

Informal Consultation for Europe and Central Asia

16–17 May 2019

Budapest, Hungary

Background Note

Session 2

**FAO regional strategies for climate finance flow in Europe and Central Asia:
GCF and GEF-7**

1. Introduction

Climate finance refers to local, national or transnational financing – drawn from public, private and alternative sources of financing – that seeks to support mitigation and adaptation actions that will address climate change.¹ The United Nations Framework Convention on Climate Change (hereinafter referred to as the Convention), the Kyoto Protocol and the Paris Agreement all reckon for financial assistance from the Parties with more financial resources to those that are less developed and more vulnerable.² In fact, the capacity to tackle climate change differs significantly among countries, and the less developed countries will be the most affected by climate change.³

Climate financing mechanisms such as the Global Environment Facility (GEF) and the Green Climate Fund (GCF) have been established specifically to assist developing countries in mitigating and adapting to the effects of climate change.

FAO is an accredited agency for both the GEF and the GCF. For the GEF, this partnership, developed over more than two decades, provides support to countries in their efforts to address the root causes of environmental degradation and poverty. FAO is following the same paths for GCF; since 2016, FAO has been supporting countries in developing proposals in order to access GCF resources and preparing readiness and preparatory support programmes.

FAO's Regional Office for Europe and Central Asia (REU) is an important role player in the region in terms of providing support and accelerating countries' capacities to access climate finance and share best practices among countries. In this context, in the framework of Regional Initiative 3 regarding sustainable natural resources management under a changing climate, the Regional Strategy for Enhanced Engagement with the Green Climate Fund and the Master Plan for Enhanced Engagement with the GEF-7 were

¹ UNFCCC. 2019. Introduction to Climate finance. <https://unfccc.int/topics/climate-finance/the-big-picture/introduction-to-climate-finance>

² UNFCCC. 2019. Introduction to Climate finance. <https://unfccc.int/topics/climate-finance/the-big-picture/introduction-to-climate-finance>

³ OECD. 2010. Climate Change: helping poor countries to adapt. <https://www.oecd-ilibrary.org/docserver/dcr-2010-8-en.pdf?expires=1555576091&id=id&accname=guest&checksum=48E2D5D2EAC0E6B80FD8681C5FEC54CB>



elaborated as dynamic tools to provide the best support to aid countries in accessing GCF and GEF resources.

These documents provide a clear roadmap and timeline for the work ahead, in view of the increasing challenges and complexities of climate change and having in mind that this work will require the engagement and participation of all stakeholders. In this way, the following strategies look into the work with the biggest funds dedicated to addressing climate change as paramount for fostering transformations in countries' development paths.

2. Regional strategy for enhanced engagement with the GCF

2.1 About the fund

The Green Climate Fund (GCF) is a new global fund created to support the efforts of developing countries in responding to the challenge of climate change.⁴ The fund seeks to provide equal amounts of funding to mitigation and adaptation while being guided by the Convention's principles and provisions.⁵

The fund's operations respond to three main specific premises, or principles, as follows:

- a) aiming investments at building a balanced portfolio by aiming for a 50-50 balance between mitigation and adaptation investments over time. Additionally, the fund aims for a floor of 50 percent of the adaptation allocation for particularly vulnerable countries – Least Developed Countries (LDCs), Small Island Developing States (SIDs), and the African States;
- b) leveraging and crowding in private sector participation by bearing significant climate-related risk; offering a wide range of financial products attractive to private-sector stakeholders; and
- c) ensuring that developing countries exercise ownership of climate change response and have financing available for that purpose.

GCF provides financial sources for the Europe and Central Asia region to mitigate and adapt to the effects of climate change. Given that the region accounts for only 4 percent of the GCF-approved portfolio – compared to 31 percent of GCF projects approved in the Asia and the Pacific region, 28 percent in the Africa region and 18 percent in the Latin America and the Caribbean region – collaboration with the GCF represents an important opportunity for the region to engage with the fund.

2.2 Main objective and components

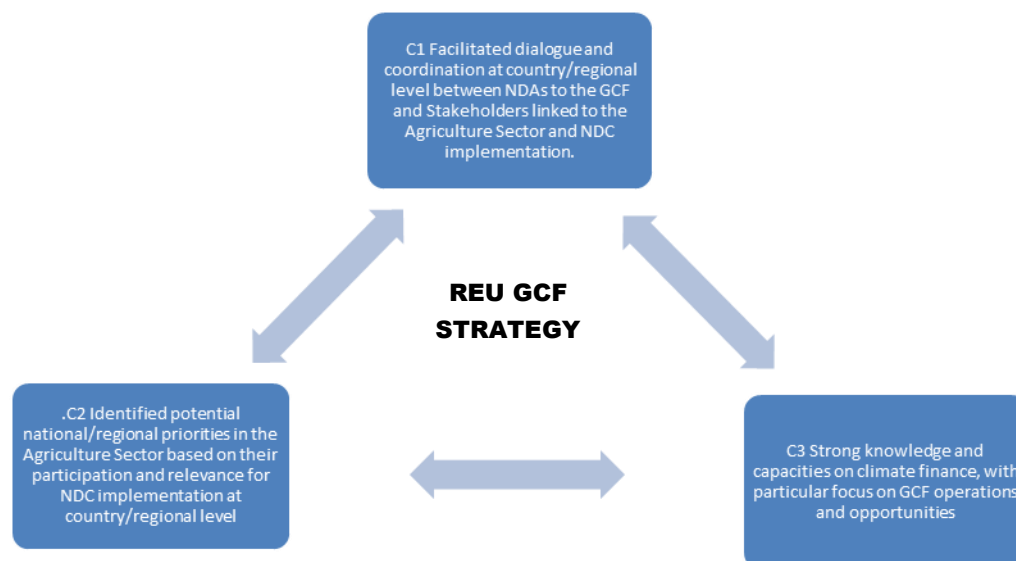
The main objective of the strategy is to facilitate enhanced engagement of countries in Europe and Central Asia with the Green Climate Fund, particularly on topics related to agriculture and climate change, in order to explore opportunities for the development of national and possibly regional proposals that address climate change adaptation and/or mitigation.

The regional strategy includes three components that are directly linked with each other, as shown in Figure 1.

⁴ GCF. 2019. About the Fund. <https://www.greenclimate.fund/who-we-are/about-the-fund>

⁵ GCF. 2019. About the Fund. <https://www.greenclimate.fund/who-we-are/about-the-fund>

Figure 1: Components of REU's strategy for enhanced engagement with the GCF



2.3. Scope of work, stakeholder engagement and timeframe for implementation of the strategy

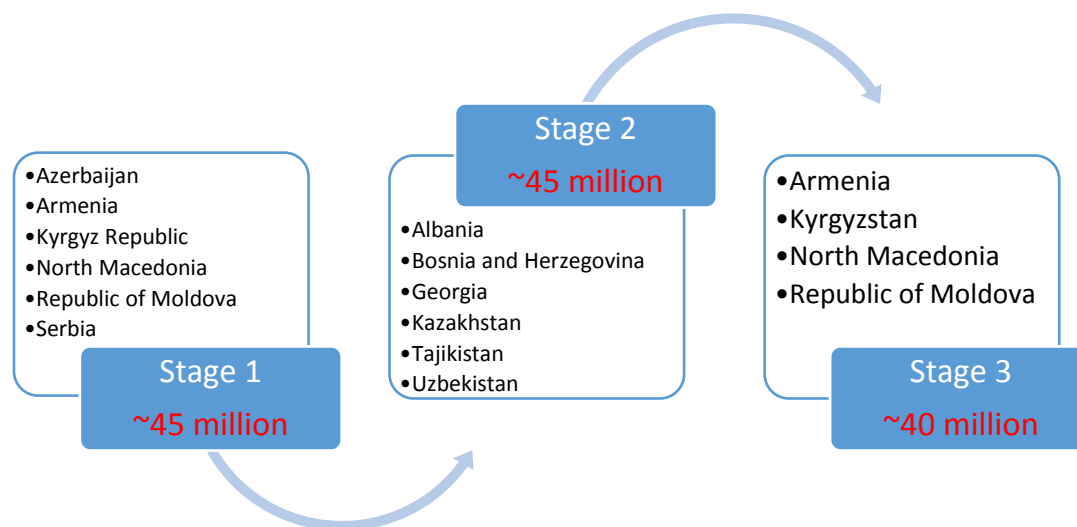
The strategy will include different levels of work with the following 14 countries that are eligible for access to the GCF in this region.

Countries eligible for GCF resources in Europe and Central Asia			
Albania	Georgia	North Macedonia	Turkmenistan
Armenia	Kazakhstan	Republic of Moldova	Uzbekistan
Azerbaijan	Kyrgyzstan	Serbia	
Bosnia and Herzegovina	Montenegro	Tajikistan	

A large number of relevant stakeholders will be involved in the implementation of the strategy. These include FAO's Regional Office for Europe and Central Asia (REU), FAO's country offices, correspondents in the region, national authorities, and others.

The strategy will be implemented in three stages, covering the immediate and medium term, within a four-year period. The strategy will be reviewed and adjusted as needed to ensure complete alignment with regional/country context and needs and to the progress made in the implementation of FAO's Strategy on Climate Change, and to better respond to most up-to-date challenges faced by the region.

Figure 2: Target countries for the implementation of the strategy



3. Master Plan for Enhanced Engagement with the GEF-7

3.1. About the fund

The Global Environment Facility (GEF) Trust Fund was established on the eve of the 1992 Rio Earth Summit to help tackle the planet's most pressing environmental problems. The GEF serves as the financial mechanism for the Convention on Biological Diversity (CBD), the United Nations Framework Convention on Climate Change (UNFCCC), the Stockholm Convention on Persistent Organic Pollutants (POPs), the UN Convention to Combat Desertification (UNCCD) and the Minamata Convention on Mercury. The joint work of FAO and the GEF is widely recognized today in addressing the critical nexus between environment and agriculture and has been instrumental in supporting countries in their efforts to achieve national development objectives and meet the Sustainable Development Goals (SDGs).

The role of the FAO Regional Office for Europe and Central Asia in supporting countries in defining and developing their project proposals and mobilizing resources for the region is crucial. Therefore, the Regional Office has developed a Master Plan for Enhanced Engagement with the GEF-7. This strategy has been designed as a dynamic tool to provide the best support needed by countries in accessing GEF resources. Despite a good relationship in most of the Central Asia countries, FAO can be considered a new partner on GEF in most of the countries in the Balkans and the Caucasus.

3.2 Main objective and components

The main objective is to support countries in defining, preparing and submitting innovative proposals to GEF-7, providing strategic advice and technical inputs.

In order to reach the objective, the master plan was developed not only to increase FAO's portfolio in the region but also to strengthen the regional capacity on GEF. The support foreseen to be provided includes activities according to three components:

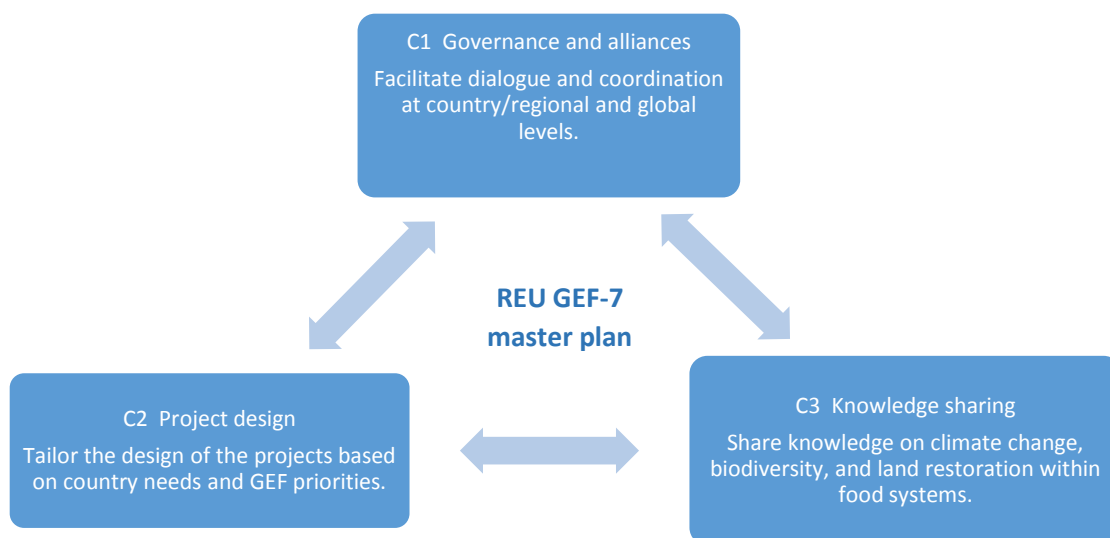
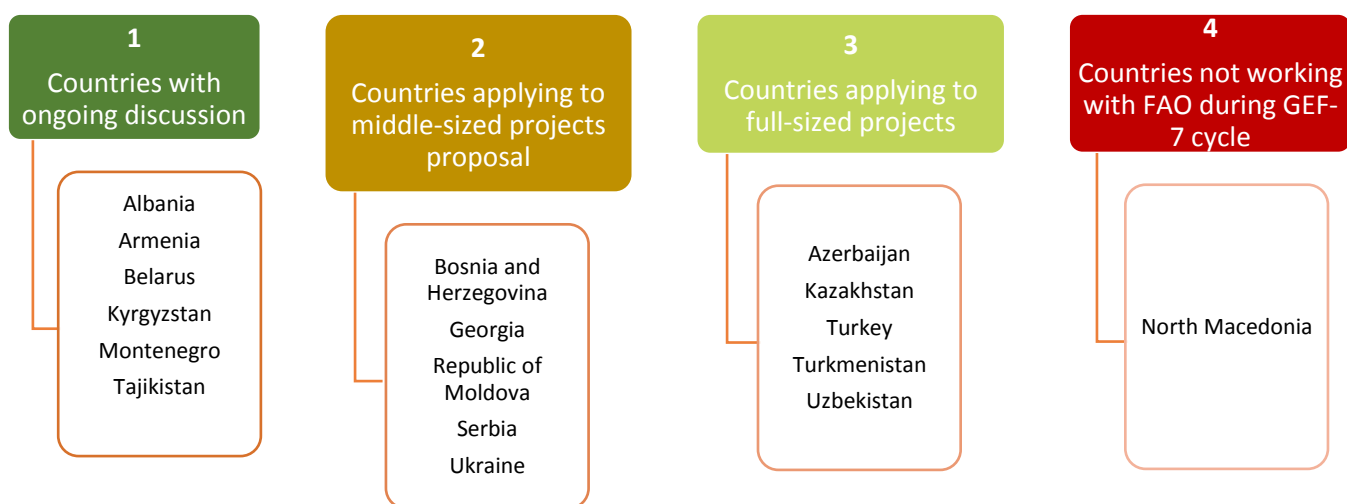


Figure 3: Components of REU's Master Plan for Enhanced Engagement with the GEF-7

3.3. Scope of work, stakeholder engagement and timeframe for the implementation of the strategy

This master plan will be implemented taking into consideration country categories within a four-year period. Four different categories of countries have been identified that require different approaches and strategic outreaches, as shown in Figure 4.

Figure 4: Countries by category



1. Countries with ongoing discussion

Many countries are still discussing and making their decisions on how they will allocate their funds. For this category of countries, FAO is attending and promoting meetings, preparing concept notes



based on country requests and supporting the national discussion on GEF. It is a case-by-case process, and no clear deadline is available.

2. *Countries applying to middle-sized projects*

This category encompasses the countries that have decided to work with FAO in middle-sized projects (up to USD 2 million). These proposals can be submitted to GEF at any time and do not need to follow restricted deadline as full-sized projects.

3. *Countries applying to full-sized projects*

This category encompasses the countries that have decided to work with FAO in either a full-sized project (above USD 2 million) or an impact program project. For this category, FAO needs to provide timely support, as the deadlines are strict, including a first deadline for submission on 31 January, after which projects will only be again accepted by the end of June.

4. *Countries not working with FAO during GEF-7 cycle*

Countries can decide to partner with different agencies, and in some cases, they have decided not to work with FAO. In this case, no additional action from FAO should be taken at this moment, but FAO should also consider a strategy to actively engage these countries for the GEF-8 cycle. To understand country priorities and needs, the Regional Office for Europe and Central Asia will strengthen its outreach to national stakeholders (including, but not limited to, ministries of agriculture and ministries of environment), identifying opportunities to facilitate dialogue between the country focal point for GEF and other relevant stakeholders at national and sub-national levels, including the National Designated Authority (NDA) for the GCF in the respective country.

4. The work ahead

Considering FAO's significant experience working on climate change issues, the Regional Office for Europe and Central Asia expects to enhance the engagement of countries in the region with the Global Environment Facility (GEF) and Green Climate Fund (GCF), particularly on topics related to agriculture, climate change, disaster risk reduction, land degradation, biodiversity and pesticide management.

Both strategies will be implemented hand in hand with the aim to increase coordination at national and regional levels between the GEF and GCF. The strategies bring complementary funds and climate finance mechanisms to the region.

Access to climate finance can help countries implement their nationally determined contributions and achieve the Sustainable Development Goals – SDG 13 on climate action in particular, but due to the universality of the SDGs and the cross-cutting nature of climate change, this access also will contribute to support the achievement of SDG 1 (no poverty) and SDG 2 (zero hunger), among others.