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Climate Finance Toolkit

for Europe and Central Asia

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The present document aims at compiling relevant and up to date information on different sources of climate finance, through which countries in Europe and Central Asia could identify opportunities to finance their objectives and goals defined in the Nationally Determined Contribution (NDC) submitted to the United Nations Convention on Climate Change (UNFCCC). In this sense, it includes information on the overarching architecture for climate financing at global level and the key conceptual framework related to climate finance and provides detailed briefs for the most relevant sources of finance with operations in this region.

The authors of this report are Gamze Celikyilmaz, International Climate Finance Consultant and Carmen Arguello – GCF Advisor in FAO's Regional Office for Europe and Central Asia. Additionally, important inputs were provided by Delbergmaa Begz and Eva Rivera for the conceptualization and implementation of this task. The toolkit was edited by Lynette Hunt.

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Abbreviations and acronyms

ADB	Asian Development Bank
AFOLU	agriculture, forestry and other land use
BAU	business as usual
CIF	climate investment funds
CIS	Commonwealth of Independent States
COP	Conference of the Parties
CSA	climate-smart agriculture
CSO	civil society organization
CTCN	Climate Technology Centre and Network
DEA	direct access entities
DRM	disaster risk management
DRR	disaster risk reduction
EBRD	European Bank for Reconstruction and Development
ECA	Europe and Central Asia
EIB	European Investment Bank
EIT	economies in transition
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDI	foreign direct investment
GCF	Green Climate Fund
GDP	gross domestic product
GEF	Global Environment Facility
GHG	greenhouse gas
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
INDC	Intended Nationally Determined Contribution
IPCC	Intergovernmental Panel on Climate Change
LULUCF	Land use, land-use change, and forestry
LDCF	Least Developed Countries Fund
MDBS	Multilateral Development Banks
NAMA	Nationally Appropriate Mitigation Actions
NC	National Communication
NCSP	National Communication Support Programme
NDC	Nationally Determined Contribution
NGO	non-governmental organization
NIE	National Implementing Entity
NSP	NAMA support project
OECD	Organization for Economic Co-operation and Development
OECD-DAC	OECD Development Assistance Committee
REU	Regional Office for Europe and Central Asia
SDG	Sustainable Development Goal
SEE	Southeastern Europe
STAP	Scientific and Technical Advisory Panel
TCPF	Technical Cooperation Programme Facility project
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
WB	World Bank

Introduction

Climate change is considered to be one of the most important challenges in human history. In many parts of the world, changing precipitation or melting snow and ice, including shrinking of glaciers, are altering hydrological systems and affecting water resources in terms of quantity and quality.

Climate change is considered to be one of the most important challenges in human history. In many parts of the world, changing precipitation or melting snow and ice, including shrinking of glaciers, are altering hydrological systems and affecting water resources in terms of quantity and quality.

Whilst the impacts of climate change are being felt globally, the exposure of diverse geographies to the impacts are often different and disproportionate. In this sense, the Europe and Central Asia (ECA) region witnesses the impacts of climate change, with average temperatures having increased by 0.5 °C in the south and up to 1.6 °C in the north of the region, and overall increases of 1.6 °C to 2.6 °C (World Bank) expected by the middle of the century.

In Europe, sea level rise and extreme rainfall are projected to increase the risk of floods. These impacts are expected to increase the spectre of costly flood damage, destroyed infrastructure, lost lives, and the re-alignment of financial resources to support disaster recovery, rather than prevention. In southern Europe, ecosystem services are projected to decline across all services, negatively impacting economic activities such as the tourism sector (IPCC, 2014a). In the Western Balkans and the South Caucasus, climate change causes increased frequency and intensity of natural climate-induced disasters such as floods, flash floods, mudflows, rainfall-triggered landslides, droughts, hail, windstorms, and avalanches. Coastal towns in Georgia, Turkey, and Ukraine are at risk from rising sea levels in the Black Sea.

In Central Asia particularly, increased average and increased mean maximum and minimum temperatures have been observed together with altered precipitation regimes and more frequent heat extremes. Projections show mean temperatures increasing by up to 6.5 °C compared to pre-industrial levels, by the end of this century (Rever *et al.*, 2017). These impacts result in water shortages (GIZ, 2016), that may lead to problems of drinking water availability and sanitation as well as energy generation from hydropower plants (Kampakis, 2014). In this sense, Central Asia is among the regions of the world expected to suffer the most from the impacts of climate change. Deserts and arid areas, which constitute most of the territory, have expanded and this trend is expected to continue.

Vulnerability to the impacts of climate change is a function of exposure, sensitivity and adaptive capacities of the societies. Considering that the impacts of climate change will be observed all around the world with a variety of impact levels, the vulnerability of societies will mainly depend on their adaptive capacities. The Europe and Central Asia[1] region is remarkably diverse in terms of its unique landscapes, ecosystems, and climate zones, as well as its economic, political, social and cultural systems, and in such a diverse geography, a wide range of climate vulnerabilities exist due to different exposure, impacts, sensitivity and adaptive capacities. Therefore, there is an urgent need to increase the resilience and adaptive capacities of ECA populations to the impacts of climate change in order to reduce the risks that are threatening societies and economies.

The Europe and Central Asia region is remarkably diverse in terms of its unique landscapes, ecosystems, and climate zones, as well as its economic, political, social and cultural systems, and in such a diverse geography, a wide range of climate vulnerabilities exist.

Climate change is a growing threat in ECA, particularly for food security, nutrition and ecosystem services. Temperature and precipitation changes and the increase in frequency and intensity of extreme weather events threaten to reduce yields and productivity in crops, livestock, fisheries and forestry in many areas of the region, as well as increase the risk of natural hazards such as droughts, floods and landslides. Such extreme events have already caused considerable damage and production losses.

Considering the impacts of climate change and that most ECA countries are middle-income economies that are more reliant on agriculture than the economies of the European Union (EU) and the European Free Trade Association (EFTA), it is crucial to intensify their efforts to plan and implement their commitments in the context of the United Nations Convention on Climate Change (UNFCCC). In other words, to enable the realization of their development projections and enhance overall resilience of livelihoods and well-being of the population.

Similar to the efforts for adapting to climate change, there is a need for continuous efforts to set low carbon pathways and greenhouse gas (GHG) emissions reduction. In this sense, as part of the 2015 Paris Agreement, both developed and developing countries made commitments to reduce GHG emissions and submitted Nationally Determined Contributions to the Convention to communicate these commitments. In October 2018, in a special report, the Intergovernmental Panel on Climate Change (IPCC)[2] warned that the window to keep global warming at 1.5 °C will close in 2030, and that failing to do so would bring far higher risks to health, livelihoods, food security, water supply, human security and economic growth (IPCC, 2018). Keeping global temperature rise to below 2 °C will require coordinated global action at an unprecedented scale and speed. In order to reach this goal, immediate action from all sectors and actors/stakeholders across regions is needed.

In the context of increased climate action, developing countries require financial support and other resources to fulfil their targets as defined in their NDCs, reducing their vulnerabilities to the impacts of climate change, while sustaining low carbon economic growth. Provision of financial resources from developed to developing countries

[1] The Europe and Central Asia region incorporates Central Asia, the South Caucasus and Commonwealth of Independent States (CIS), and the Western Balkans and Turkey. ECA

[2] The Intergovernmental Panel on Climate Change (IPCC) is an intergovernmental body of the United Nations, established in 1988 to provide the world with objective, scientific information relevant to understanding the scientific basis of the risk of human-induced climate change, its natural, political, and economic impacts and risks, and possible response options.

is secured through the UNFCCC's Article 4, which states that *"The developed country Parties and other developed Parties included in Annex II shall provide new and additional financial resources to meet the agreed full costs incurred by developing country Parties in complying with their obligations"*. Similarly, Article 9 of the Paris Agreement stipulates that developed country parties shall provide financial resources to assist developing country Parties with respect to both mitigation and adaptation in continuation of their existing obligations under the Convention. In addition, Article 9 also states that the provision of scaled-up financial resources should aim to achieve a balance between adaptation and mitigation, taking into account country-driven strategies, and the priorities and needs of developing country Parties.

However, when comparing the estimated financial needs of the ECA region (USD 34.8 billion), with the reported average climate-related development finance received by ECA countries in 2013 and 2014 (which amounted USD 283 million), and the resources approved by multilateral climate funds in the same period (totalling USD 1.8 billion), it is evident that there is a significant gap. This gap needs to be reduced by leveraging and scaling up domestic and international resources, to allow ECA countries to fully comply with GHG emissions reductions and adaptation commitments (FAO, 2018).

In this context, this publication is a joint effort of the United Nations Food and Agriculture Organization and the United Nations Environment Programme, as sister UN Agencies, aiming to provide support and detailed information on the major climate financing opportunities for low-income and middle-income countries in the ECA region.

The toolkit aims at guiding developing countries and emerging economies of the ECA region to identify the most suitable sources of financial resources to match their adaptation and mitigation efforts to enable them to achieve their respective NDC targets. Moreover, the toolkit aims to support closing the global climate finance gap by providing detailed information on existing climate finance tools and instruments provided by global climate funds, International Financial Institutions (IFIs) and bilateral mechanisms and donors, which range from grants, concessional loans, ordinary loans, line of credit, guarantees and private equity.

"The toolkit aims to support closing the global climate finance gap by providing detailed information on existing climate finance tools and instruments provided by global climate funds, International Financial Institutions (IFIs) and bilateral mechanisms and donors, which range from grants, concessional loans, ordinary loans, line of credit, guarantees and private equity.

The toolkit focuses mainly on global donor funds with specialized mandates to provide climate finance, as well as major multilateral and bilateral donors providing development aid and, more recently, also contributing with important resources to tackle climate change in the developing world.

Other climate financing mechanisms, such as those defined under the Kyoto Protocol, national funds and private financing are not within the scope of this toolkit, due to limited information available on their contributions or because they might be no longer relevant after the signing of the Paris Agreement.

The toolkit targets primarily national governments and agencies, but is also relevant for sub-national and non-state actors such as civil society, private entities, and local governments. These actors are increasingly providing a contribution to climate action and are seeking the right financial instruments to support programmes and projects on climate change mitigation and adaptation.

A list of available sources of climate finance for the ECA region has been compiled in this document through a comprehensive desktop review and exchanges with beneficiary countries in the region. It includes 18 key international funding initiatives that are considered the most relevant for the countries in this region. Funding opportunities are presented as introductory briefs and an overview of the respective funding window, followed by areas of focus for each source, eligibility criteria and countries for which each funding source is more relevant. Further, the briefs include data on available resources for financing mitigation and/or adaptation measures, simplified information on the application process and some sample projects approved in the ECA region to support identification of potential concrete opportunities.

The funds presented follow a consistent format to facilitate the reader's experience and to allow the identification of the most suitable options. The toolkit not only provides summaries of important information to characterize the different funding opportunities, but also introduces relevant links to allow readers to access more detailed information.

The funding sources are gathered under four main types of climate finance providers, including: Global Climate Funds under UNFCCC Financial Mechanisms, Bilateral Institutions and Development Cooperation Agencies, Multilateral/ Financial Institutions and other non-UNFCCC sources of climate finance. It is important to highlight that besides the provision of financial resources for specific climate change projects, multilateral and bilateral providers of climate finance described in this toolkit also encourage and support integration of climate change mitigation and adaptation actions within decision-making, budgeting, implementation and monitoring processes at national, sector and subnational levels through technical assistance and capacity development.

Chapter 3 of this toolkit includes information regarding the backbone of climate finance provided under the UNFCCC financial mechanisms. It also includes briefs about the resources flowing through bilateral channels, leveraging the role of development cooperation agencies, as well as a number of multilateral finance institutions that provide financing to the ECA region. Other multilateral funds which are not part of the UNFCCC financial mechanisms are also provided under chapter 3.

With this contribution, FAO and UNEP hope to provide additional support to countries in the ECA region to define more ambitious and coordinated climate action and to enhance their access to scaled-up sources of climate finance. ■

2. The political framework and global architecture of climate finance

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2.1 International climate change policy and financing framework

The UNFCCC constitutes the foundational climate agreement that has provided the platform for subsequent international climate agreements, among them the Kyoto Protocol and the Paris Agreement. These include several mechanisms to finance climate change mitigation and adaptation efforts of developing Parties. In accordance with the principle of "common but differentiated responsibility and respective capabilities" set out in the Convention, developed country Parties have agreed to provide financial resources to assist developing country Parties in implementing the objectives of the UNFCCC. The multilateral financing arrangements established under the UNFCCC are very important for leveraging larger amounts of capital needed to achieve the target of staying below 1.5 °C.

There are several definitions for climate investment and climate finance, though with no solely agreed version. In its broadest interpretation, climate finance refers to the flow of funds towards activities that reduce greenhouse gas emissions or help society adapt to climate change impacts. The term "climate finance" is applied both to the financial resources devoted to addressing climate change globally and to financial flows to developing countries to assist them in addressing climate change. Therefore, both international and national support for mitigation and adaptation activities are considered as climate finance. However, in this toolkit, we focus on international climate finance mechanisms that target developing countries in the Europe and Central Asia region.

The ***United Nations Framework Convention on Climate Change*** (UNFCCC) describes climate finance as the local, national or transnational type of financing that is used to support and implement climate change mitigation and adaptation actions, with financial resources that come from public, private, intermediaries and alternative sources, and that are 'new and additional' (have not been pledged previously).

The ***Standing Committee on Finance under the UNFCCC*** defines climate finance as "finance that aims at reducing emissions, enhancing greenhouse gas sinks and aims to reduce vulnerability of, and maintain and increase the resilience of, human and ecological systems to negative climate change impacts".

According to the ***International Panel on Climate Change*** (IPCC) 2014 Working Group III Report, total climate finance includes all financial flows which are expected to reduce net GHG emissions and/or to enhance resilience to the impacts of climate variability and projected climate change (IPCC, 2014b). This covers private and public funds, domestic and international flows, expenditure for mitigation and adaptation to current climate variability as well as future climate change.

However, the term is most frequently used in the context of international climate change negotiations, where climate finance (or international climate finance) is used to describe financial flows from developed to developing countries for climate change mitigation and adaptation activities.

UNFCCC has a clear reference to climate finance to be provided from developed countries to developing countries through Article 4, which states: *"The developed country Parties and other developed Parties included in Annex II shall provide new and additional financial resources to meet the agreed full costs incurred by developing country Parties in complying with their obligations"* (UN, 1992).

"Climate finance refers to the flow of funds towards activities that reduce greenhouse gas emissions or help society adapt to climate change impacts. The term "climate finance" is applied both to the financial resources devoted to addressing climate change globally and to financial flows to developing countries to assist them in addressing climate change.

Article 9 of the Paris Agreement stipulates that developed country Parties shall provide financial resources to assist developing country Parties with respect to both mitigation and adaptation in continuation of their existing obligations under the Convention. Furthermore, the Paris Agreement requires developed countries to communicate information on the climate finance they will provide and mobilize. Other countries providing support are also encouraged to provide this information. Such projected information on future financial support is important to developing countries as it enables better planning and implementation of climate action.

Moreover, Article 4.3 of the UNFCCC establishes that the funds provided to developing countries under its various mechanisms need to be "new and additional" funds; therefore, the differentiation between the funds channeled through traditional Official Development Assistance[3] (ODA) and the concept of "new and additional" climate finance is a topic of relevance in the context of this toolkit.

ODA is defined as the flow of funds to countries and territories on the OECD's Development Assistance Committee's (DAC) list of ODA recipients (Annex II) and to multilateral development institutions. To be defined as ODA, assistance needs to involve the public sector, be aimed at development and be concessional in nature, i.e. at least 25 percent must be provided as grants rather than loans (OECD, 2020). In this sense, despite the fact that ODA can also provide important resources to tackle climate change in the context of overarching development investments, only the financial commitments from developed countries that represent investments beyond usual development aid qualify as climate finance.

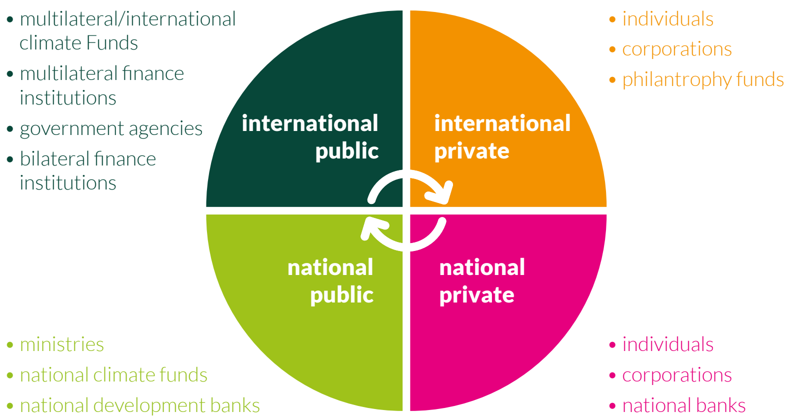
[3] Developed countries have committed to provide 0,7% of their gross national income as Official Development Assistance (ODA) to developing countries.

Additionally, to characterize climate finance, it is important to keep in mind that these resources can originate from a wide variety of national, bilateral and multilateral sources, from public and private nature, which represent a wide range of key stakeholders and actors as shown in **Figure 1** below:

In order to clearly understand the different roles of the stakeholders presented in the climate finance system, a more detailed characterization is provided in the following paragraphs:

FIGURE 1

BREEDING PROGRAMME IN ARMENIA (SCENARIO AFTER FIVE YEARS OF IMPLEMENTATION)



Source: Adapted from Global Landscape of Climate Finance (2019) (Climate Policy Initiative).

International public sector climate finance originates from either public sources or public intermediaries. Ministries and government agencies are examples of public sources. Public intermediaries make up the bulk of public sector sources of climate finance, including climate funds and national development banks, multilateral development banks (MDBs), bilateral financial institutions – which combined are called Development Financial Institutions (DFIs).

Public finance can play a critical role in helping to ensure that the global costs of climate change mitigation and adaptation are met. However, public sector funds alone are not sufficient to transform economies towards a low-carbon pathway. It is therefore important to use national budgetary resources to mobilize private sector finance. Because of the high up-front costs or high risks, even for highly profitable mitigation and adaptation projects, supportive public financial incentives together with stable regulatory frameworks may be needed. A stable regulatory framework that can minimize investor risks for potential projects is often a prerequisite for the financial incentives to function effectively in the beneficiary countries.

Most international public climate finance provided to developing countries flows through bilateral and multilateral institutions, usually as concessional loans and grants. Over the recent years, climate finance funds flow increasingly through bilateral channels, as well as through regional initiatives and channels.

Bilateral Finance Institutions (BFIs) are created and directed by a national government for the purpose of providing aid or investing in targeted development projects and programmes in developing countries. BFIs differ in mandate and purpose from development cooperation agencies, to the extent that BFIs exist as banks, with a

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profit as well as a development objective. Examples of BFIs include the Agence Francaise de Développement (AFD), the German Development Bank (KfW), and the Japan International Cooperation Agency (JICA).

International climate funds include financial flows reported by the dedicated climate funds administered by the operating entities of the Financial Mechanism of the Convention and the Kyoto Protocol, other multilateral climate funds and Multilateral Development Banks (MDBs). In general terms, the existing international climate funds are managed or nested in Multilateral Financial Institutions (MFIs).

However, in addition to managing specific resources committed by provider countries, and receiving core capital contributions, multilateral climate funds are instrumental in catalyzing investments from various multilateral and bilateral institutions, as well as from the private sector. The mandates and level of private sector engagement of such funds vary considerably. For instance, the Clean Technology Fund, the Global Environment Facility (GEF) and Globel Energy Efficiency and Renewable Energy Fund (GEEREF) have explicit mandates to mobilize private investment; the Green Climate Fund (GCF) has a separate Private Sector Facility; whereas other funds envisage private engagement only as part of a broader objective.

MDBs' climate finance refers to the amounts committed by MDBs to finance climate change mitigation and adaptation activities in developing economies and emerging economies in transition. MDB climate finance includes commitments from the MDBs' own accounts, and from external resources channeled through and managed by the banks. Sometimes projects are also co-financed by external resources alongside MDBs. These may include entities from both the private (commercial) and public (non-commercial) sectors.

National public climate finance includes the increasing amount of finance for mitigation and adaptation projects allocated through national budgets, even when in some cases those expenditures are not labelled as such. State institutes, National Finance Institutions, private investors or individuals can be the source of climate finance at the national level.

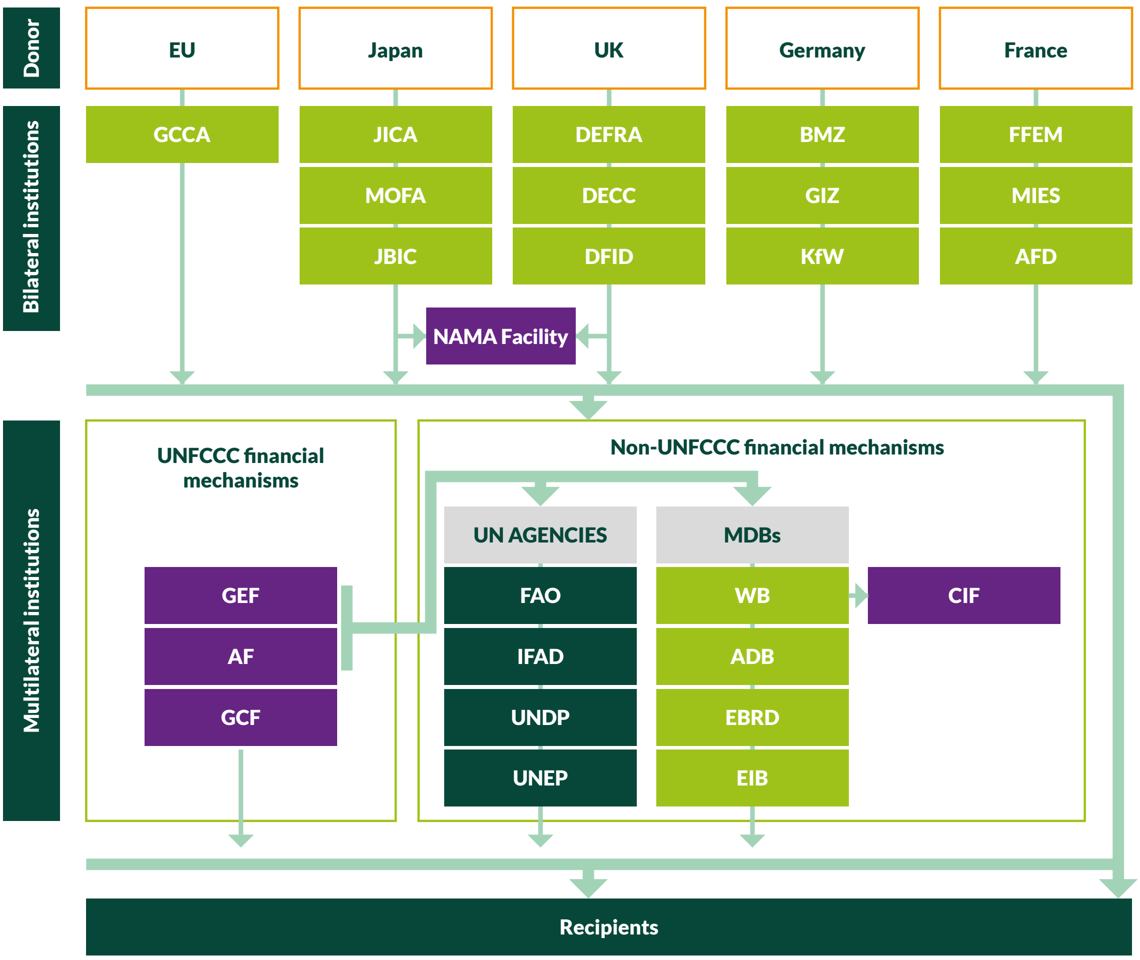
A growing number of recipient countries are also setting up **national climate change funds** that receive funding from multiple contributor countries in an effort to coordinate and align contributor interests with national priorities. National climate funds are financial mechanisms that allow countries to collect, blend, and manage all the incoming revenue streams, both international and national, related to climate change into one, centralized fund. These funds contribute to building national capacity for the development and implementation of climate projects, and can benefit from sustainable, predictable and accessible financial and technical support. Challenges remain in meeting the criteria and requirements of resource providers in mobilizing financial resources to replenish national climate funds.

Figure 2 shows a simplified version of the global architecture of public international climate finance, presenting institutions offering climate finance for the ECA region. The financial mechanisms and channels which do not contribute to ECA region have been excluded from the figure.

As can be seen in this figure, public international finance is provided and channelled through different multilateral and bilateral mechanisms within the UNFCCC and beyond. Additionally, there are sources of private finance as will be seen below, which complement the work conducted through public channels.

FIGURE 2

INTERNATIONAL PUBLIC CLIMATE FINANCE FLOWS (NARROWED DOWN FOR THE ECA REGION)



Source: Adapted from ODI graph.

The source of i**nternational and national private finance** originates in savings of individuals and corporations (natural and legal entities), often managed, pooled and invested through intermediaries such a banks, portfolio management firms and/or pension funds.

In this sense, private and public investors channel investments to low-carbon and climate-resilient projects via a wide variety of financial instruments available; the range of options also varies depending on the source of climate finance (private, public, specific climate fund) and the scope and objective of climate investment or initiative to be developed.

Instruments not only help to channel investments to low-carbon and climate-resilient projects but serve as an important catalytic function for public climate finance actors in mobilizing climate finance and achieving climate investments at scale. There are various examples of instruments that can address investor-specific needs, align public and private interests and enable scaled-up low-carbon and climate-resilient investments. National and international public actors can utilize these options to help increase the amount and impact of climate finance.

There are five major categories of instruments utilized in climate finance including policy incentives, risk management, grants, low-cost debt and capital instruments. Policy incentives include income-enhancing mechanisms, such as feed-in tariffs, tradeable certificates, tax incentives and clean-energy subsidies. Risk management instruments include guarantees, insurance policies and contract-based instruments.

In this context, a key element to be highlighted is the fact that most of the providers of climate finance presented in this toolkit align with the following financial instruments for the provision of resources:

- **Grants** cover incremental costs associated with low-carbon and climate-resilient activities. They include cash transfers or the provision of in-kind support for which recipients incur no legal debt. Grants can play an important role in reducing upfront project investment costs and viability gaps.
- **Low-cost project debt** refers to financing provided at terms preferable to those prevailing on the market. In this context, a concessional loan is granted on terms substantially more generous than market loans, either through below-market interest rates, by grace periods or a combination of both.
- **Guarantees** refer to financial agreements by a third party (guarantor) to back the debt of a second party (creditor) for its payments to the ultimate debtholder (investor). This instrument enables private sector investments in high-risk transactions.
- **Capital instruments or private equity** are used with investment expecting market rate returns and includes the transformation of capital contributions into shareholder ownership (equity), creditor claim (debt, loans, bonds, etc.) and hybrid capital instruments.
- **Results-based payments** refer to any performance-based form of financing, where disbursements are linked to the achievement of results rather than to upfront expenditures. An example of this is the results-based payments in the forestry sector, such as the REDD+ programme.

A combination of one or more of these financial instruments can be utilized to structure a climate investment initiative, through **blending instruments**. Blending allows the combination of different de-risking instruments (often including grants, guarantees, and insurance) to achieve a blended capital structure.

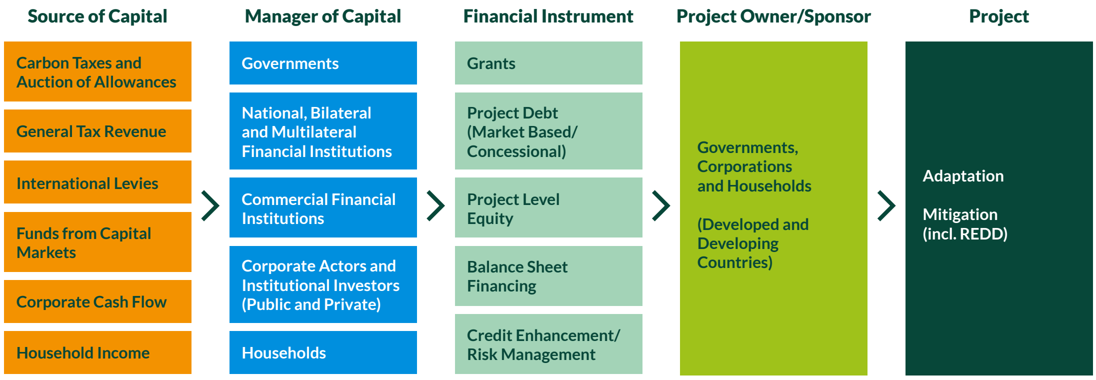
For public actors, the choice of instruments used reflects the goals, strategies and risk appetite of different institutions. DFIs provide mainly loans, about 96 percent of their overall climate finance funding, while governments and climate funds use a mix of grants, equity and concessional loans for capacity building, reducing financial costs and promoting early-stage technologies.

DFIs' provision of resources can take the form of technical assistance, interest rate subsidies, or direct investment grants to bring down the costs of projects that would not otherwise happen. Blending grants and loans at concessional terms from climate funds with DFIs' commercial financing has become a common practice in international climate finance.

Figure 3 provides an overview of how climate finance resources flow globally from the capital flow and finance instruments point of view.

FIGURE 3

OVERVIEW OF CLIMATE FINANCE FLOWS[4]



Source: (IPCC, 2014c).

Based on this characterization of the climate financing framework as defined by the UNFCCC and the Paris Agreement, the following section provides an overview of the progress achieved at international level to increase the ambition of climate measures as well as to identify scaled-up sources of finance to cover concrete needs. In addition, information on specific financing needs and some of the main bottlenecks experienced by countries in Europe and Central Asia to access climate finance are presented. ■

2.2 Bridging the gap to access climate finance

In the context of global climate action and implementation of nationally determined contributions, the availability of financial resources to support urgent mitigation and adaptation measures is of great relevance to ensure the achievement of the overall objective of the UNFCCC. Indeed, according to the IPCC, estimates of the investment required to achieve the low-carbon transition – a range from USD 1.6 trillion to USD 3.8 trillion annually – will be needed between 2016 and 2050, for supply-side energy system investments alone (IPCC, 2018). However, the Global Commission on Adaptation (GCA, 2019) estimates adaptation costs of USD 180 billion annually from 2020 to 2030. Similarly, the IPCC's Fifth Assessment Report includes estimated adaptation costs for developing countries of around USD 70–100 billion per year between 2010 and 2050; while the UN Environment Programme's (UNEP) Adaptation Finance Gap report suggests that annual adaptation needs may be in the range of USD140–300 billion by 2030, rising to USD 280–500 billion by 2050 (Puig, Olhoff, Bee, Dickson, & Alverson, 2016).

[4] Note: Capital should be understood to include all relevant financial flows. The size of the boxes is not related to the magnitude of the financial flow.

UN CLIMATE CHANGE CONFERENCE COP 25, MADRID.
FAO Director-General QU Dongyu speaks with UNDP Administrator, Achim Steiner, UNEP Executive Director, Ms Inger Andersen and World Bank Global Director Environment & NR, Karin Kemper during the Accelerating action on Nature-Based Solutions Together in 2020 event.
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As part of the commitments agreed at the 17th Conference of the Parties (COP17) of the UNFCCC, a work programme on *Long-term Finance* was established to inform developed country Parties in their efforts to identify pathways for mobilizing USD 100 billion per year by 2020, to enhance developing countries' enabling environments and policy frameworks to facilitate the mobilization and effective deployment of climate finance in developing countries (decision 2/CP.17).

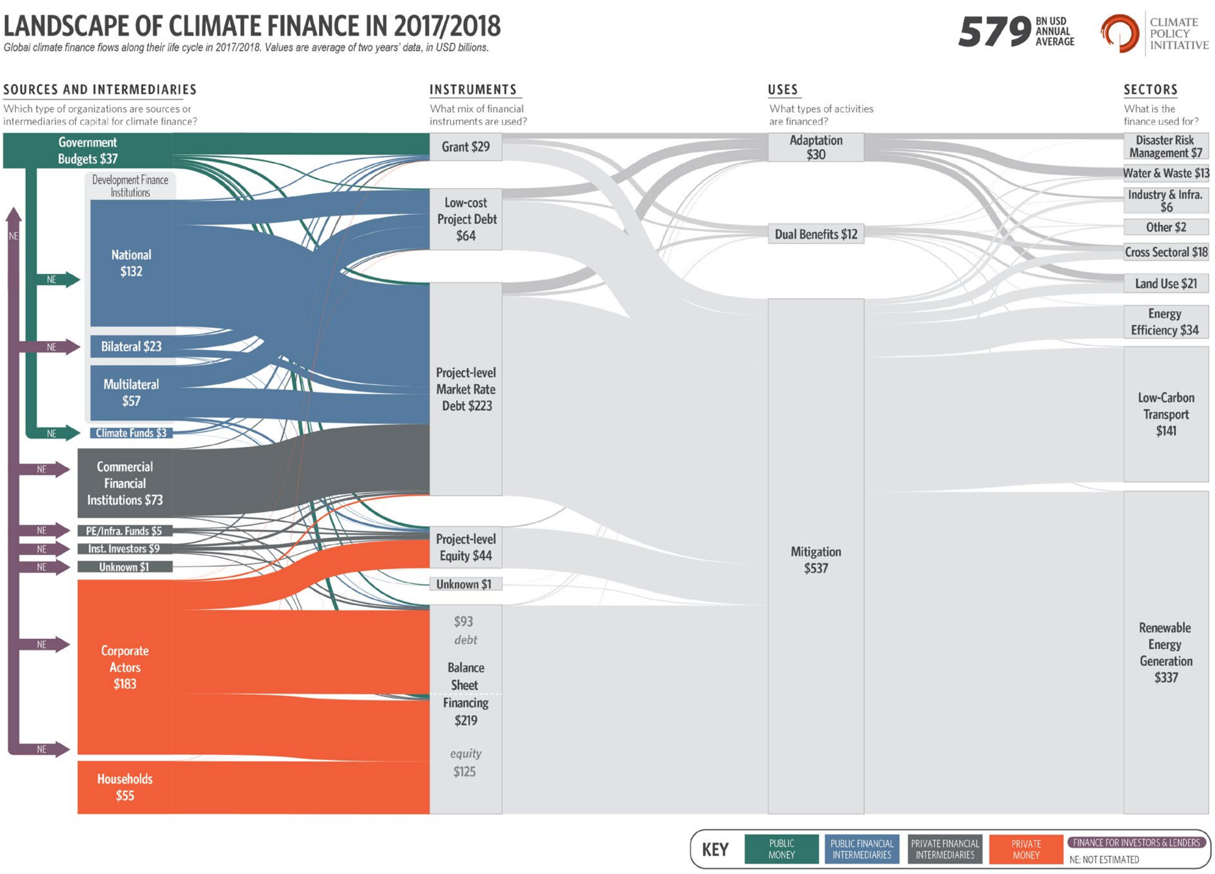
In this context, according to the "Global Landscape of Climate Finance 2019" report (CPI, 2019) developed by the Climate Policy Initiative (CPI), total climate finance at global level has reached an annual average of USD 579 billion for the years 2017/2018. This indicates a significant increase from an annual average of USD 365 billion for the 2013/2014 term.

More concretely, the average annual public climate finance totalled USD 253 billion, representing 44 percent of total commitments. On the other hand, private finance reached USD 326 billion, representing 56 percent of global climate finance on average annually in the 2017/2018 period. This is a clear indication that the resources flowing through private sector channels outweigh the public sector resources in terms of the scale of finance provided. Nonetheless, public finance and public policy play an important role in leveraging and shaping private investments. Despite the significant increase in global climate finance commitments over recent years as mentioned above, there is still a significant gap, considering the annual average energy-related mitigation investment necessary for the period of 2015–2050 in order to keep global warming under 1.5 oC, as suggested by IPCC (IPCC, 2018).

Along these lines, **Figure 4** provides a visual representation of the intricate relationship between funding sources, intermediary institutions, funding instruments, end users, as well as the mitigation/adaptation balance of projects funded for the period 2017/2018 (average).

FIGURE 4

LANDSCAPE OF CLIMATE FINANCE IN 2017/2018



Source: Global Landscape of Climate Finance (2019) (Climate Policy Initiative).

In particular, the need for available resources to undertake urgent adaptation and mitigation measures has been a growing concern for developing countries considering that the global trend shows availability of considerably more resources for mitigation than for adaptation. The ECA region follows the global trends with regards to the availability of resources for mitigation versus adaptation, with almost 81 percent of the overall climate-related finance committed for mitigation in the region in the years 2013–2014, while adaptation finance in the region in those same years accounted for only 11 percent of the committed resources (FAO, 2018).

This represents an important challenge for countries in the region as the impacts of climate change can cause a significant threat to the most vulnerable livelihoods. Moreover, adaptation projects can also address crucial economic development issues as co-benefits from projects focused on addressing climate change impacts. In this regard, it is important to highlight that some countries of the ECA region already have climate change adaptation targets included in their INDC/NDCs, which also signals the importance granted to these matters and the need to scale-up climate financing.

The financial commitments of bilateral and multilateral development cooperation partners have been increasing for climate-related finance over the last decade in Central Asia, CIS, the Caucasus and South East Europe as well as in many other parts of the world. However, the available resources are still not considered sufficient compared with the increased level of financial resources needed in order to reach the countries´ NDC targets regarding mitigation and adaptation. In this context, total climate finance provided to the Central Asia and Eastern Europe region has been USD 10 billion and USD 18 billion for 2017 and 2018 respectively. This number constitutes a minor share when compared to the total global climate finance of USD 579 billion that was committed in 2018 (CPI, 2019).

Compared with other regions, Europe and Central Asia, faces a systematic lack of financial resources when compared with regions like Africa and Asia-Pacific. This is due to some extent to the fact that ECA countries are mostly categorized as middle-income countries, with very few exceptions, which limits their capacity to access climate finance, as the providers of resources are focusing their efforts in other regions.

An analysis of the NDC submitted by countries in the ECA region shows that five of the NDC submissions of the ECA countries have indicated their quantified financial needs for climate change mitigation and adaptation targets. **Table 1** provides an overview of the financial needs of these counties for both for mitigation and adaptation measures.

TABLE 1

QUANTIFIED FINANCIAL NEEDS FOR NDC TARGETS OF ECA COUNTRIES

Country	Financial Needs for Mitigation USD Billion	Financial Needs for Adaptation USD Billion	Total USD Billion	Notes
Turkmenistan	N/A	10.5	10.5	According to preliminary estimates, the cost for implementing planned adaptation measures will amount to USD 10.5 billion.
Republic of Moldova	5 (until 2030)	4.2	9.2	Appropriate international financial support approximately equal to USD 4.9–5.1 billion, i.e. about USD 327 to USD 340 million per year until 2030, is needed.
Georgia	N/A	2.0	2.0	According to experts, estimated economic losses without adaptation measures during 2021–2030 will be about USD 10–12 billion, while adaptation measures will cost within USD 1.5–2 billion.
Kyrgyzstan	9.4	3.2	12.5	Resources required to reduce calculated losses: USD 1.9 billion. Reduced economic lossesthrough domestic activities and international support: USD 1.2 billion. Expected GHG emissions reduction and resources required for mitigation to to 2100: USD 2.1 billion Resources (required) cumulative: USD 1.9 billion; GHG reduction (annual): 7 403 Gg CO2-eq (Scenario 1)
North Macedonia	4.5	N/A	4.5	In the period 2015–2030, the additional investments (relative to BAU scenario) needed for realization of the mitigation scenario are estimated at 4.2 billion Euros; while for the higher ambition mitigation scenario they are estimated at 4.5 billion Euros.

Source: Adapted from IGES (2020).

As can be seen from the information in **Table 1**, the financial resources necessary for these five countries alone to reach their NDC targets, range between USD 18.9 and 19.9 billion for mitigation and adaptation targets respectively. In this sense, it is noted that the numbers covering only the needs of those five countries already exceed the current climate finance available for the whole ECA region, evidencing the major gap in resource allocation. Resources need to be leveraged and scaled-up, from domestic and international sources, to allow countries to fully comply with GHG emissions reductions and adaptation commitments. ■

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3. Key sources of finance for Europe and Central Asia

Key points

1 The UNFCCC, Kyoto Protocol and Paris Agreement underline the requirement of the developed country Parties to provide financial resources to assist developing country Parties in implementing the objectives of the UNFCCC.

2 The climate finance mechanisms and funds that are established under the UNFCCC framework such as AF, GCF, GEF, SCCF and LDCF constitute the majority of the financial resources that channel global climate finance to countries that are most vulnerable to the impacts of climate change.

3 The Adaptation Fund pioneered fully operational direct access to climate financing, where National Implementing Entities (NIEs) are able to access financing directly.

4 The GCF is among the most important dedicated multilateral climate finance provider whose investments support developing countries to achieve their NDC objectives, while delivering equal amounts of funding to mitigation and adaptation.

5 GEF is the oldest multilateral fund, and it serves as an operating entity of the financial mechanism of the UNFCCC, with provision of over USD 17.9 billion globally in grants since its establishment in 1991.

In this context, the following chapters provide information to support countries to have systematic knowledge and information on sources of climate finance and to enhance their capacities to access those sources.

This section groups the sources of finance around four main groups, including those that are part of the financial mechanism under the Convention, and those sources that are flowing through bilateral and multilateral channels beyond the UNFCCC.

3.1 Global climate funds under the financial mechanism of the united nations convention on climate change

Mechanisms established under the UNFCCC constitute important elements of the global climate finance architecture. The Convention, the Kyoto Protocol and the Paris Agreement call for financial assistance from Parties with more financial resources than those that are less endowed and more vulnerable. Both the Kyoto Protocol and Paris Agreement underline the requirement of the developed country Parties to provide financial resources to assist developing country Parties in implementing the objectives of the UNFCCC. Within this framework several funds have been established under the UNFCCC financial mechanism to provide financial resources to developing country Parties.

The Global Environment Facility (GEF) has served as an operating entity of the financial mechanism since the Convention's entry into force in 1994. In addition, Parties have established special funds, namely the Special Climate Change Fund and the Least Developed Countries Fund. The GEF is responsible for the administration of these trust funds together with the GEF Trust Fund.

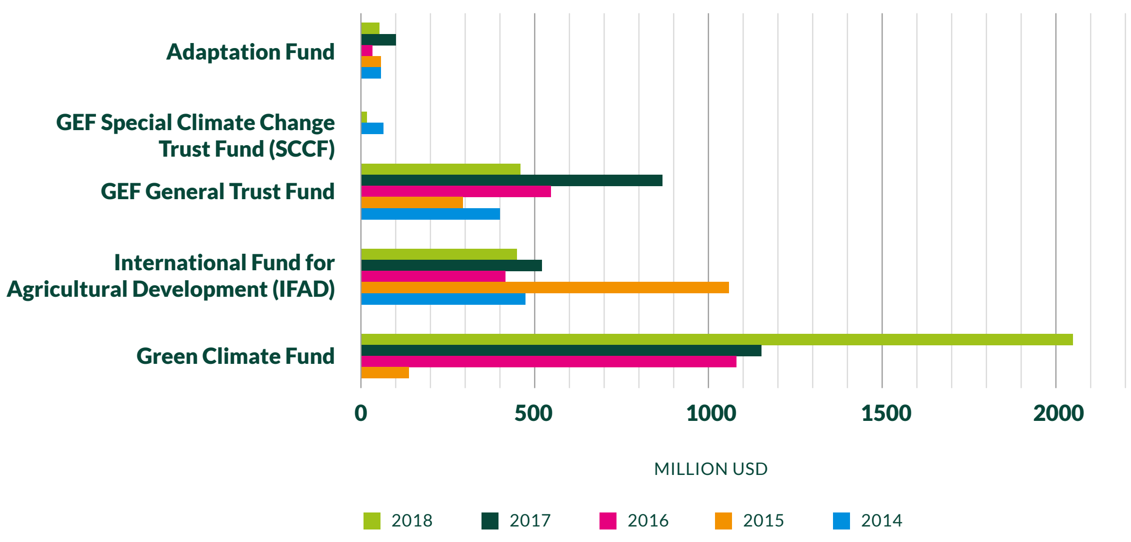
The Adaptation Fund (AF) was established to finance concrete adaptation projects and programmes in developing countries that are particularly vulnerable to the adverse effects of climate change. The AF was established under the Kyoto Protocol in 2001 but only became operational in 2009. Over the past three years, the fund has dedicated more than USD 190 million to increase climate resilience in 28 countries around the world. The AF receives funding from a two percent levy on the Clean Development Mechanism. The GEF also provides secretariat services to the AF on an interim basis.

In order to scale up the provision of long-term financing for developing countries, governments at COP16 in 2010 in Cancun decided to establish a Green Climate Fund (or GCF) as an operating entity of the financial mechanism of the Convention. The 17th COP in 2011, in Durban, launched the work of the GCF, and decisions were made around the governing instrument for the GCF. The finance architecture further evolved at the 19th COP in 2013, in Warsaw, where Parties welcomed the establishment of the independent GCF secretariat and the selection of the Executive Director of the GCF by its Board. The 21st COP in Paris in 2015 was a landmark date for reaching agreement on new ways forward in scaling up climate finance and overall efforts in tackling climate change.

Global climate funds under UN Agencies have increasingly been delivering climate development finance. **Figure 5** shows that the GEF Trust Fund, IFAD and the GCF have made significant contributions to global climate finance with an increasing trend over the recent years, with the GCF making the largest climate finance contribution compared to other funds under UNFCCC.

FIGURE 5

TOTAL CLIMATE FINANCE PROVIDED BY GLOBAL CLIMATE FUNDS THROUGH UN AGENCIES



Source: Adapted from OECD (2018).

Adaptation Fund (AF)

www.adaptation-fund.org

Overview

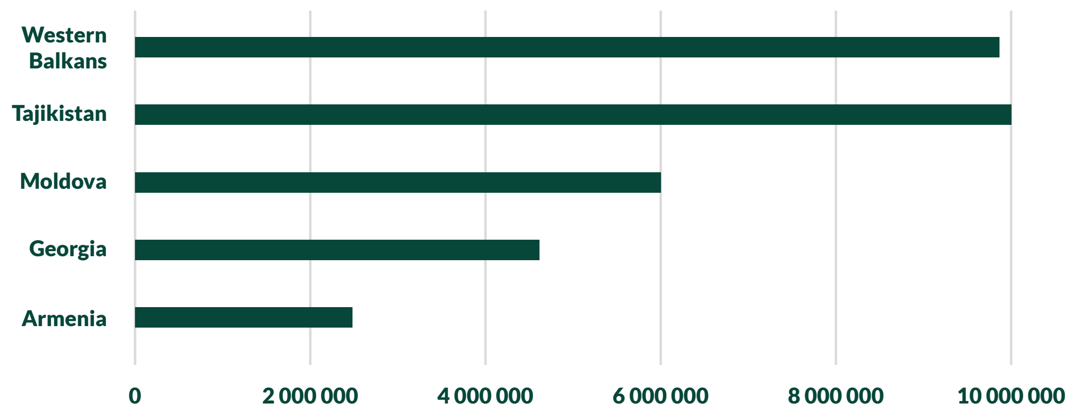
The Adaptation Fund (AF), the second oldest fund, was established in 2001 under the Kyoto Protocol, and is explicitly mandated to finance adaptation and resilience activities in developing countries which are vulnerable to climate change. The AF pioneered fully operational direct access to climate financing by National Implementing Entities (NIEs). Initiatives are based on country needs, views, and priorities. The Global Environment Facility (GEF) operates as the Adaptation Fund Secretariat on an interim basis.

The Fund is financed in part by government and private donors, and also from a two percent share of proceeds of Certified Emission Reductions (CERs) issued under the Protocol's Clean Development Mechanism (CDM) projects. Since the carbon market dropped in 2011–2012, the Fund has relied on the effort of Board members, its Secretariat, civil society, and Parties to meet fundraising targets through ad hoc infusions from contributing governments. The Fund can also accept other sources of funding, including those from foundations, private corporations and individuals.

ECA countries started to benefit from AF with an increasing trend in recent years. The AF approved over USD 33 million in 2019. So far, only some of the ECA countries benefited, however considering the increasing need for adaptation projects in the region, the trend is expected to continue to rise. **Figure 6** shows the amount of funds approved by the AF in 2019 for ECA countries. Both the number of projects and the amounts approved are significantly higher compared to previous years for the ECA region.

FIGURE 6

AMOUNT OF FUNDS APPROVED IN 2019 IN THE ECA REGION BY THE AF (USD)



Source: Adapted from AF (2019).

Areas of focus

Financing for NIEs includes adaptation and resilience projects tailored to local needs, ranging from sustainably managing coasts, agriculture, forests, food and water security, disaster risks, and urban and rural development across Africa, Asia and the Pacific, Latin America and the Caribbean, and Eastern Europe.

Country eligibility

In order for the countries to have access to the AF, they must be a Party to the Kyoto Protocol and be particularly vulnerable to the impacts of climate change.

Financing

Types of funding

Grants

Since 2010, the Fund has committed USD 720 million including 100 concrete, localized climate change adaptation projects in the form of grants. AF grants are provided for climate adaptation and resilience activities for countries that are most vulnerable to the impacts of climate change. For the 2018–2020 period, AF allocated USD 100 million annually.

The AF Board has also made available several small grants under the Readiness Programme[5] to help National Implementing Entities (NIEs) provide peer support to countries seeking accreditation with the Fund and to build capacity for undertaking various climate finance readiness activities.

Project Formulation Grants (PFGs) provide support for project formulation to accredited NIEs and they can be used to undertake specific technical assessments in the formulation of adaptation projects and programmes.

There are also small grants for innovation, learning and project scale-up. The submissions of innovation, learning and project scale up grant[6] proposals follow the regular review cycle of the AF project and programme review.

Further, countries seeking project financing from the AF can also request complimentary technical assistance through the Climate Technology Centre and Network CTCN[7] to address specific challenges (from technology barriers to deployment of adaptation technology solutions). This strengthens the design of their project concepts and proposals submitted to the AF.

Application Process

The project proposal materials are available on the AF website.[8] To apply for project and programme funding, countries must submit proposals through an accredited institution. There are three categories of accredited institutions:

- National Implementing Entities (NIEs).
- Regional Implementing Entities (RIEs).
- Multilateral Implementing Entities (MIEs).

Only institutions accredited by the Fund may receive funding for adaptation projects. After accreditation,[9] the entity may submit project proposals aligned with national priorities for consideration by the AF Board. Proposals will be reviewed with respect to specific criteria available in the Operational Policies and Guidelines.[10]

National and Regional Implementing Entities fall under the AF's direct access modality, which enables entities to directly access financing and manage all aspects of climate adaptation and resilience projects, from design through

[5] https://www.adaptation-fund.org/apply-funding/grants/

[6] https://www.adaptation-fund.org/apply-funding/grants/project-scale-grants/

[7] https://www.ctc-n.org/technical-assistance

[8] https://www.adaptation-fund.org/apply-funding/project-funding/project-proposal-materials/

[9] https://www.adaptation-fund.org/apply-funding/accreditation/

[10] https://www.adaptation-fund.org/documents-publications/operational-policies-guidelines/

implementation, to monitoring and evaluation. Direct access allows developing countries to strengthen capacity to adapt to climate change and build on local expertise.

The application steps for AF are as follows:

- Choose an access modality;
- Understand the policies and guidelines;
- Prepare a proposal;
- Endorsement of the proposal by the designated authority; and
- Submission of the proposal to the AF.

Proposals are accepted three times a year. The calendar of application periods is available at Adaptation Fund website.[11]

TABLE 2

SAMPLE PROJECTS APPROVED BY AF IN ECA COUNTRIES

Country	Project	Implementing Entity	Theme	Amount Provided by the Fund	Year of Approval
Armenia	Strengthening land based adaptation capacity in communities adjacent to protected areas in Armenia	Environmental Project Implementation Unit	Forestry	USD 2 506 000	2019
Georgia	Developing Climate Resilient Flood and Flash Flood Management Practices to Protect Vulnerable Communities of Georgia	UN Development Programme	Water management	USD 5 316 500	2011
Republic of Moldova	Talent Retention for Rural Transformation – Adapt (TART-Adapt)	International Fund Agricultural Development	Food security	USD 6 008 095	2019
Regional (Albania, North Macedonia, Montenegro)	Integrated climate-resilient transboundary flood risk management in the Drin River basin in the Western Balkans	UN Development Programme	Disaster Risk Reduction	USD 9 927 750	2019
Tajikistan	An integrated landscape approach to enhancing the climate resilience of small-scale farmers and pastoralists in Tajikistan	UN Development Programme	Rural Development	USD 9 996 441	2019

Source: Adapted from AF (2019).

11 https://www.adaptation-fund.org/news-and-events/events-calendar/

Green Climate Fund (GCF)

www.greenclimate.fund

Overview

The Green Climate Fund (GCF) is a global fund created by the United Nations Framework Convention on Climate Change (UNFCCC) in 2010 to support the efforts of developing countries to respond to the challenge of climate change. It became fully operational in 2015 and is the only standalone multilateral financing entity whose sole mandate is to serve the Convention and that aims to deliver equal amounts of funding to mitigation and adaptation.

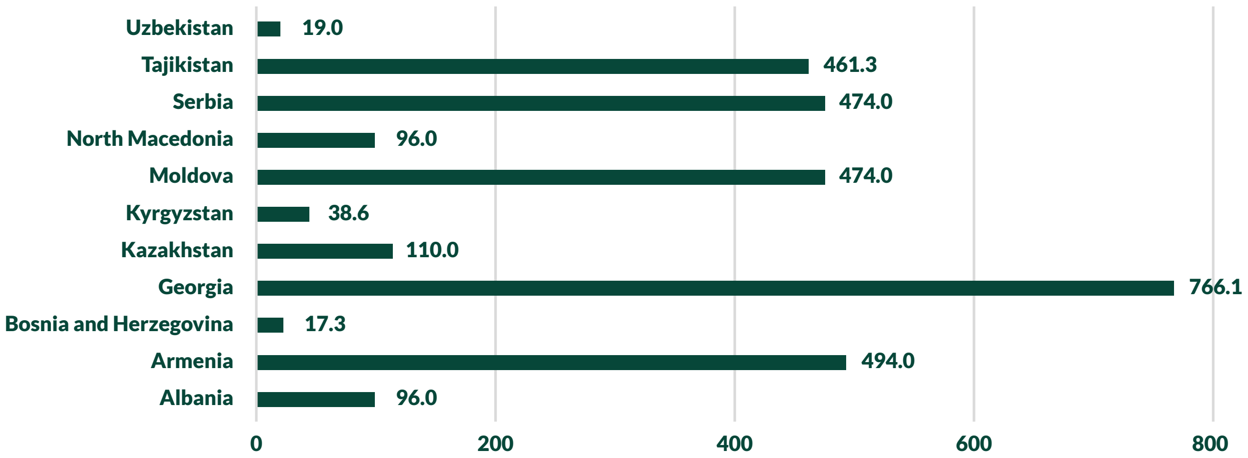
The GCF is the most important dedicated multilateral climate finance provider globally.It supports developing countries' own aspirations for low-emission, climate-resilient development, in order to help attain their NDC objectives. In line with the sample approach method for determination of climate adaptation needs, GCF provides support for the formulation of National Adaptation Plans to identify a country's medium- and long-term climate adaptation needs, as well as strategies and programmes that need to be developed and implemented to address those needs.

GCF invests in developing countries, managing a project portfolio that is implemented by its partner organizations, known as Accredited Entities. National Designated Authorities (NDAs) are government institutions that serve as the interface between each country and the Fund. GCF's activities are aligned with the priorities of developing countries through the principle of country ownership, and the Fund has established a direct access modality so that national and sub-national organizations can receive funding directly, rather than only via international intermediaries.

The GCF has several projects in the ECA region. Since its establishment, it has distributed funds to the ECA countries as indicated in **Figure 7**. The numbers in the figure excludes readiness funding.

FIGURE 7

TOTAL GCF FUNDING FOR ECA COUNTRIES (MILLION USD)



Source: Adapted from GCF (2020).

Areas of focus

GCF aims to help developing countries limit or reduce their greenhouse gas (GHG) emissions and adapt to climate change. It seeks to promote a paradigm shift to low-emission and climate-resilient development, taking into account the needs of nations that are particularly vulnerable to climate change impacts. The Fund aims for a 50:50 balance between mitigation and adaptation investments over time.

GCF makes investments within eight strategic result areas:

- Energy generation and access;
- Transport;
- Buildings, cities, industries and appliances;
- Forests and land use;
- Health, food and water security;
- Livelihoods of people and communities;
- Ecosystems and ecosystem services; and
- Infrastructure and the built environment.

Country eligibility

All developing countries (non-Annex I) that are Parties to UNFCCC are eligible to access the Green Climate Fund. The most vulnerable geographies such as least developed countries (LDCs), Small Island Developing States (SIDS) and African States are given priority. However, most of the Eastern European and Central Asian countries are eligible to apply, and there are already several approved projects receiving financing from GCF.

GCF works through a network of Accredited Entities for project design and implementation. Partners include national, regional and international institutions, including multilateral and national banks, international financial institutions, development finance institutions, United Nations agencies, conservation organizations, equity funds, government agencies and regional institutions.

To access funding, these institutions will go through a process of "accreditation," designed to assess whether they are capable of strong financial management and of safeguarding funded projects and programmes. Organizations that are seen to have specialized capacities in driving climate action through the transparent management of financial resources may apply to become GCF "Accredited Entities" (AE). They can be private, public, non-governmental, sub-national, national, regional or international bodies. An AE can apply for funds in cooperation with the NDA or focal points (FP). The GCF has developed a **self-assessment tool** for institutions to determine whether they meet GCF accreditation requirements.

It is not necessary for AEs to act as the direct implementer of funding proposals. Executing Entities can also do this on behalf of AEs by channelling funds and carrying out the funded activity.

Financing

GCF provides financing in the form of grants, loans, equity, result-based payments and guarantees. The first GCF replenishment concluded in October 2019, when 27 countries presented their pledges for of USD 9.78 billion. For the 2020–2023 programming period, the amount pledged in Paris at the Fund's previous pledging conference in 2014 already exceeds USD 9.3 billion. For the period March 2015–March 2020, GCF mobilized

USD 20.8 million for Readiness, USD 16.6 million for National Adaptation Plans and USD 251 million for approved projects (GCF, 2019) in the Eastern Europe and Central Asia region. The ECA region accounts for only 4 percent of the GCF approved portfolio.

The GCF has established 4 categories of projects according to the overall project budget, which are: XS-Micro: USD 0–10 million; S-Small: USD 10–50 million; M-Medium: USD 50–250 million; L-Large: more than USD 250 million. These project sizes include total project sizes including co-financing, private sector leveraging and other public and/or private contributions, rather than GCF's contribution alone.

Types of funding

Grants

Loans

Equity

Result-based payments

Guarantees

Also, GCF's Readiness and Preparatory Support Programme (the Readiness Programme) provides grants and technical assistance to National Designated Authorities (NDAs) and/or focal points (FPs) in order to enhance the capacity of national institutions to efficiently engage with GCF. Readiness Programme funding can also be deployed to strengthen Direct Access Entities. The Fund allocates USD 1 million per country per year, and access can be requested by the NDAs directly or through the support of delivery partners.

GCF also provides financial and technical assistance support for the preparation of project and programme funding proposals through the Project Preparation Facility (PPF). Available funding is up to ten percent of the overall cost of the proposed funding proposal or a maximum of USD 1.5 million, for each application to the PPF, commensurate to the funding proposal being developed and to the activities included in the PPF application. The Project Preparation Facility is especially designed to support Direct Access Entities for projects in the micro and small-sized category. However, all AEs are eligible to apply.

Application Process

Institutions that are identified or nominated by national governments with a capacity to become an AE can apply for project funding, once they receive their accreditation from the GCF as an AE.

AEs can develop funding proposals, in close consultation with NDAs or focal points, based on the differing climate finance needs of individual developing countries. They can also respond to requests for proposals issued by GCF to fill current gaps in climate financing.

The steps of the application and approval cycle of GCF funds for Accredited Entities are as follows:

- Preparation of the concept note;
- Formulation of the proposal;
- Submission of the funding proposal to GCF Secretariat;
- Analysis and revision by GCF;

- GCF's submission of documents to Independent Technical Advisory Panel[12] (ITAP);
- GCF's submission of documents with ITAP's recommendations to the GCF Board;
- Board decision;
- Legal arrangements to carry out the approved proposal.

The application document package must include a signed "no-objection letter" (NOL) from the National Designated Authority of Focal Point (FP) of each country in order for the review to start. The letter indicates an official approval of the national authority for the project.

GCF also gives a special importance to the country ownership for the projects and programmes. GCF considers country ownership as the measure through which countries, through meaningful engagement, including consultation with relevant national, local, community level, and private sector stakeholders, can demonstrate ownership of, and commitment to, efforts to mitigate and adapt to climate change.

Applications for funding can be made throughout the year or in response to specific requests for proposals according to Board decisions.

TABLE 3

SAMPLE PROJECTS APPROVED BY THE GCF IN ECA COUNTRIES

Country	Project	Theme	Amount Provided by the Fund	Year of Approval
Georgia	Scaling-up Multi-Hazard Early Warning System and the Use of Climate Information in Georgia	Adaptation	USD 70.3 million	2018
Bosnia and Herzegovina	Scaling-up Investment in Low-Carbon Public Buildings	Mitigation	USD 122.6 million	2017
Multiple countries	GCF-EBRD SEFF Co-financing Programme	Cross-cutting	USD 1.4 billion[13]	2016
Kyrgyzstan	Carbon Sequestration through Climate Investment in Forests and Rangelands in Kyrgyz Republic (CS-FOR)	Mitigation	USD 50 million	2019
Uzbekistan and Tajikistan	Climate Adaptation and Mitigation Program for the Aral Sea Basin (CAMP4ASB)	Adaptation	USD 68.8 million	2016

Source: Adapted from GCF (2020).

Special Climate Fund

Global Envir. Facility

Green Climate Fund

Adaptation Fund

[12] The Independent Technical Advisory Panel (ITAP) is an independent technical advisory body made up of six international experts: three from developing countries and three from developed countries. The ITAP assesses the funding proposals against the six GCF investment criteria, and can add conditions and recommendations to the funding proposal at its discretion. At this point, ITAP may ask Accredited Entities to provide clarifications, while liaising with the GCF Secretariat.

[13] Includes countries from 3 regions: Eastern Europe, Africa, Asia-Pacific.

Global Environment Facility (GEF) Trust Fund

www.thegef.org

Overview

The Global Environment Facility (GEF) Trust Fund was established during the 1992 Rio Earth Summit, to help tackle the world's most pressing environmental problems. It is the oldest multilateral fund still in action and it serves as an operating entity of the financial mechanism of the UNFCCC. It was created to safeguard the global environment by supporting developing countries and countries with economies in transition to meet their commitments under five environmental conventions including the United Nations Framework Convention on Climate Change (UNFCCC).

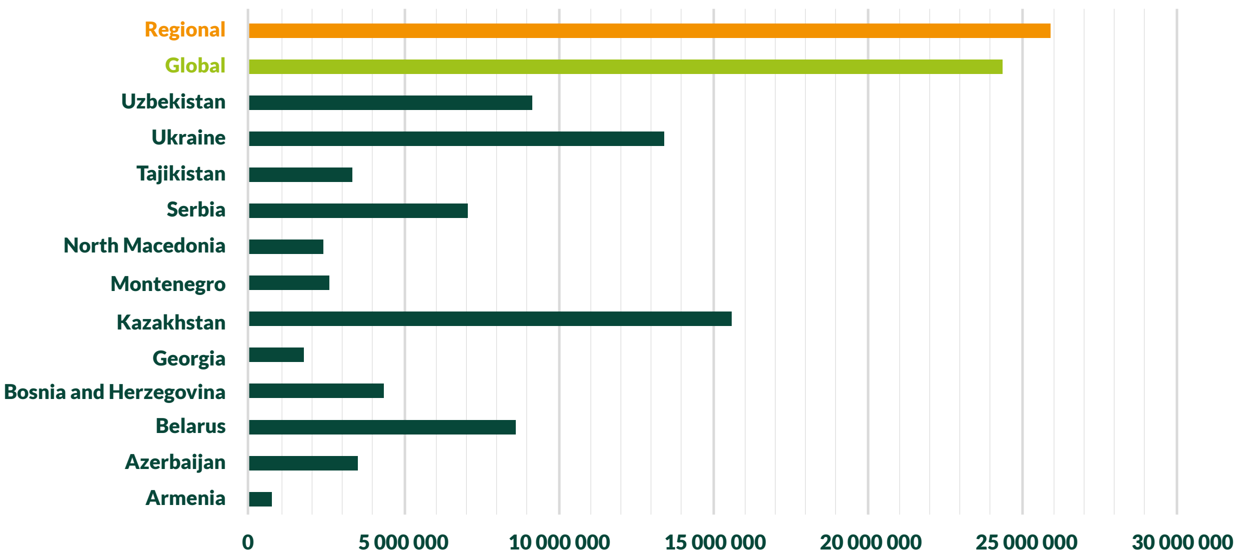
The GEF is an international partnership of 184 countries, and it works through an international partnership of 18 GEF Agencies[14] (five United Nations agencies; seven MDBs; three national entities and three Civil Society Organizations) working to address the world's most challenging environmental issues. Some of GEF's partners include: ADB, EBRD, FAO, IFAD, IUCN, UNEP, UNDP WWF, WB and others.

Each replenishment period, GEF provides funding under the "Climate Change" focal area. **Figure 8** shows a distribution of GEF-6 replenishment funds among ECA countries. Regional projects include multi-country projects where the majority of or all of the countries have been from the ECA region. Global projects include those where all countries are eligible.

Naturally, the GEF-6 replenishment period provided the highest funds for global and regional projects under the climate change focal area. Among the single countries, Kazakhstan and Ukraine received the highest amount of funding followed by Uzbekistan and Belarus.

FIGURE 8

DISTRIBUTION OF GEF-6 REPLENISHMENT PERIOD AMONG THE COUNTRIES OF THE ECA REGION (USD)



Source: Adapted from GEF (2019).

[14] GEF Agencies: refers to institutions eligible to request and receive GEF resources directly from the GEF Trustee on behalf of an eligible recipient for the design and implementation of GEF- financed projects.

Areas of focus

GEF focal areas are the pillars of GEF support for the global environment. In alignment with the multilateral environmental conventions, the GEF provides funding in five Focal Areas: Biological Diversity, Climate Change Mitigation, Land Degradation, International Waters and Chemicals and Waste, which are directly or indirectly related to climate change mitigation and adaptation.

Furthermore, GEF seeks to enhance impact by investing in Impact Programmes that support integrating programming across its five focal areas. The Impact Programmes are designed to help countries pursue holistic and integrated approaches for transformational change in key systems in line with countries' national priorities. GEF-7 Impact Programmes focus on:

- Food systems, land use and restoration;
- Sustainable cities; and
- Sustainable forest management.

Country eligibility

GEF funds are available to developing countries and countries with economies in transition to meet the objectives of the international environmental conventions and agreements. Countries may be eligible for GEF funding in two ways: a) if the country has ratified the conventions the GEF serves and conforms with the eligibility criteria decided by the Conference of the Parties of each convention; or b) if the country is eligible to receive World Bank (IBRD and/or IDA) financing or if it is an eligible recipient of UNDP technical assistance through its target for resource assignments from the core (specifically TRAC-1[15] and/or TRAC-2).

Types of funding

Grants

Financing

Since 1991, the GEF has provided over USD 17.9 billion in grants and mobilized an additional USD 93.2 billion in co-financing for more than 4 500 projects in 170 countries. The GEF has replenishment periods of four years, where donor countries (39 countries) make their commitments for GEF projects (GEF, 2020). Both developed and developing countries are donors to the GEF Trust Fund. Since its establishment, the GEF has had seven replenishments, GEF-1 to GEF-7 (1994 to 2022). For the current 7th GEF replenishment period (GEF-7), donor countries have jointly pledged USD 4.1 billion to the GEF in order to help safeguard the world's forests, land, water, climate, and oceans, build green cities, protect threatened wildlife, and tackle new environmental threats like marine plastic pollution. Since the establishment of the GEF in Rio Summit, donor pledges have been increasing in almost each replenishment period.

GEF support is provided to government agencies, civil society organizations, private sector companies, research institutions, among the broad diversity of potential partners, to implement projects and programmes in recipient countries. For each four-year replenishment cycle, the GEF develops specific focal areas strategies[16] based on:

(a) Guidance from conventions, donors and Scientific and Technical Advisory Panel (STAP);

(b) findings of overall performance studies conducted by IEO; and

(c) National priorities of the recipient country.

[15] According to this system, every programme country receives a certain minimum amount of guaranteed funding from the core budget, called TRAC 1.

[16] Strategies guide the way in which GEF resources are program, maintaining alignment with the goal of the environmental convention that the GEF serves.

The GEF provides financing to various types of projects ranging from several thousands to several million dollars from the GEF Trust Fund. The GEF provides funding through four modalities or type of projects: *Full-Sized Projects (FSP), Medium-Sized Projects (MSP), Enabling Activities (EA) and Programmatic Approaches (PA).* The selected modality should be the one that best supports the project objectives. Each modality requires completion of a different template.[17]

Full-sized proposal (FSP): The GEF provides funding for FSPs (more than USD 2 million) only to governments. Governments then decide on the executing agency (e.g. civil society organizations, private sector companies, research institutions).

Medium-Sized Projects (MSP): MSPs (up to USD 2 million) offer opportunities for a broad range of programming that is typically smaller in scale than full-sized projects. The approval process is simpler, allowing them to be designed and executed more quickly and efficiently. These projects increase the GEF's flexibility in allocating its resources: a wide range of stakeholders can propose and develop project concepts.

Enabling Activities (EA): EAs (up to USD 2 million) represent the basic building block of GEF assistance to countries. EAs are a means of fulfilling essential reports to conventions. They provide a basic level of information to enable policy and strategic decisions or help identify priority activities within a country.

Programmatic Approaches (PA): Programmes are a strategic combination of FSPs and MSPs with a common focus to build upon or complement one another. In this way, they can produce results not possible through a single project. Programmes maximize the impact of GEF resources by securing a larger scale and sustained impact on the global environment. They do this by implementing medium- to long-term strategies for achieving specific global environmental objectives consistent with the national or regional strategies and plans of recipient countries.

Besides these funding channels, there is also the GEF Small Grants Programme (SGP). GEF's SGP provides financial and technical support to communities and Civil Society Organizations to meet the overall objective of global environmental benefits secured through community-based initiatives and actions. Launched in 1992 with 33 participating countries, the SGP has expanded to provide assistance to 125 countries at present. The Programme funds grants up to a maximum of USD 50 000. In practice, the average grant has been around USD 25 000. In addition, the SGP provides a maximum of USD 150 000 for strategic projects. These larger projects allow for scaling up and cover a large number of communities within a critical landscape or seascape.

In particular, GEF SGP targets community-driven and civil society-led initiatives that can generate environmental benefits, while supporting sustainable livelihoods, gender equality and civil society empowerment. A poor and vulnerable community, for example, can use a small grant to develop capacity for a larger project, by directly applying for the Fund without being an Accredited Entity, and only through Focal Point endorsement.

Capacity-building Initiative for Transparency (CBIT) was created at the request of Parties to help strengthen the institutional and technical capacities of non-Annex I countries to meet the enhanced transparency requirements defined in Article 13 of the Paris Agreement. With project backing from the GEF Trust Fund, the CBIT is an integral part of the GEF's climate change support in the context of the GEF-7 allocation (2018–2022) (GEF, 2020). The CBIT has three targets:

[17] GEF-7 Templates available at: https://www.thegef.org/documents/templates

- Strengthen national institutions for transparency-related activities in line with national priorities;
- Provide relevant tools, training, and assistance for meeting the provisions stipulated in Article 13 of the Agreement; and
- Assist in the improvement of transparency over time.

Application process

The Operational Focal Point decides which of the 18 partner agencies would be best suited to develop and implement the project idea. This is an important decision since the Agency will be the partner at all stages of the project or programme.

A GEF agency can utilize any of the GEF finance modalities (full-sized projects, medium-sized projects, enabling activities, and programmes) to apply for funding. Each modality has different levels of detail in terms of the application process.

In summary, for a full-sized project, the GEF Agency prepares a project concept at the request of, and in consultation with, relevant country institutions and other relevant partners and submits it to the Secretariat through the Project Identification Form (PIF). The respective GEF Operational Focal Point endorses the PIF. The Agency submits PIFs to the Secretariat on a rolling basis, copying other Agencies, Scientific and Technical Advisory Panel (STAP), and the relevant Convention secretariats. The Agency may request a Project Preparation Grant (PPG) at the time of PIF submission or at any time before CEO endorsement submission. The Secretariat reviews each eligible PIF taking into consideration relevant GEF strategies, policies and guidelines. Following receipt of the Secretariat's comments, the Agency responds to any comments and submits a revised PIF, if necessary. Once the PIF is approved, a full proposal is submitted which stays within the framework of the initial PIF document. The GEF Secretariat also reviews the full proposal for compliance with GEF policies and strategies. Once the Secretariat determines that a project proposal meets the conditions for endorsement, the CEO endorses the project, the Agency approves the project following its own internal procedures and begins project implementation. The Secretariat posts the endorsed project documents on the GEF website in a manner that protects information received in confidence.

Medium-sized projects, enabling activities, and programmes usually have less approval steps. A detailed application process is available on the GEF website.[18]

[18] https://www.thegef.org/sites/default/files/documents/Project_Program_Cycle_Policy.pdf

TABLE 4

SAMPLE PROJECTS APPROVED BY THE GEF IN ECA COUNTRIES

Country	Project	Theme	Amount Provided by the Fund	Year of Approval
Bosnia and Herzegovina	Catalyzing Environmental Finance for Low-Carbon Urban Development (GEF-6)	Climate Change	Project Preparation Grant: USD 49 076 GEF Project Grant: USD 2 370 000	2016
Belarus	Sustainable Energy Scale-Up (GEF-7)	Climate Change	GEF Project Grant: USD 3 653 000	2017
Azerbaijan	Capacity Building for Azerbaijan to Meet the Requirements of Enhanced Transparency Framework of the Paris Agreement	Climate Change	Project Preparation Grant: USD 45 000 GEF Project Grant: USD 1 298 000	2018
Uzbekistan	Sustainable Management of Forests in Mountain and Valley Areas	Land Degradation, Climate Change	Project Preparation Grant: USD 150 000 GEF Project Grant: USD 3 187 023	2016
Ukraine	Finance and Technology Transfer Centre for Climate Change (FINTECC) (GEF-6)	Climate Change	Project Preparation Grant: USD 200 000 GEF Project Grant: USD 7 000 000	2015

Source: Adapted from GEF (2019).

Special Climate Change Fund (SCCF)

www.thegef.org/topics/special-climate-change-fund-sccf

Overview

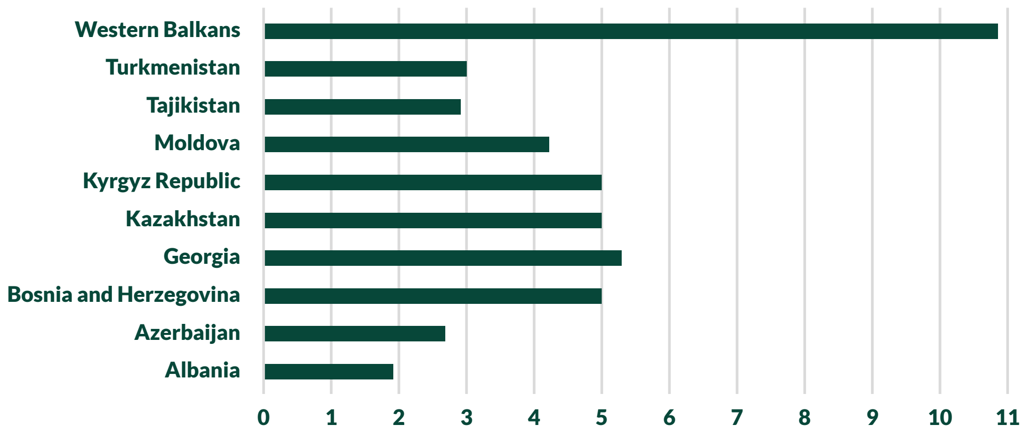
The Special Climate Change Fund (SCCF) was established in response to guidance from the 2001 Conference of the Parties (COP7) in Marrakech. The SCCF complements the Least Developed Countries Fund (LDCF), and unlike the latter, is open to all vulnerable developing countries. In addition, it funds a wider range of activities related to climate change. The SCCF has so far received voluntary contributions of about USD 120 million.

The SCCF is administered through the GEF Secretariat like the LDCF. Through the GEF, and with guidance from the UNFCCC, the SCCF follows the GEF procedures, and in order to ensure sound financial management, it follows the GEF's fiduciary standards, result-based frameworks, and monitoring and evaluation practices. The SCCF also follows GEF operational policies except where the LDCF/SCCF Council decides otherwise in response to COP guidance. The SCCF will remain an important part of the effort to foster the kinds of technological, social, and institutional innovations that can lead to robust responses to climate change.

SCCF has so far provided grants for the ECA countries amounting to USD 46 million according to the GEF database. This amount does not include the co-financing that is provided by the beneficiary countries. As **Figure 9** indicates, projects covering the Western Balkans region constituted the highest amount of commitment from SCCF. This amount excludes commitments for individual countries of the Western Balkans.

FIGURE 9

SCCF'S FINANCIAL SUPPORT IN ECA[19] COUNTRIES[20] (MILLION USD)



Source: Adapted from GEF (2019).

[19] Regional fund includes several countries of the ECA Region. Global includes global initiatives. The projects includes approved and completed projects.

[20] Graph prepared utilizing data from GEF database: https://www.thegef.org/projects-faceted?f[]=field_gef_period:881&f[]=field_p_latesttimelinestatus:606&f[]=field_p_focalareas:2207&f%5B0%5D=field_gef_period%3A881

Areas of focus

Currently, the objective of the SCCF is to support adaptation and technology transfer projects and programmes that:

- are country-driven, cost-effective and integrated into national sustainable development and poverty-reduction strategies; and
- take into account national communications or other relevant studies and information provided by the applicant country.

Adaptation is considered as the top priority; however, the SCCF also funds technology transfer and mitigation in selected sectors including energy, transport, industry, agriculture, forestry and waste management; and economic diversification.

The SCCF funds adaptation related to water resources management, land management, agriculture, health, infrastructure development, fragile ecosystems (including mountainous ecosystems) and integrated coastal zone management. It also supports monitoring of diseases and vectors affected by climate change, and related early warning systems.

Additionally, the SCCF supports the transfer of climate-resilient technology for both mitigation and adaptation. This goes hand-in-hand with support to help countries put the technology to use and apply research, as well as to implement demonstration and deployment projects. The SCCF has also funded regional Climate Technology Centres and Networks.

Country eligibility

The SCCF is open to all vulnerable developing countries. Apart from specific adaptation projects, vulnerable countries need to develop National Adaptation Plans (NAPs). In this context, in response to a request from the COP, SCCF has begun funding the first steps of the NAP process in non-LDC countries as well.

Financing

The SCCF portfolio comprises 78 projects for adaptation and technology, for a total of USD 350 million as of April 30, 2018. Any non-Annex I country which is party to the UNFCCC, is eligible for project funding under the SCCF. Annex II countries of the UNFCCC provide the funding for the SCCF along with some Annex I countries as well as any non-Annex I that may wish to voluntarily contribute to the Fund.

Types of funding

Grants

Funding is provided as grants. Besides the project grant, countries can also apply for a project preparation grant. Projects over USD 1 million are referred to as Full-sized Projects (FSP); and those of USD 1 million or below are referred to as Medium-sized Projects (MSP.) MSPs follow a more streamlined project cycle, compared to FSPs.

Application process

The project cycle for the SCCF is similar to that used by the GEF Trust Fund.[21] The steps can be summarized as follows:

- The SCCF project proponent develops a concept for a project and requests assistance from an Implementing Agency of the GEF.[22]
- The SCCF project proponent secures the endorsement of the national Focal Point (FP).
- For FSPs, submission to the GEF under the SCCF starts with a Project Identification Form (PIF), followed by a CEO Endorsement Form.
- MSPs may start with the CEO Endorsement Form.
- Once the GEF CEO endorses the project, the funding is released to the Implementing Agency. ■

TABLE 5

SAMPLE PROJECTS APPROVED BY THE SCCF IN ECA COUNTRIES

Country	Project	Theme	Amount Provided by the Fund	Year of Approval
Bosnia and Herzegovina	Technology Transfer for Climate Resilient Flood Management in Vrbas River Basin (GEF-5)	Climate Change	Project Preparation Grant: USD 150 000 GEF Project Grant: USD 5 000 000	2014
Kazakhstan	Southeast Europe and Central Asia Catastrophe Risk Insurance Facility (GEF-6)	Climate Change	GEF Project Grant: USD 5 000 000	2016
Turkmenistan	Supporting Climate Resilient Livelihoods in Agricultural Communities in Drought-prone Areas (GEF-6)	Climate Change	Project Preparation Grant: USD 150 000 GEF Project Grant: USD 3 046 347	2015
Tajikistan	Increasing Climate Resilience through Drinking Water Rehabilitation in North Tajikistan (GEF-5)	Climate Change	GEF Project Grant: USD 2 927 067	2011
Albania	Building the Resilience of Kune-Vaini Lagoon through Ecosytem-based Adaptation (EbA)	Climate Change	Project Preparation Grant: USD 100 000 GEF Project Grant: USD 1 903 000	2013

Source: Adapted from GEF (2019).

21 The GEF Agencies are the operational arm of the GEF. The GEF develops its projects through ten Implementing Agencies: the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP) the World Bank, the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IAD), the International Fund for Agricultural Development (IFAD), the United Nations Food and Agricultural Organization (FAO), and the United Nations Industrial Development Organization (UNIDO).

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3.2 Other non-UNFCCC sources of climate finance

3.2.1 BILATERAL FINANCE INSTITUTIONS AND DEVELOPMENT COOPERATION AGENCIES

Bilateral funding sources come from dedicated funds established by one country to support developing countries in implementing the global climate change regime. Several countries provide funds for climate-related development projects through their international development agencies, while some other directly contribute to multilateral funds.

Bilateral Finance Institutions (BFIs) are financial institutions that are established and governed by national governments in order to support, promote and finance targeted development projects and programmes in developing countries. BFIs are banks, with a target for a profit as well as a development objective. Examples of BFIs include the Agence Francaise de Dévelopment (AFD), the German Development Bank (KfW), and the Japan International Cooperation Agency (JICA).

Bilateral Development Agencies operate under governments of individual countries and are often dedicated to advancing foreign policy goals while contributing to the economic and social development of recipient developing countries.

Figure 10 provides an overall figure about the donor countries' provision of climate finance for the ECA region in 2017 from donor perspective.[23]

In 2017, Germany and EU Institutions committed by far the most climate finance with USD 738 million and USD 676 million respectively for ECA countries. The figures indicated below include the climate finance provided in total from the respective country, where several government agencies/institutes are involved, besides development cooperation agencies.

[23] Both concessional and non-concessional activities are included. Guarantees are excluded because they are categorised as non-flow operations.

Key points

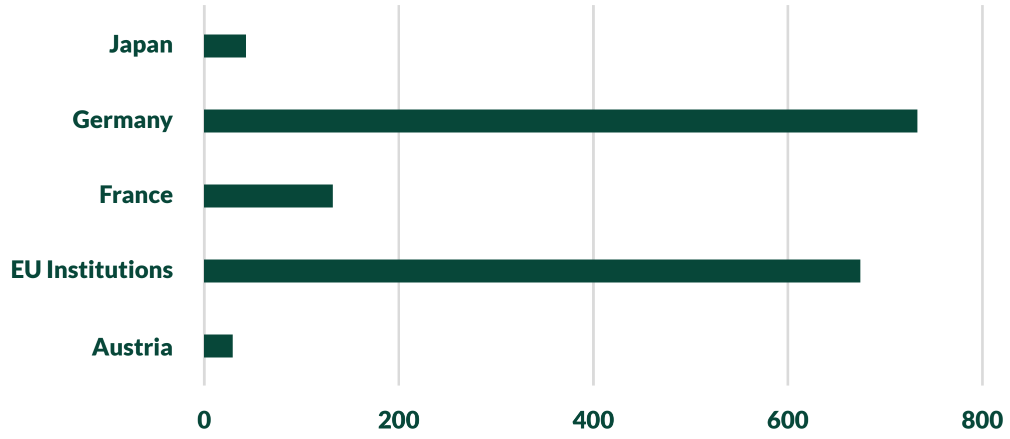
1 Bilateral Finance Institutions (BFIs) and Development Cooperation Agencies (DCAs) are bilateral sources of climate finance. They differ from each other in mandate and purpose, where BFIs exist as banks with objectives of profit as well as development, and DCAs are often dedicated to advancing foreign policy goals while contributing to the advancement of developing countries.

2 Besides the individual EU Member State countries, European Union Institutions also provides significant resources for financing climate change mitigation and adaptation in developing countries as well as its Member States.

3 European Union and EU Member States' climate finance sources, including BFIs, take the lead regarding climate finance support to the ECA region followed closely by Japan.

FIGURE 10

CLIMATE FINANCE PROVIDED BY BILATERAL DONORS FOR EUROPE AND CENTRAL ASIA (MILLION USD)



Source: Adapted from OECD (2018).

The numbers in **Figure 10** include all financing instruments including grants, concessional and non-concessional loans (excluding guarantees). The numbers indicate the commitment made in 2017 and do not reflect guarantees, as they are categorized as non-flow operations. Though the numbers change every year, it gives an indication of the level of support from the bilateral sources for the ECA region.

European Union (EU)

Overview

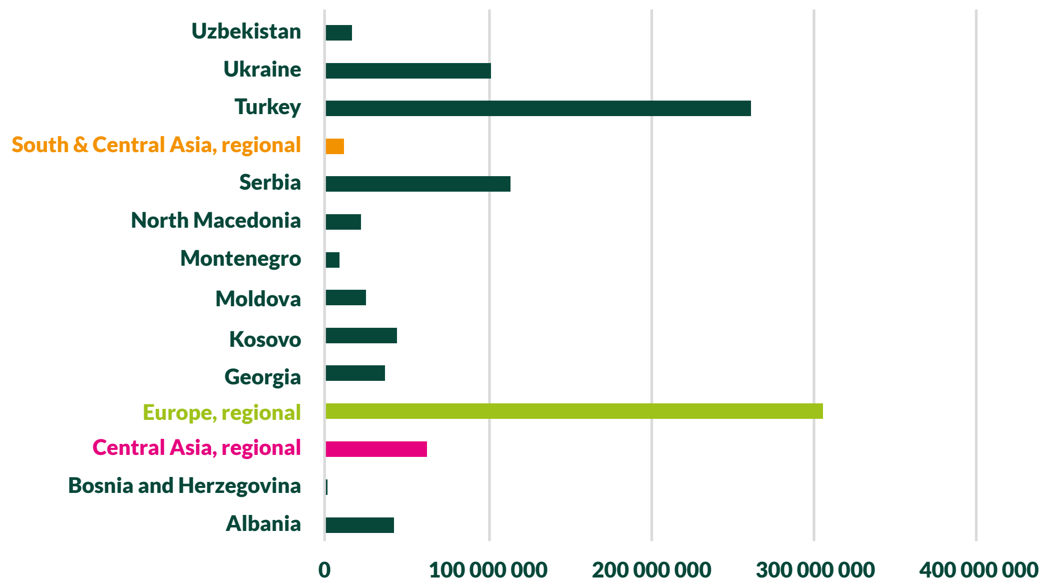
Climate action is an integral part of the EU's foreign policy agenda. The EU, its Member States and the European Investment Bank are collectively the biggest contributor of public climate finance to developing countries, giving €21.7 billion in 2018 alone (European Council, 2019). The EU remains committed to contributing towards the developed countries' goal of jointly mobilising USD 100 billion per year by 2020 from different sources to support developing countries. The EU also provides significant funding for the AF and the GCF.

A part of the developing countries of the ECA Region benefit from EU funds through the targeted funds of: Instrument for Pre-Accession Assistance (IPA), European Regional Development Fund and Horizon 2020. Also, the EU adopted the External Investment Plan (EIP) in 2017 which mobilizes finance through European Fund for Sustainable Development (EU, 2017). Not all of these funding channels have climate change among their core areas, but climate change is addressed in several projects as a cross-cutting issue. Also, ECA countries may receive support for their climate action via the EU's flagship policies and programmes.

The EU is globally among the biggest contributors to climate finance. Apart from the EU countries' bilateral climate finance mechanisms for developing countries, the EU finances a variety of countries. **Figure 11** indicates the level of European Institutions' climate finance commitment for 2018 through the European Commission. The data does not include climate funds provided through MDBs.

FIGURE 11

EUROPEAN COMMISSION'S CLIMATE FINANCE COMMITMENT FOR 2018 (USD)



Source: Adapted from OECD (2018).

Areas of focus

The overall objective of the EU's finance mechanisms is to foster policy dialogue and cooperation on climate change between the EU and developing countries. Priority areas are:

- Mainstream climate change into national development strategies;
- Increase resilience; and
- Support the formulation and implementation of adaptation and mitigation strategies.

Country eligibility

The EU's climate finance facility has a range of target countries. Country eligibilities for each mechanism are as follows:

- The Instrument for Pre-Accession Assistance (IPA): EU candidate countries (Turkey, Albania, Montenegro, Serbia and North Macedonia) and potential candidate countries in the Western Balkans (Bosnia and Herzegovina and Kosovo (under UNSCR 1244/99).
- The Instrument for Pre-Accession Assistance for Rural Development (IPARD): Albania, Montenegro, North Macedonia, Serbia and Turkey.
- External Investment Plan/European Fund for Sustainable Development: Eastern partnership countries.

In addition, Framework Programme Funds which have evolved into Horizon 2020 (H2020) involve non-EU countries due to its international cooperation strategy. Countries that can benefit from H2020 are industrialized and emerging economies, enlargement and neighborhood countries, and developing countries. However, the H2020 projects can only be developed and implemented within a consortium of EU and non-EU Member States.

Within the framework of EU Neighbourhood Instrument (ENI), Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova and Ukraine can benefit as Eastern Neighbourhood countries.

The EU funds have different implementation periods, where priorities for each country may change with time. Therefore, each country should closely follow the focus areas of each implementation period and EU strategies for that country.

Financing

The EU's approach towards climate finance in developing countries is twofold:

- Provide grant funding directly to the poorest and most vulnerable countries.
- Use grant funding to leverage private investment by combining grants with loans and equities from public and private sources, including bilateral and multilateral development banks.

In 2018, the European Commission provided €2.7 billion in grants to developing countries, the majority of which were for climate adaptation activities. The Commission has pledged to provide at least €14 billion (or an average of €2 billion a year) to support climate activities in developing countries in 2014–2020 (EC, 2019).

The main channel for EU support to policy dialogue and specific, targeted climate action in developing countries is the Global Climate Change Alliance Plus (GCCA+), however it targets mainly LDCs and SIDSs.

The EU provides a variety of funds, where non-EU countries of the ECA region are eligible to benefit. For the enlargement countries, the EU has developed the Instrument for Pre-accession Assistance (IPA) (EU, 2019a) through which the EU supports reforms with financial and technical help. The IPA funds build up the capacities of the countries throughout the accession process, resulting in progressive, positive developments in the region. Country strategy papers are prepared as specific strategic planning documents for each beneficiary for the seven-year period. Currently Instrument for Pre-Accession Assistance IPA II (2014–2020) period is under implementation for beneficiary countries with a budget of EUR 11.7 billion. Preparations for IPA III for the period 2021–2027 are ongoing.

The IPARD programme (EU, 2019b), which is a part of the IPA programme, focuses on rural areas and the agri-food sectors of those countries. Through this tool, the EU provides the beneficiaries with financial and technical help with the aim of:

- Making their agricultural sector and rural areas more sustainable; and
- Aligning them with the EU's common agricultural policy.

For the period 2014–20, IPARD has an indicative budget of 1.1 billion EUR from the EU budget. Each country also contributes to the IPARD programme through national public funding.

Another climate finance mechanism is the European Regional Development Fund (ERDF) (EU, 2020a), which aims to strengthen economic and social cohesion in the EU by correcting imbalances between its regions. ERDF activity is designed to reduce economic, environmental and social problems in urban areas, with a special focus on sustainable urban development. Low-carbon economy is among ERDF's key priority areas of investment.

In 2017, the EU adopted the External Investment Plan (EIP) to help boost investment in partner countries in Africa and the European neighbourhood. It aims to contribute to the UN's sustainable development goals (SDGs) while tackling some of the root causes of migration. Through the EIP, the EU aims to mobilise innovative financial instruments, with particular focus on supporting the preparation and financing of bankable climate-relevant development projects. With a contribution of €4.1 billion from the European Commission, the plan is expected to leverage more than €44 billion of investments by 2020. The Plan also addresses climate change through a variety of sectors.

Within the Framework of Eastern Neighbourhood Policy, the EU implements regional and bilateral programmes, where "climate change action" is among the targeted areas of support. Through the European Neighbourhood Instrument (ENI), an estimated €741 – €906 million in funding have been available for the Regional East programme for 2014–2020 (Belarus, Ukraine, Georgia, Moldova, Armenia and Azerbaijan) (EU, 2020b).

Over the last decade, innovative measures for climate change mitigation and adaptation have become one of the priority areas of the EU research and innovation framework. The EU developed a financial instrument in 2012 – Horizon 2020 (H2020) – which aims to drive economic growth and create jobs, while tackling global societal challenges. In April 2019, the European Parliament endorsed the provisional agreement for the new research and innovation programme: Horizon Europe,[24] which will soon succeed Horizon 2020 for the period

[24] Horizon Europe will start in 2021. The updated information is available at: https://ec.europa.eu/info/horizon-europe-next-research-and-innovation-framework-programme_en

2021–2027. Almost a third (35 percent) of Horizon Europe's budget is for tackling climate change, and like Horizon 2020, it is open for cooperation with non-EU countries. Climate-related mission areas of Horizon Europe are:

- Adaptation to climate change including societal transformation.
- Climate-neutral and smart cities.

Application process

Each programme has a separate application process. Application process for IPARD,[25] for IPA,[26] for External Investment Plan,[27] for H2020,[28] and for ERDF[29] are available on their respective websites.

TABLE 6

SAMPLE PROJECTS APPROVED BY THE EU IN ECA COUNTRIES

Country	Project	Theme - sector	Amount Provided by the Fund	Year of Approval
Greece, Cyprus, North Macedonia, Albania and Bulgaria	Helping the Balkan region's agribusinesses go 'green'	Environment – energy efficiency	EUR 1 092 014 European Regional Development Fund	2017
Turkey and Bulgaria	Going green on the Turkish-Bulgarian border	Environment – mitigation	EUR 333 203 European Regional Development Fund	2017
Georgia (coordinated by Belgium)	Strengthening International Cooperation on climate change Research	Climate change Research	EUR 2 224 225 H2020	2018
Croatia, Bosnia and Herzegovina and Montenegro	safEarth: Improving risk prevention from landslides and flash floods	Environment – adaptation	EUR 828 491 European Regional Development Fund	2017
Ukraine, Georgia, Moldova, Armenia, Azerbaijan, Belarus	Eastern Europe Energy Efficiency and Environment Partnership – E5P	Energy Efficiency – mitigation	EUR 89 million External Investment Plan	2009

Source: Adapted from EU (2020).

25 https://ec.europa.eu/info/food-farming-fisheries/farming/international-cooperation/enlargement/pre-accession-assistance/apply-funding_en#nationalipardprogrammesandcontacts

26 https://ec.europa.eu/neighbourhood-enlargement/instruments/national-ipa-coordinators_en

27 https://ec.europa.eu/commission/sites/beta-political/files/external-investment-plan-guide-nov17_en.pdf

28 https://ec.europa.eu/programmes/horizon2020/en/how-get-funding

29 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R1301

Germany

International Climate Initiative (IKI)

www.international-climate-initiative.com

Overview

Since 2008, the International Climate Initiative (IKI) of the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) has been financing climate action and biodiversity conservation in developing and newly industrializing countries, as well as in countries in transition.

The initiative places clear emphasis on climate change mitigation, adaptation to the impacts of climate change and the protection of biological diversity. These efforts provide various co-benefits, particularly the improvement of living conditions in partner countries.

So far, since 2008 IKI has launched over 700 climate and biodiversity projects representing a total project volume of EUR 3.9 billion (IKI, 2019).

IKI projects are carried out by a broad range of implementing organizations: the German Government's major implementing organizations Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), GmbH and KfW Entwicklungsbank, multilateral organizations such as United Nations agencies and multilateral development banks, NGOs, research institutes, foundations and private companies.

IKI also supports countries to receive and administer climate finance in an effective and transparent manner, in order to successfully access funds of the Green Climate Fund through the GCF-Readiness Programme, for instance.

Areas of focus

The IKI funds projects in the following areas:

- Mitigating greenhouse gas emissions;
- Adapting to the impacts of climate change;
- Conserving natural carbon sinks with a focus on reducing emissions from deforestation and forest degradation (REDD+); and
- Conserving biological diversity.

Country eligibility

IKI provides support for its partner/cooperation countries, among which some priority countries exist. The main criteria is to be an ODA DAC list country. Central Asia as a region is among IKI's list of partner/cooperation regions; and out of this region, the priority countries are: Turkey, the Russian Federation and Ukraine. The list of partner countries is subject to change from year to year.

Financing

IKI has two relatively big funding pools namely the "thematic-oriented" and "country-specific" selection procedures. These funding pools primarily promote large-volume programmes in order to accelerate transformation towards a sustainable and low-carbon economy and its connected supply structures.

Types of funding

Grants

Low-interest loans

IKI also has a small and medium grants funding mechanism, aimed at small-scale projects. This is in response to the implementation of the Paris Agreement and with recognition of the Convention on Biological Diversity (CBD) requirements to strengthen smaller stakeholders' capacities in developing and emerging countries and the effective involvement of all social groups. IKI small grants is aimed at non-governmental and non-profit organizations in developing and emerging countries, as well as national funding institutions. The IKI Small Grants scheme selects project proposals with a funding volume of up to EUR 100 000 and with a proposed project duration ranging from 6 months to 2 years.

IKI Medium Grants is intended to support non-governmental and other non-profit organizations based in Germany to realize projects in developing and emerging countries. IKI Medium Grants funds projects that are implemented jointly by German-based organizations with their local partners in ODA-eligible (Official Development Assistance) countries (Annex II). The aim is to strengthen the capabilities of civil society stakeholders by enabling them to make transformative, bottom-up contributions to the implementation of the Paris Agreement and the Convention on Biological Diversity (CBD). Each project can receive a grant of between EUR 300 000 to a maximum of EUR 800 000 over a period of two to three years. Projects can be implemented in a maximum of two countries.

IKI programmes are not funded entirely by BMU and often include an adequate proportion of co-funding. An appropriate financial participation of the joint programme coordinator ("own funds") and/or the mobilization of additional co-funding are a condition for approval of a grant. The extent to which own funds must be available can only be decided on a case by case basis. The appropriate amount depends in particular on the financial strength of the applicant. A full financing mode from BMU is therefore only possible in exceptional cases. In-kind contributions are encouraged but cannot be counted as own funds.

Application process

In general, BMU/IKI selects programmes for IKI funding based on open calls for ideas that are announced regularly. Thematic and country-specific calls are launched for the selection of large-scale programmes that are implemented jointly with other organizations in a consortium.

IKI supports activities through implementing agencies, NGOs, consultancies, universities, research institutions, international and multilateral organizations and institutions, e.g. development banks and UN bodies and programmes, based in Germany and abroad. Individuals cannot be funded. Furthermore, governments (including subordinate authorities) are not eligible to receive funding directly.

In country-specific selection procedures, BMU together with the government of the partner country, develops topics for bilateral IKI projects. For these thematic funding priorities, project outlines can be submitted during the competitive calls. The selection process consists of two stages and takes place in close cooperation with the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety on behalf of the partner country.

The full project proposal is subsequently evaluated by BMU and serves as a basis for its decision whether to fund the project. The respective requirements and templates for this process will be provided once the first stage of the procedure is completed.

TABLE 7

SAMPLE PROJECTS APPROVED BY IKI IN ECA COUNTRIES

Country	Project	Theme	Amount Provided by the Fund	Type of Funding	Year of Approval
Turkey	Capacity development for a monitoring, reporting and verification (MRV) system in Turkey	Mitigation	EUR 5 425 000	Grant	2013
Tajikistan	Sustainable Regeneration Of Alluvial Forests In Gorno-Badakhshan	Restoration of forests	EUR 1 043 955	Grant	2009
Kazakhstan	Health Adaptation to Climate Change	Adaptation	EUR 1 009 742	Grant	2008
Serbia	Credit Programme Balkan Green Financing	Renewable Energy and Energy Efficiency	EUR 4 860 867	Low interest loan	2008
Russian Federation	Climate Protection Loan Programmes for Energy-Efficient Investments for SMEs and for Housing Modernisation by the Banking Sector in the Russian Federation	Energy efficiency	EUR 1 972 331	Low interest loan	2009

Source: Adapted from IKI (2020).

France

French Development Agency (AFD)

www.afd.fr

Overview

Agence Française de Développement (AFD) Group is a public financial institution that finances, supports and accelerates transitions towards a more just and sustainable world. As a French overseas aid platform for sustainable development and investment, AFD and its partners create shared solutions, with and for the people of the global South.

AFD teams are active in more than 4 000 projects in the field – in the French overseas departments and some 115 countries. AFD aims to promote health, education and gender equality, and is working to protect common resources, peace, biodiversity and a stable climate.

"AFD considers climate change as a top priority and after the enforcement of the Paris Agreement, it became one of the first international development banks committed to be "100% compatible with the Paris Agreement".

AFD considers climate change as a top priority and after the enforcement of the Paris Agreement, it became one of the first international development banks committed to be "100% compatible with the Paris Agreement". AFD supports climate change mitigation and adaptation projects that accompany the introduction of low-carbon, resilient development trajectories in the framework of the broader sustainable development goals (SDGs) agenda.

AFD's regional branch of PROPARCO,[30] its subsidiary in charge of private sector financing, offers loans and guarantees or makes equity investments in companies.

So far, among the ECA countries, Turkey has benefited most from the AFD resources in terms of climate change projects with a total of almost EUR 1.5 billion. The other ECA countries which benefited from climate finance have been Azerbaijan (EUR 175 Million), Georgia (EUR 66.6 million), Ukraine (EUR 31.5 million) and Montenegro (EUR 20 million).[31]

Areas of focus

Within the framework of its global and regional strategy, and the efforts against climate change, AFD supports sustainable national and municipal infrastructure (public transportation, water and wastewater, waste management, etc.), energy transition (energy efficiency, renewable energy, support to the adaptation of countries' legal framework and energy markets), sustainable agriculture and rural development as well as biodiversity.

[30] Proparco is a subsidiary of Agence Française de Développement (AFD) focused on private sector development. It has been promoting sustainable economic, social and environmental development practices for the past 40 years.

[31] Data gathered through discussions with AFD local offices in Istanbul and Ankara.

Country eligibility

From the ECA region, twelve countries are eligible for climate finance by AFD: Turkey, Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Uzbekistan, Georgia, Kazakhstan, Kosovo, Montenegro, North Macedonia and Serbia (under UNSCR 1244/99). When extended to PROPARCO (AFD's subsidiary for the private sector), six additional countries are eligible: Belarus, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan and Ukraine.

Financing

Climate change is a key area of focus for AFD globally and also in the ECA region. Between 2015 and 2019, the AFD Group (including PROPARCO) committed over EUR 2.7 billion in the region, of which 60 percent (EUR 1.7 billion) directly provide mitigation and adaptation benefits.[32]

AFD finances public institutions including national and local governments, public banks and companies with public governance. AFD provides loans, grants and guarantees. Given the predominantly middle-income nature of the region, the vast majority of the funds are provided in the form of loans; whereas AFD grants are concentrated in low-income countries.

Types of funding

Loans

Concessional loans

Grants

Guarantees

Equity investments

Loans are concessional in nature as they provide better conditions (interest rate, grace period and maturity) than what commercial markets offer. The limited amount of grants are primarily mobilized to accompany projects that are financed by loans with technical assistance programmes in order to support innovative approaches and increased social and environmental impacts.

For the private sector, the AFD Group offers loans and guarantees or makes equity investments in companies via PROPARCO, its private-sector financing arm (PROPARCO, 2020). AFD and PROPARCO can provide financing through project finance (for large projects, ranging from EUR 10 to above 100 million) or through credit lines with public or private banks, which in turn can lend to small and medium stakeholders.

AFD can also provide policy loans to national and local governments to support the implementation of wide-ranging policies rather than individual investments. AFD Group can also manage third party financing (e.g. European Union), in stand-alone or blended finance projects. Project examples with strong climate benefits include metro lines, ferries, railways, water and sanitation, solid waste management, energy generation and transport, energy efficiency.

Credit lines are part of two main product families: SUNREF credit lines (Sustainable Use of Natural Resources and Energy Finance) promote investments in renewable energy, energy efficiency and environmental services. Whereas AGREENFI credit lines (Agricultural and Rural Finance) promote and achieve productive and resilient agriculture, improve living conditions for rural populations and foster the sustainable structuring of rural territories (AFD, 2020). They provide credit and guarantees for small- and medium-sized farms, agricultural products and value chains, forestry and rural development projects.

[32] Data gathered through discussions with AFD local offices in Istanbul and Ankara.

Application process

AFD Group teams work with central and local governments, public and private banks as well as the private sector in the financing of climate mitigation and adaptation projects. Addionally, it provides policy financing through sector policy loans to local and central governments. To the extent possible, projects and sector policy financing frameworks are developed jointly by AFD and its partners to ensure verifiable impacts and value-added cooperation in line with the strategic priorities of both parties. For more information on the eligibility of a project or appraisal process, local offices are advised to be contacted as the focal point.

TABLE 8

SAMPLE PROJECTS APPROVED BY AFD IN ECA COUNTRIES

Country	Project	Theme - sector	Amount Provided by the Fund	Year of Approval
Turkey	Support for Sustainable Forest Management Policies	Forest	EUR 600 million loan EUR 1.2 million grant	2012
Uzbekistan	Modernization of The Integrated Solid Waste Management In The City Of Samarkand	Climate, Sustainable Cities	EUR 31.5 million loan	2016
Georgia	Providing High-quality Water and Sanitation services	Water and sanitation	EUR 58 million loan	2019
Montenegro	Krnovo WPP	Renewable Energy	EUR 20 million Proparco	2015
Georgia	Hydrolea HPP	Renewable Energy	USD 8.6 million Proparco	2017
Azerbaijan	Railway Sector Development Program	Transport and connectivity	EUR 175 million loan	2016

Source: Adapted from primary information and discussions with AFD local offices in Istanbul and Ankara.

Japan

Japan International Cooperation Agency (JICA)

www.jica.go.jp

Overview

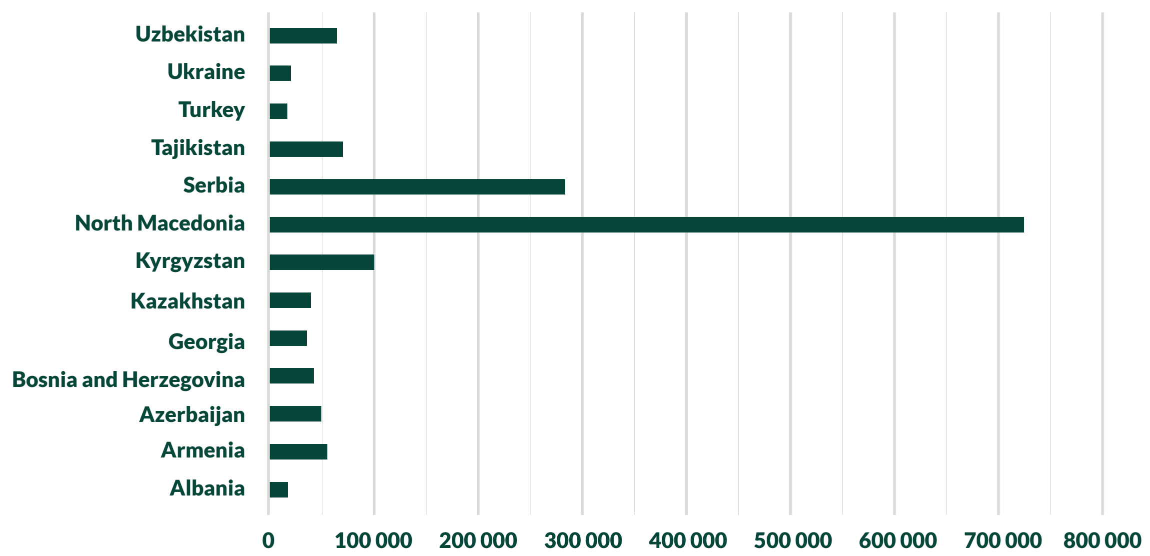
Japan International Cooperation Agency was established in 1974 and aims to contribute to the promotion of international cooperation as well as the sound development of the Japanese and global economy by supporting the socio-economic development, recovery or economic stability of developing regions.

In 2015, Japan pledged to augment support to climate change actions in developing countries through the provision of USD 10.3 billion of public climate finance in 2020. As a development partner, JICA aims to support the efforts of addressing climate change in developing countries with the momentum of the Paris Agreement. JICA supports both mitigation and adaptation projects in many parts of the world.

Japan provides development related climate finance for ECA Region Countries in different levels. According to OECD data[33] Japan has committed approximately USD 1.5 million for climate-related development projects in the ECA region. For 2018, the highest climate change related development funds were disbursed to North Macedonia as shown in **Figure 12**.

FIGURE 12

JICA'S CLIMATE FINANCE COMMITMENT FOR 2018 (USD)[34]



Source: Adapted from OECD (2018).

[33] Graph prepared with the data taken from OECD DAC External Development Finance Statistics: http://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm Guarantees are excluded because they are categorised as non-flow operations.

[34] Graph prepared with the data taken from OECD DAC External Development Finance Statistics: http://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm Guarantees are excluded because they are categorised as non-flow operations.

Areas of focus

Within the framework of climate change mitigation and adaptation, JICA focuses on the following topics: Energy, water and sanitation, infrastructure, agriculture and fisheries, disaster risk reduction, forestry, environmental policy and solid waste management.

The priority areas regarding climate change response are as follows:

- Promoting low-carbon, climate-resilient urban development and infrastructure investment;
- Enhancing climate risk assessment and counter measures;
- Supporting climate policy and institutional development; and
- Enhancing conservation and management of forests and other ecosystems.

Country eligibility

The priority countries and regions to be funded are aligned with the country classification determined under Official Development Assistance (ODA), as defined by the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD). In the ECA region, projects have been implemented in:

- Eastern Europe: Albania, Bosnia and Herzegovina, North Macedonia, Kosovo (UNSCR 1244/99), Montenegro, Serbia and Turkey.
- Central Asia and Caucasus: Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Tajikistan, and Uzbekistan.

Types of funding

Technical cooperation

ODA grants

ODA loans

Financing

JICA's climate change cooperation amount in 2017 was approximately USD 7 155 million. JICA provides ODA loans and ODA grants for international applicants. There are also several types of grants provided by JICA such as project grants, sector grants, grants in association with an international organization, grants through budget support and grants for Human Resource Development Scholarship.[35]

Within the framework of ODA project loans,[36] JICA provides project-type loans, engineering service loans, financial intermediary loans (two-step loans), and sector loans. Also, JICA provides programme loans which assist recipient countries seeking to improve policies and implement general system reforms. Sometimes programme loans take the form of co-financing with the World Bank and other Multilateral Development Banks (MDBs).

ODA loans support developing countries by providing low-interest and long-term concessional funds and are used for large-scale infrastructure and other forms of development that require a substantial amount of funds.

[35] https://www.jica.go.jp/english/our_work/types_of_assistance/grant_aid/types.html

[36] https://www.jica.go.jp/english/our_work/types_of_assistance/oda_loans/index.html

Application process

1. Project formulation: The potential beneficiary country requests funding from JICA's Office for Climate Change. The Global Environment Department Office for Climate Change reviews the project plan. Additional climate change measures can be proposed during this stage.
2. Feasibility study: JICA uses the Climate Change Finance Impact Tool for Mitigation and Adaptation (JICA Climate-FIT), which predicts potential GHG mitigation, evaluates climate change vulnerability, and identifies climate adaptation measures.
3. Project appraisal stage: The Office of Climate Change, in cooperation and coordination with the beneficiary country, re-assesses and revises the project plan.
4. Decision-making process to implement the project: JICA finalizes project design and signs the agreement with the project counterpart of the potential country.
5. Project implementation: JICA assesses the effectiveness of the project through monitoring and evaluation.

TABLE 9

SAMPLE PROJECTS APPROVED BY JICA IN ECA COUNTRIES

Country	Project	Theme	Amount Provided by the Fund	Type of Funding	Year of Approval
Turkey	Supporting Construction of Subway Linking Asia and Europe	Infrastructure	Yen 98 732 million	ODA Loan	2005
North Macedonia	Capacity Building for Ecosystem Based Disaster Risk Reduction through Sustainable Forest Management in North Macedonia	Natural Environment Conservation	-	Technical Cooperation	2017
Tajikistan	Solar Power Generation in Dushanbe Hospitals	Renewable Energy	-	Technical Cooperation	2019

Source: Adapted from JICA database.

KFW Development Bank

www.kfw-entwicklungsbank.de

Overview

KfW helps (poorer) countries all over the world to transform their social and economic systems in ways that are climate-friendly and to tap into the great potential that results from those changes.

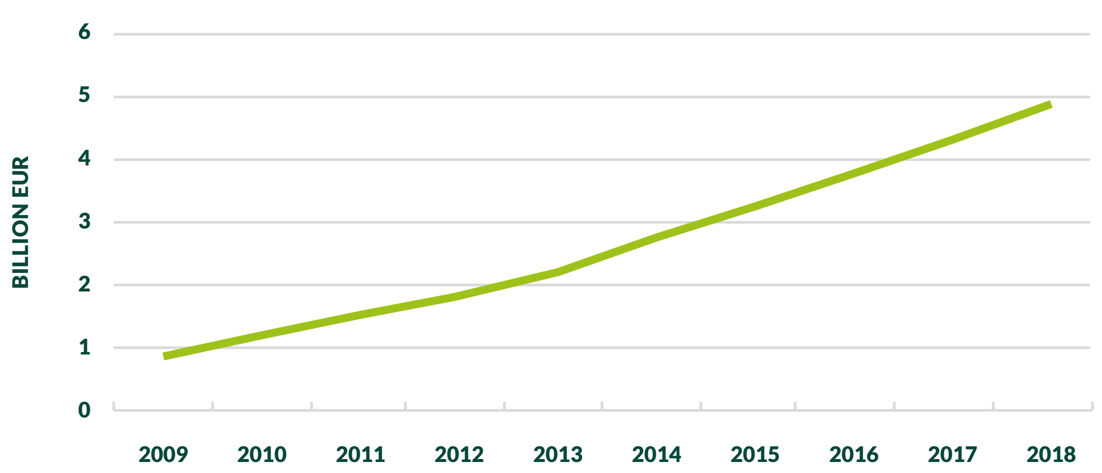
KfW Development Bank works on behalf of the German Federal Government to implement a large part of Germany's contribution. From 2013 to 2018, KfW invested approximately EUR 23.6 billion in climate-related projects (KFW, 2019a). Over half of its new commitments have the stated aim of climate change mitigation or adaptation. Climate change is one of KfW's key priority areas for funding and specifically, KfW Development Bank supports partner countries in the development of solar power, wind power, geothermal technology, the electricity grid and energy efficiency on both the supply and demand sides.

KfW finances projects which contribute to making people, infrastructure and ecosystems more resilient to climate change. In this context, by taking climate risks into account in agriculture and rural development, natural resources, water and waste management, coastal protection, flood and disaster prevention, it helps to minimize the damage caused by extreme weather conditions and climate change. Moreover, KfW is actively involved in climate risk insurance. These types of insurance models aim to cushion the negative impact of climate change (e.g. crop failure) primarily for poorer sections of the population.

Just like many other Multilateral Development Banks, KfW's global investment in climate-related development projects has been steadily increasing, as shown in **Figure 13**.

FIGURE 13

KFW'S INVESTMENT IN CLIMATE CHANGE PROJECTS GLOBALLY BETWEEN 2009–2018



Source: Adapted from KFW (2019a).

Areas of focus

Projects that cover several areas are eligible for funding, however there is no overarching thematic area of climate change. Topics such as water resource management, water and sanitation, agriculture, food security, urban development, infrastructure, coastal zone protection, waste management, forest management, REDD, biodiversity, renewable energy, energy efficiency are the sectors that are supported by KfW. However, due to the cross-cutting nature of climate change, projects under these topics directly or indirectly address mitigation and adaptation to climate change.

Country eligibility

Developing and emerging countries that are eligible for ODA are eligible to apply. However, Least Developed Countries are the main target for grants, while low- and middle-income countries and emerging economies can benefit from loans.

KfW's support is adapted to the various requirements and conditions in the respective partner country; the German Federal Government decides with partner governments on the nature of the funding to be provided by KfW. Therefore, each country is considered and evaluated separately when it comes to eligibility for climate change project finance. Detailed information can be accessed from the individual country web pages.[37]

KfW grants are mainly allocated to poor and poorly-developed countries. However, to be eligible to receive this funding, the planned projects must be in line with the beneficiary country's development strategies and policies in order to secure the partner country's ownership and commitment.

Financing

EUR 5.1 billion, 58 percent of KfW's 2018 commitments totalling EUR 8.7 billion pertained to climate and environmental protection. The selected funding model depends on the size of a country's debt, its economic output and level of development, the performance capacity of the project partner as well as the type of project. The funding models include pure grants and loans from budget funds, but also loans that combine budget funds and KfW's own funds.

The conditions for these kinds of loans are particularly favourable (interest, term). KfW also grants loans which are only comprised of KfW's own funds at terms and conditions commensurate to risk.

Types of funding

Grants

Low-interest rate standard loans

The development loans were created in collaboration with the Federal Ministry for Economic Cooperation and Development (BMZ) to increase the funding volume for the projects and programmes in partner countries. For development loans, KfW combines budget funds of the German Federal Government with its own funds that it raises at favourable terms on the capital market. The terms and conditions are structured to ensure that substantial financial resources are mobilized for the projects and that the loans comply with the international agreements for ODA. Development loans are concessional thus their interest rates are below the market level.

Promotional loans are loans to partners in developing countries and emerging economies commissioned by the Government that are 100 percent funded by KfW on the capital market and aim to fill the gap between development loans and commercial bank loans and give German financial cooperation more flexible options for action.

[37] https://www.kfw-entwicklungsbank.de/International-financing/KfW-Development-Bank/Local-presence/Regional-offices.html

NAMA Facility
KFW Devel. Bank
Japan JICA
France AFD
Germany IKI
European Union

Financing may be provided for:

- funding of official or officially guaranteed financial institutions of the formal banking sector;
- credit and equity investment operations in the micro finance sector; and
- private and public investments in infrastructure (telecommunications, transport, energy, water supply, etc.).

Also, KfW Development Bank provides climate finance and technical support through some initiatives such as:

- The Green for Growth Fund (GGF), which is a specialized fund to advance energy and resource efficiency and renewable energy covering South East Europe;[38] and
- InsuResilience Investment Fund, which contributes to adaptation to climate change by improving access to and the use of insurance in developing countries.[39]

Application process

KfW gives priority to the five criteria agreed by the international community of donors, as represented by the OECD's Development Assistance Committee (DAC), and are: relevance, effectiveness, efficiency, overarching developmental impact and sustainability (Annex II).

All projects and programmes that are promoted by KfW Development Bank, both financially and in terms of ideas, follow the same project cycle – from conception through to evaluation (KFW, 2014b).

Financial cooperation is aligned with the country strategies of the BMZ and the development strategies of the partner country. The German Federal Government and the respective partner country sign an intergovernmental agreement, in which the terms and conditions of the cooperation are determined.

Analysis and conception: Once the partner country has proposed a project approach, KfW Development Bank conducts a brief assessment on whether the project is appropriate in terms of development policy and whether it is feasible. The brief assessment for the contracting entity, such as the BMZ, provides an initial assessment and the basis for further discussion. For this purpose, in most cases the project-executing agencies complete a feasibility study together with experts. This study contains an analysis of all the key aspects of a project from economic efficiency through to developmental impacts and potential risks.

On-site audit: Once sufficient information is available, KfW Development Bank staff verify the conditions on-site. KfW Development Bank summarizes the results of the audit in a report for the BMZ or other contracting entity. This shows whether the planned project meets the development policy criteria. The report also includes a recommendation regarding the extent to which the funds should be provided and under which conditions. On the basis of this report, the BMZ instructs KfW Development Bank to enter into contract negotiations.

Financing agreement: The conditions of financing as well as the rights and obligations of the contracting parties are defined in a contract. Usually, the partner country makes a contribution towards the financing. The contract also governs how the projects are to be operated in the future and who will be responsible for the system that has been financed.

38 https://www.ggf.lu/

39 https://www.insuresilienceinvestment.fund/

TABLE 10

SAMPLE PROJECTS APPROVED BY KFW IN ECA COUNTRIES

Country	Project	Theme	Amount Provided by the Fund	Type of Funding	Year of Approval
Ukraine	Support of Nature Protected Areas in Ukraine	Environment	EUR 14 million	Grant	2015
Armenia	Programme to Promote Renewable Energies	Renewable Energy and Energy Efficiency	EUR 6 million (Phase I)	Loan	2018
Montenegro	Energy Efficiency in Public Buildings (Phase III)	Energy Efficiency	EUR 45 million (loan) EUR 4.8 million (grant)	Loan and Grant	2019

Source: Adapted from KFW database.

NAMA Facility

www.nama-facility.org

Overview

The concept of Nationally Appropriate Mitigation Actions (NAMA) was developed through international negotiations under the UNFCCC. First mentioned at COP13 in 2007, NAMAs are considered to be voluntary climate change mitigation measures by emerging economies and developing countries to be embedded in their national development plans. By moving countries towards a carbon-neutral development trajectory, NAMAs have the potential to significantly contribute to global efforts to reduce greenhouse gas emissions. NAMAs are seen as concrete building blocks to implement the objectives of Nationally Determined Contributions (NDCs).

The NAMA Facility was jointly established by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) and the UK Department for Business, Energy and Industrial Strategy (BEIS). Its objective is to provide financial support to developing countries and emerging economies that show leadership on tackling climate change and want to implement transformational country-led NAMAs within the global mitigation architecture in the short- and mid-term. The Danish Ministry of Climate, Energy and Utilities (KEFM) and Ministry of Foreign Affairs (MFA) and the European Commission joined the NAMA Facility as donors in 2015. Although funded by several countries, the NAMA Facility is a bilateral climate fund by definition.

The NAMA Facility provides financial support for implementing national climate strategies and Nationally Determined Contributions (NDCs) via mitigation actions such as NAMAs in relevant sectors thereby realizing sustainable transformational change towards a carbon-neutral pathway. This is done through funding NAMA Support Projects (NSPs) as the most ambitious parts of these mitigation actions that have the potential to catalyse transformational change towards carbon-neutral development in the respective sector. The NAMA Facility does not prefer any country group or region over others.

Areas of focus

The NAMA Facility has no sectoral focus. Therefore, in principle, NSPs from all sectors with a relevant mitigation potential are eligible. However, it is necessary to demonstrate that the NSP supports transformational change towards a carbon-neutral pathway.

The NAMA Facility's interpretation of transformational change encompasses a significant technological paradigm shift that is quicker than business-as-usual, irreversible/permanent (i.e. not slipping back to the situation before the project), and that there is a strong political will and commitment to implement these changes.

Therefore, certain technologies targeting a fossil fuel switch, a reduction of gas flaring, upgrading

and modernising fossil fuel-based energy generation (e.g. coal) or a replacement of rolling stock in transport with more efficient fossil fuel-based vehicles are likely to find it challenging to demonstrate the potential for transformational change towards a carbon-neutral development pathway.

Country eligibility

In order to be eligible for NAMA Facility support, the country of implementation must be included on the so-called OECD DAC list of recipient countries (OECD, 2019). Countries and territories not on this list are excluded from NAMA Facility support.

Financing

The financial contributions to the NAMA Facility made by the German, British and Danish Governments and the European Commission form part of the commitment made by industrialized countries during the UNFCCC climate negotiations in Copenhagen and Cancun to jointly mobilize USD 100 billion per year by 2020.

The NAMA Facility aims to fund the implementation of the most promising and ambitious – while at the same time feasible –NSPs, which should have the following characteristics:

- Be country-driven and embedded in national development strategies and plans;
- Integrate into sector-wide programmes or policies with specific reference to a Nationally Determined Contribution (NDC); and
- Consist of a combination of policy and/or regulation reforms and financial mechanism.

Types of funding

Concessional loans

Loan guarantees

Grants

Small-scale direct investment subsidies/grants

Policy-based lending

NSPs are expected to propose financial mechanisms that enable the leveraging of public and private funds in order to make best use of the grant provided by the NAMA Facility to the NSP.

The NAMA Facility supports governments and their implementing partners in implementing sub-sector-wide mitigation actions, rather than single investment projects such as one solar photovoltaic (PV) plant or the refurbishment of a single building. The NSP must be transformational in nature, and include elements of replicability and scalability. More information on the financial mechanisms is available on the NAMA Facility website.[40]

Ministries and NGOs can apply for NAMA Facility funding. As private investments are crucial for transformation in most sectors, a close interaction between NSPs and the private sector is expected. A private enterprise can create a consortium and apply for NAMA Facility. If the applicant is a national ministry, then the NAMA Facility requires the nomination of an Applicant Support Partner (that is a legal entity) as the contracting partner for providing the funding support during the Detailed Preparation Phase. There is no limit – ministries or legal entities can be involved in more than one NSP outline submission.

Application process

The total funding volume requested from the NAMA Facility for the implementation of the NSP should be in the range of EUR 5 – 20 million. The application cycle consists of the following steps:

- Preparation of outline: The outline is prepared and submitted by the Applicant.
- Assessment of the outlines by the NAMA Facility: Selection is among the submitted, relatively short NSP outlines that undergo a thorough desk (and some an onsite) assessment by an independent external evaluator and the Technical Support Unit (TSU). NSPs that successfully pass the assessment are recommended to the Board for funding of the Detailed Preparation Phase.

[40] https://www.nama-facility.org/fileadmin/user_upload/publications/factsheets/2016-02_factsheet_nama-facility_financial-mechanisms-2016_01.pdf

- Detailed Preparation Phase, DPP/Proposal Phase): Successful applicants can proceed for the DPP. At the end of the DPP, the selection will be based on the full-fledged NSP Proposal, which is the outcome of the DPP.
- Board Decision: NSP proposals undergo an assessment by the TSU and external experts. NSP proposals that have successfully passed the assessment are recommended to the Board. According to the assessment result and the available funding, the Board takes a final decision on providing funding for the implementation of the NSP. ■

TABLE 11

SAMPLE PROJECTS APPROVED BY NAMA FACILITY IN ECA COUNTRIES

Country	Project	Implementing Partners	Theme	Amount Provided by the Fund	Project Duration
Tajikistan	Tajikistan – Forestry NAMA Support Project	Ministry of Economic Development and Trade (MEDT); Agency of Forestry under the Government of Tajikistan	Climate change mitigation, biodiversity	EUR 0.2 million	2015–2016 (appraisal)

Source: Adapted from NAMA Facility (2020).

3.2.2 MULTILATERAL FINANCE INSTITUTIONS AND FUNDS

Multilateral Climate Funds established as part of the financial mechanism under the UNFCCC are not the only sources of public finance for climate change mitigation and adaptation in developing countries; many other sources of funding exist, including Multilateral Development Banks (MDBs) and other non-UNFCCC multilateral funds.

Besides governments, MDBs have also pledged to scale up the climate finance they provide in the future. In 2015, MDBs signed a joint statement at the Paris COP21 on: "Delivering Climate Change Action at Scale: Our Commitment to Implementation".

At COP24 in December 2018, the MDBs reinforced their commitment to combating climate change, presenting a joint approach that will align their activities with the goals of the Paris Agreement. This approach goes beyond each MDB's own climate finance targets for 2020 and 2030 and builds on their sustained contributions to climate finance.

MDBs are significant actors in financing climate action in developing countries. When the total climate development finance that MDBs have provided are compared, the increasing trend of the importance placed for climate change mitigation and adaptation projects becomes visible. According to the OECD statistics, WBG by far has provided the most contribution to climate change financing compared to other MDBs that support the ECA region.

According to the "Joint Report on Multilateral Development Banks' Climate Finance" the AfDB, ADB, EBRD, EIB, IDBG and WBG committed almost USD 237 billion in climate finance between 2011–2018 in developing and emerging economies. **Figure 14** shows the reported commitments to climate finance during this period (AFDB; ADB; EBRD; EIB; IADB; IDB; WBG, 2018). MDBs climate finance commitment has continuously increased after the Paris Agreement, reaching USD 43.1 billion in climate finance in developing and emerging economies in 2018. USD 30.165 billion or 70 percent of this total has been for climate change mitigation finance and USD 12 936 billion or 30 percent for climate change adaptation finance (AFDB; ADB; EBRD; EIB; IADB; IDB; WBG, 2018).

When the MDB climate finance is considered by region, **Figure 15** shows that the ECA region received a total of 20 percent of the global climate finance from MDBs, where non-EU Europe and Central Asia and EU-12 received 12 percent and 8 percent respectively in 2018.

Key points

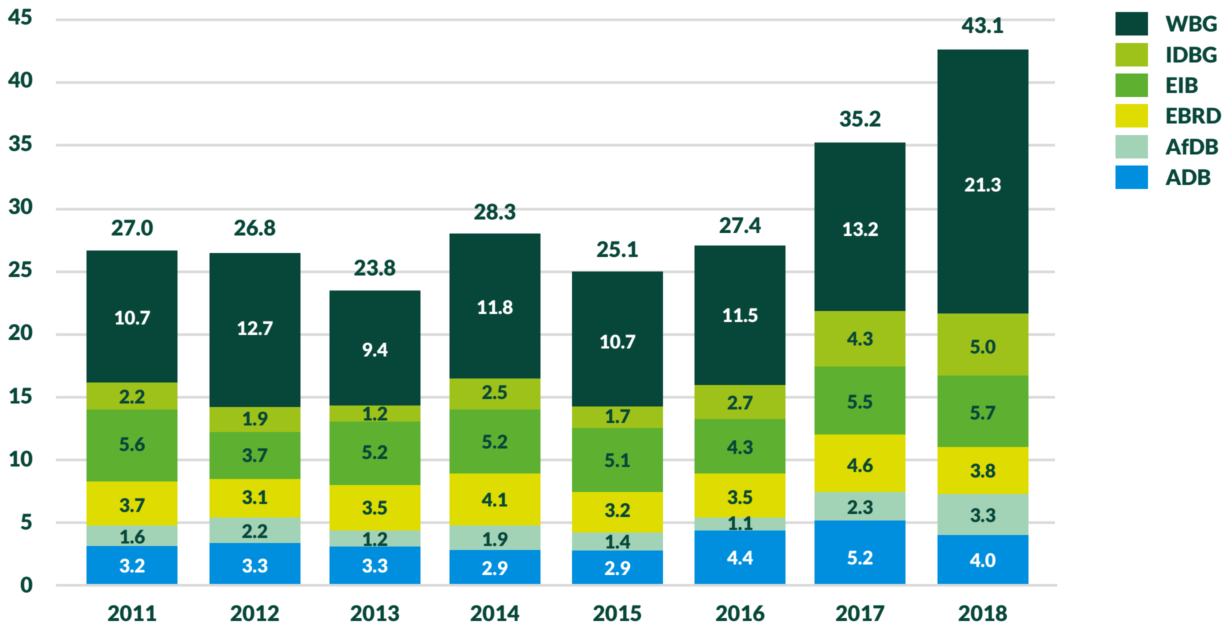
1 MDBs have recently become significant actors in financing climate action in developing countries with an increasing trend focussing on climate change mitigation and adaptation projects. Statistics show that the WBG has provided the most contributions to climate finance compared to other MDBs that support the ECA region.

2 In 2018, the ECA region received a total of 20 percent of the global climate finance from MDBs, where non-EU Europe and Central Asia and EU-12 received 12 percent and 8 percent respectively in 2018 (AFDB; ADB; EBRD; EIB; IADB; IDB; WBG, 2018).

3 MDBs climate finance commitment has continuously increased after the Paris Agreement, reaching USD 43.1 billion in 2018, 70 percent of which was dedicated for mitigation and 30 percent for adaptation finance (AFDB; ADB; EBRD; EIB; IADB; IDB; WBG, 2018).

FIGURE 14

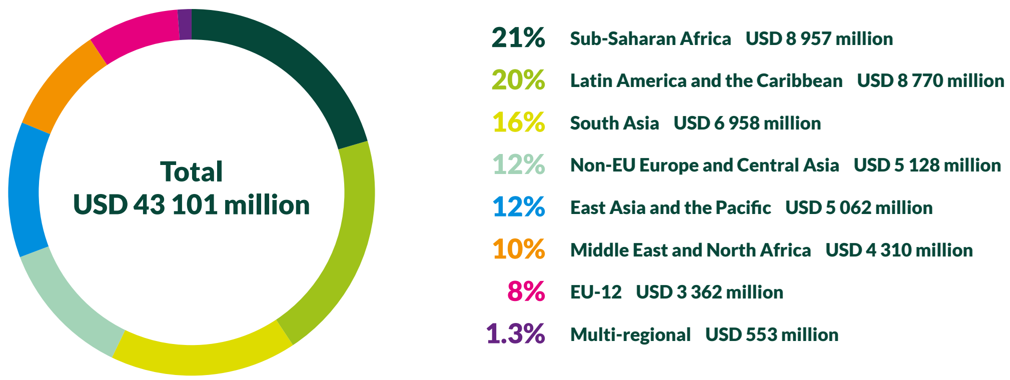
TOTAL REPORTED MDB CLIMATE FINANCE COMMITMENTS BY MAJOR MDBs (2011–2018) (BILLION USD)



Source: Joint report on multilateral development banks' climate finance.

FIGURE 15

MDB CLIMATE FINANCE BY REGION IN 2018



Source: Joint report on Multilateral Development Banks' climate finance.

Besides MDBs, a substantial volume of climate finance has been channelled through institutions that are not directly under the guidance of the UNFCCC. These multilateral climate funds are public funds that are established or chartered by more than one country to provide financial support and professional advice for economic and social development activities in developing countries.

Multilateral climate funds play a key role in using international public finance to promote the investments by other public and private finance institutions for tackling climate change. During the past two decades, the number of international funds providing climate finance has grown, each new fund responding to needs that emerged at different times. This pattern of growth reflects a general trend consistent with development finance. However, there are only a few non-UNFCCC Multilateral Funds where ECA countries are eligible.

Asian Development Bank (ADB)

www.adb.org

Overview

The ADB was conceived in the early 1960s as a financial institution that would foster economic growth and cooperation in one of the poorest regions in the world. ADB has 68 shareholding members including 49 from the Asia-Pacific region.

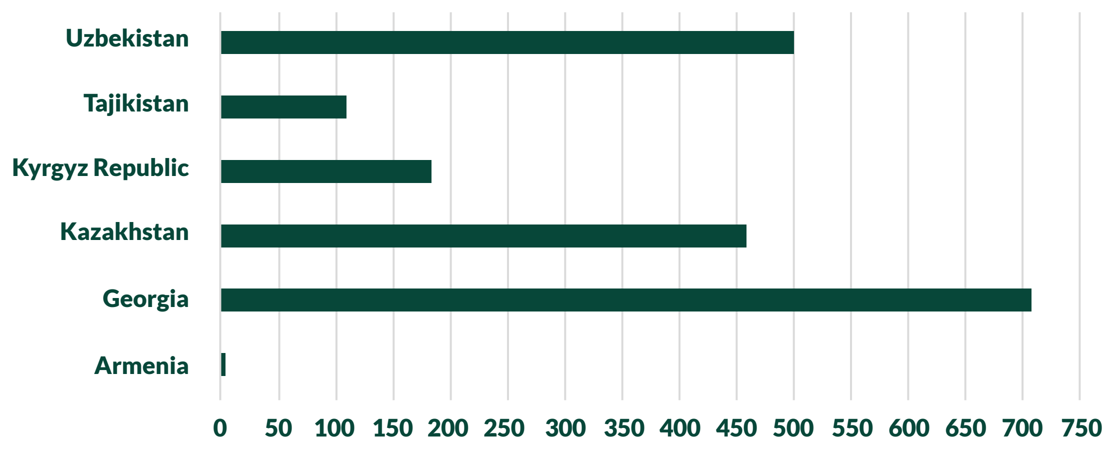
ADB raises funds through bond issuance on the world's capital markets. ADB is also funded by members' contributions, retained earnings from its lending operations, and the repayment of loans. ADB also provides loans and grants from a number of special funds, of which it has the largest share. For co-financing, ADB cooperates with a number of institutions varying from Multilateral Finance Institutions to Bilateral Agencies

ADB has developed the Central Asia Regional Economic Cooperation[41] (CAREC) Programme's Energy Strategy 2030 which aims to improve regional energy connectivity and implement priority reforms to scale up investments and promote green energy in 11 CAREC countries. The strategy suggests that within the next ten years, the CAREC programme will provide support to its members to attract more renewable energy generation in the regional energy mix, preferably through private investments.

In 2019, ADB approved projects totalling approximately USD 2 billion for climate finance for countries of the ECA region.[42] As indicated in **Figure 16**, in 2019, Georgia received the highest funding closely followed by Uzbekistan, Kazakhstan, Kyrgyzstan and Tajikistan.[42]

FIGURE 16

CLIMATE FINANCE APPROVED BY ADB FOR ECA COUNTRIES IN 2019 (MILLION USD)



Source: Adapted from ADB (2019).

[41] The Central Asia Regional Economic Cooperation, or CAREC, Program is a partnership of 11 countries (Afghanistan, Azerbaijan, People's Republic of China, Georgia, Kazakhstan, Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan), supported by 6 multilateral institutions, working together to promote development through cooperation, leading to accelerated growth and poverty reduction. CAREC helps Central Asia and its neighbours realize their significant potential by promoting regional cooperation in four priority areas: transport; trade facilitation; energy, and trade policy.

[42] Only includes projects covering individual countries. Regional projects are excluded.

Areas of focus

Key operational priorities include addressing poverty and reducing inequalities, accelerating progress in gender equality, promoting rural development and food security, tackling climate change has an important role. The three goals that are determined within climate change are:

1. Mitigation of climate change increased.
2. Climate and disaster resilience built.
3. Environmental sustainability enhanced.

Country eligibility

Several countries of the ECA region are eligible to access ADB resources, including Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

Types of funding

Grants

Concessional loans

Loans

Technical assistance

Financing

ADB has committed USD 80 billion in climate finance cumulatively between 2019 and 2030, and it ensures that at least 75 percent of its projects will address climate change mitigation and adaptation by 2030. In 2019, ADB committed USD 5.537 billion for mitigation and USD 1.536 billion for adaptation projects exceeding its former global commitments for climate change in the past (ADB, 2019).

ADB offers a range of financial products that help developing member countries (DMCs) build economic growth and social development. These tools include loans, technical assistance, and grants. For developing member countries' governments and public sector entities, such as state-owned enterprises, public sector (sovereign) financing is available. Sovereign lending or financing secured by a government guarantee, forms the greater part of ADB's development assistance.

To enhance the developmental impact of the projects, ADB mobilizes commercial and donor co-financing. When appropriate, ADB also mobilizes technical assistance grants – for example, to provide direct assistance to smallholder farmers and cooperatives.

ADB also provides results-based lending, which is a performance-based form of financing, where disbursements are linked to the achievement of results rather than to upfront expenditures, as is the case with traditional investment lending.

In mitigation projects, transport and energy sectors prevail, while in adaptation projects, agriculture, natural resources and rural development projects have the highest share followed by water and other urban infrastructure and energy projects.

Application process

Once a potential beneficiary government/applicant approaches ADB, the approval process is as follows:

1. Concept clearance: ADB carries out preliminary fact-finding on the project and the sponsors using the information provided by the sponsors.
2. Due diligence: A project team from ADB conducts due diligence on the project, including a visit to the project site, offices of the sponsors, relevant government agencies and any proposed co-financiers.

3. Term sheet: During due diligence, the ADB project team discusses and negotiates the terms and conditions of ADB assistance.
4. Final review: The project team prepares the appraisal report and other internal documentation, for presentation to the Investment Committee for the final review.
5. Board consideration: Following endorsement from the Investment Committee, the proposed ADB assistance is presented to the ADB Board of Directors.
6. Financial closure: Following Board approval, the documentation for project is finalized and signed.

TABLE 12

SAMPLE PROJECTS APPROVED BY ADB IN ECA COUNTRIES

Country	Project	Theme	Amount Provided by the Fund	Year of Approval
Tajikistan	Achieving Food Security through Climate Resilience Dairy Value Chain Development	Agriculture, natural resources and rural development	USD 500 000 (Technical Assistance)	2016
Kyrgyzstan	Climate Change and Disaster-Resilient Water Resources Sector Project	Agricultural production – rural flood protection – water-based natural resources management	USD 38.6 million (Concessional loan)	2018
Armenia	High-Efficiency Horticulture and Integrated Supply Chain Project	Agriculture, natural resources and rural development	USD 32 million (Loan)	2018
Kazakhstan	Establishment of the Kazakhstan Knowledge Center on Integrated Water Resources Management	Agriculture, natural resources and rural development	USD 225 000 (Technical Assistance)	2017

Source: Adapted from ADB (2020).

European Bank for Reconstruction and Development (EBRD)

www.ebrd.org

Overview

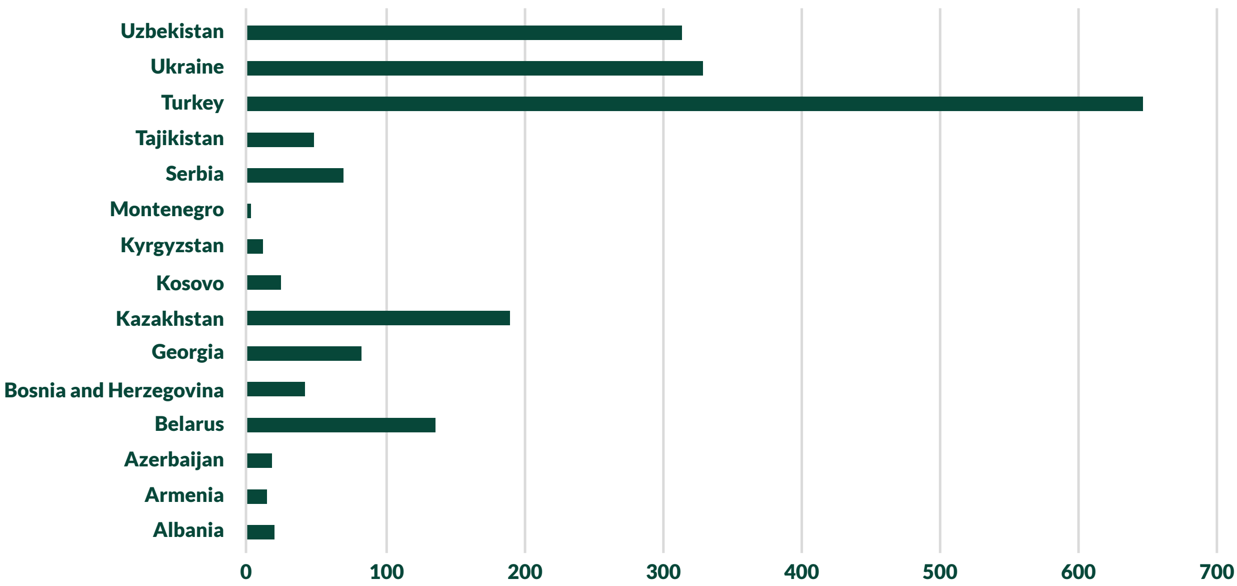
The European Bank for Reconstruction and Development (EBRD) was established to help build a new, post-Cold War era in Central and Eastern Europe. The EBRD supports progress towards 'market-oriented economies and the promotion of private and entrepreneurial initiative'. EBRD is currently active in nearly 40 countries from central Europe to Central Asia and the Southern and Eastern Mediterranean, plus the West Bank and Gaza.

EBRD's recently developed Green Economy Transition approach has made climate finance a key measure of the Bank's performance. In 2019, climate finance accounted for 46 percent of EBRD's total annual investment (EBRD, 2020a). Also, almost half the EBRD's annual investment is now in green energy.

For 2018, EBRD committed almost USD 2 000 000 for ECA countries. As **Figure 17** indicates, for 2018's commitment, Turkey has benefitted the most from EBRD funds, followed by Ukraine and Uzbekistan.[43]

FIGURE 17

EBRD'S COMMITMENT FOR CLIMATE-RELATED DEVELOPMENT FINANCE IN ECA COUNTRIES (MILLION USD)



Source: Adapted from OECD (2018).

[43] The figure has been prepared from the data taken from OECD DAC statistics. However, these numbers may differ from what is reported as climate finance by MDBs and other International Organisations in internal publications or reports (such as the MDB Joint Report). Variance may stem from differences of DAC statistics standards, namely: recipient countries must be ODA-eligible, data refers to calendar year and not fiscal year, guarantees are excluded, and only core funds are included.

Areas of focus

Among many areas of focus, EBRD has an increasing annual share for climate finance. Under the Green Economy Transition (GET) approach EBRD focuses on:

- Energy & resource efficiency.
- Circular economy.
- Renewable energy.
- Climate resilience.

Country eligibility

EBRD operates in 38 countries. All European and Central Asian countries are eligible to apply for funds from EBRD. However, some of the financial programmes that are designed to tackle climate change have particular geographic targets. Details are given in the following paragraphs.

Financing

EBRD financing for private sector projects generally ranges from USD 5 million to USD 250 million, in the form of loans or equity. The average EBRD investment is USD 25 million. Smaller projects may be financed through financial intermediaries or through special programmes for smaller direct investments in less developed countries (EBRD, 2019).

Though climate change mitigation and adaptation are not among the priority areas of EBRD financing, under the Green Economy Transition approach, EBRD has implemented a wide-range of programmes in the ECA region.

Types of funding

Loans

Equity investments

Guarantees

- EBRD Green Cities strives to build a better and more sustainable future for cities and their residents. The programme achieves this by identifying, prioritising, and connecting cities' environmental challenges with sustainable infrastructure investments and policy measures (all EBRD region countries) (EBRD, 2020b).
- The Finance and Technology Transfer Centre for Climate Change (FINTECC) programme fosters the uptake of advanced climate technologies in Early Transition countries: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzistan, Moldova, Mongolia, Tajikistan, Turkmenistan, Serbia, Ukraine and Uzbekistan and in the Southern and Eastern Mediterranean region. The programme complements EBRD loans to businesses with incentive grants for eligible novel climate technologies (EBRD, 2020c).

Green Economy Financing Facilities (GEFFs) aim to develop local financing markets for sustainable energy and resource efficiency projects. Through the GEFFs, the EBRD offers credit lines and technical assistance to local partner financial institutions who then support businesses and homeowners wishing to invest in green technologies (EBRD, 2020d).

Application process

The EBRD project cycle consists of the following stages:

- Concept review: Typically, EBRD management approves project concepts and overall structure, including the proposed financing structure and supporting obligations. At this stage, the EBRD and the client usually sign a mandate letter, which outlines the project plan, development expenses and responsibilities.

- Final review: Once the basic business deal (including a signed term sheet) has been negotiated and due diligence has been substantially completed, the project is submitted for final review by EBRD management.
- Board approval: EBRD President and operations team present the project to the Board of Directors for approval unless Board approval has been delegated to management.
- Signature: EBRD and the client sign the deal and it becomes legally binding.
- Disbursing: Once repayment conditions are agreed and the Bank's conditions met, the funds are transferred from the Bank's account to the client's account.
- Repaying: The client repays the loan amount to the EBRD under an agreed schedule.

More details are available in EBRD's website.[44]

TABLE 13

SAMPLE PROJECTS APPROVED BY EBRD IN ECA COUNTRIES

Country	Project	Theme	Amount Provided by the Fund	Year of Approval
Kazakhstan	ATF Agricultural Equipment Financing	Agribusiness	USD 10 Million loan	2004
Serbia	Agri Europe (f.MK Equity)	Agribusiness	EUR 50 million equity investment	2013
Turkey	Turkey Agribusiness SME Financing Facility (TurAFF)	Financial Institutions	EUR 200 million senior loan and EUR 200 million guarantee	2011

Source: Adapted from EBRD (2020e).

[44] https://www.ebrd.com/work-with-us/project-finance/funding-process.html

European Investment Bank (EIB)

www.eib.org

Overview

The European Investment Bank is one of the world's largest multilateral providers of finance for projects supporting climate action. EIB invests in projects in over 160 countries by providing lending and advisory expertise. Unlike many other MIBs, climate change is already among the priority areas of EIB.

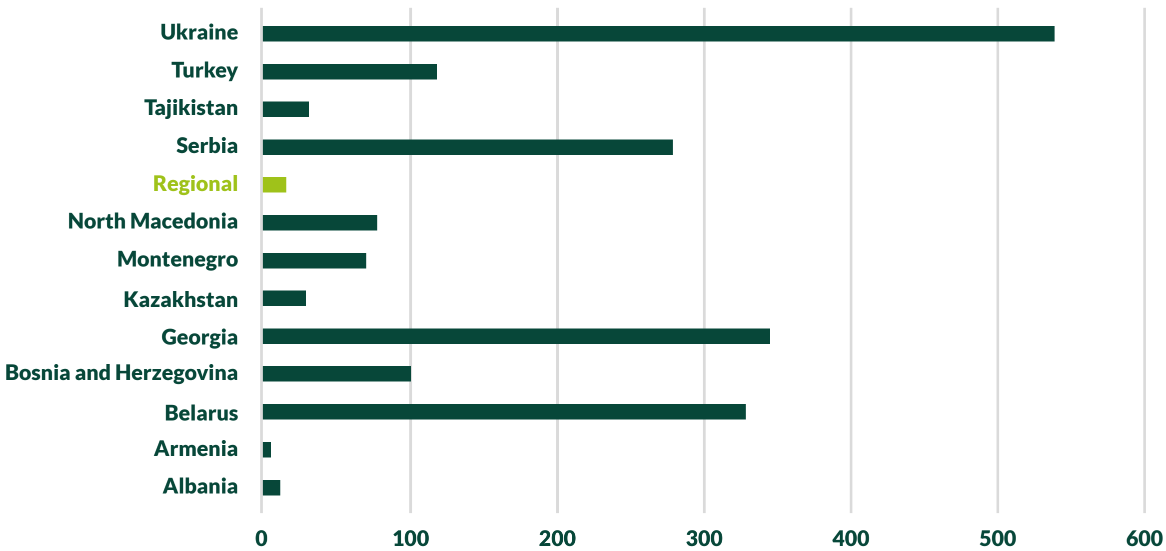
EIB commits more than 25 percent of its financing to climate change adaptation and mitigation which is intended to increase up to 50 percent in 2025 and beyond (EIB, 2019a). Since 2012, the EIB provided EUR 170 billion of finance supporting over EUR 600 billion of investment in projects that reduce emissions and help countries adapt to the impacts of climate change (EIB, 2019a).

In 2019, EIB launched its new Climate Change Strategy and Energy Lending Policy, which has ambitious targets such as ending financing for fossil fuel energy projects from the end of 2021. Further, it will unlock EUR 1 trillion for climate action and environmental sustainable investment in the decade to 2030 (EIB, 2019b).

In 2019, signed projects financed by EIB for ECA countries amounted to approximately EUR two billion. As a cross-cutting issue, climate change have been addressed in many of these projects, though not in all of them. **Figure 18** indicates the level of EIB's contribution for the ECA region in 2019, where Ukraine received the highest support.

FIGURE 18

DISTRIBUTION OF EIB PROJECTS IN 2019 FOR ECA COUNTRIES (MILLION EUR)



Source: Adapted from EIB (2020a).

Areas of focus

Within the Climate Action framework, EIB prepared the "Eligible Sectors and Eligibility Criteria"[45] document where the following areas are considered as priority:

- Renewable energy;
- Low carbon and energy efficient generation;
- Production of fuels from low carbon energy sources;
- Energy efficiency;
- Agriculture, forestry and land use;
- Non-energy GHG reductions;
- Waste and wastewater;
- Transport;
- Low-carbon technologies; and
- Cross-cutting issues.

Country eligibility

A variety of countries outside the EU are eligible to benefit from EIB funds. These are:

- Enlargement countries: Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, Serbia, Turkey, and Kosovo (under UNSCR 1244/99).
- EU Eastern Neighbourhood countries: Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine.
- Central Asia: Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan.

Types of funding

Loans
Equity
Guarantees
Blends
Advisory services

Financing

In November 2019, the EIB's Board of Directors approved a new level of ambition for the EIB towards climate action and environmental sustainability. According to this vision:

- The EIB Group aims to support EUR 1 trillion of investments in climate action and environmental sustainability in the critical decade from 2021 to 2030 (EIB, 2019);
- The EIB will gradually increase the share of its financing dedicated to climate action and environmental sustainability to reach 50 percent of its operations in 2025 and from then on;
- The EIB Group plans to align all its financing activities with the principles and goals of the Paris agreement by the end of 2020.

EIB provides financing products such as loans, equity, guarantees, blends and advisory services.

Public sector, private enterprises including SMEs can benefit from loans. EIB provides loans to financial institutions which subsequently "on-lend" to final beneficiaries, aiming at improving access to finance and financing conditions for SMEs and mid-caps (EIB, 2020b).

EIB also provides equity financing primarily investing or co-investing along with funds focused on infrastructure, the environment, or small- and medium-sized enterprises and mid-size corporations.

The EIB offers a variety of guarantee instruments, covering risks of a single or several projects. The guarantees aim to unlock additional financing for small- and medium-sized enterprises or mid-caps by covering a portion of

45 https://www.eib.org/attachments/strategies/climate_action_lending_eligibility_list_2020_en.pdf

possible losses from a portfolio of loans. In some cases, the Bank also guarantees possible losses from a project to unlock additional investments.

EIB also blends loans and instruments with grants in order to make sure that some critical projects get the financing they need. Grants typically come from public bodies and philanthropic organizations through blending facilities. The full list of available products is presented on the EIB website.[46]

Application process

No special formalities are involved for the submission of applications to the EIB for individual loans (EIB, 2020a). For projects where the total cost is under EUR 25 million, the EIB provides intermediated loans (credit lines) to local, regional and national banks. Promoters interested in EIB financing for projects under EUR 25 million should contact the banks and other intermediaries involved directly with a detailed description of their capital investment together with the prospective financing arrangements (EIB, 2020b). The EIB also provides direct loans for midcap companies (with up to 3 000 employees) where the loan volume requested is between EUR 7.5 million and EUR 25 million. Application documents are available on the website.[47]

TABLE 14

SAMPLE PROJECTS APPROVED BY EIB IN ECA COUNTRIES

Country	Project	Theme	Amount Provided by the Fund	Year of Approval
Bosnia and Herzegovina	Flood Protection Measures RS	Water management –adaptation	EUR 19 million – loan	2019
Serbia	Credit Agricole Loan For SME & Other Priorities III	Agriculture – mitigation/adaptation	EUR 50 million – loan	2019
Turkey	Yapi Kredi Climate Change Facility II	Energy – mitigation	EUR 99 million – loan	2013
Ukraine	Agri-Infrastructure and Biomass Power Generation	Industry – energy – mitigation	EUR 219 million –loan	2018

Source: Adapted from EIB (2020).

[46] https://www.eib.org/en/products/index.htm

[47] https://www.eib.org/en/publications/application-document-for-an-eib-loan.htm

International Finance Corporation (IFC)

www.ifc.org

Overview

Established in 1956, IFC is owned by 185 member countries that collectively determine its policies. IFC's programmes and activities are guided by the member countries through a Board of Governors and a Board of Directors.

Just like the rest of the World Bank Group, IFC aims to eradicate extreme poverty and increase shared prosperity through economic growth, inclusion, and sustainable development.

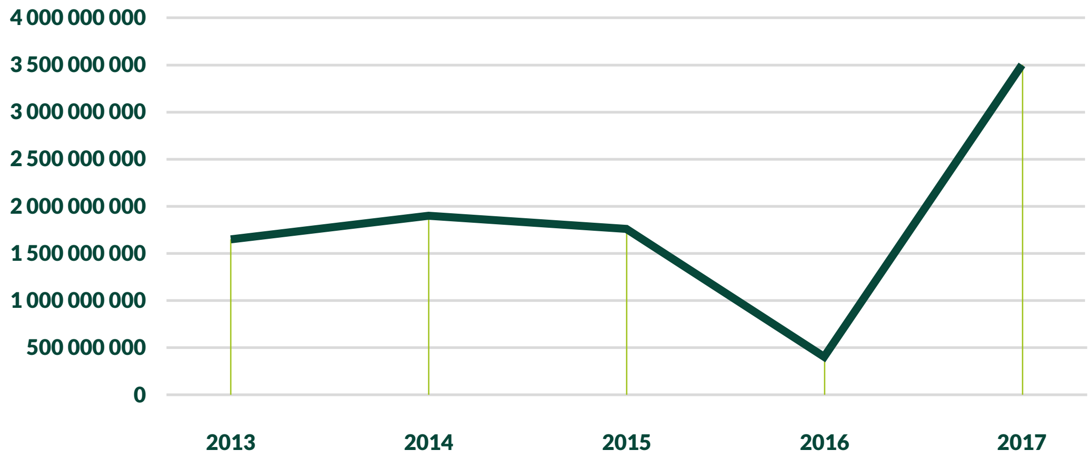
Through mobilizing external capital to climate sectors, IFC catalyzes private capital for projects that aim to tackle climate change. In Europe and Central Asia, IFC furthers these objectives, with a strong focus on mitigating climate change and strengthening agribusiness and financial markets. IFC opens markets and invests in renewable energy, energy and other resource efficiency, and green buildings.

Besides financial resources, IFC also helps local companies improve their corporate governance and environmental and social practices, together with advisory work on investment climate, financial markets, and other crucial areas.

Like many other MDBs, IFC's climate finance contribution has been increasing (though with a sharp decrease in 2016) over recent years. As indicated in **Figure 19**,[48] IFC's climate-related finance increased from approximately USD 1.66 billion in 2013 to USD 3.5 billion in 2017 according to the OECD.

FIGURE 19

IFC'S CLIMATE FINANCE (2013–2017) (USD)



Source: Adapted from OECD (2018).

48 The figure has been prepared from the data taken from OECD DAC statistics. However, these numbers may differ from what is reported as climate finance by MDBs and other International Organisations in internal publications or reports (such as the MDB Joint Report). Variance may stem from differences of DAC statistics standards, namely: recipient countries must be ODA-eligible, data refers to calendar year and not fiscal year, guarantees are excluded, and only core funds are included.

Areas of Focus

So far IFC has focused on the following core areas:

- Large-scale renewable energy;
- Energy efficiency and renewable energy credit lines; and
- Direct investments in green buildings.

However, IFC aims to expand its business in:

- Distributed renewable energy for industrial and commercial sources;
- New financial intermediaries models;
- Urban infrastructure;
- Agribusiness; and
- Clean tech venture capital.

Country eligibility

There is no particular country eligibility for accessing IFC's financial resources.

Financing

IFC offers loans, equity investment, blended finance and venture capital options to its clients. Although IFC provides finance for a variety of customer groups for a variety of project types in different areas, IFC is also deeply involved in climate-smart investment opportunities.

Long-term investments in the region totalled USD 2.9 billion in the fiscal year ending in June 2018, including USD 687 million mobilized from other investors (IFC, 2019).

Types of funding

Loans

Equity investments

Blended finance

Venture capital

Risk management

Application process

There is no standard application form for IFC financing. A company or entrepreneur, foreign or domestic, seeking to establish a new venture or expand an existing enterprise can approach the IFC directly. Steps regarding how to apply for financing[49] and submitting an investment proposal[50] are available on the IFC website. IFC does not lend directly to micro, small, and medium enterprises or individual entrepreneurs, but many of their investment clients are financial intermediaries that on-lend to smaller businesses.

[49] https://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/solutions/how-to-apply-for-financing

[50] https://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/solutions/investment-proposals

TABLE 15

SAMPLE PROJECTS APPROVED BY ICF IN ECA COUNTRIES

Country	Project	Sector	Amount Provided by the Fund	Year of Approval
Turkey	TSKB Sustainable Climate	Development Finance Company	USD 75 million – loan	2017
Serbia	Dolovo Wind	Renewable energy generation	USD 70.88 million – loan USD 3 million – risk management	2017
Russia	KKS-Group	Integrated utilities – energy efficiency	USD 25.89 million – loan and equity	2012
Ukraine	DeNovo Corporation data center for energy efficiency	Energy efficiency	USD 3.5 million – equity	2010
Ukraine	Support to Agricultural Production	Finance and markets (access to finance for farmers, agri-businesses and agricultural value chains)	Advisory services	2014

Source: Adapted from ICF (2020).

International Fund for Agricultural Development (IFAD)

www.ifad.org

Overview

IFAD is an international financial institution which is a specialized United Nations agency based in Rome, the UN's food and agriculture hub. IFAD is also an executing agency of the Global Environment Facility (GEF) and of the Green Climate Fund (GCF). Since 1978, IFAD has provided over USD 21 billion in grants and low-interest loans, and supported 1 069 programmes and projects in partnership with 125 recipient governments (IFAD, 2020a).

IFAD promotes agricultural growth that is environmentally sustainable and integrated into ecosystems. IFAD's topics of interest vary from climate change to rural development, water, youth, gender, indigenous people and many others. However, as a cross-cutting issue, climate change is given special importance.

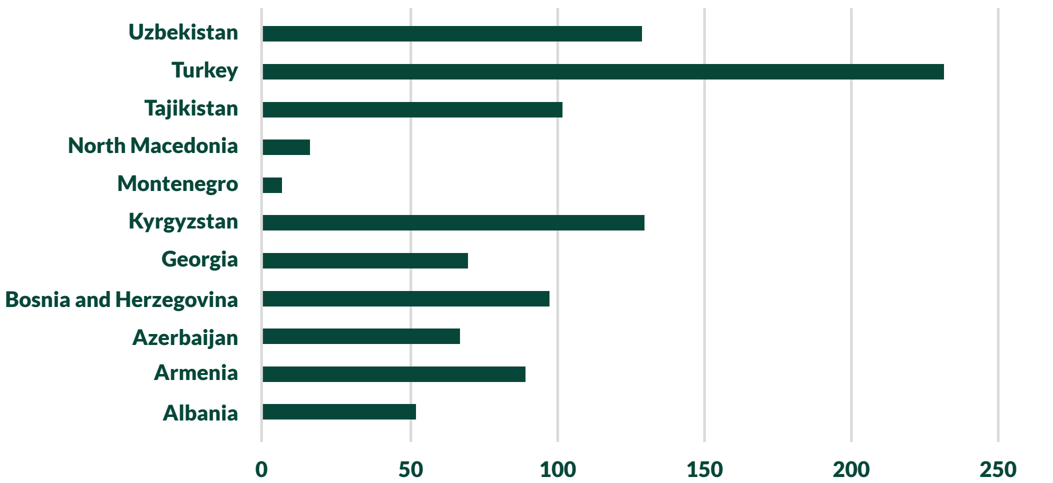
IFAD's operations are primarily financed by Member State contributions, loan repayments, investment income and special contributions from non-Member States. Other sources of financing include sovereign borrowing and, more recently concessional loans and borrowing in international capital markets are being explored.

IFAD channels climate and environmental finance to smallholder farmers, helping them to reduce poverty, enhance biodiversity, increase yields and lower greenhouse gas emissions through the Adaptation for Smallholder Agriculture Programme.

For the eligible ECA countries, IFAD has so far provided USD 990.08 million. These numbers reflect only IFAD's contribution, rather than the project budgets. **Figure 20** indicates that so far Turkey has been the major beneficiary of IFAD, closely followed by Kyrgyzstan and Uzbekistan.

FIGURE 20

IFAD'S FINANCIAL CONTRIBUTION TO THE ELIGIBLE ECA COUNTRIES (MILLION USD)



Source: Adapted from IFAD (2020b).

Areas of focus

The main area of focus under the climate change framework is adaptation and increasing resilience. However, IFAD also integrates some mitigation actions such as renewable energy technologies into smallholder agriculture for improved agricultural production, processing and post-harvest handling. Therefore, besides adaptation projects, IFAD is also focusing on several climate change mitigation projects, depending on their potential benefits.

Country eligibility

Several ECA countries are eligible for funds from IFAD including Albania, Armenia, Bosnia and Herzegovina, Georgia, Kyrgyzstan, Moldova, Montenegro, North Macedonia, Tajikistan, Turkey, Uzbekistan.

In Europe and the Central Asia region, only Kyrgyzstan and Tajikistan are eligible for grants/highly concessional funds and Debt Sustainability Framework (DSF). For blended term loans, eligible Members are normally those that, at the end of the year before the start of the replenishment period, are classified by IDA as a "blend" or "gap" country. In the ECA region, only the Republic of Moldova and Uzbekistan are eligible for blend terms. For ordinary terms, eligible Members are normally those that are not eligible for loans on highly concessional or blend terms.

Types of funding

Loans

Concessional loans

Blend

Grants

Debt sustainability framework

Financing

IFAD provides grants to: (i) developing Member States; (ii) intergovernmental organizations in which Member States participate; and (iii) other entities which the Executive Board determines to be eligible. Grants are provided in accordance with a policy for grant financing established by the Executive Board. Currently, 6.5 percent of IFAD's replenishment is allocated to the grants programme.

Adaptation for Smallholder Agriculture Programme (ASAP) is IFAD's flagship programme for channelling climate and environmental finance to smallholder farmers. The programme is incorporated into IFAD's regular investment processes and benefits from rigorous quality control and supervision systems. Several countries in the ECA region are eligible for ASAP. ASAP has received USD 300 million in contributions and has helped eight million vulnerable smallholders in 43 countries cope with the impact of climate change and build more resilient livelihoods.[51]

IFAD and its partners have established the National Designated Authorities (NDA) Partnership platform to promote policy dialogue, climate finance programming and capacity building for governmental officials acting as focal points for climate and environmental funds, namely the Green Climate Fund (GCF), the Global Environment Facility (GEF) and the Adaptation Fund (AF). Through this platform, IFAD convenes regular workshops with the National Designated Authorities (NDAs)/Operational Focal Points (OFPs) for these funds.

IFAD also provides loans on highly concessional, blended, and ordinary terms. Highly concessional loans are offered free of interest but bear a service charge on the principal amount outstanding, subject to a floor of 0.75 percent per annum with adjustments made for single-currency loans.

51 More details on the terms of available financing mechanism are available at the website https://www.ifad.org/en/financial-products-and-terms

The Debt Sustainability Framework (DSF) is a conceptual framework for providing debt relief to eligible countries (Member States eligible for highly concessional terms). The framework is based on technical economic country analyses called Debt Sustainability Analyses (DSAs), which are conducted by the International Monetary Fund and/or the WB working in collaboration with the countries concerned.

No commitment fee or front-end fee is applied on IFAD financing. Additionally, there is no cancellation fee or penalty for early repayment.

Application process

The application process for grants as well as different modes of loans are provided on IFAD's website.[52]

TABLE 16

SAMPLE PROJECTS APPROVED BY IFAD IN ECA COUNTRIES

Country	Project	Theme	Amount Provided by the Fund	Type of Funding	Year of Approval
Turkey	Uplands Rural Development Programme	Marketing/storage/ processing	USD 41.96 million	Ordinary loan	2017
Georgia	Agriculture Modernization, Market Access and Resilience Project	Rural development	USD13.3 million –loan USD 500 000 – grant	Blend	2014
Republic of Moldova	Inclusive Rural Economic and Climate Resilience Programme	Rural development	USD 16.6 million	Highly Concessional loan	2013

Source: Adapted from IFAD (2020c).

52 https://www.ifad.org/en/document-detail/asset/41074488

World Bank (WB)

www.worldbank.org

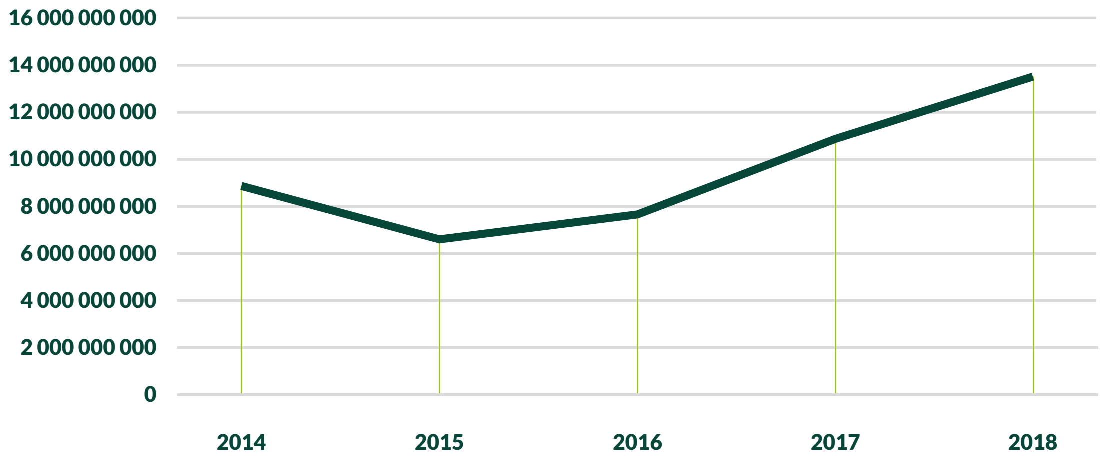
Overview

The World Bank (WB) is a development finance institution where climate change plays an increasingly important role.[53] The WB aims to support countries in translating their NDCs into climate policies and investment plans into actions, and in mainstreaming climate considerations into policies and budgets. Although much of the WB-dedicated climate funding is channelled through the Climate Investment Funds, which are also covered in this toolkit, the importance of climate change is starting to reflect in its broader portfolio. Climate change is a key priority for the International Development Association (IDA, 2020), the World Bank's fund for the poorest, and helps countries cope with climate change by bringing new solutions for adaptation and mitigation actions. Also, in partnership with the UN, the World Bank Group co-launched in 2017 a platform for climate action, Invest4Climate, designed for developing countries (WB, 2020a).

In January 2019, the World Bank launched a new Action Plan on Climate Change Adaptation and Resilience, which aims to increase the direct adaptation climate finance to reach USD 50 billion over FY21–25. Over the last decade, World Bank has been supporting climate change projects with an increasing trend as indicated in **Figure 21**,[54] which shows WB's development finance (International Bank for Reconstruction and Development–IBRD–IDA) commitment globally between years 2014–2018.

FIGURE 21

WB'S CLIMATE FINANCE TREND BETWEEN YEARS 2012–2018 GLOBALLY (USD)



Source: Adapted from OECD (2018).

[53] The World Bank Group (WBG) is a family of five international organizations: International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID). The first two together are referred to as the World Bank, which will be covered in this part of the toolkit. IFC will be covered as a separate institution.

[54] The figure has been prepared from the data taken from OECD DAC statistics. However, these numbers may differ from what is reported as climate finance by MDBs and other International Organisations in internal publications or reports (such as the MDB Joint Report). Variance may stem from differences of DAC statistics standards, namely: recipient countries must be ODA-eligible, data refers to calendar year and not fiscal year, guarantees are excluded, and only core funds are included.

Areas of focus

According to the Climate Change Action Plan, the World Bank aims to increase its action toward resilience and adaptation to climate change and to scale up its action in six high-impact areas:

- renewable energy and energy efficiency;
- sustainable mobility;
- sustainable and resilient cities;
- climate-smart land use, water, and food security; and
- green competitiveness.

Country eligibility

All developing countries and emerging economies of the ECA region are eligible for climate related development funding from the WB.

Financing

Through IBRD and IDA, WB provides low-interest loans, zero to low-interest credits, and grants to developing countries, supporting a wide array of investments in such areas as education, health, public administration, infrastructure, financial and private sector development, agriculture, and environmental and natural resource management. In 2019, 53 percent of the Bank's agricultural investments directly financed climate mitigation and adaptation measures, an increase of almost 28 percent just 4 years ago (WB, 2019a).

Types of funding

Grants

Loans

Concessional loans

Some of World Banks's projects are co-financed by governments, other multilateral institutions, commercial banks, export credit agencies, and private sector investors. World Bank also provides or facilitates financing through trust fund partnerships with bilateral and multilateral donors. There are several trust funds, which the WB cooperates with and has regular "Trust Fund Partnership" meetings every two years; the Global Environment Facility is one such fund.

The WB utilizes financing instruments such as Investment Project Financing, Development Policy Financing, Program-for-Results, Trust funds and grants, private sector options, customized options and risk management and Multiphase Programmatic Approach (WB, 2020b).

Investment Project Financing provides IBRD loans, IDA credit/grants and guarantees financing to governments for activities that create the physical/social infrastructure necessary to reduce poverty and create sustainable development.

Development Policy Financing provides IBRD loans, IDA credit/grants and guarantees budget support to governments or a political subdivision for a programme of policy and institutional actions to help achieve sustainable, shared growth and poverty reduction.

Program-for-Results links disbursement of funds directly to the delivery of defined results, helping countries improve the design and implementation of their own development programmes and achieve lasting results by strengthening institutions and building capacity.

Trust funds and ***grants*** allow scaling up of activities, notably in fragile and crisis-affected situations; they enable the WB Group to provide support when its ability to lend is limited.

Private sector options for financing, direct investment and guarantees are provided by MIGA[55] and IFC. Guarantees can also be provided through World Bank (IBRD/IDA) for private sector projects.

Multiphase Programmatic Approach (MPA) allows countries the flexibility to implement an approach to achieve development objectives in stages when: the development challenge is complex; it would take a longer time to achieve the objectives; it would take a longer time to prepare one large project; the solution needs a broader and comprehensive approach; or when a stop-and-go approach is not feasible.

In addition to direct financing, the World Bank also mobilizes private investment and helps low-carbon markets to open where they didn't previously exist.

The World Bank is one of the largest providers of finance for renewable energy and energy efficiency projects in low- and middle-income countries: more than USD 11.5 billion between FY2014–18. Clean energy represented 35 percent of the total World Bank energy portfolio in this period. Over the last five years (FY14–18), the World Bank directly contributed to providing new electricity connections for more than 52 million people (WB, 2019b).

Close to half (49 percent) of all World Bank climate finance is devoted to adaptation, demonstrating a commitment to focus as much on supporting countries to adapt to climate change as on mitigating future emissions. In FY19, the World Bank committed USD 7 billion in adaptation investments. In recent years, the World Bank has worked in cities and towns across over 140 countries, investing USD 5.3 billion in disaster risk management in 2018 (WB, 2018).

Application process

IBRD and IDA have separate application conditions which can be found in the World Bank website.[56]

TABLE 17

SAMPLE PROJECTS APPROVED BY WB IN ECA COUNTRIES

Country	Project	Theme	Amount Provided by the Fund	Year of Approval
Moldova	Climate Adaptation Project	Urban and rural development, environment and natural resource management	USD 25.2 million (IBRD + IDA) – Investment Project Financing	2017
Serbia	Disaster Risk Management DPL-CAT DDO	Urban and rural development, environment and natural resource management	USD 70 million (IBRD+ IDA) – Development Policy Lending)	2017
Turkey	Turkey Energy Efficiency in Public Buildings	Private sector development, human development and gender, environment and natural resource management	USD 150 million (IBRD) – Investment Project Financing	2019
Russian Federation	Energy Efficiency Project	Urban and rural development, environment and natural resource management	USD 106.5 million (IBRD) – Specific Investment Loan	1995

Source: Adapted from WB (2020c).

55 MIGA is the part of the World Bank Group that promotes developmentally sound foreign direct investment. It does this by providing political risk insurance (guarantees) to the private sector.

56 https://www.worldbank.org/en/topic/lawjusticeanddevelopment/publication/general-conditions

Climate Investment Funds (CIF)

www.climateinvestmentfunds.org

Overview

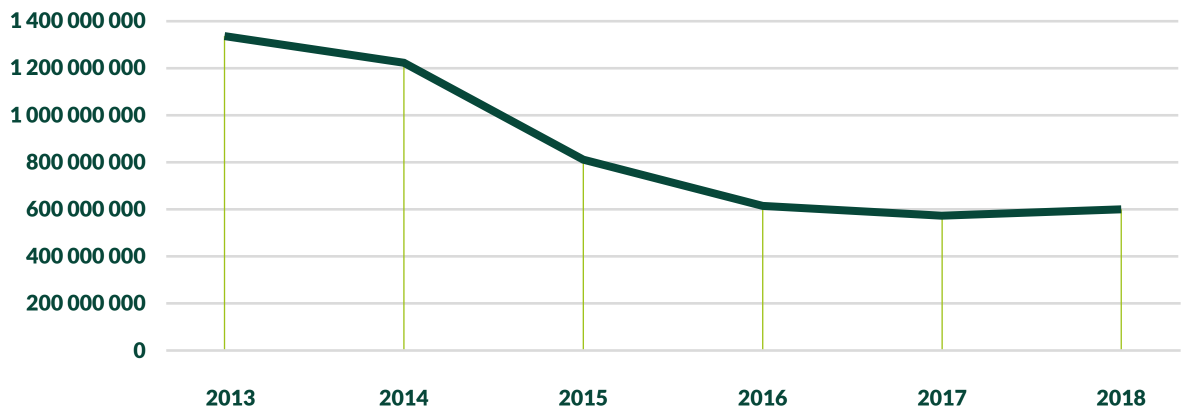
The CIF was established in 2008 with the contribution of several donor countries following an intensive, multi-stakeholder design process. Today, 14 donor countries have contributed over USD 8 billion in support of scaling up mitigation and adaptation action in developing and middle-income countries (CIF, 2019b).

The two trust funds that comprise the CIF, the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF), are each governed by a committee that oversees and decides on operations and activities. The SCF further designates sub-committees to govern its three targeted programmes: the Forest Investment Program (FIP), Pilot Program for Climate Resilience (PPCR), and Scaling Up Renewable Energy Program in Low Income Countries (SREP). However, ECA countries can benefit only from SREP.

Over the recent years, CIF's global climate funds have reduced from USD 1.3 billion to USD 600 million globally as indicated in **Figure 22**.

FIGURE 22

CIF'S CLIMATE DEVELOPMENT FINANCE COMMITMENT (2013–2018) (USD)



Source: Adapted from OECD (2018).

Areas of focus

Climate Investment Funds focuses on four areas:

- Clean technologies;
- Climate resilience;
- Energy access; and
- Sustainable forests

Country eligibility

Country access requires:

- ODA-eligibility (according to OECD/DAC guidelines); and
- Existence of active multilateral development bank (MDB) country programmes.

Currently, the CIF is active in some of the developing and middle-income countries of the ECA region, which are: Armenia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkey, and Ukraine.

Types of funding

Concessional loans

Grants

Risk mitigation instruments

Financing

The public resources are held in trust by the World Bank, and they are disbursed as grants, highly concessional loans, and risk mitigation instruments to recipient countries through multilateral development banks (MDBs).

Clean Technology Fund: The USD 5.4 billion Clean Technology Fund (CTF) provides funds to developing countries in order to scale up low carbon technologies with significant potential for long-term greenhouse gas emissions savings. Over USD 4 billion (75 percent of CTF resources) is approved for implementation in renewable energy, energy efficiency, and clean transport. This is expected to leverage another USD 47 billion in co-financing from other sources (CIF, 2019a).

Scaling up Renewable Energy in Low Income Countries Programme (SREP): The SREP helps low-income countries move toward low carbon development by adopting renewable energy technologies. Moreover, SREP projects that focus on geothermal energy exploration and drilling do not directly contribute to the total results.

Application process

For public sector:

1. MDBs jointly assess interested eligible countries' investment potential to meet CTF investment criteria (above);
2. Where there is a potential fit, MDBs conduct a joint exercise involving other relevant development partners, to discuss with interested governments, private industries and other stakeholders on how CTF may help finance scaled-up low carbon activities;
3. Under the leadership of the recipient country, an investment plan (essentially the MDBs' "business plan") is produced; and
4. CTF Trust Fund Committee reviews the investment plan with a view to endorsing a resource portfolio for programmes/projects and authorising designated MDBs to proceed with development and preparation of individual investment operations for CTF co-financing.

For the private sector:

1) Private sector proposals are submitted in the form of either:

   a) individual large-scale projects ("Projects"); or

   b) programme portfolios which aggregate several small- and medium-sized projects each utilising less than USD 50 million of CTF funds and all having a shared focus and objective ("Programmes").

2) Proposals explain how the projects and programmes are expected to contribute towards the objective of achieving transformational outcomes in a sector, sub-sector, country, sub-national region, sub-region, or region while demonstrating that these outcomes would not be possible without support from the CTF.

TABLE 18

SAMPLE PROJECTS APPROVED BY CIF IN ECA COUNTRIES

Country	Project	Theme	Amount Provided by the Fund	Year of Approval
Armenia	Geothermal Exploratory Drilling Project	Renewable energy	USD 6.3 million – SREP grant through IBRD	2015
Tajikistan	Building Capacity for Climate Resilience	Adaptation	USD 6 million – grant through ADB	2012
Kazakhstan	Renewable Energy Finance Facility (KAZREFF)	Renewable energy	USD 45.19 million Loan – USD 2.2 million grant through EBRD	2012
Ukraine	District Heating Energy Efficiency Project	Energy efficiency	USD 50 million – loan through IBRD	2014
Turkey	Private Sector Renewable Energy and Energy Efficiency Project	Renewable energy and energy efficiency	USD 100 million – loan through IBRD	2009

Source: Adapted from CIF (2020).

Global Climate Partnership Fund (GCPF)

www.gcpf.lu

Overview

The Global Climate Partnership Fund (GCPF) is an investment company under Luxembourg law. It was established by the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB) and KfW Entwicklungsbank in 2009.

As an innovative public–private partnership, GCPF uses public funding to leverage private capital in order to mitigate climate change and drive sustainable growth in developing and emerging markets. GCPF mainly invests through local financial institutions in each country, but also directly.

GCPF has the backing of institutions including: German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB), KfW Entwicklungsbank, Ministry of Foreign Affairs of Denmark (Danida), Department of Business, Energy & Industrial Strategy (BEIS), International Finance Corporation (IFC), Development Bank of Austria (OeEB), and the Dutch Development Bank (FMO), as well as private investors.

Areas of focus

GCPF finances projects targeting small and medium-sized businesses and private households, specifically:

- Energy efficiency projects that reduce projected greenhouse gas (GHG) emissions by at least 20 percent; and
- Renewable energy generation projects.

Country eligibility

GCPF prioritizes countries with the most significant GHG emissions and the greatest potential to increase efficiency. To realize its mission of mitigating climate change, GCPF targets its investments at developing and emerging economies with high greenhouse gas emissions and significant potential to improve energy efficiency.

Financing

GCPF mainly supplies financing to local financial institutions, which provide sub-loans for energy projects that benefit small- and medium-sized businesses and private households in particular. GCPF also finances energy efficiency and renewable energy projects directly. Eligible projects cover different sectors and loan sizes.

- Energy efficiency projects: Eligible projects must provide projected energy savings and/or CO2 emissions reductions of at least 20 percent.
- Renewable energy projects: Most commercially viable renewable energy generation technologies are eligible for financing, with the exception of bioliquid or biofuel production. GCPF targets renewable energy projects for the retail market, such as home solar systems, as well as small-scale renewable generation plants.

For local financial institutions, GCPF offers:

- Dedicated funding in the form of senior or subordinated debt.
- Mid- to long-term financing.
- Total facilities usually amounting to between USD 10 million and USD 30 million, with flexible funding schedules.
- Financing of up to 49.9 percent of tier one capital and/or up to 25 percent of total assets.

GCPF also makes direct investments for small-scale projects (typically up to 30 MW) that are in a late development stage or fully authorized, and for those that comply with GCPF's environmental and social management standards. GCPF offers:

- Direct funding primarily in the form of senior debt.
- Maturities of up to 15 years.
- Typical deal size of between USD 5 million and USD 15 million.

Application process

The fund has an online application platform accessible from its website.[57] ■

[57] https://www.gcpf.lu/apply-for-financing.html

4. Summary and key points

Eastern Europe and Central Asia are already experiencing increased impacts of climate change, including more frequent droughts, floods and other extreme phenomena. Similarly, countries in the region have submitted to the Convention their Nationally Determined Contributions reflecting important goals for GHG emissions reduction/sequestration.

Despite being directly affected by climate change, Europe and Central Asia is one of the regions in the world which receives limited resources, compared to Africa and Asia. This primarily responds to the fact that most countries in the region are categorized as middle-income countries and are not considered a priority in comparison with Least Developed Countries and Other Low Income Countries.

Despite a significant increase in the sources of climate finance flowing in recent years to support countries in the region, the available resources are still very limited when contrasted with the needs for mitigation and adaptation identified by those countries.

In view of the many challenges faced by developing countries and emerging economies related to the achievement of their NDC targets, scaled-up financial resources, strengthened capacities of human resources in key government and non-government institutions and innovative climate technologies are required to ensure the achievement of climate change mitigation and adaptation goals. Furthermore, countries must aim to develop a robust legal, policy and institutional framework to enable the effective utilization of these resources to reach the goals.

In this sense, the international Climate Finance framework within and beyond the Convention –including bilateral and multilateral climate funds – play a key role in supporting countries not only with financing, but also through technology deployment and capacity strengthening activities. However, in order to step up their climate ambition and enable successful implementation of NDC goals, countries must take into consideration the following points, which are of crucial relevance to leverage climate financing from different sources and to developing transformational projects that can support impactful, efficient and effective climate action in the region:

- Scaling up the impact: Projects that can achieve scale in terms of reduced or avoided emissions and increased resilience should be supported. Multilateral funds have a role in supporting the scaling up of climate finance by leveraging larger flows of finance from the private sector. Also, programmatic approaches can be explored over individual project financing to facilitate more cost-efficient investments.
- Country ownership: Experience shows that country ownership is so important that it can determine the level of success of a project. Therefore, requests for financing should be in line with nationally defined priorities, which should be developed through a broad stakeholder engagement process. Further, the role of civil society and other non-state actors in planning, coordinating, executing, and monitoring climate actions should be widely explored.
- Direct access to finance through national and sub-national institutions is a key element being considered by providers of climate finance. In this sense, countries that have committed to and embarked on a consistent and participatory sustainable and resilient growth track, with a consistent policy push, are in a better position to leverage climate finance flows from different sources.
- Accountability: Compliance with operational policies such as information disclosure, safeguards, gender, indigenous peoples, and grievance processes are important for accountability. In addition, implementing agencies should make sure that stakeholder participation is promoted throughout the project cycle.
- Cooperation among national institutions: Broad and systematic dialogue and cooperation processes among key partners and stakeholders such as state institutions, subnational and non-state partners, who could potentially serve as national Direct Access Entities (DAEs) should be prioritized.

Understanding climate change as a cross-cutting multisector challenge is needed to ensure a comprehensive response is provided. It is expected that the systematic organization of relevant information consolidated in this toolkit, with the support of FAO and UNEP, will enable increased and scaled-up access to climate finance for countries in Europe and Central Asia.

The information shared in this document becomes even more relevant in the context of the NDC review process due to take place by the end of 2020, and to increase climate ambition in the region. In this context, supporting countries with tools, data and information to contribute to informed and participatory decision-making processes remains a priority for FAO and UNEP as part of the United Nations system and in alignment with the 2030 Sustainable Development Agenda.

The table below provides an overview of the different opportunities and eligibility of all the sources of finance presented in this toolkit. ■

TABLE 19

ELIGIBILITY OF ECA COUNTRIES FOR ACCESSING CLIMATE FINANCE (COUNTRIES IN THE ODA LIST ONLY)

Countries			Global Climate Funds Under UN				Bilateral Finance Institutions and Development Cooperation Agencies								Multilateral Finance Institutions and Funds					
			GCF	GEF	SCCF	AF	EU	IKI	AFD	JICA	KfW	NAMA	ADB	EBRD	EIB	IFC	IFAD	WB	CIF	GCPF
Non-Annex I.	Lower-middle income countries	Armenia	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
		Georgia	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔		✔
		Kyrgyzstan	✔	✔	✔	✔		✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
		Kosovo (UNSCR 1244/99)	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔		✔	✔	✔		✔		✔
		Moldova	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔		✔	✔	✔	✔	✔		✔
		Tajikistan	✔	✔	✔	✔		✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
		Uzbekistan	✔	✔	✔	✔		✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔		✔
	Upper-middle income countries	Kazakhstan	✔	✔	✔	✔		✔	✔	✔	✔	✔	✔	✔	✔	✔		✔	✔	✔
		Azerbaijan	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔		✔		✔
		Albania	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔		✔	✔	✔	✔	✔		✔
		Turkmenistan	✔	✔	✔	✔		✔	✔	✔	✔	✔	✔	✔		✔		✔		✔
		Montenegro	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔		✔	✔	✔	✔	✔		✔
		Serbia	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔		✔	✔	✔		✔		✔
		North Macedonia	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔		✔	✔	✔	✔	✔		✔
		BiH	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔		✔	✔	✔	✔	✔		✔
Annex I.	Lower-middle income countries	Belarus		✔			✔	✔	✔	✔	✔			✔	✔	✔		✔		✔
	Upper-middle income countries	Turkey		✔			✔	✔	✔	✔	✔			✔	✔	✔	✔	✔	✔	✔
		Ukraine		✔			✔	✔	✔	✔	✔			✔	✔	✔		✔	✔	✔

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6. Glossary

Adaptive capacity Refers to the ability of a system to adjust to potential loss and damage, to take advantage of opportunities, or to cope with the consequences of climate change.

Bilateral institutions Refers to a government agency or non-profit organization that receives funding from its home country's government to channel aid towards a developing country. Includes bilateral development finance institutions (DFIs) and development cooperation departments and agencies of individual countries.

Climate change adaptation It is the process of adjustment to actual or expected climate and its effects. Adaptation seeks to moderate or avoid harm or exploit beneficial opportunities in economic and/or natural systems due to the impacts of climate change.

Climate change impact The impacts of climate change are the changes in the physical reflections of atmospheric anomalies, which are out of the range of seasonal and/or annual averages. The impacts of climate change may vary from reduced/increased precipitation and temperature, extreme weather events or other climatic anomalies.

Climate co-benefits Refers to supplemental benefits from development projects, strategies and/or policy interventions that address climate change by reducing greenhouse gas emissions and/or improving climate resilience. Similarly, this term applies on climate measures that bring multiple economic, social and environmental co-benefits.

Climate/green bonds[58] A type of loan used to finance projects that address climate change, in which the debt is to be paid back within a certain amount of time at a certain interest rate. Can be used by public and private institutions to scale up the mobilization of climate finance by attracting investments at scale, including from large investment banks, institutional investors and pension funds. Green bonds enable capital-raising and investment for new and existing projects with environmental benefits.

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58 Additional information on Green Bonds, can be found in the website of the International Capital Market Association: https://www.icmagroup.org/green-social-and-sustainability-bonds/

Climate mitigation	Efforts that reduce emissions of greenhouse gases or enhance their removal from the atmosphere by 'sinks'.
Climate resilience	Climate resilience describes the capacity of social, economic, and environmental systems to cope with disturbances while retaining their essential function, identity, and structure and the ability to adapt to stress and change.
Co-financing	Co-financing is when partners jointly finance a programme or project, they each bring the best they can offer to the deal. Co-financing can leverage the resources – funding, knowledge, and expertise – of all partners, to the greater benefit of the poor.
Concessional loan	Loans that are characterized by longer repayment terms and lower interest rates.
Contributors or donors	Refers to developed countries that provide – or have committed – financial resources to support developing countries to undertake development or climate change measures.
Debt swaps	Debt swaps involve the sale of a foreign exchange debt to an investor (either a non-profit organization or a central bank) or forgiveness of debt by the creditor; in exchange the debt relief would have to be invested in environmental or climate change activities.
Equity	Equity is the difference between the value of the assets and the value of the liabilities of something owned. Equity finance is used to acquire a permanent share (also known as 'stock') in the ownership of a corporation or a project.
Executing entities	Refers to national or regional institutions (focal points for sector specific activities, ministries, local governments or other institutional bodies) responsible for the actual delivery of activities/measures under a determined project. These institutions in some cases can also have a role as implementing entity or work with one for project realization.
Climate change exposure	Refers to the presence of people, livelihoods, species or ecosystems, environmental functions, services, and resources, infrastructure, or economic, social, or cultural assets in places and settings that could be adversely affected by impacts and risks of climate change.
Grant	Transfers made in cash, goods or services for which no repayment is required. Grants are provided for investment support, policy-based support and/or technical assistance and advice.
Guarantee	Refers to commitments in which a guarantor undertakes to fulfil the obligations of a borrower to a lender in the event of non-performance or default of its obligations by the borrower, in exchange for a fee. Guarantees can cover the entire investment or just a portion of it.

Implementing entities and institutions Refers to national, regional and/or international entities that have a positive track record and experience for managing, implementing and/or monitoring climate change initiatives. Most of the climate finance funds require implementing entities to be accredited according to the funds' standards and consider these institutions legally responsible for implementation of projects/ programmes once accredited.

Insurance/risk management Refers to risk transfer mechanisms that provide resources for climate related disaster and shift loss responsibilities to capital market investors. They range from parametric risk insurance products to indemnity insurance and are commonly used to address adaptation and loss and damage.

Multilateral institutions Refers to international organizations that have multiple governing members (from developing and developed countries). This category includes Multilateral Agencies (UN agencies), Multilateral Development Banks and Regional Development Banks.

National Adaptation Plans (NAPs) Were established by the UNFCCC as means to facilitate adaptation planning in developing and least-developed countries. They are intended to reduce vulnerability to climate change and to integrate climate change adaptation into national development plans, policies and programmes. NAP process is considered a broader process (compared to NAPAs) to enable planning and implementation of adaptation measures at country level, within the broader medium- to long-term development context.

National Adaptation Programmes of Action (NAPAs) Plans submitted by least-developed countries to the United Nations Convention on Climate Change (UNFCCC) that define their urgent and/or short-term climate change adaptation needs, including a summary of priority projects to address those needs.

Nationally Appropriate Mitigation Actions (NAMAs) NAMAs are climate change mitigation measures proposed by governments of developing countries on a voluntary basis to reduce GHG emissions to levels below business as usual and to contribute to domestic sustainable development. They can take the form of regulations, standards, programmes, policies or financial incentives.

Nationally Determined Contributions (NDCs) NDCs are commitments made by each country to reduce national emissions and adapt to the impacts of climate change. The Paris Agreement requires each party to prepare, communicate and maintain successive NDCs that it intends to achieve.

Non-concessional loan Loans that are provided at a market-based interest rate.

Payment for ecosystem services	A formal financial transaction between two entities (i.e. national and/or local governments, business and donors) in which one pays for the eco-system services that are provided by the other entity. It entails a commitment to support ecosystem conservation and expansion to continue supporting and obtaining the benefits/services a properly functioning ecosystem provide.
Policy-based financing (PBF)	Financing for a public borrower that helps address actual or anticipated requirements for development finance. PBF supports a programme of policy and institutional actions for a particular theme or sector of national policy. Disbursements of PBF are conditional on the borrower fulfilling policy commitments defined in the lending agreement.
Refinancing	Refinancing is the replacement of an existing debt obligation with another debt obligation under different terms.
Results-based payments (RBP)	Results-based payments is a performance-based form of financing, where disbursements are linked to the achievement of results rather than to upfront expenditures, as is the case with traditional investment granting or lending.
Climate change sensitivity	Refers to the degree to which a system or species is affected, either adversely or beneficially, by climate variability or change.
Vulnerability	Refers to the extent to which human and natural systems are susceptible to, or unable to cope with the adverse effects of climate change, including climate variability and extremes. Vulnerability is a function of the character, magnitude, and rate of climate change and variation to which a system is exposed, its sensitivity, and its adaptive capacity.

Annex I: Distribution of UNFCCC Annex I and non-Annex I countries of Europe and Central Asia

Annex I. coutries

Belarus
Belgium
Bulgaria
Croatia
Cyprus
Czechia
Denmark
Estonia
Finland
France
Germany
Greece
Hungary
Iceland
Ireland
Italy
Latvia
Liechtenstein
Lithuania
Luxemburg
Malta
Monaco
Netherlands
Norway
Poland
Portugal
Romania
Russian Federation
Slovakia
Slovenia
Spain
Sweden
Switzerland
Turkey
Ukraine
United Kingdom

Non-Annex I. countries

Albania
Andorra
Armenia
Azerbaijan
Bosnia and Herzegovina
Georgia
Israel
Kazakhstan
Kyrgyzstan
Moldova
Montenegro
North Macedonia
San Marino
Serbia
Tajikistan
Turkmenistan
Uzbekistan

Annex II: DAC list of ODA recipients effective for reporting on 2020 flows

The Development Assistance Committee (DAC) Network on Development Evaluation has approved an updated set of definitions and principles for use for its evaluation criteria, to enable the determination of the merit, worth or significance of an intervention. The desired attributes of interventions include: all interventions should be relevant to the context, coherent with other interventions, achieve their objectives, deliver results in an efficient way, and have positive impacts that last. The definitions of the determined criteria are as follows:[59]

RELEVANCE: Is the intervention doing the right things?
The extent to which the intervention objectives and design respond to beneficiaries' global, country, and partner/institution needs, policies, and priorities, and continue to do so if circumstances change.

COHERENCE: How well does the intervention fit?
The compatibility of the intervention with other interventions in a country, sector or institution.

EFFECTIVENESS: Is the intervention achieving its objectives?
The extent to which the intervention achieved, or is expected to achieve, its objectives, and its results, including any differential results across groups.

EFFICIENCY: How well are resources being used?
The extent to which the intervention delivers, or is likely to deliver, results in an economic and timely way.

IMPACT: What difference does the intervention make?
The extent to which the intervention has generated or is expected to generate significant positive or negative,

[59] https://www.oecd.org/dac/evaluation/daccriteriaforevaluatingdevelopmentassistance.htm

intended or unintended, higher-level effects.

SUSTAINABILITY: Will the benefits last?

The extent to which the net benefits of the intervention continue, or are likely to continue.

TABLE 20

DAC LIST OF ODA RECIPIENTS EFFECTIVE FOR REPORTING ON 2020 FLOWS (ECA REGION COUNTRIES ONLY)

Lower Middle-Income Countries	Upper Middle-Income Countries and Territories
Armenia	Albania
Georgia	Azerbaijan
Kosovo (Under UNSCR 1244/99)	BiH
Kyrgyzstan	Belarus
Moldova	Kazakhstan
Tajikistan	Montenegro
Ukraine	North Macedonia
Uzbekistan	Serbia
	Turkey
	Turkmenistan

Source: Adapted from OECD (2019).

Climate Finance Toolkit

for Europe and Central Asia

Climate change is considered to be one of the most important challenges in human history. In many parts of the world, changing precipitation or melting snow and ice, including shrinking of glaciers, are altering hydrological systems and affecting water resources in terms of quantity and quality.

Whilst the impacts of climate change are being felt globally, the exposure of diverse geographies to the impacts are often different and disproportionate. The Europe and Central Asia region is remarkably diverse in terms of its unique landscapes, ecosystems, and climate zones, as well as its economic, political, social and cultural systems, and in such a diverse geography, a wide range of climate vulnerabilities exist due to different exposure, impacts, sensitivity and adaptive capacities. Therefore, there is an urgent need to increase the resilience and adaptive capacities of ECA populations to the impacts of climate change in order to reduce the risks that are threatening societies and economies.

Climate change is a growing threat in ECA, particularly for food security, nutrition and ecosystem services. Temperature and precipitation changes and the increase in frequency and intensity of extreme weather events threaten to reduce yields and productivity in crops, livestock, fisheries and forestry in many areas of the region, as well as increase the risk of natural hazards such as droughts, floods and landslides.

This publication is a joint effort of the United Nations Food and Agriculture Organization and the United Nations Environment Programme, aiming to provide support and detailed information on the major climate financing opportunities for low-income and middle-income countries in the ECA region.

The toolkit aims at guiding developing countries and emerging economies of the ECA region to identify the most suitable sources of financial resources to match their adaptation and mitigation efforts to enable them to achieve their respective NDC targets. Moreover, the toolkit aims to support closing the global climate finance gap by providing detailed information on existing climate finance tools and instruments provided by global climate funds, International Financial Institutions (IFIs) and bilateral mechanisms and donors, which range from grants, concessional loans, ordinary loans, line of credit, guarantees and private equity.

With this contribution, FAO and UNEP hope to provide additional support to countries in the ECA region to define more ambitious and coordinated climate action and to enhance their access to scaled-up sources of climate finance.

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