



Funded by
the European Union

EU4Environment
Green Economy in Eastern Partner Countries

Supported by:



Federal Ministry
for the Environment, Nature Conservation,
Nuclear Safety and Consumer Protection

based on a decision of
the German Bundestag

Greening debt capital markets in the EECCA region

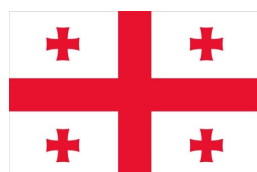
Stanislav Dubko
Sustainable and green finance expert

 Berlin
Economics

GFA 
CONSULTING GROUP

‘Greening debt capital markets in the EECCA countries’: a EU4 Environment/OECD project

- Covers six Eastern Partnership (EaP) countries plus Kazakhstan
- To assess the potential role of green bond markets, taking into account:
 - i. Capital market development in light of introduction of green bonds
 - ii. Barriers to scaling up green bonds
 - iii. The potential role for governments and regulators
- Seven in-depth country assessments and one summary report were prepared
- Study conducted at the end of 2021



+



International green bond issues

- Substantial green bond fund mobilized by two entities in Ukraine and two in Georgia
- Oversubscription underlined international investor appetite
- Established bond issuers
- EBRD/ADB active to support issuers

	Amount	Maturity	Coupon	Public/private placement	Use of proceeds
Georgia					
Georgian Railways JSC, 2021	USD 500 m.	7 yrs.	4%	London	Refinance existing debt and fund rail infrastructure
Georgia Global Utilities, 2020	USD 250 m	2 yrs.	7.75%	Ireland	Refinancing of a number of assets
Ukraine					
DTEK Renewables, 2019	EUR 325 m.	5 yrs.	8.5%	Ireland	RE projects
Ukrenergo, 2021	USD 825 m.	5 yrs.	6.875% Variable for SL portion	Several European exchanges	Refinance existing debt to RE companies

Local green bond issues

- Kazakhstan: small debut issue on AIX, most of other transactions on KASE

	Amount	Maturity	Coupon	Public/private placement	Use of proceeds
Kazakhstan					
DAMU Entrepreneurship Fund, 2020	USD 0.5 m	3 yrs		Listed on Astana exchange	Solar power
Asian Development Bank (ADB), 2020	USD 32 m	2 yrs	10.1%	KASE	climate-related projects
Euroasian Development bank, 2021	USD 43 m	3 yrs	10.5%	KASE	RE, EE, water management
Sumruk-Energo, 2021	USD 40 m	6.5 yrs	11.4%	KASE	RE projects
Development bank of Kazakhstan, 2023	USD 22 m	3 yrs	TONIA + 3%	KASE	Green projects in the energy sector
KEGOC (TSO), 2023	USD 37 m	14 yrs	19.5%	KASE	Reconstruction of the grid

Local green bond issues

- Ameriabank: a solid green bond framework, despite the absence of local green finance legislation

	Amount	Maturity	Coupon	Public/private placement	Use of proceeds
Armenia					
Ameriabank I, 2020	EUR 42 m.	5 yrs	3.05%	Private	RE and various other activities
Ameriabank II, 2022	USD 8m AMD 3 bn.	27 months	USD 3.5% AMD 9.5%	Yerevan Exchange	As before

Elements of a green finance regulatory framework

Georgia:

- 2019 roadmap for sustainable finance
- ESG disclosure and reporting principles
- Green Taxonomy adopted in Dec 2021

Belarus:

- Concept of state green bonds adopted in Dec 2022
- Green Taxonomy under development

Kazakhstan

- Green Taxonomy adopted in Dec 2021

AIX

- Full set of green bond rules and core taxonomy within Astana International Financial Center (AIFC)
- Technical support and some incentives for issuers through the Green Finance Center

KASE

- ESG disclosure rules
- Support of green bond issuers

Ukraine

- NBU roadmap contains plans for disclosure rules and sustainable financing
- Green bonds recognised in capital markets law (July 2021)
- Recommendations by the National Commission on Securities and Stock Market on green bond issuance
- Concept for the development of green bond market adopted on 23.02.2022

Obstacles to green bond market development:

(1) the investment environment for renewables and corporate governance

- The 7 EECCA countries lack a sufficient pipeline of projects that are transparent, of high quality and sizable
- The erratic investment environment for renewables, specifically, unclear or unreliable feed-in-tariff regimes, grid connection, and persistent use of incentives for fossil-fuel consumption
- A lack of sufficiently sizable potential issuers whose corporate governance is adequate for a bond market presence and a local rating – a key problem for green bond investors looking for greater transparency of use of proceeds and impact

Obstacles to green bond market development: (2) underdevelopment of local bond markets

If the ultimate objective is a liquid local green bond market, broader problems in capital market development need to be addressed:

- Lack of institutional capital, e.g. pensions or insurance, or access for international investors through good clearing and settlement
- Bond market illiquidity and other barriers to primary issuance by the private sector
- Bond market infrastructure, e.g. domestic clearing and settlement, central bank repo facilities, trading system etc.

Obstacles to green bond market development: (3) lack of green finance regulation and high bond standards

Green finance regulation is still in its infancy, or completely lacking:

- ESG disclosure and risk management guidelines
- a local taxonomy
- green bond definition in local regulation

Crucially, many banks lack experience in generating high quality green loan portfolios (which could be refinanced on the bond market)

Policy options: supply side

- Sovereign issuers, agencies and state enterprises could be early green bond issuers, within existing debt management guidelines
- Bank supervision and ESG principles could encourage emergence of green loan portfolios – ultimately for the refinancing through green bonds on local markets
- Green bonds on international exchanges the main option for larger and highly rated corporates or banks with an established bond market presence and credit history – with limited spill-overs to local markets through cross-listings
- Sustainability-linked instruments for well-governed enterprises with credible targets
- Development of the local bond market remains a precondition for a wider set of issuers to come forward - private placement with IFIs or development agencies not does not define a new funding tool

Policy options: demand side and the local 'ecosystem'

- In the current environment of emerging market risk aversion little chance of local currency bond issues, international issuance more realistic
- Role of IFIs and development agencies as 'anchor investors' remains crucial in local markets
- There should be full access to central bank refinancing facilities, though not necessarily a case for preferences
- Upgrade of local green finance frameworks: clear and locally specific taxonomies should be compatible with EU and Climate Bonds standards
- Access to verification providers and tracking of impact