

Reader's guide

This report presents key findings from an analysis of the strengths and weaknesses of existing institutional frameworks for strategic planning of sustainable infrastructure in the six countries of the European Union's Eastern Partnership in Eastern Europe and the Caucasus: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. It follows the methodology and format developed for a similar study published in 2019, *Sustainable Infrastructure for Low-carbon Development in Central Asia and the Caucasus*, which covered eight countries: Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Mongolia, Tajikistan, Turkmenistan and Uzbekistan. Two chapters from the present report – Azerbaijan and Georgia – are updated versions of the chapters published in the aforementioned 2019 study.

It also provides an inventory of infrastructure projects, both planned and under construction, in the region, with the objective of assessing the extent to which infrastructure plans are consistent with long-term development, climate and environmental objectives.

The Overview provides a brief outline of the trends observed in the regions.

Chapters 1 to 6 present country profiles that consist of three components:

1. **a rapid assessment** of the challenges and opportunities related to investment, climate and infrastructure;
2. **an analysis** of hotspot infrastructure projects, which are defined as infrastructure projects (planned and under construction) with potentially high environmental, social and economic impacts;
3. **an overview** of strengths and shortcomings in the existing framework for strategic infrastructure planning.

Due to limited data availability, the data points for the six countries included in the present study are not always comparable. The authors have included the most recent data points available and, as much as possible, have used the same sources for each sector. When possible, other data points were included from national statistics offices from the most recent year available.

Methodology: building the database of infrastructure projects

The analysis draws on a database of infrastructure projects compiled by the OECD. The database covers six countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine) and five sectors:

- **Transport** (including airports, roads, railways, multimodal transportation hubs, transportation and logistics centres).
- **Energy** (including projects related to electricity generation, electric power transmission and distribution, upstream oil and gas, oil and gas pipelines).
- **Industry** (including manufacturing projects related to iron and steel production, cement plants, petrochemical plants, fabricated metal products, coke and refined petroleum).
- **Mining and quarrying** (including of metal ores such as gold, chrome, copper, zinc, iron, tin, uranium).

- **Water** (including water supply, water facilities, irrigation and drainage projects, rehabilitation).

The database covers infrastructure projects planned and under construction in the period 2000 to 2020, and draws on the following sources of information:

- **International financial institutions and national development banks web sites:** Asian Development Bank (ADB); Asian Infrastructure Investment Bank (AIIB); European Bank for Reconstruction and Development (EBRD); Eurasian Development Bank; European Investment Bank (EIB); Black Sea Trade and Development Bank (BSTDB); China Export-Import Bank; International Monetary Fund (IMF); OPEC Fund for International Development (OFID); World Bank; Kreditanstalt für Wiederaufbau (KfW).
- **Investment promotion agencies:** Azpromo, Invest in Belarus, Invest in Georgia, Invest Moldova Agency, Ukraine Invest.
- **Commercial databases:** Bloomberg New Energy Finance, Dealogic, IJGlobal, Thomson ONE.
- **Public Datasets:** Centre for Strategic and International Studies – Reconnecting Asia; EaP Transport Database; AidData.
- **Other sources:** Sourcewatch; Institute for Energy Economics and Financial Analysis (IEEFA); Emerging Markets Forum; DAC/OECD Credit Reporting Database; Georgia Co-Investment Fund; International Tax and Investment Center (ITIC).

Note that the infrastructure estimates based on this database are uncertain, as there is no official tracking or collection of infrastructure investments at the national nor subnational level. There is no systematic tracking of comprehensive and comparable country-level data on infrastructure investments. While commercial databases and websites provide interesting insights on current projects and investments, the analysis is not comprehensive and can bring some inaccuracies. Data should be interpreted as indicating general trends rather than exact investment volumes. Main sources of uncertainties come from the following methodological challenges:

- **Comparability of data** between different sources of information: there are no harmonised definitions of sectors or project status (planned, under construction, on-hold) across databases.
- **Double counting projects and their values:** individual infrastructure projects can have several entries in a given database, both due to multiple phases of construction and the fact that single cross-border project's components were assigned to two or more countries' inventories. The database was reviewed several times to eliminate multiple entries for individual infrastructure projects from different data sources, but some double counting may still persist.
- **Underestimate of some infrastructure projects (small scale, private sector led):** the quantitative analysis in the present study is based on projects that represent more than USD 10 million. There could also be a significant data gap on the financing volume of infrastructure projects that are not backed by multilateral development banks, as data related to private investments tend to be confidential or only available through commercial databases;
- **Accuracy of project status:** Certain projects may be miscategorised due to limited information available at the project level, particularly on their status. Databases are not updated in real time and infrastructure projects' statuses regularly change. Projects were re-categorised when inaccuracies became apparent through comments from country representatives or press articles. The project status categories represent the status reported in the database as of June 2020.

Methodology: Selection of “hotspot” projects

Hotspot projects refer to infrastructure projects with potentially high impact in terms of economic, environmental and social outcomes. Those projects were selected against four criteria:

- **Scale:** The volume of dollars invested in an infrastructure project provides a proxy for potential economic and social benefits – or risks – associated with a given project (job creation, FDI). The database only contains large-scale infrastructure projects, with a minimum value of USD 10 million.
- **Environmental impact:** This criterion captures the extent to which infrastructure investment contributes to environmental objectives of the country. Projects with a potential high environmental impact include:
 - (a) projects that have a negative environmental impact and are incompatible with a low-carbon future (e.g. coal-fired power plants);
 - (b) projects that have a positive environmental impact and help countries engage on a low-emission future (e.g. renewable energy);
 - (c) projects that could potentially have a very high impact on the environment given their scale and their impact on landscapes (e.g. large hydro projects, trains lines, roads).
- **Connectivity impact:** The region has considerable room for improvement on connectivity with the rest of the world. The extent to which a project contributes to improving regional and domestic connectivity and integration is a proxy for its potential economic benefits.
- **Project status:** Project status categories in the database are ‘planned’, ‘under construction’, ‘completed’ or ‘cancelled’. This criterion assigns more value to projects where the government still has an opportunity to influence or mitigate negative impacts of projects on future development through cancellations, careful assessments or redesigns. These categories are ‘planned’ and ‘under construction’. Based on the information available from different databases and development partners, the project status has been clustered into different categories.



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