

LEVERAGING SUSTAINABLE & INNOVATIVE FINANCE INSTRUMENTS & TECHNOLOGIES

JUN 9, 2023

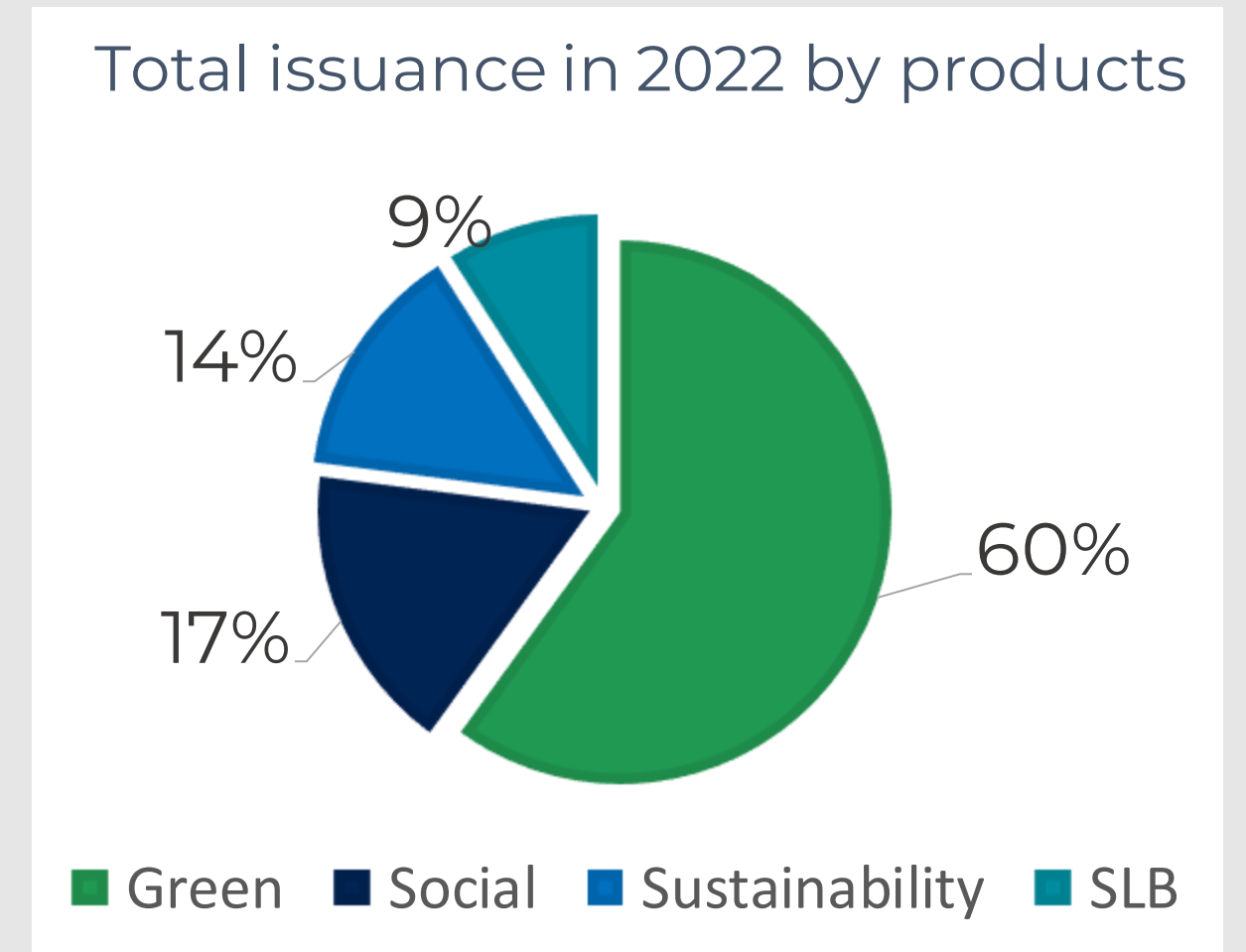
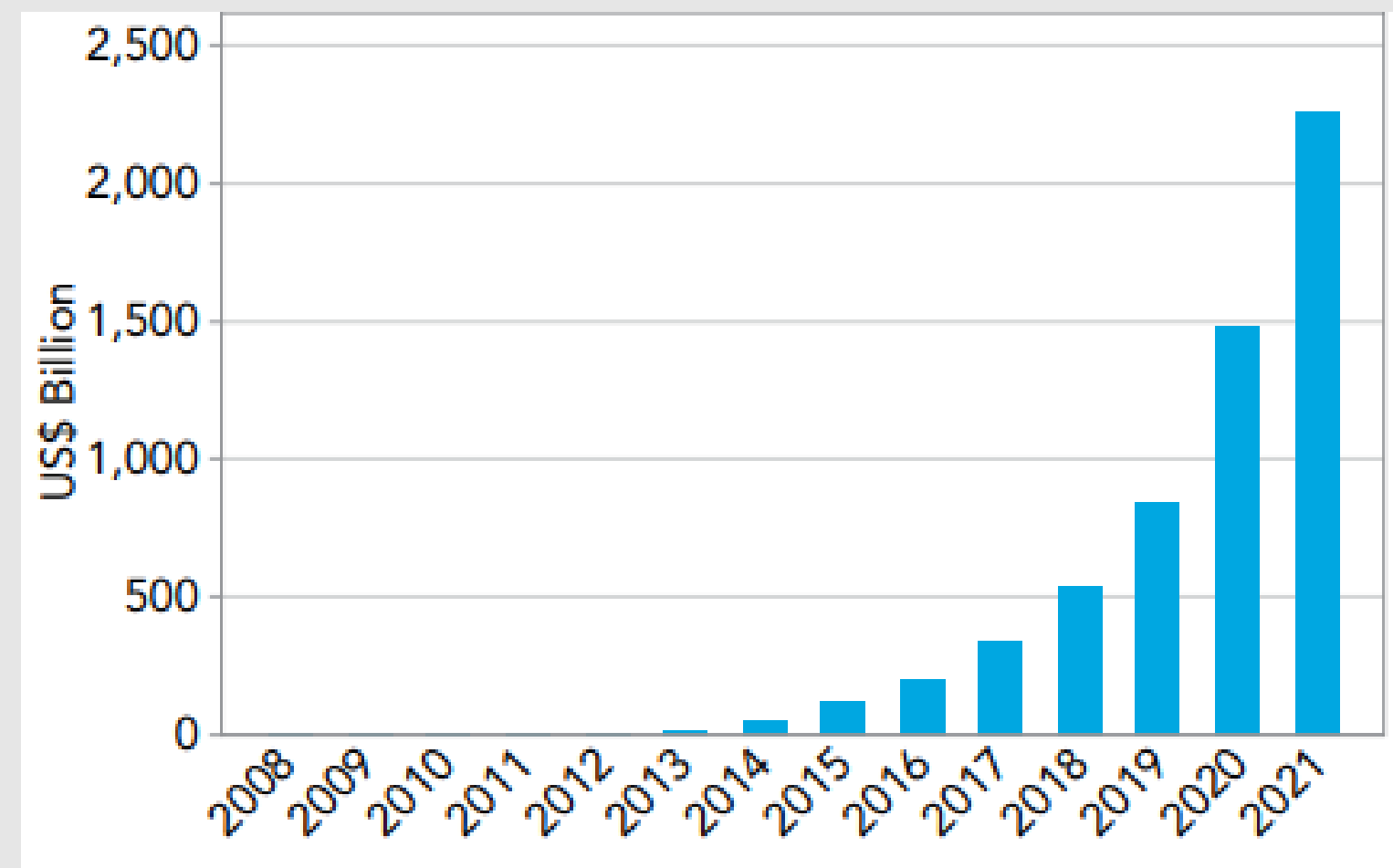
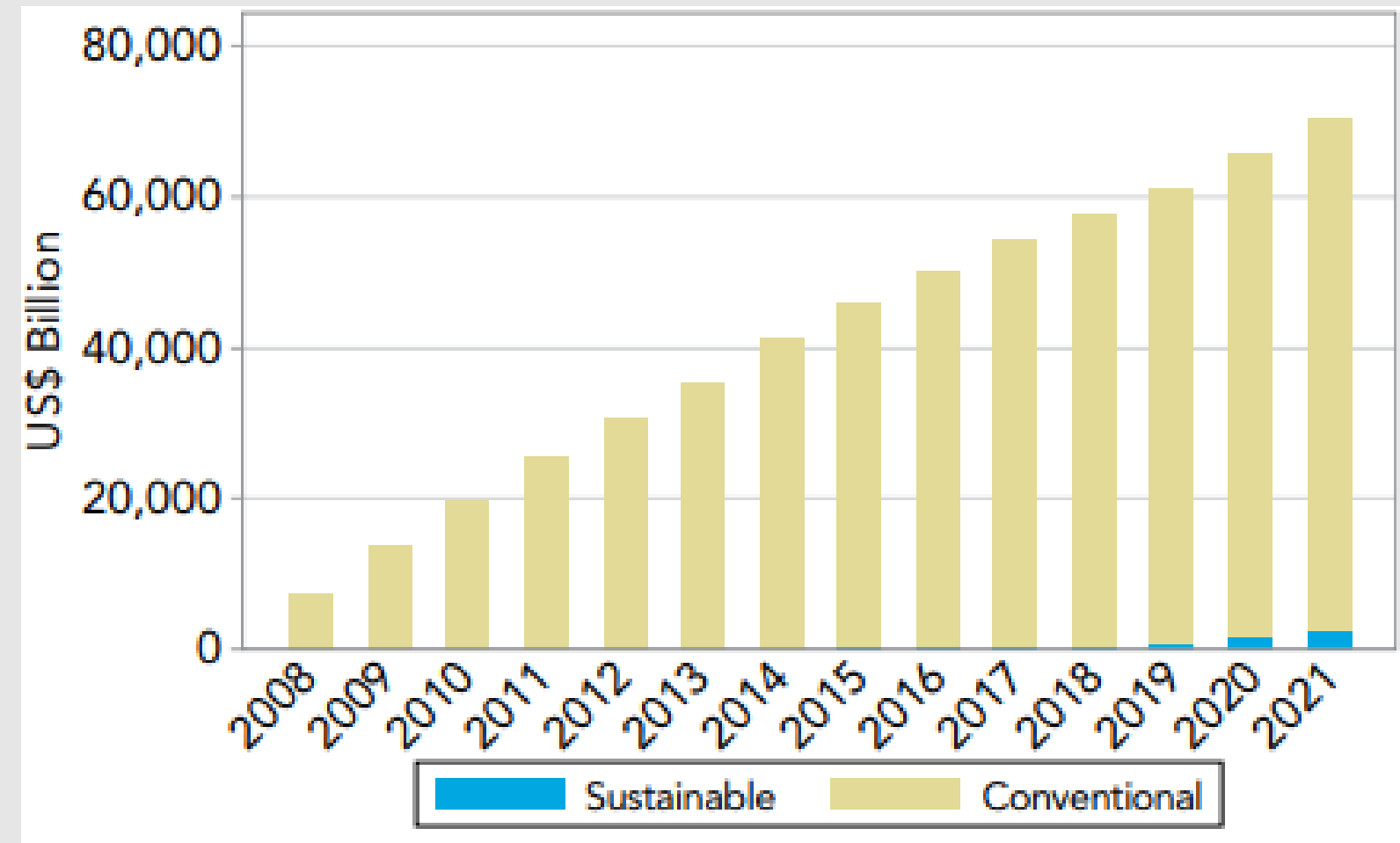
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GLOBAL TRENDS



1. Total issuance in 2023 could reach EUR 880 bln.
2. Sustainable bonds now exceed 3% of overall bonds outstanding over time
3. SLBs are growing



<https://www.ca-cib.com/pressroom/news/green-social-and-sustainability-bonds-market-2023-outlook>

GREEN INVESTMENT NEEDS FOR CENTRAL ASIA



Central Asia will need **\$20 billion** of investment in solar, wind, hydro, and modernizing national and regional grids for improved trade and interconnectivity by 2030 (World Bank, May 2023)

RES Potential in Central Asia

	Small HPPs MW	Solar MW	Wind TW/h	Geothermal TW/h	Bio MW		
Kazakhstan	4,800 (<35 MW) 2,707 (<10 MW)	3,760,000	6,684	354,000	11,388	54,000	300
Kyrgyzstan	900 (<30 MW) 275 (<10 MW)	267,000	537	1,500	256	171	200
Tajikistan	30,000 (<30 MW)	195,000	410	2,000	146	45	300
Turkmenistan	1,300	655,000	1,484	10,000	1,992	N/A	N/A
Uzbekistan	1,180 (<10 MW)	593,000	1,195	1,600	1,685	2	800
Total	39,862	5,470,000	10,310	369,100	15,467	54,218	1,600

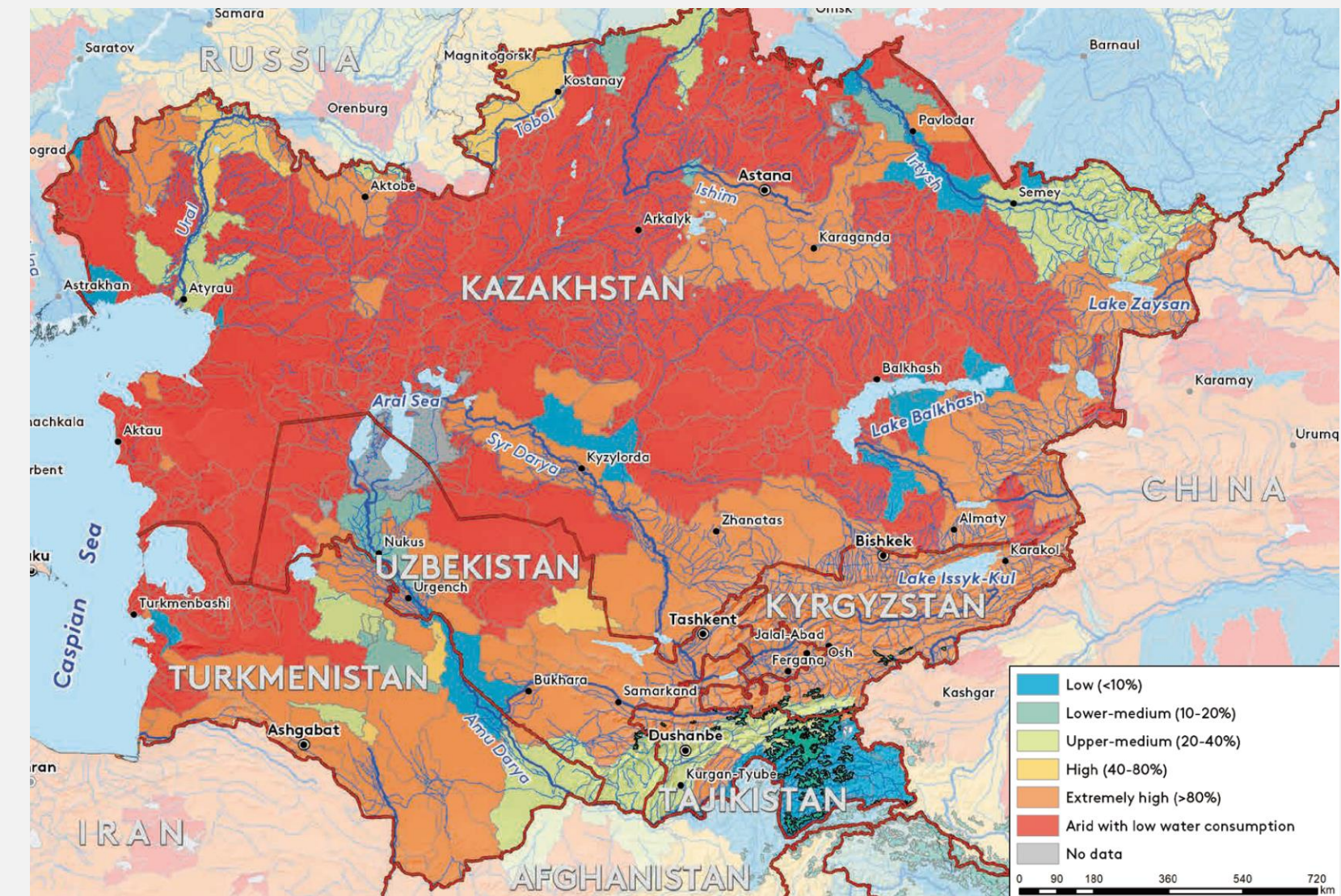
Note: Small HPPs are defined as plants with a capacity of <10 MW and <35 MW.

Source: Laldjebaev, Isaev, Saukhimov, 2021.

- Today, fossil fuels account for 95% of total energy supply in the 5 countries of Central Asia - - Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan
- In Kyrgyzstan and Tajikistan over 90% of electricity is generated from hydropower.

Source: Eurasian Development Banks report, Nov 2022

Water Stress in Central Asia in 2040



- 10% to 15% - Estimated drop in water volumes in the Syr Darya and Amu Darya basins by 2050.
- 30% - Decrease in glacier surface area in Central Asia over the past 50-60 years as a result of changing climate conditions.

Collaboration in water

All CA countries to further increase the use of water resources for irrigation and hydropower generation, as per national programmes.

The projected investment needs of the region's water sector in 2021–2030 will amount to **about \$9.7 billion**.

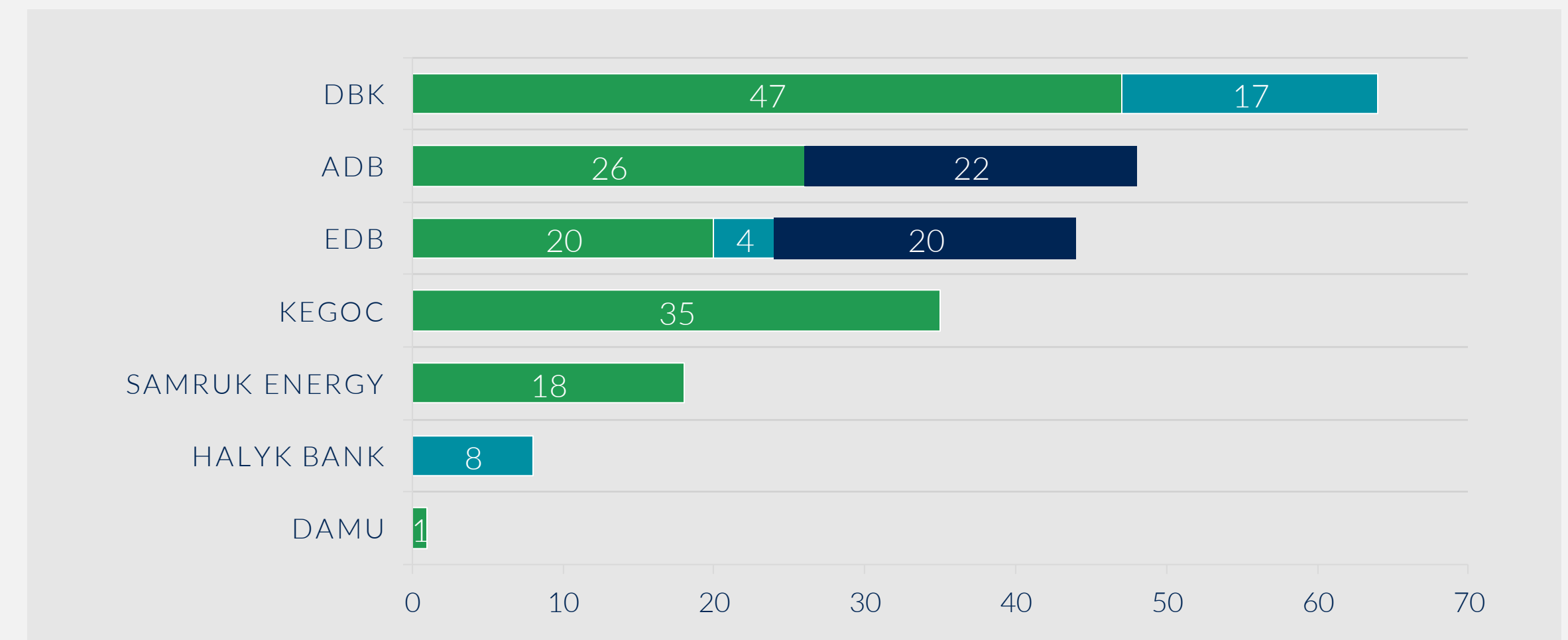
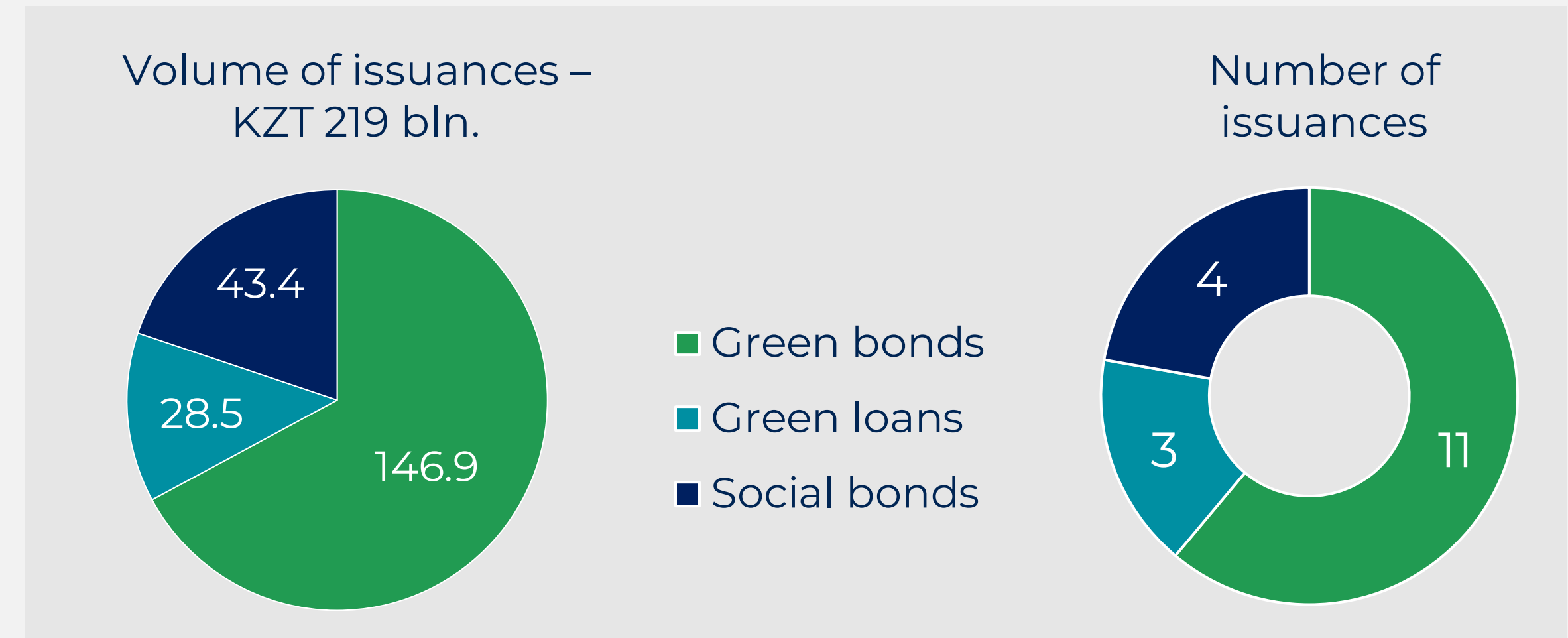
The bulk investment will go to the two countries of the Aral Sea basin — **Kazakhstan (49.3%)** and **Uzbekistan (26.2%)**.

SELECTED INDICATORS OF GREEN FINANCE DEVELOPMENT IN THE REGION



	Kazakhstan	Kyrgyzstan	Turkmenistan	Uzbekistan
Taxonomy	√	Under development	-	Under development
Labelled sustainable finance market size	\$ 500 mln	\$ 1 mln	-	\$ 235 mln
ESG reporting guidance	√	√	-	-

KAZAKHSTAN SUSTAINABLE FINANCE MARKET



Select emerging and frontier markets

	Chile	Russia	Hungary	Malaysia	Kazakhstan	Pakistan	Morocco
Taxonomy	No	Yes	Yes	Yes	Yes	No	No
Market size	\$33 bln.	\$6,4 bln.	\$4,8 bln.*	\$3,9 bln.	\$500 mln.	\$500 mln.	\$450 mln.
Incentives	Yes	Yes*	Yes	Yes	Yes*	No	No
Mandatory disclosure	No	No	No	Yes	No	No	Yes

G20 WG on Sustainable Finance priorities for 2023

- Mechanisms for mobilisation of resources for climate finance (policy measures and financial instruments)
- Enabling finance for SDGs (biodiversity finance, social impact investing)
- Capacity building

FC4S Work Programme 2023

- Transition Finance Strategies
- Talent Development
- SDG Investment Accelerator
- Gender Finance Working Group
- Biodiversity Finance

Chile - <https://greenfinancelac.org/resources/news/chile-becomes-the-first-country-in-the-world-to-issue-a-sustainability-bond/>
Hungary - https://www.climatebonds.net/files/reports/cbi_pricing_h2_2022_01c.pdf (includes only green) - end of 2022*
Malaysia - WB-IFS_UnleashinSustainableFinanceSEA (end of 2021) + 2022 data from (<https://www.bloomberg.com/news/articles/2022-09-30/malaysia-raises-970-million-in-green-islamic-bond-sale>)
Pakistan - <https://www.greenfinanceplatform.org/policies-and-regulations/pakistan-issued-first-green-bond> (only bond)
Morocco - <https://www.moroccoworldnews.com/2022/03/347817/moroccos-green-financing-market-stands-at-450-million> (end of 2022*)

KAZAKHSTAN FRAMEWORK



Green taxonomy of Kazakhstan <i>(criteria for selecting green projects for ESG funding)</i>	✓
Definitions, principles, verification embedded <i>(Adopted at AIX and in KZ)</i>	✓
Social taxonomy of Kazakhstan <i>(criteria for selecting social projects for ESG funding)</i>	⌚

Green bonds / loans	\$398M
Social bonds	\$99M
Sustainability-linked bonds (SLB)	⌚
Green equity / IPO	⌚
ESG index	⌚





✓	Subsidy scheme for green bonds / loans under the state program for SMEs <i>(Adopted in 2022 – cases are pending)</i>
⌚	Benefits and differentiated fees for ESG instruments on exchanges (introduced at KASE)
⌚	Support from investors in ESG instruments – IFIs (EBRD, EDB, DBK, etc) <i>(There are cases of ESG investments by IFIs)</i>

✓	AIX voluntary ESG reporting guide <i>(Mandatory reporting to be introduced in 2023-24)</i>
✓	KASE mandatory ESG reporting <i>(introduced in 2021)</i>
⌚	ARDFM guidelines on ESG reporting for financial institutions <i>(to be adopted by ARDFM in 2023)</i>

NEXT STEP FOR GREEN TAXONOMY: Updating of taxonomy to possibly include the following sectors



- Include Category "**Low pollution energy**" with sub-sectors "Generation of electricity and heat from gas, Fuel switch", and "Manufacture of equipment for nuclear energy", "Construction and operation of nuclear power plants" within Sector "Alternative sources, fuel switch" 
- Include the "Omira" National Green Building Certification Scheme as an alternative threshold criteria in the Green Buildings category 

Taxonomy subsectors that lack national standards in threshold criteria:

- **Green and energy efficient buildings** - standards for energy consumption during development, sustainability in buildings and construction works, building design
- **Energy Efficiency** - Energy Consumption and Energy Saving Standards
- **Sustainable Agriculture and Sustainable Tourism** - Eco-labels - Eco-labeling standards for organic products and organic agriculture, sustainable tourism, hotels

Social project selection and verification tool for social, PPP loans and bonds

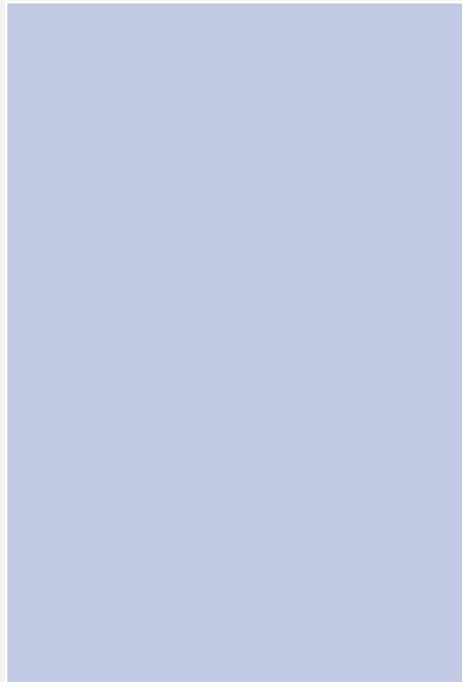
Principles

- Projects under the Social project classification (taxonomy) are funded through social and other bonds
- Social projects are directly aimed at solving or mitigating a specific social problem and / or achieving positive social outcomes for the target population
- No significant negative social or environmental side effects (“Do No Significant Harm”): a social project should not be implemented to the detriment of other areas

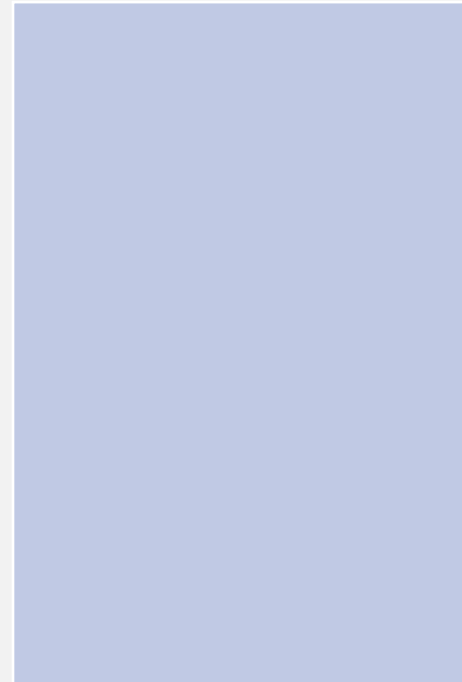
Outline of the taxonomy of social projects

1. Creating accessible basic infrastructure
 - 1.1. urban environment and rural settlements
 - 1.2. transport
 - 1.3. digitalization
2. Ensuring access to socially significant services
 - 2.1. healthcare
 - 2.2. education
 - 2.3. culture, art, tourism
 - 2.4. sport
3. Affordable housing and infrastructure
 - 3.1. affordable and comfortable housing
 - 3.2. housing and communal infrastructure
4. Support for employment and entrepreneurship
 - 4.1. employment
 - 4.2. entrepreneurship and self-employment
5. Food security and sustainable food service delivery systems
 - 5.1. food security and access to food
6. Development and creation of prosperous and fair socio-economic conditions
 - 6.1. Social responsibility

KEY SUCCESS FACTORS FOR THE REGION



Cooperation in upscaling carbon emission trading



Alignment of green finance standards



Green Investment (bankable) projects

REGIONAL CHAPTER OF BRI GREEN INVESTMENT PRINCIPLES (GIP) IN CENTRAL ASIA



GREEN INVESTMENT PRINCIPLES SIGNATORIES

Agricultural Bank of China 中国农业银行 	Agricultural Development Bank of China 中国农业发展银行 	Al Hilal Bank 阿尔希拉尔银行 	Ant Financial Services Group 蚂蚁金融服务集团
Astana International Exchange (AIX) 阿斯塔纳国际交易所 	Bank of Bangkok 盘谷银行 	Bank of China 中国银行 	Bank of East Asia 东亚银行
BMCE Bank of Africa 摩洛哥外贸银行 	BNP Paribas 法国巴黎银行 	China Construction Bank 中国建设银行 	China Development Bank 国家开发银行
China International Capital Corporation (CICC) 中国国际金融股份有限公司 	China International Contractors Association (CHINCA) 中国对外承包工程商会 	China Merchants Port 招商局港口集团股份有限公司 	China Ping An Insurance 中国平安保险
Commerzbank AG 德国商业银行 	Credit Agricole-CIB 法国东方汇理银行 	DBS Bank 新加坡星展银行 	Deutsche Bank 德意志银行
Export-Import Bank of China 中国进出口银行 	First Abu Dhabi Bank (FAB) 阿联酋阿布扎比第一银行 	Habib Bank (HBL) 巴基斯坦哈比银行 	Hong Kong and Shanghai Banking Corporation Limited (HSBC) 香港上海汇丰银行有限公司
Hong Kong Exchanges and Clearing Limited (HKEX) 香港交易及结算所有限公司 	Industrial and Commercial Bank of China (ICBC) 中国工商银行 	Industrial Bank 兴业银行 (中国) 	Khan Bank 蒙古国可汗银行
Luxembourg Stock Exchange 卢森堡证券交易所 	Mizuho Bank 日本瑞穗实业银行 	Natixis Bank 法国外贸银行 	Silk Road Fund 丝路基金
Societe Generale 法国兴业银行 	Standard Chartered Bank 渣打银行 	Trade & Development Bank of Mongolia (TDB) 蒙古贸易和发展银行 	UBS Group AG 瑞银集团

- In June 2021, the Green Finance Center became the regional office of the Green Investment Principles for Belt and Road in Central Asia

OFFICE OBJECTIVES:

- Assisting Central Asian banks in greening their activities and issuing green bonds through GIP implementation
- Program of activities to increase the capacity of banks in the region
- Providing access to international capital markets for regional green projects through the GIP project database
- Dissemination of GIP Working Group Research Results in the Region

ONGOING PROJECTS:

- Advisory Board of the Regional Office
- Integration of investment project databases in Central Asia with the GIP platform

SIGNATORIES FROM CENTRAL ASIA



GIP SIGNATORIES:

- Positioning as financial institutions with a strong ESG orientation
- Report on their ESG progress
- Get access to:
 - networking with global GIP member financial institutions leading the ESG agenda and sharing experiences
 - webinar program in the field of transition climate risk management, ESG practices, climate reporting, etc.
 - Belt and Road GIP database of green projects

OBSERVERS FROM CENTRAL ASIA



Евразийский Банк Развития