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NAMA Financing Options and Sources

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Overview



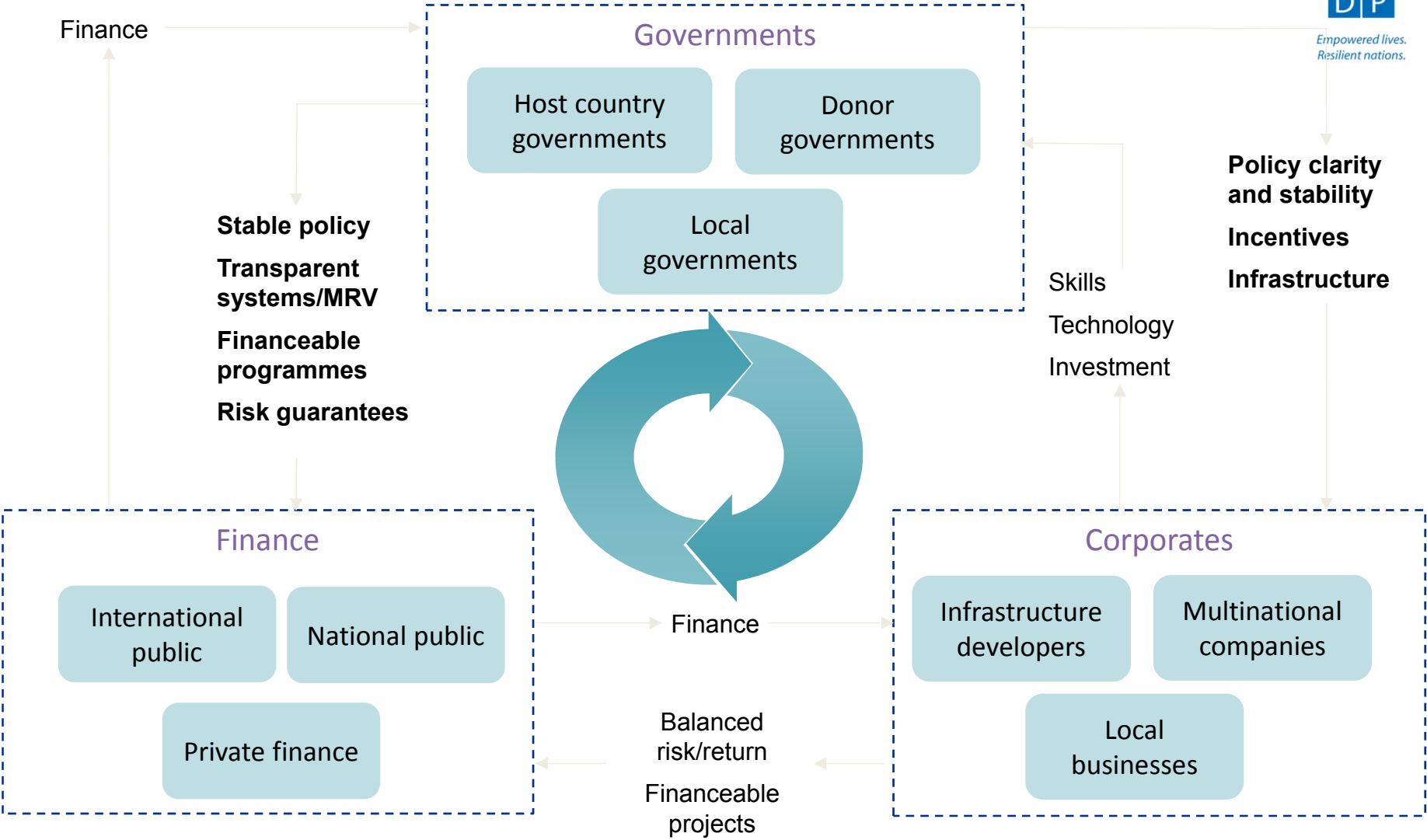
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1. Mobilizing Low Carbon Investments
2. Key Barriers to NAMA Investment
3. Coupling of Policy and Financial Solutions
4. Support available for NAMA Finance
5. UNDP-Global Environment Facility support to NAMAs
6. What we've learned?

Mobilizing Low Carbon Investment



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Source: *Embarking on the low carbon journey: National Mitigation Actions as green growth vehicles in developing nations*, KPMG, 2011 in A. Averchenkova, 2013



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Key Barriers to NAMA Investment

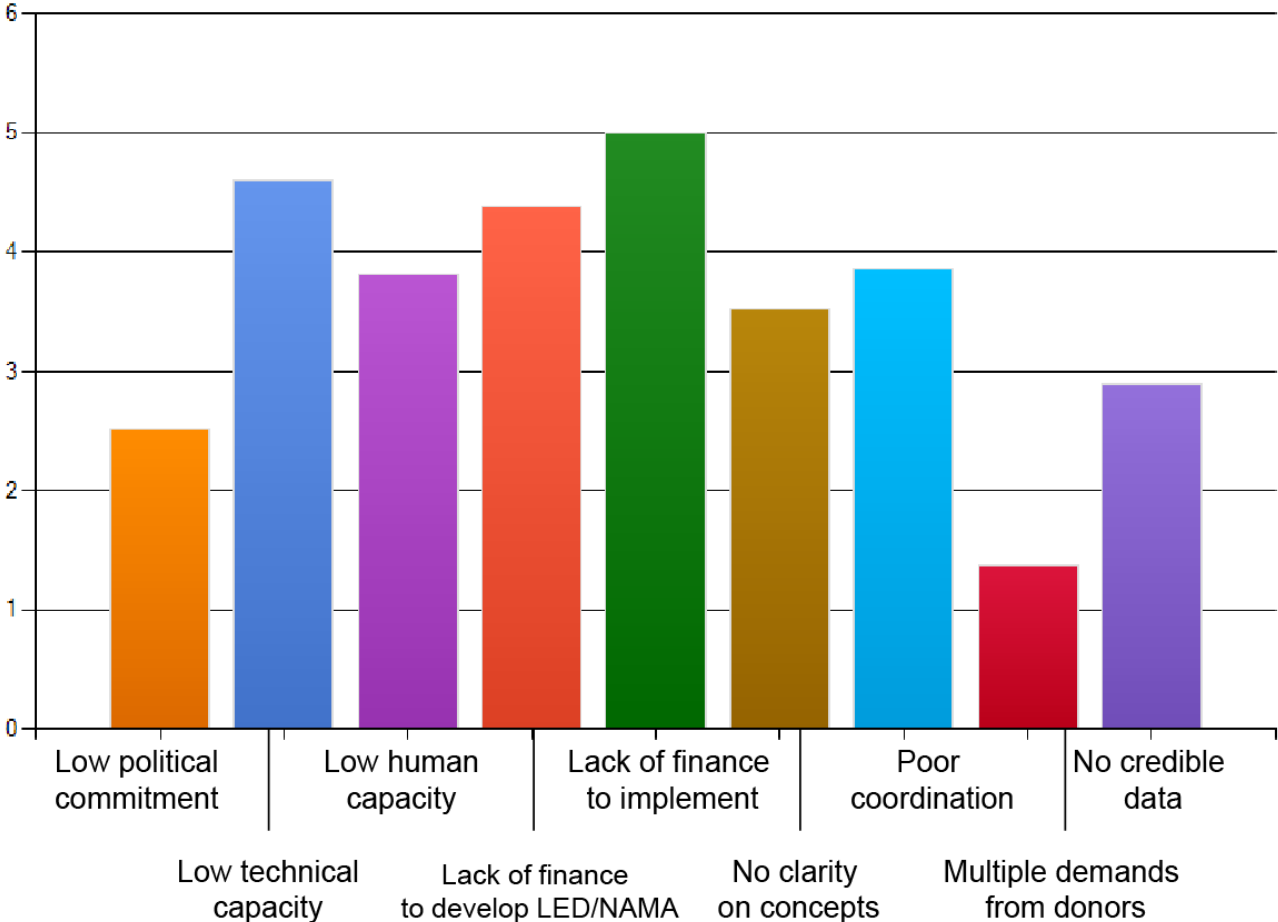
- Financial barriers (higher financing costs, lower return on investments, transaction costs, higher risk management, subsidies for conventional fuels)
- Technological barriers (lack of expertise with new and unproven technologies, Intellectual property rights, etc.)
- Institutional barriers (delays in administrative processing, limited capacity to formulate policies and strategies, weak policy implementation and enforcement)
- Information and behavioural barriers
- Regulatory and political framework (discriminatory policies)
- Size of the market, externalities and public goods

Finance is seen as most important



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What barriers is your country facing/has faced in developing LED and NAMAs and what is their relative importance in affecting the progress of moving forward?



Coupling Policy and Financial Solutions



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- Appropriate coupling of government policies with financial instruments is essential to address barriers and create balance between investment risk and reward to attract investments.

Policy instruments

- Attempts to eliminate barriers that make low carbon investments riskier
- E.g.: assistance for policy design, institutional capacity building, etc.

Financial instruments

- Transfer investor risk to public actors such as development banks.
- E.g.: loan guarantees, political risk insurance, public equity co-investments, etc.

(Source: UNDP 2013, Derisking RE Investment)

- A NAMA that combines government policies and international financial support to reduce risk and boost returns is likely to channel larger investment from a variety of sources.



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Support available for NAMA Finance

- A number of funding sources are available to support NAMAs at various stages of development

Snapshot of International Support Available for NAMA Finance

UK/ Germany NAMA Facility

Global Environment Facility

Germany (ICI)

UK (ICF)

Denmark (Global Frame, GCPF)

European Union and European Commission (GEEREF, LAIF, AIF)

Australia

France (AFD, FFEM)

NEFCO (NCF, NPI)

Multilateral Development Institutions (ADB, IDB, WB Group)

Green Climate Fund

Global Environment Facility



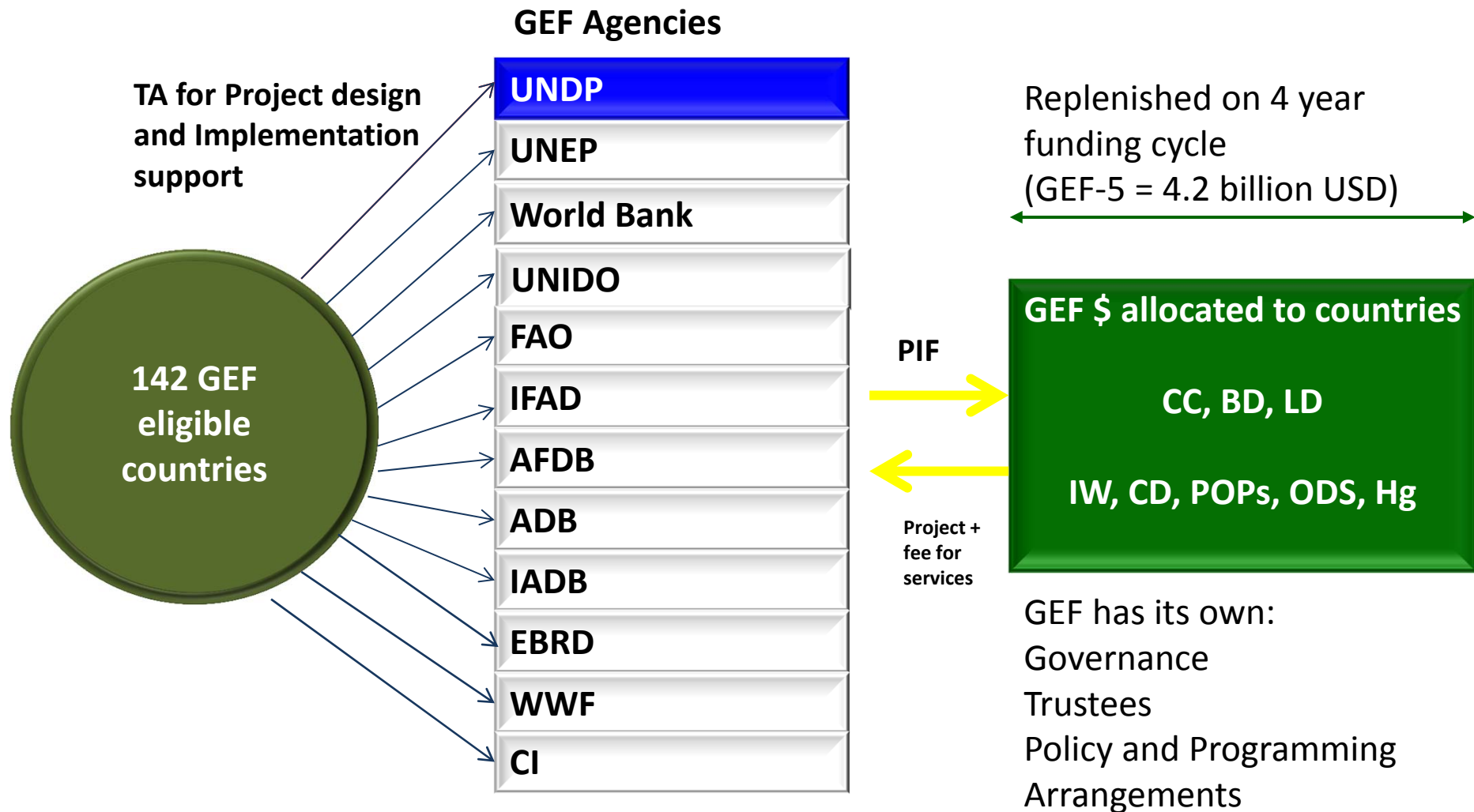
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- Financial mechanism that provides new and additional grant and concessional funding to meet the agreed incremental costs of measures to achieve global environmental goals.
- The GEF funds programs and projects are country-driven and based on national priorities designed to support sustainable development.
- GEF emphasizes on a robust MRV framework as an integral element of its projects including those on NAMA support to ensure transparency, accountability and continuous learning.
- Supports the preparation and/or implementation of NAMAs. Further support imminent in GEF 6.
- First GEF approved project with explicit NAMA support **‘UNDP-GEF Peru NAMA in Energy Generation and End-use Sectors’**

GEF objective: Global Environmental Benefits



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GEF Access Modality



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Multiple levels of financing: Full-Sized Projects (over USD 2m); Medium-Sized Projects (maximum of USD 2m), and the Small Grants Program (up to USD 50,000 per project).

Eligible Countries: Countries that meet eligibility criteria under the UNFCCC and are eligible for UNDP technical assistance through country programming and eligible for financing from the World Bank.

Supported Sectors

- Low-carbon technologies that promote demonstration, deployment and transfer;
- EE in industry and building sectors;
- Renewable energy;
- Low-carbon transportation and urban systems;
- Land-use, land-use change, and forestry; and
- Enabling activities and capacity building

UNDP GEF Climate Change Mitigation



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- As a GEF implementing agency UNDP assists partner countries to access, combine and sequence resources from a wide range of funds, and financial instruments and mechanisms.

OBJECTIVE

Environmentally sustainable pathways for energy use and supply are adopted, and climate resilient infrastructure and low carbon transport and mobility options realised.

Signature Programs

1. Access to clean and affordable energy

2. Low emission urban and transport infrastructure

3. Access to new finance mechanisms

- Currently assisting more than 10 partner countries at various stages of NAMA development.

UNDP-GEF projects with explicit NAMA Support



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Country	Title	GEF grant (US\$)
Peru	Nationally Appropriate Mitigation Actions in the Energy Sector in Peru	4,500,000
Sri Lanka	Appropriate Mitigation Actions in Energy Generation and End-Use Sectors in Sri Lanka	1,790,411
Indonesia	Market Transformation through Design and Implementation of Appropriate Mitigation Actions in Energy Sector	8,000,000
Mongolia	Nationally Appropriate Mitigation Actions in the Construction Sector in Mongolia	1,269,863
Azerbaijan	Market Transformation through Design and Implementation of Appropriate Mitigation Actions in Energy Sector	3,570,000
Kazakhstan	Market Transformation through Design and Implementation of Appropriate Mitigation Actions in Energy Sector	6,142,785
Trinidad and Tobago	NAMA in the Petrochemical Sector	2,000,000
Colombia	NAMA Pilot Implementation of Technology Transfer Projects in the Industrial Sector of the Cundinamarca-Bogotá Region	1,295,663
Paraguay	NAMA	1,500,000
Saint Lucia	Nationally Appropriate Mitigation Actions in the Transport Sector	1,168,950
Haiti	Nationally Appropriate Mitigation Actions	4,000,000
Total		35,237,672

Low Emission Capacity Building (LECB) Programme



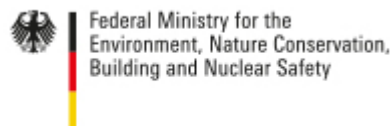
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Objective: Build capacities to design and implement low emission development through national mitigation actions in the public and/or private sectors in 25 countries (incl. 7 Asian countries)

Donors: European Commission, Germany (BMU), & Australia

Countries tailor global programme outcomes to national context & priorities

- **Bhutan:** Gross National Happiness used as a framework to build a national case for implementing NAMAs
- **China:** Elaboration of Low Carbon Product Certification Implementation Rules & Certification Standards
- **Viet Nam:** NAMA elaboration is embedded in broader national effort to strengthen capacity of Industry and Trade sectors on climate change initiatives



What we've learned?



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- Finance is a central to NAMA development and implementation.
- Private sector involvement is critical in financing the implementation of NAMAs. Governments are responsible for setting policy incentives and their implementation to attract private investments .
- NAMAs can be instrumental to reduce long term policy risk & other barriers and create business opportunities for investors.
- MRV systems can be instrumental to improve corporate and public governance.
- Creation of concrete synergies with ongoing domestic initiatives benefits from high level endorsement; allows for scaled up GHG mitigation with a dependence on fewer new funding sources.
- Combining and sequencing of multiple sources of finance is possible to catalyze capital to support NAMA development and implementation.



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Thank you

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