“How can Nationally Determined Contributions (NDCs) benefit from the Climate Finance experience of Nationally Appropriate Mitigation Actions (NAMAs)?”

Summary of Roundtable Dinner

11 November 2016, Marrakech

Background

Coinciding with the launch of the 2016 NAMA Annual Status Report[1], Ecofys and ECN organised a Roundtable dinner on 11 November 2016 at the margins of COP22 in Marrakech. The objective of the dinner was to help foster a common understanding on opportunities as well as challenges with regards to NAMA financing amongst financiers, country representatives and NAMA developers, and to derive lessons learnt for broader NDC implementation in developing countries.

Five keynote inputs were given by representatives of the African Development Bank (AfDB), the European Bank for Reconstruction and Development (EBRD), the Green Climate Fund (GCF), the World Bank, and the International Finance Corporation (IFC).[2]

The roughly 50 participants of the dinner included further representatives of financial institutions and funders (e.g. GEF, IDB, NAMA Facility and ING Bank), national governments (e.g. Chile, Georgia, Germany, Ethiopia, and Indonesia), supra- and intergovernmental institutions (e.g. European Commission, UNEP), foundations (e.g. Climate Works Foundation, UN Foundation), and consultants (e.g. CCAP, Perspectives, WRI).

Keynotes

The keynote speakers highlighted **opportunities** related to NAMAs that can **support the implementation of NDCs** before 2020 and beyond. Amongst these are their **built-in country ownership**, their **facilitating role** in bringing relevant stakeholders together, their role as **sectoral climate change mitigation instruments**, and **capacity building** activities carried out throughout the NAMA development process.

However, they also pointed to **challenges** that need to be addressed to unlock the mitigation and development potential of NAMAs – to date, less than 10% of NAMAs that have been or are being developed have managed to secure international funding for implementation. Above all, NAMAs should be made an **integral part of NDCs and country plans**, and governments should clearly explain to financiers how NAMAs **fit into their asset classes**. The **right messaging and alignment of language** was considered important in this regard as governments and financiers, especially private investors, currently don’t speak the ‘same language’. The many acronyms used

[1] http://mitigationmomentum.org/downloads/Mitigation-Momentum-Status-Report-NOV2016.pdf

[2] The Annual Status Report 2016 captures the experience and recommendations of AfDB, EBRD, IDB and GCF related to NAMA financing in separate sub-chapters.

in the international climate process are usually not known by people outside the climate world and need to be translated. Using language such as “unlocking investment opportunities” instead of “financing NAMAs” could be more appealing to financiers and can help create a whole new asset class.

In light of limited public resources and the need to massively scale up low-carbon investments, the general **importance of private sector investments** was stressed. Many NAMAs have been born out of capacity building projects with no clear outlook on funding, which needs to be changed. Further efforts to incentivise the private sector to collaborate with the public sector in developing countries are necessary, and this should already be considered in the selection and development process of NAMAs. **Public climate finance should be used to de-risk** and thus **leverage underlying investments** in a targeted way, taking into account the respective country’s investment climate such as available domestic funds and national regulations. It was also noted that the **NDC submissions** under the global and legally binding Paris Agreement **have created a momentum** that has led to growing interest for climate action from the private sector and should now be built upon.

Furthermore, countries should **identify reliable partners** early on that can be trusted with the implementation of climate action and help countries present funding proposals to financiers. Lastly, the existence of **Measuring, Reporting and Verification (MRV) systems** that allow the tracking and reporting of achieved mitigation and development results was considered an important funding criteria.

With a view to future financing sources for climate change mitigation action, it was not deemed sufficient if international financial institutions set themselves targets to spend a certain amount of their investments on climate action (usually between 25-40%). Additionally, it would be necessary to **ensure that the remainder of investments (>50%), which is not labelled as climate action spending, is also climate compatible.**

Discussion

In the group discussions that followed, participants re-iterated the **challenge of ‘different languages’**. For example, countries and NAMA developers usually understand the term “country ownership” in the sense that a mitigation action is driven by a government institution, whereas international financial institutions look at the elements included in mutually agreed country plans and strategies. It was further considered a **challenge that the UNFCCC climate negotiations keep producing new terms** (e.g. MRV vs. transparency; LEDS vs. NDCs etc.) and that there is a certain propensity of the international climate community to rush to the newest fashion. This is particularly challenging for developing countries who often don’t have sufficient capacities to adapt existing funding proposals for climate action to the newest terms, templates, instruments, and funds.

Further challenges that should be addressed and considered in the NDC implementation process relate to the **development process of NAMAs**: sometimes, the development takes place in silos, i.e. without including all relevant ministries or the private sector. Constant engagement with all relevant stakeholders, including potential international financiers, should be sought throughout the development process. The need for **‘transformational change’**, i.e. the shifting of investment flows in specific sectors towards a low-carbon pathway through **larger programmes**

as opposed to smaller projects, was also mentioned several times. However, it was also discussed **whether some funder requirements are too stringent** and if 'transformational change' can really be achieved in some, e.g. least developed, countries within the limited timeframe of a project.

In terms of **opportunities**, the fact that **NAMAs combine climate change mitigation and sustainable development** and spell out specific targets in both areas, was seen as a major advantage. NAMAs provide crucial building blocks for broader NDC implementation because they create **enabling framework conditions** for low-carbon investments, and in terms of **MRV**. As NAMAs should be measurable, reportable and verifiable by definition, many efforts have already been undertaken to create MRV systems for NAMAs and to install respective local capacities in developing countries. This is particularly important as transparency and communication of results foster trust, which in turn is central in the finance world.

Conclusion

It was concluded that **NAMAs will play a role beyond 2020**: while the label "NAMA" is not of primary importance and may change over time, these mitigation actions provide **important building blocks for the NDC implementation process**, such as the linkage to sustainable development priorities, enabling framework conditions for low-carbon investments, and transparency. The fact that some countries are using the term NAMA for actions even where they don't seem to be seeking international support shows that the concept itself is a useful framework for developing and presenting mitigation actions.

It was also argued that **NAMAs *should* continue to play a role**, as with almost 200 NAMAs currently under development, **a lot of political and financial capital has been invested** in developing countries. Discontinuing support for the development and implementation of climate change mitigation actions already underway may lead to a loss of credibility of the international climate process and hamper future attempts to implement climate action in these countries.

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