



## **Expert Workshop on International Climate Finance for the Countries of Eastern Europe, the Caucasus and Central Asia**

11 July 2016

Le Château de la Muette, Room E,  
OECD Headquarters  
Paris

### **SUMMARY RECORD**



This project is funded by the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety of Germany through its 2014 International Climate Initiative.

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## Introduction

1. Achieving the goals under the Paris Agreement adopted at the 21st session of the Conference of the Parties to the United Nations Framework Convention on Climate Change hinges on the implementation of the countries' nationally determined contributions and various mechanisms under the Convention. Such implementation requires a drastic shift in finance flows from “brown” to “green” both at the global and national levels.

2. The Organisation for Economic Co-operation and Development (OECD) has launched a project “International Climate Finance for Eastern Europe, the Caucasus, and Central Asia (EECCA) <sup>1</sup>” with the financial support of the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety. The project aims to shed light on how the countries of EECCA have been working with their development co-operation partners to finance climate-related activities; and explore how to assess and improve their readiness to seize further opportunities to access various climate finance sources in the future. This project is implemented under the GREEN Action Programme<sup>2</sup> hosted by the OECD.

3. The first results of the analysis carried out under the project were presented at an expert workshop that was held on 11 July 2016 in Paris. The aims of the workshop were to:

- Share and discuss information on the current state of play on climate-related development finance flows to the EECCA countries;
- Exchange views on challenges to and opportunities for accessing further climate finance from various sources; and
- Discuss how the OECD could contribute to the work being done by the countries and their development co-operation partners on strengthening their institutional capacities and policy frameworks to better access and use climate finance over time.

4. The meeting was attended by the delegates from the governments of the eight EECCA countries (Armenia, Belarus, Georgia, Kazakhstan, Moldova, Tajikistan, Ukraine and Uzbekistan), delegates from the OECD countries (Germany and Japan) and the representatives of the European Commission, the European Bank for Reconstruction and Development, the European Investment Bank, Gesellschaft für Internationale Zusammenarbeit (GIZ), the United Nations Environmental Programme, and the REN21 Secretariat, as well as the staff members of the OECD (the list of participants is attached at the end of the report).

### Session 1: Opening remarks and tour de table

5. Ms Kumi Kitamori (OECD) welcomed the participants and thanked the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMUB) for its financial support for the project.

6. The participants took note of welcoming remarks by Mr Jürgen Keinhorst (Co-chair of the GREEN Action Programme / Head of Cooperation with Europe and Middle East and North Africa,

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<sup>1</sup> The scope of this project covers 11 EECCA countries that are eligible for recipients of official development assistance (ODA) based on the classification by the OECD Development Assistance Committee, namely Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Ukraine and Uzbekistan

<sup>2</sup> For further information on the Programme, see <http://www.oecd.org/env/outreach/eap-tf.htm>

BMUB, Germany). He stressed, amongst other things, the importance of actual implementation of various climate policies in the EECCA region, and shifting from only looking at climate policies to their linkages with other environmental issues as well as the higher-level national development strategies.

## **Session 2: Evolving landscape of climate finance in the EECCA countries**

7. Mr Takayoshi Kato (OECD) presented key findings of a background document "Climate-related development finance in Eastern Europe, the Caucasus and Central Asia" that was prepared by the OECD Secretariat on the basis of analysis of information from the OECD Creditor Reporting System (CRS) Aid Activities Database and publicly available project-related documents and national policy documents, which directly and indirectly relate to climate actions.

8. The main messages of the report included:

- A significant amount of climate-related development finance was committed to EECCA countries in 2013 and 2014 and recorded on the OECD CRS, while large difference in the amounts exists among the 11 EECCA countries. The largest share of finance was committed to energy sector.
- The level of adaptation finance was substantially lower than mitigation, and this thematic imbalance is larger in the EECCA than the global average, representing a large investment need for modernising aged, inefficient infrastructure particularly in the energy sector.
- There is a great potential to mainstream climate considerations into broader development finance particularly in agriculture, forestry, transport and water sectors.
- Direct access modalities have yet to be used in EECCA to access climate funds such as the Green Climate Fund (GCF) and the Adaptation Fund, while pursuing direct access could help some of these countries to strengthen ownership over accessing and absorbing finance.
- National funding entities could be potential actors to enhance ownership and efficiency.
- Progress has been made with development of climate policies in many EECCA countries, while it is worth considering how to better implement them and connect different policy instruments and strategies.
- Further work is needed also on how to better use international climate finance to mobilise scaled up finance from the broader sources, including both private and domestic green investments where relevant.

9. In a discussion that ensued the participants stressed:

- Importance to fill in the information gap about the potential funding sources;
- Need for guidance to access dedicated climate funds, particularly the GCF;
- Need for enhancing capacities in identifying and selecting projects, especially in financial institutions, engaging private sector actors and strengthening financial markets;

- Need for co-ordinating a range of domestic stakeholders that can engage in project development and drafting project proposals;
- Importance of donor co-ordination and better communication between the EECCA governments and the providers of support;
- Importance of the country ownership over accessing finance and developing climate-related projects (i.e. EECCA countries could play a greater role in identifying project ideas and suitable financial sources with the support of their development co-operation providers, such as international financial institutions and development agencies); and
- Enhanced linkages between climate policies and a broader range of economic development policies.

### **Session 3: Opportunities for and challenges to financing priority climate actions**

10. Under this agenda item the participants:

- Took note of the presentation by Mr Niels Schuster, DG Climate Action, the European Commission, on the European Union's support for climate actions in the EECCA countries, highlighting: the EU's progress towards its target of mainstreaming 20% of EU budget on climate related issues being on track; synergies between climate policies and activities by international financial institutions; the EU's programme and funding initiatives such as European Neighbourhood Instrument (ENI), Neighbourhood Investment Facility; EU4Energy; and Investment Facility for Central Asia (IFCA);
- Took note of the presentation by Ms Veronica Lopotenco, Ministry of Environment, Moldova, on financing climate actions using international and domestic sources, highlighting several policy documents including its INDC and Low Emission Development Strategy, roles of several national funding entities and UNEP support for the GCF readiness programme envisaged to start shortly;
- Took note of the presentation by Mr Denys Bashlyk, Ministry of Ecology and Natural Resources, Ukraine, on climate related finance in Ukraine, highlighting the importance of establishing a definition of climate finance, co-ordination of all climate finance in Ukraine, compliance of all climate finance with national sustainable development priorities, monitoring of climate finance and its effectiveness, multi-focal activities on both adaptation and mitigation finance, private-public partnership in climate finance, and technology development and needs assessment;
- Took note of the presentation by Mr Martin Hullin, REN21 Secretariat, on key messages on the status of renewables in 17 selected member states of the United Nations Economic Commission for Europe (including EECCA countries), highlighting the importance of establishing and strengthening institutional, financial, legal, and regulatory support mechanisms, long-term and stable policy frameworks, greater attention to the heating and cooling and the transport sector and "energy system thinking", and improving information on distributed renewable energy markets in developing countries and improve access to up-front finance.

11. The participants also took note of an intervention by Ms. Marta Modelewska (EBRD) on the EBRD's experience with financing climate actions in the EECCA region. Key issues included: facilitating

a broad stakeholder engagement at an early stage of project development processes; supporting both policy development and implementation; targeted financing for priority areas; and consideration for not only quantity but also quality of climate finance interventions.

#### **Session 4: Readiness to access climate finance**

12. Under this agenda item the participants:

- Took note of the presentation by Ms Dorit Lehr, the Climate Finance Readiness Programme, GIZ, on lessons learned from GIZ's Climate Finance Readiness Programme; outlining the GIZ's Climate Finance Readiness Programme across the world that includes Tajikistan and Georgia, and highlighting key issues such as certain lead-time needed for capacitating national/regional entities for accreditation and capacity building of executing entities as a good first step.
- Took note of the presentation by Mr Zafar Mahmudov, Committee for Environment Protection, Tajikistan, on lessons from Tajikistan's experiences with the GIZ-supported Climate Finance Readiness Programme and the Pilot Programme for Climate Resilience (PPCR) supported by the Climate Investment Funds, outlining the structure and roles of Tajikistan's Coordination Mechanism under PPCR, as well as gaps that exist at various levels such as capacity, finance, and implementation partly due to insufficient co-ordination.
- Took note of the joint presentation by Ms Nino Lazashvili, Ministry of Economy and Sustainable Development and Ms Tamar Aladashvili, Ministry of Environment and Natural Resources Protection, Georgia, on Green Growth and Climate Financing in Georgia; outlining policy instruments and strategies to pursue the country's low carbon economic growth (e.g. Nationally Appropriate Mitigation Actions; Low Emission Development Strategies; and National Adaptation Plan), and also its GCF Climate Finance Readiness programme with GIZ to strengthen the national designated authority (NDA) and prepare a country programme.
- Took note of the presentation by Mr Marko Berglund, Finance Unit, UNEP, on the Green Climate Fund Readiness Programme by UNEP/UNDP/WRI; outlining the activities under the Readiness Programme and highlighting some insights into quickly changing environment regarding GCF application, fit-for-purpose accreditation, setting up the NDAs; pipeline development; and direct access modality.
- Took note of the presentation by Dr. Bakhyt Yessekina, Special Advisor to the Ministry of Energy of Kazakhstan on Climate Change/Green Academy, on the process of Paris Climate Agreement implementation in Kazakhstan, highlighting the importance of: developing guidance to access climate funds (e.g. the GCF); establishing institutional arrangement (Green Technology Centre under UN in Astana); and conducting capacity building program on sub-regional and national levels.

13. The participants also actively discussed, amongst others: technical aspects of access modalities to the funding resources of the GCF; current status of ongoing readiness programmes in the EECCA region; key capacity development needs by national designated authorities to develop project proposals for the GCF resources; risks of applying for the GCF funding (e.g. time- and cost-intensive nature of developing a

GCF proposal, and also long lead-time between a decision on accreditation and a first possible funding proposal submission).

14. A participant from the EECCA region mentioned that the direct access modality could be helpful, but it would be challenging particularly for small countries with limited capacities to have national entities that had all the necessary capacities to directly access funding sources of the particular climate funds (e.g. the Adaptation Fund and the GCF).

15. The participants agreed that a possible future work item to be implemented under the GREEN Action Programme should not focus solely on the access to the GCF but also include a broader range of climate finance sources: international (multilateral and bilateral sources) and domestic, public and private.

### **Session5: Next steps**

16. The participants took note of the presentation by Ms Nelly Petkova regarding the Secretariat's proposals on possible future work to be implemented under the GREEN Action Programme, which included the following items:

- Regional-level analysis
  1. Regional review of EECCA countries' readiness to access international climate finance sources
- Country-level analysis
  2. Enhancing transparency in climate and investment policies, and financial flows
    - 2.1. Policy alignments for green investments
    - 2.2. Improving transparency in climate finance flows
  3. Assessing key institutions' capacity to better access international climate finance sources
    - 3.1. Assessment of key institutions' capacity to better access international climate funds
    - 3.2. Analysis of the role and effectiveness of national public funding entities in enhancing ownership over mobilising international/domestic climate finance

17. Ms Kumi Kitamori (OECD) asked the participants to provide by 1 August 2016 their written comments to the background document "Climate-related development finance in Eastern Europe, the Caucasus and Central Asia" including the possible future work to be done by the OECD.

18. She thanked the participants for their active participation in the discussions and closed the workshop.

## List of participants

Armenia	Ms. Lusine AVETISYAN Head of the Economic Mechanisms of Environmental Protection and Standards Technical Regulations Division of the Environmental Strategic Programs and Monitoring Department, Ministry of Nature Protection
Belarus	Ms. Sviatlana KAZAKEVICH Deputy Head of International Cooperation Department, Ministry of Natural Resources and Environmental Protection
Georgia	Ms. Nino LAZASHVILI Acting Head, Sustainable Development Division, Ministry of Economy and Sustainable Development
	Ms. Tamar ALADASHVILI, Deputy Head, Department of Environmental Policy and International Relations, Ministry of Environment and Natural Resources Protection
Germany	Mr Jürgen KEINHORST Head of Division “Cooperation with Eastern European Countries, Central Asia and South Caucasus, the Middle East and North Africa”, Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety
	Ms Anne-Mareike VANSELOW Counsellor, Division “Cooperation with Eastern European Countries, Central Asia and South Caucasus, the Middle East and North Africa, Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety
Japan	Mr. Yuji YAMAGUCHI First Secretary, Permanent Delegation of Japan to the OECD
Kazakhstan	Ms. Bakhyt YESSEKINA Founder and Director, Professor , Doctor of Economics, Scientific and Education Center “Green Academy”
Moldova	Ms Veronica LOPOTENCO Senior consultant in Policy Analysis, Monitoring and Evaluation Department, Ministry of Environment
Tajikistan	Mr Zafar MAKHMUDOV Project Coordinator Committee for Environment Protection
Ukraine	Mr Denys BASHLYK Senior Expert of Climate Policy and Reporting Division, Ministry of Ecology and Natural Resources

Uzbekistan	Mr. Nodirjon YUNUSOV Head of the International Relations and Programmes Department State Committee for Nature Protection
European Bank for Reconstruction and Development	Ms. Marta MODELEWSKA Principal, Climate Change Adaptation
European Commission	Mr. Niels SCHUSTER Policy Officer, Directorate-General for Climate Action, International & Inter-Institutional Relations
European Investment Bank	Mr. Umberto DEL PANTA Managerial Advisor
Gesellschaft für Internationale Zusammenarbeit (GIZ)	Ms. Dorit LEHR Section Climate Change and Climate Policy, Climate Change, Environment and Infrastructure Division, Sectoral and Global Programmes Department
Renewable Energy Policy Network for the 21 <sup>st</sup> Century (REN21)	Mr. Martin HULLIN Project Manager, REN21 Secretariat
United Nations Environmental Programme	Mr. Marko BERGLUND Programme Management Officer, Finance Unit, Energy, Climate, and Technology Branch Division of Technology, Industry, and Economics
OECD	Mrs. Kumi KITAMORI Head, Green Growth & Global Relations Division, Environment Directorate (ENV/GGGR)
	Mr. Krzysztof MICHALAK Senior Programme Manager, ENV/GGGR
	Ms. Nelly PETKOVA Policy Analyst, ENV/GGGR
	Mr. Takayoshi KATO Policy Analyst, ENV/GGGR
	Ms. Mikaela RAMBALI Policy Analyst, ENV/GGGR
	Ms. Jane ELLIS Administrator, Climate, Biodiversity and Water Division
	Ms. Maria DUBOIS Project Assistant, ENV/GGGR