

Inspiring Ambitious Action on Climate Change

On behalf of



Federal Ministry for the
Environment, Nature Conservation,
Building and Nuclear Safety



Department for
Business, Energy
& Industrial Strategy



Danish Ministry
of Energy, Utilities
and Climate



Summary

The NAMA Facility plays a leading role internationally in funding truly transformational sector-based approaches to tackling Climate Change. In doing so the NAMA Facility inspires ambitious action on Climate Change 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 Commission, the NAMA Facility delivers ambitious actions in three ways:

1. Finance: Since 2012, the NAMA Facility has committed over EUR 260 million to ground breaking projects across 16 countries working in a wide range of sectors from transport and waste through to energy efficiency and agriculture. **In November 2017, Germany, the UK and the European Commission agreed to continue supporting the NAMA Facility's good work by launching a new larger 5th Call for Proposals.**

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 public and private sectors for implementation of NAMAs.

3. Learning: The NAMA Facility is open and transparent and committed to driving up standards of monitoring and reporting and to embedding learning across all its activities, focusing in particular on sharing learning from projects to enable them to be significantly scaled-up and replicated.

Case study 1: Low-Carbon Coffee NAMA Costa



With support of the NAMA Facility, Costa Rica is implementing the first of its kind sector specific approach to 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 cost by approximately 20% and increase production by 20%, as well as reducing 60,000t CO₂ per year by the end of the project. Two producers have already qualified for the carbon-neutral label, which could increase price premium 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 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 action on climate by financing mitigation activity that put countries on a positive path towards NDC implementation.

The 21st United Nations Conference of Parties (COP) in Paris was a landmark moment where almost 190 countries submitted a voluntary plan to move to a lower-carbon economy (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 2°C target. As well as there being a strong need for donor countries to provide climate finance, it is also clear that in order to meet the world's climate financing needs, large amounts of private sector investment is also required.

Financing ambitious and concrete measures will help countries deliver on their NDC and support the Paris Agreement commitment to keep temperature rises to well below 2 degrees. NAMAs and similar comprehensive initiatives therefore act as building blocks, helping to identify and implement comprehensive actions at sector level to cut emissions.

Since 2012, the NAMA Facility has successfully allocated over EUR 260 million to support the implementation of the most transformational parts of NAMAs and similar initiatives in developing countries. Each project is chosen for 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 to implement NDCs and contribute towards the global ambition of keeping temperature rises to well below 2 degrees.

Case study 2: New Housing NAMA Mexico



This project is contributing to the transformation of the Mexican housing sector through promoting cost effective 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 private housing developers received technical assistance and investment grants to increase their capacity in promoting, planning and constructing energy efficient houses. Larger private financial intermediaries were also incentivised (subsidised loan guarantees) to provide financing to housing developers which embrace energy efficiency in house 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 2 degrees by financing measures that shift challenging sectors in a country towards a sustainable, irreversible, low carbon pathway.

Our Mission is to:

1. Financing innovative projects that tackle specific local challenges for cutting emissions in sectors and countries with strong potential for being scaled up, replicated and able to influence wider sectoral changes.
2. Unlocking investment opportunities by providing tailor-made climate finance to fund projects with potential to:
 - i. Strengthen country ownership to deliver low carbon activities and aligning them closely with 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 need donor financing to deliver on country plans; and
 - iv. Boost participation of the private sector to deliver low carbon activities.

Our Approach is to:

Select through open competition the most transformational NAMAs from across all sectors and all developing countries – those with the

potential to improve, for example, the way that people live, work and move around while also catalysing bigger changes across a 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 is also likely to 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 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 November 2017, Germany, the UK and the European Commission agreed to continue supporting the NAMA Facility's mission by launching a further 5th Call with up to EUR 85 million, the largest funding volume in a Call for Proposals to date.

This new investment from donors comes following four years of strong performance by the Facility with over EUR 260 million already committed to a current portfolio of 20 ground breaking projects across 16 developing countries working in a wide range of sectors from transport and waste through to energy efficiency and agriculture

New finance in 2017 also comes on the back of evidence of strong need and 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 with the potential to attract public and private investment and ultimately become self-sustaining in the long term.

Overview of Project Selection Process

Projects are selected via an annual 'Call for Proposals'. This is a competitive bidding process run by a Technical Support Unit (TSU) that is open to all delivery partners and remains open for 3–4 months each year.

Projects shortlisted via the annual call process then undergo an on-site assessment by an independent external evaluator and the TSU. Projects that successfully pass the assessment are recommended to the Board for funding of the Detailed Preparation Phase (DPP).

At the end of DPP, selection is based on the fully-fledged proposal, which undergoes a final in-depth assessment. The Board then makes the final decision on providing funding for the 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 area. 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 led to setting up an inter-ministerial body supporting 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 design and implementation phases. High quality technical support includes:

- Clear communications on eligibility with a focus on ensuring wide appeal and accessibility across sectors and countries.
- Providing tailored technical advice on financing mechanism to successful applicants.
- Providing ongoing support on development of best practice Monitoring & Evaluation plans.
- Drawing out evidence and sharing learning between NAMA Facility 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 on the NAMA Facility's selection process and individual feedback to and from applicants helps to improve the availability and quality of mitigation projects, as well as enhancing and building consensus around delivering strong outcomes.

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

The on-site assessment allows to 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 phase, which lasts for up to 18 months, high quality technical assistance and expert advice is provided to help work up the detail of the project design.

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



It contributes to the country's energy efficient and climate goals by transforming the Thai refrigeration and air conditioning 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 CO₂-equivalent during its 5-year lifetime. The project aims at a market penetration 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 biggest producer of air conditioning appliances in the region and a role model for other countries.

Learning and Evaluation

Learning is fundamental to the NAMA Facility and supports its ambition to inspire broad and ambitious action on climate by taking and translating lessons from the projects upwards and outwards.

A strong learning ethos enables the NAMA Facility to:

- **Build and share knowledge** on 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 the NAMA Facility increases its appeal and ability to attract high quality projects.
- **Remain flexible to the needs of developing countries.** The NAMA Facility will keep the option open for more targeted windows to meet the specific needs of developing countries 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 improving 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.
- **Role model and integrate into management of the Facility best practice Monitoring and Evaluation approaches** including 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 project, portfolio and Facility level, 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, impacts and performance. They take place at project, portfolio and TSU level and include findings and lessons learned 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 on the back of an independent Mid-Term Evaluation in 2016 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 for more information or get in touch via email to contact@nama-facility.org.

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