management commitment is key
Meagre capacity of RECP service delivery institutions on financing
Financing institutions not familiar with risk profile of RECP investments (beside EE and RE)
Limiting market distortion (for opportunities to scale up); but evidence of market failure
Way forward

Strengthening and uncover RECP business case (return on investment as key selling point)
Financing need to be integrated at onset of RECP intervention (informing choice of sectors/enterprises)
Needs integrated technical assistance to enterprises beyond RECP, (e.g. management, accounting, project development)
Match-making between demand and offer
Partnerships
Policy/regulations as important incentive to induce transition
Innovative approaches (bundling, equipment leasing, ESCO-model, etc.)
Thank You

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