



NDF changed focus to grant financing for climate efforts

NDF has received a new mandate and will in the future provide grant financing for climate-related interventions in low-income countries. Since the change of mandate in spring 2009 NDF has approved grants worth over EUR 18 million for seven climate change projects.

“We are pleased to begin our work for climate change investments in the world’s poorest countries by financing several important projects. Climate change is a considerable challenge to these countries. NDF can, with its experience and its established cooperation with other financiers, support developing countries in confronting the climate issues,” says Mr Helge Semb, Managing Director of NDF.

NDF supports mitigation of and adaptation to climate change through grants for technical assistance, goods

and civil works related to infrastructure, natural resources and capacity building. NDF can provide grants to 27 countries in Africa, Asia and Latin America. Grants normally vary between EUR 500,000 and EUR 4,000,000.

“NDF provides grants by co-financing and has a well-functioning working relationship with the World Bank, the regional development banks and Nordic bilateral development organisations; projects are usually identified through these partnerships. We also aim at obtaining project information and ideas through Nordic firms, organisations and networks,” says Mr Semb.

Nordic priorities

NDF is the joint multilateral development institution of Denmark, Finland, Iceland,

Norway and Sweden and the operations mirror the Nordic countries’ priorities in the areas of climate change and poverty reduction.

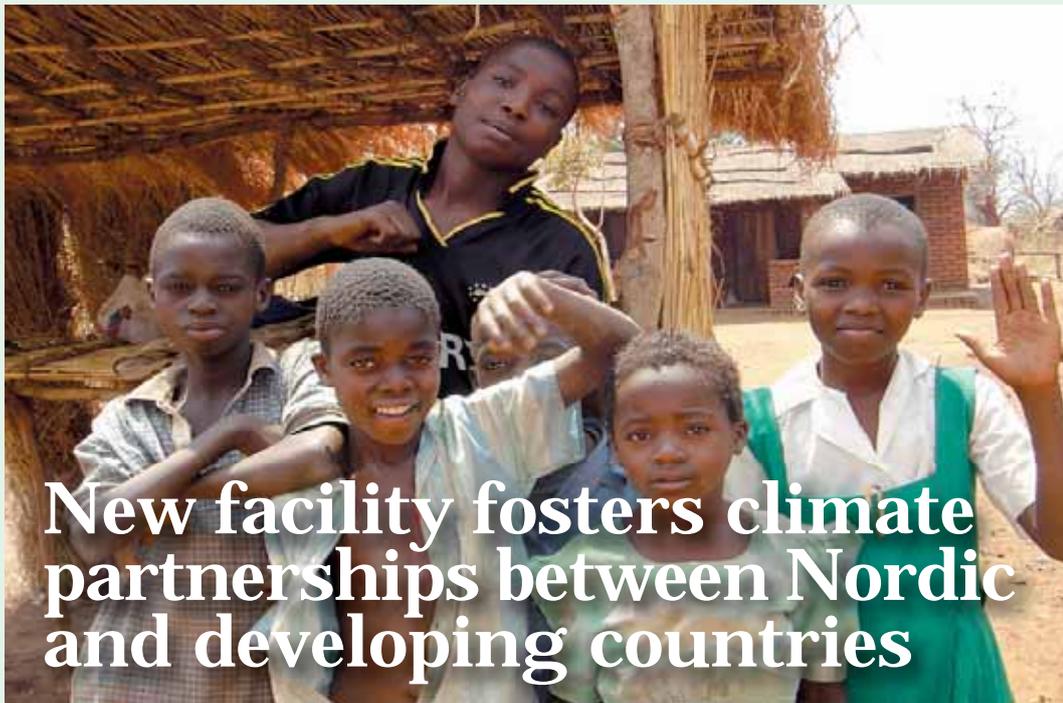
“NDF’s new mandate provides an exciting opportunity for the Nordic countries to operationalise climate change goals and promote ecologically, economically and socially sustainable development. Within the new mandate the recently launched Nordic Climate Facility will offer a new platform for pilot innovation in climate change adaptation and mitigation,” says Dr Paavo Väyrynen, the Finnish Minister for Foreign Trade and Development.

NDF started operations in 1989. During the past twenty years, NDF has provided soft loans to 190 projects promoting economic and social development in low-income countries. However, from 2009 onwards all financing is provided as grants for cli-

mate change investments. The grants are financed with repayments from the Fund’s current loan stock. It is foreseen that these repayments will amount to EUR 1 billion over the next 35 years.



According to Dr Paavo Väyrynen, the Finnish Minister for Foreign Trade and Development, NDF’s new mandate offers the Nordic countries an opportunity to operationalise climate change goals.



New facility fosters climate partnerships between Nordic and developing countries

The Nordic Climate Facility provides grants for climate-related innovative concepts benefiting the poorest countries of Africa, Asia and Latin America.

The NDF Board decided in September to pledge EUR 4 million for the new Nordic Climate Facility (NCF). The new financing facility, which is administered in partnership between NDF and the Nordic Environment Finance Corporation NEFCO, aims at supporting technology and know-how exchange between the Nordic countries and poor developing countries in the area of climate change. The objective is to promote co-operation initiatives between Nordic institutions, authorities, organisations or companies and their partners in potentially all of NDF's partner countries. NDF and NEFCO have called for project proposals related to two areas; water resources and energy efficiency.

"Grants will be provided as seed money to challenging and innovative climate change approaches in order to increase knowledge and know-how, identify and develop projects, test new technology and pilot projects and to scale up viable solutions. During the first year the focus will be on initiatives related to water resources and energy efficiency," says NDF's Regional Manager Ms **Martina Jägerhorn**.

"A call for proposals for innovative ideas relating to climate change will be launched once a year and the

best proposals may receive grant financing amounting to EUR 250,000-500,000 or, in exceptional cases, to EUR 150,000-250,000," Ms **Jägerhorn** continues.

The first call for proposals was launched in October 2009 and the deadline for submitting proposals is 29 January 2010.

The NDF grant financing for the facility is EUR 4 million for the first call for proposals. If positive results are achieved, the facility will continue for at least three years. Final decisions on replenishment of the facility and the focus of supported initiatives in 2011-2012 will be made later on.

"What makes our new NCF initiative unique is that we have been able to gather Nordic specialists on development cooperation and environmental experts 'under the same roof'. Our main objective is to assist the developing countries in getting access to Nordic environmental technologies and minimise the negative impact of climate change on the most vulnerable and poorest countries," says NDF's Managing Director, Mr **Helge Semb**.

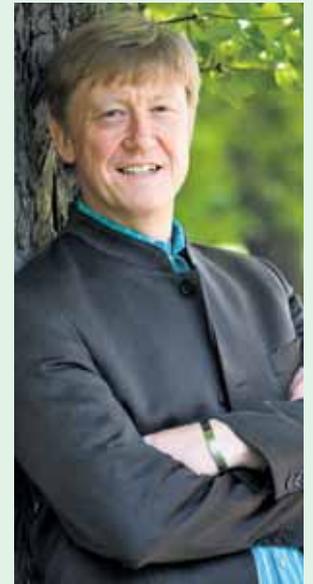
"The financing facility is mainly targeted towards Nordic organisations and companies with prior

experience of initiating projects in developing countries. Our cooperation with NDF enables us to broaden our experience in this area which is crucial for developing countries," says NEFCO's Managing Director, Mr **Magnus Rystedt**.



- a joint facility of NDF and the Nordic Environment Finance Corporation NEFCO
- promotes cooperation between Nordic stakeholders and local stakeholders in low-income developing countries
- provides grants for innovative ideas relating to climate change
- selection based on a call for proposals mechanism

The Swedish Minister for the Environment, Andreas Carlgren, welcomes the establishment of the Nordic Climate Facility (NCF).



Andreas Carlgren believes that NCF will facilitate the exchange of technology, know-how and innovative ideas on climate change between the Nordic countries and developing countries around the world. This will in turn increase the abilities for countries to mitigate and adapt to climate change and contribute to sustainable development and the reduction of poverty. Minister Carlgren also emphasises that NCF will foster practical cooperation between Nordic agencies and companies and their partners in the cooperating countries. Finally, Mr Carlgren points out that NCF is a joint effort of NDF and the Nordic Environment Finance Corporation NEFCO; he believes that cooperation between the two Nordic institutions with different approaches and knowledge will increase synergies in climate change cooperation.

Modernising biomass energy

In Benin, NDF has granted EUR 1.5 million for a project enhancing modern energy services. The NDF Board made a grant decision in December 2009. The NDF grant will be used for measures to reduce deforestation, to promote sustainable wood fuel production, to strengthen market management systems and to support rural community development. Also, the grant financing will support a reduction of aggregate wood requirement and pressure on forest stocks by promoting inter-fuel substitution.

The NDF initiative is part of the Increased Access to Modern Energy Project with The World Bank/IDA as lead agency. NDF's grant is part of the financing for the project component related to the modernisation of biomass energy services in Benin.

Laos: Urban development

NDF will finance a pre-feasibility study for Pakse municipality, situated by the Mekong River in Laos. NDF's grant amounts to EUR 415,000. The study will cover issues related to climate change adaptation and mitigation as well as general environmental improvements.

"The Government of Laos has chosen Pakse as a model town for the ASEAN Green Cities programme and the plan is to replicate the process, if successful, in other towns. The single most important climate change adaptation intervention will be to protect Pakse against floods," says NDF Regional Manager, Mr Björn Möller.

The study, to be completed in 2010, will subsequently lead to an investment project to be financed by the Asian Development Bank and other financiers.

Solar energy in rural Uganda



NDF provides grant financing for solar energy packages for health centres and water pumping systems in Uganda.

NDF provides EUR 3 million in grant financing for modern energy packages in rural Uganda.

"In the Ugandan Government's poverty reduction strategy, the lack of electricity is considered a key obstacle for achieving rural development and poverty reduction," Mr Juhani Annanpalo, Regional Manager at NDF, comments.

The NDF intervention aims at increasing energy efficiency and the use of renewable energy technologies in rural Uganda. The aim is to provide solar energy packages for 100 health centres and for 4 water pumping systems, which will be installed before 2013.

"The objective is to decrease greenhouse gas emissions by installation of solar photovoltaic systems within the health and water sectors in remote communities in Northern and Eastern Uganda. It is estimated that CO₂ emissions will decrease by 100 tons per year due to the supported systems," says Mr Annanpalo.

"The project also improves the quality of health and water services and reduces energy costs at the health centres and water pumping

stations. Energy packages for health facilities will contribute to a better health delivery system and attract more qualified personnel to the rural areas to provide health services. Immunisation, laboratory and blood transfusion will improve utilising the solar powered cold chain," says Mr Annanpalo.

"Furthermore, the project increases the solar photovoltaic market in Uganda and creates new business opportunities in the area of renewable energy."

The NDF intervention is part of the Energy for Rural Transformation Project, which is financed by the World Bank/IDA, the Global Environment Facility (GEF) and the Government of Uganda. The Energy for Rural Transformation Project aims at rural transformation through, among other things, improved and equal health, water supply and educational and civil services in rural areas. The improvements of services will be based on availability of modern forms of energy in the facilities.

Local ministries will coordinate the implementation of the NDF intervention. Total project funding amounts to USD 93 million.



Technical assistance in Laos

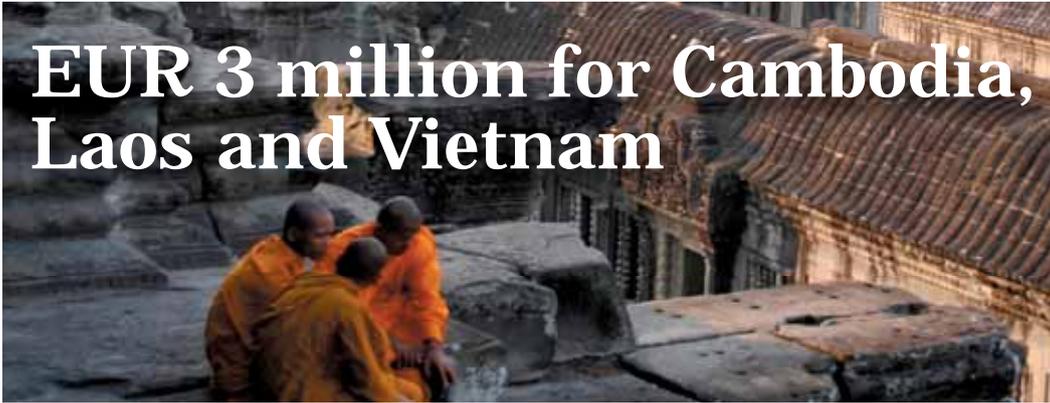
In Laos, NDF will support efforts to increase capacity to cope with climate change. NDF will provide grant financing of EUR 2 million for technical assistance. The assistance will focus on capacity development and pilot projects.

"The aim is to build institutional capacity for coordinating, budgeting and planning climate change actions and to apply a learning-by-doing approach in a number of selected pilots in high priority sectors such as water resources and agriculture," says Ms Leena Saavalainen, Senior Manager at NDF.

"In view of the potential seriousness of climate change in Lao PDR, and the current limitations in ability to respond to future challenges, this project will lay the foundation for an effective climate policy in the country, which is of extreme importance. The project has been designed to minimise inherent risks in environmental management in general and climate aspects in particular, in part by close association with the Asian Development Bank."

The technical assistance initiative will be implemented between 2010 and 2012.

EUR 3 million for Cambodia, Laos and Vietnam



NDF co-finances a programme in the Mekong region with the Ministry for Foreign Affairs of Finland to promote the use of modern energy solutions.

NDF supports renewable energy solutions and energy efficiency in Cambodia, Laos and Vietnam with grant financing of EUR 3 million through the Mekong Energy and Environment Partnership programme (EEP) in cooperation with the Ministry for Foreign Affairs of Finland. The objectives of the programme are to improve access to modern energy and energy services and to reduce greenhouse gas emissions in the Mekong region.

"The use of renewable energy is still fairly limited in the Mekong region, although the countries have prepared national plans for the increased use of renewable energy resources," says Ms **Leena Saavalainen**, Senior Manager at NDF.

"The lack of suitable financing mechanisms curbs the development of private sector activity in the area. The programme offers a new form of financing and facilitates feasibility studies,

project implementation and capacity development. The Energy and Environment Partnership programme supports a wider provision and use of renewable energy by facilitating cooperation, dialogue and experience sharing among different public and private sector stakeholders," says Ms Saavalainen.

Projects will be selected through a call for proposals mechanism. The selected projects should aim at energy efficiency, increased access to renewable energy services and technologies in rural areas as well as at development of and investment in renewable energy technologies. Furthermore, grants may be provided for projects that aim at improving the knowledge base and tools to support renewable energy project development and at policy and legislative framework development. Also projects improving access to information and funding for development

of renewable energy and renewable energy technologies can be supported.

NDF's grant financing, totalling EUR 3 million, will be channelled to projects in Cambodia, Laos and Vietnam. The total programme financing, including possible support for projects in Thailand, amounts to EUR 7.9 million. The programme will continue until 2012. The Asian Institute of Technology will implement the programme in coordination with an international technical assistance team.

"The programme shall promote modern energy solutions in the Mekong region and minimise the negative consequences of the climate change. This is in line with NDF's new mandate: grant financing for climate efforts in low-income countries. Modern energy solutions and climate change mitigation also support economic and social development," Ms Saavalainen concludes.

Rwanda: Support for solar water heaters

NDF has decided on grant financing of EUR 4 million for the creation of a market for solar water heaters in Rwanda. This market is to be kick-started during the period 2010–2013 through subsidies and investment support to customers and through start-up support to private firms importing, assembling, manufacturing or selling solar water heaters. The aim is to reduce demand for peak time electricity generated in fossil fuel plants.

Due to the NDF intervention additional fossil peak power generation capacity may not be needed until 2025 and at least 15,000 tons of CO₂ emissions per year can be avoided. A successful market creation could result in an even more significant reduction in the years to come.

The NDF intervention is part of the National Electricity Access Programme in Rwanda, with the World Bank/IDA and the Global Environment Facility (GEF) as lead agencies. NDF finances the solar water heaters component in cooperation with GEF.

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