

Joint SDG Fund – Component 2 – SDG Financing

Template for the Joint Programme Final Progress Report (preparatory funding)

Purpose: *to provide the UN Joint SDG Fund’s donors with evidence that preparatory funding provides good value for money - so that we can continue allocate resources to your programming.*

Instructions: *be succinct and to the point; emphasize only results and issues that you want to bring to the attention of the Fund; do not go over the max number of pages.*

Deadline: *January 31st, 2021*

Cover page

Reporting period: June 30 – December 30, 2020

Country: Kazakhstan

Joint Programme (JP) title: SDG Finance Accelerator

Short title: SDG Finance Accelerator

List of PUNOs: UNDP, UNEP, UN ESCAP

RC (name): Mikaela Friberg-Storey

Representative of Lead PUNO (name and agency): Vitalie Vremis, UNDP

Government JP Focal Point (name and ministry/agency): Assel Nurakhmetova, Astana International Financial Centre

RCO JP Focal Point (name): Dina Khassenova E-mail: dina.khassenova@un.org

Lead Agency JP Focal Point (name): Vitalie Vremis E-mail: vitalie.vremis@undp.org

Budget (Joint SDG Fund contribution): **US \$120,000 (preparation) and \$6,880,000 (for full Joint Programme) = \$7,000,000 total**

Budget Expenditures: 117,084.08

Delivery Rate - **97.7%** *Prep Funding Rate (%) = $\frac{\text{Expenditures PUNO}}{\text{Total transferred funds Jan 2020 to December 2020}}$*

Short Description of the Joint Programme (1 paragraph for each section)

This description will be used to update your country page in our online platform (please scan the website before answering) <https://sdginvest.jointsdgfund.org/proposals>

Financial leverage (estimated target in US\$): \$120 million

Challenge:

Explain the key challenge(s) the JP aims to tackle with reference to both development and financing challenges and how they interconnect.

The Government of Kazakhstan has affirmed a long-term vision of sustainable development, embodied in its Green Economy Concept, adopted in 2013 and updated in July 2020, as well as its ratification of the Paris Agreement in 2016 and its setting of official national targets of 10% renewable energy supply by 2030 and 50% by 2050. On its present trajectory, however, Kazakhstan is not on track to fulfill these aspirations and commitments. Considering all forms of state, commercial, and IFI financing together, green investment in Kazakhstan has been estimated at only 1/40 of the level needed to achieve Kazakhstan's Nationally Determined Contributions (US \$9-11 billion). Even before 2020, low global oil prices have suppressed government revenues, placing stresses on the national budget, causing depreciation of the tenge, and also resulting in an uptick in inflation. Now, the COVID-19 pandemic has created deep recession and job losses across almost all sectors, especially among SMEs. To meet its challenges in both green development and COVID-19 recovery, Kazakhstan needs to move beyond reliance on state funding and to mobilize commercial financing at scale. But private-sector financing remains prohibitively costly and inaccessible for most market players, especially those in nascent and/or vulnerable business sectors.

Innovation (financial instrument/mechanism/approach):

The mission of the SDG Finance Accelerator (SDGFA) is to mobilize low-cost commercial financing for green and SDG-aligned financing in Kazakhstan, directly addressing the barriers of high cost and low accessibility of financing, thereby leading to GHG reductions and other SDG impacts at scale. The main instrument of the SDGFA is green and SDG bonds. In partnership with the national entrepreneurship fund Damu and the Astana International Financial Centre (AIFC), the SDGFA will provide targeted subsidies to partially cover the coupon rates and/or preparatory costs of the bonds, thereby reducing costs and risks for issuers. Then proceeds from the bond sales will support qualifying green and SDG-aligned projects – in some cases directly, and in some cases via creation of special funds supporting commercial bank loans at concessional rates. In addition, the SDGFA will also offer direct subsidies of the principal of commercial loans for qualifying projects, thus reducing risk for both borrowers and lenders. Eligibility criteria for green projects have already been developed by AIFC and will be verified before subsidized financing is released. In addition, the SDGFA will support AIFC in developing broader criteria and verification systems to expand the instruments to deliver broader SDG impact financing, beyond only green.

SDG Impact:

Please describe the development impact the JP aims to achieve. Do not list the SDGs.

The Joint Programme will contribute to the fulfillment of SDGs on climate action and on employment and economic growth by mobilizing private-sector financing for green and SDG-aligned enterprises and projects in Kazakhstan, thereby both catalyzing GHG emission reductions and sustaining employment among beneficiary companies. The Joint Programme has set the following specific targets in alignment with the given SDGs:

SDG 13 (Climate Action)

- 5 million tonnes of CO₂eq emissions reductions resulting from projects supported by the Joint Programme

SDG 8 (Decent Work and Economic Growth)

- 150 entities (including at least 75 SMEs) receiving financing via the Joint Programme
- 1200 affected employees at these enterprises (including at least 480 women)

Partners:

Please list key partners involved in implementation as well as secured investors. Do not mention more than 4-5 partners. Do not mention generic stakeholders (e.g. Government, private sector), but only specific institutions/partners.

Astana International Financial Centre
National entrepreneurship fund DAMU
International Green Technologies and Investments Center

Final Progress Report (MAX 3 PAGES)

1.1. Progress achieved

Provide brief description of the project's developments, results and achievements during the preparatory phase including 1) financial vehicle design; 2) market assessment; 3) feasibility study; 4) pipeline assessment; 5) legal assessment; 6) investor mapping and matching; 7) others. Please list the names of strategic documents developed (if any).

Both of the financial instruments proposed under this Joint Programme (green bonds and subsidized green loans) are based on mechanisms developed and piloted under recent UNDP-supported, GEF-funded projects on low-carbon development and de-risking of renewable energy investment in Kazakhstan. These projects established a strong foundation of financial vehicle design, partnerships with national institutions (and through these institutions, with commercial banks and investors), and pipeline development and assessment.

During the preparatory period, the UNCT and partners reaffirmed the structure of these instruments and the readiness of partners to join the project in scale-up of the instruments; confirmed the defining aspects of eligibility criteria; identified new and existing market sectors with the most ready opportunities for green and SDG-aligned financing; developed budgets for subsidies, with estimates of expected leverage, scale, and impact; and developed plans for delivery of technical and promotional assistance.

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1.2. Challenges faced

Did the UNCT face any major challenges in the preparatory phase? Briefly explain the challenges, their impacts, and how you overcame those.

The UNCT faced no major challenges in the preparatory phase. Restrictions on work and travel resulting from the COVID-19 pandemic posed minor challenges, making it necessary to conduct almost all work via electronic correspondence and teleconferencing, without any travel by international consultants. These limitations suppressed project spending and lowered the overall delivery rate, but in the end did not appreciably affect the content of project preparation.

1.3 Partnerships leveraged

Did you leverage new partnerships during the preparatory phase (e.g. government, private investors, IFIs, bilateral/multilateral banks, etc.)?

Yes

No

Provide in bullet points the main highlights on strategic partnerships and with whom.

- **Astana International Financial Centre:** Partnership confirmed for issuance of green bonds (including application and enforcement of eligibility criteria embodied in Green Finance Framework and taxonomy) and development of new social impact bond criteria
- **National entrepreneurship fund Damu:** Partnership confirmed for preparation and issuance of subsidized green bonds whose proceeds would be used for on-lending to green projects and enterprises, as well as support for loans with subsidized principal for green projects and enterprises
- **International Green Technologies and Investments Center:** Partnership confirmed for development of pipeline of green projects and enterprises that would seek financing from instruments supported by this Joint Programme

1.4. Co-funding mobilized

Did you secure additional funding or in kind support for the proposal during the preparatory phase?

- Yes
 No

If yes, please include amounts committed during the prep-phase.

Source of funding	Yes	No	Type? (\$ or in kind support)	Name of organization	Amount (USD)	Comments
Government	<input type="checkbox"/>	<input type="checkbox"/>				
Donors/IFIs	<input type="checkbox"/>	<input type="checkbox"/>				
Private sector	<input type="checkbox"/>	<input type="checkbox"/>				
UN/PUNOs	<input checked="" type="checkbox"/>	<input type="checkbox"/>	In-kind (staff time)	UNDP Accelerator Lab	\$14,000.00	
Other partners	<input type="checkbox"/>	<input type="checkbox"/>				

1.5. Budget changes (if relevant)

If there were changes in the actual budget from the one shared as part of the Fund Transfer Request, please briefly justify these changes.

Please, explain briefly:

No budget changes in the actual budget