



ProClimate Facility offers guarantees and technical assistance

The NDF Board has approved financing of EUR 10 million for the ProClimate Facility (ProCF) which establishes and pilots a partial climate guarantee and technical assistance facility to support small and medium-sized investments in climate change mitigation and adaptation projects, including those eligible for Clean Development Mechanism (CDM).

“The aim is to reach projects which are now largely being overlooked mainly due to their size”, says Ms. **Leena Klossner**, Deputy Director at NDF.

There is common recognition that private finance is an important contributor in combating climate change. However, increased private financing in climate projects in developing countries still faces several impediments. Awareness

needs to be raised among the investor community and financing institutions, the gap between finance and projects needs to be bridged, risk mitigation schemes need to be identified to encourage investment and public finance needs to help spread private finance to the least developed countries. As an organisation specialised in climate-related finance in developing countries, NDF is well-positioned to identify and pilot ways for using concessional finance instruments to leverage more private financing for climate-related projects in high-risk countries which are currently outside the major private financing flows. ProCF is an example of this support.

ProCF can extend partial loan guarantees, technical

and operational guarantees as well as technical assistance to selected projects. As an innovative element the facility can enable different kinds of advance payments on deliveries and supplies, such as energy and Certified Emission Reductions (CERs) under the CDM. Attaching technical assistance to the selected projects is expected to further enhance the efficiency of the facility.

“The main purpose of the technical assistance is to avoid project development related factors which may prevent project realization,” says Ms Klossner.

ProCF builds on NDF’s experiences from the Mekong Energy and Environment Partnership (EEP), the Nordic Climate Facility (NCF), and the recently-launched GreenPyme en-

ergy efficiency programme of the Inter-American Investment Corporation (IIC). All three programmes operate between the public and private sectors. The ProCF supplements the already available financing by establishing a possible source for further support for viable projects developed under these seed-fund facilities.

ProCF will be implemented in partnership with NEFCO. NEFCO’s extensive experience in CDM projects and the private sector in general will form a solid base for collaboration with NDF in ProCF.

“NEFCO’s experience combined with funding from NDF offers a unique possibility to leverage more private sector funding to climate projects in developing countries,” concludes Ms. Klossner.



NDF to support project for energy sustainability in Senegal

“Deforestation, overgrazing, soil erosion, desertification and inefficiency in the household energy sector are among Senegal’s major challenges in mitigating climate change. Wood accounts for approximately 60 per cent of Senegal’s energy consumption, and the current use of wood-based energy is highly unsustainable,” says Ms **Martina Jägerhorn**, Country Program Manager at NDF.

In June, the NDF Board approved grant financing of up to EUR 3 million, for a project that will address these problems by improving the management of local biomass resources and supporting the efficient use and diversification of household energy. The Government of Senegal has requested that NDF and the World Bank support PROGEDE II, the continuation of a previous successful intervention financed by the World Bank. The current second phase will be implemented over a period of six years and the

total project costs amount to over EUR 11 million.

“The overall objective is to increase the availability of diversified household fuels in a sustainable and gender-equitable way, and to increase the income of participating communities while preserving the forest ecosystems,” says Ms Jägerhorn.

The proposed NDF-financed activities will, for example, help to prevent forest fires, establish 20 forest nurseries and re-plant and protect degraded forest lands.

The proposed activities will also support the production and marketing of efficient stoves, promote efficient charcoal production methods and promote new CO₂ neutral biomass energy sources.

“Both supported areas—sustainable wood fuel supply and promotion and diversification of modern household energy—have a direct impact on greenhouse gas emissions. Accord-

ing to a climate screening, the CO₂ emission savings during the six-year project period are in the range of 3 million tons,” Ms Jägerhorn concludes.



NDF grant financing will promote efficient stoves in Senegal.

© GTZ/Kamikazz

NCF proposal evaluation nearly completed

The first call for project proposals was based on two themes: water resources and energy efficiency. A total of 138 initial applications were received by the end of January 2010 and they were almost equally divided between adaptation to and mitigation of climate change. Some combined both elements. There were also several interesting project proposals relating to renewable energy. These could, however, not be accepted since they did not relate to water resources or energy efficiency.

Thirty shortlisted companies submitted their final proposals in the beginning of May. The evaluation is expected to be completed in June. NCF (Nordic Climate Facility) plans to sign most of the grant agreements in the third quarter of 2010. The total funding is EUR 6 million for the first projects.

NCF provides grant financing to innovative climate projects in developing countries to be implemented in co-operation between a Nordic and a local partner. The Nordic Climate Facility is funded by NDF and administered in partnership between NEFCO and NDF.

Further calls for proposals are under consideration.



NDF will finance climate change adaptation measures in the transport sector in Cambodia.

Cambodia adapts road network to climate change

Flooding created by increasing annual rainfall is a primary concern for protecting the existing road network and a threat for future investments in the transport sector in Cambodia. NDF will support a project aimed at reducing the road network vulnerability to climate change with a grant of EUR 4 million.

“The NDF intervention is part of a larger project, including the upgrade of 500 kilometres of rural roads through pavement, road asset management and capacity development and road safety measures. The climate change adaptation activities integrated in the project will strengthen the overall objectives of the project by providing protective measures for the

infrastructure and by streamlining adaptation measures,” says Ms **Leena Klossner**, Deputy Director at NDF.

The climate change adaptation measures aim to reduce the severity of climate change impacts on the infrastructure and to improve planning to prevent and respond to climate change effects.

“For example, the planned activities include vulnerability mapping of rural roads as well as designing and introducing adaptation strategies for roads to improve flood and drought management. Through civil works the resilience of infrastructure can be improved significantly. The plan is also to introduce climate monitoring sys-

tems to improve road maintenance and management and to develop pilot programs for early warning systems and emergency management planning for rural roads,” says Ms Klossner.

The objective is to establish a model for an adaptation strategy which can also be used in other countries in Southeast Asia.

“The intervention has a large demonstration impact,” Ms Klossner concludes.

The project will be implemented from 2011–2014 by the Ministry of Rural Development of Cambodia. The Asian Development Bank will act as lead agency and the total project cost will amount to USD 66 million (EUR 46.6 million).

Bangladesh gets cleaner buses

NDF supports the transfer from polluting diesel buses to gas-driven buses in the city of Dhaka in Bangladesh. The Government of Bangladesh has embarked on a program to replace old buses running on diesel with new vehicles running on gas to decrease costs and improve air quality. Bangladesh has its own resources of natural gas, a cheaper energy source than diesel or petrol. The poor air

quality in Dhaka causes a high rate of diseases like asthma, chronic bronchitis, decreased lung functions and heart attacks.

“The project may also have a beneficial climate impact, the primary effect being derived, not from the fuel substitution, but from its contribution to the increased efficiency of the overall transport system in Dhaka, in particular

the reduction in traffic congestion”, says Mr **Björn Möller**, Country Program Manager at NDF.

NDF provided a credit of EUR 10 million in 2003 for the purchase of 100 CNG buses. In June the NDF Board approved the purchase of the same make of buses to add to the existing fleet for the remaining amount of the credit.



The Bangladesh Road Transport Co-operation BRTC purchased 100 gas-driven buses from China in March. NDF will finance the replacement of 190 more diesel-fuelled buses by gas-driven vehicles.

Ghana landfill gas to be studied

In Ghana, NDF will support an international consultancy contract for landfill gas (LFG) capture and utilisation with a grant of a maximum of EUR 2 million. The initiative is part of the Ghana Second Urban Environmental Sanitation Project, with the World Bank as the lead agency. The study will pave the way for private investments in LFG systems under the Clean Development Mechanism (CDM) framework or a similar mechanism in place after 2012.

The main aim of the project is to mitigate climate change through decrease of landfill gas emissions by at least 120,000 CO₂ per year over a period of about twenty years. The study will analyse the current situation at three landfills: Kumasi, Tamale and Tema. It will also develop the CDM project design, prepare the bidding documents for the LFG systems and facilitate investment agreements and the procedures to secure carbon credits. The obvious profitability of the landfill gas as a renewable energy source for electricity generation is likely to attract enough investors for the project. Furthermore, sale of carbon credits is expected to generate substantial income to be used for landfill site operations and for paying back the investments.

The study is expected to take 18 months. LFG systems could then be operational from 2013 onwards.

NDF finances disaster management in Nicaragua



Photo: Jørgen Schytte

Climate change is a threat to food security in rural Nicaragua.

In Nicaragua, storms and floods have had great human impact in recent years. In addition, economic losses for the period 1997–2006 averaged 2.7 per cent of GDP annually. Higher temperatures associated with climate change will likely exacerbate this situation and will increase both frequency and intensity of severe weather conditions and related natural disasters. The 2010 Global Climate Risk Index (CRI) rates Nicaragua as the fifth most vulnerable country to impacts of extreme weather events. NDF will provide a grant of EUR 2.5 million for a project that will reduce the vulnerability of rural populations to disasters associated with climate change and increase the resilience of rural communities by improving disaster risk management, prevention and mitigation in priority watersheds.

“The aim is to reduce vulnerability and future risks for the local population, particularly small and medium-sized agri-

cultural producers. Also, the project puts emphasis on institutional and managerial strengthening at the local level in watershed management and climate change associated actions. This is complemented by a range of studies of future risks related to climate change and development of strategic approaches to adaptation actions. Special attention is given to women and their vulnerability in disaster situations,” says Mr **Aage Jørgensen**, Country Program Manager at NDF.

The lead agency of the project, implemented by the local Ministry of the Environment and Natural Resources, is the Inter-American Development Bank. The project will be implemented over a five-year period and the total project cost amounts to EUR 11 million. The intervention will build on results and lessons learned from the Environment and Social Forestry Program, previously supported by NDF.

Nicaragua develops sustainable energy

NDF promotes sustainable electrification and renewable energy in Nicaragua with a grant of EUR 4.5 million.

The NDF grant will be channelled to studies related to hydro power development plans, wind power feasibility studies and geothermal investigations.

“Nicaragua has one of the lowest electrification levels in Latin America and the Caribbean. A large share of the population lacks access to electricity, which constitutes a serious obstacle to economic and social development. In spite of a considerable potential for power generation from renewable energy sources, in particular from geothermal plants,

hydro and wind turbines, Nicaragua continues to be highly dependent on fossil fuels,” says Mr **Hannu Eerola**, Country Program Manager at NDF.

The NDF intervention is part of the Sustainable Electrification and Renewable Energy Programme funded by several donors. The programme aims at reducing poverty by increasing access to efficient and sustainable energy services as well as at mitigating climate change through a structural change in the sources used for energy generation. The Inter-American Development Bank is the lead agency for the programme.

NDF supports GreenPyme programme



Photo: IDB / Arlette Marie Pedraglia

Satu Santala, Member of the Board of Directors of NDF, and Jacques Rogozinski, Managing Director of the Inter-American Investment Corporation (IIC), signed an agreement regarding NDF's grant contribution for the GreenPyme programme in Mexico in March.

The programme will promote energy efficiency among small and medium-sized enterprises in Central America. NDF's grant amounts to EUR 2.2 million. IIC, a member of the Inter-American Development Bank Group, is the implementing agency of the programme.

GRANT FINANCING FOR CLIMATE CHANGE PROJECTS IN LOW-INCOME COUNTRIES

The Nordic Development Fund (NDF) provides grant financing for climate change interventions in low-income developing countries. NDF is the joint development finance institution of the Nordic countries—Denmark, Finland, Iceland, Norway and Sweden—and finances projects in cooperation with other development institutions.



Nordic Development Fund

NORDIC DEVELOPMENT FUND, P.O. Box 185, FIN-00171 Helsinki, Finland

(Visiting address: Fabianinkatu 34), Tel: +358 10 618 002, Fax: +358 9 622 1491, E-mail: info.ndf@ndf.fi, www.ndf.fi