

# Inspiring Ambitious Action on Climate Change

On behalf of



Federal Ministry  
for the Environment, Nature Conservation  
and Nuclear Safety



Department for  
Business, Energy  
& Industrial Strategy



Danish Ministry  
of Energy, Utilities  
and Climate



# Summary

The NAMA Facility plays a leading international role in funding truly transformational sector-based approaches to tackling climate change. In doing so, the NAMA Facility inspires ambitious climate action and helps developing countries and emerging economies to deliver on their Paris Agreement commitments.

Established by the UK and Germany in 2012, and supported additionally in 2015 by Denmark and the European Union, the NAMA Facility delivers ambitious actions in three ways:

- 1. Finance:** Since 2012, the NAMA Facility has intended to commit over EUR 420 million, and currently has 26 ground-breaking projects across 19 countries and a wide range of sectors. In December 2018, Germany and the UK agreed to continue supporting the NAMA Facility's outstanding work by launching a new, 6<sup>th</sup> Call for the submission of NAMA Support Project Outlines.
- 2. Expertise:** The NAMA Facility prides itself on providing high quality and bespoke support to developing countries and emerging economies to help them design innovative financing mechanisms capable of successfully attracting additional funding from the public and private sectors for the implementation of NAMAs.
- 3. Learning:** The NAMA Facility is open, transparent and committed to improving standards of monitoring and reporting and to embedding learning across all its activities, in particular focusing on sharing learning from projects in order to enable them to be significantly scaled-up and replicated.

## Case Study 1: Low-Carbon Coffee NAMA Costa Rica



With support of the NAMA Facility, Costa Rica is implementing a first-of-its-kind sector-specific approach, targeting the climate-friendly transformation of the entire value chain of one of the most important economic sectors in the country. Coffee producers are expected to reduce their production costs by approximately 20% and increase production by 20%, as well as reduce 60,000t CO<sub>2</sub> per year by the end of the project. Two producers have already qualified for the carbon-neutral label, which could increase price premiums by 5–10% on the global market.

# The Importance of NAMAs and Nationally Determined Contributions

The concept of NAMAs was first agreed at the Bali United Nations Conference of Parties (COP) in 2007 and was seen as a measurable way of helping countries flesh out how they will reduce emissions and meet their climate commitments. Today, the NAMA Facility supports ambitious climate action by financing mitigation activities that put countries on a positive path towards NDC implementation.

COP 21 in Paris was a landmark moment, where almost 190 countries submitted voluntary plans to move toward lower-carbon economies, or Intended Nationally Determined Contributions (INDCs). However, we are currently not on track to avoid dangerous climate change and keep the world on the 1.5–2 degrees pathway outlined in the Paris Agreement, so there is an urgent need to scale-up low-carbon investment.

According to the Climate Policy Initiative's Global Climate Finance Landscape, over the next 15 years a further EUR 16.5 trillion investment is required to meet the well below two degrees Celsius target<sup>1</sup>. In addition to the strong need for donor countries to provide climate finance, it is also clear that in order to meet the world's climate finance needs, large amounts of private sector investment will be required.

Financing ambitious and concrete measures will help countries deliver on their NDCs and support Paris Agreement commitments to keep temperature rises well below two degrees Celsius. NAMAs and similar comprehensive initiatives therefore act as building blocks, helping to identify and implement comprehensive actions at the sector level to cut emissions.

Since 2012, the NAMA Facility has been provided with over EUR 420 million to support the implementation of the most transformational parts of NAMAs and similar initiatives in developing countries and emerging economies. Each project is chosen for its high degree of innovation and the

transformational potential to catalyse changes in sectors that are crucial to partner countries for carbon reductions.

Looking ahead it is clear that the Paris Agreement offers new opportunities for the NAMA Facility to support even more partner countries to develop sector-wide approaches for the implementation of NDCs and contribute towards the global ambition of keeping temperature rises to well below two degrees Celsius.

## Case Study 2: New Housing NAMA Mexico



This project is contributing to the transformation of the Mexican housing sector by promoting cost-effective and energy-efficient building across the residential housing sector, with a particular focus on low-income housing. The project has already demonstrated results on the ground: over 161,000 people, mainly from low-income households, have benefited and over 41,300 social housing units have been built (against a target of 11,000). As part of this project, small- and medium-sized private housing developers have received technical assistance and investment grants to increase their capacities to promote, plan and construct energy-efficient houses. Larger private financial intermediaries are also expected to be incentivised (e.g. through subsidised loan guarantees) to provide financing to housing developers that embrace energy efficiency in housing construction.

1 Climate Policy Initiative: <http://www.climatefinancelandscape.org/>

# NAMA Facility: Inspiring Ambitious Action on Climate Change

## Our Vision Is To:

Accelerate low-carbon development to keep temperature rises to well below two degrees Celsius by financing measures that shift challenging sectors in a country towards a sustainable, irreversible, low-carbon pathway.

## Our Mission Is To:

1. Finance innovative projects that tackle specific local challenges related to cutting emissions in sectors and countries — specifically those projects that include strong potential for upscaling and replication and that trigger wider sectoral changes.
2. Unlock investment opportunities by providing tailor-made climate finance to fund projects with the potential to:
  - i. Strengthen country ownership to deliver low-carbon activities and align them closely with the country's NDC and other relevant climate and development plans.
  - ii. Pilot financing models to overcome market barriers to low-carbon development.
  - iii. Use innovative technologies and approaches that require donor financing to deliver on country plans.
  - iv. Boost participation of the private sector to support low-carbon activities.

## Our Approach Is To:

Through open, competitive Calls, select the most transformational NAMAs from a wide range of sectors and countries that include the potential to improve, for example, the way people live, work and move around, while catalysing larger changes across the targeted sector.

## Case Study 3: Self-Supply Renewable Energy (SSRE) NAMA in Chile



Promoting the self-supply renewable energy market in Chile will be an important step in the country's endeavour to transform its energy system towards a 70% renewables share in electricity generation by 2050. The NAMA will not only lead to an increase in local jobs in the RE industry and lower energy costs for small- and medium-sized enterprises that are the main target group of the SSRE NAMA, but it will also likely improve energy security at the national and local levels. The SSRE NAMA will work with project developers and potential investors, as well as the crucially important banking sector in order to eventually lower transaction costs for investments.

Over five years, a guarantee facility for commercial lending is expected to mobilise around USD 100 million in private sector funding for investments in SSRE projects. This should translate into approximately 45 megawatts of additionally installed generating capacity, including rooftop PV, solar water heaters, heat pumps, biomass, biogas and small-hydro technologies.

## Finance

**In December 2018, Germany and the UK agreed to continue supporting the NAMA Facility's mission by launching the 6<sup>th</sup> Call for the submission of NAMA Support Project Outlines, with up to EUR 80 million. Donors also highlighted their commitment to the NAMA Facility through 2020 and beyond.**

This new investment from Donors comes following six years of strong performance by the Facility, with over EUR 420 million intended for a portfolio of 26 ground-breaking projects, in addition to those from the 6<sup>th</sup> Call. The portfolio currently spans 19 different countries and a wide range of sectors, from transport and waste to energy efficiency, renewable energy and agriculture.

Additional funding in 2018 also comes on the back of evidence supporting strong demand for NAMA Facility support.

The approach to selecting the best mitigation projects via open competition means that projects are all tested for their potential to be transformational. Successful projects will be required to show how they are:

- Country-led and embedded in national development strategies and plans.
- Integrated into sector-wide programmes or policies with specific reference to a NDC.
- Tackling wider policy, regulatory or other barriers that inhibit investment and constrain low-carbon development.
- Developing innovative financing mechanism(s) with the potential to attract public and private investment and ultimately become self-sustaining in the long term.

### Overview of the Project Selection Process

Projects are selected via an annual 'Call for the submission of NAMA Support Project Outlines'.

This is a competitive bidding process run by the Technical Support Unit (TSU) that is open to all delivery partners and remains open for three to four months each year.

Projects shortlisted via the annual Call process then undergo an "in-depth assessment". Projects that successfully pass the assessment are recommended to the Board for funding of the Detailed Preparation Phase (DPP).

At the end of the DPP, a NAMA Support Project Proposal is produced and undergoes a detailed assessment by the NAMA Facility. The Board then makes the final decision on providing funding for implementation.

### Case Study 4: Colombia Transit Oriented Development (TOD) NAMA



With NAMA Facility support, Colombian cities will transform urban planning. The project aims to promote better-designed, walkable, transit-oriented neighbourhoods and will contribute to reduced household transport costs, better access to jobs and services and improved social inclusion in the respective areas. The project fosters the creation of neighbourhoods where people can safely walk, live, work, shop and play by focusing urban development around transit stations. The project has already led to the establishment of an inter-ministerial body, which supports policy makers and stakeholders to integrate climate change considerations into transportation and urban development. Over 16,300 people will directly benefit from the project.

# Expertise

The NAMA Facility commits to maintaining its unique and high quality support to potential applicants and to successful projects throughout the design and implementation phases. High quality technical support includes:

- Clear communication on eligibility with a focus on ensuring wide appeal and accessibility across sectors and countries.
- Providing tailored technical advice on financing mechanisms to successful applicants.
- Providing ongoing support for the development of best practice Monitoring & Evaluation plans.
- Extracting evidence and sharing learning between NAMA Support Projects.
- Providing enhanced late-stage assistance to projects to help transition to self-sustainability and to facilitate wider transformational changes through scaling up and replication.

Regular reviews of the NAMA Facility's selection process and individual feedback to and from applicants helps to improve the availability and quality of mitigation projects, and it helps to both enhance and build consensus around delivering strong outcomes.

Following the review of the NAMA Facility's processes, including consulting with stakeholders, we have updated the project selection process to include in-depth assessments and a Detailed Preparation Phase.

The in-depth assessment allows the NAMA Facility to further test project design and discuss how NAMA Facility funding will be used to attract other sources of funding, including private finance. This new stage also allows the NAMA Facility to engage with partner countries and establish a relationship from the onset.

Funding is then provided to successful projects for the DPP. During the DPP, which lasts up to 15 months, high quality technical assistance and expert advice is provided to help further refine the project design.

## Case Study 5: The Thailand Refrigeration and Air Conditioning (RAC) NAMA



The Thai RAC NAMA contributes to the country's energy efficiency and climate goals by transforming the Thai refrigeration and air conditioning sectors from traditional to greener cooling. The Thai roadmap for NDC implementation explicitly mentions the RAC NAMA and its targeted emissions savings of 1.6 million tons of CO<sub>2</sub> equivalent during its five-year lifetime. The project aims at a market penetration rate of 20% of appliances with natural refrigerants by providing technical assistance and investment loans to convert the production lines of nine manufacturers. Additional private finance of EUR 300 million will be attracted. A successful transformation to greener cooling will make Thailand the second-largest producer of air conditioning appliances in the region and a role model for other countries.

# Learning and Evaluation

Learning is both fundamental to and supports the NAMA Facility's ambition to inspire broad and ambitious climate action by extracting lessons from NAMA Support Projects and sharing them with the wider community.

A strong learning ethos enables the NAMA Facility to:

- **Build and share knowledge** about how to:
  - Ensure that the right enabling conditions are in place.
  - Design innovative financing mechanisms to deliver NAMAs and NDCs.
- **Adapt and improve processes** to ensure that the NAMA Facility increases its appeal and ability to attract high quality projects.
- **Remain flexible to the needs of emerging economies.** The NAMA Facility will keep the option open for more targeted windows to meet the specific needs of emerging economies to implement commitments made in line with the Paris Agreement.
- **Foster a 'fearless' culture of learning** that learns from failures as well as successes in order to guide and improve future activities and processes.
- **Facilitate South-South learning on NAMA Support Projects.**
- **Form strategic partnerships** with other climate finance institutions, programmes and think tanks to enable two-way learning.
- **Demonstrate and integrate Monitoring and Evaluation best practices into the management of the NAMA Facility**, including the use of indicators and risk-based monitoring.
- **Communicate** results and activities widely, showing how development towards a low-carbon future takes place on the ground.
- **High quality monitoring and evaluation** throughout the project, portfolio and Facility levels, which in turn drive changes and improvements to project design and cross-cutting topics such as gender and social equality. The results of evaluations are published on the NAMA Facility's website, including the actions that the NAMA Facility is taking to implement the recommendations of an independent Mid-Term Evaluation carried out in 2016.

## NAMA Facility's Approach to Evaluation

Independent evaluations using standard evaluation criteria complement the monitoring process, enabling a more in-depth analysis of strategic issues, impact and performance. They take place at the project, portfolio and TSU levels and include findings and lessons learnt on cross-cutting topics such as gender and social equality. The results of evaluations are published on the NAMA Facility's website. The action that the NAMA Facility is taking, based on an independent 2016 Mid-Term Evaluation, can also be found on the website.

More information on the application process, eligibility, monitoring & evaluation frameworks, events and lessons learnt can all be found on the **NAMA Facility** website alongside a range of informative webinars.

See [www.nama-facility.org](http://www.nama-facility.org) for more information or get in touch via email to [contact@nama-facility.org](mailto:contact@nama-facility.org).

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