



The way forward - NDF's Climate Change Strategy 2012-2013

Two and a half years have passed since the Nordic Development Fund (NDF) adopted its climate mandate, which enabled NDF to provide financial support to developing countries in the area of climate change and development. As of December 2011, NDF has approved 39 projects including five facilities for a total value of EUR 106.6 million.

A new Climate Change Strategy has been developed for the period of 2012-2013. "These first years have provided NDF with experience and early lessons learned that have helped to refine NDF activities," says NDF's Deputy Director, **Leena Klossner**. NDF's focus over the next two years will be to further conso-

lidate experiences from on-going climate interventions. NDF intends to sharpen its project selection to activities where NDF can add value beyond the financial contribution through leverage and synergies. In addition, as a Nordic institution, NDF will continue to promote Nordic priorities in the area of climate change and development. Furthermore, through revision of the monitoring and evaluation guidelines as well as development of a project performance rating system, NDF will enhance its focus on efficient and results-oriented implementation of the existing commitments.



"I am impressed with the way in which NDF has started to implement the mandate. Their activities to date have been consistent with overall Nordic climate change policies and priorities," says the Danish Minister for Development Cooperation, **Mr. Christian Friis Bach**.

A summary of NDF's Climate Change Strategy 2012-2013 is available on NDF's website: www.ndf.fi

NDF supports five new climate change projects in Latin America



Photo: Kim Fors

Currently, NDF is financing 12 climate change projects in the Latin American region. Five of these were approved during the December 2011 Board meeting.

NDF is financing two climate change programmes that aim to benefit small and medium-sized enterprises (SMEs) in Latin America; GREENPYME II and EcoMicro. SMEs play a critical role in the economic development of the developing world. They are the engine of economic growth, providing employment and counting typically for about one third of GDP. Energy efficiency is one of the most cost-effective and important tools to enhance the competitiveness of SMEs.

The ongoing, NDF co-funded, GREENPYME programme in Central America has been advancing well. It has received a lot of recognition for its relevance and potential to help SMEs to cut their energy costs and at the same time reduce their greenhouse gas emissions. NDF will also participate in the financing of the second

phase of the programme; **GREENPYME II**. The second phase will build on the work done and experiences gained under the first phase. It will enable the scaling up of the on-going GREENPYME programme in Central America by intensifying activities in Honduras and Nicaragua, and by expanding the programme to Bolivia and the Dominican Republic. "The expansion of the GREENPYME programme will further increase energy efficiency in the Latin American region and it will bring substantial economic benefits to thousands of additional SMEs," says **Hannu Eerola**, Country Program Manager at NDF. The Inter-American Investment Corporation (IIC) will continue to implement the programme, for which NDF will provide EUR 3 million.

Together with the Multilateral Investment Fund (MIF), NDF is with a grant of EUR 1.5 million financing a microfinance programme (**EcoMicro**). The main objective of the pro-

gramme is to facilitate the use of green finance instruments by micro, small and medium-sized enterprises (MSMEs). This will help the MSMEs to increase their access to clean and efficient energy products and services, and help them adapt to the coming changes. One of the key objectives is also to train microfinance institutions (MFIs) in providing new green finance instruments in order to capitalise on new opportunities in clean energy financing, adjust their risk management models to climate change risk and incorporate climate impact into their internal policies and operations. "It is the first ever initiative aimed at bringing the microfinance industry into the climate change arena. Lessons learned will provide important input for future microfinance activities in Latin America and other regions," says **Leena Klossner**, Deputy Director at NDF.

Another project that NDF is implementing together with the Multilateral Invest-

ment Fund (MIF) is the **Biogas Market Development Programme**. This programme aims to develop a sustainable biogas industry in Nicaragua to help agricultural micro, small and medium-sized producers and rural households to access renewable energy. Biogas is a proven and commercially viable alternative energy source, utilised by small farmers in many parts of the developing world. Similar programmes have been implemented in several Asian countries with great success. However, this programme is the first example of a comprehensive biogas development programme in Latin America. The dairy sector has been selected as a market entry point to pilot the biogas potential. The programme aims to improve productivity, cut costs and reduce the carbon and environmental footprint of the dairy sector. NDF's contribution to the programme is EUR 1.5 million.

Geothermal energy is another renewable energy

source with huge potential in several Central American countries. Contrary to some other renewable energy sources like solar, wind and hydro, the output of a geothermal plant is stable irrespective of weather conditions or time of the day. To help the countries further develop their geothermal resources, the Inter-American Development Bank (IDB) and NDF are financing a **Geothermal Training Programme** in Central America. The total cost of the programme is EUR 2.7 million, of which NDF will finance EUR 1.5 million. The general objective of the programme is to increase the local knowledge and skills in specific aspects related to geothermal potential, exploration, planning and utilisation. It is expected that the programme will help intensify geothermal research and development and thus gradually increase the share of geothermal energy in the region.

IDB and NDF are also joining forces to implement activities related to challenges posed to urban settle-



Photo: Jesper Andersen

ments by climate change in Latin America. The **Sustainable Cities Project** will finance three studies focused on the development of climate change action plans for cities in Honduras, Nicaragua and Bolivia. The project will develop and implement a methodology that will allow the cities to identify, prioritise and select sectors and actions specifically relevant to foster adaptation, as well as sectors and activities that have a significant emission reduction potential. The findings obtained in the methodology development process will be used to develop concrete action plans. By helping to guide decision-makers in the implementation of cross-sectoral climate change mitigation and adaptation actions, the project will increase the beneficiary cities' awareness and knowledge of climate change. NDF's contribution to this project is EUR 2.1 million.

Nordic Partnership Initiative in Vietnam launched in Durban

NDF has approved a grant of EUR 1.5 million for the Nordic Partnership Initiative in Vietnam. NDF and other stakeholders launched the Nordic Partnership Initiative at COP17 in Durban. The main objective of the initiative is to demonstrate how developing countries can prepare and implement Nationally Appropriate Mitigation Actions (NAMAs), which make use of international finance and possible new market mechanisms. The initiative intends to increase Vietnam's readiness to benefit from international climate finance by exploring and addressing ways to

decrease greenhouse gas emissions in the cement sector.

The cement sector has been chosen as the pilot sector since it is the largest emitter of industrial greenhouse gases in Vietnam. There are currently approximately 50 cement plants and 100 production lines in the country. The sectors' emission reduction potential has been estimated to be significant.

"The project will support practical preparatory work relating to NAMAs and generate insight into new market mechanisms. Vietnam will thus be a forerun-

ner in the field of bringing added value beyond existing mechanisms," says **Martina Jägerhorn**, Country Program Manager at NDF. The Asian Develop-

ment Bank is the Partner Agency and Vietnam's Ministry of Construction is the Implementing Agency. Implementation is expected to start during 2012.



Low-carbon technologies in Africa

With a EUR 0.5 million grant, NDF, together with the World Bank, will support a study on low-carbon technologies in Africa. The continent has vast potential of largely untapped low-carbon energy solutions, such as wind, solar and geothermal,

which, if utilized, could accelerate electrification in Africa. The study intends to review both new and existing low-carbon technologies and then prioritise those that appear most promising in technical, institutional and financial terms. The lack of access to finan-

cing low-carbon technologies has considerably limited the adoption of such technologies in Africa. Therefore, the study will also evaluate the viability of new conventional and innovative financing instruments for these types of technologies.

Projects approved 2011

Region	Project	NDF grant M €
Global	Nordic Climate Facility III	6.0
Africa		
Regional	Addressing the Vulnerability of Africa's Infrastructure	0.6
Regional	Insurance Instruments for Africa Climate Adaptation	0.5
Regional	Technologies for Low Carbon Development	0.5
Ghana	Greater Accra Septage Digesters Project	2.5
Kenya	Electricity Expansion Project	4.0
Tanzania	Impacts of Climate Change in Coastal Areas	0.8
Asia		
Regional	Gender and Climate Change	2.0
Vietnam	Nordic Partnership Initiative Pilot Programme	1.5
Vietnam	Integrating Climate Change Adaptation to Transport	2.0
Latin America		
Regional	GREENPYME II	3.0
Regional	Economics of Climate Change	0.5
Regional	Climate Proofing and Review of Infrastructure Investments	1.5
Regional	Adaptation to Climate Change in Honduras & Nicaragua	0.5
Regional	EcoMicro Regional Microfinance and Climate Change Programme	1.5
Regional	Regional Geothermal Training Programme	1.5
Regional	Climate Change and Sustainable Cities	2.1
Nicaragua	Biogas Market Development Program	1.5
Total		32.5

During 2011, NDF approved financing for 18 projects with a total value of approximately EUR 32.5 million. So far, NDF has approved 39 projects, totalling EUR 106.6 million, under the climate mandate. Africa is still the leading beneficiary of NDF financing as 42% is going to the region. 30% and 28 % are going to Latin America and Asia respectively.

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.



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