



Climate Change Strategy 2010-2011

Nordic Development
Fund

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1. BACKGROUND AND RATIONALE

The objective of future NDF operations is to provide financial support to developing countries in the area of climate and development. The mandate has been interpreted to cover climate change adaptation and mitigation measures. Adaptation will cover a wide range of projects that will enhance the partner countries possibilities to respond to climate change related issues such as sea level rise, threats to water resources, storms and floods, drought, health, agriculture etc. Adaptation measures also include climate change impact analysis, national adaptation planning as well as "climate proofing" of sectors, geographic areas and projects. Mitigation measures are targeted at reducing greenhouse gas emissions by improved energy efficiency, increased use of renewable energy sources, carbon sequestration, sustainable transport initiatives, etc.

The Nordic countries have been engaged in climate change issues for a long time and significant support to developing countries is provided through a variety of bilateral and multilateral aid channels. This long-term commitment is further strengthened by the advanced climate technologies and know-how developed in the Nordic countries. The objective of NDF as a provider of financing for climate and development complement these efforts and facilitates greater financing for developing countries to address the causes and consequences of climate change in cooperation with other actors. Furthermore, NDF can add to the Nordic voice at the level of policy dialogue on climate and development.

During its existence NDF has developed significant experience in financing development interventions, both technical assistance and investments, as well as in partnerships with a number of cooperation countries and financing institutions.

2. OBJECTIVES AND SCOPE

Global Challenges

The objectives of the NDF grant operations are:

- A. to facilitate greater investments in developing countries in order to address the causes and consequences of climate change alongside and in cooperation with other multilateral and bilateral financiers;
- B. to mirror the Nordic countries' priorities in the area of climate change and poverty reduction focused development;
- C. to maximize additionality and complementarity in relation to other available financing.

NDF's priorities for project selection will be guided by identified global climate change and development related challenges as well as by the Nordic countries' development priorities.

Eligible Areas of Support

The following focus areas are relevant for NDF's support:

Infrastructure and Energy

- ✓ energy (clean energy, energy efficiency, renewable energy, technology transfer and access to modern energy forms)
- ✓ transport sector related mitigation and adaptation activities
- ✓ urban development, water supply, and flood and drainage management

- ✓ reduction of climate vulnerability and climate change risks related to infrastructure through capacity building and investments

Natural Resources Management

- ✓ integrated water resources management
- ✓ sustainable land use and forestry
- ✓ agriculture

Climate Change Related Capacity Building

- ✓ activities targeted for enhancing awareness of climate change related issues and policy development within the area of climate change
- ✓ development and strengthening of the knowledge base related to climate change, vulnerability and risks
- ✓ investments in research, monitoring, early warning systems, preparedness plans and disaster preparedness

3. GEOGRAPHICAL CONSIDERATIONS

NDF supports projects in low-income countries which

- are eligible for support from IDA (less than \$1,135 per capita income in 2008), and
- have previously received NDF support

Generally both these criteria should be fulfilled. Under certain conditions, NDF may also provide assistance to other low-income countries on a case by case basis. Countries where NDF can support projects:

Africa

- ✓ Benin, Burkina Faso, Cape Verde, Ethiopia, Ghana, Kenya, Malawi, Mozambique, Rwanda, Senegal, Tanzania, Uganda, Zambia, Zimbabwe

Asia

- ✓ Bangladesh, Cambodia, Kyrgyz Republic, Lao PDR, Maldives, Mongolia, Nepal, Pakistan, Sri Lanka, Vietnam

Latin America

- ✓ Bolivia, Honduras, Nicaragua

4. MODE OF OPERATION

NDF provides grants by co-financing with its multilateral and bilateral partners - such as World Bank, Asian Development Bank, Inter-American Development Bank, African Development Bank - and with Nordic bilateral development assistance agencies.

5. PROCUREMENT AND NORDIC INTEREST

NDF grants support technical assistance (mainly consulting services) as well as investments (goods, works, services) and other applicable expenses in connection with technical assistance.

All projects financed by NDF should be of Nordic interest by reflecting the development policies of the five Nordic countries Denmark, Finland, Iceland, Norway and Sweden.

Procurement for the NDF-financed project components will normally be made by the recipient countries, and shall be made in accordance with principles compatible with the procurement guidelines of the major development finance institutions. Procurement will generally be announced both in the partner country and on the NDF website.

Procurement opportunities will be open for both Nordic and the global business community.

6. PROJECT SIZE

The size of NDF's financial support will depend on the scope of the project/program and will normally amount to EUR 500,000–EUR 4,000,000.