



# Kazakhstan: Supporting Development of Innovative Green Housing Finance

Project Name	Supporting Development of Innovative Green Housing Finance						
Project Number	52312-005						
Country / Economy	Kazakhstan						
Project Status	Approved						
Project Type / Modality of Assistance	Technical Assistance						
Source of Funding / Amount	<table border="1"> <tr> <td>TA 6999-KAZ: Supporting Development of Innovative Green Housing Finance</td> <td></td> </tr> <tr> <td>Financial Sector Development Partnership Special Fund</td> <td>US\$ 263,000.00</td> </tr> <tr> <td>Technical Assistance Special Fund</td> <td>US\$ 550,000.00</td> </tr> </table>	TA 6999-KAZ: Supporting Development of Innovative Green Housing Finance		Financial Sector Development Partnership Special Fund	US\$ 263,000.00	Technical Assistance Special Fund	US\$ 550,000.00
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Financial Sector Development Partnership Special Fund	US\$ 263,000.00						
Technical Assistance Special Fund	US\$ 550,000.00						
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth						
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships						
Sector / Subsector	Finance / Housing finance						
Gender Equity and Mainstreaming	No gender elements						
Description	<p>The knowledge and support technical assistance (TA) to the Government of Kazakhstan through the Kazakhstan Housing Company (KHC) Joint Stock Company will help support the development of green housing finance. It will raise the understanding and provide policy advice on the selection of green technologies appropriate for the housing sector, build capacity on assessing their financial feasibility in housing project design, and transfer knowledge on how to design green housing in an urban planned unit development (PUD). Capacity building efforts will support KHC to deliver its mandate, to integrate green technologies and help establish more sustainable green construction and green mortgage finance mechanisms. The TA will support the country in addressing climate mitigation. Based on the concepts to be identified, the TA presents itself as a step in a larger strategy seeking to use the value of greenhouse gas (GHG) emission reductions to support other sectors of the economy to use green technologies. KHC is fully owned by Baiterek Holding, a state holding company, that is also the sole shareholder of Otbasy Bank, the executing agency of the Asian Development Bank (ADB)'s Promoting Gender Equality in Housing Finance Project that supports gender equality in housing. The main mandate of Otbasy Bank is to provide mortgages while the main role of KHC is to fund the construction of affordable housing. The TA is aligned with the priorities of ADB's Strategy 2030, and the Sustainable Development Goals, specifically in addressing climate change, and ADB's country partnership strategy for Kazakhstan, 20172021.</p>						
Project Rationale and Linkage to Country/Regional Strategy	<p>High greenhouse gas emissions of Kazakhstan threaten the country's sustainable development. Transition to a more resource-efficient and greener economy is a government priority under the 'Concept for transition of the Republic of Kazakhstan to Green Economy,' the country's Nationally Determined Contribution (NDC) and the Green Taxonomy. According to the International Energy Agency, Kazakhstan is one of the largest emitters of GHG in Europe and Central Asia with total annual emissions of 205.8 million metric tons of carbon dioxide (2019). Kazakhstan consumes twice as much energy per gross domestic product unit (based on purchasing power parity) than the Organisation for Economic Co-operation and Development average.</p> <p>Inefficient housing stock creation and financing framework. One of the priorities of the Kazakhstan 2025 Strategy is ensuring quality and affordable housing. According to their housing policy, commissioning of new housing units by 2025 should increase by 20.7 million square meters annually. The delivery of finance for housing creation and ownership is inefficient and at a high cost. New construction and offtake focus on potential buyers pre-paying installments for housing under development. While such schemes are insured for credit risk by KHC, buyers must arrange mortgage financing in advance of completion or pay in cash only. Project developers use these funds as a source of construction finance. However, the timing of completion and delivery can be uncertain and can entail some risk. For buyers, any delay in the delivery of housing not only impacts their personal conditions, but also impacts any pre-approved finance. The overall mechanism does not support an effective delivery of housing at reasonable prices, may impose added costs to the public through the absence of housing stock availability, raise opportunity costs from uncertain delivery timings, and provide no incentives to pay premiums for energy efficient housing.</p> <p>Lack of experience with the design of green housing projects and financing options. GHG emissions from the housing sector (related to consumption of electricity and heat) have increased by 2.7 times in the period of 2013-2015, (by 11648 thousand tons of !2 equivalent), while emissions from public generation of electricity and heat have reduced by 11.5% (reduction of 10856 thousand tons !2). There is a clear need to develop energy efficient green housing in Kazakhstan yet there is a lack of experience with the green technological options that can be feasibly used in housing projects to provide for GHG emission reductions at a reasonable cost. The KHC lacks familiarity with the process for economic and financial analysis to assess various green technologies and consider the potential for monetizing benefits. KHC has a long history and capacity to deliver affordable housing but lacks expertise in delivering green housing. Further, there is an absence of expertise in designing and planning of green housing projects using the chosen technologies to ensure that the project is ultimately bankable and reasonable financing options can be arranged for build-out. A variety of climate finance options need to be considered.</p> <p>Absence of greenhouse gas emission reduction monetization mechanism. While GHG emission reductions generated from use of green technologies in housing exist, the methods to quantify and monetize reductions and produce a benefit to homeowners through a credible independent system for monitoring, reporting and verification followed by monetization does not exist. Further, methods to quantify emission reductions for housing projects are developed on an individual unit basis. When dealing with multi-unit housing, methods to aggregate reductions and allocate the benefits back to individual homeowners are lacking. A framework mechanism must be created to quantify and monetize GHG emission reductions in multi-unit housing.</p> <p>Underdeveloped energy savings mitigation performance insurance system. When green technologies are installed in housing, sellers may offer warranties for future energy cost savings. Buyers may pay more for green technologies provided they are convinced that energy cost savings will more than compensate them for the higher upfront costs. However, buyers, especially homeowners in the low- and medium-income level, are less capable to take the risk embedded in the higher upfront cost because of difficulties in raising finance and a lack of trust in the promised savings. These difficulties can be mitigated if the technologies come with insurance ensuring a minimum level of savings. The development of a mitigation performance insurance scheme is vital to the widespread adoption of green technologies in the housing sector.</p>						
Impact	Capacity to build a more resource-efficient and greener economy supported						

Project Outcome	
Description of Outcome	Framework for use of energy efficient green technologies in the housing sector created.
Progress Toward Outcome	
Implementation Progress	
Description of Project Outputs	Design of a low-carbon, energy efficient and climate-resilient green housing development prepared. Mechanism for the selection of energy efficient green technologies for use in housing created. Framework for innovative green housing finance and greenhouse gas reduction monetization mechanism created. Framework for use of suitable financial risk management products supporting wider adoption of green technologies developed.
Status of Implementation Progress (Outputs, Activities, and Issues)	
Geographical Location	Nation-wide
Summary of Environmental and Social Aspects	
Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	
Stakeholder Communication, Participation, and Consultation	
During Project Design	
During Project Implementation	
Responsible ADB Officer	
	Giannetto, Giacomo G.
Responsible ADB Department	
	Central and West Asia Department
Responsible ADB Division	
	Public Management, Financial Sector and Trade Division, CWRD
Executing Agencies	
	Kazakhstan Housing Company JSC
Timetable	
Concept Clearance	11 Jul 2022
Fact Finding	31 May 2022 to 02 Jun 2022
MRM	-
Approval	25 Nov 2022
Last Review Mission	-
Last PDS Update	25 Nov 2022

## TA 6999-KAZ

Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
813,000.00	0.00	0.00	0.00	0.00	0.00	813,000.00	-	0.00

Project Page	<a href="https://www.adb.org/projects/52312-005/main">https://www.adb.org/projects/52312-005/main</a>
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Date Generated	28 November 2022

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