



**INTERNATIONAL CONFERENCE ON FINANCING THE GREEN AND NET-ZERO TRANSITION IN THE EASTERN PARTNERSHIP COUNTRIES AND CENTRAL ASIA**

**19-20 SEPTEMBER 2023, BRUSSELS**

**NEEDS FOR AND TRENDS IN FINANCING THE NET-ZERO TRANSITION IN THE EAP COUNTRIES AND CENTRAL ASIA**

**NELLY PETKOVA, OECD**





# The net-zero transition needs are significant

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## 2030 NDC-related targets

- Georgia – USD 3 – 6.5 bln
- Kazakhstan – USD 2.99 – 7.24 bln
- Moldova – USD 8.3 – 10.9 bln

## LT-LEDS

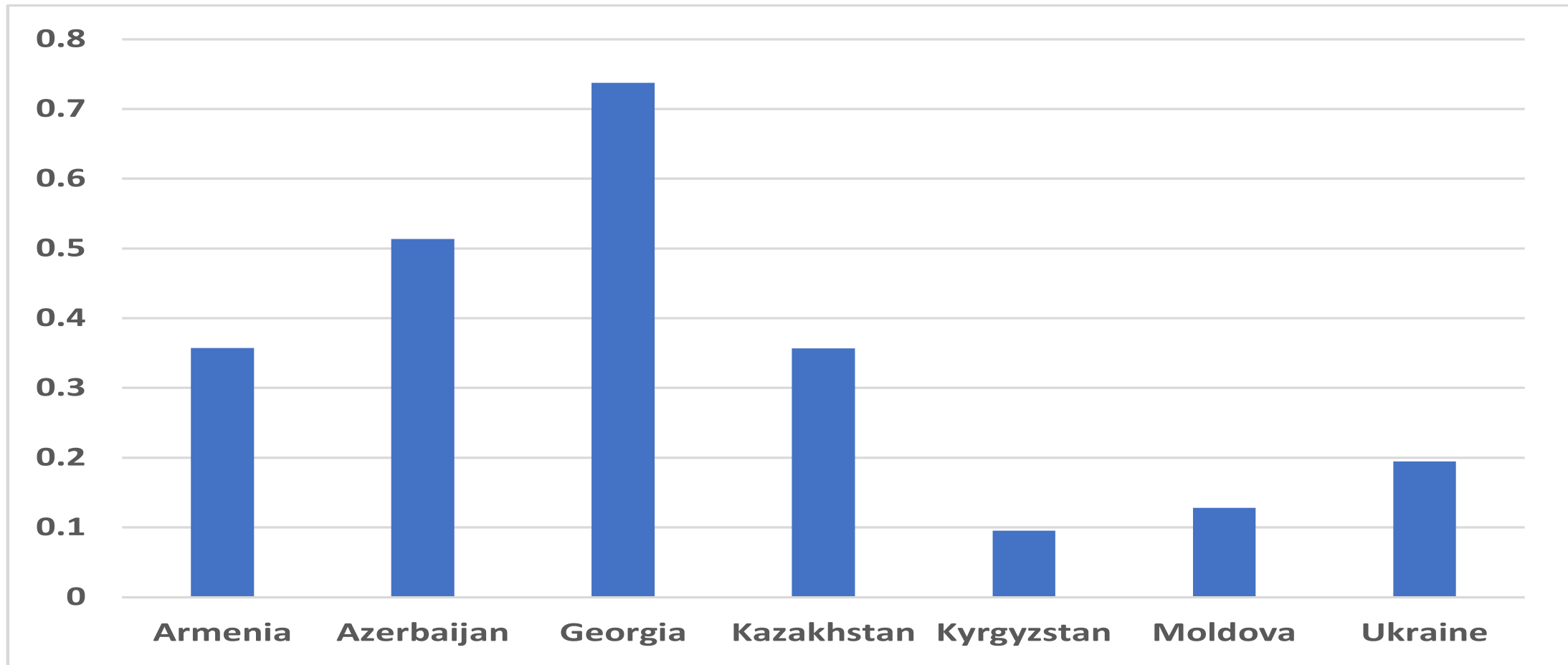
- Net-zero targets set in Armenia, Kazakhstan, Ukraine, Uzbekistan
- LT-LEDS under development in most countries, Ukraine submitted it to UNFCCC in 2018
- NDC and LT-LEDS targets consistent
- LT-LEDS not legally binding

## International research

- In lower-income countries the absolute value of spending would be lower but the amount is much larger when measured as a share of GDP - the average share of GDP that the EaP and Central Asia countries will need to spend between 2023-2050 is estimated at 21% or between 7-17 times current spending (McKinsey, 2022/ UNECE)



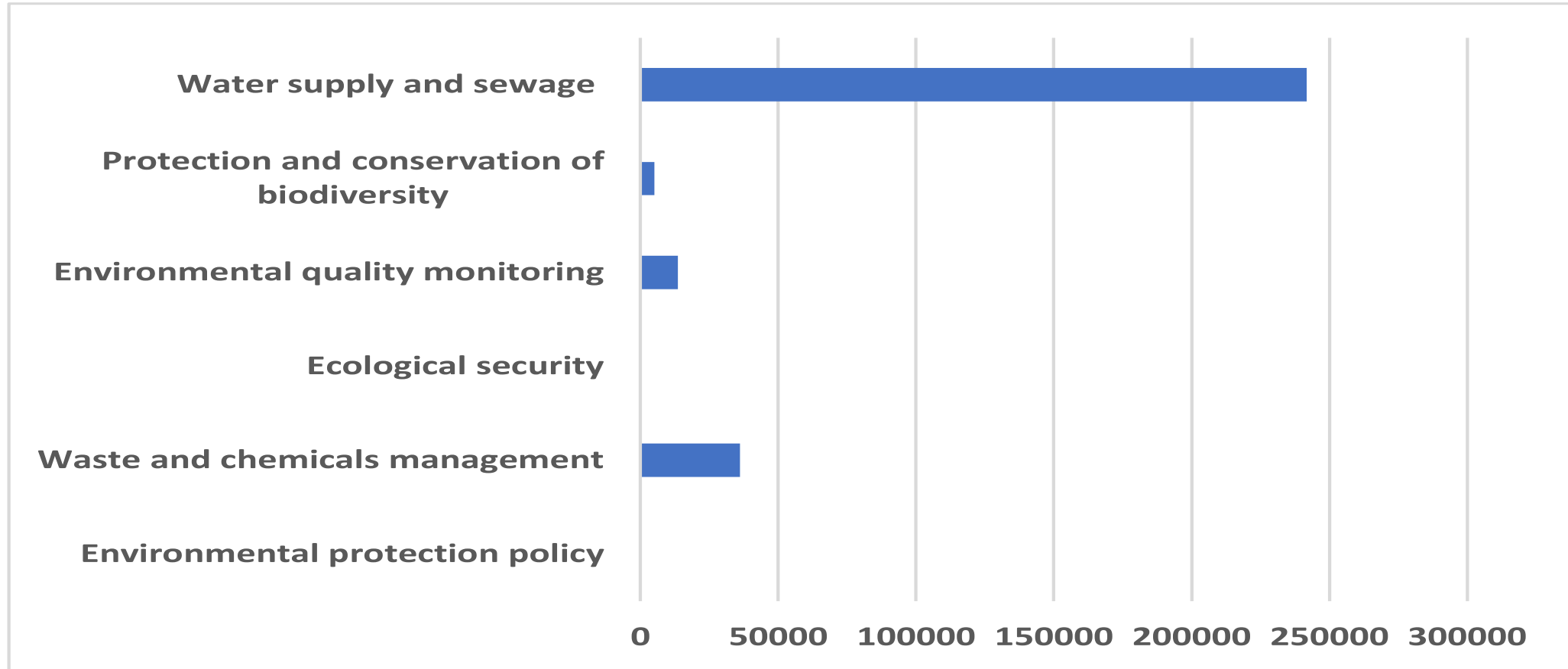
# Public expenditure on environmental protection as a share of GDP, 2021



Source: IMF, Government Finance Statistics.



# Expenditure of the National Environmental Fund of Moldova, 2021, thousand MDL



*Source:* OECD, based on data from Moldova.



# Evolution of National Environmental Funds

**Late 1980s**  
System of pollution charges and fines  
Earmarked extra-budgetary funds

**2000 - 2014**  
Earmarked budgetary funds

Full consolidation in the budget and closure of some Funds

2000 – Kazakhstan

2008 – Turkmenistan

2014 – Ukraine  
National Fund but not local Funds

**Mid-2000 and ongoing**

New types of funds appeared

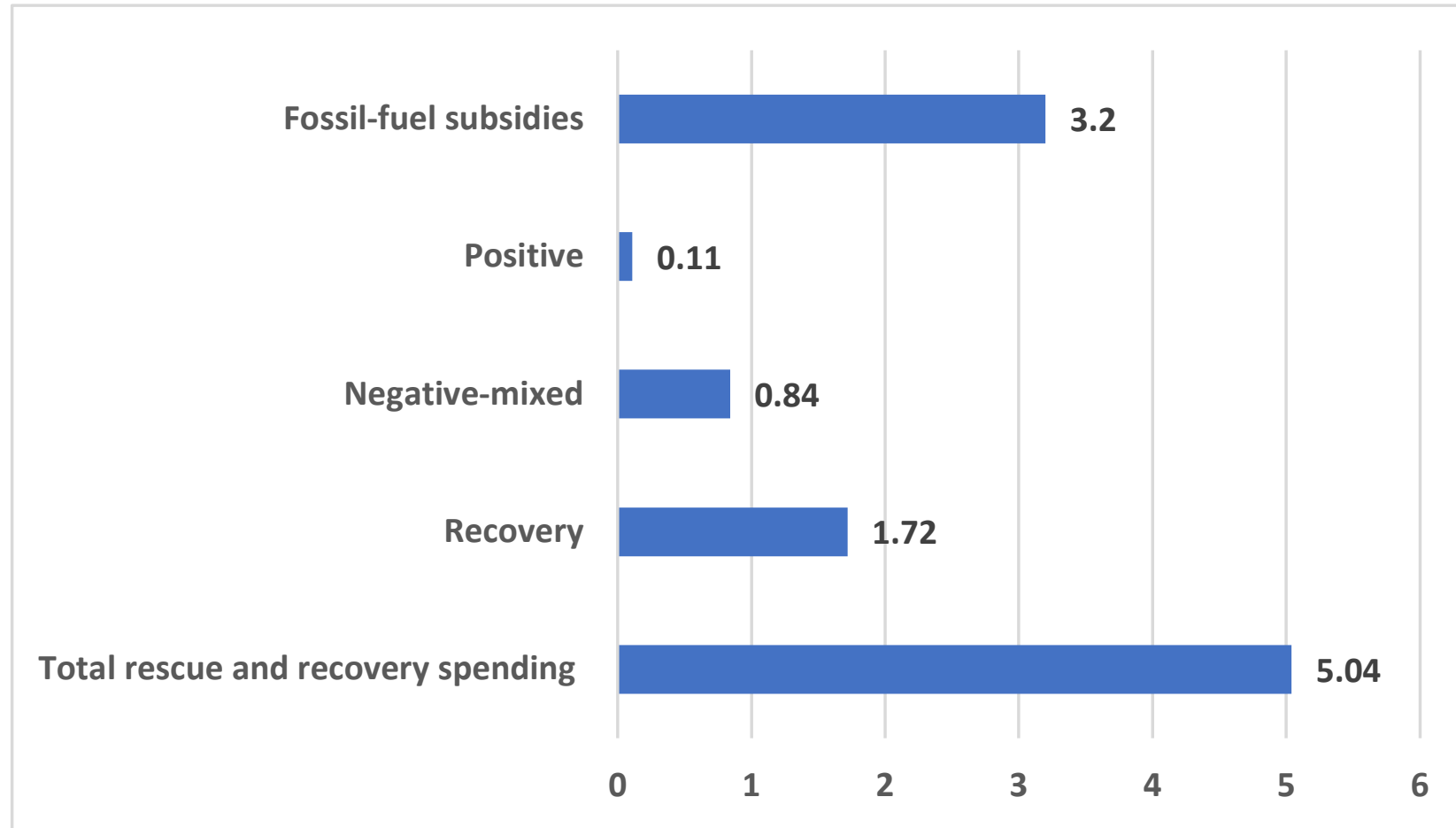
Sector specific, e.g.

- Georgian Energy Development Fund

- Decarbonisation Fund of Ukraine



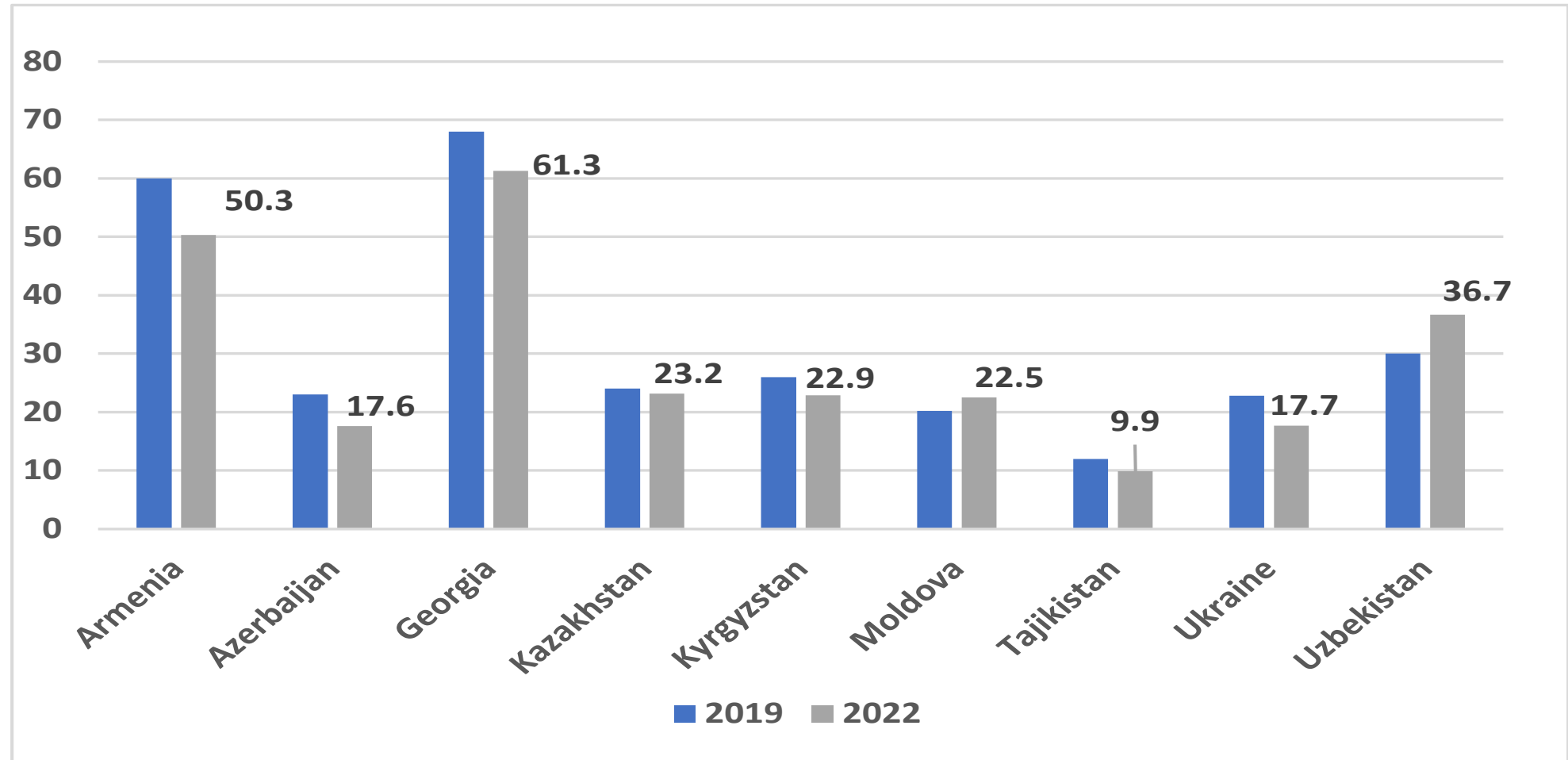
# Recovery packages (2020-21) vs fossil-fuel subsidies in the EaP countries, 2020, bIn USD



Source: OECD.



# Domestic credit provided by banks as a share of GDP

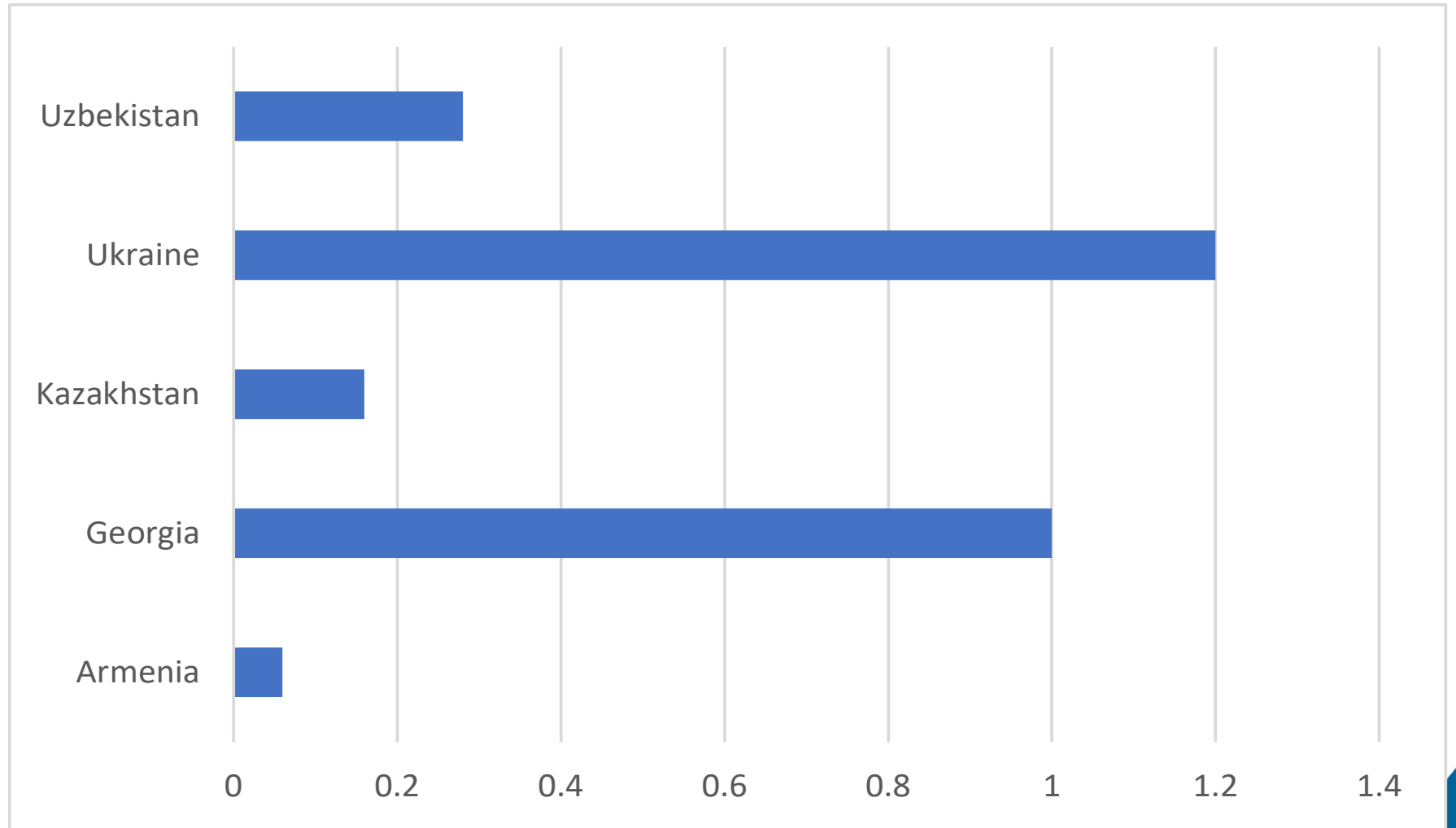


Source: World Bank, World Development Database.



# Green bond market primary issuance in the EaP and Central Asia countries, 2020-23, USD bn

- Armenia (financial corporate bonds)
- Georgia (corporate bonds)
- Kazakhstan (corporate and supranational bonds)
- Ukraine (corporate bonds)
- Uzbekistan (sovereign bonds + recent financial corporate bond)



Source: OECD.





# Estimates of mitigation related investments eligible for bond financing, 2022-2030 (bln EUR)

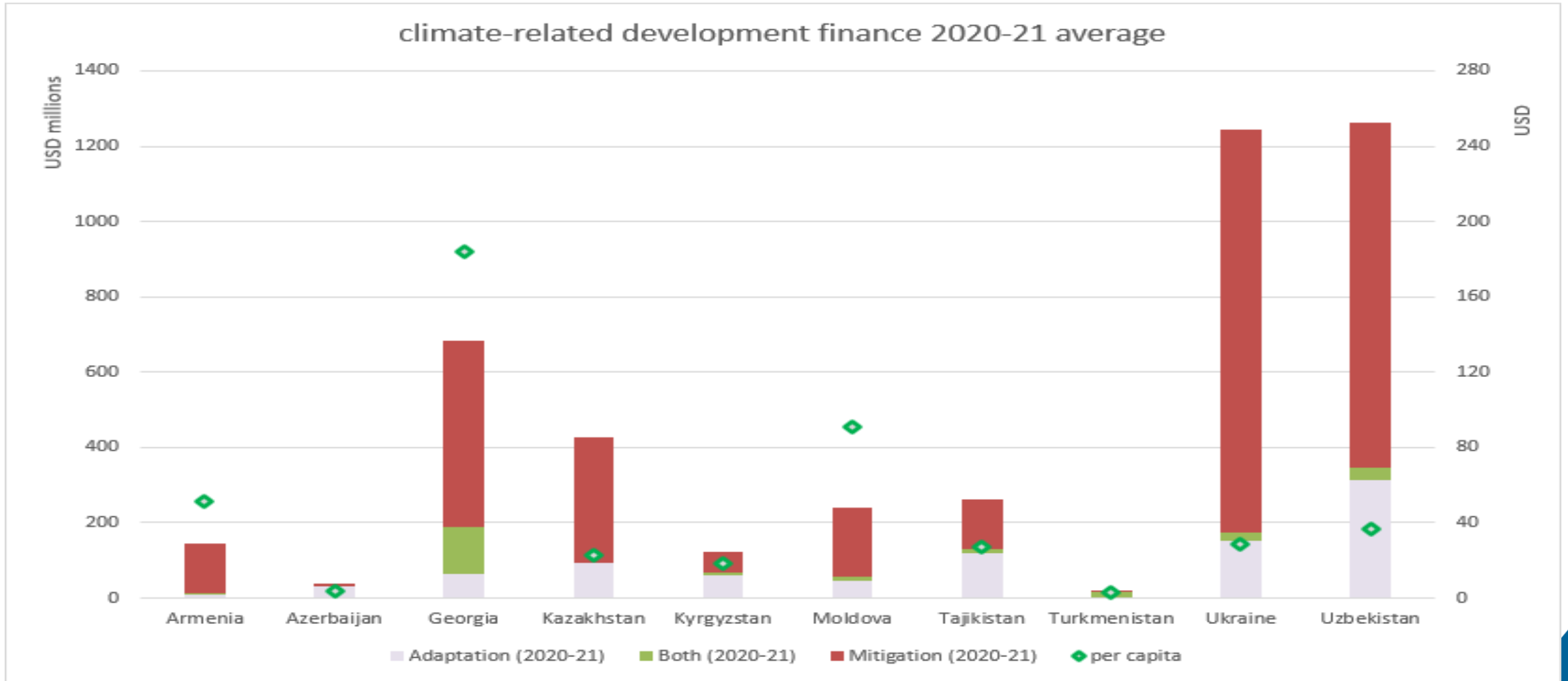
Country	Residential buildings	Public buildings	Electricity & Heat	Industry	Transport	Total	Annual percentage of 2019 GDP
Armenia	0.3 - 0.6	0.1 - 0.2	0.7	0.4 - 0.8	0.2 - 0.5	<b>1.7 - 2.8</b>	1.5% - 2.5%
Azerbaijan	0.4 - 0.8	0.3 - 0.5	1.6	1.7 - 3.6	0.5 - 1.2	<b>4.5 - 7.7</b>	1.1% - 1.9%
Georgia	0.4 - 0.6	0.1 - 0.1	9.1	0.7 - 1.5	0.2 - 0.7	<b>10.5 - 12.0</b>	7.1% - 8.1%
Moldova	0.3 - 0.6	0.04 - 0.1	1.0	0.5 - 1.1	0.2 - 0.5	<b>2.0 - 3.3</b>	2.0% - 3.3%
Ukraine <sup>1</sup>	3.6 - 6.4	2.0 - 3.7	16.5	3.2 - 6.9	2.1 - 6.1	<b>27.4 - 39.6</b>	2.1% - 3.1%
Kazakhstan	1.2 - 2.2	0.9 - 1.5	4.0	10.4 - 22.2	1.7 - 4.0	<b>18.2 - 33.9</b>	1.2% - 2.2%
<b>Total</b>	<b>6.2 - 11.2</b>	<b>3.4 - 6.1</b>	<b>32.9</b>	<b>16.9 - 36.1</b>	<b>4.9 - 13.0</b>	<b>64.3 - 99.3</b>	

Source: OECD.

Note: 1 - The calculations do not consider the substantial war-related investment needs in Ukraine.



# Climate-related development finance, 2020-21, average, USD million



Source: OECD.



## A few observations

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- Current spending is low, financial needs are significant- the gap is large
- More work is needed to define targets and how these will be achieved, prepare investment and financial plans
- Align current policies with and adjust them to work for the net-zero transition
- Create the right conditions for the financial and capital markets to be more involved in financing the gap
- Mobilise new institutional investors – how about Sovereign Wealth Funds or Pension Funds, can they become a legitimate green financier?