

Partnering with the Private Sector:

Building Trust, Unlocking Investment, & Upscaling Net-Zero Solutions

The NAMA Facility supports transformational mitigation projects that accelerate progress toward carbon-neutral societies in developing countries and emerging economies. The private sector is crucial in initiating and sustaining transformational change and therefore must be involved. Its players provide local buy-in key to project implementation and ensure that the desired impact continues beyond the planned implementation timeline. Embedding private partners, including manufacturers, retailers, transporters, business and industry associations, banks and private financial institutions as well as end users, in the project structure and cooperating throughout the project cycle are essential for successful outcomes. Without the engagement of these players, change might be only temporary.

A Cabo Verde-based NSP, which facilitates electric mobility to reduce greenhouse gas emissions, successfully cooperates with all relevant actors from the private sector to create completely new market segments. It offers financial support through a tender for private companies, tasked with setting up a network of 40 commercial charging stations to reduce investment costs. Furthermore, the NSP encourages taxi owners to participate in the program and provides information to banks, increasing awareness for e-mobility.

Steering replicable change for sustainable transformation

The NAMA Facility offers a long-term vision and a roadmap for how to achieve long lasting carbon-neutral solutions widely adopted by society. Showcasing how change is possible, the NAMA Facility inspires further expansion of climate-friendly solutions and generates spill-over effects in other spaces. The Colombia Transit Oriented Development (TOD) NSP created such spill-over effects by opening a centre for the promotion of transit-oriented development, housed within the Colombian development bank. Established as an open space for other mobility initiatives in Colombia, the centre became an agent of change, demonstrating the benefits of carbon neutral solutions and planting the seeds of inspiration for similar initiatives.

Supporting innovation for lasting change: the interplay between public and private actors

A driver for innovative ideas and approaches for net-zero solutions across key sectors, such as transportation, energy and agriculture, the private sector pushes governments to draw up regulatory frameworks as a basis for transformational change. For instance, when vehicle manufacturers, including e-mobility entrepreneurs, adopt new solutions early and with the support of an NSP, they can push for net-zero transformation in the transportation sector and urge the public sector to adapt and change regulations accordingly.



Caption: Technical training for sustainable technology development

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Opportunities and challenges of engaging the private sector

With its portfolio of 43 NAMA Support Projects (NSPs), including active and completed projects, the NAMA Facility has extensive experience with the opportunities and challenges of collaborating with the private sector. A few notable observations have emerged:

1. Incentives and benefits can minimize financial risks

When introducing new technologies and approaches, private actors may avoid the financial risks of investing in new, unfamiliar technologies, even if the solution could prove promising for societal wellbeing, income generation, improved environmental conditions and curbed carbon emissions. Entrepreneurs and small-medium enterprises (SMEs) may lack access to financing as interest rates might be too high and thus, shy away from solutions that would otherwise improve quality of life. If payments are too high, businesses will not perceive new business models and investment in new technologies as viable. Small businesses might hesitate with new investments in eco-technologies if financing options are limited, while larger companies struggle with non-competitive interest rates in the market or limited cash flow due to high initial investments.

The most powerful argument to get private partners engaged may be made by pointing out new and more exclusive markets and fresh business opportunities.

For private partners to adopt net-zero solutions, the NSPs must offer incentives and emphasize the benefits of new business models. Tax exemptions, the prospect of access to new markets and initial interest rate reductions may motivate reluctant private sector actors. The most powerful argument to get private partners engaged may be made by pointing out new and more exclusive markets and fresh business opportunities. With the contribution of the Thailand Refrigeration and Air-Conditioning NSP through a revolving fund and a sub-grant scheme, companies in the refrigeration and air-conditioning sector have been able to acquire state-of-the-art equipment necessary for manufacturing hydrocarbon-based refrigerators. Using initial funds, companies willing to transform their manufacturing process towards carbon-neutral solutions could trust in the benefits of new business opportunities and raise investments. Local Thai manufacturers have provided at least half of the financial resources

necessary for transforming the refrigeration sector towards net-zero solutions and have been essential drivers for change.

2. Regulatory frameworks help build trust for innovation

To build trust in new technologies and business opportunities, national governments must establish regulatory frameworks as a lack thereof could discourage private sector participation. If certain technologies are not authorised or labeled as climate-friendly, it may not be worthwhile for private partners to invest in them. Sound and reasonable regulations that accounts for specific situational conditions foster a conducive business environment for net-zero solutions, fueling business developments off the beaten path and allowing private actors to benefit from their investments. Both the Thailand Refrigeration and Air-Conditioning and Colombia Transit Oriented Development (TOD) NSPs promoted the introduction of new regulations for energy efficiency by advising the responsible ministries, leading to regulatory frameworks that make it easier for businesses of various sizes to trust in innovations.

3. Lack of knowledge, capacities, and awareness can hinder transformation

Without fully understanding the advantages of new approaches and technologies, private partners will be more hesitant towards new business ideas. Even if private partners are familiar with new technologies, a lack of knowledge or capacity (e.g., a workforce lacking the technical skills) might pose challenges on the trajectory towards transformational change. As part of the technical component, NSPs can provide training to build capacity, for example, Cabo Verde's e-mobility NSP trains bus drivers as well as car mechanics on repair and maintenance. Moreover, NSPs can explain the advantages of new investments and lead by example to motivate private partners to trust in new technologies and approaches. In the case of the Thailand Refrigeration and Air-Conditioning NSP, the combination of private investments and funds provided by the NSP through climate finance and initial successes proved to more hesitant companies that the conversion of production lines can lead to sellable products and even export options to Europe and other industrialised countries. The Mexico Housing NSP addressed awareness gaps by providing information and advisory services made known to more than 300 companies.

Factors for success

As a knowledge and learning hub, the NAMA Facility identifies three factors for successfully engaging the private sector towards net-zero transformation:

1. Context-specific intervention

There is not one solution, which works for all project contexts, as each context is different and faces specific opportunities and challenges. Hence, net-zero solutions always need to consider context-specific factors and possible concerns private partners may have.

2. Established regulatory frameworks

Well-designed regulatory frameworks are necessary to get the private sector involved and to establish a business-friendly environment, encouraging the private actors to take financial risks and break new ground. Laying a foundation of clear policy and legislation, the public sector will set standards and provide incentives.

3. Leading by example

NAMA Support Projects can build trust by setting an example and help create a business-friendly environment, in which the private sector is willing to invest in unfamiliar technologies and take financial risks. If NAMA Support Projects take a leap of faith and provide financial support, private partners will be more willing to invest in unfamiliar technology, too.

Conclusion

On the path to carbon-neutral societies, involving all relevant actors is of utmost importance. Only if public as well as private partners truly join forces, can we achieve the aim of deep and systemic change. As crucial drivers of change, private partners play an essential role. The public sphere ought to provide regulatory frameworks and guidance, leading private partners to fulfil their role as the makers of transformational change.

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