

**ENVIRONMENT DIRECTORATE  
ENVIRONMENT POLICY COMMITTEE**

**Cancels & replaces the same document of 27 June 2019**

**GREEN Action Task Force**

**Discussion note on enhancing co-operation between the GREEN Action Task Force  
and development finance institutions**

**Annual Meeting of the GREEN Action Task Force**

**30 September – 1 October, OECD Boulogne Annex, Boulogne-Billancourt, France**

This discussion note was prepared by the Secretariat to provide background and key questions for discussion at the meeting of the GREEN Action Task Force meeting (30 September – 1 October 2019, Paris) on possible approaches to enhancing such co-operation between the Task Force and development finance institutions. The note was originally discussed at the Task Force Bureau meeting (18 April 2019, Paris) and was revised in light of that discussion.

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## Background

1. Policy frameworks in the countries of Eastern Europe, the Caucasus and Central Asia (EECCA) are becoming more supportive of green growth. Yet, the achievement of their national targets on climate change and wider green growth agendas requires massive investment. Mobilising “green” finance<sup>1</sup> needs bolder, faster, and more coherent reforms in environmental and climate policies as well as other enabling conditions such as financial regulations, investment promotion, social protection, among others.
2. Green finance and investment has been one of the key work programme elements of the GREEN Action Task Force, and previously of the EAP Task Force. The activities covered a range of issues related to mobilising public and private finance from national and international sources for green investment. The results of such work have been well recognised and acknowledged by the EECCA countries and development finance institutions. Likewise, many of the projects under the Task Force have also enjoyed good collaboration with financial institutions and benefited from their input.
3. A topic discussed at the [Third Annual Meeting](#) of the GREEN Action Task Force in October 2018 in Bratislava was on financing for sustainable development in the EECCA region. During one of the high-level sessions, Vice President of the European Investment Bank, Mr Vazil Hudák, reiterated the need for leveraging public finance more wisely to catalyse further private-sector financing for green and inclusive growth in the EECCA countries<sup>2</sup>.
4. One of the key feedback after the Annual Meeting was to put more emphasis on strengthening the co-operation between the Task Force and development finance institutions<sup>3</sup>. Such enhanced co-operation would aim to allow more opportunities for the Task Force members and development finance institutions to discuss policy challenges to, and solutions for, scaling up green investment in the economies of the EECCA region, based on the needs, experiences and knowledge from the both sides.
5. This discussion note was prepared by the Secretariat to provide background and key questions for discussion at the meeting of the GREEN Action Task Force meeting (30 September – 1 October 2019, Paris) on possible approaches to enhancing such co-operation between the Task Force and development finance institutions.

## Past and existing co-operation between the Task Force and development finance institutions

6. One of the key features of the OECD’s support for green growth in the EECCA region and beyond has been its neutrality and non-conditionality. The OECD is not a financial institution, hence is in a position to provide comprehensive, evidence-based and

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<sup>1</sup> The term “green finance” is used here to mean finance that supports greening of the economy from public and private sources. More specifically, green finance shall promote long-term and inclusive economic growth, while avoiding negative impacts of economic activities on the environment and communities. See also a discussion note “[Mobilising private finance for green growth: Role of governments, financial institutions and development partners](#)” produced for the Annual Meeting of the Task Force in 2018.

<sup>2</sup> The draft summary record of the Annual Meeting is available at:

[http://www.oecd.org/env/outreach/Summary\\_Record\\_2018\\_Annual\\_Meeting\\_GREEN\\_Action\\_Task\\_Force.rev%20\(002\).pdf](http://www.oecd.org/env/outreach/Summary_Record_2018_Annual_Meeting_GREEN_Action_Task_Force.rev%20(002).pdf)

<sup>3</sup> “**Development finance institutions**” here include: bilateral donors and development banks; multilateral development banks; international (multilateral) climate/environmental funds; national public financial institutions of EECCA countries (e.g. national development banks, public-sector funds and facilities, etc.), among others.

unbiased analysis and policy recommendations on green finance mobilisation in the EECCA countries.

7. The co-operation with financial institutions dates back to the Task Force origins. In 1990s and early 2000s, the Task Force co-operated with the Project Preparation Committee, which was set up by donors and development finance institutions to support the identification and development of environmental investment projects across the region as well as mobilise technical assistance funds and donor grant co-financing of IFI investments in a range of different environmental sub-sectors, playing a complementary role to its sister organisation under the Environment for Europe process, the EAP Task Force. The annual joint meetings of the EAP Task Force and the PPC, held in Paris (2003), Tbilisi (2004), Yerevan (2005), Berlin (2006) and Brussels (2007), have served as important opportunities for bringing together donor and IFI representatives, and have included sessions on mobilising finance in which potential projects have been presented to donors for their consideration.

8. Relatively recent work by the Task Force has also involved several co-operative activities with development finance institutions. Such co-operation includes the participation of development finance institutions in meetings and workshops organised by the Task Force, exchange of information and analysis between the major financial institutions, such as EBRD, ADB, World Bank and EIB or participation of the Secretariat and the Task Force members in relevant meetings organised by development finance institutions. Some specific examples of co-operation are presented in Box 1.

**Box 1. Non-exhaustive examples of co-operation between the OECD and development financial institutions under the GREEN Action Task Force**

1. Collaboration through events and analytical work

- Major development financial institutions (DFIs) (e.g. ADB, EIB, EBRD, World Bank) have participated in and contributed to the past [Task Force Annual Meetings](#).
- In 2003-2010, the OECD conducted the Regional Policy Dialogues on Private Sector Participation in Water Supply and Sanitation (WSS) in EECCA, jointly with DFIs, such as the World Bank and EBRD. On several instances, DFIs followed up on priority activities (including investment projects) identified through National Policy Dialogues on WSS.
- [International Conference Unlocking Private Finance](#) in EECCA engaged with the participation and inputs from DFIs in 2017.
- An OECD project “[Mobilising finance for climate action in Georgia](#)” engaged with ADB, IFC, IBRD, EBRD, EIB and GCF in the meetings and/or obtained their substantive input to the analytical report in 2017.
- An OECD project “Reform of the system of environmental payments in Kazakhstan” engaged with the World Bank for their substantive inputs to the reports and meetings in 2019.

2. OECD analytical tools that informed DFIs’ efforts to design and structure investment projects

- EBRD worked on development of WSS infrastructure projects Armenia, prioritised through the National Policy Dialogues in the country

- The OECD has developed two tools, a Financing Strategy methodology and [FEASIBLE model](#) to improve performance of utilities in the EECCA region. The WB (Jakarta office) used the models in its project on water supply and sanitation in Cambodia in 2010. Early discussions of use of the tools was re-launched in 2019 to explore the support of a World Bank initiative to assess financing gap in achieving SDG 6.1 and 6.2 in developing countries.
  - An OECD project “Clean Public Transport Programme in Moldova” has engaged with the EBRD in cooperating to explore an optimal structure the financing, blending public grants and EBRD loans, in order to help reduce the cost of capital for public transport operators in the country.
3. OECD analytical tools used by DFIs to support country/regional strategy development
- Outcomes of the National Policy Dialogues on WSS in Kyrgyzstan informed World Bank’s work to develop the WSS-sector strategy of the country.
  - The Eurasian Development Bank invited the OECD to present the main elements of its Clean Public Transport Programme to the donor community in Kyrgyzstan.
  - An OECD representative made a presentation on Task Force work on climate finance at [the Structured Dialogue with Eastern Europe and Central Asia](#) organised by the Green Climate Fund in September 2018.

### Wider OECD co-operation with the development finance institutions

9. Beyond the GREEN Action Task Force, the OECD has closely worked with development finance institutions. While not exhaustive, the table below outlines some examples. The GREEN Action Task Force regularly co-ordinates with and contributes to the OECD Centre of Green Finance and Investment and the Development Assistance Committee. It should be noted that the initiatives below do not necessary specifically focus on the EECCA region, and that there are many more activities for which the OECD and development finance institutions are collaborating or collaborated.

**Table 1. Selected examples of co-operation between the OECD and development financial institutions**

Examples of collaboration with DFIs	Descriptions
OECD Development Assistance Committee (DAC)	DAC has long collaborated with most of the major DFIs on various subjects around development co-operation, including development finance statistics, environment and development policies, Private Finance for Sustainable Development, Blended Finance, among others.
OECD Centre on Green Finance and Investment	The Centre leverages the OECD's policy and economics expertise and systematic reach across relevant branches of governments. It provides a global platform for engaging with key players including DFIs. The Centre also launched the Clean Energy Finance and Investment Mobilisation (CEFIM) programme whereby the OECD co-operates with, among others, various DFIs.
Research Collaborative on Tracking Private Climate Finance	This OECD-hosted project aims to contribute to the development of more comprehensive methodologies for identifying private finance for climate action in developing countries. Some DFIs act as technical input providers and reviewers.

## Discussion questions

10. Task Force meeting will provide an opportunity to discuss what would be the major benefits for the Task Force members from further enhancement of the co-operation with development finance institutions. The Task Force's planning for enhancing the co-operation should take account of the Task Force's Programmes of Work and Budget for 2019-2020 and also make projections for a longer term.

11. Below are the questions to guide discussion. Box 2 outlines some concrete examples that could be potential subjects for further collaboration between the Task Force and development finance institutions.

**Q1. What would be expected outcomes of strengthening co-operation between the Task Force and development finance institutions? What would be value-added to existing networks?**

**Q2. What could be best mechanisms for strengthening such co-operation?**

- Should the Task Force set up (e.g.) a dedicated working group between the TF members and development finance institutions, which convenes regularly?

**Q3. What could be the potential subjects for the enhanced co-operation?**

(See Box 2 for some examples for discussion)

**Q4. What could be the roles of different actors to play in the next steps to be taken in 2019 and beyond?**

- OECD Secretariat
- Task Force Bureau members
- Other members of the Task Force
- Partner Organisations of the Task Force Bureau (i.e. UNECE and UN Environment)

**Q5. Should a representative of a development finance institution be invited to join the Task Force Bureau?**

**Box 2. Ideas on subjects for an enhanced co-operation with development finance institutions (DFIs)**

1. Exchanging experiences in, and further strengthening approaches to, due diligence among different international and domestic financial institutions to manage environmental and social risks of their investment operations in the EECCA region.
  - a. *This work could also aim to help develop and make use of the domestic systems in the EECCA countries themselves for managing such environmental and social risks over time.*
  - b. *This work could also build on the OECD work related to the OECD Due Diligence Guidance for Responsible Business Conduct and the OECD Recommendation of the Council on Good Practices for Public Environmental expenditure management.*
  - c. *The Task Force could facilitate meetings between relevant national authorities and the DFIs to discuss whether the existing regulatory framework is in line with DFI-sectoral sustainability requirements for investing in projects (such as the extractive industry)*
2. Promoting inclusive growth in a transition towards a green and inclusive economy in the EECCA region
  - a. *This work would select a particular type of regions/countries (e.g. a region dominated by the coal mining sector) to discuss how various finance institutions, governments, business sector and civil society can better co-operate to promote a “just” transition in the EECCA countries.*
3. Facilitating the improvement of data definition, collection and monitoring and evaluation, in terms of financial, economic impact and ESG dimensions (especially by infrastructure investments), with the aim of providing more transparent, comparable evidence base to development of enabling policy frameworks for sustainable infrastructure development and investment promotion.
  - a. *If we do such work, it would be suggested to co-ordinate with existing initiatives such as the Infrastructure Data Initiative.*
  - b. *The work could leverage the latest methods developed by businesses in OECD member countries (e.g. on Natural Capital/Ecosystem Services, drawing from the Natural Capital Coalition’s Protocol).*
4. Enhancing policy environments to unlock the potential for further uptake of newer financial instruments and mechanisms to support green growth
  - a. *Examples include: bonds, equity and mezzanine financing, local currency lending, guarantees and insurance, using public finance made available by subsidies reform for grants for energy efficiency, etc.*
5. Working with DFIs to consider the whole of life performance of infrastructure projects.

- a. This work would consider the performance and sustainability of projects 5 or 10 years after delivery or beyond.*
  - b. It would also examine the strength and stability of the policy environment to support the continuous financing of operation and maintenance costs, and investment in areas including human and technical capacity.*
6. Facilitating collaboration between the EECCA governments and DFIs in developing infrastructure investment plans and integrating them into national policy contexts
  - a. Such work could be conducted in line with updating of the countries' Nationally Determined Contributions, nationalisation of SDGs, and/or the periodic country strategy programming by development financial institutions.*