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Central Bank
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REPUBLIC OF ARMENIA
**MINISTRY OF
ENVIRONMENT**

**“SCALING UP GREEN FINANCE PRACTICES IN ARMENIA”
GCF READINESS AND PREPARATORY SUPPORT PROGRAMME**

GREEN FINANCE ROADMAP

EXECUTIVE SUMMARY AND RECOMMENDATIONS

Executive Summary

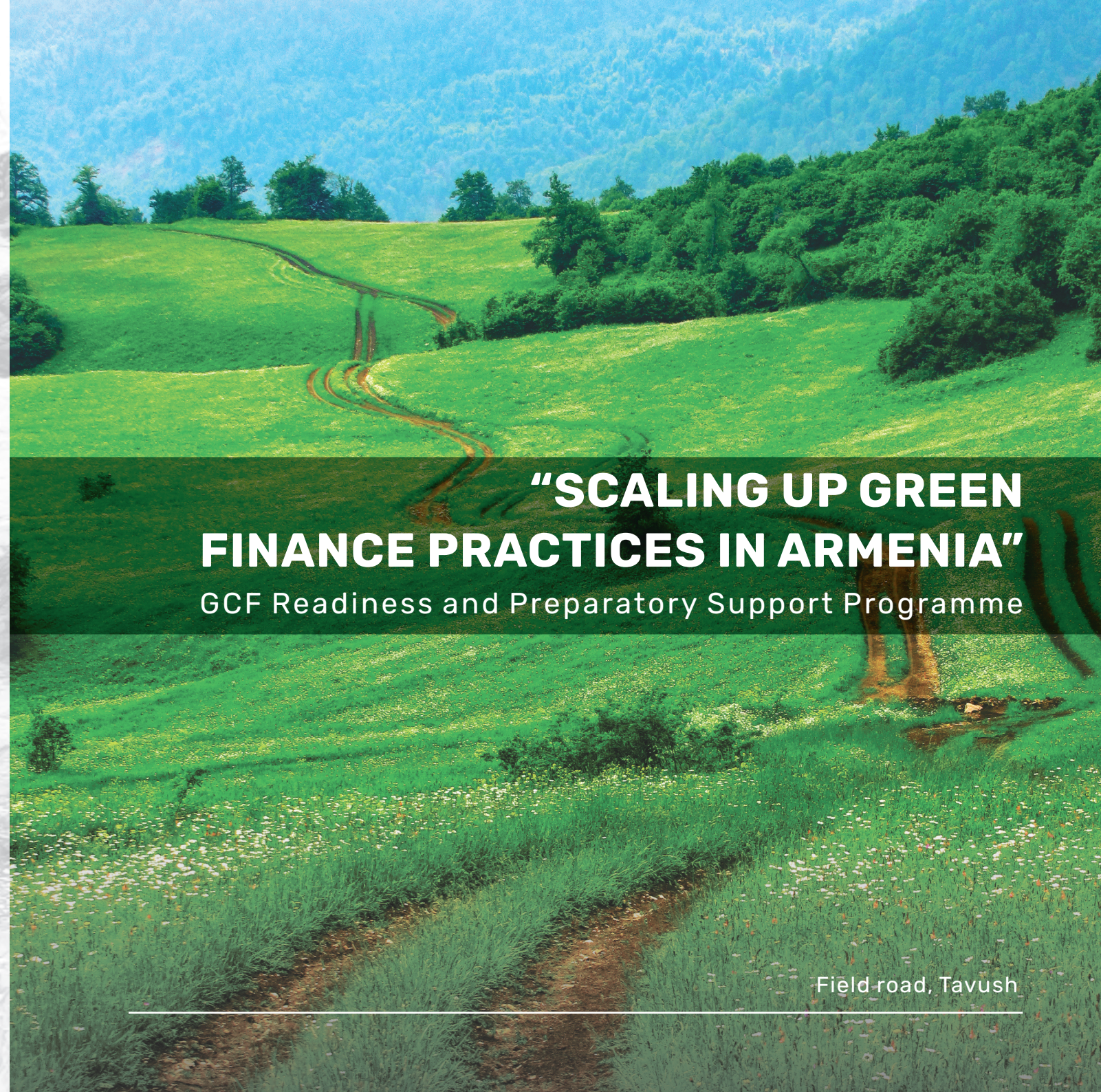
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Andreas Biermann | Tigran Sukiasyan



“SCALING UP GREEN FINANCE PRACTICES IN ARMENIA”

GCF Readiness and Preparatory Support Programme

Field road, Tavush

Within its strategy to promote an enabling framework for introducing environment resilient practices, the Government of Armenia plans to significantly scale up green finance instruments across all sectors and to secure a more pro-active participation of the financial and private sectors in implementing projects that support climate adaptation and mitigation.

To achieve this **policy objective**, the Government of Armenia, through the Ministry of Environment, as the Designated National Authority, requested the support of the Green Climate Fund (GCF) "Readiness and Preparatory Support Programme" to implement a comprehensive assessment of the barriers and opportunities to the expansion of "green finance" practices, including a mapping of available instruments and the development of a comprehensive set of methodological, awareness raising and capacity building interventions.



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The Readiness Project supported the design of this **Green Finance Roadmap** document. The document aims to be the key political document outlining the current state, together with existing barriers for green finance development, while also defining a comprehensive vision for Armenia's green finance strategy, which should contribute to the implementation of Armenia's NDCs and achieving the aims of the Paris Agreement. The Roadmap and future activities outlined are based on the repository of "Green Finance Instruments" that was compiled as part of the project and transferred to the Central Bank of Armenia for maintenance and updates on completion of the Project.



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The main objective of the Readiness Project is to achieve a paradigm shift in the design and utilization of "green finance" instruments in Armenia, by incorporating into the policies, operational modalities of national banks and non-banking financial institutions a wide range of climate-resilient approaches and guidelines, together with regulatory simplification and the introduction of policy incentives that encourage the offer of green financial facilities. To achieve this objective, a range of activities were implemented. These included an assessment of the current baseline, a regulatory review aiming for simplification, an assessment of best international practices, the design of a methodological baseline and the definition of further capacity building activities.

"ARMSWISSBANK" CJSC, as one of the leading Armenian banks that also seeks accreditation with the GCF (under the direct access modality), was awarded the contract for the implementation of "Scaling up Green Finance Practices in the Republic of Armenia" Project.

Activities of the Project are supervised by the Steering Committee chaired by Deputy Minister of Environment with representation of the Central Bank of Armenia and Ministry of Economy.

"ARMSWISSBANK" CJSC serves as PIU for the project and ensures compliance of the project activities with GCF procedures.





GREEN FINANCE ROADMAP

Executive Summary and Recommendations



The rainbow, Shirak

| Executive Summary

This document builds on various previous studies of Armenia's green finance current conditions, as well as barriers and opportunities, to articulate a clearly defined and actionable Green Finance Roadmap. The proposed roadmap aims to serve as a key political document which will establish a comprehensive vision for green finance strategy contributing to implementation of Armenia's NDCs and Paris Agreement commitments. It provides a strategic framework to mainstream green finance in the architecture and practice of financial markets and thus, in medium to long term it aims to contribute to mobilizing private and public capital for green projects in Armenia.

The roadmap can serve Armenia as a strategic tool to organize the wide range of actors involved in the transition to sustainable finance around a common conception and of their roles and responsibilities. The roadmap also helps to prioritize actions and coordinate activities among stakeholders, including policymakers, supervisors, regulators, associations, corporations, and other financial sector participants to accelerate the expansion of sustainable finance. Ultimately, the proposed Armenian Roadmap aims at accelerating the transition from the traditional to “green” financial system.





By summing up the recommendations from all activities and outcomes of the Project, including the current situational stock-taking, best practices review, legal framework analysis, “green finance” manual preparation, private sector engagement and institutionalization of E&S approach in financial sector, and the repository of “Green Finance Instruments” this document provides recommendations to change the climate paradigm in Armenia and significantly scale up green finance. It also provides a concrete timeline in which these measures will have to be implemented to achieve the desired outcomes.

The document starts with two introductory sections which describe the green finance context (Section 1) and the current state of green finance in Armenia (Section 2). These sections start from the panoramic view of Armenia’s economic outlook, finances and their impact on SDGs, and they then delve into concrete barriers and challenges to green finance in Armenia versus the country's potential.

The actual proposed roadmap constitutes the third section of the document, and addresses policy objectives, the establishment of the appropriate policy and regulatory framework, and gender considerations. However, the most consistent part of the section focusses on considerations related to the actual implementation of the roadmap. The document also includes four annexes which further strengthen the roadmap's actionable recommendations and provide a list of potential projects, anchored in international best practice, previous recommendations from the readiness project, and the pipeline of MDB projects in Armenia.

Throughout the design process of the "Armenia Green Finance Roadmap", with the purpose of collecting critical insights and validating initial assumptions the team of experts has carried out consultations with the representatives of private sector, banks and MDBs. The latter were also asked about key instruments, frameworks and planned investment volumes along with factors that can positively and negatively influence the process.



I Summary of Recommendations

The Green Finance Roadmap is broken down into two phases, initial actions that help develop the framework and raise funding in the short term (to 2030), and longer-term actions that accompany these and that will provide the foundations and infrastructure for the long-term application and growth of green finance in Armenia. Initial actions are those that are required to rapidly enable the scaling of green finance in Armenia. They focus on fund-raising, the adoption of a taxonomy, and the interlinking of MRV systems to allow the impact of finance to be tracked in a more robust manner. Parallel actions are those which will be implemented over the longer term, requiring for example legislative time or longer-term adjustments in training and government process developments.

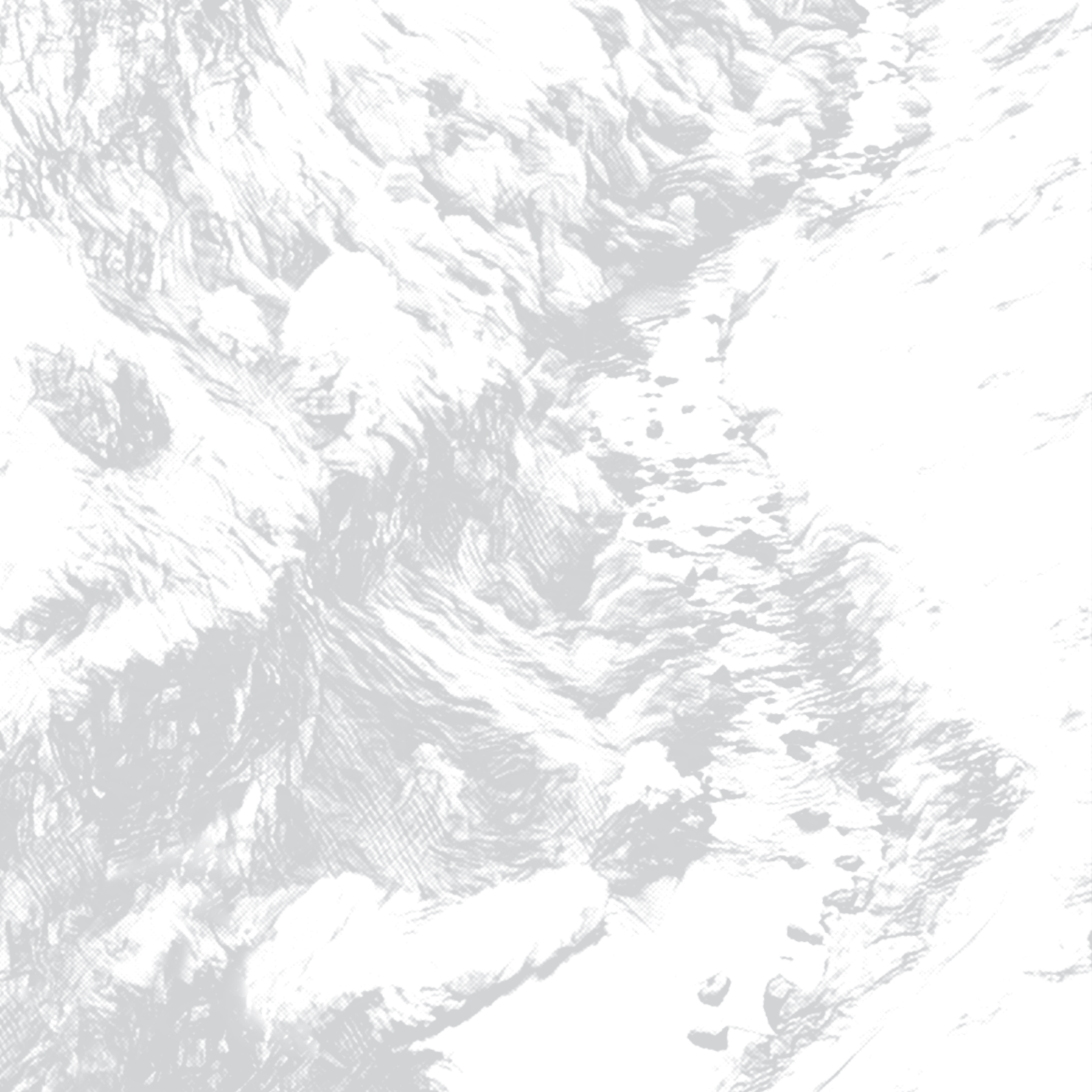
These actions are also categorized along four strategic pillars:

- Shaping a favourable policy framework
- Scaling up green finance flows
- Establishing an ESG Framework
- Addressing capacity constraints

Overall Green Finance Roadmap makes 12 initial action recommendations and proposes nine parallel actions, as summarized by Table 1 below.

Shaping a favourable policy framework	Scaling up green finance flows	Establishing an ESG Framework	Addressing capacity constraintsInitial Actions
INITIAL ACTIONS			
<ul style="list-style-type: none">• Establishing/ formalizing Green Finance Task Force (under CBA)• Development and adoption of a Green Bond framework for Armenia• Development and adoption of a green taxonomy• Development of a carbon pricing regime	<ul style="list-style-type: none">• Revision of the GCF Country Program to enable scaled-up climate finance flows• Development of favourable regulations for renewable energy developers and PPPs• Supporting the development of green projects for financing	<ul style="list-style-type: none">• Development and adoption of a harmonized ESG framework for the financial sector in Armenia• Establishment of ESG market standards	<ul style="list-style-type: none">• Enhance understanding of international green finance frameworks and issues in the private sector• Enhance structuring capacity for PPPs• Enhance carbon market operating capacity
PARALLEL ACTIONS			
<ul style="list-style-type: none">• Creation of an integrated MRV framework linking projects to national inventory reporting• Strengthening of data collection to more clearly identify potential actions and vulnerabilities	<ul style="list-style-type: none">• Structured engagement with climate funds• Creation of a dedicated fund to support green investments• Deepening MDB/DFI partnerships• Supporting establishment of dedicated private green finance institutions (e.g., leasing companies, private equity funds, crowdfunding platforms)	<ul style="list-style-type: none">• Strengthen regulations to monitor and enforce and develop the ESG framework	<ul style="list-style-type: none">• Develop capacity for establishing and maintaining complex MRV systems in public and private sectors• Comprehensive ESG and gender training for public/private sector

Table 1: Overview of recommendations



GREEN FINANCE ROADMAP

Policy Objectives

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Armenia's green finance roadmap will need to be rooted in a wider vision of the development strategy of Armenia. This will require active involvement of Armenian government authorities and closely interlink the overall development framework with sustainability and climate action. When fully implemented, the Roadmap should deliver an economy-wide improvement in the way Armenia's finance sector provides the funds that underly the continued economic success of the country. This means that the sector and government will have to:

- Integrate green finance into financing and investment policies and frameworks considering all relevant climate, environmental, social, and governance considerations;
- Reorient and increase green investment flows towards the creation of a low-carbon, climate-resilient and circular economy; and
- Enhance the understanding and cooperation between the public, financial and non-financial sectors, to create an enabling environment that will substantially scale up green finance in Armenia.



Area of Intervention	Initial Action	Follow up Action	Timeline	Responsible entities
POLICY FRAMEWORK				
Establishing/ formalizing Green Finance Task Force (under CBA)	Executive order on formalization of the Task Force is issued by regulator	• Establishment of thematic Working Groups; • Quarterly meetings of the Task Force;	2022 for establishment in 2022	• CBA • Ministry of Finance • Ministry of Economy
Development and adoption of a Green Bond framework for Armenia	Engagement with other transition economies on their experience with green bond issuance	• Adoption of best practices and implementation of lessons learnt • Definition of a Green Bond framework	2022 for issuance in 2023	• CBA • Ministry of Finance • Ministry of Economy
Development and adoption of a green taxonomy	Executive order to develop taxonomy to be approved and applied by the regulator	• Identification of priority sectors for the taxonomy. • Consultation with finance and key priority sectors on taxonomy structure	2022 for implementation in 2023	• Ministry of Economy • CBA • Ministry of Environment • Line ministries (e.g., infrastructure, agriculture)
Development of a carbon pricing regime	Executive order to develop carbon pricing to be approved and applied by the relevant government department	• Identify priority sectors/emitters to come under the regime • Consultation with private sector on likely impact • Consultation with public on use of revenue generated	2023 for implementation in 2025	• Ministry of Economy • Ministry of Environment • Line ministries (e.g., infrastructure, agriculture)
Creation of an integrated MRV framework linking projects to national inventory reporting	Project launch for upgraded MRV system, also in response to UNFCCC ETF	• Consultation with private sector (finance and real) on scope of reporting • Training of MRV specialists	2022 for operationalization by 2024	• Ministry of Environment
Strengthening of data collection to more clearly identify potential actions and vulnerabilities	Establishment of clear processes under which data can be collected and communicated to direct actions.	• Consultation with private sector (finance and real) on scope of reporting • Training of MRV specialists	2023 onwards	• Ministry of Environment • Line ministries (e.g., infrastructure, agriculture)

Table 2. – Pillars and Actions of the Green Finance Roadmap, Implementation Timeline and Entities

Area of Intervention	Initial Action	Follow up Action	Timeline	Responsible entities
SCALING UP GREEN FINANCE FLOWS				
Revision of the GCF Country Program to enable scaled-up climate finance flows	Engagement with GCF CPD to revise country program in advance of GCF-2 replenishment phase	• Continued exchange with GCF and partners on potential for projects in line with Armenia's green development agenda	2022 for conclusion in 2023	• Ministry of Environment (NDA); • Ministry of Economy; • Armenia's DAEs
Development of favorable regulations for renewable energy developers and PPPs	Market survey of developers and financing institutions to identify and prioritize barriers to renewables and green PPPs	• Implementation of a systematic process to remove barriers	2022 ongoing to 2025	• Ministry of Territorial Administration and Infrastructure; • Ministry of Economy;
Supporting the development of green projects for financing	Identification of priority projects across key sectors (energy, infrastructure, agriculture)	• Updating on at least annual basis • Linking of project list to DFI/Climate Fund pipelines • Advancing Green Procurement Principles • Tracking projects against the NDC/LTS documents	2022 ongoing to 2030	• Ministry of Economy; • Ministry of Environment • Line ministries (e.g., infrastructure, agriculture)
Structured engagement with climate funds	Systematically assess potential for climate fund contributions to green finance agenda in Armenia	• Identify priority projects from the roadmap and investment pipeline for support by climate funds	2022 ongoing to 2030	• Ministry of Environment (NDA); • Ministry of Economy; • Armenia's DAEs
Creation of a dedicated fund to support green investments	Executive order to establish such a fund and/or expand the role of an existing institution to cover this responsibility to be approved and applied by the relevant government department	• Consultation with public and private sector on pipeline • Identification of dedicated revenue streams	2022 for implementation in 2024	• Ministry of Economy; • Ministry of Environment • Line ministries (e.g., infrastructure, agriculture)

Area of Intervention	Initial Action	Follow up Action	Timeline	Responsible entities
Deepening MDB/DFI partnerships	Appoint dedicated focal points in line ministries for engagement with DFI counterparts	• Closely work with MDBs/DFIs on definition of country priorities and strategies	2022 ongoing to 2030	• Ministry of Finance • Ministry of Economy • Line ministries (e.g., infrastructure, agriculture)
Supporting establishment of green finance institutions (e.g., leasing companies, private equity funds, crowdfunding platforms)	Defining regulatory and policy requirements to establish green finance institutions • Structuring Fund of Funds for green finance projects • Establish enabling regulatory and policy framework for equity/debt crowdfunding	• Establishment of a Fund of Funds with Initial funding provided by the Government and co-investments by the private sector/DFIs/Climate Funds; • Supporting green-focused start-up environment by e.g., investing in accelerator programmes	2023 for operationalization in 2024	• Ministry of Finance • CBA
ESG FRAMEWORK				
Development and adoption of a harmonized ESG framework for the financial sector in Armenia	Establishment of mandatory standards for banks, UCOs and other financial institutions to be applied across financial sector eventually	• Consultation with private sector (finance and real) on scope of reporting • Training of ESG specialists • Defining ESG regulatory framework for stock exchange	2023 for operationalization in 2023	• Ministry of Finance • Ministry of Environment • CBA
Establishment of market standards for ESG	Identifying the preferred ESG framework for Armenia	• Establishing compulsory market standards for banks, UCOs and other financial institutions • Introducing voluntary ESG ranking approach • Introducing a green Insurance scheme	2023 for operationalization in 2024	• Ministry of Finance • Ministry of Environment • CBA

Enhance carbon market operating capacity	Assessing capacity, process and data requirements for carbon market operations compliant with EU requirements	• Industry consultation on required skills for carbon market operations in Armenia • Training of finance sector carbon market specialists • IT procurement to support the system	2023 for operationalization in 2025	• Ministry of Finance • Ministry of Economy; • Ministry of Environment
Strengthen regulations to monitor and enforce and develop the ESG framework	Assessing capacity, process and data requirements for ESG monitoring	• Industry consultation on mandatory standards for ESG in Armenia • Training of finance sector ESG specialists • IT procurement to support the system	2023 for operationalization in 2024	• Ministry of Finance • Ministry of Environment • CBA
ADDRESSING CAPACITY CONSTRAINTS				
Enhance understanding of international green finance frameworks and issues in the private sector	Identify gaps and capacities in the private sector in regards to international best practice in green finance	• Encourage private sector participation in international frameworks • Design and implement training activities and rewards	2023 ongoing to 2025	• Ministry of Environment • Ministry of Economy • CBA
Enhance structuring capacity for PPPs	Assess gaps in regulation and capacity for PPPs at sector level	• Design and implement training activities and rewards	2022 to 2024	• Ministry of Economy • Ministry of Environment • Line ministries
Develop capacity for establishing and maintaining complex MRV systems in public and private sectors	Assess gaps in MRV capacity for sector level	• Design and implement training activities and rewards	2023 ongoing to 2025	• Ministry of Environment • Statistical Committee of Armenia
Enhance structuring capacity for PPPs	Assess gaps in MRV capacity for sector level	• Design and implement training activities and rewards	2023 ongoing to 2025	• Ministry of Environment • Ministry of Labour and Social Affairs



INCLUSIVE APPROACH

For Implementing the Roadmap

Snowflakes, Teghenis

To deliver an inclusive and gender-balanced green finance sector, Armenia's Green Finance Roadmap will need to be implemented in an integrated, multi-stakeholder approach to deliver Armenia's low-carbon development and advancing the circular economy through the provision of finance dedicated for this purpose. It will need to achieve specific objectives set out below.



For the implementation of the Green Finance Roadmap Table 9 below sets out the range of stakeholders and a simplified stakeholder engagement framework, to assure an inclusive and consultative implementation of the roadmap, including stakeholders throughout.

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TEAM

That Designed The Roadmap

The team that designed the “Armenia Green Finance Roadmap” has been comprised from the following experts:

Team That Designed The Roadmap |

ANDREAS BIERMANN – Team Leader



Andreas is a senior energy and climate policy expert, with over 25 years experience gained at various levels in the academic, national, and multilateral contexts. He has authored several articles and pieces in the topics of climate finance, renewable energy policy and energy efficiency. His breadth of expertise is highly recognized in Europe as well as in development and transition work globally, with his inclusion in various expert groups, including the UNDP Crisis consultant register, Globalfields Ltd in support of green finance and invest-

ments, and as senior technical advisors for a number of institutions.

Andreas has been involved in global climate finance since 2008 and brings a unique blend of technical, policy-making, and financial experience to project transactions and resource mobilization for institutions. For example, he has been instrumental in developing new blended finance products for the EBRD, in which multilateral climate finance from the Climate Investment Funds, the Global Environment Facility and the Green Climate Fund has been combined to deliver high impact climate projects throughout the EBRD region. Under Andreas' leadership, the EBRD raised over USD 1 billion in climate finance from multilateral donors.

In order to apply this expertise more widely, Andreas joined the Green Climate Fund as Deputy Director Mitigation in 2017, where he led legal negotiations to enable the implementation of over USD 5 billion of projects, with global coverage. During this time, he set up the mitigation project assessment function of the Fund as well as internal decision-making structures. In 2019-2020, Andreas served as Senior Adviser to the Managing Director for the Sustainable Infrastructure Business Group, before joining Globalfields Ltd in April 2020, where he holds key responsibilities for leading the sustainable finance practice of the firm. Andreas served as member of the Independent Technical Advisory Panel (iTAP) of the Green Climate Fund, reporting to the Board of Directors of the GCF. He has worked on national-level strategy and policy development in a range of countries, focused on NDC and NAP implementation and green and sustainable finance, and provides strategic and operational advice to a range of clients including major development institutions.



Tigran is an experienced project manager, mentor, fundraiser and capacity building expert with 20 years experience (at domestic and international level) in developing, implementing and monitoring projects with major donor agencies, international organizations and climate funds, including the Green Climate Fund, Adaptation Fund, Climate Investment Funds, as well as the United Nations Development Programme (UNDP) and Global Environmental Facility (GEF). He is currently focusing on issues of climate resilience and green finance through number of engagements aimed at structuring country-to-donor collaboration frameworks, identification of projects and proposal development through consulta-

tive process with involvement of private sector and other stakeholders. Since 2017 he has been part of critical assignments leading essential work with private sector entities to identify support priorities and projects, providing mentorship and executive trainings to civil servants responsible for project formulation in the climate domain.

Throughout entire career, he has always been leading/coordinating engagements between donors, Governments and national stakeholders to formulate policies and strategies, establish dialogue platforms, design project proposals matching with priorities of all sides. During recent 6 years, he is executing the same task in the climate change domain with particular focus on green finance and institutions across different regions that have been gained during coordination/ implementation of project interventions (in Mongolia, Central Asia and currently in Africa).

Based in Yerevan, since 2020 Tigran is collaborating with Globalfields for the expansion of green banking support in the Eastern Europe, the Caucasus and Central Asia.



