

**UNECE: CIRCULAR STEP
REGIONAL POLICY DIALOGUE**

**Session 8: Mobilizing Financing for
Accelerating Circular Economy**

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Mobilizing Financing for the Circular Economy

Chapter 1: CIRCULAR ECONOMY FINANCE: DEFINITION AND FRAMEWORKS

Recent developments in the European Union

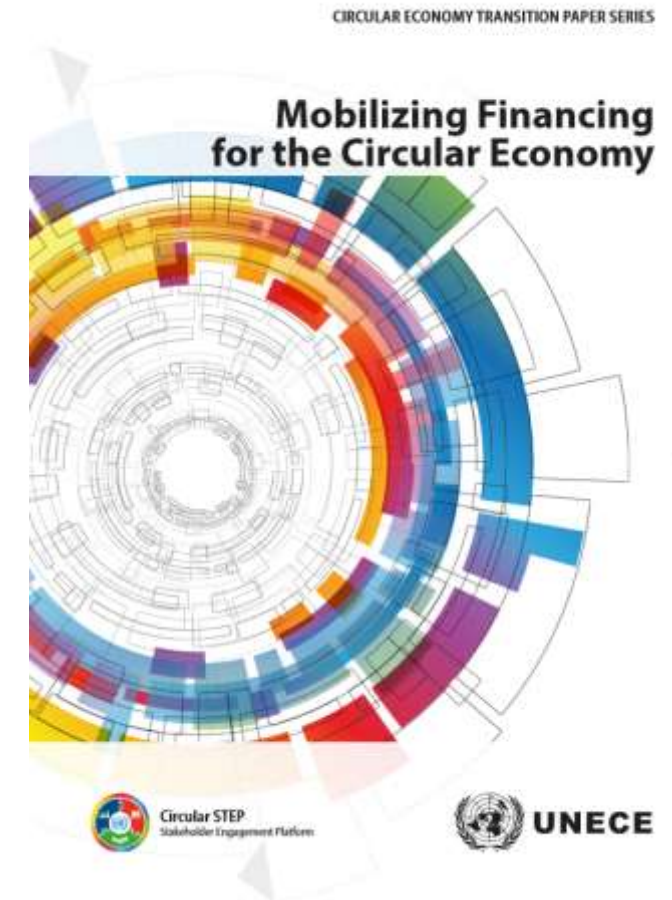
Chapter 2: FINANCIAL INSTRUMENTS SUPPORTING THE CIRCULAR ECONOMY

Chapter 3: AVAILABLE MULTILATERAL FINANCE PROGRAMMES FOR CIRCULARITY

Chapter 4: INCENTIVE STRUCTURES AND MEASUREMENT CHALLENGES

Chapter 5: CREATING AN ENABLING POLICY ENVIRONMENT FOR CIRCULAR ECONOMY FINANCE AND INVESTMENT

Chapter 6: CONCLUSIONS AND RECOMMENDATIONS



In July 2023, the European Commission adopted the European Sustainability Reporting Standards (ESRS) as a delegated act to the Corporate Sustainability Reporting Directive (CSRD).

On 18 October 2023, the European Parliament rejected a motion that objected to the adoption of the proposed ESRS.

Large companies will start assessing their operations through the ESRS criteria starting January 2024 and disclosing their information accordingly by 2025.

EU companies and financial institutions to self-assess the sustainability of their operations and disclose relevant information for investors and financial market participants. The ESRS will also ensure that European companies are actively assessing the financial risks stemming from climate change.

Why is this relevant for circular economy finance?

E5 – Resource use and circular economy

Disclosure Requirement E5-1 – Policies related to resource use and circular economy

Disclosure Requirement E5-2 – Actions and resources related to resource use and circular economy

Disclosure Requirement E5-3 – Targets related to resource use and circular economy

Disclosure Requirement E5-4 – Resource inflows

Disclosure Requirement E5-5 – Resource outflows

Disclosure Requirement E5-6 – Potential financial effects from resource use and circular economy-related impacts, risks and opportunities

The data will be used by financial market participants.

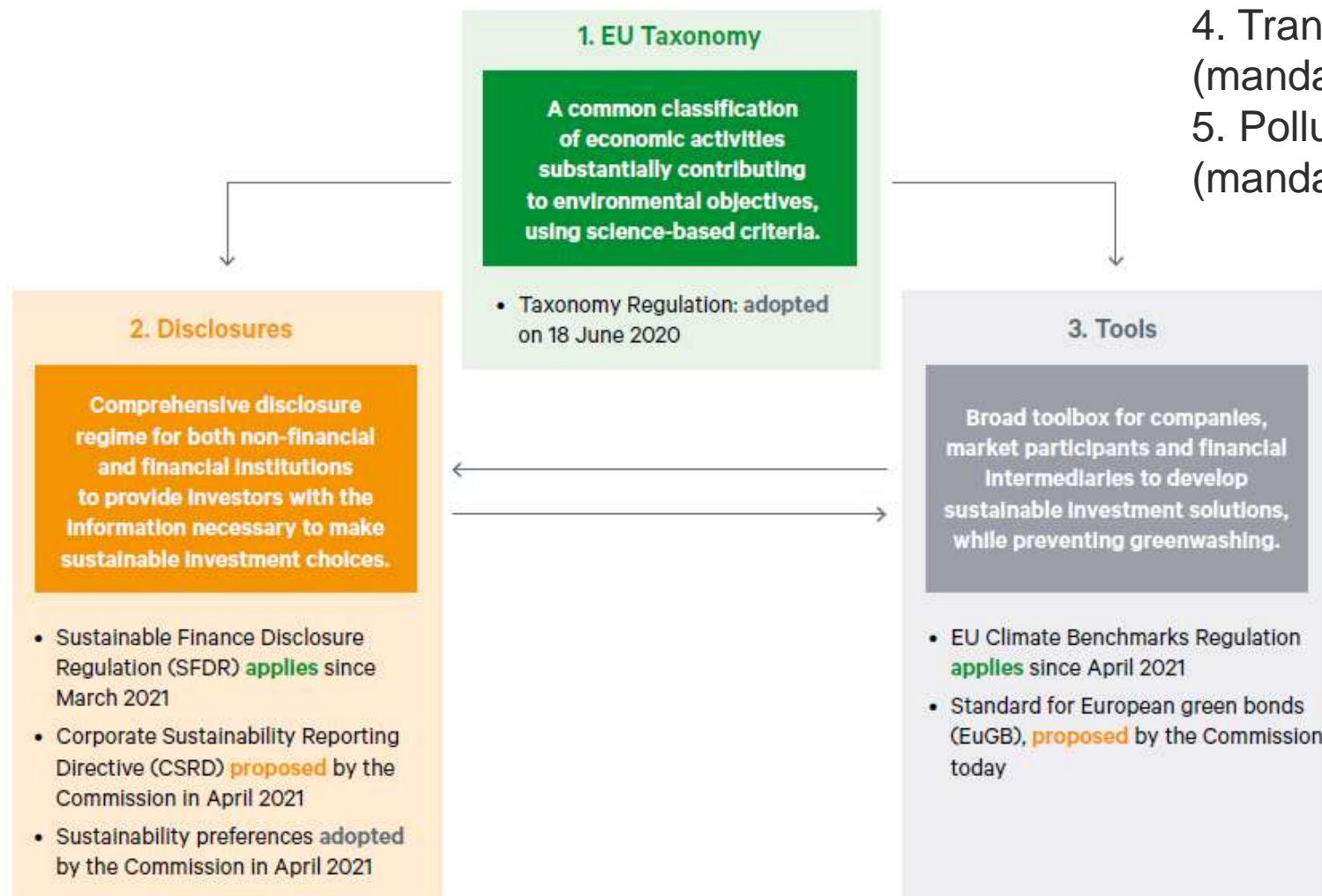
**DRAFT EUROPEAN SUSTAINABILITY
REPORTING STANDARDS**

**ESRS E5
Resource use and circular economy**

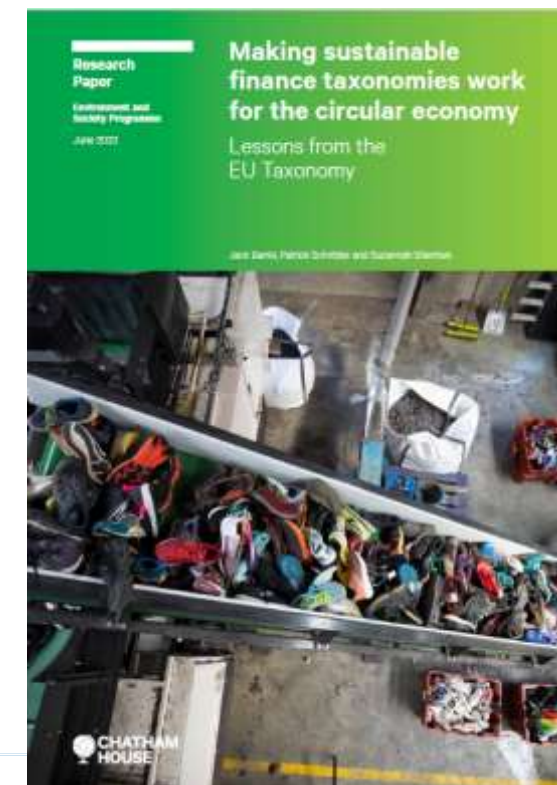


November 2022

EU Sustainable Finance Taxonomy

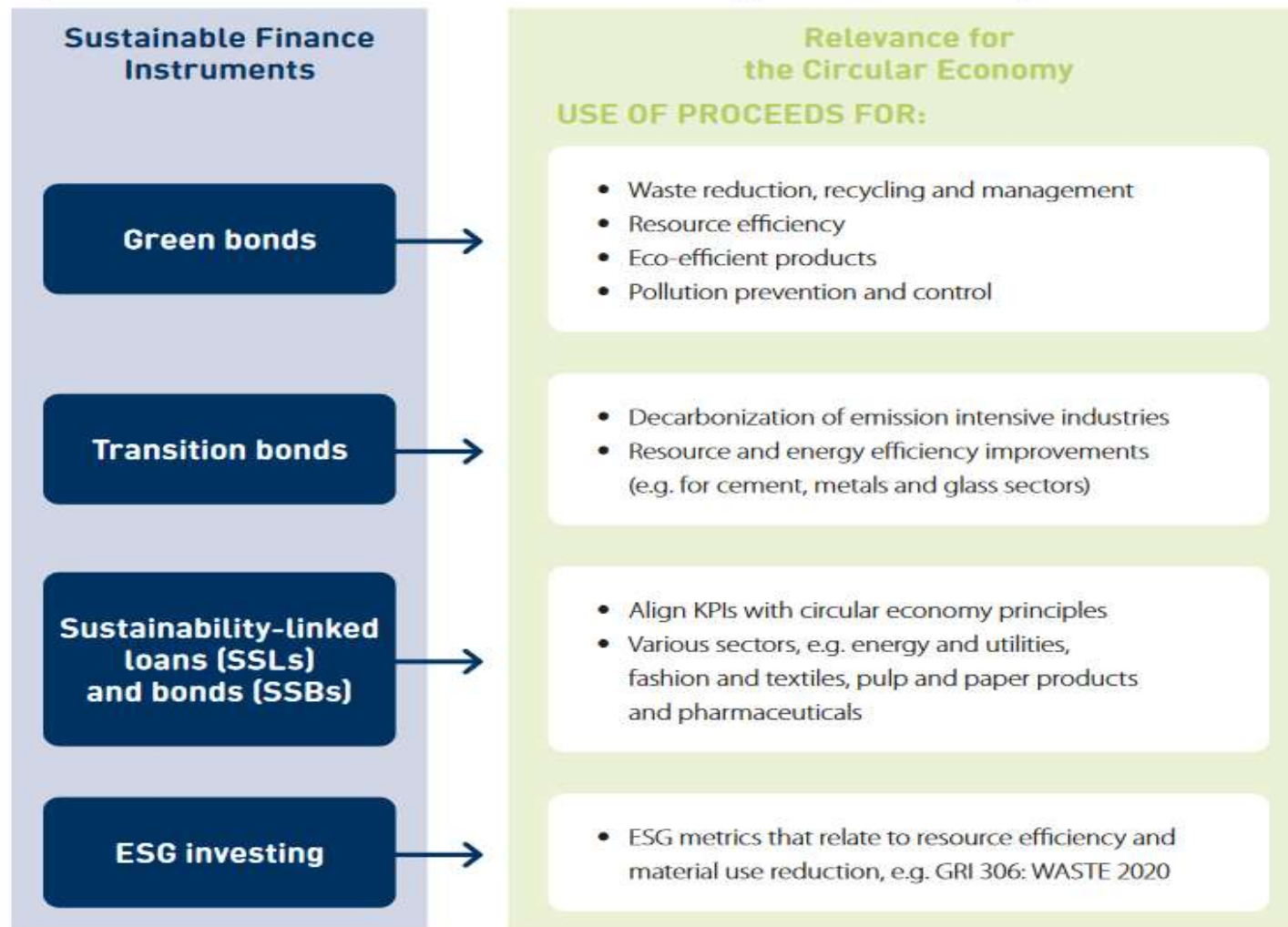


- 4. Transition to a circular economy (mandatory reporting from January 2023);
- 5. Pollution prevention and control (mandatory reporting from January 2023);



A growing number of sustainable finance instruments can be used to support circularity and include it as a non-financial criterion.

Figure 2 Sustainable finance instruments supporting circularity



Source: Elaborated by the UNECE Secretariat, based on Schröder, P., and Raes, J., "Financing an inclusive circular economy", Chatham House Research Paper, 2021. Available at: <https://www.chathamhouse.org/2021/07/financing-inclusive-circular-economy>.

Green bonds:

- differ from regular bonds in that they also have non-financial “use of proceeds” clauses.
- Financial incentives can be linked to successful outcomes, but it is crucial that the money (the proceeds of the bond issue) goes to assets and projects that contribute to the green goal of the bond.

Kazakhstan introduced definitions of green finance, green bonds, green loans, green projects, and green taxonomy for the Environmental Code in 2021. The Government adopted the “**Taxonomy of Green Projects to Be Financed through Green Bonds and Green Loans**”. Kazakhstan’s green bonds are linked to the country’s National Project on Entrepreneurship Development for 2021–2025.

Serbia was the first Western Balkans country to issue a green bond. In September 2021, it successfully issued €1 billion in its first sale of green bonds in the international market, after adopting the necessary legal framework, which was produced in accordance with the standards of the International Capital Markets Association.

The Republic of Türkiye has implemented a framework for sovereign green bonds. In November 2021, the country’s Capital Market Board published a draft guide on green bonds and green lease certificates. In April 2023, Turkey raised \$2.5bn from sovereign green bond debut.

Blended-finance examples from UNECE member States

Blended finance:

- can be used as a de-risking approach for economy investments by removing or mitigating risk across various tranches of investment
- de-risking certain aspects of the financing structure and thereby boosting investor confidence.
- can furthermore incorporate first loss guarantees, concessional capital or overall guarantees to mitigate risk.

Western Balkans Investment Framework (WBIF) is a **blending platform** that supports socioeconomic development and accession to the European Union across the Western Balkans by providing finance and technical assistance for strategic investments. It is a joint initiative of the European Union, financial institutions, bilateral donors and the governments of the countries in the Western Balkans.

Tajikistan has the Pamir Clean Energy Public-Private Partnership project, which leverages sustainable finance by a combined public-philanthropic injection of grants and equity in a below-investment-grade country. The solution was for the Swiss Government to supplement the low utility tariff. The Aga Khan Foundation provided the equity. The World Bank provided part of the debt, with the rest mobilized from private financial institutions.

Selected multilateral finance programmes in UNECE with circular economy elements

Country	Supporting multi-lateral institution	Name of initiative	Scope	Circular economy aspects and opportunities
Kazakhstan	EBRD	Country strategy 2022–2026	<ol style="list-style-type: none"> 1. Foster private sector competitiveness and improve connectivity 2. Support Kazakhstan's pathway to carbon neutrality 3. Promote economic inclusion, youth and gender equality 	<p>Mainly focused on renewable energy development and decarbonization</p> <p>CE component narrowly focused on waste, wastewater and water projects and ensuring alternatives are considered, to identify investments that support the circular economy and resource efficiency</p>
Kazakhstan	ADB	SDG Platform (2019–2022)	Support decision makers on funding flows between national institutions and international development agencies and mobilizing finance available for achieving SDGs	Greater capacity of decision makers to close investment gaps for SDGs relevant to the circular economy
Republic of Türkiye	EBRD	Near Zero Wasteprogramme (2015)	Concessional financing from the Climate Investment Fund's Clean Technology Fund and technical assessments	Company support for adoption of new waste minimization techniques and technologies such as PVC recycling
Republic of Türkiye	EBRD	Technical assistance programme of circular vouchers targeting selected platform members (since 2018)	Support companies in identifying viable circular investments	Desk-based review support and technical assistance service to identify high-potential opportunities such as product life extension, reuse, remanufacturing, recycling and upcycling

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Uzbekistan	UNDP and Integrated National Financing Framework Facility	Sovereign Sustainable Development Goals Bond (2020–2023)	Mobilizing public and private finance as well as strengthening the dialogue across the government, private sector and civil society	Health financing solutions, green bonds (sukuk, or Sharia-compliant financial certificates) for environment-friendly projects; circular economy focus so far unclear
Western Balkans and Türkiye	EBRD (with Global Environment Facility)	Circular Economy Regional Initiative (CERI) (2021)	Support investment in the private sector, particularly SMEs	Implement innovative and resource-efficient technologies and adopt circular business models
Western Balkans	EIB	New Guarantee Agreement (2021)	Enable crucial public investment in sectors such as clean energy, digital and transport infrastructure, health and education over the next seven years, and enable financing for implementation of the Economic and Investment Plans for the Western Balkans	Invested €853 million across the sub-region in 2021 for sustainable development, focusing on SME support, wastewater infrastructure and digital projects

Finance sector:

- Increase the availability of innovative finance tools and products for the circular economy
- Risk sharing through blended finance - important mechanism to remove first-mover risks and enable the uptake of waste minimization technologies that have a low market penetration rate.
- Access to technical support for circular economy finance

National policy:

- Integration of the circular economy in national green policies and road maps Some UNECE countries (e.g. Kazakhstan) have already adopted a green growth strategy, which could benefit from incorporating CE strategies and international circular policy experience.
- Aligning climate and circular economy transition agendas (linking CE to NDCs and climate finance)

International cooperation:

- Cooperation with the European Union on the circular economy objective
- Apply Just Transition Principles in international circular economy cooperation (MDB framework)

Thank you for your attention!
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