



NDF evaluates its climate change mandate

In May 2009, NDF's mandate was amended and the fund began providing support to projects related to climate change and development in low-income countries.

During the first two years of the climate change mandate, NDF's Board of Directors and Management agreed to take a "learning by doing" approach. This approach implied that the preparation of climate change projects went hand in hand with the elaboration of new operational policies and guidelines as well as the revision of existing policies. This parallel process provided a rewarding interaction between project and policy work. During the start-up period, the staff increased its knowledge of climate change issues, enhanced project monitoring and evaluation, and determined the most effective financing modalities. At the same time, NDF continued to manage and monitor its

existing credit portfolio.

In May 2011, NDF's Board of Directors decided that an independent evaluation of NDF's progress under the climate change mandate should be conducted to assess the performance so far. Following a bidding process, the Norwegian consulting firm Vista Analysis AS was awarded the contract to carry out the evaluation.

The evaluation report was ready in spring 2012. The overall result was very positive. According to the report, NDF's system of grants fits well into the international demand for climate finance; the report notes that not many institutions offer grants, and that grants can be important for attracting other financing. Furthermore, NDF is achieving its objectives by adding value to and complementing existing climate change projects compared to other available financing. NDF's role is seen to have become more active in contributing

to project design.

Moreover, since recent developments indicate that it is probable that more damage from climate change will occur in the future, placing emphasis on adaptation projects is increasingly important. Support for adaptation to climate change has so far been relatively low on the international agenda, mainly because attention has been put on actions to prevent climate change from taking place. Additionally, targeting the activities towards the poorest means that funding is channelled to the countries that need it most. Poverty, more than any other factor, determines vulnerability to climate change and limits adaptive capacity.

Finally, the evaluation report also concludes that NDF adheres well to good practice in development assistance, notably the principles elaborated in the *Paris Declaration for Aid Effectiveness*, and that NDF compares favourably when ranking aid agencies by de-

velopment effectiveness practices. This is achieved by supporting relevant national strategies, by relying on and delegating authority to partner agencies for execution of projects, and by untying aid.



"NDF's mandate was changed in 2009. It is encouraging to note that this decision has paid off and the institution is going in the right direction regarding its strategy and targets. NDF has found a niche to strengthen the climate change aspects in projects of multilateral banks. Thus it has added value to climate change projects in developing countries," says **Heidi Hautala**, the Finnish Minister for International Development.

NDF is on track in fulfilling its climate change mandate

It's the year 2009; a new mandate, a new way of doing business; a lot of processes to be developed and many guidelines and internal documents to be prepared. During these two and a half years, NDF has found a niche: to finance projects that address climate change concerns in developing countries.

To assess the process so far, following a bidding process, the Norwegian social science consultancy company Vista Analysis AS was awarded the contract to conduct an external evaluation of NDF's progress under the climate mandate. The evaluation was carried out by a team consisting of John M. Skjelvik and Philip Swanson, with Karin Ibenholt as quality controller.

The evaluation took three months. John M. Skjelvik and Philip Swanson travelled around the world to meet and interview many of the NDF partners, owners and stakeholders. During the evaluation, what came up and were there some surprises, Mr. Skjelvik?

We found that by mid-2011, NDF has fulfilled all of the main goals set by

the Board in 2009 to follow up the new climate mandate, including those regarding numbers of projects. NDF is facilitating greater investments to address climate change in developing countries, increasing additionality and complementarity in relation to other available financing, and promoting Nordic priorities. Grants provided by NDF in a number of cases contributed to making a loan possible or to help the recipient government accept a larger loan from a multilateral development bank than otherwise would have been the case.

“adding value without adding costs”

Another important finding is that project approval time is relatively short, and clearly considerably shorter than for instance the Global Environmental Facility (GEF). NDF has made remarkable achievements in untying aid, considering the origins of NDF as an

agency to promote the interests of Nordic countries and companies. Furthermore, NDF compares favourably when ranking aid agencies by development effectiveness practices. Administrative expenses might appear somewhat high compared to those of GEF, but it is difficult to compare since NDF during the evaluation period, among other things, is still managing the old credit portfolio and has been establishing new policies, guidelines and tools.

The only surprise from the evaluation was perhaps that NDF is on such a good track in fulfilling the new mandate and that the organisation has been able to quickly adjust to the new mandate.

In the report you mention that NDF is a results-oriented and learning organisation, how did you come to this conclusion?

It was a conclusion that gradually emerged when going through documents and talking to people in the administration and among Nordic institutions/owners and cooperating agencies. The transition to the new mandate

was a huge challenge to the administration, but they have managed to turn around and relatively quickly learn how to deal with climate projects. The organisation is concerned about quick and smooth decision processes, contributing to the overall efficiency and results-orientation, which is confirmed by the cooperating partners. The staff has to a considerable degree been able to learn from project work, and is open to new ideas from partners and also able to develop new ideas on how to do things. The new criteria for selecting climate projects are a good example.

NDF will continue to develop its processes in order to stay in the forefront of climate change financing. What would you say are the main strengths of NDF?

NDF is a small, un-bureaucratic and flexible organisation that can rather quickly adjust its operation to the needs of its clients and partners, and thus be able to create value. NDF is “adding value without adding costs” to the project cycle, as one informant put it.



John M. Skjelvik, Vista Analysis AS



The President of Inter-American Development Bank (IDB) visits NDF



An IDB-NDF co-financed project inspired a workshop on climate change and cities in Helsinki, Finland.

In connection with IDB President Luis Alberto Moreno's visit to Finland on 11 May, IDB, the Finnish Ministry for Foreign Affairs, and NDF organised a workshop on Climate Change and Cities. The inspiration for the workshop was the on-going IDB-NDF co-financed regional sustainable cities project, which aims to increase Latin American cities' capacity to adapt to the changing climate. During the workshop, President Moreno and IDB staff, together with representatives from Finnish cities and companies, presented their thoughts and experiences of developing sustainable cities. The workshop raised awareness that cities, regardless of their location in the world, all face problems due to climate change. In order to build sustainable cities in the future, it is important to discuss experiences and lessons learnt.

The workshop also led to a dialogue on how IDB and NDF could continue their collaboration addressing the challenges

posed by climate change. Cooperation between IDB and NDF dates back to the early 1990s. This cooperation has always been constructive and beneficial to both institutions. However, it is fair to say that the relationship has strengthened since NDF's mandate changed in 2009 to concentrate on climate change. This boost in relations may partly be due to the fact that climate change was a relatively new approach for both NDF and IDB, which inspired a closer collaboration.

Currently, IDB and NDF are co-financing thirteen projects in the Latin American region, where NDF's financing amounts to EUR 30 million. The projects address, among other things, renewable energy, energy efficiency, adaptive capacity-building, and cover several sectors. In addition to national projects, several projects are regional. Supporting regional programs is a smart way to ensure that lessons learned can more easily be disseminated

and replicated, and consequently increases the potential for scaling up activities.

There is still a lot to do in the Latin American region in the area of climate change and adap-

ting to its consequences. Hence, NDF foresees continued constructive dialogues with IDB to find and develop good sustainable climate change projects.

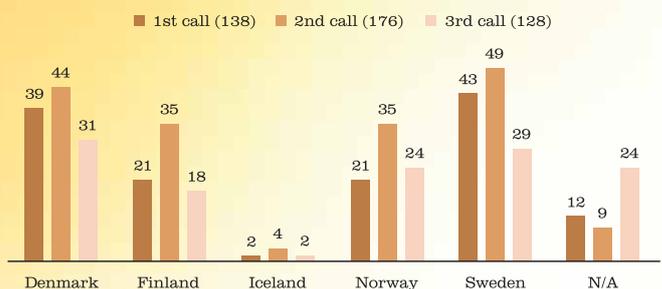
Scoring of NCF3 completed

Thirteen applicants invited for negotiations

The Nordic Climate Facility's (NCF) third call for proposals was closed in January 2012; 128 applications were received. The theme for the third call was *innovative low-cost climate solutions with a focus on local business development*. In March 2012, the NCF team shortlisted 30 applicants to submit full proposals and 29 proposals were received. The NCF team has now evaluated and scored the final applications based on NCF's guidelines, and 13 applicants have been invited for negotiations.

NCF is funded by NDF and jointly administered with the Nordic Environment Finance Corporation (NEFCO).

Number of proposals by Nordic country



NDF signs new agreements

Signed Agreements

Inter-American Development Bank Group		NDF financing M€
Regional	Climate Change and Sustainable Cities	2.1
Regional	GREENPYME II, IIC	3.0
World Bank		NDF financing M€
Global	Cooperation Agreement / the World Bank and NDF	
Regional Africa	Addressing the Vulnerability of Africa's Infrastructure	0.6
Regional Africa	Insurance Instruments for Climate Adaption	0.5
Regional Africa	Technologies for Low Carbon Development	0.5
Tanzania	Impacts of Climate Change in Coastal Areas	0.8

During the Annual Meetings of the Inter-American Development Bank and the Inter-American Investment Corporation (IIC) in Montevideo last March, two agreements were signed between IDB, IIC and NDF.

To reaffirm the support for SMEs in Central America, IIC and NDF signed an amendment to the IIC-NDF Trust Fund. The existing 2.2 million euro agreement for the GREENPYME technical assistance program in Latin America and the Caribbean will now include an additional 3 million euros. The aim of the program is to help SMEs become more energy efficient, thus improving competitiveness through reduced energy costs. The additional financing will enhance the activities currently under way in Honduras and Nicaragua, and furthermore,

expand the activities to Bolivia.

IDB and NDF signed an agreement to support IDB's Sustainable Emerging Cities Initiative. With an NDF contribution of 2.1 million euros, the project will finance the development of climate change adaptation and mitigation action plans for midsize cities in Bolivia, Honduras and Nicaragua. The aim is to increase the cities'

capacity to adapt to the changing climate. As an outcome, action plans for the three cities will be developed. The project is expected to provide significant input for future urban adaptation investments.

In April 2012, the World Bank and NDF signed an amended Cooperation Agreement. The agreement provides the general framework for cooperation between

the institutions and is an update of the initial agreement that was signed in 1991. The agreement reflects the co-financing modalities used today and is more in line with the NDF climate change mandate.

In addition to the Cooperation Agreement, the World Bank and NDF signed an agreement of 2.4 million euros to finance four major studies on climate change in Sub-Saharan Africa. Three of the studies are regional and will assess the vulnerability of regional infrastructure assets to climate change, design insurance instruments for climate adaptation, and identify feasible technologies for low carbon development. The fourth study will address climate change impacts on coastal areas in Tanzania.



FINANCING FOR CLIMATE CHANGE PROJECTS IN LOW-INCOME COUNTRIES

The Nordic Development Fund (NDF) provides 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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