

# NAMA Facility Stakeholder Consultation

London, 12<sup>th</sup> October 2015

## Proceedings and outcomes

Stakeholders in climate finance and the NAMA Facility met in London on October 12<sup>th</sup> 2015 to discuss future prospects for climate finance in light of the operationalization of the Green Climate Fund, the expectations for a Paris outcome and the experience so far gained through the operation of the NAMA Facility. The discussions were focused around six predefined subjects related to Nationally Appropriate Mitigation Action, namely

- readiness for implementation
- defining transformational change
- inclusion of grant financing in financing models
- linkages and collaboration with the Green Climate Fund
- embeddedness in national policies
- prioritizing mitigation of GHG emissions

### **Readiness for implementation**

It was clearly stated that the NAMA Facility was designed for financing the implementation of mitigation action as opposed to the provision of technical assistance. It was also clear, however, that a stringent definition of implementation is difficult and that implementation should be seen as a continuum. At present very few NAMAs are at a stage where actual investments are supported through the establishment of specific policy frameworks. The NF was seen to be different from the many attempts over 20 years of preparation of things that afterwards had nowhere to go in order to finance implementation. But the readiness programmes were not ready for the criteria put by the NAMA Facility, especially transformation. Transformation requires both donor coordination and inter-ministerial coordination in host countries, neither of which is working efficiently. It may be an issue of sequencing in a changing financing landscape, where the readiness activities are not going deep enough, but where applicants also do not have the necessary capacity to bring frameworks and projects to the level of readiness required by the banking sector. The banking sector therefore generally develops its own pipelines of policy and framework support in direct collaboration with their common counterparts in ministries of finance and line ministries. Often the link of this support to GHG mitigation is missing. They are not even calling what they do 'NAMAs'. To foster the implementation of NAMAs readiness programmes should be more closely considering the banking sector in order to produce financeable frameworks and policies.

### **Defining transformational change**

NAMAs being 'ready' or not depends on the definition of ambition and transformation and in that regard the expectations on the donor side may be too high. If change is the norm, transformational change is ahead of the game, but with lacking readiness the term is being used inflationally. In order to be used as a criterion it would need a distinct definition. Given the focus and aim of the NAMA Facility the criterion could be the largest possible mitigation impact, differentiated

according to capacities of countries. It could also be related to those parts of INDCs that are conditional. Ultimately, however, communicating transformational change may be the biggest challenge and as long as a definition isn't clear, we will continue to see old proposals repackaged as transformational NAMAs, because the demand for transformation is too vague. Instead of compromising transformation should be kept high on the agenda.

### **Inclusion of grant financing in financing models**

Whether 15-20 million euro of grant financing is sufficient to instill transformation is relative to a multitude of factors, a logical one of which is the size of country and sector. But if there are ways to bring the private sectors' financing capacity and willingness on board it may also be the wrong question to ask. Oftentimes development banks look at the private sector's repayment capacity within new regulatory frameworks, rather than attempting to blend lending with a grant. If in addition such grants are uncertain (like in the case of the NAMA Facility based on competition for funds) it may jeopardize the banks' standing with their borrowing counterparts if the grant financing is not obtained. On the other hand it is unlikely that the NAMA Facility can move towards direct collaboration with other suppliers of different sorts of climate finance (loans and guarantees from international and/or national sources). Also direct collaboration with the NAMA host governments in the development of implementable NAMAs, including their financial basis, may be difficult as both of these options are likely to jeopardize the competitive elements of the Facility. Therefore the financial structuring of NAMAs ultimately becomes a delicate question of timing and sequencing of commitments.

### **Linkages and collaboration with the Green Climate Fund**

It may therefore also become difficult to integrate financial packages with the Green Climate Fund except possibly through the affiliated financial Accredited Entities (AEs). Any particular window or procedure for such integration would have to evolve, however. In the shorter term the two (NF and GCF) could work in parallel, e.g. with the NAMA Facility developing pilots for larger GCF implementation or seeking out particularly transformative NAMAs. However, if the GCF decisively buys into requirement for transformation, it could ultimately replace the NAMA Facility unless the Facility is able to very precisely carve out its niche in light of the all-encompassing offer from the GCF. While competition among institutions in some regards could be healthy it may also be counterproductive or lead to waste of resources.

### **Embeddedness in national policies**

In the end maybe a concept like NAMA that is not so precisely defined does not lend itself well to standardized application processes; a direct dialogue with national government applicants is another option or even reaching out through existing donor coordination mechanisms. Other donors pursue such bilateral approaches. But not only is the integration of financial offers a challenge in application models; also the integration with national policies (and finance) is difficult as long as we keep reaching out through UNFCCC processes that are very oriented towards Ministries of Environment. The INDCs may therefore be a window of opportunity as they are anchored at the highest political level and thus may help secure a higher level of embeddedness than currently seen in projects.

## **Prioritizing mitigation of GHG emissions**

National priorities are almost never the reduction of GHG emissions. It is the de-facto co-benefit of other actions of national priority. The outlines that the NAMA Facility receives are rarely that clearly described or thought out, but the guidance is not helpful either. 1-2 success factors must be prioritized, among which obviously emissions reduction; 5-6 success factors or indicators leave applicants not knowing what to focus on. Cost efficient emissions reduction must remain on the agenda as there are many other funding vehicles that focus on general or transformational development.

## **Conclusion**

International and national structures supporting transformations towards low emission societies are fragmented and uncoordinated. Their separate planning cycles and individual reporting requirements hamper their impacts and split continuums in development into smaller sections that might not foster transformation, and do not form natural links in a continuous process. The NAMA Facility itself constitutes such a link that depends on other earlier development steps to deliver implementation ready NAMAs. It has to be realized that this does not happens without support and that the initial assumption about an existing array of implementation ready NAMAs only waiting for financing has been proved wrong.

Much better integration of programmes and offers is needed and much stronger financial and/or regulatory commitments for implementation in the NAMA host countries is required in order to achieve transformational changes through nationally appropriate mitigation actions. But in order to accomplish that a clearer narrative on the identity and characteristics of a transformational NAMA is urgently needed.