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NAMA Development and Stakeholder Engagement

Discussion paper

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Abstract

The concept of Nationally Appropriate Mitigation Actions (NAMAs) concept is in its early stages and has not shown its full potential. It is still being tested in practice and at the same time finding its way as an element of the international climate regime. In this paper we have used the theme of stakeholder engagement to reflect on current issues in NAMA development that warrant further discussion in their own right: the need for broader uptake of the concept, the availability of financial support, the search for transformational impact, and the political nature of low-carbon development.

NAMAs require intensive stakeholder engagement to ensure ownership and buy-in. The process of developing a NAMA is in essence not very different from that required to design and implement traditional development assistance programmes, and in general, stakeholder engagement approaches that have worked well in the broader environment and development fields are likely to work well for NAMAs too. However, NAMAs do have some characteristic features that have implications for stakeholder engagement, and we explore some of these in this paper.

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1. NAMAs and stakeholder engagement

This first section serves as a short introduction to NAMAs, it describes what we mean by stakeholders, and it outlines why they are relevant to the development of NAMAs.

1.1 NAMAs are hard to define

The December 2015 NAMA Status Report (Gardiner *et al*., 2015) shows 165 NAMAs are being developed, and to a smaller extent implemented, across 44 countries. This is only the tip of the iceberg if we look at the total number of government-led initiatives aimed at mitigation of greenhouse gas emissions: for example, in the energy sector alone 145 countries have policies in place to promote renewable energy ranging from feed-in tariffs and net metering for electricity to mandatory biofuels blending and direct subsidies to support technology innovation (REN21, 2015). Similarly, in 2015 public finance for renewable energy and energy efficiency totalled at least 49 bln USD and 26 bln USD respectively (CPI, 2015). So why don't we consider all nationally led mitigation efforts to be NAMAs?

What are NAMAs?

To explain why not all of these actions are called NAMAs, it helps to look at the origin of the concept, the international climate negotiations under the UNFCCC. The NAMA concept originated in the 2007 Bali Action Plan, which calls for long-term cooperative action on mitigation through, inter alia:

> "nationally appropriate mitigation actions by developing country Parties in the context of sustainable development, supported and enabled by technology, financing and capacity-building, in a measurable, reportable and verifiable manner" (1/CP.13:1.b.ii)

Using the 'NAMA' label for (supporting) mitigation actions is directly linked to the international climate negotiations. We observe that so far there has been reluctance by governments to call *all* their (support for) mitigation action as NAMAs, but this might change once the Paris Agreement comes into force, and the role of NAMAs in the transition from ambition to action becomes more clear.

NAMAs continue to be defined broadly and it is this flexibility that has initiated so much activity and discussion within countries and between practitioners and potential funders, because a wide range of actions can be positioned as NAMAs (van Tilburg *et al.*, 2014). Outside the UNFCCC negotiations, Sharma and Desgain (2013) describe NAMAs as "any mitigation action tailored to the national context, characteristics, and capabilities, and embedded in national sustainable development priorities". In the rest of this discussion paper we will focus on those mitigation actions that have been developed and presented explicitly as NAMA.

What makes a good NAMA?

The question 'what makes a good NAMA' is not easily answered in general terms, because the design critically depends on the national context, and the sample of successful NAMAs being implemented is still (very) limited. That said, early experience shows that good NAMAs are government actions embedded in existing policies and based on sound analysis. They also have secured political ownership, typically through a process of stakeholder engagement. Good NAMAs are ambitious (increasingly they need to be 'transformational' – a requirement we discuss later) and fit in a comprehensive, long-term national or sectoral strategy or vision, and they target multiple mitigation and development benefits. They have a pragmatic but robust system for measurement, reporting and verification (MRV), clearly identified financing needs, and typically maximise the mobilisation of private finance with limited public finance means. Although NAMAs allow for project scale actions, national scale strategy or policy NAMAs have a greater potential to guide significant deviation from business as usual and put a country on a low-carbon pathway (Van Tilburg and Röser, 2014).

What is the future of NAMAs?

We expect that NAMAs are well suited to playing a central role as countries move forward from their commitments on climate ambition (i.e. intended nationally determined contributions or INDCs) to real, measurable action on greenhouse gas mitigation (see for example Cameron *et al*., 2015). We therefore have an opportunity to take stock, reflect on the NAMA experience so far, and consider the best approaches to NAMA development in the future. This paper provides some initial thoughts on what we have learned about stakeholder engagement.

The remainder of section 1 briefly discusses the importance of stakeholders in the development of NAMAs, and outlines what sorts of actors are typically relevant.

1.2 Stakeholders know best

Simply put, a stakeholder is a person or organisation with an interest or concern in something related to the project under development, in this case the NAMA. Ownership and buy-in from all 'relevant' stakeholders is considered important to make a convincing and realistic NAMA proposal and essential for successful implementation.

Why involve stakeholders?

There is an abundance of information and guidance on stakeholder engagement in general, and on involving stakeholders in the development of low-emission development strategies and green growth in particular, much of which is relevant to the development of NAMAs[1]. Designing NAMAs involves decisions on trade-offs between costs and benefits, on the level of ambition and resources needed, on the approach taken to address barriers, and on details regarding the design of the technical and financial components. Stakeholders can help deepen understanding of the economic and technical aspects of the mitigation action, the context in terms of

[1] This section draws on the excellent short overview of good practices on stakeholder engagement in green growth processes by Kelly and Raubenheimer (2014), much of which is applicable to the development of individual mitigation actions.

governance (i.e. decision making processes by the public administration) and institutions (i.e. formal and informal rules of the game), and the different interests, perspectives, and powerful actors that will need to be taken into account when designing coordinated action.

It is commonly understood that stakeholders need to be engaged to establish ownership and buy-in, and this is likely to be especially true where the objective is to achieve real and lasting change in a sector, that goes substantially beyond what the country was planning to do anyway. Effecting such change is likely to require serious commitment and support from key actors, and securing this will need a credible process that establishes a foundation of shared understanding and assumptions, brings out different perceptions and positions (including possible points for contestation), and an agreement on the design and delivery arrangements of the NAMA.

Which stakeholders?

Typically, the stakeholders in the NAMA development process fall in one of four broad categories (UNDP, 2012; IRENA, 2014); and include those who will be actually implementing the action, e.g. building the infrastructure or providing the services:

- **Public sector** stakeholders include ministries directly responsible for the implementation of the NAMA (including planning and treasury), line ministries responsible for the target sector, government agencies and (infrastructure) authorities, and subnational governing bodies. Depending on the country context this includes state-owned companies, public banks, and/or investment promotion agencies.
- **Private sector** stakeholders include industry associations and chambers of commerce, specific industrial companies and businesses, and private banks.
- **Civil society** stakeholders include NGOs, representatives of specific constituencies (affected or beneficiary), and political parties; universities and research institutes, training organisations, think tanks, and technical experts may be included here as well.
- **Supporting entities** include domestic and international development banks, climate finance institutions, development cooperation agencies, and embassies.

Having established that NAMAs are hard to define (due to deliberate flexibility), but have an important role to play as countries move from ambition to action; and having briefly touched on the importance of stakeholders and who they might be, the paper now turns to some of the aspects of NAMAs that have implications for how we think about stakeholder engagement in the NAMA context.

The next three sections present insights from interviews with international practitioners; reflections on early initiatives to finance NAMA implementation and how that affects stakeholders' attitudes towards NAMAs; and a call for explicit attention to politics in NAMA development. In the final section we present some overarching issues that affect stakeholder engagement in NAMA development, and which could benefit from further discussion and dialogue.

2. On the ground: practitioners' perspectives

NAMAs require intensive stakeholder engagement to ensure ownership and buy-in. The process of developing a NAMA is in essence not very different from that required to develop programmes in the traditional development assistance field, and in general, stakeholder engagement approaches that have worked well in the broader environment and development fields are likely to work well for NAMAs too. However, NAMAs do have some characteristic features that have implications for stakeholder engagement, and that we feel warrant exploration. This section gives an overview of experiences from international practitioners in NAMA development, gathered in interviews undertaken for this paper, and highlights some key issues that are relevant to stakeholder engagement in NAMAs.

2.1 Getting started: the value depends on the perspective

Mitigation is at the heart of any NAMA: they are designed to achieve reductions in greenhouse gas emissions. While this objective may align reasonably well with the objectives of a developing country's focal ministry for climate change, it is unlikely to be a priority for the line ministry responsible for the NAMA's target sector and the broader range of stakeholders from that sector. Thus it is essential to understand how the NAMA can help those stakeholders achieve their own objectives, and to identify and communicate the benefits that are relevant to them, and that will motivate them to support the NAMA. What an international funder or national environment ministry may see as 'co-benefits' of the NAMA may be the main reason for other stakeholders to support it, and to them, emission reduction can become a 'nice-to-have' additional benefit. Examples of the kind of co-benefits that might motivate local support include cost savings, increased energy security, improved competitiveness, job creation, or local pollution reduction.

It may not even be necessary to present an intervention as a 'NAMA' to certain stakeholders for whom the NAMA concept may mean little (to avoid creating unnecessary confusion). An intervention can be presented as an opportunity to transform a sector, or introduce a new technology, with the support of the domestic government and possibly supported by international development finance. Details such as the requirements of the NAMA Facility[2] application form can be reserved for those in the focal point ministry or others closely involved in the development of the NAMA.

Another reason to focus on the co-benefits is that it may be harder to secure a supporting 'champion' from outside the climate ministry (which could greatly help to give the development momentum from inside the government, especially during the critical initial stages) if mitigation is presented as the main benefit, or if the intervention remains in the abstract realm of

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[2] See http://www.nama-facility.org/conceptandapproach/selectioncriteria.html

international negotiations and climate finance. If the direct benefits to the host country are positioned at the front and centre of the NAMA, officials are more likely to throw their political capital behind it. An initiative focussed on mitigation is unlikely to be seen as a route to higher office, however successful it is.

2.2 On the same page: roles and responsibilities

The national government is typically the most important stakeholder in a NAMA development project because they ‘own’ the outcome, and because their support is crucial for funding and implementation. The sectoral focus of many NAMAs means that in addition to the focal point ministry for climate change (often the Ministry of Environment), the line ministry for the sector on which the NAMA will focus (for example the Ministry of Transport) will ultimately have to drive the NAMA. This can cause considerable additional complexity. These ministries may not be used to working together, they will likely have different priorities (including different views about the importance of mitigation as an outcome, as discussed above), and there may be a degree of competition over the ownership of specific initiatives such as the NAMA under consideration.

These challenges can cascade down from the government to the broader set of stakeholders who should be engaged during the NAMA development process. There may be sector-focussed agencies who are important stakeholders in the development (and ultimately delivery) of a NAMA, but who are accountable to their sector’s line ministry. If the line ministry is not sufficiently supportive (due to the issues described above) then it may be hard to engage properly with the agencies who are subordinate to them.

It is important that the government has a prominent and visible role in the NAMA development process, and they will need to undertake certain activities such as providing input to project documents, making design decisions, issuing invitations to other key stakeholders to attend workshops, and then attending and ideally chairing those events. Most developing countries have significant resource challenges in their climate change ministry and this can make it difficult for them to play the role they wish to play in full, without causing delays to the process. There are countries where just one person is responsible for all NAMA development in the country, which clearly limits the amount of time they can spend on any single NAMA development initiative.

Where they are involved, international experts usually have by far the most available resource and time in NAMA development projects, but ultimately they are providing assistance to a process that should be government led (or at least government driven). Developing a strong working relationship with the lead government body is crucial to achieving a workable split of responsibilities, and if sufficient trust is established between the international partner and the government, the government may entrust tasks to the international partner that it would prefer to lead itself, but recognises that it is more efficient to delegate or share.

A practitioner leading and facilitating a NAMA development project in a country will be reliant on the lead ministry to help them with stakeholder engagement, for example by communicating with other key stakeholders themselves; but in situations where there is sensitivity over ownership (or worse, a power struggle between ministries), there may be reluctance to engage other government stakeholders, if their engagement is seen as potentially threatening.

Even where the government is playing only a relatively small role in the development process, it may be desirable for all sides to present the development process as being led by the government, with the support of local and international partners.

2.3 Working from the outside in

Up to now, most NAMA development processes have been country driven but led by internationally funded experts. This is in contrast to most policy or project development that would normally be led by an in-country agency or part of the government itself. International consultancies are more familiar with the NAMA concept, more familiar with the requirements of potential international funders, and generally find it easier to access funding for NAMA development projects than their domestic counterparts do.

While international experts do bring considerable know-how and experience to the NAMA development process, they also bring some challenges of their own. An international expert is likely to be seen as an 'outsider' and is thus unlikely to be party to all the relevant discussions and debates that are necessary to build consensus and buy-in around a potential NAMA intervention. There may be concern in some quarters that international practitioners do not fully understand the situation in a developing country. Indeed, in some cases there will be cultural sensitivities or local ways of working that 'outsiders' may struggle to understand or accommodate in the important initial stages of a project.

Few international firms have a permanent local presence in every country they work, and even those that do may not have staff expert in NAMA development based in their local office. Many NAMA development projects will therefore be delivered through a combination of remote working and short in-country missions[3]. This means that key stakeholder engagement activities such as workshops or important bilateral meetings generally need to be scheduled well in advance. If important local stakeholders suddenly cannot attend, it can be difficult to adapt plans, or to respond to unforeseen changes with rapidly arranged in-person meetings.

[3] Note that the Mitigation Action Plans and Scenarios (MAPS) project lead by SouthSouthNorth and the Energy Research Centre at the University of Cape Town and the global Low Emission Capacity Building (LECB) initiative lead by UNDP are examples of large scale multi-country efforts with in-country teams and strong focus on stakeholder engagement

Having local partners and experts in the project team is thus especially important. They provide local knowledge and networks, they address concerns that NAMAs are being developed purely by outsiders, and they offer a permanent local presence to undertake in-person meetings as and when needed, complementing missions by international team members.

As NAMAs play an ever more central role in the achievement of the mitigation ambition set by countries, and as local understanding of the concept and funding sources grows, international experts are likely to play a less prominent role in NAMA development. The challenge of 'working from the outside in' will then become less relevant for stakeholder engagement.

2.4 Engagement to implementation and beyond

A simplified development process for a supported NAMA might have the following stages: Identification and prioritisation of mitigation options; selection of one or more options for further development of a NAMA proposal; the actual proposal preparation, involving stakeholder engagement, research & analysis, and project design; and final sign-off by the leading (group of) owners and submission to potential implementation funder(s). Up to this point all the key actors are involved, including project champions from the national government, beneficiary stakeholders, and any supporting experts or consultants (whether international or domestic). Once the proposal is undergoing assessment by the funder to which it is submitted, the government owners and the supporting experts will likely not be actively involved (and in the case of the latter, the funding for their support may well have been exhausted), but ideally the project champions will continue to undertake light-touch stakeholder engagement in order to maintain momentum.

Once the NAMA proposal is approved by the funder, the next set of stages begins, starting with further detailing and design of the project. Funding for this final development stage is likely to be provided by the funder, and this may be used to engage external support and expertise, from either the original organization or ones with specific expertise (e.g. financial). Once complete the project can move to set-up and implementation. Stakeholder engagement is necessary throughout this journey, from the initial development phases through implementation and including evaluation during and after the completion of the project. Different stakeholders will be involved at different levels of intensity at different points. A permanent forum could be established to enable relevant and interested stakeholders to assess implementation progress and provide feedback during project implementation. Such insights can help improve the NAMA and inform other NAMA development and delivery activities.

Not all NAMA projects however will follow this 'optimal' pathway. For various reasons, which could include delays to the sign-off process involving key stakeholders, or personnel or policy changes within the government, the targeted submission window for the most suitable funding source might be missed. In this case the decision may be taken to submit the proposal at the next opportunity, but this may mean a delay of several months or longer. Stakeholder engagement needs to continue in order that momentum is not lost and so that progress towards implementation can continue should funding be approved following the delayed submission. Project champions from the government are well placed to do this, and it should not require intensive time commitment.

Inevitably, many submitted NAMA proposals will not be approved by the first funding source they are submitted to. These can however be good quality proposals that champions and beneficiary stakeholders will still hope to secure funding for. Other funding sources can be identified and proposals reworked and submitted to them. This will usually require both continued stakeholder engagement (perhaps to obtain new expressions of support, or to develop intervention structures more suited to the new funding source) and substantial new work to complete new submission forms and generate supporting evidence in the format required. Champions may not have the time or expertise to undertake all this, and further assistance may be required from the original supporting experts (or others with similar capabilities). New funding may therefore be needed to provide the resources necessary. Such funding could potentially be obtained from the funder of the original development work, but equally, a new source may be needed if the original funder cannot commit additional funding. Stakeholders on this NAMA pathway will need to be patient and committed.

In short, the engagement of stakeholders will not end once the initial NAMA proposal is finalised, but the composition of those actively involved in the follow-up may change.

3. The early days of implementation finance

This section looks at the main sources of international support for NAMA implementation (principally the NAMA Facility), discusses the apparent reluctance of other sources of finance to embrace the NAMA concept, and considers what this has meant for stakeholder engagement to date.

3.1 Pioneering NAMA finance: the NAMA Facility

There has been significant investment into NAMA proposal development funded by international organisations and developed country governments: international experts have been commissioned to help governments with the identification and development of several hundred NAMA concepts, building capacity and promoting dialogue, learning, and exchange.

The enthusiasm of funders to devote finance specifically to NAMA implementation however has been low, especially compared to the effort that is going into proposal preparation. In 2012 the NAMA Facility (NF) was established as cooperation between the German and UK governments with the aim to specifically fund NAMA implementation. To date the NF remains the only fund that explicitly targets NAMA implementation, and across three rounds of calls it has awarded funding to 11 proposals.

The availability of only a relatively modest amount of funding for NAMAs has implications for stakeholder perceptions and stakeholder engagement. Various international organisations (including UNFCCC, UNEP, and UNDP) and expert advisors (including GIZ, ECN, Ecofys, CCAP, etc.) have been promoting the creation of supported NAMAs and implicitly or explicitly have raised expectations among developing countries on the availability of implementation finance. Unfortunately, while the NF constitutes the main source of funding for NAMAs, once stakeholders start asking questions about the likelihood of gaining support in the short term, the process may suddenly seem less appealing. The NF has stringent entrance requirements, but statistics suggest only a small chance (around 10-20%) of a relatively modest international contribution. In the absence of other sources of dedicated NAMA funding at sufficient scale, it is proving increasingly difficult to motivate stakeholders to invest political capital into NAMA development, because a good proposal requires serious commitment, and investment of time and support. Governments are expected to (provisionally) commit to allocating national budget (i.e. domestic contribution) and endorse meaningful sectoral change (i.e. the required 'transformational' change). The private sector (and especially investors and commercial banks) is expected to participate and leverage private finance. Those central stakeholders, whose commitment is needed to drive the process forward and engage other key stakeholders, may fear that their effort will be wasted, or worse, they may lose credibility, if the NAMA does not receive implementation finance.

Box 1: NAMA Facility

Where the UNFCCC process deliberately refrained from providing guidance and expressing expectations on the shape and content of NAMAs, the NF has been more explicit. With input from the NAMA community of practice, the NF has developed a submission template that outlines criteria on eligibility, ambition, and feasibility. It is fair to say that the NF has been instrumental in moving the NAMA concept forward beyond 'just' providing money. The expectations are high but arguably realistic from a funders' perspective: a cooperation structure with national ministries (and agencies) driving the delivery of financial and technical components together with an MRV mechanism, and a log-frame approach to showing the intervention logic (which barriers are being addressed); ambition is expressed in potential for transformational change, sustainable development co-benefits, financial ambition (including use of domestic public resources and leveraging private investments), and greenhouse gas abatement potential. Lastly, the template suggests that the NF contribution needs a clear rationale for international support and a strategy to ensure the longevity of the impact after the phasing out of NF support.

The statistics from the first three NF calls shows that 113 distinct NAMA proposals were submitted. In each of the rounds there was a pre-selection in which around half of the proposals were deemed non-eligible (some of which were resubmitted in subsequent calls). Across the three rounds of calls, out of 63 eligible submissions, the NF has selected a total of 11 NAMAs and awarded a total of 152 mln euro; on average 14 mln euro per proposal (NAMA Facility, 2014a).

This issue could be addressed in several ways. The probability of receiving funding could be increased (without lowering standards), not least by the opening up of new funding sources focussed on NAMAs, and funders could provide commitment earlier in the process, reducing uncertainty and concerns over wasted effort and credibility.

The 'new hope' for those NAMAs lying on the shelf waiting for funding, as well as those in the initial stages of development, is the Green Climate Fund (GCF). The GCF is not yet fully operational, and so far it has funded 8 projects of which just one solely targets mitigation. While it is certainly expected to fund mitigation actions (aiming for a 50:50 balance of mitigation and adaptation), the current set of 20 accredited entities does not contain many organisations that have historically been active in developing NAMA scale mitigation projects. Indeed almost half are development finance institutions, whose reluctance (so far) to engage with NAMAs is explored in the next section.

3.2 The reluctance of international climate finance

International climate finance institutions[4] spend billions on mitigation support but have been reluctant to embrace the NAMA terminology (Harms *et al.*, 2015). In theory all the features of good NAMAs are present in good development projects, so from that perspective the two seem close. The main interest of the larger climate finance institutions, especially the multilateral development banks (MDBs), is to put money to work effectively and they may not have an interest in introducing a new set of constraints and expectations (for example on MRV and 'transformational' mitigation ambition).

In addition, most NAMAs under development are relatively small (sub 25m USD) interventions, with a strong focus on technical assistance, capacity building, and barrier-removal, alongside one or more financial elements. They are typically considerably smaller in scale than the disbursements normally made by the MDBs, which may run to hundreds of millions of dollars of concessional loan finance in the case of infrastructure funding. The focus of NAMA development at the smaller end of the scale may be because NAMA developers are 'right-sizing' their projects to suit the funding sources that explicitly target NAMAs (e.g. the NAMA Facility, discussed above), but whatever the reason, it potentially creates another source of misalignment between the funding needs of NAMAs and the preferences and modalities of the MDBs.

Both donor and recipient governments may have been reluctant to explicitly link development support to international climate negotiations pending the post-2020 climate treaty and the ongoing debate on climate finance additionality. Now that we have the Paris Agreement, the dynamic might change because there are incentives to use the NAMA framing more widely: donor countries can count ongoing development support (including MDB funding) towards their

[4] See Climate Funds Update (2015) for a helpful mapping of the global climate finance architecture

climate finance commitments and recipient countries can have more control over reaching their INDC ambition and aligning it to their development pathway (NAMAs are essentially government driven and the Paris Declaration on Aid Effectiveness obliges donors to listen to that demand).

The implications of this are varied. There seems to be an interrelated lack of funding and a shortage of high quality NAMA proposals (as noted above, of 113 NAMAs submitted to the NAMA Facility so far, roughly half did not pass the initial eligibility screening). If a wider range of climate finance institutions were to embrace NAMAs, the resulting increase in funding on offer could make extra support and expertise available for NAMA development, leading to higher-quality proposals. At the same time, the increased funding would likely encourage greater engagement from key in-country stakeholders, making for stronger proposals demonstrating greater in-country support. Opportunities for valuable knowledge spill-overs are also going unexploited: The NAMA community is building up a wealth of insights and knowledge around (co)benefits, impacts, accountability, and policy instruments related to mitigation. If climate finance institutions focus more on NAMAs, these insights and knowledge could be shared and 'tested' at scale. In the same vein, through their long history of provision of development support, many of the climate finance institutions have developed and use tried-and-tested institutional and governance structures (often related to ministries of development cooperation, finance, and planning) which would be helpful to NAMAs. In particular this could inform and advance stakeholder engagement in the NAMA context.

Governments ultimately drive the mandate and ambition of climate finance institutions, and it is within their power to put NAMAs on the agenda, perhaps in the short term focussing on the role NAMAs can play in turning pre-Paris ambition into real, lasting action.

4. The politics of NAMAs

This section argues that transformational change as an ambition for NAMAs is complex and highly political, and that political economy considerations should be an integral aspect of NAMA design and development. Over the years, the traditional development community has developed approaches to deal with this political dimension which could be adapted and tailored to NAMA development, with particular relevance to stakeholder engagement.

4.1 Transformational change

The Green Climate Fund has the stated objective to 'promote a paradigm shift towards low-emission and climate resilient development pathways' (UNFCCC, 2011) and the NAMA Facility aims to offer a 'learning environment for the operationalization of the guiding principle for catalysing transformational change towards sustainable low-emission development in line with the 2 degree limit' (NAMA Facility, 2014b).

This focus on transformational change (or paradigm shift) introduces a number of political aspects relevant to NAMA stakeholders: there is a tension between the visible short term mitigation and development benefits of NAMAs and the complicated reality of innovation and transition management (Mersmann *et al.*, 2014) which can lead to structural bias towards certain types of NAMA proposals (Fridahl *et al.*, 2015). A more fundamental tension exists between domestic ownership over the pace and direction of sustainable development and international pressure for transformational change towards low-emission development, with a risk that external definition of transformation may lead to (perceived) conditionality on development (Winkler and Dubash, 2015). Lastly, transformational NAMAs will inevitably result in winners and losers, and it will likely upset the status quo in a sector. This requires deliberate management of rents[5] (Schmitz *et al*, 2013) and awareness of the ways incumbents exercise their power to resist change (Geels, 2014). In short, transformational change is a highly political topic. Understanding stakeholder concerns and motivations is critical to success.

4.2 Benefits and beyond: interests and agency

Climate and development benefits are at the heart of what makes NAMAs interesting. NAMAs can lead to economic, environmental, and social advantages to stakeholders and there are various approaches to identifying and measuring these benefits. Current practices of NAMA development focus on economic and technology barriers to change, and propose interventions to address these barriers using financial, technology, and capacity building support. This is without doubt an important aspect of developing a successful NAMA, and there is much to be learned from both theory and the good practices shown so far.

But this is only part of the story because stakeholders have real interests and concerns; and not all action leads to optimal wins and losses for those involved. In addition to clarifying benefits and identifying the costs and trade-offs, a stakeholder process will have to come to an (implicit) agreement on political economy questions related to change: who gets what, why, and how.

Box 2: Political Economy Analysis

In the early 2000s, the development community started to recognise that development is a political process and that it is not just about providing technical and financial assistance - often with implicit agendas on growth and governance. There was a growing resistance to the focus on what 'should' be done without much consideration for constraints and opportunities brought about by the political context (DFID, 2009). The main tool(s) introduced to analyse this political context, and especially the interaction between politics and economic processes, is called (problem-driven) political economy analysis (PEA). Since the introduction, there has been considerable practical experience (Fritz *et al.*,2014) and conceptual progress (Hudson and Leftwich, 2014).

[5] Managing rents: providing and withdrawing opportunities for above-average profits on investment.

In many cases there is a good reason to make the political economy analysis explicit. This can reveal who has the power to enable or obstruct change, show who can act and how, and what incentives could be appropriate. Looking at mitigation actions with a political lens can help stakeholders reveal what structural and institutional factors form constraints, but also how these factors can be used for change and who could be legitimate agent(s) to achieve this. Who has the power to change the rules of the game? This is what the politics of transformational change is about: the capacity and will to deliberately decide on a strategic course of action and/or make positive use of opportunities that arise. Change does not happen only by introducing policies and measures; it requires the agency of individuals, organisations, or coalitions.

Although we argue that there is a need for a more analytical and structured approach to political economy considerations when developing NAMAs, there are definitely challenges. The general consensus is that PEA it is not a silver bullet or checklist, but it provides a valuable stakeholder-centred toolkit to analyse and influence the dynamic politics of change. Over the past decades, the development community has developed approaches to deal with this political dimension and there is much to learn for NAMA development, especially with regard to analysing and engaging stakeholders.

One observation that flows from this is that the funding available for the development of NAMAs is typically not large enough to allow for a really comprehensive approach to stakeholder engagement. Allocating more resources to the development process could allow for an approach that incorporates elements of political economy analysis and thereby greatly enhances the likelihood of achieving genuinely transformational change. Indeed a number of the practitioners that we interviewed said that taking a strategic approach to stakeholder engagement was extremely important, but noted that they generally were not able to do this, for lack of time. So it appears that there could be me a mismatch between the aspiration to achieve transformational change through NAMAs and the resources available to make that really achievable.

5. Discussion

The NAMA concept is in its early stages and has not shown its full potential. It is still being tested in practice and at the same time is still finding its way as an element of the international climate regime. In this paper we have used the theme of stakeholder engagement to reflect on some current issues in NAMA development that warrant further discussion in their own right: the need for broader uptake of the concept, the availability of financial support, the search for transformational impact, and the political nature of low-carbon development.

Mitigation is the driver behind NAMAs, but other benefits are more important domestically – to the extent that too prominent a focus on climate change might compromise buy-in and ownership. NAMAs so far have typically targeted change in one or more specific sectors and as such are complementary to economy-wide interventions such as subsidy reform, carbon taxes and markets. Because of that sectoral focus stakeholder engagement requires close cooperation between environment ministries, sectoral line ministries, and coordinating ministries (i.e. planning and treasury). In that sense current stakeholder engagement for NAMAs can be seen as a testing ground for full-scale coordinated implementation of pre-2020 ambitions and the NDCs.

The scene is now set for NAMAs to play a meaningful and valuable role in the coming years. 2015 saw the signing of the Paris Agreement and the adoption of the Sustainable Development Goals. These developments have the potential to transform our achievement of climate and development goals, and good NAMAs, which have both mitigation and development outcomes at their heart, can be a tool for channelling climate finance and achieving country-driven low-emission development outcomes. But to enable the broader uptake of the NAMA concept that is necessary for this to happen at scale, the NAMA development community needs to get much better at communicating the varied benefits of NAMAs to key stakeholders. NAMAs need to be seen not as the preserve of climate change focal ministries and a small community of practitioners, but as a way of achieving transformational sectoral change with multiple wins across climate and broader development spheres.

Working towards a greater recognition among stakeholders of the contribution NAMAs can make to developing country development goals is one thing, getting those stakeholders to willingly invest effort, time and political capital in the process is another. We have suggested in this paper that the current level of finance available provides insufficient motivation for the levels of stakeholder engagement necessary. Developing country stakeholders and decision makers will need to see that their commitment and investment of political capital has a healthy chance of being matched by material volumes of international climate finance. Rapid scale up of funding for NAMAs is necessary to maintain the momentum witnessed in Paris.

Finally in this paper we have argued that the tools and approaches used in political economy analysis could have much to offer to the development – and ultimately successful implementation – of NAMAs. These approaches recognise that transformational change will create winners and losers, and that devoting more time and effort to understanding the position and motivations of key stakeholders and decision makers will increase the chances of achieving desired high-ambition outcomes.

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