

Towards effective decarbonization

Green Finance for the Western Balkans

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Outline

1. The Green Finance Concept
2. A state of play in the Western Balkans
3. Hungary's efforts in the Green Finance space for the Western Balkans

**Green finance should be deemed as
an investment,
rather than an expense.**

**Development Impact and Profitability
go hand in hand.**

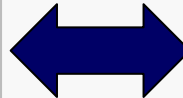
ESG Approach

„SHAREHOLDER” PRINCIPLE

- Management focuses exclusively on the maximisation of profit within the rules of the game – limits are external.
- It is easier to operationalise but mainly a short term approach.
- It gathered ground in the last decades.

„STAKEHOLDER” PRINCIPLE

- All of the stakeholders interest should be taken into consideration (society, environment, shareholders, etc.)
- The limits of profit maximisation are internal.
- Practically it is very difficult to operationalise.



ESG APPROACH / GREEN FINANCE

- ESG approach and green finance could help resolve this contradiction.
- In the long term it could result in a better outcome both financially and socially / environmentally as well.

Integrating sustainable approach in investment process

EXCLUSION (SRI)

Based on ethical value:

- Tobacco
- Alcohol
- Guns
- GM plants
- Pornography
- Gambling
- Animal fur



ESG RATING

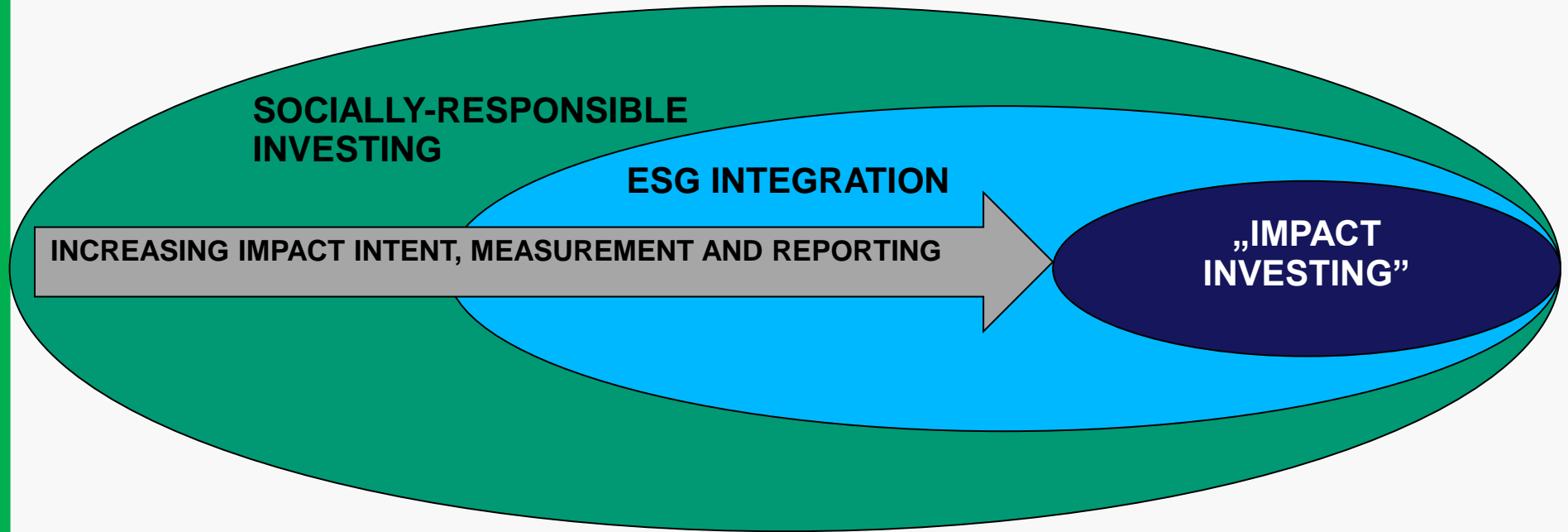
- Exclusion of the worst ESG rated companies
- Does ESG-rating improve?
- Selection of ESG-criteria



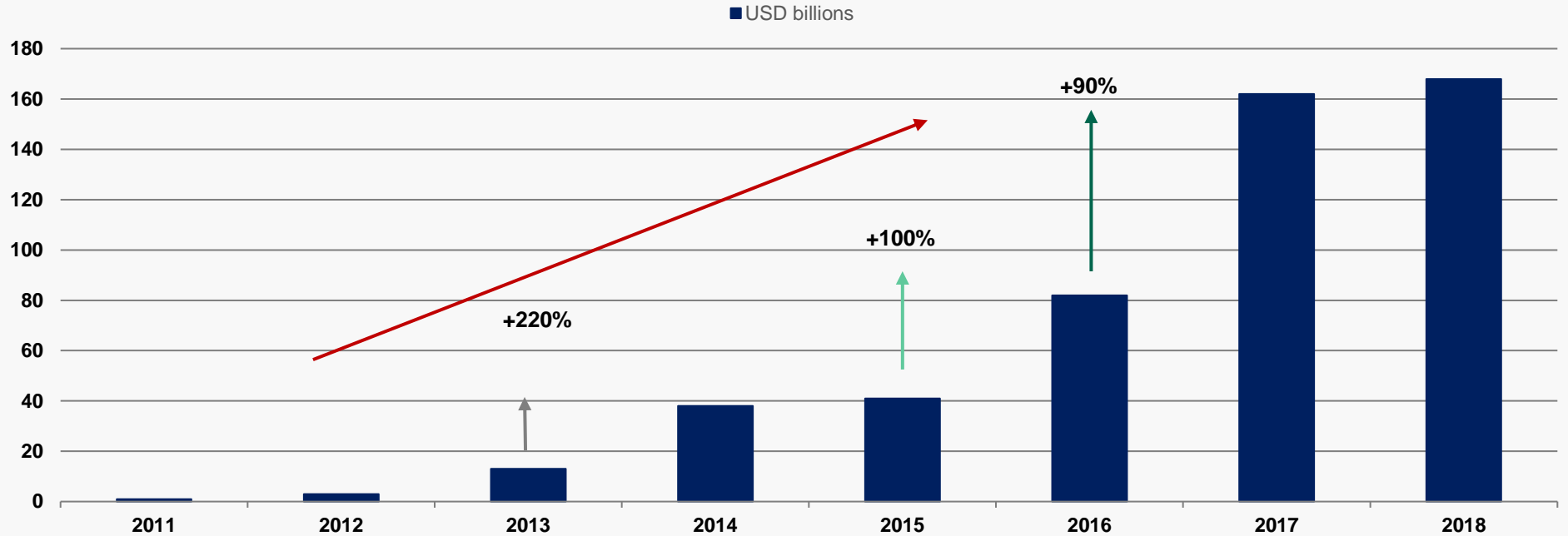
IMPACT INVESTING

- Mitigation of CO2
- SDG
- Other positive impact

Sustainable approach, a practical application



Green bond issuing



State of play in the Western Balkans

Coal-dependent energy production

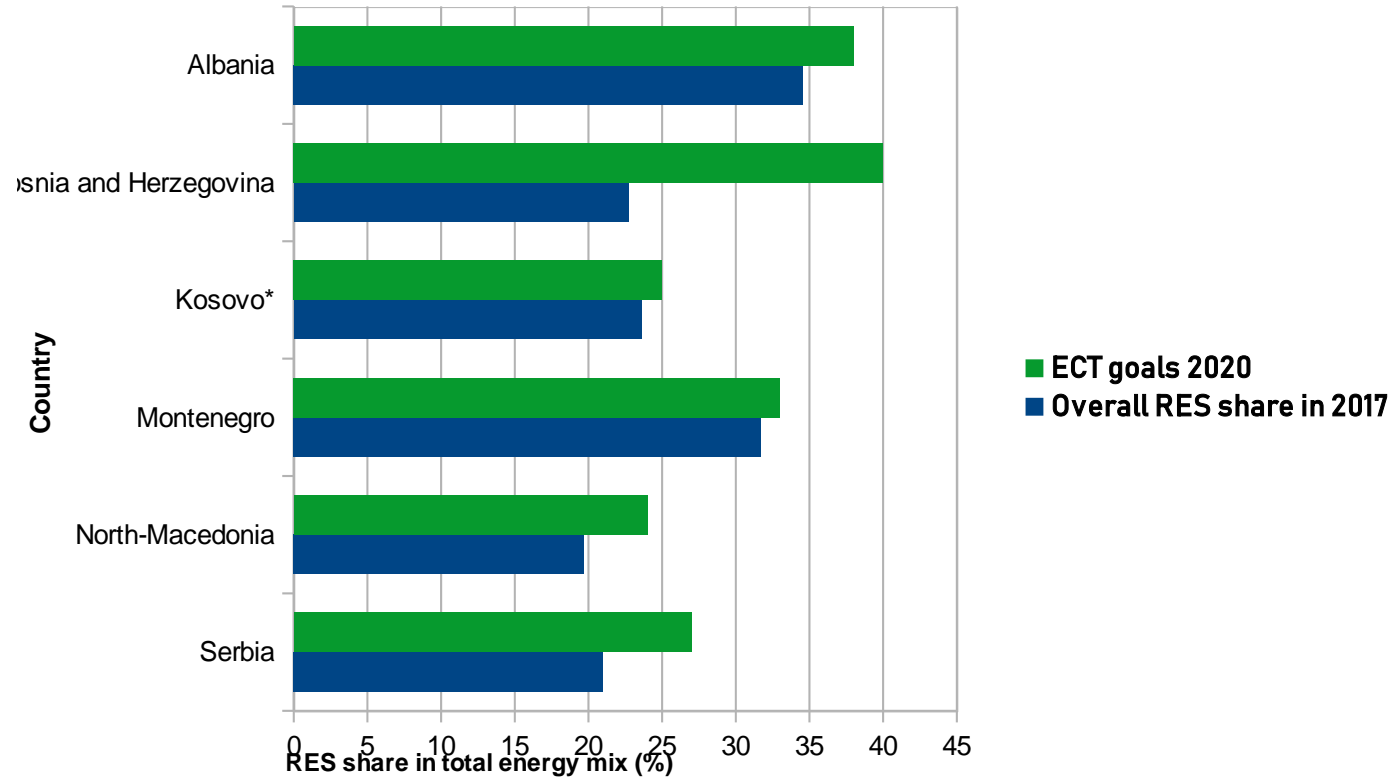
61.45% of total energy production is from **fossil sources**
in energy production

Albania
0%

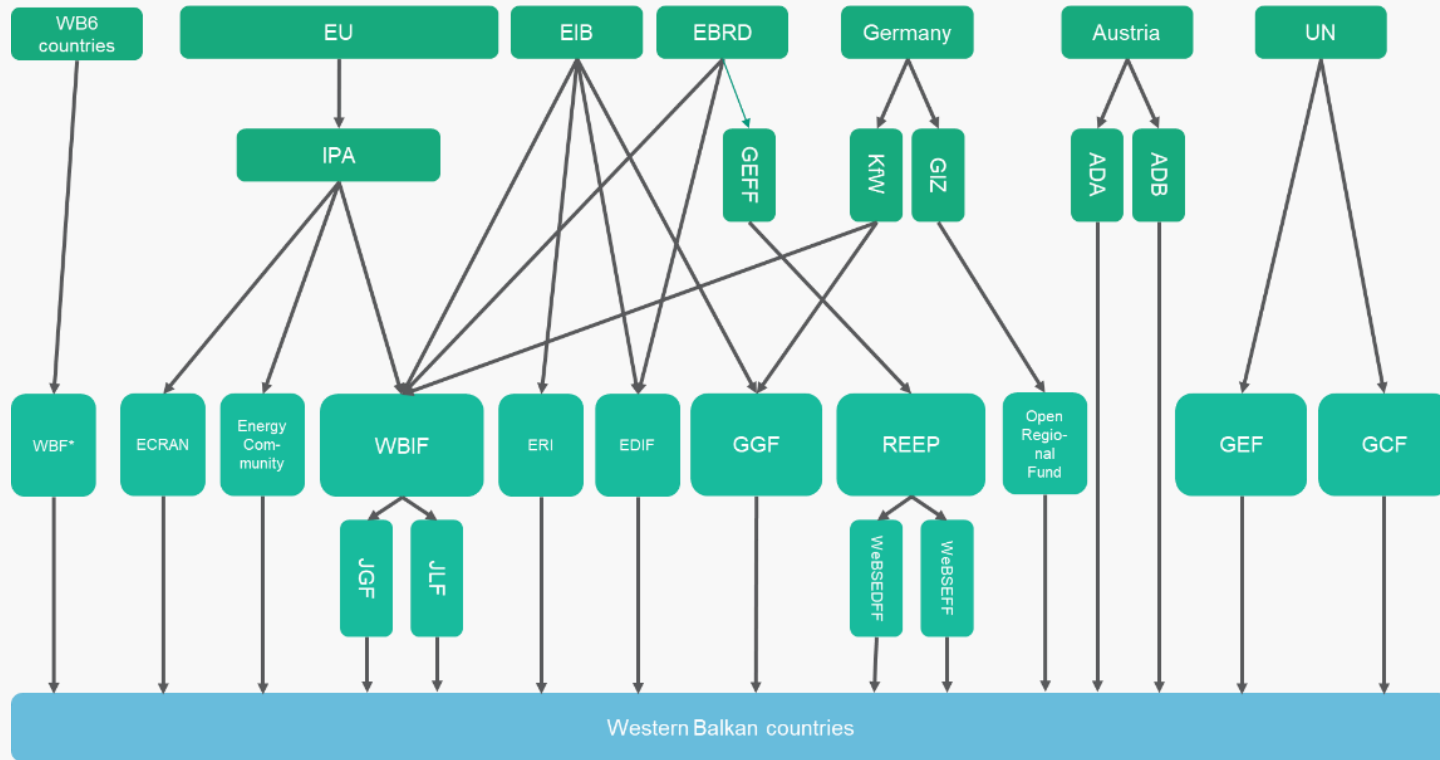
Kosovo*
97.5%

Huge untapped potential in RES

EnC Treaty Commitments and situation in 2017



Major WB6 financing sources for climate-related projects



Abundance of funds

- EU PA funds (2014-2020): **EUR 4.2 bn**
- EIB/EBRD/WBG (2009-2019): **EUR 19.1 bn**
- Official Development Aid (2009-2017): **EUR 7.23 bn**
- Private investments (2018): **USD 9.4 bn**, the largest inflow of greenfield FDI, the highest amount since 2003

Green Finance Instruments in the region

- Green Climate Fund – **EUR 685 m**
- Global Environment Facility – **EUR 202 m**
- WBIF environment related projects
- **Relative scarcity of green project preparation facilities in the region (WBIF, GCF)**
- Preliminary assessment shows considerable need for project preparation

Western Balkans Green Center

- Hungary: Government initiative to finance the implementation of the Nationally Determined Contributions under the Paris Climate Agreement by supporting project preparation in WB6.
- First step of a broader and ambitious endeavour to create a **V4+ Regional Multidonor Fund**.
- First call for application to be published in Q1 2020.
- Available budget to disburse for project preparation in **2020: up to EUR 3.0 m.**

Two Instruments in Hungary dedicated for Climate Action in the Western Balkans

Western Balkans Green Center (2019)

Grants for project preparation and capacity building in WB6

Multi-donor Green Fund (2021)

Catalyze investments in the WB6 through the development of projects that generate return on investments

Objectives:

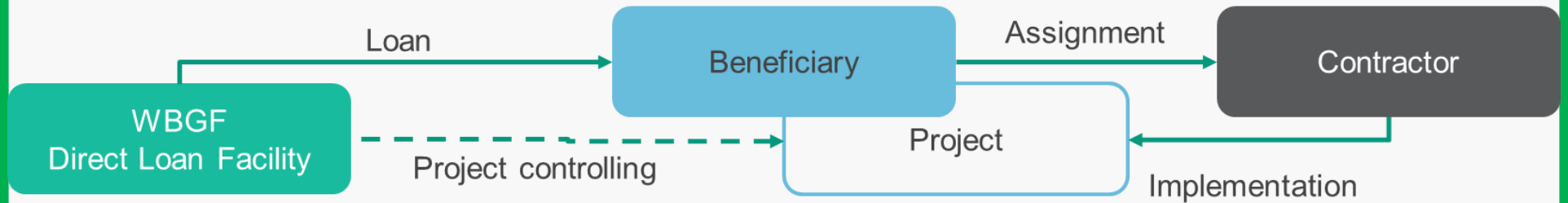
- GHGs emission reductions
- Enhanced climate resilience
- Green job creation
- Leverage private sector investments
- Enhanced regional climate cooperation

Eligible sectors

- Solid waste collection, treatment and recovery;
- Water management and wastewater treatment;
- Forest management and other sectoral adaptation measures;
- Energy efficiency and renewable energy;
- Urban Environment: adaptation measures implemented at municipal level.

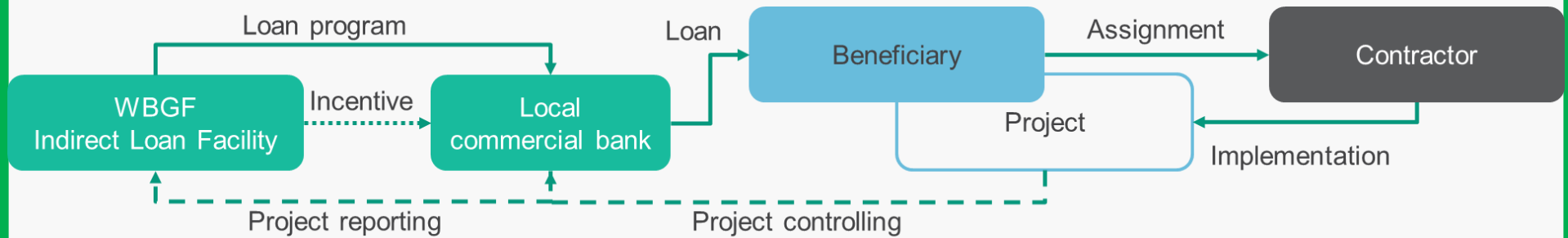
Applicable Instruments 1

Direct Loan Facility (DLF)



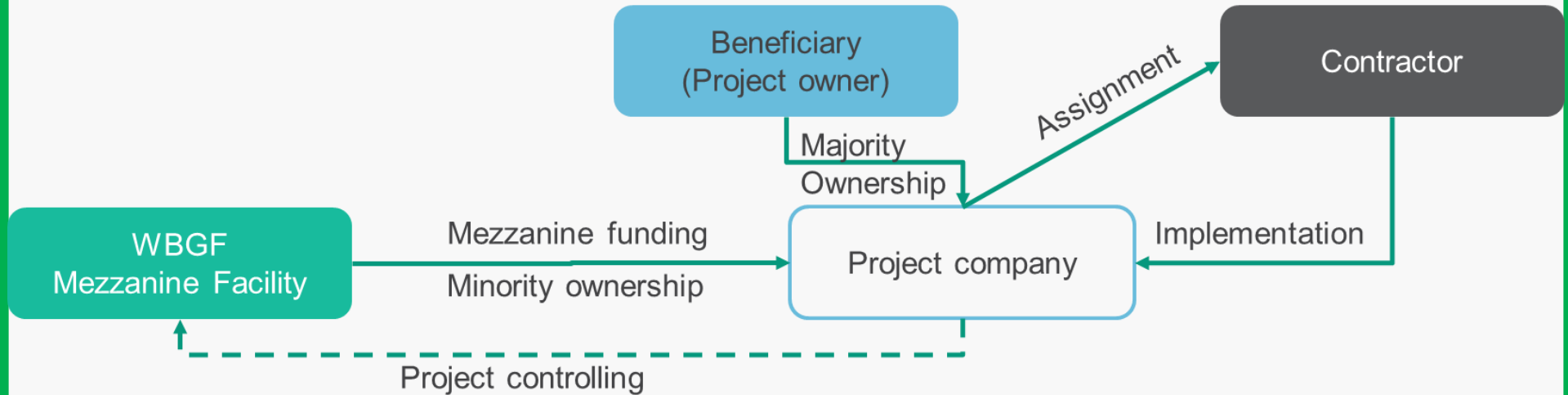
Applicable Instruments 2

Indirect Loan Facility (IdLF)



Applicable Instruments 3

Mezzanine Facility (MF)



Thank you for your attention!

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