

«GREEN» FINANCE IN LEBANON AND BELARUS

According to the definition of the International Capital Market Association (ICMA), “green” financing is the financing of projects aimed at solving environmental problems, including the prevention and reduction of environmental pollution, the conservation of natural resources and biodiversity, etc. [1]

Lebanon is wrought by decades of endemic corruption, waste mismanagement, regular power cuts, water scarcity, and limited natural resources. With the devaluation of the Lebanese Pound, the rate of poverty is increasing, people lack access to basic necessities (85% of the products are imported), including food, shelter, and healthcare. Also, Lebanese banks have locked depositors out of their dollar accounts and blocked transfers abroad. All the latter are threatening the stability of the country and the World Bank described it as one of the deepest depressions in modern history [2]. In the global investment environment, the most striking expression of the trend towards increasing importance of ESG has been the increase in the number of signatories to the Principles for Responsible Investment (PRI), which are a set of voluntary principles developed and adopted by international investors to minimize the risks of long-term investment by incorporating ESG factors into investment strategies. Large institutional investors, with the financial support of the United Nations Environment Programme (UNEP), have developed six basic principles of responsible investment and created the PRI Association for Responsible Investment, which is engaged in the implementation of sustainable development principles in the daily activities of companies. Joining the principles occurs through signing the relevant declaration and is a public demonstration of commitment to the implementation of ESG factors in the investment decision-making process. In 2006, when the PRI was introduced, only 63 financial institutions had signed up to the principles of responsible investment, but by the end of 2021, their number had reached 3,404. The total volume of investments compliant with the PRI amounted to USD 121 trillion [3]. It is the beginning of green finance development.

Lebanon has adopted a green growth strategy and its national financial systems. Also, Lebanon was one of the first countries in the region to issue a green bond and have developed a strategy on promoting sustainable finance through an awareness campaign in 2010 (BDL 2010) even though the country has not developed ESG guidelines and is not engaged in sustainability reporting. However, the political instability in the country has

halted its sustainability commitment [2].

The country has environmental policy and regulations but they have a limited impact due to their inconsistent enforcement, and lacks a legal framework for social and green enterprises. The Environmental Protection Law No. 444 of 2002 (decree 167 of 2017) supports green businesses through the reduction of income (up to 50% reduction) and customs tax (up to 50% reduction) on environmentally friendly products and services, including sustainable energy products.

The Central Banks of Lebanon (Banque du Liban, (BDL)) developed a financing mechanism to promote sustainable finance practices across the banking sector. The National Energy Efficiency and Renewable Energy Action (NEEREA) is a national platform launched in 2010, based on circular 236 in collaboration with European Union, provides interest-free long-term loans to residential, commercial, non-profit, and industrial users for energy efficiency and renewable energy projects for new and existing building facilities. In 2013, BDL introduced new incentives through circulars 313, 318, and 346 to promote energy efficiency, renewable energy, and certified green building. The NEEREA loan has a ceiling of 20 million USD and is offered at an interest rate of around 2.5% for the period that should not exceed 14 years including a grace period of 6 months to 4 years. The green loans are provided through all the Lebanese commercial banks to directly reach the end-user. By the end of 2017, the NEEREA financing mechanism had approved more than 780 projects with a total value of more than 464 million dollars US. The Lebanese Environmental Action (LEA) is a different financing mechanism platform that complements NEEREA by providing the private sector in Lebanon with long-term loans at equivalent low-interest rates in order to implement other non-energy-related environmental solutions. LEA finances and covers the cost of environmental measures of new projects or to enhance the conditions of an existing project to become environmentally sound. It allows private sector entities (individuals, SME's, or corporate bodies) to apply for subsidized loans for any type of qualified environmental projects. The BDL is promoting entrepreneurship through numerous initiatives. These include offering micro, small and medium enterprises (MSMEs), loans at a preferential rate. Some programmes such as the Kafalat Corporation, whose aim is to develop a guaranteed scheme for banks' credits to SMEs specializing in agriculture, tourism, industry, and information technology. Guaranteed loans should not exceed a maturity period of seven years and loans are given to businesses with less than 40 employees. Kafalat underwrites 75% of the loan in case of default and charges a guaranteed fee of 2.5%. To maintain a competitive advantage in the global economy, the BDL launched in 2014 the circular 331 to promote the development of start-ups in Information and communi-

cation technology (ICT). The investment of up to 400 million dollars in the enterprise market led to an increase in the number of incubators and accelerators programmes in the country. Therefore, these supporting programmes foster the development of ICT start-ups in Lebanon. It should be important to note that some incubators and accelerator programmes promote and provide technical assistance and funding for green and ICT start-ups [2].

The European Bank for Reconstruction and Development's (EBRD) signed the first Green Economy Financing Facility in 2018 with Bank Audi to provide funding for Lebanon's sustainable development. This facility allows businesses and individuals alike to invest in commercially viable and profitable projects, which will help the 28 country transition to a low-carbon energy system, support sustainability into the future, and fight climate change. The financing facility is for the renewable energy sector with an amount up to 300 000 dollars for individual pre-approved technologies and up to 15 000 000 dollars for businesses. Fransabank SAL, the fourth-largest Lebanese bank, is the first bank to issue green bonds in 2018 in Lebanon and the Levant region to boost the green economy, promote environmentally friendly projects and help fight climate change. The size of the Green bond is 60 million dollars. The International Finance Corporation (IFC), a member of the World Bank Group, an anchor investor in Fransabank's green bond program, invested 45 million dollars in the first issuance. The EBRD subscription of 15 million dollars marks the institution's first debt project in Lebanon. Since 2019, due to the economic crisis loans and financial support destined to start-ups or SMEs have been halted. The situation in Lebanon is at a deadlock and the future of the Lebanese economy is unclear.

In the Republic of Belarus the pioneers of the ESG agenda are enterprises – 28 companies, including the largest banks and enterprises, although a large number of companies from the real sector do not take ESG issues seriously. Currently, the offer of green products among Belarusian banks is small, and most financial institutions are cautious about introducing new, environmentally friendly products. The reason for this may be that, as part of their focus on digitalization and automation of their activities, banks are striving to standardize their product line, minimize manual processing of information, and introduce automatic analysis algorithms and scoring models. While there is no clear idea of the demand for green investments, it is quite difficult to accurately model the commercial prospects of this product. In addition, there are the following problems that banks face when introducing green products: there is no regulatory framework for the correct classification of a loan as green; lending must be strictly targeted; information about the financing object is only available to the seller;

there is no list of product characteristics and their values.

Thus, to launch green lending, it is necessary to prepare a regulatory framework, organize the collection of information about green objects from sellers or suppliers, and gain access to the characteristics of green objects. Currently, in the financial market of the Republic of Belarus, green banking products exist in the form of loans for the purchase of electric vehicles, financing of green projects. Currently, there is the only international financial institution providing financing for the implementation of green projects in the Republic of Belarus.

The Belarusian ESG bond market is at the stage of emergence. Abroad, the main factors stimulating the development of this market are demand from society, as well as the technological achievability of the transition to a sustainable development model for large corporations. In Belarus, public demand for ESG is still low, and public pressure on companies is weak. Therefore, there are not yet a large number of projects that would need green financing. Currently, the main stakeholder in the development of the green market in our country is the state, which needs to move away from hydrocarbon dependence in the medium and long term, since it carries significant risks in the context of the energy transition. The state is already working on mechanisms to stimulate the market. Work is underway to create a separate specialized platform for trading green bonds at the Belarusian Currency and Stock Exchange.

Conclusion: we are witnessing and participating in the transition to a new paradigm of civilization. It is important to ensure funding for green initiatives, and for this, create a regulatory framework, justify the criteria for selecting projects for financing, and develop a financing mechanism with an offer of more favorable conditions. In Lebanon, many issues in this regard have already been worked out. But due to the protracted crisis, there is no opportunity to develop a green economy. In the Republic of Belarus, there are economic opportunities, but the state is more interested in developing a green economy, and private business is at the stage of capital accumulation.

LITERATURE

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