

Financing the Implementation of NAMAs – lessons learned from the assessment of 3 Calls of the NAMA Facility

Gaining experience and disseminating lessons learned are amongst the key functions of the NAMA Facility and these contribute to its transformative character. The lessons presented here are derived from the NAMA Facility's first three Calls for NAMA Support Projects (NSPs). NSPs aim to demonstrate the viability of NAMAs and their implementation and as such increase the project pipeline of NAMAs by developing the project rationales and thus contribute to the debate on the development of the global climate finance architecture.

In the three calls, 138 NSP Outlines have been submitted from across all regions and these encompass a variety of sectors (www.nama-facility.org/call-for-projects/statistics/). The number of outlines submitted indicates the need for additional funding for NAMAs. At the same time, a closer look at the outlines reveals the need for further measures to enhance the implementation readiness and the general quality of submissions.

The assessment of NSP Outlines in the NAMA Facility follows a two-step procedure. Step 1 is the eligibility assessment. Step 2 is a qualitative assessment based on two criteria: ambition and feasibility. The ambition sub-criteria incorporate transformational change potential, financial ambition, mitigation ambition and expected co-benefits. The criteria regarding feasibility consider the project concept and financing mechanism, logframe, embeddedness and project finance.

Findings on Eligibility

About half of the NSP outlines received have been found non-eligible, failing mostly in more than one criterion, e.g. formal requirements, readiness, the eligibility of delivery organisations and embeddedness.

- **The formal requirements** that were found to pose problems are submission deadline, project duration, amount of requested funding or completeness of documents. Failing to meet the criteria can be avoided by thoroughly studying the criteria explained in the General Information Document and the guidance provided in the Outline Template. Typically, NSPs should have a duration of 3–5 years and request an amount of funding of 5–20 million EUR. If you indicate a 6-year implementation period and ask for only 3 million EUR, your project is regarded as non-eligible.
- **»Implementation readiness«** is one of the NAMA Facility's key requirements. A number of NSP Outlines were assessed as not being "ready" for implementation; either they were research projects or technological pilots and/or requiring several years of preparation to establish a financing mechanism for investments. Readiness means that a project is developed, feasible and can be implemented within the timeframe of 3 to 5 years. This includes appropriate financial mechanisms (see financial mechanism fact sheet).
- The interpretation of the role and responsibility of **Delivery Organisations** has been found to be controversial; especially for the financial cooperation it seems to be still a challenge. As most outlines have been submitted by technical cooperation institutions, we strongly advice to look as early as possible in the design phase for an international/national partner institution capable of implementing the financial component. Delivery Organisations should have a proven track record of being technically experienced in their respective task(s) and have substantial

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institutional capacities to handle a NSP (i.e. financial volume of projects handled so far, annual turnover should not be smaller than the requested project funds and organisations should be experienced in handling Official Development Assistance (ODA) funding).

- While the formal **support of national governments** is generally considered by NSP Outlines, the necessary commitment beyond endorsement (such as financial contributions from national governments or the willingness to create an enabling environment through regulatory reforms) needs to be verified in greater depth. Strong national commitment is important because NSPs that are embedded into national strategies are more likely to have a transformational impact. It is important to demonstrate the embeddedness institutionally as well as in national strategies.

Findings on Ambition and Feasibility

- The ambition underlined in NSP Outlines is in general high; however, particularly the **mitigation potential** is often not substantiated or is overestimated – leading to the effect that some NPSs need to thoroughly revise their mitigation estimates in the course of the appraisal. The calculation of the greenhouse gas (GHG) mitigation potential should be transparent and based on a properly defined business-as-usual scenario. The direct and indirect mitigation potential attributable to the NSP must be reported together with the methodology that has been used.
- It is crucial to convey the **transformation potential** of the NSP. A catalytic effect, innovative potential, scalability and sustainability are elements of the potential for transformational change. However, a transformation can also be explained by steering/reversing the flow of public and private investments

into a climate-friendly direction. This is why adequately designed **financial support mechanisms** are the key for strengthening the transformational potential of a NSP ([factsheet on financial mechanisms](#)). Submitters designing a NSP Outline are encouraged to develop viable financial mechanisms that make the best use of limited grant funds and are able to leverage additional public and private finance towards low-carbon development paths.

- The **feasibility** of NSPs requires specific attention. The barriers found in a thorough barrier analysis should be adequately addressed. Especially the financial mechanism(s) chosen should be suitable to overcome economic and financial barriers. Basic information on the specific climate-friendly technology to be promoted by the NSP and its **technical and economic viability** should be illustrated. Questions like the maturity of the technology in the given country context should be addressed (what are the perceived risks for investors?) and how it will become economically viable as an innovative business case.

Submitters are strongly encouraged to work on ambitious and feasible NSPs with a high transformational change potential taking into account lessons which so far have been learned during the three calls of the NAMA Facility. This lessons learned paper is seen as another input to motivate a vivid discussion and reach this goal.

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