WORKING PAPER

Financing Nationally Appropriate Mitigation Actions: Insights from CDKN's experience

By Dina Khan

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About this Working Paper

CDKN has been supporting the development of Nationally Appropriate Mitigation Actions (NAMAs) in Indonesia, Kenya and Pakistan as part of wider country programmes that are delivering climate compatible development assistance to governments and partners. It is committed to capturing the lessons learned from this work and to better understanding the challenges and enabling factors in taking NAMAs towards implementation.

This Working Paper summarises lessons from CDKN's experience with NAMA support, taking a deeper look at the role of NAMAs in mobilising finance and reflecting on future financing options for delivering the mechanism. The discussion in this Working Paper has benefitted from interviews with CDKN staff and country advisors, government officials, and CDKN project partners from the Energy Research Council of the Netherlands (ECN), Ecofys and PITCO. It also draws substantively on documented NAMA literature and accounts from international experts.

This Working Paper would not have been possible without the guidance and review provided by colleagues at ECN, who are CDKN's delivery partners in NAMA support projects in Indonesia and Kenya.

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Olkaria II geothermal power plant in Kenya

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Executive summary

The concept of Nationally Appropriate Mitigation Actions (NAMAs) was introduced in 2007 under the United Nations Framework Convention on Climate Change as a mechanism for enabling mitigation action in developing countries, with financial and technical backing from industrialised nations. Since then, the concept has evolved to more complex levels of ambition, and NAMAs have proliferated with participation from developing countries across the world. Currently, there are some 178 NAMAs in the preparatory or implementation stages, and recorded numbers have been steadily rising on databases that track NAMA activity worldwide. At the same time, it has become evident that the current demand for NAMA financing outstrips supply, as most of the existing pipeline of proposals is pending donor support for implementation.

Financial support is a key enabler of the NAMA mechanism, and while the shortage of 'dedicated' funding sources for NAMA implementation is partly responsible for the financing gap, certain barriers to the mobilisation of NAMA funding are also evident on the part of host countries. Drawing on CDKN's experience with NAMA assistance in selected countries, coupled with experts' accounts and globally documented learning on the subject, we observe the following issues that limit the financing potential of NAMAs in practice:

- NAMAs have often had a narrow funding focus, reducing their potential to function as a more general investment prospectus.
- Developing countries and partners require enhanced assistance to plan the financial mechanisms in NAMAs and improve the bankability of projects.
- NAMAs find it difficult to align with the procedures and investment logic of multilateral development banks, and have therefore missed out on this significant financing opportunity.
- NAMAs need to demonstrate sufficient political backing and, coordination at national levels to attract international investment; arranging this in the complex political and economic settings of developing countries can be difficult.
- Mobilising private investment is a key goal of NAMAs and, as such, private sector support and participation are necessary; however, reconciling private sector engagement with government facilitation processes can often be challenging for NAMA developers.

Moving forward, NAMAs need to diversify their sources of financing and connect with the greater opportunities that are surfacing on the climate finance landscape, particularly the Green Climate Fund (GCF). The GCF, for its part, can benefit from linking with the engagements and institutional capacities established by NAMAs, building on the political capital invested by countries. Integration should, therefore, be a priority for both sides. However, the extent to which this can be enabled remains to be seen, as there is currently a lack of clarity on GCF pipelines in host countries.

Donors and international technical support providers can play a key role in bridging the gap between NAMAs and GCF planning at the country level, as these entities are a common factor in both streams of work, and this makes them good entry points for enabling the ambition of integration.

1. Introduction

Global efforts to avoid dangerous climate change have led to developing countries across the world pledging greater support for national mitigation action. This trend is enabled by the availability of mitigation mechanisms and funding modalities at the international level, including Nationally Appropriate Mitigation Actions (NAMAs), a mechanism created for the use of developing countries.

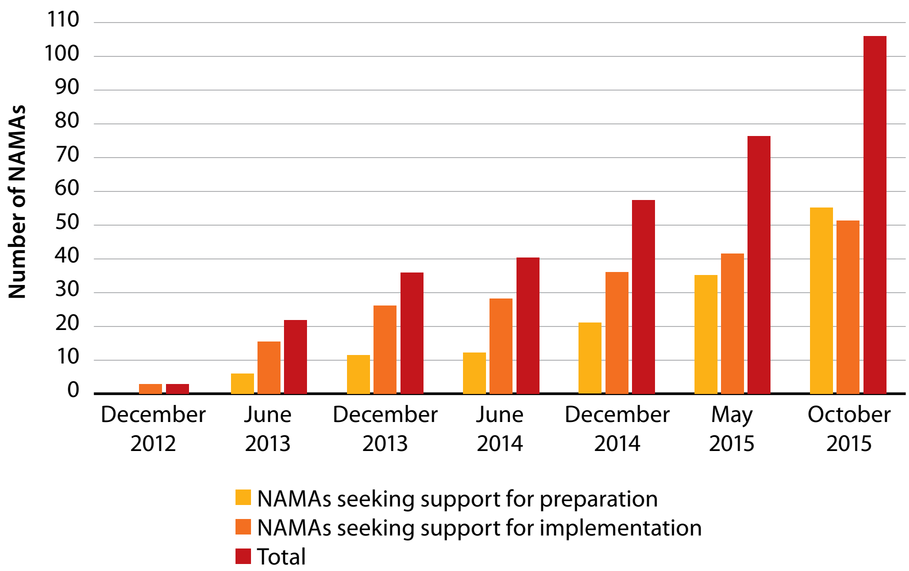
First launched in 2007 at the United Nations Framework Convention on Climate Change's (UNFCCC)'s 13th Conference of the Parties in Bali, Indonesia, the concept of NAMAs has come to denote "any action that reduces emissions in developing countries (relative to 'business as usual' emissions) and is prepared under the umbrella of a national governmental initiative. They can be policies seeking transformational change within a sector, or actions across sectors for a broader national focus". [1] While this broad definition allows for wide-ranging mitigation measures to be positioned as NAMAs, in practice the concept has evolved towards a focus on strategic actions that lead to transformational impact in a sector or an economy. In many cases, the approach highlights the catalytic use of public funds for mobilising private sector investment. These goals are fostered by leading sources of NAMA funding (mainly the NAMA Facility) and several practitioners.[2]

Since 2010, NAMAs have proliferated with the extension of international climate finance and mitigation pledges from developing countries. Currently, there is a global pipeline of 146 NAMAs recorded on the UNFCCC's NAMA Registry. Similarly, the NAMA database,[3] a site managed by Ecofys, counts 178 NAMAs and 31 feasibility studies in 60 countries (as of 1 June 2016).

Most NAMAs constituting the global pipeline are seeking international support for preparation and implementation and are classified as 'Supported NAMAs' by the UNFCCC. Alternatively, there are 'Unilateral NAMAs', which are self-sponsored by the proponent country government and submitted to the Registry for recognition purposes only; these are few and form less than 10% of the recorded NAMAs pipeline.

Support for the technical preparation of NAMAs has mostly been extended by international donors and development agencies, notably the International Climate Initiative Fund of the German Government and organisations such as the United Nations Development Programme (UNDP) and the German Society for

Figure 1. Submission of NAMAs to the UNFCCC NAMA Registry



Source: Gardiner et al. (2015)[4]

International Cooperation (GIZ). The Climate and Development Knowledge Network (CDKN) has also been supporting NAMA preparation in select engagement countries, as part of wider collaboration with partner governments in delivering climate compatible development assistance. CDKN is interested in reviewing the results and lessons emerging from this experience and understanding the challenges and enabling factors in moving NAMAs towards implementation. An important objective is to understand the practical role that NAMAs have played in mobilising climate finance, as well as the future financing outlook, in view of the Green Climate Fund (GCF) and other developments on the climate finance landscape. This should provide guidance on the way forward for NAMA implementation and resourcing, and also contribute in a more general sense to informing the discussion on assistance to developing countries for mitigation finance readiness.

The discussion in this paper is divided into three main sections:

- **Availability of NAMA finance:** an overview of the international landscape of NAMA finance and available funding resources, to set the context for discussing barriers to NAMA financing.
- **Accessing NAMA finance – barriers and enabling conditions:** this section discusses the experiences of developing countries with accessing financial support for NAMAs and some of the barriers and enablers evident in the process, highlighting lessons learned discusses the CDKN-supported interventions.
- **NAMA outlook – interface with the Green Climate Fund:** a closer look at the GCF as a potential source of funding for NAMAs, and some of the factors in their integration.

As well as drawing on documented NAMA literature, the discussion in this paper is based on findings from CDKN-funded NAMA projects in Indonesia, Kenya and Pakistan (see Box 1). It also benefits from interviews with CDKN staff and country advisors, government officials and project partners from the Energy Research Council of the Netherlands (ECN), Ecofys and PITCO.

2. Availability of NAMA finance

From the outset, NAMAs have been divided into two main categories, differentiated by the source of funding.[5] Unilateral (or domestic) NAMAs are sponsored by the host country, while Supported NAMAs seek international backing in the form of financial, capacity-building and/or technological support. The latter type constitutes the bulk of the existing NAMA pipeline, indicating a preference among developing countries for actions that offer leverage for foreign assistance. Supported NAMAs are also presumably easier to sell internally within government, given that mitigation alone is unlikely to be a priority for decision-makers and stakeholders working beyond ministries of climate change.[6]

Likewise, the idea of developing domestically supported NAMAs has not gained traction, as evidenced by their low volume in the globally recorded proposals pipeline.[7] Arguably, countries lack clarity on the added value of applying the NAMA approach to domestic efforts and enabling the mechanism in the absence of international support.[8] However, the announcement of Intended Nationally Determined Contributions (INDCs)

Box 1. CDKN support in Indonesia, Kenya and Pakistan

In common with global experience, countries where CDKN is providing NAMA assistance face challenges in securing external support for pending pipelines of NAMA concepts and proposals. However, it is important to note that the quality and financing readiness of existing NAMAs varies widely, and not all have been actively pitched to donors for assistance.

In Indonesia, where CDKN is supporting development of NAMAs in the energy sector, 13 Supported NAMAs have been made public by the government, of which just one has secured international assistance for implementation. Similarly, in Pakistan, where CDKN is scoping a renewable energy NAMA for small and medium enterprises, the Government has submitted eight concepts to the NAMA Registry, all of which are pending sponsorship. Kenya too has just one NAMA at implementation, while at least four others, including a geothermal NAMA prepared with CDKN's collaboration, are seeking support.

commitments by developing countries could generate greater interest in the role of domestically supported NAMAs, as countries set about demonstrating mitigation efforts that they can achieve on their own.

Of the 149 NAMA concepts and proposals currently submitted to the UNFCCC's NAMA Registry, donors have sponsored just over 12 for full or partial implementation. This ostensibly indicates a funding gap, with demand by far outstripping the available supply of NAMA finance. According to information recorded in the NAMA Registry, the total amount of support sought for NAMAs amounted to US$6.5 bn[9] in November 2014. This contrasts with the 'dedicated' NAMA funding actually made available by international donors, which roughly amounts to US$250 m, taking into account the sums invested by the NAMA Facility[10] – the predominant NAMA financier (see Box 2) – and other main contributors[11] listed on the NAMA Registry.

Box 2. The NAMA Facility

Jointly established in 2013 by the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety and the Department of Energy and Climate Change of the United Kingdom (UK), the NAMA Facility is designed to fund the implementation of highly ambitious and innovative elements of broader NAMAs submitted by developing country governments. The elements supported by the NAMA Facility are called 'NAMA Support Projects', and are expected to have the potential to catalyse transformational change towards low-carbon development. The NAMA Facility has, to date, held three open competitive calls for NAMA Support Project outlines, resulting in 12 projects being approved/pre-approved for implementation support. The funding volume for individual NAMA Support Projects is € 5~20 m.

The mismatch between funding supply and demand is partly attributed to the shortage of 'dedicated' finance for NAMAs. The NAMA mechanism was promulgated on the expectation of sufficient financial backing from developed countries, which arguably did not materialise at the required scale. A NAMA Facility, capitalised with €205 m by donor government,[12] is the only significant source of earmarked support for NAMA planning and implementation. NAMA finance and technology support from other donors, including the Global Environment Facility, the Spanish NAMA Platform, the EU-Africa Infrastructure Trust Fund, the Inter-American Development Bank and bilateral agencies, has been delivered at a more limited scale and focused largely on preparatory activities for NAMAs.

An initial burst of support from donors and practitioners for NAMA preparation helps to explain why proposals have proliferated in a relatively short period, while international negotiations around larger climate finance commitments and structuring have continued at a slower pace, in parallel. The availability and scale of NAMA funding depends on the outcome of global policy dialogue and donor commitments for new and additional climate finance. Particularly critical is the question of how to move beyond the 'fast-start' funding period and reach the target of mobilising US$100 bn per year in climate support. The processes required to resolve these issues stretch over a longer period than the time taken to establish a preliminary pipeline of proposals on the ground with fast-start funding, hence the lag between NAMA development and implementation support.

However, taking a broader view of NAMA finance and looking beyond earmarked support, it can be argued that sufficient funding opportunities exist for NAMAs within traditional sources of development aid and other climate finance channels, provided that projects are effectively designed to tap these resources. Project developers need to expand their scope beyond the NAMA Facility and bilateral funding to multilateral development banks and other development finance institutions as potential sources of NAMA implementation financing.[13] On balance, the collective climate finance investment of multilateral development banks over the previous four years is estimated at over US$100 bn,[14] which is far more substantive than any earmarked resources currently available for delivering NAMAs.

Likewise, new and larger funding streams such as the GCF offer multi-billion dollar resourcing for mitigation and adaptation activity in developing countries. As of June 2016, the GCF had raised the equivalent of US$10.2 bn in pledges from donor governments. Pending NAMA proposals can potentially be funded from the GCF, although a clear interface between NAMAs and GCF access has yet to emerge, and the extent to which NAMA and GCF project pipelines are able to converge at the country level remains to be seen.

To conclude, the availability of adequate financial support will continue to be an essential driver of NAMAs in the period ahead, and enhanced support is needed to deliver the approach beyond incubation stages. At the same time, as options for mitigation financing evolve and expand in future (for example, GCF and INDC-related developments), NAMA developers and proponents will need to be more flexible in their approach to NAMA financing and move beyond a narrow focus on a few available sources of dedicated support.

3. Accessing NAMA finance – barriers and enabling conditions

Financial support is a key enabler of the NAMA mechanism, and while challenges and opportunities exist at the supply end of finance (see Section 2), several factors affecting investment readiness are also evident at the recipients' end of the chain. In this section, we discuss some of the barriers and circumstances influencing host countries' ability to mobilise finance for NAMAs, and possible solutions based on experience.

The findings presented here draw on CDKN's experience with NAMA assistance in selected countries, combined with wider learning on the subject shared by experts.

NAMAs have often had a narrow donor focus, limiting their funding scope

A shortage of dedicated funding sources has resulted in NAMAs being tailored to the requirements of the NAMA Facility, which seeks ambitious proposals that demonstrate the potential to mobilise capital investment from domestic and private sources and deliver transformative impact beyond the grant support offered by the donor. As a result, NAMAs have become bespoke offerings for a specific donor, reducing their potential to function as a more general investment prospectus for wider resource mobilisation.

As mentioned in Section 2, NAMAs can arguably be tailored to tap more diverse sources of development aid and climate finance. The spectrum of options for funding NAMAs is further widened with a shifting financial landscape. This is marked by the operationalisation of the GCF, which expands financing opportunities for Supported NAMAs, and the submission of INDC commitments by national governments, which can potentially enhance the availability of domestic support for mitigation actions.

In view of these opportunities, the challenge for NAMA developers and proponents is to adopt a broader and more flexible approach to NAMA financing and target funding sources beyond the NAMA Facility (see Box 3). As highlighted in the 2015 NAMA Status Report,[15] "…not only do NAMAs need to continue to evolve to look beyond grants toward concessional loans and adhere to the investment logic of banks and private investors, but project developers also need to understand which avenues for finance are available now and how to access them".

Box 3. Learning from NAMA development in Kenya

A CDKN funded geothermal NAMA in Kenya originally resembled a higher-level 'prospectus' or 'suite of options' that served as a basis for discussion with potential partners and donors. This was turned into a firm proposal in response to a definite opportunity (the NAMA Facility). This process could be formalised for future NAMA development, with the prospectus containing a suite of options that are being enacted (domestic element), and which could be enacted (with international support) to achieve the NAMA objectives, with sufficient detail to allow for discussions on modes of implementation (somewhere between a concept note and a full technical proposal). This would allow for a flexible approach, enabling the NAMA components seeking additional support to be packaged appropriately for specific funding opportunities, and an iterative process to occur (e.g. allowing space to adapt for development banks' internal requirements).

Source: Falzon et al. (2014)[16]

Capacities and arrangements to plan financial mechanisms need greater attention in NAMA development processes

Developing countries generally have limited experience with the use of policy tools for triggering low-carbon investment, and this can pose a challenge to identifying and shaping appropriate financial mechanisms for NAMAs. This has been observed in the NAMA proposals submitted for international support to date. As noted by the NAMA Facility,[17] proposals seeking funding often fail to define adequately the financial support mechanisms and business models necessary for demonstrating implementation readiness[18] and the transformational potential of a project. The NAMA Facility further notes that NAMAs which have secured implementation funding characteristically demonstrate robust financial frameworks and the use of market mechanisms for ensuring the commercial viability of proposals.

Part of the problem has been the limited engagement of finance experts in NAMA design and development processes. In many cases, NAMA development has been led by teams comprising technical cooperation agencies and mitigation practitioners, with inadequate provision for finance expertise. As a result, many NAMAs submitted for funding have been produced with incomplete or weak financial frameworks and, in several cases, they have deferred the full design of financing mechanisms to later stages of project development. To overcome this problem, and ensure that financial structures are appropriately detailed in proposals, technical teams involved in NAMA development (and the donors funding them) should seek the early involvement of finance agencies in NAMA design. Ideally, a local financial institution should be attached to the project to ensure a good fit with local context and links with the relevant finance stakeholders active in the domestic field. This may also help to overcome the challenge of finding a capable delivery organisation to implement the financial component of a project during the delivery phase, which could be a key donor requirement.[19]

Enhancing capacities for the design and delivery of investment triggering financial concepts and frameworks is generally where mitigation-readiness support activities need to focus in future. This approach is likely to prove important in improving the bankability and sustainability of projects, whether in the context of NAMAs, GCF projects or the delivery of INDCs. It should involve increased technical assistance and training to developing country governments and organisations, explicitly around planning the financial components of proposals, and more generally around understanding the use of public budgets and instruments in mobilising domestic and private investment for climate-positive action. It is also important to tailor such guidance to contextual settings, as the operational space available for financial intervention varies across countries and sectors. Innovative or complex mechanisms will not be appropriate in many contexts, and the level of ambition should be adjusted accordingly in project design for feasibility purposes. This is something that funding agencies also need to understand when designing their financing criteria for wide-ranging countries and settings.

It can be difficult to align NAMAs with the procedures and investment logic of multilateral development banks

NAMAs have had limited success in gaining financial support from multilateral development banks. This can be attributed in large part to a misalignment with multilateral development banks' priorities and ways of working.

Financing from multilateral development banks generally flows from country-partnership agreements that are crafted with developing country partners and aligned to their national interests. As such, requests to develop or finance NAMAs need to be communicated directly by partnering governments for multilateral development banks to take up in their investment plans. Reportedly, such requests have not been common.[20] This could be partly due to the fact that multilateral development banks' cooperation is normally steered by ministries of finance, and line ministries involved in NAMAs have more limited engagement with the process. Multilateral development banks' support for NAMAs could potentially be ratcheted up if line ministries and partners were to engage more effectively and earlier with ministries of finance on NAMA plans, and promote their inclusion in MDB portfolios.[21]

Moreover, the processes and structures of multilateral development banks are not readily adaptable to new concepts such as NAMAs. As a case in point, multilateral development banks investing in Kenya's energy sector were invited to participate in a NAMA prepared by the Government of Kenya and partners to accelerate the expansion of geothermal power in the country.[22] Several multilateral development banks are already active in Kenya's geothermal power sector, and with their robust processes and experience were thought to make ideal partners for managing and financing the internationally supported component of the NAMA. However, the funding structures of these banks were found to be not wholly compatible with the NAMAs seeking support, even if the banks were interested in supporting the NAMA component seeking international assistance. Therefore, the NAMA seeking international support missed out on that opportunity.

This is not to say that NAMAs should give up on multilateral development banks as a potential source of implementation support; as explained in Section 2, international development banks are a significant source of mitigation finance that NAMAs need to target more actively. But when doing so, it is important to bear in mind that multilateral development banks are finance institutions at the end of the day, with their own set of procedures, priorities and commercial interests, and to attract their investment NAMAs will need to develop in ways that adhere to their investment criteria.

Ensuring sufficient domestic buy-in and coordination for NAMAs is difficult

As government-led actions, NAMAs need to demonstrate sufficient backing from national authorities to attract international support. Donors are interested in projects that signal strong political commitment, beyond mere endorsements from government. This could be in the form of co-financing arrangements from domestic sources, or a willingness to effect regulatory reforms and other policy changes.[23]

Ensuring such commitment requires active engagement with the breadth of institutions involved in NAMA-related decision-making. The multiplicity and interplay of actors (sometimes involving competing ministries), in very complex political and economic settings, makes stakeholder engagement one of the biggest challenges to the success of NAMAs.

Key public sector institutions that are generally relevant to the NAMA process include the line ministry responsible for the project's target sector, the focal ministry administering the NAMA mechanism at the national level (usually the ministry of environment or climate change, sometimes the ministry of planning), the finance ministry which oversees public finance systems and foreign funding flows, other agencies such as national banks and state-owned companies, as well as relevant subnational authorities.

NAMAs are usually initiated in consultation with a lead ministry, with wider stakeholder engagement pursued gradually (sometimes in ad hoc ways), along different stages of proposal preparation. However, experts increasingly emphasise the importance of identifying and engaging key actors from the outset of NAMA development, so as to ensure a higher level of ownership and support. One recommendation is to establish practical coordination mechanisms at the beginning of the project, in the form of a NAMA steering committee, with representatives from relevant institutions and chaired by a focal ministry (ideally one with sufficient clout and coordination capacity), or a series of multi-stakeholder consultative exercises organised across the process.

For NAMA initiators, it is advisable to understand the internal dynamics between ministries before embarking on project preparation, in order to gain a good sense of potential risks and issues in getting cooperation under way. For this purpose, conducting an analysis of the political economy within the sector, and the dynamics between government stakeholders, is highly recommended at the start of the project.[24]

Finally, different agencies will need to understand how the NAMA can serve their respective interests if they are to invest time and effort in the process. The concept of climate change mitigation ceases to be a significant driver beyond climate change and environment ministries, and an intervention will need to be communicated in terms of more direct benefits to a target sector or agency (see Box 4). For example, the NAMA may help the sector to achieve an already defined goal, or increase capacity for developing a

Box 4. Indonesia: framing mitigation as a co-benefit

Indonesia faces distinct long-term challenges to its energy system. These include an expected 7–8% annual growth in energy demand in the coming years, and high dependence on imported oil in the current energy mix, which leaves the country vulnerable to international oil prices and increasing subsidy costs.

These challenges are driving the Government of Indonesia's interest in renewable energy and energy-efficiency interventions. The share of renewable energy needs to triple or quadruple; this means that the capacity of renewable energy will need to grow massively over the coming decade – a huge challenge.

Placing these two primary drivers of renewables – energy diversification and sector growth – at the centre of the Indonesian NAMA is key to winning the broad support of the associated ministries and agencies. In this framing, mitigation is an important, but secondary, co-benefit of existing strategies.

Source: van Tilburg and Röser (2014)[25]

mandated policy, or it may provide leverage for foreign investment and technology support. If the project does not provide the government with a clear gain, it is unlikely that officials will find the time to become actively involved in the project and provide political backing.

Reconciling private sector engagement with government facilitation can be challenging for NAMA developers

While the importance of private sector engagement is recognised in NAMAs, there is a general challenge for developing countries to work cooperatively with the private sector through government-driven processes. Practical experience is limited in this regard, and entry points for private sector involvement in policy-oriented interventions such as NAMAs remain unclear.[26]

As with the finance sector, early and well designed engagement with other relevant stakeholders from the private sector is recommended in NAMA design, for the purposes of understanding potential roles and needs, and acquiring specific information about the opportunities and incentives for the private sector to invest in a project. A pre-NAMA analysis, based on open dialogue and intensive consultation with appropriate private sector entities, could be a useful starting point to such engagement. Such interaction can also serve to communicate the NAMA approach to relevant private entities and build their interest in further participation (see Box 5).

Box 5. Private sector engagement in Pakistan

Sialkot, a small city in Pakistan's prosperous Punjab province, has emerged as a national growth engine. A self-organised community of industries in Sialkot exports up to US$1.6 bn per year, mostly in the form of sports and surgical goods. However, industrial productivity is severely affected by the national energy crisis. Some 11,000 small and medium industries in Sialkot are reportedly operating at 60% of total capacity.

An assessment funded by CDKN looked into the feasibility of using the NAMA approach to support renewable energy solutions for Sialkot's industry. Being entrepreneurial and export-oriented were two criteria for the choice of Sialkot.

Buy-in and active support from the Sialkot Chamber of Commerce and Industry led to a better than expected response from industrial stakeholders. During the summer of 2015, more than 100 Sialkot industrialists participated in workshops analysing their energy demands, the distribution among different company sizes and the renewable energy options available, along with associated costs, saving potential and emission reductions, as well as barriers based on the participants' experience of introducing new technology in the city. A high level of participation from private sector entities was attributed to the involvement of a local champion, who was connected into conversations with industry and helped to raise awareness.

As the NAMA development gets under way following the assessment, project developers will be testing solutions that can help to bridge the entrepreneurial spirit of Sialkot's private sector with the public sector.

Source: Osornio and Abidi-Habib (2015)[27]

NAMAs take time for governments and partners to prepare (usually over a year, in CDKN's experience), and even longer to market to potential financiers. A lesson from CDKN's experience has been the importance of recognising time frames and managing expectations during stakeholder processes, especially when coordinating between the heightened state of readiness of industry and their fast response times, and the slower processes of government facilitation. For this purpose, arranging frequent dialogue between government and private sector stakeholders throughout the NAMA development process is recommended, to enable better communication and management of expectations.

4. NAMAs outlook – interface with the Green Climate Fund

The GCF is set to become a central modality in mobilising and channelling large-scale international climate finance (from public sources) towards mitigation and adaptation action in developing countries. With an opening capitalisation of US$10.2 bn, and larger volumes expected in the future, the GCF is well on its way to becoming the largest source of earmarked climate finance. Linking to GCF support is going to be critical to NAMA financing in the coming years.

Although the GCF's investment criteria do not directly reference NAMAs, there are commonalities between the two modalities that make for high compatibility:

- The existing body of NAMA proposals provides a convenient investment pipeline for the GCF, which needs to programme multi-billion dollar funds swiftly into developing country activities.
- The idea of transformational NAMAs gels with the 'paradigm shift' selection criteria of the GCF; in fact, the GCF's selection criteria are informed by early lessons from the NAMA Facility.[28]
- The knowledge and experience built around the role and engagement of finance institutions in NAMAs can provide useful learning and orientation to finance institutions that are accredited to the GCF and preparing to access climate finance.
- NAMAs and the GCF both champion a country-led and bottom-up planning approach.

From the standpoint of NAMAs, as well as having larger volumes of funds available, the GCF offers the added advantage of more flexible access to resources through the 'direct access' modality. NAMA proponents have the option of pitching proposals through various public and private agencies that are accredited to the GCF, instead of relying on the facilitation capacity of a single national authority.

While there is sufficient justification for promoting the active integration of NAMA proposals with GCF funds, the extent to which this can be practically enabled remains unclear, as there is a lack of clarity concerning GCF pipelines in host countries. From discussion with CDKN partners and NAMA practitioners, it appears that several country governments have talked about the possibility of packaging NAMAs for GCF submission, but few have started taking practical steps towards this.

Although the GCF is still in its early stages, certain existing arrangements and conditions can be expected to pose a barrier to the integration of GCF and NAMA project pipelines at the country level. For instance, NAMAs and the GCF are administered by different focal points in many countries, with their respective interests and agendas. In Kenya, for example, NAMAs are owned by the Ministry of Environment and supported by the Ministry of Energy, while the National Designated Authority for the GCF is the Treasury (see Box 6). Similarly, in Indonesia, the Ministry of National Planning has remained the national lead on NAMAs and the Ministry of Finance has been appointed as the National Designated Authority to the GCF. The range of decision-makers is further broadened and diversified with the involvement of National Implementing Entities to the GCF, which come with their own unique context and set of interests.

It is also possible that some governments are focusing their efforts on procuring the GCF's support for adaptation projects, at least in initial funding cycles, as this is generally a greater priority for developing countries. Host governments and project developers will generally be selective in their choice of

Box 6. National Designated Authorities

What is a National Designated Authority or focal point? A National Designated Authority or focal point is the core interface between a country and the GCF. It seeks to ensure that activities supported by the GCF align with strategic national objectives and priorities, and help advance ambitious action on adaptation and mitigation in line with national needs. National Designated Authorities and focal points have the same powers, roles and responsibilities. Several countries have opted to appoint a focal points as an interim arrangement while they establish a National Designated Authority.

What is the difference between a National Designated Authority or focal point and a National Implementing Entity? A National Designated Authority or focal point is the nationally appointed entity with strategic oversight of GCF-related activities in a country. This includes oversight of readiness, accreditation and project/programme-related activities. A National Implementing Entity is nominated by a National Designated Authority or focal point to directly manage projects supported by the GCF. Typically they will not be the same institution. National Implementing Entities must be accredited to undertake project or programme management functions, by demonstrating adherence with the fiduciary standards and environment and social safeguard standards of the GCF. More than one entity may be nominated and accredited to operate in a country.

Source: GCF[29]

intervention, as preparing a fully developed GCF proposal entails substantive upfront investment. This could mean mitigation projects taking a back seat as governments put their energies into building adaptation project pipelines, and although the GCF's mitigation and adaptation profiles should eventually balance out, NAMA activities may lose some of their momentum in the meantime.

Despite these challenges, the case for integrating NAMA pipelines with GCF funding remains strong. It is recommended that GCF readiness activities incorporate the need to make National Designated Authorities and National Implementing Entities aware of existing NAMA pipelines and the opportunity they present to attract GCF investment. This should be particularly highlighted in the strategic frameworks that national governments are designing to engage with the GCF, which include the preparation of country programmes.

5. Conclusion

It is fair to say that the global experience of piloting the NAMA mechanism has been enriching in terms of introducing innovative thinking about the shape of climate finance and investment, as well as the strategic use of public resources and policy instruments in delivering mitigation goals. The NAMA concept has managed to gain a visible toehold and generated substantive interest and participation from developing countries around the world, while evolving towards the more complex and challenging ambition of 'transformational' change.

However, to keep the momentum going, NAMAs need to diversify their sources of finance and connect with greater opportunities that are surfacing, particularly with the GCF. The GCF, for its part, can benefit from plugging into the engagements and institutional capacities established by NAMAs, and building on the political capital invested by countries. Integration should, therefore, be a priority for both sides, and attention should be paid to enabling this successfully.

Donors and international technical-support providers can play a key role in bridging the distance between NAMAs and GCF planning at the country level, as these entities are a common factor in both streams of work. GCF readiness support and project preparation assistance is shaped largely by the same international organisations (for example, CDKN, GIZ and UNDP) that are involved in the development of NAMAs, and this makes them a very good entry point.

Further reading

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5. A third concept – Credited NAMAs, financed through carbon credits – has also been proposed, but remains notional.
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7. Unilateral NAMAs form less than 10% of the proposals recorded in the NAMA Registry.
8. Cameron and Harms (2015) Op. cit.
9. Figure taken from: OECC (2015) *NAMA guidebook, third edition. Manual for practitioners working with mitigation actions*. Tokyo: Overseas Environmental Cooperation Center. (www.oecc.or.jp/pdf/NAMA+Guidebook_Third+Edition.pdf).
10. The NAMA Facility has committed €205 million to NAMA support projects, selected through three funding calls; a fourth call is being prepared in 2016.
11. The NAMA Registry lists NAMA finance and technology support from the Global Environment Facility, the NAMA Facility, UNDP, the Inter-American Development Bank, the Spanish NAMA Platform and the governments of Austria and Japan. The total assistance recorded on the NAMA Registry amounts to US$25.7 m, although the actual assistance is likely to be higher, as information available on the NAMA Registry is not complete. See: van Tilburg, X., Cameron, L., Harms, N., Esser, L. and Afanador, A. (2015) *Status report on Nationally Appropriate Mitigation Actions (NAMAs): Mid-year update 2015*. Cologne/Amsterdam/Berlin: Mitigation Momentum. (www.mitigationmomentum.org/downloads/NAMA-Status-Report-June-2015.pdf).
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