



Country Brief

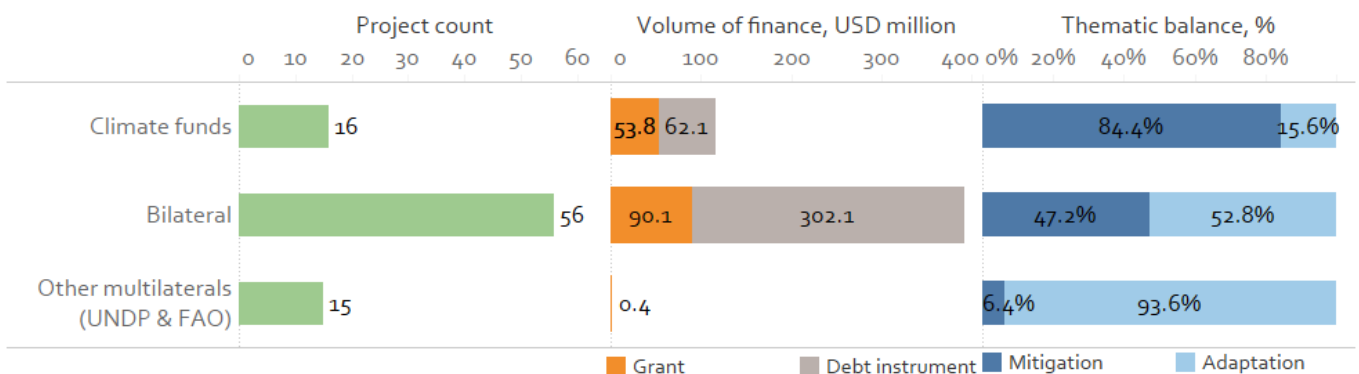
ARMENIA

To analyse the climate finance landscape in Armenia, the evaluation team looked at the climate-related development finance data from the Organisation for Economic Co-operation and Development (OECD). The team considered activities with principal and significant contributions to climate objectives (calculated using the DAC Rio markers for climate) from 2015-2019.^{1,2}

Against this backdrop, Armenia has three main types of climate finance providers: climate funds, bilateral, and multilateral development partners. In terms of climate finance volume and number of projects, bilateral development partners are the main actors in climate finance in Armenia: they finance 56 out of 87 projects in the country that address climate change (Figure 1). The remaining portfolio of 31 projects is equally divided between climate funds and other multilateral

organizations. Multilateral development banks do not finance any projects in Armenia with principal or significant climate change components. The average size of projects in Armenia is USD 4.63 million for climate fund projects, USD 3.96 million for projects financed bilaterally and USD 0.02 million for projects financed by other multilateral organizations (in this case, UNDP and FAO). In terms of financial instrument use, bilateral development partners have a strong preference for debt instruments whereas climate funds do not demonstrate a significant preference in their choice of instruments; using grant finance for 46 per cent of project financing versus 54 per cent non-grant finance. Looking at the balance in finance allocation between adaptation and mitigation, climate funds do not preserve a 50:50 ratio at the country level; only 15.6 per cent of overall climate finance is channelled towards

Figure 1. Portfolio of climate finance in Armenia



Source: OECD climate-related development finance (2015-2019), GCF Tableau server data (2019)

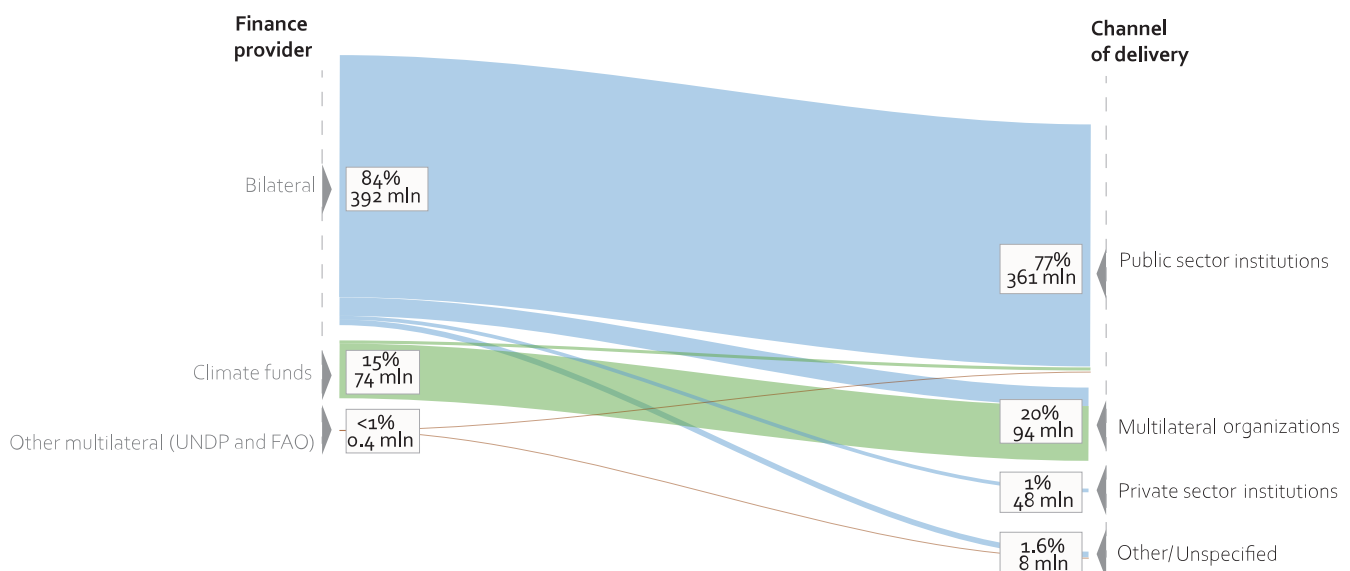
Note: At the time of climate finance landscape analysis, the most recent available update for OECD climate-related development finance data was for the year of 2019. Due to such availability, data cut-off date in the external finance section of the brief is 2019. The further analysis of GCF finance has cut-off date of July 1st, 2021.

adaptation activities. The country-level thematic balance in the GCF portfolio is also skewed; of an overall USD 118.2 million in the country (as of 1 July 2021) the Fund is channelling 92 per cent to mitigation and 8 per cent to adaptation. UNDP and FAO projects have a primary focus on adaptation (94 per cent of their finance in the country), but this represents a very low volume of finance (USD 0.4 million).

From the programmatic perspective, the channel of climate finance delivery can play a crucial role in catalysing and mobilizing the private sector in countries. According to the newest available

data on climate-related development finance (as reported to OECD in 2019), the private sector is currently underused as a channel of delivery of climate finance in Armenia. At the country level, only 1 per cent of climate finance is channelled through private sector institutions. This is a very small amount and the channel is only used by bilateral development partners (Figure 2). In all, 77 per cent of overall climate finance in Armenia is delivered through public sector institutions, with 20 per cent delivered by multilateral organizations (20 per cent). Finance from climate funds is largely channelled through multilateral organizations.

Figure 2. *Delivery channels of climate finance to Armenia*



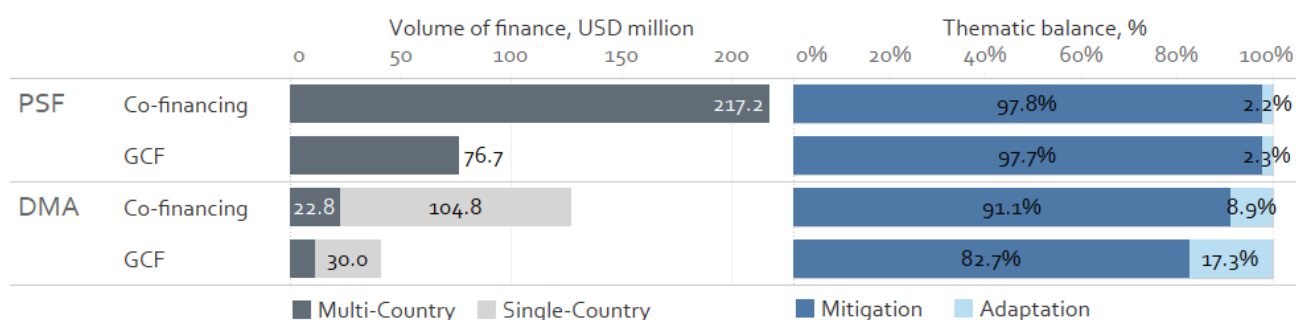
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Armenia is one of the nine countries eligible to receive GCF financing in Eastern Europe. As of July 2021, a total of USD 118.2 million in GCF financing and USD 344.7 million in co-financing has been approved for projects covering Armenia. The co-finance ratio in Armenia is therefore 2.9. The GCF is channelling climate finance through five projects: FP140, FP086, FP025, FP010 and SAP014. Of these, two are multi-country projects.

The majority of GCF finance is committed to Armenia under two Private Sector Facility (PSF) projects, both of which are multi-country. As observed above at the macro level across other climate funds' investments in Armenia, more than 80 per cent of finance across the Division of Mitigation and Adaptation (DMA) and the PSF is channelled towards mitigation activities (Figure 3).

Figure 3. Volume of finance and thematic balance across GCF divisions, Armenia



Source: GCFTableau server data (2021)

Note: Left: volume of finance across divisions; right: thematic balance across divisions. For multi-country projects, country allocations were based on shares indicated in the GCFTableau server.

Beyond uneven finance allocation across mitigation and adaptation in Armenia, there is a tendency to focus on selected results areas. Of the USD 118.2 million committed to GCF activities in Armenia, 67 per cent is committed to activities under the buildings, cities, industries and appliances result area (USD 52.4 million under PSF projects and USD 27.2 million under DMA projects) and USD 22.5 million to energy

generation and access under PSF projects (Figure 4). With the aim of enhancing the capacity of the country, the GCF is supporting four projects through the Readiness and Preparatory Support Programme (RPSP). The GCF’s pipeline currently contains one funding proposal and one proposal submitted to the RPSP, but no proposals under the Project Preparation Facility are targeting Armenia.

Figure 4. Volume of finance and thematic balance across GCF divisions, the Pacific Islands

	DMA	PSF		PSF	DMA
Mitigation			Adaptation		
Buildings, cities, industries, and appliances	27.2	52.4	Ecosystems and ecosystems services	0.0	2.6
Energy generation and access	0.0	22.5	Health, food and water security	0.0	0.0
Forests and land use	3.7	0.0	Infrastructure and built environment	1.8	2.3
Transport	3.5	0.0	Livelihoods of people and communities	0.0	2.3

Source: GCFTableau server data (2021)

Note: Left: volume of finance across divisions; right: thematic balance across divisions. For multi-country projects, country allocations were based on shares indicated in the GCFTableau server.

Endnotes

- 1 For details, see https://www.oecd.org/dac/environment-development/Revised%2oclimate%2omarker%2ohandbook_FINAL.pdf
- 2 GCF's project approval began in 2015.

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