



## Experts gather in Helsinki to discuss mechanisms for innovative climate financing



The Nordic Development Fund (NDF) together with the Inter-American Development Bank (IDB) and the Multilateral Investment Fund (MIF) hosted a seminar on Innovative Climate Financing Mechanisms in Helsinki, on 4-5 November 2013.

This seminar gave participants an excellent opportunity to share experiences and lessons learned from initiatives undertaken by NDF in partnership with the Inter-American Development Bank Group (IDB). These initiatives have involved new approaches and financing mechanisms targeted at micro, small and medium-sized enterprises in climate change mitigation and adaptation.

The seminar attracted more than 60 decision-makers and professionals in the area of development

finance and climate change from a variety of institutions, including multilateral and bilateral development financing institutions, governments, the private sector and research institutions.

Financing models presented included, for example, publicly-backed private sector financing models to catalyse private investment, funding opportunities for energy efficiency, private sector adaptation financing as well as green micro-finance.

There were discussion of scaling up and regional replication of successful financing mechanisms in Africa and Asia. Moreover, the seminar included workshops aimed to encourage participants from different regions to frame new ideas, explore potential collaborations and spur

the birth of new financing schemes globally.

Participants emphasised the importance of sharing lessons learned and experiences between different regions and institutions in the climate financing focused on developing countries. Dissemination of experiences is needed not least to enable a swift replication and scaling up of viable concepts. As innovative climate financing models and concepts often imply a greater risk than more traditional financing models, sharing lessons learned quickly becomes even more important so that these can feed into planning processes of future activities.

NDF's co-financing partners highlighted that NDF is well-placed to act as global knowledge brokers thanks to its broad geographical reach and

its close affiliation with multilateral and bilateral development finance institutions. Moreover, the availability of Nordic knowhow on its home ground was seen as a significant advantage. NDF's clear and focused mandate was also assessed as a clear benefit to allow agile and innovative responses to climate and development issues.

NDF's collaboration with the IDB Group in innovative financing mechanisms was described by Mr Ignacio Corlazzoli Hughes, Alternate Director of the IDB Office in Europe, to "constantly challenge standard approaches, and push us towards the next frontier." NDF hopes to facilitate the transfer of these experiences by supporting similar activities in Sub-Saharan Africa and Asia.

## The value of NDF - a World Bank perspective

The Nordic Development Fund (NDF) has a history of working with the World Bank going back to 1990. Since NDF received a new mandate in 2009 and began providing grant financing to climate change and development, NDF has committed to co-financing with the World Bank for 22 projects in Sub-Saharan Africa for a total value of EUR 57.2 million.

When visiting the World Bank in Washington, NDF's management met with Mr Jamal Saghir, Director of the Sustainable Development Department for Africa Region, to discuss the nature and potential of the collaboration between NDF and the World Bank. Mr Saghir characterised the collaboration between NDF and the World Bank in the light of the following questions.

***NDF is a relatively small player among the many donors working together with the World Bank. What can NDF contribute that is not already covered by other donors and Trust-Funds, Mr Saghir?***

"NDF is small and flexible, and it fully embraces entrepreneurship. By partnering with the NDF, the World Bank has the opportunity to add new creative, cutting edge climate change components to traditional lending and knowledge-generating projects. Furthermore, NDF's efficient rules allow fast-tracking some pilot projects, thereby helping to cut lengthy preparation and implementation times, ultimately benefiting our developing country clients. These attributes of NDF will be increasingly important as the



Mr Jamal Saghir, Director of the Sustainable Development Department

Bank strives to meet its new goals of ending poverty and boosting shared prosperity. The Bank is privileged to have a strong partnership with NDF and looks forward to further strengthening it in the future."

***All financing from NDF is focused on climate change, for both adaptation and mitigation. NDF works only with the World Bank at the moment on projects in Sub-Saharan Africa. Does our narrow mandate make it difficult for the World Bank to find a role for NDF in its work?***

"Climate change is a development issue and we find the specificity of NDF's mandate to be helpful in supplementing our work. The key NDF contribution to the World Bank's cooperation with Sub-Saharan Africa comes from the lessons and experiences learned from projects that have NDF-financed components.

***Where do you see the role of NDF and the best value added - apart from the money - that NDF contributes to the World Bank cooperation with Sub-Saharan Africa?***

The small-scale pilot projects have been feeding good information regarding whether certain methods on adaptation or mitigation are working, how to scale up successful experiences, what are the key elements and determinants for success, and so on. This evidence and the data emerging from these projects is invaluable for the World Bank as it works to strengthen existing projects and develop new projects for greater development impact."

our future work. On the Bank's side, we are committed to broadening the categories of climate-related projects that could be considered for funding by NDF."

***Where do you see the major bottlenecks for mainstreaming climate in World Bank operations and how could an institution like NDF facilitate this process?***

"It becomes increasingly difficult to allocate funds to programs that lie beyond the traditional investments in agriculture, infrastructure, education and health to name just a few. NDF's strength is that it allows us to better integrate a climate dimension into our sectoral investments, and remain engaged in areas that do not benefit from IDA funding."

***What kind of an approach would you suggest to co-financiers like NDF to increase the effectiveness of their collaboration with the World Bank?***

"A laser-like focus on the quality of outputs, the economic results and

**“ We find the specificity of NDF’s mandate to be helpful in supplementing our work ”**

***And in the short-term future, what do you envision for an enhanced collaboration for our institutions? Are there areas where NDF could improve our cooperation with the World Bank?***

"I am very pleased to see NDF's flexibility in revising working arrangements according to a changing environment. Being able to amend cooperation arrangements in accordance with the changing environment will scale up

development impacts, and whether the program can be scaled up to other areas or countries are all important determinants of effectiveness. Paying attention to data collection for both baseline and results is important. So is the need to allocate budget to ensure relevant data will be collected and capacity will be built. Finally, building capacity to evaluate the development impacts of projects remains vital."

## NDF at the Global Green Growth Forum

NDF was invited by the Danish Prime Minister Helle Thorning-Schmidt to participate in the high-level Global Green Growth Forum (3GF), held 21-22 October in Copenhagen. The theme of the third 3GF was "Improving Resource Efficiency in the Value Chain", and it brought together 250

top-level government representatives, business leaders, investors and international organisations to discuss how to effectively realise the potential for long-term global, inclusive green growth.

NDF's Managing Director **Pasi Hellman** participated as panellist

in two 3GF sessions: "Public-Private Partnerships to Reduce Urban Water Leakage" and "Public and Private Finance for Renewable Energy: Possible Pathways for China," where he highlighted recent NDF experiences with using public financing to stimulate private investments in renewable energy through concessions,

partial guarantee schemes, and insurance.

The Global Green Growth Forum (3GF) was initiated by the Danish Government in collaboration with the governments of China, Kenya, Mexico, Qatar and the Republic of Korea and a number of leading businesses and international organisations.

Photo: Torbjørn Damhaug



### Better access to water supply in Nepal

Together with the Government of Nepal and the Asian Development Bank (ADB), NDF will provide financing for the project *Building Climate Resilience of Watersheds in Mountain Eco-Regions in Nepal*. The project is one of five components in Nepal's Strategic Program for Climate Resilience. The project aims to improve access to and enhance the reliability of water supply for domestic purposes and irrigation for communities living in the watersheds which are significantly vulnerable to climate change. The selected watersheds are in the far western region of Nepal. More than 85% of households in these watersheds live in scattered dwellings close to natural springs and patches of sloping land. They have subsistence life-styles based on mixed agriculture, grazing activity and collection of non-timber forest products. These areas are significantly vulnerable to climate change since even a small rise in the temperature is projected to affect the hydrological cycle, which in turn is estimated to have an impact on water availability, runoff and the discharge regime.

Access and reliability to water resources will be improved through a participatory program of integrated watershed management with interventions in upland areas to increase surface water storage and groundwater recharge, and to deliver water to locations where the community can use it. The Government will adopt knowledge-based approaches for integrated water and land management, and improved water reliability and accessibility. This will improve water security, water storage infrastructure and catchment management, and enhance watershed resilience.

As a result of the project, the communities in the region will have more reliable water supplies during the dry season and agricultural production will increase, thus enabling small-scale market gardening and thereby improving food security and income. Major beneficiaries will be women and disadvantaged groups who are often required to subordinate their water needs when there is a water shortage.

## The Nordic Climate Facility (NCF) to launch fourth call for proposals



Photo: Wildlife Conservation Nepal

NCF will launch its fourth call for proposals in December 2013. The theme for the call will be "*Inclusive green growth project contributing to private sector development*." The pre-qualification proposals will this year be submitted through an online application platform. Preference will be given to projects in Sub-Saharan Africa. More information on the requirements and guidelines for applying for funds will be available on NDF's and NEFCO's websites in the beginning of December 2013.

The findings of the evaluation conducted earlier in 2013, confirm that NCF fits well into NDF's current strategy and targets. When compared to other call-based schemes, it is seen as a rather rare mechanism combining

innovation, leverage and partnership, and therefore adding value. Moreover, the facility is seen as a cost-effective scheme that has successfully delivered results, even though it is too early to say much about impact and sustainability since most projects are still under implementation. In addition, the partners involved have perceived NCF as a useful mechanism.

NCF is financed by the Nordic Development Fund (NDF) and administered by the Nordic Environment Finance Corporation (NEFCO). Since the first call for proposals was launched in 2009, NCF has allocated EUR 18 million to 40 projects in low-income countries in Africa, Asia and Latin America.

# GMS countries to warn of synthetic nitrogen fertiliser risk



Photo: Luise Jørgensen

Several of the Greater Mekong Sub-region (GMS) countries rely heavily on synthetic nitrogen fertiliser to improve crop yields. At a GMS Working Group on Agriculture (WGA) knowledge forum in 2011, the GMS countries highlighted the importance of increasing awareness of the negative effects of synthetic nitrogen fertilisers. When nitrogen is broken down, in soil or water, nitrous oxide is produced. Nitrous oxide is among the most powerful greenhouse gases, with heat-trapping effects 289 times greater than carbon dioxide.

In the GMS, regional cooperation in agriculture is guided by the Core Agriculture Support Program (CASP). The second phase of CASP is under implementation, supported by an ADB technical assistance (TA) project. The scope of the ADB TA did not originally include

activities that were targeted at reducing the use of synthetic fertilisers. Therefore, based on a request from the GMS countries, ADB approached NDF to support an add-on component of the TA that aims to mitigate climate change by reducing the use of synthetic nitrogen fertilisers.

Together, ADB and NDF have designed the nitrogen-cycle management component to have a strong environment, climate change and social development focus. The project is expected to increase food security, income and health among farmers. The key objective is to increase understanding of the effects of synthetic nitrogen fertilisers. The lessons learned from the project will be used in regional and national policy discussions and when planning new agricultural investments in the region.

## NDF launches new website

In September 2013, NDF launched its new website. “The ambition was to make the site more living, and also to help users find information more easily,” says **Maria Talari**, Administration and Information Officer at NDF. “For example, tender opportunities are posted on the front page and the most recent notice is always visible,” she continues. Also, the most recent projects and publications are visible on the front page.



## 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.



**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

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