

SYNTHESIS REVIEW

THE ROLE OF CLIMATE FINANCE IN THE IMPLEMENTATION OF THE PARIS AGREEMENT IN CENTRAL ASIAN COUNTRIES

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Note

The opinions expressed in this document are those of the authors and do not necessarily reflect the views of the organization.

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Acronyms and abbreviations

AF	Adaptation Fund
BUR	Biennial Update Report
CA	Central Asia
CAR	Central Asian Region
CAS	Central Asian States
CAREC	Regional Environmental Centre for Central Asia
EBRD	European Bank for Reconstruction and Development
GCF	Green Climate Fund
GEF	Global Environment Facility
GHG	Greenhouse Gases
IPCC	Intergovernmental Panel on Climate Change
MDB	Multilateral Development Bank
Mrv	Measuring, Reporting and Verification
NC	National Communication
NDC	Nationally Determined Contribution
PA	Paris Agreement
RE	Renewable Energy
UAE	United Arab Emirates
UN FCCC	United Nations Framework Convention on Climate Change

BACKGROUND

Already for more than a decade, climate change has been the main risk factor impeding sustainable development and transition to low-carbon economy, both requiring enormous financial endorsement. Although the recent years have proved fruitful as to adopting and ratifying agreements and commitments on reducing greenhouse gas (GHG) emissions, they continue to grow. Over the past decade, global GHG emissions have been annually swelling by 1.5%. In 2018, the global annual GHG emissions have reached the record 55.3 Gt CO₂-e (UNEP, 2019).

Climate change is known to lure enormous economic costs measured in billions of dollars. For instance, in 2017 climate-related natural disasters caused damage worth \$320 bln (GCEC, 2018). During the last two years, along with the powerful speech by Greta Thunberg, the widespread floods and droughts of 2018, as well as the fires in Australia and the Amazon forests of 2019 have significantly raised the world's climate awareness (Edmond, 2020). Large business started talking about the need for action to combat climate risks¹. It was not by surprise that at the annual World Economic Forum in Davos (January 21–24, 2020), many private companies stated their intention to reduce GHG to zero by 2050 or earlier (NYT, 2020). A coalition of large financial institutions with \$4.3 trn in assets has declared to take steps to minimize carbon-intensive investment within its financial portfolio (UNEP FI, 2020).

The role of climate finance has been attracting an increasing attention of the world community recently. For the first time in history, compared to 2015–2016 the global climate financing in 2017–2018 has reached **\$0.5 trn**, with the average annual gain of \$116 bln (CPI, 2019).

¹ For the first time in the history of the Global Risk Report (WEF 2020a), an integral discussion theme at the annual World Economic Forum (Davos), climate change challenges (extreme weather events and loss of ecosystems) dominated the list of long-term risks.



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Yet, whereas the actual mobilization of financial resources has proved effective, their amount is clearly not sufficient to back the global below 1.5°C target under the Paris Agreement. Estimates show that in the course of 2016–2050 anywhere from **\$1.6 to \$3.8 trn will need to be mobilized annually** to shift to *low-carbon development* (IPCC, 2018), and the adaptation efforts will cost **\$180 bln annually** in 2020–2030 (GCA, 2019).

This synthesis review aims to inform the public on the **role of climate finance in fulfilling national commitments** under the UN FCCC Paris Agreement in the Central Asian Region (CAR), as well as to *highlight the importance of attracting domestic public and private resources* to climate change initiatives, along with international support.

Climate finance

According to UN FCCC (2017)², “*climate finance refers to local, national or transnational financing—drawn from public, private and alternative sources of financing—that seeks to support mitigation and adaptation actions that will address climate change*”. It is not surprising that climate finance is widely seen as coming directly from international actors.

Nonetheless, the very concept of climate finance is quite capacious and should not be interpreted as only direct receipt of monetary means. Switching to a less carbon-intensive private or family lifestyle and abandoning air flights in favor of trains represent a kind of climate action investment likewise expressed in monetary terms.

However, climate finance should be considered in the context of climate policy. For example, eliminating subsidies for the coal sector or taxing fossil fuel prices require policy-level changes and, thus, are investment-related. Despite extensive criticism³, the France’s case of raising gasoline and diesel fuel prices by 20% in 2018 – with almost half of the price being the tax to support climate change efforts (Forbes, 2018) – is quite interesting (BBC, 2018).

² Source: <https://unfccc.int/topics/climate-finance/the-big-picture/introduction-to-climate-finance>

³ In November-December 2019, Paris witnessed mass protests against the increased gasoline and diesel fuel prices. More information at: <https://www.bbc.com/russian/av/media-46434050>



Terminology applied in this publication:

- **Domestic financial resources** refer to funds allocated by the State and/or private entrepreneurs for climate change related actions (adaptation, GHG emissions reduction);
- **External financing** refers to investment available via international environmental and climate foundations, as well as bilateral agreements between development agencies and national governments.

GLOBAL CLIMATE FINANCE

The latest UNEP report of 2019 states that the gap between the current GHG emission trends and targets under Nationally Determined Contributions (NDCs) remains wide. To achieve the Paris Agreement's goal of below 2°C, it is necessary to ensure that in 2030 annual emissions are 15 Gt CO₂-e less, and 32 Gt CO₂-e less – to meet the below 1.5°C target.

The role of domestic public investment in supporting GHG and adaptation actions is high and inextricably linked with NDC objectives. It is well-known that in most cases NDCs contain both unconditional and conditional targets. Whereas the former entail country-led actions to cut GHG emissions and adapt based on own resources and means, the latter – exceeding the unconditional ones – depend on external financing.

Considering the above, by 2020 countries have to fundamentally strengthen their respective NDCs. On the one hand, to reach the below 2°C target, they have to upgrade their NDC targets three times, and five times (!) – to achieve the below 1.5°C target (UNEP, 2019). On the other hand, considering the obvious external financing deficit (PA, 2015)⁴, it is essential to contemplate other investment sources with public financing as one of the potential options.

In developed countries, mandatory climate public financing policies have been long translated into action. For instance, the 2019–2020 city budget of Oslo (Norway) includes targeted GHG emission reduction measures worth **NOK 141 mln** (Climate Budget for Oslo, 2019). Germany's federal budget allocates **EURO 54 bln** for financing low-carbon efforts in 2020–2023 with the core projects focusing on the introduction of (i) carbon dioxide unit pricing system in the transportation and construction sectors, (ii) benefits for purchasing e-vehicles, and (iii) higher duties on domestic flights (CNBC, 2019).

⁴ Within the framework of the Paris Agreement (2015), developed countries reiterated their intention to invest \$100 bln a year by 2020 to support developing nations. However, according to UNEP (2019) given the cost of GHG-related and adaptation actions to be taken these means are insufficient.



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The role of state budget in implementing climate policy is also becoming apparent in *developing countries*. Some of them – like Saint Lucia (a small island state) – recognize the importance of utilizing domestic financial resources to achieve NDC objectives, and are working on the so-called joint budgets for each line agency. Morocco’s public investment was estimated to cover 17% of the GHG-related target under its NDC. With the support of international partners, the Uganda’s Ministry of Finance has been developing a budget labelling system to effectively track climate action expenditure against the corresponding domestic plans (NDC Partnership, 2019).



Private sector investment plays a rather significant role in mobilizing financial resources to combat climate change. It is encouraging to see that globally the share of private investment allocated for climate efforts constitutes 56% of the total raised funds. In 2017-2018, private companies invested \$326 bln mostly in renewable energy projects (CPI, 2019).

The role of private companies and investments in supporting climate efforts in developing countries has likewise increased. Sound investment climate, proper financial and political instruments, including preferential taxation, are becoming the main government driven steps to encourage private investment.

For example, India has already established an enabling political and investment environment to attract private renewables financing backed by the political will, assumed targets (generation of 450 GW of green energy by 2030), as well as a number of motivation measures: introduction of economic and fiscal incentives for investors and strengthening of macroeconomic indicators. Since 2015, India has significantly improved its positions in the World Bank's Doing Business Rating, and in the World Economic Forum's Global Competitiveness Index. India has also taken the third place among the countries attractive in terms of investing in renewables (WEF, 2020b).

CLIMATE FINANCE IN CENTRAL ASIA

As noted above, the global climate change funding has been expanding. Zooming in at the financing distribution by regions points to countries of South Asia and Oceania (\$238 bln) and Western Europe (\$106 bln) as the major climate finance (both public and private) holders.

Meanwhile, compared to other regions Central Asia and Eastern Europe are demonstrating the lowest climate finance indicators – only \$15 bln in 2017–2018 (CPI, 2019).



4.1 International support (external financing)

Between 2011 and 2019⁵, CAS received about \$0.5 bln for interventions and projects associated with climate change adaptation and GHG emissions reduction. Table 1. below captures various external sources and funding levels for the CAR.

Table 1 International funds and financing in Central Asia

Climate finance entity	Launch	Amount (mln USD)	Number of projects
Green Climate Fund	2016	179,0	3
Clean Technology Fund	2011	123,5	7
Pilot Program for Climate Resilience	2011	72,7	7
Global Environment Facility	2012	43,0	11
Special Climate Change Fund	2011	15,8	4
Adaptation for Smallholder Agriculture (IFAD)	2013	15,0	2
Adaptation Fund	2011	8,4	2
Total:		457,4	36

Source: GFU, 2019

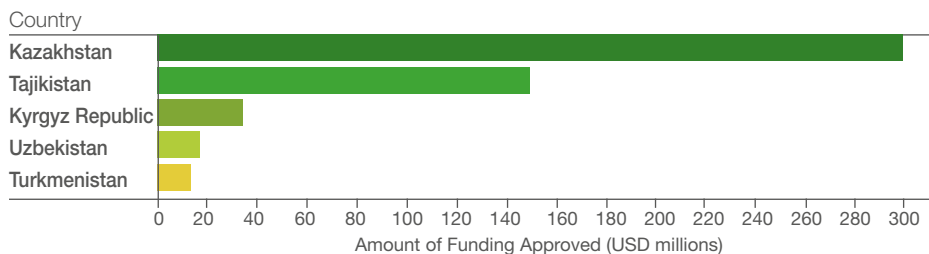
It inspires to see that funding under the Green Climate Fund (GCF) for the region has grown in a relatively short time. For instance, GCF has allocated \$461.3 mln to Tajikistan, mainly for climate change adaptation projects. Kazakhstan has received another \$110 mln, and Kyrgyzstan and Uzbekistan – \$38.6 mln and \$19 mln, respectively. So far, no GCF projects have been registered in Turkmenistan (GCF, 2019).

⁵ Collection, processing and analysis of data on climate financing by regions and countries has been performed since 2011. The data are updated every year (Climate Fund Update, 2019).

However, in the total funding structure – i.e. allocated from all sources – for Central Asian countries over 55% of external financing falls on Kazakhstan, mainly for interventions related to reducing GHG emissions, and about 30% on Tajikistan for climate change adaptation initiatives (CFU, 2019).

Fig. 1. Climate financing by Central Asian countries

Recipients (bar chart)



Source: GFU, 2019

The cases of obtaining investments from climate and/or green funds characterized by **linking climate risk mitigation and sustainable development** in a particular sector are quite widespread.

Thus, the project to protect the *Qairokkum Hydro Power Plant* (Tajikistan) from climate risks has attracted \$50 mln (38.8% of the project cost) from GCF, and the co-financing from other sources amounted to \$78.9 mln (61%) (GCF, 2020)⁶.

⁶ More information at: <https://www.greenclimate.fund/project/fp040#investment>



A similar approach to accessing climate finance is observed in enhancing climate resilience of the agri-cultural sector in Central Asia. Whereas in the past, farmers only had access to standard interest rate loans (excluding state-subsidized programmes), at present – thanks to the introduction of adaptation and/or GHG related measures – they can also get loans at reduced interest rates⁷. Accordingly, the availability of fiscal incentives associated with climate resilience boosts the overall sector’s attractiveness.

The international disaster risk management funding has also grown, especially if coupled with climate change. In 2019, the Adaptation Fund (AF) and Global Environment Facility (GEF) supported targeted regional initiatives worth \$5 mln and \$3.9 mln, respectively, to (i) reduce vulnerability of populations to glacial lake outburst floods (GLOF)⁸ and (ii) assess high altitude glacio-nival systems to develop integrated methods for sustainable development and adaptation to climate change⁹.

⁷ Climate financing is included in the CAMP4ASB national components in Tajikistan (\$9 mln) and Uzbekistan (\$14mln) <http://ca-climate.org/eng/about/projects/climate-adaptation-and-mitigation-program-for-aral-sea-basin-camp4asb/>

⁸ More information at: <https://www.adaptation-fund.org/wp-content/uploads/2018/09/Proposal-for-Kazakhstan-Tajikistan-Uzbekistan.pdf>

⁹ More information at: https://www.thegef.org/sites/default/files/web-documents/10077_PIF.pdf.

4.2 Public and private investment (domestic financing)

This section aims to provide examples of domestic financing supporting climate-related actions and/or initiatives. It is important to note that domestic resources refer to public and private investments.

Based on observations, CAS still do not have designated fiscal lines stipulating for climate change interventions in their dedicated financial plans. However, certain interventions focusing on cutting GHG emissions and adaptation are indirectly considered as development actions. Major projects enjoying financial and political support by the State include those related to the construction of large renewables facilities (solar stations in Uzbekistan, hydropower plants in Tajikistan and wind farms in Kazakhstan)¹⁰, which are “not deemed” adaptation or mitigation related per se. Yet, their impacts are directly related **to GHG emissions reduction**.

In 2009, Kazakhstan adopted the Law on Supporting Renewable Energy Sources (RES). Its implementation tools follow the scheme of “fixed” tariffs applied in the European Union. The specific Kazakhstan’s support mechanism is based on the purchase of electricity at a guaranteed price for a 15-year period. Since the launch of the renewables support mechanism, electricity purchases have grown from 8 mln kWh in 2017 up to 1.7 bln kWh in 2019. It is gratifying to note that “... by providing long-term price guarantees and limiting the government’s right to alter the promised level of support, the Kazakhstan’s RES law does ensure a high level of investment stability...” (KazEnergy, 2020)¹¹.

¹⁰ UN ESCAP, 2018 (https://www.unescap.org/sites/default/files/Central%20Asia%20Statistical%20Perspective%202018_WEB.pdf)

¹¹ More information at: <http://www.kazenergy.com/ru/operation/electric-power-industry/290/>



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In Uzbekistan – where renewables are also a national policy priority – energy and renewable energy producers are entitled to benefits and preferences in the form of tax exemptions (Law on the Use of RES, 2019)¹². The law not only regulates processes related to the renewables-based power production, but also introduces new concepts. For instance, this newly adopted legislation states that “... legal and/or physical persons producing energy from renewable energy sources shall be deemed producers of renewable energy”, thus, expanding the spectrum of entities who can potentially become RE producers and, by this, attracting private capital to the industry (E-Energy Media, 2019)¹³.

¹² Full text (in Russian) available at: <http://xs.uz/ru/post/ob-ispolzovanii-vozobnovlyaemykh-istochnikov-energii>

¹³ More information at: <https://eenergy.media/2019/06/13/v-uzbekistane-stalo-vygodno-proizvodit-oborudovanie-dlya-vie/>



As to **adaptation actions**, the lion's share of public funding goes for managing natural disaster risks caused by climate change. There are also a number of national and sector-specific programs comprising measures and, thus, public investment in reforestation and afforestation, support for hydrometeorological observation networks, etc.

In addition, in CA there are other interesting cases which can serve as direct evidence of support for adaptation actions, especially associated with the application of sector-specific state financial incentives and benefits. For instance, Kazakhstan has been implementing the 2017–2021 State Program on the Development of the Agro-Industrial Complex¹⁴ with the **20% reduction of irrigation water consumption per 1 hectare of irrigated land against the 2015 baseline** as one of its indicators. This target targets not only traditional water resources management practices but also the

¹⁴ More information at: http://www.eurasiancommission.org/ru/act/prom_j_agroprom/dep_agroprom/sensitive_products/Documents/

introduction of water-efficient ones like drip irrigation. It stands to mention that this method of irrigating open and greenhouse land has already proven its practical effectiveness. Firstly, 25% of drip irrigation equipment costs are subsidized by the state; secondly, it allows expanding farmland, especially in arid climate; and, thirdly, it increases yields by almost 2.5 times (Ministry of Agriculture of the Republic of Kazakhstan, 2019). During 2014–2018, the amount of public financing in the form of investment subsidies for farmer costs incurred while designing innovative and technological approaches in crop production (including, for drip irrigation) had amounted to approx. \$950 thou. (Statistics Committee of the Republic of Kazakhstan, 2020).

Despite the fact that the role of private investment in climate resilient actions is quite significant globally, CAR still lacks a favorable investment climate which would contribute to getting private companies on board. However, there are several examples of **public-private partnerships (PPP)** in certain countries of the region. In 2019, the Ministry of Investment and Foreign Trade of the Republic of Uzbekistan signed a \$100 mln investment agreement with the Masdar Company¹⁵ (UAE) to build a solar farm with the total capacity of 100 MW in Navoi Region. It has become a historic event, since Masdar was declared the winner of the first open tender in the history of the Uzbekistan to attract PPP investment to solar power industry¹⁶.

Energy-efficient technologies by leading private companies also deserve attention. For instance, the Grundfos Company¹⁷ (Danish manufacturer of water pumping equipment) was the main supplier and maintenance agent of water supply and air conditioning pumps installed in the EXPO–2017 pavilions in Nur-Sultan (Kazakhstan). Based on estimations, the innovative technologies applied by Grundfos make its equipment 20–25% more energy-efficient than this from other manufacturers¹⁸.

¹⁵ www.masdar.ae

¹⁶ More information at: <https://mift.uz/ru/news/tseremoniya-podpisanija-investitsionnogo-soglashenija-s-kompaniej-masdar>

¹⁷ www.grundfos.com

¹⁸ More information at: <https://www.grundfos.com/cases/find-case/kazakhstans-global-expo-demands-maximum-reliability-of-pump-systems.html>

GAPS AND CHALLENGES

The main challenges in mobilizing financing to support climate change and/or adaptation actions which Central Asian countries face include the following:

1. **Sophisticated criteria for accessing external climate change financing (international assistance):** the record shows that the speed of obtaining funds from global financial actors depends on the knowledge of procedures and processes, which public agencies do not always possess (Box 1)¹⁹;
2. **Low professional and technical capacities** of government agencies involved in mobilizing climate change funding at the country level lead to difficulties in following the procedures of drafting project proposals and adds to the challenge outlined above;
3. The projects generated through international assistance **are not reflected in consolidated annual financial reports by countries (monitoring)**, making it extremely difficult to regularly track the actual drawdown of funds allocated for combating climate change. This, unfortunately, limits the understanding of both national government and international partners as to how much money has already been invested in specific target actions, and how much more is required;
4. **Absence of dedicated budget lines in state budgets:** state and sector-specific budgeting represent the standard annual expenditure planning procedures in CAS not providing for climate financing as a separate cost item (category);

¹⁹ Here, access to financial resources of the Green Climate Fund (GCF), particularly the complicated procedure and application requirements. More information at: <https://www.greenclimate.fund/sites/default/files/document/gcf-handbook.pdf>.

- 5. Interpretation of public climate investment:** oftentimes, state budget investments allocated for small-scale hydropower, solar and wind energy, water- and energy-efficiency, drip irrigation, reforestation and/or disaster risk prevention actions are interpreted – within national budgets – as mandatory actions by certain agencies, and are not considered as climate resilience measures which such public funds are effectively supporting. Coupled with the absence of dedicated lines in financial reporting, improper understanding and interpretation of such actions adds to the gap above;

Box 1 Role of MDBs in promoting local business and climate action

Given the risks of doing business in Central Asian countries, the role of multilateral development banks (MDBs) should by no means be underestimated. For example, as of today via grants and loans the EBRD has invested up to Euro 839 mln in 135 projects in various sectors of Tajikistan's economy, and plans to attract additional financing. Within the framework of the new 2020-2025 Strategy for Tajikistan, the main financial flows will aim to forge a favorable investment environment and support business²⁰.

The EBRD's Kyrgyzstan Sustainable Energy Financing Facility (KyrSEFF) Programme on promoting energy efficiency among the private sector and enterprises is likewise performing successfully. Since 2016, the KyrSEFF+ Programme (operating budget: \$35 mln) awarding financing in the form of loans and grants (up to 35%) via local partner banks has been supporting not only energy- but also water-efficiency in private households and commercial enterprises²¹.

The financial and technical support under the World Bank's CAMP4ASB Project provided to individuals and enterprises in Tajikistan and Uzbekistan has been also contributing to climate sustainability and business development at the local level. For instance, over the past three years, the total number of people awarded loans (total amount: \$12.2 mln) in both target countries amounted to 34,000. Over 16,000 new jobs were created and measures to reduce GHG emissions and ensure adaptation of approx. 400,000 hectares of land were executed (CAREC CAMP4ASB, 2019).

²⁰ More information at: <https://www.ebrd.com/news/2020/ebrd-approves-new-strategy-for-tajikistan-.html>.

²¹ <https://www.kyrseff.kg/>



- 6. Lack of understanding among public institutions of the role of private investment in climate change efforts:** although private companies and individuals are already making investments to cut GHG emissions and adapt to climate change consequences (e.g. by applying drip irrigation technologies or shifting to locally available renewables), their share in the financial component is not always obvious. Considering the fact that countries need to launch actions as per their respective NDCs, any financial contribution to GHG emissions reduction and adaptation will be an important reporting item;

7. **Different affiliation and weak interaction of government agencies:** it is known that in Central Asia climate change matters fall within the authority of ministries and/or departments engaged in environmental protection and hydrometeorology, but financial management is supervised by ministries of finance, investment and/or economic development. Consequently, the different mandates of entities and lack of coordination among them often manifest the main reasons for the low awareness about the possibilities of integrating adaptation and/or GHG reduction actions in budget planning.

Box 2 Key prerequisites for effective access to international support

It is known that the main conditions for effective access to external climate finance are the following:

- **commitment to the UNFCCC regime** and obligations thereunder, including signing and ratification of the Paris Agreement on Climate Change by the State Party applying for financing;
- **previous successful collaborations with UN agencies, MDBs and bilateral donors**, i.e. the speed of the application procedures is largely predetermined by the experience and knowledge of pursuing the procedures and processes;
- **engagement and ownership on behalf of the State**, i.e. the government of the applicant country should fully support the implementation of the national climate policy.

Source: ODI, 2018 ODI 2018

OPPORTUNITIES FOR MOBILIZING DOMESTIC FINANCING IN CENTRAL ASIAN COUNTRIES

Besides the ongoing gaps and challenges in climate financing in CAS, there are also opportunities which may encourage and attract additional investment, better reporting and transparency in climate change funding. They are directly linked to the commitments of CA countries under the Paris Agreement, as well as the context of the new reporting rules (Box 3) implying regular biennial reporting on climate finance (means received from international organizations and funds) as of 2024 (UNFCCC, 2020)²².

Box 3 Financial support reporting under the Paris Agreement

Developing countries will need to provide information, in the text format and in a viable manner, on the financial support received from various sources:

- a) *Global Environment Facility, including via the Capacity-Building Initiative for Transparency (CBIT), Least Developed Countries Fund (LDCF), Special Climate Change Fund (SCCF), Adaptation Fund (AF), Green Climate Fund (GCF) and Trust Fund for Supplementary Activities;*
- b) *multilateral climate change funds;*
- c) *multilateral financial institutions;*
- d) *funds of specialized UN institutions;*
- e) *contributions through bilateral, regional and other channels.*

Source: UN FCCC, 2019

²² More information at: <https://unfccc.int/enhanced-transparency-framework#eq-1>

At present, Central Asian States are updating their Nationally Determined Contributions, which – as per the regulations – should be submitted to the UN FCCC Secretariat by the end of 2020. It is expected that GHG emissions reduction and adaptation targets will either remain the same (NDCs of 2015–2016) with refined actions, or will become more robust. Therefore, it is important to understand that the already set NDC unconditional targets which may potentially undergo detailing will be financed exclusively by State Parties, i.e. countries will have to achieve these NDC targets by own forces and financial means, and show progress in five years. Thus, in addition to attracting financing from international sources and funds, they will have to take account of all internal resources – from public to private investments.

The key recommendations which may be deemed priority relate to the following actions:

- 1. Regular monitoring and tracking of the receipt/allocation/drawdown of funds** allocated for climate initiatives, both from domestic (private and public) and external sources (bilateral agreements, international funds, etc.) constitute important conditions for seeing the overall expenditure picture. This process should be assigned to authorized bodies (e.g. Ministry of Finance and Investment) also tasked with executing annual reporting and submitting it for government and public review. It will foster better budget planning, as well as identifying “problematic” aspects of adaptation and GHG emissions reduction requiring funding. To date, certain information on the received financial resources has been reflected in National Communications and Biennial Reports. With the adoption of new monitoring, reporting and verification (MRV) rules associated with the implementation of the Paris Agreement, submission of such data will become mandatory for developing countries. Thus, it appears reasonable to launch this process at the national level (Micale et al., 2018) as early as possible and maintain its regular character;

2. **Consider the costs of climate needs (risks) within state budget planning.** For example, it is possible to calculate potential expenditure by agencies engaged in actions contributing to GHG emissions reduction and adaptation (disaster risk reduction, reforestation, energy- and water-efficient technologies, and development of renewables) on an annual basis, and increasing the share of public investment over time. Cost items (categories) may have special labelling allowing to quickly calculate the balance between “spent” and “required” means for climate change projects from state (domestic) sources, as well as to timely report on NDCs under the Paris Agreement and Agenda 2030;
3. **Promote the role of private companies in attracting climate investment.** It is important to strengthen the state’s actions in rendering private companies and entrepreneurs an enabling business environment contributing to reduced GHG emissions and adaptation. For instance, tax and other incentives for RE producers and companies working on energy-efficiency issues could become a tool for mainstreaming private business engagement in climate change efforts;
4. Proceeding along the lines of private investment in climate change initiatives, it is also necessary to **build on a wide range of activities aimed at sustainable infrastructure and urban planning.** It is clear that policy decisions in the form of strategies and action plans taking into account quality standards and limiting GHG emissions in the infrastructure sectors – such as transport, buildings, power and heating networks – can be sustainable and efficient only underpinned by water- and energy-efficiency measures. It is in this realm that the private sector and large enterprises capable of intensive investment have a special role to play and can potentially be instrumental in minimizing climate impacts provided favorable policy conditions and public support (see Clause 3 above);



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- 5. Build the capacities of line (designated) agencies in attracting external finance (international funds, bilateral agreements).** Keeping in mind the lengthy bureaucratic procedures of applying for international climate funds and the insufficient capacity to mobilize funding on behalf of state (government) agencies, it is vital to pursue building target capacities and strengthen synergies between international development actors at the country and regional levels.

IN CONCLUSION

Climate finance remains the basic premise of achieving low-carbon development and adaptation objectives. Despite the fact that climate change financing is provided both through the UNFCCC financial mechanisms and bilateral and/or regional agreements, the lack of targeted funding is regarded as the main obstacle to achieving the global goal of the Paris Agreement... and, not just in the Central Asian Region. The root causes comprise the rather complex architecture of climate finance (external, domestic, public and private financing, etc.), as well as monitoring and analysis challenges. There is still no clear understanding of what climate finance is, what mechanisms for coordinating investment pipelines exist, and what accounting rules with respect to receipt and/or disbursement of means should be used. Nonetheless, the efforts to facilitate access to and mobilize climate initiatives are continuing to evolve.

In the context of Central Asia, in order to implement the Paris Agreement and meet commitments under their respective NDCs countries need to utilize the full spectrum of financial opportunities. Self-limitation to the potential access to external financial resources and international funds is not an option. It is important to realize that achieving GHG emissions and adaptation targets presumes the unconditional fulfillment of commitments based on domestic resources. Therefore, mobilization of financing via climate-indicative state budget planning and strengthening the role of entrepreneurs and private companies constitute the main pillars of financial stability and national security.



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(Footnotes)

- 1 <https://www.ebrd.com/news/2020/ebd-approves-new-strategy-for-tajikistan-.html>
- 2 <https://www.kyrseff.kg/>
- 3 <http://ca-climate.org/about/projects/climate-adaptation-and-mitigation-program-for-aral-sea-basin-camp4asb/>



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