IDENTIFYING POTENTIAL SOURCES FOR NAMA FINANCE

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Preface
This paper is part of the Center for Clean Air Policy’s (CCAP) effort to support the development of nationally appropriate mitigation actions (NAMAs) in developing countries through our Mitigation Action Implementation Network (MAIN) program. It is meant to be an addendum to CCAP’s recent paper, An Emerging Architecture for NAMA Finance (May 2013), and was prepared as a resource specifically for developing countries participating in the MAIN program. For this reason, the paper is not meant to be a comprehensive list of potential sources of climate finance. Instead, it is meant to provide a high-level summary of programs that support NAMAs or NAMA-like activities, with an emphasis on sources that may provide funding for NAMA development and implementation.

Introduction
The NAMA mechanism calls for greenhouse gas mitigation actions to be undertaken by developing countries in the context of sustainable development, supported and enabled by technology, financing and capacity building, and in a measurable, reportable and verifiable manner. NAMAs offer a framework to achieve broad-based climate actions in developing countries that contribute to meeting these countries’ greenhouse gas mitigation targets while realizing priority development objectives. By linking financial support with effective government policies and sustainable development outcomes, the NAMA mechanism offers a way for international financial support to enable emissions reductions at a sector-wide scale, and offers the ability to mainstream climate into development finance.

Four stages of NAMA development generally need support to ultimately achieve implementation of low-carbon projects: capacity building in the developing country, NAMA design, NAMA implementation, and investment in low carbon technology or infrastructure projects. Different types of financial support are required to advance NAMAs through these different stages of development. Some of this support is specific to NAMAs, while other support is more general, and can be dedicated to NAMAs or NAMA-like actions. The different types of support are given in different forms (e.g., grants, loans, loan guarantees, or equity investments) and at different scales. Developing country governments will need to assess their current capacities and the status of each of their NAMAs to identify which types of funds are needed to move towards implementation and attract the public and private resources required to meet their low carbon development goals.

To realize the desired sector-wide climate mitigation action, financial support is needed in each of four critical stages in the NAMA development process. The Green Climate Fund established under the UNFCCC should serve as a source of NAMA finance in the future; however, until it becomes operational, there are still a number of sources to which developing countries can turn. This paper highlights a number of institutions and countries that have previously funded or are funding programs which could support NAMAs in the different stages of their development.

Asian Development Bank (ADB)

ADB is a multilateral development financial institution that provides both public and private sector lending for economic and social development investments in Asia and the Pacific, with the aim of reducing poverty. ADB raises funds through bonds issued on the world's capital markets, members’ contributions, retained earnings from its lending operations, and the repayment of loans. ADB lends through two channels, ordinary capital resources and through a number of special funds, the largest being the Asian Development Fund.

ADB provides financial assistance and co-financing in the form of grants, loans, equity, guarantees, and technical assistance. About 20 percent of ADB’s portfolio includes market-rate financing for the private sector and grants for technical assistance. In 2011, lending totaled USD 21.7 billion, of which USD 14 billion was financed by ADB and USD 7.7 billion by co-financing partners. Environmental sustainability and climate change projects represented 51 percent of total financing and 50 percent of the total number of projects (59 in total). ADB introduced a new target of providing USD 2 billion annually for clean energy investments by 2013.

Eligible Countries

Financing is available for ADB’s developing member countries in Asia and the Pacific.

Supported Sectors

ADB’s key focal areas are infrastructure (energy, transport, urban, water), environment, regional economic integration, finance sector development and education. To a lesser degree, ADB also works on health, agriculture and food security, and disaster and emergency assistance. Climate change is a critical cross-cutting theme across all sectors and thematic areas.

ADB’s Clean Energy and Environment Funds

ADB also oversees multiple funds capitalized through voluntary bilateral contributions. These include:

1. ADB Clean Energy Financing Partnership Facility (CEFPF)

CEFPF provides financing for countries to support renewable energy and energy efficiency investments, and to finance policy, regulatory, and institutional reforms that encourage clean energy development. Financing is delivered in the form of debt, guarantees, grants, and technical assistance. Of the overall

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2 Eligible countries that participate in the CCAP Mitigation Action Implementation Network (MAIN) include: China, Indonesia, Malaysia, Pakistan, Philippines, Thailand, and Vietnam
3 ADB consists of 67 total members and the list of developing countries can be found on the ADB website, [http://www.adb.org/about/members](http://www.adb.org/about/members)
portfolio, CEFPF seeks to have 70 percent go to investments and 30 percent for technical assistance. Compared to the ADB Climate Change Fund, CEFPF can finance a broader range of projects.

In 2013, CEFPF committed a total of USD 87 million for activities and projects, of which USD 51 million is allocated for carbon capture and sequestration technology. During the 2012 fiscal year, CEFPF committed USD 7 million to clean energy investments, which mobilized USD 48 million in co-financing. This resulted in a financial leverage ratio of 1:7. Cumulatively, the CEFPF’s leverage ratio is 1:21.

ADB in-country offices carry out ADB’s interactions with public and private sector clients and handle the preparation, execution and supervision of operations. Eligible countries can approach ADB in-country representatives to introduce a project or program proposal. ADB staff can then submit proposals to CEFPF. Applications are accepted six times a year and the Climate Change Steering Committee approves of the final allocation decisions.

2. **ADB Climate Change Fund**

This fund was established to facilitate greater investments in developing member countries focused on clean energy development, reducing emissions from deforestation and degradation, and improving land use management and adaptation. As of 2011, the fund’s resources totaled USD 51 million, of which USD 40 million had been disbursed. The application process is the same as for the CEFPF.

3. **ADB Clean Energy Private Equity Investment Funds**

ADB provides seed capital targeted at early stage infrastructure development projects. The objective is to increase equity funding to clean energy investments, encourage cross-sector integration, and catalyze increased investment in clean energy projects. The fund has an initial budget of USD 100 million in seed capital to establish five private sector funds, each of USD 20 million. The initial amount of USD 100 million is expected to mobilize co-financing in the amount of USD 1.1 billion.
Global Environment Facility (GEF)

The Global Environment Facility (GEF) unites 182 member governments, in partnership with international institutions, non-governmental organizations, civil society and the private sector. The GEF serves as a financial mechanism for multiple international environmental conventions including the UNFCCC. The GEF provides grants to cover the incremental costs associated with transforming a project with national benefits into one with global environmental benefits. GEF offers limited concessional financing, disbursed through designated GEF implementing agencies. In general, GEF projects must be country-driven, based on national priorities and designed to support sustainable development.

The GEF Trust Fund is the facility’s primary source of financing. The GEF Trust Fund is replenished every four years, and is undertaken in accordance with donor contributions over a four-year period. In 2010, the GEF replenishment cycle reflected a total of USD 4.2 billion to cover GEF programming from July 2010 through June 2014. This four-year period is termed GEF-5. From GEF-5, approximately USD 1.3 billion is allocated to climate change mitigation activities. During fiscal years 2011 and 2012, GEF financed nearly 85 climate change mitigation projects, including multi-focal area projects, amounting to USD 836 million which mobilized an additional USD 5.9 billion in co-financing. Countries are allocated pre-determined resources for climate change mitigation based on the GEF System for Transparent Allocation of Resources (STAR) indicators.

The GEF, through its regular financing of climate change projects, continues to support the preparation and/or implementation of nationally appropriate mitigation actions (NAMAs) endorsed by developing country parties. More details on NAMA support will be available in the GEF report to COP-19 in August 2013. The GEF council has also approved a project in Peru that explicitly focused on NAMAs, titled “Peru-Nationally Appropriate Mitigation Actions in Energy Generation and End-use Sectors.”

The GEF-6 funding cycle (2014-2018) is not yet determined and the total financial commitment will be finalized in 2014. During GEF-6, efforts to produce and implement NAMAs will be of high priority. Presently, NAMA activities supported by the GEF can be of a single-sector, multi-sector, or economy-wide scale. GEF emphasizes the importance of MRV as an important element of a NAMA design to strengthen the basis for innovative financial mechanisms.

The GEF facilitates multiple levels of financing, ranging from full-sized projects (over USD 2 million), medium-sized projects (limited to a maximum of USD 2 million), and small grants through the GEF Small Grants Program (up to USD 50,000 per project).

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Eligible Countries

The GEF supports countries that meet eligibility criteria under the UNFCCC and are eligible for financing from the World Bank, and those countries eligible for UNDP technical assistance through country programming.

Supported Sectors under the GEF Climate Change Mitigation Portfolio

- Low-carbon technologies that promote demonstration, deployment and transfer;
- energy efficiency projects that promote market transformation in industry and building sectors;
- renewable energy;
- low-carbon transportation and urban systems;
- land-use, land-use change, and forestry; and
- the support of enabling activities and capacity building under the GEF Convention.

Application Process

Countries, through one of the GEF implementing agencies (see footnote 4 for agency listing), can submit project concept proposals, known as the Project Identification Form (PIFs), on a rolling basis for GEF grants. Submitted project concept proposals are then reviewed by the GEF secretariat. Subsequently, these proposals are submitted to the GEF council for their review and approval. Once approved, the GEF implementing agencies with relevant stakeholders design the details of the project, which is then submitted to the GEF for review and CEO endorsement prior to implementation.

Evaluation Criteria

Projects are assessed based on the following criteria. Projects must:

- be consistent with a country’s national priorities and programs and be endorsed by the host-country government;
- address one or more of the GEF Focal Areas to improve the global environment and/or reduces risks to the environment;
- be consistent with the GEF operational strategy;
- seek GEF financing only for the agreed-on incremental costs for measures to achieve global environmental benefits;
- involve the public in project design and implementation; and
- be innovative, sustainable and have potential for scaling-up, post GEF influence period.

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5 Eligible countries that participate in the CCAP MAIN program include: Argentina, Chile, Colombia, Costa Rica, Dominican Republic, Mexico, Panama, Peru, Uruguay, China, Malaysia, Thailand, Pakistan, Philippines, Indonesia, and Vietnam.
Additional Sources of GEF Financing

The GEF also administers two funds specifically for climate change. The funds consist of *voluntary* donor contributions and are designed to help developing countries to contribute to the overall objective of the UNFCCC. The projects support measures that minimize climate change damage, and reduce the risk and adverse effects of climate change.

- Special Climate Change Fund: supports adaptation and technology transfer in all UNFCCC developing country parties
- Least Developed Countries Fund: assists LDCs to respond to climate change impacts
Inter-American Development Bank (IDB)

IDB is a multilateral development financial institution that engages in economic and social development financing for Latin America and the Caribbean. Through contributions from its 48 member countries, IDB provides below-market credit to 26 countries in the region in the form of loans, grants, credit guarantees, and technical capacity building support. In 2012, IDB approved 169 projects for a total of USD 11.4 billion in funding (total amount disbursed was USD 7.4 billion). Addressing climate change is a high priority of the bank and IDB set a target of 25 percent of total lending to go towards its growing portfolio on climate change, environmental sustainability, and renewable energy. In 2012, IDB exceeded this goal, and half of its total volume of financing (38 percent of projects) was directed at climate change and infrastructure projects.

IDB’s Climate Change and Sustainability Division, formerly known as the Sustainable Energy and Climate Change Initiative (SECCI), works with all the sectors in the bank and investments are aimed at projects focused on all aspects of climate change mitigation, and adaptation. IDB also provides technical capacity support for countries to develop and implement national and sub-national climate change action plans, strengthen institutional capacity, and support the development of policy and regulatory frameworks to facilitate investments in climate change. IDB offers financing for both the private and public sectors through windows that have different lending characteristics in terms of its applicability criteria, rates, duration, and other features.

Eligible Countries

IDB finances projects in 26 countries in Latin America and the Caribbean, including: Argentina, the Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Trinidad and Tobago, Uruguay and Venezuela.

IDB in-country offices carry out IDB’s interactions with public and private sector clients and handle the preparation, execution and supervision of operations. Eligible countries can approach IDB in-country representatives to introduce a project or program proposal.

Supported Sectors
Climate change mitigation and adaptation, agriculture and rural development, forestry, environment and natural disasters, energy, industry, transport, tourism, and water and sanitation

Evaluation Criteria
Private sector financing is subject to the following criteria:

- must contribute to a country’s development and be consistent with IDB’s country strategy,

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6 Eligible countries that participate in the CCAP MAIN program include: Argentina, Chile, Colombia, Costa Rica, Dominican Republic, Panama, Peru, and Uruguay
is aimed at profitable companies, with growth potential, and without sufficient access to finance in local capital and financial markets, and

invests in companies that manage financial records in a transparent manner and comply with legal, accounting, tax, social, health and environmental requirements nationally and of IDB group.

**Additional Green Finance Programs**

- **beyondBanking Program**: IDB partners with third party financial institutions to provide loans and partial credit guarantees for the private sector for projects with a large scale impact to sustainable development. The program finances between 25 and 40 percent of the total cost of a project, providing up to USD 200 million in financing per project. On an exceptional basis, it can increase its financing to up to USD 400 million. Technical assistance ranges from USD 100,000 to USD 1.5 million.

- **planetBanking Program**: IDB provides co-financing in the form of medium and long-term loans and technical assistance for local regional banks to finance pilot projects that encourage climate change mitigation and adaptation activities in the region. Through this program IDB also promotes capacity building and awareness on environmental issues for banks and supports them in the development of green products and services.

- **National Development Banks**: IDB offers Green Credit Lines to financial intermediaries in the form of loans and guarantees aimed at promoting a portfolio of sub-loans for low carbon development initiatives, and works with national development banks that provide financing to local financial intermediaries.

- **The Multilateral Investment Fund (MIF)**: The MIF works with the private sector to develop, finance, and execute innovative business models that benefit entrepreneurs and poor and low-income households by providing financing in the form of grants, loans, guarantees, equity, and/or quasi-equity, as well as advisory services. The MIF aims to develop and demonstrate viable business models and market-oriented approaches to expand access to cleaner and more efficient energy for micro, small and medium businesses (MSMEs) and low-income populations.

- **Inter-American Investment Corporation (IIC)**: The IIC is a member of the IDB group and promotes private sector development in Latin America and the Caribbean with a focus on small and medium-sized enterprises (SMEs). The IIC works in close cooperation with the IDB Group, initiating joint activities designed to broaden support for the private sector. This cooperation involves identifying projects in the areas of agriculture, manufacturing, forestry, tourism, infrastructure, technological enhancement, risk management, and any other areas in which the IDB operates; joint technical cooperation agreements to help companies gain access to international capital markets; joint efforts to identify investment promotion mechanisms; and administrative support through regional offices.
International Finance Corporation (IFC)

IFC is a member of the World Bank Group and offers investment, advisory, and asset management services exclusively for the private sector to encourage social and economic development in developing countries. In 2012, IFC invested USD 20.4 billion in private sector development impact investments in 103 developing countries, which mobilized USD 5 billion in co-financing. During this time, IFC’s Climate Business work committed USD 1.6 billion in financing for clean energy and climate-related projects, leveraging USD 3.6 billion and accounting for approximately 11 percent of total investments. Moving forward, IFC has committed that 20 percent of its long-term financing and 10 percent of its trade and supply chain financing will be climate-related by 2015.iii

IFC’s primary source of financing is issued on commercial terms. Through its Climate Business line, IFC offers a broad range of financial products and services offered at market rates, including, loans, venture capital, equity, credit lines, risk sharing facilities and other climate and carbon finance products, all of which are designed to promote sustainable economic development in emerging economies and reduce the impacts of climate change.

In addition to commercial financing, a smaller part of IFC’s Climate Business includes blended concessional funding, technical assistance, and research on the commercial risks of climate change.

Eligible Countries7

IFC provides financing to the private sector in more than 100 developing countries.8

IFC’s Climate Business Initiatives and Supported Sectors

- Commercial finance for energy efficiency, renewable energy, supply chain investments in equipment and component manufacturers to support best practice technology and scaling-up of production costs, carbon sequestration and avoided deforestation
- Venture capital or equity for early stages of clean technology development in energy, sustainable urbanization, industrial efficiency, agriculture and forestry
- Credit lines and risk sharing facilities to promote energy efficiency and renewable energy
- Advisory services including public-private partnerships, climate financial services, and carbon accounting, and climate risk assessments

Other Sources of Climate Finance

Blended Finance for Climate Unit: IFC offers blended co-financing at concessional rates for climate mitigation and adaptation projects. The unit manages roughly USD 700 million provided to IFC from

7 Private sector lending is available in the following countries that participate in the CCAP MAIN program: Argentina, Chile, Colombia, Costa Rica, Dominican Republic, Mexico, Panama, Peru, Uruguay, China, Malaysia, Thailand, Pakistan, Philippines, Indonesia, and Vietnam.
8 See IFC website for full list of countries.
http://www1.ifc.org/wps/wcm/connect/region__ext_content/regions/regions/regions+landing+page
different donors such as the GEF, the Climate Investments Funds, and the Canadian Climate Change Program for climate mitigation and adaptation projects. In 2011 and 2012, roughly USD 130 million in blended finance was approved alongside USD 600 million in IFC financing to support projects totaling about USD 3 billion in project financing from the private sector.\textsuperscript{iv}

IFC’s blended finance for private sector investments in climate are primarily focused on projects and programs in market environments with high perceived project risk, high technology costs, lack of market information, and uncertain regulatory policies. Financing is offered at concessionary rates, for example, through lower interest rates or longer maturities compared to IFC commercial financing. Funding for investment projects is offered in the form of guarantees, loans, or equity, while advisory projects use grants for technical assistance and capacity building. The projects are expected to have strong demonstration effects and pave the way for future projects to be financed on a commercial basis.

**Supported Sectors**

- Renewable energy,
- energy efficiency,
- biodiversity,
- sustainable forestry,
- eco-standards, and
- sustainable supply chain
World Bank Climate Investment Funds

The World Bank Climate Investment Fund (CIF) was established in 2008 as an interim measure for multilateral banks to assist developing countries in their efforts to address climate mitigation and adaptation. The fund supports two subsidiary funds, the Clean Technology Fund (CTF), which focuses on climate mitigation projects in developing and middle-income countries, and the Strategic Climate Fund, which focuses on reduced deforestation and degradation, climate resilience, and renewable energy projects in lower-income countries. The CIF is funded through bilateral donor financing from 14 countries and is implemented by the World Bank Group and the four regional development banks.9

To date, the CIF has committed its total financing budget of USD 7.6 billion. Two-thirds of the funding, USD 5.2 billion, has been allocated to the CTF for climate mitigation projects and programs, leveraging USD 40 billion in co-financing. On average, investments are expected to result in a financial leverage ratio of 1:8. CTF financing is disbursed in the form of highly concessional loans, and/or risk mitigation instruments. Investments range from project and equipment financing to financial mechanisms to extended loan maturities.

The CTF promotes investments in clean technologies and aims to support large-scale, country initiated programs that constitute a significant part of a country’s low-carbon development strategy, transform the markets for technology deployment, have a large impact by providing broader development and environmental co-benefits, and/or attract private sector investment.

CTF funds are directed at developing and middle-income countries and recipient countries are selected based on highest emission reduction potential and current market conditions that prevent climate finance investments to otherwise occur.

CTF Recipient Countries

Countries included in the CTF program include: Chile, Colombia, Indonesia, Philippines, Thailand, Vietnam, Egypt, India, Kazakhstan, Mexico, Morocco, Nigeria, South Africa, Turkey, Ukraine, and the Middle East North Africa region (Egypt, Jordan, Morocco, Tunisia).vi

CTF Supported Sectors

- Renewable energy: investments are intended to scale-up and commercialize low carbon technologies;
- energy efficiency: financing aims to improve efficiency of energy generation, distribution and use; and
- sustainable transport: investments are intended to create modal shifts and efficiency measures in public transportation, reducing fossil fuel-based transport

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9 The World Bank regional development banks include: the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, and the Inter-American Development Bank Group.
CTF Funding Criteria

The recipient countries are required to develop three-year investment plans that align with the country’s national development plans or programs. The investment plan should facilitate the prioritization of projects for CTF financing based on their potential for long-term greenhouse gas emissions savings, demonstration potential, development impact, and implementation potential. Country investment plans must be endorsed by the CTF Trust Fund committee and by the respective implementing agency board.
Denmark

During the Fast-Start Finance period, Denmark committed USD 210 million\(^{10}\) in climate finance from 2010-2012. Denmark announced a USD 87 million continuation of climate finance for 2013.

**Overall Principles for Danish Climate Finance**

The purpose of the Danish climate finance (the Climate Envelope) is to support climate change mitigation and adaptation activities in developing countries, with a view to prepare developing countries for a new global climate agreement. The Climate Envelope is shared equally between a “Poverty-Frame” (PF) and a “Global-Frame” (GF). Activities financed from PF are primarily aimed at activities in low-income countries and follow the income limits stipulated by the Danida ( Danish International Development Agency) guidelines and are proposed by the Ministry of Foreign Affairs. Activities financed from the GF are aimed at securing the necessary framework conditions for an ambitious global climate agreement as well as mitigation activities mainly in middle-income countries (emerging economies more specifically) and can be implemented in all countries on the OECD/DAC list.\(^{vii}\) Mitigation projects are aimed at achieving a considerable emissions reduction impact given the global goal of reducing aggregate emissions growth.

Mitigation activities are mainly financed from the GF as the marginal return in terms of CO\(_2\) reductions is higher in middle-income countries than in low-income countries. These activities are proposed by the Ministry of Climate, Energy, and Building. The Ministry of Finance and the Prime Minister’s Office approve the list of proposed activities, which is then finally endorsed by the Government. Preparation and appropriation of each activity follows the Danida guidelines.

**Support for Mitigation Activities under the Global-Frame**

The Danish approach to climate mitigation finance consists of a multitude of initiatives ranging from support for multilateral institutions, to mitigation action in bilateral government-to-government partnerships, to mobilization of (private) investments and NAMA readiness.

A share of Danish climate finance is directed towards the implementation of UNFCCC-decisions and capitalization of multilateral institutions. Denmark was among the first countries to pledge contribution to the Green Climate Fund and will continue to support fund readiness to make it operational.

Furthermore, Denmark supports the new Climate Technology Center, which forms part of the UNFCCC Technology Mechanism agreed at COP-16 in Cancun. The objective of the Technology Mechanism is to facilitate the implementation of enhanced action on technology development and transfer in order to support action on mitigation and adaptation to climate change. UNEP, which has been chosen to host

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\(^{10}\) The conversion USD/DKK is based on the exchange rate 1:5.69888, referenced April 11, 2013 from Oanda.com.
the Climate Technology Center, has recently decided to place the center in Copenhagen. Denmark also supports UN-REDD.

Denmark’s Fast-Start Financing includes support for the Global Green Growth Institute (GGGI), focusing on green growth strategies in a number of developing countries, as well as NAMA readiness activities through contributions to important forums such as the MAIN program under CCAP, the World Bank Partnership for Market Readiness, the project Facilitating Implementation and Readiness for Mitigation (FIRM) administered by UNEP, and the Mitigation Action Plans and Scenarios (MAPS) program in Chile. Further, Denmark supports the Nordic Partnership Initiative (NPI) comprised of two pilot NAMAs, one in the waste sector in Peru and the other in the cement sector in Vietnam.

In 2012, Denmark allocated USD 8.8 million and USD 11.4 million to two energy sector programs in South Africa and Vietnam, respectively. The energy sector program in South Africa focuses on the integration of wind energy, whereas in Vietnam the focus is on energy efficiency in small and medium scale industries and buildings.

In 2013, Denmark also allocated USD 7.9 million to support climate mitigation activities in Mexico and the region, which is still subject to final approval. The overall objective of the energy sector program is to cooperate with the Mexican government on climate mitigation through an energy and climate sector program focusing on support for political and regulatory instruments to transform the energy sector. In addition, funding in 2013 will prioritize the support of fossil fuel subsidy reform and enhance energy efficiency in developing countries, as well as other areas with significant cost-effective opportunities to reduce emissions.

An important focus area is mobilization of private sector climate finance. The Danish Climate Investment Fund\textsuperscript{viii} was established in 2012 to finance private sector initiatives and attract institutional investment. In 2012, USD 18 million was allocated in investments and another USD 22 million is planned to be allocated in early 2013. The goal is for the fund to be worth between USD 87 to 122 million in itself, and with private sector co-financing to reach a total investment of USD 700-874 million by the end of 2013. The Fund provides investments for private sector companies in the form of equity, loans or guarantees, channeled directly to project developers, Energy Service Companies (ESCOs), and technology and service providers in the developing countries. The Danish Climate Investment Fund can invest in approximately 150 countries in Asia, Africa, Latin America and Europe, including China, Brazil, India, South Africa, Turkey, Chile, Vietnam, Egypt, and others.

**Global Climate Partnership Facility**

Through the Climate Envelope Denmark has also supported the German-founded Global Climate Partnership Facility (GCPF).\textsuperscript{ix} The facility focuses on financing investments in energy efficiency and renewable energy, and for small and medium-sized companies and households in developing countries. Some profit is directed towards financial assistance to the banking sector in developing countries to
finance projects. The GCPF financial leverage ratio is 1:8 and Climate Pool funds are used to invest in GCPF C-shares. C-shares are the most risky and are geared at public donors.

**GCPF Eligible Countries**

Brazil, China, India, Indonesia, Mexico, Morocco, Philippines, South Africa, Tunisia, Turkey, Ukraine and Vietnam

**Low Carbon Transition Unit**

As part of the Climate Envelope a Low Carbon Transition Unit (LCTU) was established in 2012 in the Ministry of Climate, Energy and Building to assist emerging economies in transitioning to a low-carbon development path. Based on Danish expertise in the field of energy and climate change mitigation, the LCTU cooperates with emerging economies to reduce greenhouse gas emissions, increase energy efficiency, and better integrate renewable energy. The LCTU works to address general and methodological issues relevant to greenhouse gas emissions mitigation, as well as with specific energy-related capacity building in selected emerging economies. A number of policy toolkits have been developed with the aim of sharing experiences within a number of selected topics, such as integration of wind in the energy system and implementing energy efficiency requirements in buildings.

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11 The returns of GCPF shares follow a waterfall principle and allow investments into three different categories (A, B and C-shares). C-Shares bear the highest risk (“first loss”) and can be recognized as Official Development Assistance.
European Union and European Commission

The EU and its Member States provide funding both bilaterally and through international initiatives, including the World Bank Climate Investment Fund, the GEF, the Special Climate Change Fund, the Least Developed Countries Fund, the Forest Carbon Partnership facility, United Nations Development Program (UNDP), United Nations Environment Program (UNEP), and through multilateral development banks.

**EU Regional Financial Blending Mechanisms**

The European Commission also established blending facilities that combine EU grants with loans from the public and private sector and other funding sources to increase the EU’s pool of climate finance.

1. **The Latin America Investment Facility (LAIF)**

The LAIF was launched to mobilize additional public funding for investments in Latin America. In total, the EC and Member States committed USD 253 million\(^{12}\) from 2009-2013. Funds are disbursed in the form of grants and loans from financial institutions to co-finance public infrastructure projects, provide loan guarantees, interest rate subsidies, technical assistance, and risk capital operations.

LAIF co-fineses projects with eligible European financial institutions\(^{iii}\) and with regional Latin American development banks, including the Central American Bank for Economic Integration (CABEI), the CAF Latin American Development Bank, and IDB.

**Eligible Countries**

Argentina, Chile, Colombia, Costa Rica, Mexico, Panama, Peru, Uruguay, Bolivia, Brazil, Cuba, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Paraguay and Venezuela

**Supported Sectors**

- Mitigation,
- adaptation,
- sustainable transport and infrastructure projects

Financing is also available for the private sector, in particular for small-and-medium sized enterprises.

**Funding Criteria**

The Finance Institutions Group\(^iii\) appraises and disburses funding for projects. Projects must support the EU’s overall strategy in the region, foster integration and poverty alleviation, mitigation and adaptation actions with cross-borders effects, increase social economic development, and focus on sectors with low borrowing capacity.

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12 Currency conversion USD/Euro 1:.76 referenced from Oanda.com, May 2, 2013.
2. **The Asian Investment Facility (AIF)**

The AIF was designed to promote climate change-related and “green economy” investments in the Asia region. The budget from 2011-2012 totaled USD 40 million and is delivered in the form of grants, loans, and technical assistance. The facility provides technical assistance and co-financing in public infrastructure projects, loan guarantee cost financing, interest rate subsidies, and risk capital operations. Projects are proposed by eligible financial Institutions to the Finance Institutions Group where they are jointly discussed. The Operational Board composed of European Member States and the European Commission review and approve of the AIF contribution to each operation.

**Eligible Countries**

Priority is given to the least developed countries and other low-income countries in the Asia region.

**Supported Sectors**

- Climate mitigation,
- adaptation,
- energy,
- support to small-to-medium sized enterprises,
- social services,
- and transportation

**Funding Criteria**

Projects will be evaluated based on reduced emissions, social impact indicators and achievement of the Millennium Development Goals.


The GEEREF is a ‘fund of funds’ that leverages public finance to invest in private equity funds. The private equity funds then invest equity in small-to-medium-sized enterprises and projects. The major contributors include the EU, Norway, and Germany. By April 2013, GEEREF had raised USD 145 million and expects to reach a total target of USD 250-300 million.

The EU established a separate Technical Support Facility for technical assistance to help establish and develop investment funds in high-risk markets. The private equity funds are directed at projects requiring up to a minimum of USD 13 million in co-investment.

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13 Eligible countries participating in the CCAP MAIN program include: China, Indonesia, Malaysia, Pakistan, Philippines and Vietnam.
**Eligible Countries**\(^{14}\)

Priority is given to 79 African, Caribbean and Pacific countries. Latin America, Asia and the EU Neighborhood Region are also eligible (except for EU candidate and potential candidate countries).

**Supported Sectors**

- Renewable energy, and
- energy efficiency

**Funding Criteria**

GEEREF evaluates projects based on three main investment objectives: sustainable development impact, climate change impact, and the financial return on a project.\(^{xv}\)

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\(^{14}\) Eligible countries participating in the CCAP MAIN program include: Argentina, Chile, Colombia, Costa Rica, Dominican Republic, Mexico, Panama, Peru, Uruguay, China, Malaysia, Thailand, Pakistan, Philippines, Indonesia, and Vietnam.
France

During the Fast-Start Finance period France committed USD 1.6 billion in climate finance from 2010-2012. To date, all FSF funding has been approved and committed. France announced a new amount of climate finance in total of USD 2.6 billion for 2013, and the same amount for 2014.

French international climate finance flows through two primary channels:

1. **The French Development Agency (AFD)**

   AFD is a public financial institution that invests in poverty reduction programs and projects in developing countries that are targeted at reaching the Millennium Development Goals. AFD is the primary French agency that oversees and implements climate change activities and is the main actor in the implementation of France’s bilateral financial commitments for developing countries for climate change. AFD is administered by the Ministry of Foreign Affairs and the Ministry of Economic Affairs, Finance and Industry.

   In 2012, AFD invested USD 3.2 billion in climate-related activities and announced the goal of committing 50 percent of its annual financial commitment and 30 percent of the annual financial commitment of its subsidiary, Proparco, the private sector financing arm for AFD, for climate-related projects (development projects with climate co-benefits) in developing countries, from 2012-2016.

   AFD Group funds are mainly capitalized from bonds sold on the international capital markets. AFD has a wide range of financial instruments; these are mainly concessional and non-concessional loans but also, depending on the type of investment provide guarantees, equity, grant investments and technical assistance. AFD also mobilizes resources from European and international mandates and places a strong emphasis on co-financing with other national and international financiers.

   **Eligible Countries**

   More than 60 developing countries across Africa, Asia, the Mediterranean Basin, the Middle East, Latin America and the French Overseas Territories are eligible.

   **Supported Sectors**

   AFD supports climate policy and action plans at the national and local authorities’ levels, in addition, to projects in the following sectors:

   - Renewable energy,
   - energy efficiency,
   - fuel switching,
   - urban transportation,

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15 French acronym for Agence Française de développement
16 Eligible countries that participate in the CCAP MAIN program include: Indonesia, Philippines, Thailand, China, Vietnam, Colombia and Dominican Republic.
• forestry,
• agriculture, and
• water

Funding Criteria
The AFD climate operational strategy respects its country leadership principle and prioritizes projects with both climate and development impacts.

2. The French Global Environmental Fund (FFEM)\textsuperscript{17}

The FFEM is one of the major instruments supporting the French policy of cooperation and development regarding international climate change issues. The FFEM is funded by the French Government and serves as an additional source of funding to France’s contribution to the GEF.\textsuperscript{xvi} The FFEM receives an annual budget of USD 26 million, as part of French ODA, directed to approximately 20 projects per year. The fund is replenished every four years and since 1994 a total of USD 455 million has been allocated to the fund each four-year period. Financing is available only in the form of grants and can cover up to 30 percent of a specific project or program.

AFD manages the operations of the FFEM, and the steering committee, which includes the Ministry of Economy, Finance and Industry (committee chair), Ministry of Foreign Affairs, Ministry of Ecology, Sustainable Development and Energy, Ministry of Higher Education and Research, and the Ministry of Agriculture, Food and Forestry, determine the budget for the fund.

Eligible Countries/Organizations\textsuperscript{18}

The beneficiaries of the funds include governments, non-governmental organizations, and private companies. FFEM places a strong emphasis on actions in Africa. Two-thirds of the funds are directed to Africa and the Mediterranean region, while one-third is directed to Asia, Pacific, and Latin America.

Evaluation Criteria
All projects presented to the FFEM must demonstrate the following criteria:

• contribute to the preservation of the global environment,
• contribute to local development,
• be innovative in nature or contribute to disseminating or changing the scale of innovations,
• demonstrate replicability,
• exhibit economic and financial sustainability after the project,
• have ecological and environmental viability,
• have social and cultural acceptability, and

\textsuperscript{17} French acronym for Fonds Français pour l’Environnement Mondial
\textsuperscript{18} Eligible countries that participate in the CCAP MAIN program include: Argentina, Chile, Colombia, Costa Rica, Dominican Republic, Mexico, Panama, Peru, Uruguay, China, Malaysia, Thailand, Pakistan, Philippines, Indonesia, and Vietnam
• have an appropriate institutional framework.

Application Process

Eligible countries can submit the following documents to the FFEM secretariat for funding consideration.\textsuperscript{xxii}

• Project Opportunity Note (PON), which summarizes the project idea,
• Project identification document (PIN), which provides a detailed project description, or
• Project Commitment Note (PCN), a project description with the feasibility study
Germany

Germany pledged USD 1.6 billion as part of its Fast-Start Finance commitment from 2010-2012 for developing countries to scale up mitigation and adaptation activities. To date, all FSF funding has been fully committed and allocated. Germany announced a new replenishment of climate finance in the amount of roughly USD 2.3 billion for 2013.

Germany’s climate finance is disbursed through two unique channels. They are as follows:

1. The International Climate Initiative (ICI)

The ICI was launched by Germany’s Federal Ministry for Environment, Nature Conservation and Nuclear Safety (BMU) in 2008 to finance climate and biodiversity actions in developing countries and newly industrializing countries, as well as in countries in transition. Based on a decision taken by the German parliament (Bundestag), a sum of USD 156 million is available for use by the initiative annually. The Energy and Climate Fund (EKF) launched by the German Government in 2011 is a further source of finance for international climate and biodiversity projects, part of which is deployed through the ICI. That fund is replenished from the auctioning of emission allowances.

Since the ICI was launched until December 2012, BMU has initiated 326 projects with funding totaling some USD 1.06 billion. Additional capital contributed by the agencies implementing the projects and co-funding from other public sources like the European Union and the private-sector bring the total volume disbursed for ICI projects to USD 3.1 billion. Financing is issued in the form of grants, concessional loans, and credit lines, and is also available for technical capacity building initiatives to develop NAMAs.

Eligible Countries

The current selection criteria, which can be downloaded from the ICI website (http://www.bmu-klimaschutzinitiative.de/en/selection_procedure), state key regions. ICI does not prioritize countries. However, in the funding area “mitigation,” countries with a high potential for greenhouse gas reduction, especially newly industrializing countries and middle-income countries, are named. Policy advice projects are preferred in the particularly advanced newly industrializing countries.

Supported Sectors

ICI finances projects and programs that support:

- climate change mitigation,
- adaptation,
- biodiversity, and
- activities that reduce emissions from deforestation and degradation (REDD+)

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19 Currency conversion USD/Euro 1:.77 referenced from Oanda.com, May 12, 2013
Funding Criteria

Project support is prioritized based on the following: initiatives that exhibit a specified level of technological, economic, institutional and methodological innovation; are transparent; able to have an impact beyond the individual project; supports the international climate architecture; are in line with country strategies; transformational; carried out by expert applicant and implementing partners; and support self-financing and third-party financing.

The selection criteria can be downloaded from the ICI website: http://www.bmu-klimaschutzinitiative.de/en/selection_procedure.

Application Process

Projects are selected through a two-stage procedure that takes place once a year. In the first stage countries can submit a short pre-defined project proposal. Next, if the proposal is approved by BMU, countries can then submit a formal request for support with a detailed proposal.

Project Example

As an innovative instrument to mobilize additional (private) capital for climate investments, the Global Climate Partnership Fund (GCPF) was initiated by BMU and KfW in 2009 as a project within the International Climate Initiative (ICI). The GCPF is a structured public-private-partnership fund under private law. It mainly provides refinancing to local financial institutions to promote energy efficiency and renewable energy investments in emerging and developing countries. It also co-invests directly in stand-alone projects and provides technical assistance to help design, set up, and implement sustainable energy lending. The objective of the investments is to achieve greenhouse gas emission reductions of 20 percent compared to the business-as-usual scenario. On the shareholder side, the fund offers different risk tranches for public and private shareholders with public funds holding the highest default risk and thus serving as a risk buffer for the other tranches. Total commitments to the fund at the end of 2012 amounted to more than USD 230 million and the fund’s investment portfolio grew to a total of around USD 150 million.

Detailed information regarding the fund can be found at http://gcpf.lu/home.html.

2. The Germany/UK NAMA Facility

The BMU and the UK Department of Energy and Climate Change (DECC) launched the inaugural NAMA Facility at COP-18 in Doha to further advance the implementation of NAMAs. Together, Germany and the UK committed USD 91 million. This funding will support a range of financial instruments.

The first NAMA to be financed together with IDB, the Clean Technology Fund and the German/UK NAMA Facility is the Mexico Eco-Casa Pilot program. The program started in 2012 and aims to transform Mexico’s new housing market by establishing building energy efficiency standards that generate significant levels of energy savings.
Eligible Countries

The NAMA Facility allows open bids with a transparent set of selection criteria.

Supported Sectors

The UK/Germany NAMA Facility will support investments across a range of sectors that place an entire sector or technology on a low-carbon trajectory.

Funding Criteria

NAMAs must exhibit: national ownership, readiness capability and a specified time frame, financial volume and characteristics of the funding request, and the transformational potential of the NAMA concept.

Application Process

NAMA proposals will be reviewed and approved by a NAMA Facility Board, composed of DECC and BMU. KfW and GIZ serve as a Technical Support Unit to carry out the secretariat functions and management support for the facility. The board plans to release a formal NAMA proposal template in May 2013, when the open bidding process begins.
Nordic Environment Finance Corporation (NEFCO)

NEFCO is an international financial institution that provides carbon and debt financing for climate change mitigation and adaptation projects and manages two investment instruments related to carbon finance. NEFCO is capitalized through bilateral funds from Denmark, Finland, Iceland, Norway, and Sweden and prioritizes projects that reduce greenhouse gas emissions, increase biodiversity, and mitigate toxic substances.\textsuperscript{xviii}

The two primary sources of funding within NEFCO that pertain to climate mitigation initiatives directed at the CCAP MAIN country portfolio include:

1. **NEFCO Carbon Fund (NeCF)**

   The NeCF is a public-private partnership that finances private sector projects through carbon credit purchases. In 2011, the fund had a budget of USD 211.8 million\textsuperscript{20} for renewable energy, energy efficiency and waste projects. Funding is disbursed solely in the form of carbon finance and associated technical assistance.

2. **The Nordic Partnership Initiative (NPI)**

   The NPI was established by NEFCO and the Nordic working group for global climate negotiations (NOAK) to demonstrate how international climate finance can advance the development of NAMAs through technical capacity building support.

   NPI financed two international NAMA Readiness Projects. The first was a waste management project in Peru which was financed through bilateral contributions in the amount of up to USD 2.9 million from Nordic countries and NEFCO. The two-year technical assistance program is being carried forward by NEFCO and the Peruvian Ministry of Environment.

   Additionally, NPI financed a program in Vietnam that is focused on reducing greenhouse gas emissions in the cement sector. The program is financed by a USD 2 million grant from the NDF and contribution from the Vietnamese Government.

**Other Sources of Funding**

The Nordic Climate Facility (NCF) is a USD 24 million partial grant facility that is financed by the Nordic Development Fund and is jointly implemented by NEFCO. The NCF encourages and promotes technological innovation in areas susceptible to climate change, including energy, transport, water and sanitation, health, agriculture, forestry, and natural resource management.\textsuperscript{xix} NCF is active across Sub-Saharan Africa, the Andean region, and the least-developed countries in Asia.

\textsuperscript{20} Currency conversion based on the exchange rate Euro 1: USD 1.3 referenced from Oanda.com, March 28, 2013.
United Kingdom

The UK delivered its full pledge of USD 2.3 billion\textsuperscript{21} of Fast-Start Finance, and has committed to deliver scaled-up international climate finance up to March 2015 through its USD 4.5 billion International Climate Fund for the period April 2011 to March 2015. This fund provides around USD 2.8 billion beyond the Fast-Start Finance period.

UK international climate finance flows through two primary channels:

1. The International Climate Fund (ICF)

The ICF was established by the UK Government in 2011 as a cross-departmental fund aimed at international poverty alleviation through climate change activities in mitigation, adaptation, and reducing deforestation. ICF committed a total of USD 3.4 billion for the period 2011-2015. The ICF contributions are broadly attributed as follows, 50 percent for adaptation, 30 percent for low-carbon development, and 20 percent for forestry.xxx

ICF funding is capitalized by the three following government departments and is channeled through both multilateral funds and bilateral programs.

- Department of Energy and Climate Change (DECC) provided USD 1.5 billion, focused on mitigation,
- Department for International Development (DFID) provided USD 2.7 billion, focused on adaptation, and
- Department for Food, Environment and Rural Affairs (Defra) provided USD 152 million, specifically for REDD+ projects that reduce emissions from deforestation and forest degradation.

Supported Sectors

Potentially transformational projects are prioritized. Projects have been supported in the following sectors: power and energy, transport, agriculture, waste management, and renewables. Supported projects often have sustainable development impacts and co-benefits (for example, building global knowledge, leveraging private sector investments, mainstreaming climate into UK ODA, considering environmental impacts on women and girls, considering and maximizing the benefits of natural resources, and engaging with fragile states in order to contribute to build longer-term global stability).

Funding Criteria

- ICF focuses on countries with favorable environmental policies for mitigating climate change impacts and prioritizes projects that exhibit economic and social welfare development;
- have national ownership and alignment with a developing country’s development strategy;
- have harmonization among donors; and

\textsuperscript{21} Currency conversion based on exchange rate USD 1: GBP .64 referenced from Oanda.com, May 2, 2013.
can demonstrate MRV (including monitoring of reduced/avoided tons of CO₂ equivalent, number of people who have access to low-carbon energy, gigawatts of low-carbon energy supported in the developing country, number of jobs created, volume of leveraged finance, and number of low-carbon plans developed and implemented).

Application Process

Proposals for ICF funding will be prepared for Ministers by the ICF Board which is composed of representatives from the three Departments of ICF, the Treasury and the Foreign and Commonwealth Office.

2. Germany/UK NAMA Facility

The inaugural Germany/UK NAMA Facility was established by DECC and the German Federal Ministry for Environment, Nature Conservation and Nuclear Safety (BMU). The UK committed USD 33 million in financing for the implementation of NAMAs in 2013 and funding will be made available through an open tender process in summer of 2013. See the Germany country section for more details on the NAMA Facility.
Endnotes


vi World Bank Clean Investment Fund Countries as of May 2013.


viii Danish Climate Investment Fund website http://www.ifu.dk/en/Services/The+Danish+Climate+Investment+Fund.

ix Global Climate Partnership Facility (GCPF) website http://gcpf.lu/.


xii Eligible banks include: European Investment Bank (EIB), the Nordic Investment Bank (NIB) and national financing institutions from EU Member States, such as the French Development Agency (AFD), the Spanish Agency for International Development Cooperation (AECID), the German Development Bank (KfW), the Austrian Development Bank (OeEB), the Italian development Finance institution (SIMEST) and the Portuguese Loan Company (SOFID).

xiii FIG is the advisory board chaired by the European Commission in charge of analyzing the projects comprising of representatives of the eligible finance institutions and reporting to the LAIF Operational Board (made up of EC, Member States and other donors), which decides on financing.


xv European Commission. Personal communication. 2 May. 2013.


xxvii UK Government website www.gov.uk.


USAID. http://adaptasiapacific.org.