DISCUSSION DRAFT:

CRITERIA FOR EVALUATING SUPPORTED NAMAS

A Straw Proposal of Conceptual Criteria for Selecting NAMAs to Receive International Support

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The 2007 Bali Action Plan (BAP) called on developing countries to undertake climate mitigation in the form of nationally appropriate mitigation actions (NAMAs), which promise to reduce emissions from business as usual (BAU), are consistent with national sustainable-development goals, and which may receive international support. Many developing countries are rapidly progressing in the design and development of NAMAs, with some NAMAs beginning to seek international financial support for implementation. (To date, "fast-start" financing has primarily supported capacity-building and planning efforts.) As the Green Climate Fund (GCF) – established as an operating entity of the UNFCCC financial mechanism at the Cancun Conference of Parties (COP) – is conceivably several years away from disbursing significant funds, support for early NAMA implementation will likely come directly from bilateral funding sources, as well as being passed through multilateral development banks, with the goal of leveraging private-sector investment.

Several developing countries are at the crucial stage of determining how to best structure their NAMAs in a way that makes them eligible and attractive for this bilateral funding. Developed countries looking to contribute to or invest in these NAMAs are likewise at the stage of determining how to prioritize limited funding and allocate funds to the most promising NAMAs seeking support. The aim of this policy brief is to put forth a straw proposal that helps advance a shared vision between developed and developing countries on initial criteria that could be used in selecting NAMAs for bilateral support – in order to shape early NAMAs and encourage expanded funding. Implementation of early, ambitious, and unassailable NAMAs will help to define and focus the NAMA concept, shape the design of the GCF, and eventually help advance the UNFCCC negotiations.

This policy brief is informed by CCAP dialogues with developed- and developing-country policymakers and UNFCCC negotiators as part of CCAP's Mitigation Action Implementation Network (MAIN) [1]. It is meant to be conceptual and will be an evolving document that incorporates further feedback from

[1] MAIN countries include Argentina, Chile, Colombia, Costa Rica, Dominican Republic, Panama, Peru, and Uruguay in Latin America. Asian MAIN countries include China, Indonesia, Malaysia, Pakistan, Philippines, Thailand, and Vietnam. For more information: www.ccap.org/MAIN.html

relevant parties. Proposed criteria are meant to facilitate the design of financeable NAMAs and not further burden developing countries. Developing countries' NAMAs would not necessarily be expected to fulfill all criteria to the highest level in order to be eligible for bilateral funding (e.g., some could achieve significant greenhouse gas (GHG) reductions per dollar, while others could rank higher in development benefits). However, there is a clear interest in ensuring that initial NAMAs are ambitious in achieving transformational changes as they will be precedents for future NAMAs.

Key Messages and Straw Proposal of Criteria

Developed or contributing countries that disburse climate finance have traditionally been most interested in seeing significant and well-documented emissions reductions, maximization of investment impact, and accountability. Developing or implementing countries have long been interested in these funds supporting efforts that are consistent with national priorities and that advance social and economic development goals. During recent CCAP dialogues (in particular, a policy dialogue held on the sidelines of the May 2012 negotiations in Bonn, Germany, and a MAIN-Asia regional dialogue in Halong Bay, Vietnam), policymakers and negotiators made significant progress toward a more nuanced shared vision on what constitutes financeable NAMAs and effective support thereof.

Both groups of countries agreed on the need to assess potential supported NAMAs based on both GHG and non-GHG criteria (such as sustainable development, health, mobility, etc.), as opposed to the Clean Development Mechanism (CDM), which judges projects principally on the cost and additionality of emissions reductions. Contributing countries will always need to demonstrate that their climate funding achieves clear mitigation effects but recognize the importance of advancing non-GHG "co-benefits" (in part, in satisfying their own international development assistance criteria). These non-GHG benefits also help increase domestic political support for climate mitigation actions in developing countries where politicians (and their constituents) value policies and measures that achieve demonstrable improvements in living standards.

This paper proposes three broad categories of NAMA selection criteria: 1) **effectiveness criteria,** 2) **implementation plan,** and 3) **financing plan**. In general, a financeable NAMA will need to demonstrate that it will effectively achieve ambitious GHG and non-GHG goals; will overcome existing barriers; has high-level support and advances national goals; and will effectively use and leverage funding. A full list of initial generic criteria can be found below, though additional criteria by NAMA type or sector will likely be useful in the future.

Straw Proposal of Criteria		
1) Effectiveness Criteria	**2) Implementation Plan**	**3) Financing Plan**
Level of GHG reduction (estimate specified, level of ambition)	NAMA description (clear boundaries, plan)	Budget (with national contributions)
Other benefits (health, sustainable development, etc.)	Integration into sectoral development plans (long-term priorities)	Catalytic impact of international funding (max impact for dollar, overcome barriers)

Sustainability/replicability (long-term benefits, support for further actions)	High-level political support, country ownership, stakeholder buy-in ("sold" on NAMA)	Leveraging of private-sector investment (bulk of funding)
MRV plan for GHGs, other metrics (including performance milestones)	Capacity to implement (agency coordination, stakeholder engagement)	Avoidance of duplication of efforts/funding (including no double counting with CDM)
		Risk mitigation (e.g., commercial financing)

In addition, funders will be interested in receiving visibility for their contributions to developing countries – for geopolitical and public relations reasons (as in overseas development assistance) and in counting toward UNFCCC commitments.

Effectiveness Criteria

The first category of proposed criteria relates to the effectiveness of the proposed NAMA, or the chance of success of the NAMA in achieving its intended – and ostensibly ambitious – goals. These goals will include reduction of GHGs from BAU in the developing country but may also include non-GHG sustainable-development benefits. Potential supported NAMAs will therefore be assessed with respect to the ambition level of expected outcomes and the likelihood of the NAMA to achieve these goals. Metrics under this category of NAMA effectiveness include the following:

- **Level of GHG reduction** – The level of GHG reductions expected to result from a proposed NAMA will unequivocally be a key factor in determining its attractiveness for financing. As such, proposals should provide a clear estimate and discuss factors likely to affect the estimate, with the understanding that the ability of a country to accurately quantify reductions varies greatly depending on capacity and the type of NAMA. Contributing countries will use emissions reduction estimates in part to assess the relative cost-effectiveness of one investment over another. NAMAs that seek to achieve more ambitious reductions in GHGs will be looked favorably upon by contributing countries. Contributing countries' perception of "ambition" will vary, but could include transforming the emissions trajectory of an entire sector or a large portion of a country's economy, or overcoming protracted barriers (market conditions, lack of financing, technology/capacity needs, etc.) in an innovative way.

- **Other benefits** – Both developed and developing countries are coming to the realization that "co-benefits" such as public health, mobility, and sustainable economic development improvements will be an integral component of successful NAMAs. Beyond direct social and economic results, NAMAs that incorporate these non-GHG components are more likely to advance national development goals; to win political support in implementing countries; to have buy-in from relevant ministries; and to advance contributing countries' international development goals. NAMAs that significantly advance other benefits move beyond the primarily GHG-oriented mindset of the CDM and will be attractive for international support.

- **Sustainability/replicability** – NAMA proposals will be further assessed on the sustainability and replicability of their intended results. Sustainability could include, for example, the likelihood of a NAMA in contributing to permanent transformations of emissions trajectories through well-seated policies that will not be affected by changes in government. It may also relate to the sustainability of a NAMA's benefits in the long run as contributing-country support is phased out (exit plan). Effective NAMAs will likely utilize international support to get off the ground, later attracting private-sector investment so the action is financially sustainable. Replicability relates to the ability of a NAMA to build support for additional actions within the implementing country or across borders. This will depend on its ability to demonstrate achievement of its intended outcomes.

- **MRV plan for GHGs/other metrics** – NAMA proposals should include an appropriate monitoring, reporting, and verification (MRV) plan with performance milestones and metrics to measure the effectiveness of the action. The plan will also show how progress toward achieving the intended GHG and non-GHG results will be measured (contributing countries are coming to agreement that GHG reductions should not be enshrined as the only metric of success). GHG and non-GHG metrics should be measurable and reliable to provide the certainty contributing countries seek in investing. (CCAP is currently developing sustainable-development metrics for NAMAs.)

Implementation Plan

A second category of criteria that will determine the attractiveness of NAMAs for support is the coherence of their implementation plans. Developing countries will need to show a high likelihood of success in NAMA proposals. This will be demonstrated and assessed by a number of factors, including:

- **NAMA description with clear boundaries, plan** – Successful supported NAMA proposals will need to show a clear description of the proposed NAMA (including its intended scope/boundaries) and a clear plan for how the NAMA will be implemented (including NAMA components, implementing agencies, timeframe, how foreseen risks will be mitigated and barriers will be overcome, etc.).

- **Integration into sectoral development plans** – NAMA proposals should show that proposed actions are consistent with countries' sectoral development plans and national priorities and, where possible, should be well integrated into these plans. Doing so will ensure that actions will advance ministries' long-term strategies and priorities and will minimize the risk that NAMA efforts are not sustained through changes in government. Linkage to low-emissions development strategies (LEDS), where they exist, will also be important.

- **High-level political support, country ownership, stakeholder buy-in** – Contributing countries are interested in funding NAMAs that have political support at the highest possible level. The extent to which ministers and heads of state play a role in the leadership of the proposed NAMA and are “sold” on its benefits are indicators of country ownership that will likely impact the NAMA’s chances of successful implementation (and lower risk for contributing countries). Similarly, proposals should demonstrate buy-in from other stakeholders affected by the NAMA (mayors and city-level stakeholders, ministry representatives, trade associations, unions, etc.).

- **Capacity to implement** – NAMA proposals should demonstrate the ability of the country and relevant agencies to successfully implement the action and overcome barriers. Contributing countries will likely want to see that the agencies implementing the NAMA have the appropriate level of capacity; that implementing teams have prior successful implementation experience; that agencies are well coordinated; and that appropriate stakeholders will be engaged in the NAMA implementation process. These factors further decrease contributing countries’ perceived investment risk. However, it is understood that developing countries will continue to seek assistance to build domestic capacity.

Financing Plan

A third category of criteria likely to be used in assessing the attractiveness of NAMAs for international support is an integrated financing plan. Developing countries, in order to receive financing from contributing countries, will need to demonstrate that funds will be used in an efficient and effective manner. Components of this category may include the following:

- **Budget (with national contributions)** – NAMA proposals should include a reasonable financial budget that demonstrates funds will be managed and used effectively. This should include the recipient country’s domestic financial contribution to NAMA implementation and provide justification for why outside funds are needed to achieve intended results. In many cases, contributing countries will be interested in funding a portion of the “incremental costs” of an action.

- **Catalytic impact of international funding** – Potential NAMA funders will be interested in investing in actions that achieve maximum impact for their limited funding. NAMA funding that can be shown to be catalytic in overcoming policy, market, financial, or technological barriers will be key. A NAMA’s budget, coupled with the expected emissions reductions and other outcomes, will provide funders with a sense of the cost-effectiveness of their investment to compare to other investment opportunities.

- **Leveraging of funds to achieve private investment** – NAMAs are likely to receive the bulk of financial support from the private sector. Contributing countries will be interested in cost-effectively leveraging private-sector finance by removing barriers that have discouraged private investment to date. For example, funding could initially capitalize a revolving renewable-energy fund, create a special purpose entity, or finance a risk guarantee program that incentivizes much larger private-sector investment in a sector.

- **Avoidance of duplication of efforts/funding** – NAMA proposals will need to demonstrate that funders' resources do not duplicate other funding for similar actions, including efforts that are supported as CDM projects. Avoiding the mixing of CDM funds in supported NAMAs will be important to avoid double counting of emissions reductions.

- **Risk mitigation** – Contributing countries will prefer to fund NAMAs that are designed in way that minimizes the risks that their contributions face. NAMAs that use funders' money but are structured along the lines of commercial financing from a risk-mitigation perspective have a better chance of replication and of leveraging private-sector finance in the future.

Phases/Levels of NAMAs

During roundtable discussions at CCAP's most recent MAIN regional dialogue in Asia, it became clear that NAMAs could be considered in three different phases or levels. These could be categorized as follows: 1) capacity building and readiness (e.g., feasibility studies) for future NAMA development, 2) pilot projects that are part of a broader NAMA strategy and would inform the development of such a strategy, and 3) full-scale, transformational NAMAs that achieve significant GHG reductions (e.g., at sector-wide or national level).

Each of these phases or levels of NAMAs would require distinct international support. For example, developing countries may seek financial support for feasibility studies in the transport sector (phase 1); support for the capital costs of a bio-digester in the waste sector as part of an integrated waste NAMA (phase 2); or support for the initial capitalization of a revolving fund in the energy sector to encourage widespread renewable-energy deployment (phase 3). Numerous donors have already begun funding readiness efforts in developing countries, and some are beginning to fund pilot NAMA projects to inform more comprehensive NAMAs.

Early efforts on all three levels will help inform the future development of NAMAs, the design of the GCF, and eventually NAMA policies under the UNFCCC. However, the criteria used by contributing countries when allocating support will likely vary depending on the phase of the NAMA they are looking to support. For example, small-scale pilot projects would not be expected to result in substantial GHG reductions; feasibility studies would only afterward help inform NAMA descriptions and boundaries; and a NAMA may attract private-sector investment only *after* a pilot project has "proven" the NAMA's concept. The majority of the criteria above will likely apply more to the second two phases and may be less relevant to the readiness/capacity-building phase.

Feedback on Criteria

CCAP sees this paper as an evolving document and welcomes feedback on these proposed criteria for funding supported NAMAs. This will allow us to better meet the needs of both developing countries seeking NAMA support and contributing countries and institutions that are looking to support or invest in effective and cost-effective NAMAs in developing countries. Please direct your comments and suggestions to Michael Comstock (mcomstock@ccap.org) and Stacey Davis (sdavis@ccap.org).

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