



NDF strategy focuses on climate change adaptation and mitigation

Following a decision by the Nordic Cooperation Ministers in April 2009, NDF now provides grants for climate change adaptation and mitigation efforts in low-income countries.

“The objectives of our operations are to facilitate greater investments in developing countries in order to address the causes and consequences of climate change alongside and in cooperation with other multilateral and bilateral financiers; to mirror the Nordic countries’ priorities in the area of climate change and poverty reduction; and to maximise additionality and complementarity in relation to other available financing,” says Mr **Helge Semb**, Managing Director of NDF.

The NDF financing focuses on infrastructure and energy, natural resources management and capacity-building. NDF can provide grants to projects in 27 low-income countries in Africa, Asia and Latin America. The grants are

provided through co-financing with multilateral and bilateral partners and are used for technical assistance, investments and expenses in connection with technical assistance. Grants normally amount to EUR 500,000–EUR 4,000,000.

For example, in 2009, NDF financed modern energy solutions in Benin, Rwanda and Uganda and capacity-building and urban development in Laos. The Fund also established a new financing facility, the Nordic Climate Facility, to support technology and know-how transfer between the Nordic countries and the developing countries in the area of climate change. The Nordic Climate Facility is administered in cooperation with NDF’s sister organisation the Nordic Environment Finance Corporation (NEFCO).

All projects financed by NDF should reflect the development policies of the five Nordic countries—Denmark, Finland, Iceland, Norway and Sweden.

“I am very pleased with the new focus by NDF on climate change adaptation and mitigation,” says the Swedish Minister for International Development Cooperation **Ms Gunilla Carlsson**. She continues:

“A decade ago, climate change was still mainly a concern for scientists. The threat was not seen as urgent and was therefore not sufficiently discussed by decision-makers. Today the transnational dimensions of climate change and impact across sectors is apparent in both rich and poor countries. As a result, fighting climate change is now seen as everybody’s concern and responsibility. All along, the Nordic countries have played an important and constructive role putting climate change high on the international agenda. This has not just been rhetoric; we have aligned our development assistance to support action against climate change. The new focus of NDF is very much a result of such efforts.

As a Nordic institution, NDF can draw on the advanced engineering technologies developed in the Nordic private sector as well as the early adoption of energy efficient solutions across the Nordic societies. This experience can be used for the benefit of developing countries that have been severely affected by climate change.”



Swedish Minister for International Development Cooperation, Ms Gunilla Carlsson.

NDF renewed its procurement policy and guidelines

Procurement seminar highlighted importance of harmonisation

Guidelines, integrity issues and harmonisation were some of the themes as NDF arranged a procurement seminar in Helsinki in the end of January. Speakers on the seminar were Mr **Omar H. Tiwana** and Mr **Bernhard R.A. Zentgraf**, Principal Procurement Specialists with the Asian Development Bank's main office in the Philippines. The seminar attracted some 30 participants from NDF, the Nordic Investment Bank (NIB), the Nordic Environment Finance Corporation (NEFCO), the Nordic Project Fund (Nopef) and the Finnish Ministry for Foreign Affairs.

Mr Tiwana stressed after the seminar that there are two reasons for harmonisation of procurement guidelines. On the one hand, there has been pressure to reduce transaction costs for the borrowers, or executing agencies responsible for the procurement, and for the bidders. On the other hand, there has also been the need to promote best practice.

"Best practice in itself is important," he said and pointed out that through harmonisation it is possible to bring about local improvement in procurement laws.

ADB procurement is, with a few exceptions, in practice harmonised with the World Bank guidelines, for both consultant recruitment and procurement of goods and works.

"The harmonisation process as regards procurement of goods and works has been bottom-up driven," said Mr Zentgraf and emphasised that there was originally pressure from both bidders as well as government agencies implementing multilateral development bank projects to harmonise procurement procedures and in particular bidding documents. This harmonisation process then progressed into the harmonisation of procurement guidelines.

Adapted NDF guidelines for grant projects

NDF has renewed its procurement policy and guidelines as the Fund is now focusing on grant financing. The new procurement policy and guidelines for all the grant-financed projects were adopted in December.

"Stick to best practice, but keep some flexibility for tailor-making," was Mr Tiwana's advice for a small multilateral like NDF.

The main difference compared to the old guidelines, which are still applicable for credit projects under the old mandate, is that under the new guidelines, contracts can be awarded to firms from any country of the world, unless prohibited by a decision of the United

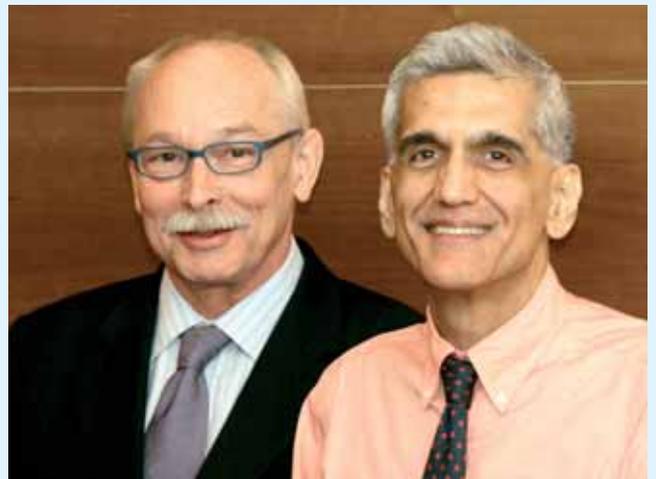
Nations or by local legislation. According to the old guidelines, part of the procurement of goods, works and services was tied to the Nordic resource base.

"This new eligibility policy complies with the trends and agreements on untied aid," says Mr **Juhani Annanpalo**, Country Program Manager at NDF.

"The new procurement policy and guidelines are mainly harmonised with those of the major international financing institutions. In practice, procurement under the NDF grant-financed compo-

nents will use the standard procurement documents of the lead financier of each project, whether it is the World Bank, Asian Development Bank, Inter-American Development Bank, African Development Bank, or other. The normal procurement method for goods and works will be international competitive bidding, while consultants' services will usually be procured using quality- and cost-based selection among shortlisted international firms," Mr Annanpalo sums up.

The NDF procurement guidelines can be found on www.ndf.fi



Mr Omar H. Tiwana and Mr Bernhard R.A. Zentgraf, Principal Procurement Specialists at ADB and with extensive experience from the procurement field, guided the seminar participants through different procurement-related issues during the three-day seminar.

Bioenergy and treated wastewater for irrigation in Senegal

NDF will participate in the Water and Sanitation Millennium Project PEPAM in Senegal with grant financing of up to EUR 4 million. NDF will finance the development of methane gas electricity generation as well as the extension of a system supplying treated wastewater for irrigation.

“The World Bank PEPAM project aims at increasing access to sustainable water and sanitation services. The NDF contribution will strengthen the climate change aspects of the PEPAM project by increasing the use of renewable energy, decreasing the emission of greenhouse gases, and supporting a more effi-

cient use of water resources for enhanced food security and livelihood,” says Ms **Martina Jägerhorn**, Country Program Manager at NDF.

The methane gas component of the NDF contribution includes installation of a new 425 kW methane gas generator and the overhaul of an existing 311 kW generator at the Cambérène wastewater treatment plant in Dakar. The NDF financing will also be used for training, operation and maintenance as well as management and follow-up.

“This bio-gas based electricity production will have a climate change mitigation impact, as fossil fuel

energy is substituted by renewable energy. Also, the possibility to use surplus methane through the installation of a new generator will decrease electricity costs at the treatment plant,” says Ms Jägerhorn.

The wastewater component includes construction of pipes, storage and pumping systems for transmission and distribution of treated wastewater. In addition, the financing will cover training of farmers in improved irrigation and the establishment of affordable tariffs and revenue collection arrangements.

“Wastewater treatment, sludge stabilisation and re-

use of scarce water resources are relevant local climate change adaptation measures. The project will strengthen the preparedness of local market gardeners against climate change threats and alleviate the desperate water scarcity and contribute to more efficient use of water resources. This project will also set an important model for nationwide up-scaling of the use of treated wastewater for irrigation.”

The schedule for the NDF intervention is five years. The total budget for the PEPAM project is USD 55 million (EUR 41 million).



NDF will finance the extension of a system supplying treated wastewater for irrigation and the development of methane gas electricity generation.

Additional funding for NCF

The NDF Board decided in the beginning of March to approve additional financing of up to EUR 2 million for the Nordic Climate Facility (NCF). The facility, which was launched in autumn 2009, supports technology and know-how exchange between the Nordic countries and low-income countries in the area of climate change.

“The response to the first call for proposals was larger than expected. A total of 138 applications were received requesting financing for a total value of EUR 51 million for projects with a total overall value of

EUR 139 million. There were plenty of good applications; 33 projects have now been short-listed for full proposals,” says NDF’s Country Program Manager Ms **Martina Jägerhorn**.

The call for project proposals related to two areas; water resources and energy efficiency. The 138 proposals were almost equally divided between these two areas and targeted 24 NDF countries, of which the majority were in Africa. The proposals came from all of the five Nordic countries—Denmark, Finland, Iceland, Norway and Sweden—and from various

types of organisations, such as consulting companies, manufacturers and non-governmental organisations. The deadline for this first call was 29 January.

“Thanks to the additional grant financing of EUR 2 million, an additional number of projects from the first call may be financed. The total financing now amounts to EUR 6 million,” says Ms Jägerhorn.

The Nordic Climate Facility is administered in partnership between NDF and the Nordic Environment Finance Corporation (NEFCO).

Promoting energy efficiency among SMEs in Central America



NDF will participate in the GreenPyme programme to promote energy efficiency among small and medium-sized enterprises (SMEs) in Central America. The NDF Board approved in March a grant of EUR 2.2 million for the programme. The programme focuses on information dissemination and training targeted towards SMEs, energy auditors, financiers and authorities.

“The main objective of the programme is to scale up energy efficiency measures and investments in SMEs through awareness-raising, capacity-building and financial support,” says Mr **Hannu Eerola**, NDF’s Country Program Manager.

“The climate benefit comes through reduced energy demand and reduced need for additional generation capacity, which predominantly would be based on fossil fuels.”

“Pyme means SME in Span-

ish. The Inter-American Investment Corporation (IIC) launched the GreenPyme concept in late 2008. To date, the programme has been run as a pilot programme in a few Latin American and Caribbean countries. The results of the activities have been encouraging. NDF’s contribution makes possible the expansion of GreenPyme into Central America bringing practical benefits to thousands of SMEs in the region.”

IIC acts as the implementing agency of the programme. IIC is a member of the Inter-American Development Bank (IDB) Group. IIC serves SMEs and smaller-scale financial institutions through technical assistance and debt and equity products. NDF’s grant financing will be directed to Nicaragua, Honduras, Guatemala, El Salvador and Costa Rica.

NDF renewed its website

NDF’s renewed website www.ndf.fi presents NDF grant financing for climate change efforts. The site provides information on all NDF financed projects and

on project requirements. You can also download or order publications.

The new website was launched at the end of 2009.



Revised cooperation agreement with IDB



An amended cooperation agreement for the co-financing of programmes and projects between the Inter-American Development Bank and NDF was signed in Helsinki on 26 January 2010. The picture shows Mr Carlos de Paco, Principal Partnerships Officer of IDB, and Mr Helge Semb, Managing Director of NDF.

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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