



United Nations

FCCC/SBI/2017/INF.5



Framework Convention on  
Climate Change

Distr.: General  
27 April 2017

English only

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## Subsidiary Body for Implementation

Forty-sixth session

Bonn, 8–18 May 2017

Item 12(a) and (b) of the provisional agenda

**Matters relating to capacity-building**

**Capacity-building under the Convention**

**Capacity-building under the Kyoto Protocol**

## Implementation of the framework for capacity-building in countries with economies in transition

Compilation and synthesis report by the secretariat

### *Summary*

This report aims to inform discussions on the fourth review of the implementation of the framework for capacity-building in countries with economies in transition established under decision 3/CP.7 at the forty-sixth session of the Subsidiary Body for Implementation. It compiles and synthesizes information on how capacity-building activities have been implemented in those countries with economies in transition that are currently receiving support. Information is drawn and synthesized from submissions from Parties, national reports and reports of the Global Environment Facility published between 1 January 2013 and 9 March 2017. In addition, the report summarizes views on the fourth review of the implementation of the framework for capacity-building in countries with economies in transition established under decision 3/CP.7 submitted by Parties.

GE.17-06796(E)



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## **I. Introduction**

### **A. Mandate**

1. The Conference of the Parties (COP), at its eighteenth session, and the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), at its eighth session, decided to conduct the fourth review of the implementation of the framework for capacity-building in countries with economies in transition established under decision 3/CP.7 (hereinafter referred to as the capacity-building framework) at the forty-sixth session of the Subsidiary Body for Implementation (SBI 46) with a view to this review being completed at COP 23 and CMP 13 (November 2017).<sup>1</sup>

2. COP 18 and CMP 8 invited Parties and relevant organizations to submit to the secretariat, by February 2016, information on how they have implemented capacity-building activities in those countries with economies in transition (EIT countries) that are currently receiving support, and requested the secretariat to compile and synthesize the submitted information for consideration at SBI 46.<sup>2</sup>

3. COP 22 and CMP 12 invited Parties, observers and other stakeholders to submit, by 9 March 2017, their views on the fourth review of the implementation of the capacity-building framework.<sup>3</sup>

### **B. Scope of the report**

4. This compilation and synthesis report aims to inform discussions on the fourth review of the implementation of the capacity-building framework at SBI 46. The report compiles and synthesizes information on how capacity-building activities have been implemented in those EIT countries that are currently receiving support. It draws on information synthesized from submissions referred to in paragraph 2 above,<sup>4</sup> national reports and reports to the COP by the Global Environment Facility (GEF) submitted between 1 January 2013 and 9 March 2017 (hereinafter referred to as the reporting period).

5. The report also summarizes views on the fourth review of the implementation of the capacity-building framework referred to in paragraph 3 above.<sup>5</sup>

### **C. Possible action by the Subsidiary Body for Implementation**

6. The SBI may wish to consider the main findings and conclusions outlined in this document when undertaking the fourth review of the implementation of the capacity-building framework.

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<sup>1</sup> Decisions 21/CP.18, paragraph 4, and 11/CMP.8, paragraph 4.

<sup>2</sup> Decisions 21/CP.18, paragraphs 5 and 6, and 11/CMP.8, paragraphs 5 and 6.

<sup>3</sup> Decisions 16/CP.22, paragraph 11, and 6/CMP.12, paragraph 7.

<sup>4</sup> Submissions received from Parties are available at <http://www.unfccc.int/5900>.

<sup>5</sup> The third review of the capacity-building framework was concluded at COP 18 in December 2012 (decision 21/CP.18, paragraph 4).

## II. Executive summary

7. **Strengthening institutional, systemic and individual capacities.** The information contained in submissions from Parties, national reports and reports by the GEF published during the reporting period confirms that institutional, systemic and individual capacities have been built and strengthened to enable those EIT countries that are currently receiving support to develop and implement mitigation-related actions. Efforts have been undertaken to enhance capacity at the institutional level in order to assess mitigation options, scale up emission reduction ambitions and support low-carbon development. In addition, new legislative frameworks have been put in place to support energy efficiency in residential and public buildings, and awareness-raising initiatives have been organized so as to increase knowledge on and understanding of energy saving and energy efficiency opportunities.

8. **Climate change policy development and implementation.** Efforts have been made to strengthen enabling environments pertaining to mitigation, particularly in the energy sector. Enhanced capacity at the institutional level, together with the provision of technical assistance packages, has facilitated the development and implementation of innovative climate change policies. Examples of such policies include the development of: (1) financing mechanisms to increase investment in climate technologies; (2) domestic carbon market instruments; and (3) the necessary infrastructure for data capture, assessment and reporting.

9. **Transfer of technologies and know-how.** Extensive information is provided on the capacity built to reduce greenhouse gas (GHG) emissions, including through the establishment of institutional mechanisms and programmes aimed at increasing and accelerating the transfer and deployment of low-carbon technologies. Mainstreaming mitigation into the industrial sector within government institutions has promoted the implementation of projects based on environmentally sound technologies, fostered the involvement of and collaboration among relevant stakeholders, and enabled pilot demonstrations of investments in low-carbon technologies.

10. **Identification of emerging capacity-building areas.** With respect to the provision of capacity-building support considered during the third review of the implementation of the capacity-building framework, a gradual shift of capacity-building assistance to areas of growing importance within the climate change process has been observed. Such areas include intended nationally determined contribution (INDC) preparation and implementation, green urban development and reforestation/afforestation, and innovative investment strategies. The support provided in the context of the above-mentioned areas addresses in particular the need to strengthen national institutions as well as policy and legislative frameworks, with a view to enabling climate change actions in line with the country's sustainable development priorities. Examples of emerging areas where capacity-building assistance has been provided include: (1) reinforcing GHG data and the measurement, reporting and verification of the implementation of mitigation action for INDCs; (2) establishing targeted programmes for sustainable urban transport systems; (3) enforcing adequate policies for integrated land management and sustainable forest management; and (4) increasing the financial capacity of local banks for credit analysis and risk management.

11. **Projects with a specific focus on capacity-building versus projects embedding capacity-building as one component among many.** It has been observed that bilateral assistance to EIT countries offers more examples of supported activities with a specific focus on capacity-building, such as awareness-raising programmes and scholarships. However, the majority of projects described in the source documents tend to feature capacity-building as one component of specific multi-component projects, which enables

the successful implementation of the projects on the one hand and their replication on the other hand.

12. **Availability of information on capacity-building activities implemented in those EIT countries that are currently receiving support.** National reports submitted by Parties included in Annex II to the Convention generally provide scarce information in this regard. Enhanced reporting on the support provided would enable a less fragmented overview of the type of capacity-building activities undertaken, stakeholders involved and targeted sectors.

13. As further work may have been undertaken after the submission of the source documents and information on certain areas may not have been available in those documents, this compilation and synthesis report may not convey a complete picture of capacity-building activities implemented in those EIT countries that are currently receiving support.

### **III. Overview of the information on the implementation of capacity-building activities in those countries with economies in transition that are currently receiving support**

#### **A. Information submitted by Parties**

14. Following the invitation by COP 18 and CMP 8 to submit to the secretariat, by February 2016, information on how capacity-building activities have been implemented in those EIT countries that are currently receiving support, a submission was received from the Netherlands and the European Commission on behalf of the European Union and its member States.<sup>6</sup> A synthesis of the submitted information is provided below.

15. During the reporting period, the EU has been providing broad support to EIT countries for capacity-building related to climate change. Its assistance is channeled through the European Neighbourhood and Partnership Instrument. Cooperation under this instrument, which is managed by the European Commission, takes place both on a bilateral as well as a regional basis. Two particularly relevant EU-funded initiatives targeting EIT countries are the ClimaEast project package and, together with the World Bank, the Partnership for Market Readiness. ClimaEast, established in 2012, is the flagship EU programme for capacity-building targeting EU Eastern Partnership countries, including Belarus and Ukraine, and the Russian Federation. ClimaEast consists of two components: (1) several pilot projects supporting the development of ecosystem-based approaches to climate change; and (2) a policy seeking to foster improved climate change policies, strategies and market mechanisms in the partner countries by supporting regional cooperation and improving access to information on EU climate change policies, laws and expertise.

16. The Partnership for Market Readiness, where Ukraine is one of the recipient countries, aims to develop carbon market capacity in developing countries and countries with economies in transition through developing and piloting carbon market instruments, with a view to scaling up mitigation. This initiative contributes to enhancing the institutional capacities of the participating countries to assess mitigation options and to developing the enabling environment for market based investments; it also strengthens the cooperation between relevant stakeholders across different sectors.

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<sup>6</sup> This submission was supported by Bosnia and Herzegovina and Serbia.

17. In addition, the EU and its 28 member States provide bilateral assistance to EIT countries also through investment projects managed by different development banks, including the European Bank for Reconstruction and Development, the European Investment Bank, Kreditanstalt für Wiederaufbau and Agence française de développement. Examples of bilateral assistance to EIT countries are provided below.

18. Established in 2015, the Ukraine Denmark Energy Centre serves as a platform to establish, manage and support cross-institutional cooperation and the provision of professional assistance provided under the Renewable Energy and Energy Efficiency Programme of the Danish Ministry of Foreign Affairs to assist the Ministry of Energy and Coal Industry of Ukraine. The technical assistance provided to Ukraine covers six main areas of work: (1) long-term forecast modelling for national energy balance; (2) the greenhouse gas registry and UNFCCC reporting; (3) a monitoring system for energy efficiency at the industrial subsector level; (4) tools for the analysis of integrating renewable energy in regional grids; (5) energy scenario analysis; and (6) options for the increased use of biomass and biogas in the heat sector. The support, which contributes to the implementation of INDCs in Ukraine, consists of enhancing the capacity to strengthen GHG data and providing inputs to policy preparation and implementation in the energy sector.

19. Since 2013, Germany has supported a programme for climate policy dialogue processes and advisory services in Eastern European and Central Asian countries, namely the Capacity development for climate policy in the Western Balkans, Central and Eastern Europe and Central Asia - Phase II programme. This programme aims at strengthening technical know-how and institutional capacities on instruments related to mitigation in Eastern European and Central Asian countries so they can reduce GHG emissions and adapt to the effects of climate change. Ukraine was supported in the development and implementation of a communal reform programme in the energy efficiency sector.

20. Since 2014, through the International Climate Initiative of the German Ministry for the Environment, Nature Conservation, Building and Nuclear Safety, Germany also supports Ukraine with a project for the preparation of INDCs, low emission development strategies, nationally appropriate mitigation actions and measurement, reporting and verification.

## **B. Information contained in national reports**

21. Since 2010, Greece, through a partnership between its Center for Renewable Energy Sources, the United States Agency for International Development, the International Resources Group and the Alliance to Save Energy, has promoted the SYNENERGY project. SYNENERGY is a project targeting various countries, including Ukraine, addressing the regional assessment of renewable energy sources and energy efficiency in residential and public buildings, strategic planning for renewable energy sources and energy efficiency, capacity-building and institutional network development.

22. In 2013, Latvia promoted awareness-raising activities on improving energy efficiency in Belarus, the Russian Federation and Ukraine. The aim of the project was to increase the knowledge and understanding of energy saving and energy efficiency opportunities in buildings taking into account socioeconomic, technical and environmental aspects. The project's target groups were the public, non-governmental organizations and future experts in energy saving and energy efficiency.

23. In 2013 and 2014, Slovakia promoted programmes in Belarus and Ukraine aimed at providing governmental scholarships in environmental management, which covered various topics, including environmental protection, ecology and environmental sciences.

24. Since 2010, the United States Agency for International Development's Black Sea Regulatory Initiative has been linking power regulators from Armenia, Azerbaijan, Georgia, the Republic of Moldova and Ukraine with Midwestern United States' state regulators to support the development of harmonized regulatory practices, including guidelines for renewable energy and energy efficiency, in order to encourage private investment in the region.

### **C. Information contained in reports of the Global Environment Facility**

25. In its annual reports to the COP during the reporting period, the GEF has provided comprehensive information on the support provided for the implementation of capacity-building activities in those EIT countries that are currently receiving support.

26. GEF-funded projects with capacity-building components in Belarus include:

(a) Belarus Forestry Development Project, which aims to enhance silvicultural management and reforestation/afforestation, increase the use of felling residues and improve the contribution to the public good from forests in targeted forest areas. The project's main components are as follows:

- (i) Improving silviculture and the sustainability of forest management;
- (ii) Improving forest fire prevention, monitoring, detection and suppression;
- (iii) Building the capacity for sustainable forest management;

(b) Conservation-oriented Management of Forests and Wetlands to Achieve Multiple Benefits, which aims to introduce a conservation-centred and financially self-sustainable approach to the management of forests and wetlands that are internationally important in their biodiversity and important for climate and land integrity. The project consists of the following components:

- (i) Focusing on changing wetland and forest management practices by designing mechanisms for financially sustainable forestry and regulated tourism, including the involvement of local communities and private farmers;
- (ii) Aiming at the sustainable management of forests important in their biodiversity outside protected areas by redesigning forest management plans for 150,000 ha of forests and 260,000 ha of peatlands;
- (iii) Advancing the state of monitoring and demonstration of active habitat management;

(c) Belarus Green Cities: Supporting Green Urban Development in Small and Medium Sized Cities in Belarus, which aims to promote the development of green urban development plans and pilot green urban development projects related to energy efficiency and sustainable transport in small- and medium-sized cities in Belarus. Focusing on transport and energy efficiency (through improved buildings and efficient street lighting), the project will allow three selected cities to develop appropriate regulatory frameworks and institutional capacity for green urban development – an experience for other smaller cities to emulate. The project consists of the following components:

- (i) Green urban development plans;
- (ii) Demonstration projects on transport;
- (iii) Demonstration projects on energy-efficient lighting;
- (iv) The Green Cities Association of Belarus;

(d) Preparation of the Sixth National Communication for the Implementation of the United Nations Framework Convention on Climate Change, which enabled the Government of Belarus to prepare and submit its sixth national communication to the UNFCCC.

27. GEF-funded projects with capacity-building components in the Russian Federation include:

(a) Transfer of Environmentally Sound Technologies for Industrial Climate Change Mitigation in the Republic of Tatarstan, Russian Federation, which aims to mitigate the Russian Federation's contribution to anthropogenic climate change by improving its resource efficiency and reducing the GHG emissions of key manufacturing industries operating in the Republic of Tatarstan as well as by enabling the Republic of Tatarstan's agroforestry industry's capacity to produce the planting material required by the Ministry of Forestry of the Republic of Tatarstan for carbon sink enhancement. The project supports the following activities:

- (i) The implementation of economic and regulatory policy instruments incentivizing resource efficient cleaner production processes systems by key manufacturing industries;
- (ii) The identification of key GHG industrial emission sources, inefficient production patterns, and possible resource efficiency improvements that are economically beneficial;
- (iii) The removal of barriers to accessing existing financial instruments for investments in resource efficiency improvements;
- (iv) The direct transfer of energy-efficient technology for the industrial scale production of planting material devoted to the afforestation of carbon sequestering multipurpose riverbank/floodplain protective forests;
- (v) The strengthening of the capacities of government institutions, manufacturing industries and clean production centres required for the mainstreaming of sustainable industrial climate change mitigation by manufacturing industries in the Republic of Tatarstan;

(b) Low-carbon Technology Transfer in the Russian Federation, which aims to reduce GHG emissions in the Russian Federation. It will do this by increasing and accelerating the transfer and deployment of low-carbon technologies through the establishment of institutional mechanisms, pilot demonstration investments in low-carbon technology manufacturing capacity transfer, increased availability of financing for low-carbon technology transfer and application projects and enhanced policy frameworks. The project supports the following activities:

- (i) The national competitive platform and strengthened framework for low-carbon technology transfer;
- (ii) The demonstration of leading-edge low-carbon technology transfer;
- (iii) Investments in low-carbon technology transfer;

(c) Green Shipping Program for the Russian Federation, which aims to reduce GHG emissions through the transformation of the Russian shipping industry by supporting commercial investments in the sector. The support includes port infrastructure modernization; and financing the replacement, retrofitting and expansion of, and environmental and maintenance services for, the shipping fleet. The project consists of the following components:

- (i) The establishment of a technology platform that supports the adoption of best practices;
- (ii) The improvement of the investment environment that supports technology demonstration and replication;
- (iii) Investments in shipping vessels and port infrastructure, potentially in the form of performance incentives to cover first-mover and pilot costs (non-grant instrument);
- (d) National Urban Transport Improvement Project, which aims to improve the quality and condition of urban transport and to reduce adverse environmental impacts in three cities through physical investments, operational and technological improvements, and legal reforms. The project consists of the following components:

- (i) The development of a national framework for the improvement of urban transport systems, including the establishment of a federal targeted programme for sustainable urban transport systems;
- (ii) Sustainable urban transport pilot programmes in the three targeted cities (e.g. an intelligent transport system, bus dedicated lanes, transport demand management, etc.);
- (iii) Capacity-building for municipalities in the planning and management of sustainable urban transport systems;
- (e) Save the Source: Catalyzing Market Transformation of Breweries from a Major Natural Resource Consuming Industry to a Pro-active Steward for Resource Efficient Cleaner Production, which aims to demonstrate a replicable approach on how Baltika Breweries as a corporate socially responsible industrial player can become a steward in a public-private partnership to proactively reduce direct and indirect brewery related environmental stress and to promote the sustainable management of natural resources along the entire supply chain. Furthermore, this investment will be setting an example for other water and energy intensive industries in the Russian Federation and globally;

- (f) Sustainable Land Management and Ecosystem-based Climate Change Mitigation in the Altai-Sayan Ecoregion, which aims to promote sustainable integrated land and forest management in the Altai-Sayan Ecoregion in order to reduce pressures on natural resources from competing land uses and to secure the conservation and enhancement of carbon stocks. The project consists of the following components:

- (i) Enabling policy environment and strengthened enforcement capacities for integrated land management and sustainable forest management;
- (ii) Investment in demonstrating improved sustainable land and forest management in the Altai-Sayan Ecoregion.

28. GEF-funded projects with capacity-building components in Ukraine include:

- (a) Integrating Rio Convention Provisions into Ukraine's National Environmental Policy Framework;

- (b) Finance and Technology Transfer Centre for Climate Change, approved in October 2014. It aims to develop and demonstrate innovative policy and technical assistance packages and to support the development of performance-based financing mechanisms to increase investment in climate technologies in Ukraine. The project consists of the following components:

- (i) Supporting the design of innovative policy packages to promote energy self-sufficiency and technology transfer;
  - (ii) The development of industry guidelines, methodologies, technology baseline data, technical assistance and energy audits;
  - (iii) Climate technology finance to support the development of performance-based financing;
  - (iv) Knowledge management and awareness;
- (c) Removing Barriers to Increasing Investment IN Energy-Efficiency in Public Buildings in Ukraine through the ESCO Modality in Small and Medium Sized Cities, which aims to transform the market for investments in energy efficiency in public buildings in Ukraine and to save energy and reduce GHG emissions. The project components include the following:
- (i) The development of policy and institutional and legislative frameworks to support energy efficiency in new and existing residential and public buildings;
  - (ii) The development of innovative financial incentives to encourage public sector organizations to make larger investments in buildings;
  - (iii) The demonstration of at least eight pilot energy-efficient buildings;
  - (iv) The preparation of a completed nationwide awareness and information campaign advocating the benefits of energy-efficient buildings.

#### **IV. Summary of views submitted by Parties on the fourth review of the implementation of the framework for capacity-building in countries with economies in transition**

29. Views on the fourth review of the implementation of the capacity-building framework were submitted by Malta and the European Commission on behalf of the European Union and its member States.<sup>7</sup> In its submission, the EU reiterated its view that the fourth review of the implementation of the framework for capacity-building to be conducted at SBI 46 marks an important step in the process of enhancing the capacity-building efforts under the Convention, as it will provide an opportunity to review comprehensively the implementation of the existing framework, take stock of progress, and examine and identify emerging, existing, as well as new challenges. The review will also contribute to identifying the major actors supporting the implementation of the capacity-building framework within and outside the arrangements established under the Convention and its Kyoto Protocol, to detecting lessons learned and best practices and to providing recommendations to the SBI on ways to build more effectively the capacity of Parties at all levels to implement successfully the Convention and the Paris Agreement. In addition, the EU sees the result of the review as a key input to informing the operations of the Paris Committee on Capacity-building.

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<sup>7</sup> This submission was supported by Albania, Bosnia and Herzegovina, Serbia and the former Yugoslav Republic of Macedonia.