



Designing the Model Framework Structure and Content for the issuance of Green Bonds in Armenia (Green Bond Framework)

Final Assignment Report

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1. Introduction

The objective of the Assignment was to contribute towards advanced utilisation by Armenian banks and non-banking financial institutions of the opportunities to attract financing through issuance of the Green Bonds through design of the Model Framework Structure and Content for the issuance of Green Bonds in Armenia (Green Bond Framework) and assistance to 2 competitively selected entities in negotiations with potential investors.

The initial assignment timeframe of the assignment was from 9 March 2022 to be completed within 22 weeks (i.e. before 10 August 2022) - though the plan was moved up slightly to account for the potential cycle of funding availability.

Overall, the assignment was carried out successfully and according to the work plan, with one significant deviation. Despite significant marketing of the technical assistance to potential green bond issuers, only 2 applicants applied - one of which was ARMSWISSBANK which was deemed by the Green Climate Fund (GCF - the donor) and the Ministry of Environment to be ineligible for the programme due to the fact that the Bank was also the contracting agent (coordinator) of the assignment - and therefore it was deemed that there would be a conflict of interest. Therefore, an adjustment was made to the work plan to focus more on making materials available to all market actors - including the various workshops.

This report outlines the achievements of the assignment. All deliverables can be found in separate documents which are available at [this link](#). Significant achievements can be summarised as:

1. Engagement with over 50 stakeholder representatives from 20+ institutions in Armenia related to Green Bonds - including carrying out workshops with 40+ individuals on the topic.
2. Development and distribution of materials on integration of Green Bond processes including:
 - a. Recommendations on integration of Green Bonds processes into governance / appraisal structures and processes
 - b. Screening and reporting tools against the International Capital Market Association (ICMA) standard
 - c. Presentation and distribution of this information to 50+ individuals at 20+ organisations.
3. Development of a bespoke Green Bond Framework for Unibank.
4. Bespoke bilateral workshops on Green Bonds with key market actors including the Armenian Stock Exchange and the Central Bank of Armenia.
5. Introduction of numerous stakeholders (including Unibank) to Second Party Opinion providers - including the participation of the market leader in Second Party Opinions (Sustainalytics) participating in an online workshop.

2. Achievements, activities, and status of deliverables for the assignment

The following table outlines the tasks as described within the Terms of Reference with slight adaptation in the technical proposal, and notes on their achievement.

Task 1: Develop draft framework structure and content

Action / Task	Date of completion	Notes
1.1. Research, develop and recommend structure for the Green Bond Framework as based on the ICMA's Green Bond Principles	06/04	This involved drafting a short document and accompanying power point presentation with recommended framework structure and brief description of other options.
1.2. Research, develop and propose a Green Definition (Taxonomy) as aligned with the ICMA's Green Bond Principles	06/04	The Green Definition was a part of draft framework.
1.3. Research, develop and propose appropriate indicators and processes to facilitate project screening, evaluation and reporting as based on Issuer's core business activities	10/06 - draft	Indicators for screening were drafted. Allocation and reporting indicators and processes were also developed. The screening tool and aspects were presented during workshop with stakeholders under 4.2.b. (7/7/2022)
1.4. Research, develop and propose process structure and documentation outlining the Issuer's management and use of proceeds in alignment with the ICMA's Green Bond Principles	10/6 - draft	This structure and reporting requirements document was developed and included as a part of the Green Bond Framework developed and delivered to Unibank (final delivery on 18/7/2022)
1.5. Identify reporting requirements in alignment with the ICMA's Green Bond Principles and develop and propose reporting content, structure, and location	10/6 - draft	It was also developed in a more generic way available to all stakeholders (distributed on 18/7/2022). This
Deliverable 1: Draft framework structure and content	6/4/2022	The initial draft Green Bond Framework and Structure was completed and delivered on 6/4/2022 to ARMSWISSBANK

Task 2: Confirming the draft framework structure and content with the DP

Action / Task	Date of completion	Notes
2.1.a Organize workshop meetings with the DP's representatives, confirm the framework structure and content as well as obtain comments	26/5	Outreach / workshop carried out with Unibank in person (week of 23 - 25 May) to discuss use of proceeds, etc.

Action / Task	Date of completion	Notes
2.1.b 2 Workshop on draft framework structure and content - for Unibank	26/05	Additional confirmation and input from Unibank was received on 11/7/2022.
2.2. Finalize the Green Bond Framework, incorporating feedback received during the workshops and meetings	18/7	Based on additional information - notably input from Unibank on use of proceeds, bank processes, and bank's ESG policies. Which was received from Unibank on 11/7/2022, the final Green Bond Framework was delivered on 18/7/2022
Deliverable 2: Finalized Framework Structure and Content	18/7/2022	Based on feedback from Unibank on 11/7/2022, the final Green Bond Framework was delivered on 18/7/2022

Task 3: Selection of Activity Beneficiaries

Action / Task	Date of completion	Notes
3.1.a Draft letter of introduction sent to banks	6/04	Draft letters sent to numerous financial institutions (complete list in Annex 1)
3.1.b Online workshop introducing overall on green bonds for potential DPs	21/04	Participants invited to the workshop on 21/4 (see list of invitees in Annex 1)
3.1.c Comprehensive set of selection criteria are designed and agreed with the DP	26/4	Draft criteria were delivered on 26/04 and agreed to by ARMSWISSBANK.
3.1.d Deadline for applications	06/05	The deadline was communicated to various potentially interested institutions via the workshop and via email on 27/4/2022.
3.2. Competitive selection procedure is carried out and 2 entities selected (final approval will be endorsed by the NDA)	15/05	The competitive selection was carried out based on submissions (2 received). The Team reviewed submissions from potential DPs and provided recommendation on selection. ARMSWISSBANK and Unibank applied. However, GCF had objections to ARMSWISSBANK being included and the Ministry of Environment asked that additional outreach be undertaken to identify a different beneficiary. That was not feasible given the timeframe and resources of the assignment. Therefore a different approach was taken to make more materials available to a wider audience.
Deliverable 3: Report on selection of activity beneficiaries	15/5 - draft 24/06 - final	Initial version sent to NDA and GCF on 15/5/2022. Revised version sent on 24/06.

Task 4: Integrate the framework with existing governance structure

Action / Task	Date of completion	Notes
4.1. Identify relevant existing governance structures and documentation	11/7	This information was included as part of the application from Unibank and later updates (received on 11/7/2022).
4.2.a. Support the selected entities to link the key components of the Framework to relevant governance structures and documentation	8/7	<p>The Consultant team developed a short report and accompanying power point presentation and on how to integrate the framework into DP's existing structures - i.e. who should be responsible for what and MRV mechanisms - including likely parameters of staff-time / expenses.</p> <p>This was shared via an online workshop on 8/7/2022.</p>
4.2.b. Workshop with DP on integration of framework into existing governance structures	8/7/2022	<p>This was envisaged as a discussion with Unibank and the second DP on how to integrate framework.</p> <p>However, given that there is no current second DP, this was expanded to include all interested stakeholders in a workshop undertaken on 8/7/2022.</p>
<p>4.3. Support the selected entities in the development of any new required processes and documentation relevant to the integration of the Framework. This will include:</p> <ul style="list-style-type: none"> · Development of Eligibility and Screening Toolkit · Development of GHG calculations tool · Development of GHG footprint simplified calculator, detailing of eligible categories into simple (List of eligible technologies) and complex projects · Development of the list of parameters to collect from sub-borrowers and principles of its integration to formulate and disclose impact reporting figures 	22/06	<p>This has been completed and delivered to Unibank on 22/6/2022.</p> <p>Given that there is no second DP for the assignment, it was proposed to carry out an additional workshop in this regard open to all interest parties - which was carried out on 8/7/2022 and then the report and materials were shared with participants in the workshops on 19/7/2022.</p>
Deliverable 4: Report on recommendations of integrating framework with existing governance structures	19/7/2022	As noted, given that there is no second DP for the assignment, the report and materials were shared with participants in the workshops on 19/7/2022.

Task 5: Sourcing and guiding the selected entities in selecting a third-party reviewer

Action / Task	Date of completion	Notes
5.1. Research providers of independent verification and present result to selected entities' management	27/6	The Consultant developed a short list of potential third-party reviewers. Based also on knowledge of potential FIs involved. This was Completed and delivered to Unibank and ARMSWISSBANK on 27/6/2022.
5.2. Support the selected entities in shortlisting and selecting a third-party reviewer for pre- and post-issuance verification	18/7	The Consultant initiated contact with two reviewers regarding interest / potential costs and wrote Terms of Reference (shared with Unibank on 18/7) for their engagement. Follow up steps will depend upon Unibank's decision to move forward with Green Bond issuance (which is out of the control of the Consultant).
5.3. Facilitate meetings between the selected entities' representatives and independent verifications providers	8/7	Draft a short report and accompanying power point presentation on the recommended third-party reviewer or advantages / disadvantages of each. The report was prepared and a power point presentation also prepared and shared in the workshop on 8/7/2022 - at which one of the independent verifiers (Sustainalytics) participated and gave a presentation.
5.3.b. Workshop presenting selection of third-party reviewers	8/7	Due to only one DP being chosen (Unibank) which decided to not yet pursue the Green Bond verification process, this workshop was not held. Instead, a presentation on the role of second party opinion providers (and verifiers) was held on 8/7/2022 with a much larger audience (See Annex A).

Task 6: Organizing and coordinating a virtual 5 workshops to present the developed products and instruct executives and experts in context

Action / Task	Date of completion	Notes
6.1. Carrying out of workshops throughout the assignment to present deliverables	8/7	We consider that this deliverable has been met via the following: 1: Workshop on introduction to green bonds - 26/4/2022 2 & 3: Bilateral in-person Meetings / workshops with Central Bank of Armenia, Armenian Stock Exchange, Unibank, ARDSHINBANK, and ARMSWISSBANK - 24/5/2022 through 26/5/2022 4: Workshop on screening and GHG calculation tool - 8/7/2022

Action / Task	Date of completion	Notes
		5: Workshop on role of Second Party Opinion provider - 8/7/2022 Additionally, a 6 th in-person workshop is planned to be held in 9/2022 on IFIs experience in green bonds - specific date to be decided
Deliverable 6: Workshop presentations and notes from 5 workshops carried out	8/7/2022	Notes and Workshop Presentations have been shared via this link .

3. Lessons learned

The key lessons learned in this assignment include the following:

Active Marketing of Technical Assistance (TA) Services is crucial to success - but not always sufficient. The consultant carried out numerous bi-lateral meetings with financial institutions and a well-attended workshop on Green Bonds. However, in the end, only one eligible applicant (Unibank) submitted an application. Informal feedback from other potentially interested market actors indicated that they were waiting to see the market develop more. For future technical assistance efforts for “innovative” financial mechanisms, if practical it would be useful to conduct the choosing of beneficiaries before the commissioning of the TA - or structure the TA in two phases - one for general stakeholders and one for specific beneficiaries.

Where the client may be a beneficiary of Technical Assistance, their eligibility should be established early. A second application for Technical Assistance was received from ARMSWISSBANK, which was then deemed ineligible by the GCF due to the Bank also being the manager of the contract. This was despite attempts to distance ARMSWISSBANK from the process by not involving them in the development of criteria or in the selection of beneficiaries. Given that only one applicant was therefore selected, this made the assignment perhaps less successful than initially hoped.

Annex A: List of Invitees and Participants in workshops open to generally interested market actors

Workshop 1: Introduction to the topic of Green Bonds

Name Surname	e-mail	Institution	Position
Alla Simonyan	N/A	N/A	N/A
Sona Harutyunyan	N/A	N/A	N/A
Anahit Nadaryan	Anahit.Nadaryan@acba.am	ACBA Leasing CJSC	Accountant
Ani Sargsyan	Ani.h.sargsyan@ameriabank.am	Ameriabank CJSC	Environmental and Social Senior Risk management specialist
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Workshops 4: Integration of green bond framework and

Workshop 5: The role of Second Party Opinion providers

Name surname	Email	Organization	Position
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