New Nordic backing for green finance in Africa

NDF became a shareholder in the African Guarantee Fund (AGF) in April 2016, in a move designed to enhance support for small and medium-sized enterprises (SMEs) investing in green growth and climate-resilient development across Africa.

Access to finance remains a critical constraint to growth for African SMEs. AGF was set up by the African Development Bank (AfDB), Denmark and Spain in 2012 to address this gap by providing partial loan repayment guarantees to unlock loans to SMEs from local banks.

The new partnership between NDF and AGF builds on AGF’s track record and captures momentum from the 2015 Paris Climate Agreement by creating a specialized Green Guarantee Facility combining NDF’s climate finance mandate with AGF’s mission to improve access to finance for African SMEs. Initial capital for the facility includes EUR 6 million in equity from NDF and an additional EUR 1.6 million in grant support for technical assistance to equip partner banks with the capacity to assess and transact loans for green growth.

At a signing ceremony in April, AGF’s CEO Felix Bikpo welcomed NDF’s contribution. “The arrival of a leading Nordic climate finance institution is a vote of confidence for us at AGF. This is a signal to our partner lending institutions that green SMEs are the big business of tomorrow,” he said. “African banks and SMEs together can be leaders in the race against climate change putting Africa on the path of sustainable growth.”

NDF Managing Director Pasi Hellman emphasised that the new partnership captures the spirit of climate finance innovation at the core of NDF’s new strategy. “We are pleased to be putting climate at the forefront of AGF operations,” he said. “We look forward to seeing our resources leveraged into investments in renewable energy and energy efficiency, cleaner production, climate smart agriculture and natural resources management and green services, bringing positive and sustainable development impacts across the continent.”

AGF is already working in 35 countries across Africa. The fund has established an award-winning business model and provided more than $200 million in guarantees, opening up access to finance for more than 1,000 SMEs, and generating an estimated 11,700 new jobs.

The new facility was officially launched during the annual meetings of the AfDB in Lusaka at the end of May. The facility will initially target SMEs investing in green growth in Kenya, Zambia, Côte d’Ivoire and Ghana. It is expected to catalyse new bank loans at a ratio of six times the level of NDF equity contribution. These loans will in turn foster growth, green jobs and improvements in quality of life for households, communities and economies across the continent.

Also in this issue

<table>
<thead>
<tr>
<th>Climate change and health</th>
<th>Planning cities for people</th>
<th>Nordic Climate Facility financing for Nordic innovations</th>
<th>Protecting coastal Tanzania</th>
</tr>
</thead>
<tbody>
<tr>
<td>p. 2-3</td>
<td>p. 4-5</td>
<td>p. 6-7</td>
<td>p. 8</td>
</tr>
</tbody>
</table>
Climate change and health

The links between climate change and health are an important emerging focus area for development finance. Institutions including the World Bank and the World Health Organisation (WHO) are increasingly looking for ways to address this important issue proactively, while NDF is already working to catalyse significant initiatives bringing together key regional and global players.

Extreme weather events can lead to serious public health problems such as waterborne diseases and illnesses that spread when sanitation systems collapse. Meanwhile, as the climate gradually changes, tropical diseases and other health problems are likely to spread into previously unaffected regions.

“Such impacts are already occurring now, and they tend to affect the poorest folks most, so there’s a serious risk that they could undercut sustainable development and reverse favourable public health trends,” says health and climate specialist Timothy Bouley from the World Bank.

The International Panel on Climate Change has emphasised that climate change is already undoubtedly having negative impacts on public health worldwide, though such effects are hard to isolate and quantify. Climate change mitigation measures can help to reduce problems in future; but adaptation measures are also urgently needed – not least to strengthen the capacities of health care providers to address foreseeable health challenges.

Climate-health linkages and NDF’s role

“Our new strategy at NDF emphasises the need to focus on ‘emerging issues’ where challenges related to climate change are evolving and gaining attention, but relatively few initiatives have been launched as yet,” explains NDF’s Managing Director Pasi Hellman. “In the health community the interlinkages between climate change and health are generally better understood, but within the financial community the whole question is still emerging.”

As a relatively small and flexible financial institution NDF aims to catalyse actions designed to address specific emerging issues through collaboration with local, regional and international partners. With this strategic goal in mind, NDF-backed initiatives in regions vulnerable to climate change are already focusing on the need to build up local capacity to address climate-related health issues.

The WHO estimates that between 2030 and 2050 climate change may result in some 250,000 additional deaths per year from malnutrition, malaria, diarrhoea and heat stress.

Work under way in Africa and Southeast Asia

In Mozambique, NDF and the World Bank are together testing the World Bank’s new global approach for addressing the health consequences of climate change across key sectors. “At the World Bank we see this project as an important way to build up our understanding of risks, challenges, opportunities and benefits, and set the standard for the future programming of action on climate change and health as part of wider investments in development,” says Timothy Bouley.

In SE Asia, a three-year project backed by NDF and the Asian Development Bank is helping health ministries and other authorities in Cambodia, Laos and Vietnam to enhance their capacity to cope with climate change. The region is vulnerable to climate-related health risks including the spread of vector-borne diseases, as well as extreme weather events resulting in injuries, deaths and water contamination. This technical assistance project aims to improve understanding of climate-health linkages, build up skills needed for adaptation in the health sector, and share related knowhow.
Helsinki seminar maps the way forward

A seminar organised in Helsinki by NDF, the World Bank and the World Health Organisation in May 2016 brought technical experts and development financers together to examine how links between climate change and health have so far been addressed in development finance – and to consider how such work can be planned and funded in future.

The Helsinki seminar attracted 54 participants representing major development banks, aid agencies, foundations, universities and NGOs, as well as the host organisations. Under the theme Early experiences in multi-sectoral climate change and health work for international development: opportunities and finance, the meetings enabled these key players to share their experiences and give the donor community a clearer picture of favourable investment opportunities.

At the seminar Diarmid Campbell-Lendrum, who leads the World Health Organisation’s work on climate change and health, emphasised that climate change is already being seen as the defining issue for public health in the 21st century. “The whole issue of climate change and health has gone from marginal to mainstream, and we already have a clear evidence base and a political mandate for action, as well as substantial experience gained through pilot projects. It’s now time to define what must be done to scale up investment,” he said.

Time for action
Participants emphasised that capacity to address climate-health challenges must be built up at all levels, with climate data better used in health systems’ short-term planning and long-term strategic programming. Broad-based partnerships with multi-sectoral approaches must also be devised to address wide-ranging issues such as air pollution and the spread of infectious diseases.

To generate the political will to realise such actions, it will be necessary for expert organisations to further raise awareness of climate-health issues. While funding for climate-health actions as such must clearly be upscaled, health investments should also increasingly be screened for their climate sensitivity, and health impacts must be assessed more systematically in all kinds of climate investments.

“In an era when climate change is now a reality, it’s critical that we should build up climate-resilient health systems to help achieve our goal of universal health coverage,” said World Bank health and climate specialist Timothy Bouley. “The World Bank’s response to climate-health linkages also involves helping various sectors to mitigate climate pollutants through actions that will have positive health impacts as well as other development benefits.”

Bouley emphasises that donors can learn a lot about foreseeable health impacts and related development needs through meetings such as the Helsinki seminar. “We hope participants will take important messages back to their institutions, and that development agencies will soon take on health and climate change as a core area for investment,” he said.

Experts specialising in the linkages between climate change and health met representatives from financial institutions including the World Bank in Helsinki in May to share their experiences and visions.

The number of weather-related natural disasters reported globally has more than tripled since the 1960s. Every year such disasters result in more than 60,000 deaths, mainly in developing countries.

About 7 million people die prematurely each year due to air pollution problems closely linked to climate change and the emissions that cause it.
Planning cities for people

Rapid urbanisation has resulted in many social and environmental problems in growing cities in Latin America. NDF is supporting a major award-winning initiative that is helping planners find ways for cities to grow and function sustainably, benefiting their residents and the environment.

Led by the Inter-American Development Bank (IDB) since 2011, the Emerging Sustainable Cities Initiative (ESCI) today encompasses 57 medium-sized cities in 25 Latin American and Caribbean countries. In recognition of the initiative’s effective focus on sustainable growth and the environment, ESCI was one of four NDF-backed initiatives granted UNFCCC Momentum for Change Lighthouse Activity awards at the COP 21 climate summit in Paris in December 2015.

NDF has been co-financing projects in three ESCI cities: Cochabamba in Bolivia, the Honduran capital Tegucigalpa, and Managua, Nicaragua. In the first phase of NDF’s involvement, key sustainability challenges were identified in each city through studies conducted with extensive public participation, and concrete action plans were then drafted to address the identified issues.

The ongoing second phase project involves pre-investment studies and the creation of urban development toolkits that will help the three cities’ planners to finance and realise the necessary actions, including improvements in urban infrastructure that will directly benefit citizens.

Welcome support for local planners

Nasry Asfura, the Mayor of Tegucigalpa (pop. 1.3 million), feels that the city’s ESCI team has helped to find practical solutions for many problems. “We’ve especially focused on water and sanitation, while also aiming to restore the Choluteca River and rehabilitate public areas including a new linear riverside park,” he says. “The ESCI studies have clearly diagnosed needs and suggested solutions. Our action plan will improve our planning capacity to respond to the city’s needs. The issue is now to obtain resources to execute the projects, but with the support of the central government, IDB and municipal funds, I think we can do this.”

Deputy Mayor Juan Carlos García adds that Tegucigalpa’s water and sanitation systems are still suffering from the disastrous effects of Hurricane Mitch in 1998. “Today only 17% of the city’s sewage is treated, with the rest discharged into rivers, so it’s vital for us to improve this,” he says. “Though Tegucigalpa is a very particular city, with its own conditions and topography that we must account for in our infrastructure projects, ESCI has enabled us to learn from the experiences of other cities on many issues including transportation, environment and urban planning.”

In Bolivia’s fourth largest city, Cochabamba (pop. 630,000) the ESCI process has spotlighted the need for an integrated public transport system accessible and affordable to everyone. Pre-investment studies are under way for improvements that will enhance citizens’ mobility, reduce
greenhouse gas emissions from traffic, and increase economic activity around transport hubs.

In the Nicaraguan capital Managua (pop. 2.2 million), the focus is on green planning and reducing flood risks. Actions identified through ESCI include creating a more walkable city centre, improving the management of storm water, and planning a new bus rapid transit system.

**Ideas from Nordic cities**

NDF’s contribution to ESCI also involves providing technical assistance for emerging Latin American cities through networking contacts with Nordic urban planners experienced in low carbon development and climate resilience. The goal is for Nordic solutions to be shared, adapted and applied in the rapidly growing cities of Latin America and the Caribbean.

**Milan Obradovic**, deputy mayor of the Swedish city of Malmö, explains that many Latin American cities have taken an active interest in Malmö’s long-term focus on sustainable urban development, including the transformation of the Western Harbour area from a rundown industrial area into a thriving waterfront district. “Here in Malmö we’ve especially been planning and building new districts for integration into the city, and working to reduce citizens’ dependency on cars by improving public transport access and planning the city to make it more bicycle- and pedestrian-friendly,” he says.

“Many Latin American cities are also now prioritizing public transport and accessibility. Other issues of interest to them include our garbage disposal system, and our urban agriculture schemes, which fulfill a social function by bringing together neighbours, pensioners and children, and people from different backgrounds, while also contributing to the food supply.”

Obradovic feels that cities can learn a lot from each other, even though it is vital to consider specific challenges and opportunities related to each city’s geographical and cultural context. “It can be beneficial to look at processes such as the setting of targets and visions on political level, the shaping of action plans on the officers’ level, and the creation of a sense of shared responsibility amongst public sector bodies, the private sector, NGOs and citizens,” he says.

There are already plans to hold a meeting during 2017 in the Nordic countries to bring together mayors from Nordic and Latin American cities.

Copenhagen-based urban design consultants Gehl Architects have also been actively involved in ESCI, spreading the key message that cities must be made for people. “Urban planning, design and policy is too often conceived from an omnipotent level, but we should instead strive to keep the focus at eye-level, to understand and improve the everyday human experiences of living in a city,” explains Gehl Architects city design specialist **Jeff Risom**.

Risom sees capacity building and the creation of tools for better urban design as key aspects of ESCI. “Collaboration between local stakeholders, citizens, and design professionals can bring in elements of international best practice while also raising citizens’ quality of life expectations,” he says. “ESCI has found ways to work across traditional silos of infrastructure, governance and community building, bringing tangible results in a short time with effective use of money and resources.”

According to Risom, ESCI’s NDF-backed Nordic connection can also be beneficial. “Latin American and Nordic cultures share a humanistic and thoughtful approach to urban planning and design. Nordic traditions such as egalitarianism, trust, transparent governance and high quality are especially appealing,” he adds.
Sowing seeds through innovative climate projects with a Nordic dimension

NDF’s Nordic Climate Facility is stepping up its work providing grant support for innovative development projects that help low-income countries to mitigate and adapt to climate change. Since 2010 NCF has allocated EUR 22.8 million in grant funding to 57 projects in Africa, Asia and Latin America.

Though projects from NCF’s first four rounds are still jointly administered by NDF and the Nordic Environment Finance Corporation (NEFCO), newer and future projects will be fully managed by NDF. Emeli Möller was appointed as NDF’s first full-time NCF manager in April 2016.

“NCF is a unique financing facility within NDF as it encourages Nordic project applicants and their partners in the target countries to form close links while identifying and testing innovative climate change solutions,” explains Möller. “This creates welcome opportunities to create testbed pilots for Nordic approaches, while providing essential seed funding for small but genuinely innovative projects in low- and lower-middle-income countries.”

Möller hopes NCF may be scaled up in the future. “We receive so many good applications, of which only a few can be funded, so there would be ample scope for allocating additional resources,” she adds.

In Cambodia and Laos an NCF project completed in September 2015 has promoted sustainable drinking water treatment technologies by providing more than 166,000 low-cost ceramic water purification devices for local households. The purifiers were produced and distributed by local project partners TerraClear and Hydrologic Social Enterprises.

One of the project’s ultimate aims was to combat deforestation, since local families typically use large quantities of firewood to boil their drinking water. It is estimated that the project has saved more than 130,000 tonnes of wood, and avoided emissions totalling at least 325,500 tonnes of CO₂. It will also reduce the time spent collecting firewood — a task largely done by women. The scheme also has significant health benefits, including improved indoor air and drinking water quality. NCF contributed almost 500,000 euros to the project’s total budget of 3.6 million euros. The project’s Nordic Partner was Turku University’s Finland Futures Research Centre.

In Bolivia’s Andean highlands an NCF project completed in June 2015 has improved the cultivation of cañahua by introducing crop varieties suited to changing climatic conditions. Cañahua is a highly nutritious local crop related to quinoa, with considerable potential for increased consumption among the Bolivian population, and also for export.

Producers have been given quality seeds, enabling them to plant much wider areas with cañahua. Producer organisations have been strengthened, and a pilot plant has been set up to process pearled cañahua for domestic consumption and export. About 10 tonnes of pearled cañahua has already been sold to Canada and the US.

The project involved collaboration between Copenhagen University’s Department of Plant and Environmental Sciences and the local Fundacion para la Promocion e Investigacion de Productos Andinos (PROINPA). NCF contributed about 270,000 euros towards the project’s budget of around 350,000 euros.
New projects designed to enhance climate resilience

Projects for NCF’s fifth round are currently being selected from a shortlist of proposals submitted by January 2015 under the theme of “Climate resilience in urban and private sector contexts”. So far contracts have been drawn up for six new Nordic-backed projects:

* In Kenya, an upscalable pilot project initiated by HAMK from Finland aims to promote sustainable housing design in hot and arid Marsabit County by focusing on appropriate building materials, energy and resource efficient appliances, renewable energy, and natural lighting, ventilation and cooling.

* In Vietnam, Norwegian consultants from Vista Analysis and local partners will find ways to promote low-cost housing improvements in Da Nang, aiming to help low-income households make their homes more resistant to seasonal typhoons.

* In Bolivia, the Swedish development organisation Diakonia and local partner organisations CIDRE and Agua Sustentable will support urban farmers in Kanata by enhancing water management and composting, by distributing climate-resistant plant seeds, and by promoting microfinance.

* In Bangladesh, Plan Denmark and experts from Arup will work with local partners to improve climate resilience in poor communities in Dhaka frequently affected by flooding and waterlogging.

* In Vietnam, Nordic consultants from NIRAS will help local partners to create sustainable urban drainage systems that will channel rainwater to benefit small-scale urban farmers while also reducing flood risks.

* In Nepal, the Finnish firm Arbonaut and Oxfam Nepal will run a set of public-private initiatives designed to boost the climate resilience of urban districts vulnerable to hazards such as flooding.

NCF 6: Promoting green growth

NCF received more than 80 proposals by January 2016 for the facility’s sixth project round, which has the theme of “Green growth for sustainable livelihoods”. Detailed proposals were submitted in May for 33 shortlisted projects. Evaluations have commenced and contract negotiations will follow in the autumn.

Some 10-12 projects will ultimately be approved for NCF co-financing grants amounting to 250-500,000 euros per project. At least half of the approved projects will be in Sub-Saharan Africa.

All the projects have been designed to create climate-related business opportunities and sustainable jobs. Other desirable impacts include women’s empowerment, the creation of replicable low-cost solutions, and measurable poverty reductions.

“We’ve been pleased by the wide range of innovative proposals and the widespread interest in NCF’s climate financing model,” says NCF manager Emeli Möller.

Möller adds that NCF expects to launch a call for proposals for a seventh round of projects later this year. “We’re hoping to market this call widely around the Nordic region, in an effort to attract new applicants not currently aware of NCF,” she says. “Though the theme of the call has not been finalised yet, we will continue to focus on innovative climate change solutions for enhanced development.”
Pro-actively preparing for climate change in coastal Tanzania

Rising sea levels in the Indian Ocean, warmer temperatures and more frequent extreme weather conditions represent a serious threat to coastal regions of Tanzania, including the island of Zanzibar. The problems facing the coastal zone include erosion, the salinization of soils and aquifers, the degradation of vital ecosystems including coral reefs and coastal mangrove belts, and increasing pressure on fisheries and other natural resources in a region characterised by rapid population growth and economic development.

To facilitate coherent coastal zone planning in the coming years a project backed by NDF and the World Bank during the years 2013-2015 has been identifying current threats, defining measures to mitigate these threats, and prioritising specific investments and actions designed to enhance climate resilience and promote sustainable livelihoods over the period 2016-2025.

Realised in partnership with the agriculture and fisheries ministries in Dar es Salaam and Zanzibar, the one-million-euro project has also facilitated the preparation of a coastal climate adaptation scheme focusing on fisheries, farming, tourism and nature conservation.

“The study’s findings are in line with Tanzania’s Intended Nationally Determined Contributions (INDCs) which have a special section on coastal and marine environments and fisheries,” says NDF’s Country Program Manager Aage Jørgensen.

The study specifies more than 90 priority actions for mainland Tanzania and Zanzibar. “In addition to cross-cutting actions on integrated coastal zone planning and the management of coastal resources, they include specific measures to combat beach erosion and sea level rise, improve early warning systems, restore mangrove forests and shorelines, protect fresh water resources, diversify livelihoods in coastal communities, and enhance the sustainability of fisheries and seaweed aquaculture by boosting their climate resilience,” explains Jørgensen.

Especially in Zanzibar measures to promote sustainable tourism and reduce localised environmental problems caused by high tourism pressure have also been prioritised. One key recommendation is that an integrated coastal management framework should be established in Zanzibar to help coordinate the work of governmental and non-governmental actors. Throughout the study non-governmental stakeholders have been actively consulted to ensure that the prioritised measures reflect the needs of local people.

Investments on issues spotlighted in the project report, published in January 2016, must now be realised by the Tanzanian authorities and the private sector, with assistance from the country’s development partners where necessary. “NDF is presently involved in discussions about possible investments to follow-up on the study’s recommendations,” adds Jørgensen.

The Nordic Development Fund is an international development financing institution jointly run by the Nordic countries to finance climate-related projects in Africa, Asia and Latin America.

Texts: Fran Weaver / Layout and graphic design: Rebekka Gröhn