



Department for
Energy Security
& Net Zero

The Global Innovation Lab for Climate Finance: Annual Review 2025

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Annex A – Theory of Change	Error! Bookmark not defined.

Section A: Summary and overview

Title: Global Innovation Lab for Climate Finance		
Programme Value: £6,357,350 (Feb 25 – Dec 27)		Review date: October 2024 to November 2025
Programme Code: GB-GOV-13-ICF-0012-CMCI	Programme start date: 2014	Programme end date: December 2027

Year	2018	2019	2020	2021	2022	2023	2024	2025
Overall Output Score	A	A	A	A	A	A	A	A
Risk Rating	Minor	Minor	Minor	Minor	Minor	Minor	Moderate	Moderate

Link to Business Case:	DevTracker Programme GB-GOV-13-ICF-0012-CMCI Documents
Link to Logframe:	DevTracker Programme GB-GOV-13-ICF-0012-CMCI Documents
Link to previous Annual Review	2024 annual review

Description of programme

The Global Innovation Lab for Climate Finance (“the Lab”) is a multi-donor public-private partnership working to unlock finance for innovative and scalable climate finance ideas. The Lab aims to make a transformative contribution to mobilising global climate investment by:

1. Incubating innovative, highly-scalable and actionable financial instruments by providing analytical support and technical advice.
2. Promoting knowledge sharing between civil society, governments, and the private sector on how to tackle the barriers to attracting private investments into innovative climate solutions.

The Lab has, since origination, been delivered by Climate Policy Initiative (CPI), and continues to be an important programme within the UK’s International Climate Finance (ICF) portfolio of programmes that work to mobilise private finance to fund the global climate transition. The Lab has a high profile and its operational success is partly due to its convening power that brings together a network of over 350 climate finance experts¹ (with nearly half from developing regions) to provide technical support to early-stage innovative financial instruments (with projects supported to date seeking between \$0.5m to \$600m), at a crucial stage in the innovation life cycle.

These financial instruments take a variety of forms, including but not limited to bonds and other debt instruments, structured funds, equity vehicles, insurance, results-based and conditional payment structures, hedges/swaps and guarantees. All instruments must be aimed at investing in or providing finance to climate positive initiatives in developing countries.

The UK co-founded the Lab alongside Germany and the US in 2014, providing a relatively modest allocation per annual scope of work for the Lab. In 2022, the then Department for Business, Energy, and Industrial Strategy (BEIS)² grew the UK’s support by awarding a £1.8m

¹ [Network | The2016 Global Innovation Lab for Climate Finance](#)

² On 7 February 2023, the UK Prime Minister announced the formation of the Department for Energy Security and Net Zero (DESNZ), which assumes the responsibilities of BEIS with regard to the Lab.

grant to CPI to fund delivery of two Lab ‘windows’ (regional (Brazil) Lab and the Global Lab) for three years. BEIS also provided a £100,000 grant to fund two scoping studies.

Following the scoping studies, a further £720,000 grant was awarded to deliver an additional two Lab windows – one for the Latin America and Caribbean mitigation window and one to support the protection of high-integrity forests. In total, between 2021 and 2024, the Department for Energy Security and Net Zero (DESNZ) provided £2.6m in grant funding.

In February 2025, a new Grant Agreement extended and expanded the Lab’s remit further based on a new £6.7m extension business case for the period October 2024 to December 2027. This Grant allowed for Lab cycles across two regional windows (the Brazil Lab and Latin America and Caribbean mitigation window), and one global Lab window. New activities were included – the ‘go to market’ support offer for Endorsed instruments to overcome hurdles to them securing investment, and new grant funding for a pre-seed capital facility, providing grants between £125-200k (\$150-250k) to undertake pilot and testing activities.

In the same month, the UK government announced the decision to reduce Official Development Assistance (ODA) to the equivalent of 0.3% GNI by 2027. The impact on the Lab has been a £186,450 reduction (~2.8%) in budget between 25/26 and 27/28. A further £500k was made available in the business case to conduct an independent evaluation of the Lab. Given budget pressures and the abilities of the in-house specialists within DESNZ, it was decided to conduct the review internally. The go-to-market component of the Lab’s offer will not be funded after 25/26 and will cease delivery. Final decisions on wider budget implications are noted in the recommendations below. Following the prioritisation exercise and the changes noted above, with a further £150,000 RDEL made available in December 2025, the budget for the business case period is £6,387,350.

2025 was the final year of the Lab using a ‘Hub-and-Spoke’ model consisting of the core Global Lab windows plus dedicated regional programmes. From 2026 onwards, the Lab will move to being fully regional reflecting that locally-grounded ideas tend to be more resilient and effective long-term.

Core Lab donors – those providing ‘core funding’ to the programme – since its inception in 2014 to the end of the most recent annual cycle (the 11th cycle, ending Oct-2025) are DESNZ, the German Federal Ministry for Economic Affairs and Climate Action (BMWK), and The U.S. Department of State. Other funders for the 11th cycle, include Bloomberg Philanthropies, FCDO, and UNDP. US support concluded with the 11th cycle, and it is no longer a donor.

Summary of progress and supporting narrative for the overall score

At the impact level, four indicators (including three for finance mobilised) were exceeded and one indicator was achieved. At the outcome level, two indicators were exceeded, one indicator did not have a target and will be scored next year, and one indicator under-achieved. All three indicators at the intermediate outcome level were too early to report on in this reporting period as these were new indicators introduced in 2025 relating to the Go-to-Market support and the Pre-Seed Facility.

Using a methodology where A++ scores 5, A+ scores 4, A scores 3, B scores 2 and C scores 1, the Lab’s overall weighted score across all outputs was 3.19 – an ‘A’.

Output indicator	Weighting	Score
Output 1	19%	A (Met expectations)
1.1	6.3%	A
1.2	6.3%	A
1.3	6.3%	A
Output 2	19%	A (Met expectations)
2.1	9.5%	A

	2.2	9.5%	A+ (exceeded)
	2.3	N/A	N/A
Output 3		19%	A+ (Exceeded expectations)
	3.1	9.5%	A+
	3.2	9.5%	A+
Output 4		19%	B (Did not meet expectations)
	4.1	6.3%	B
	4.2	6.3%	A+
	4.3	6.3%	A+
Output 5		19%	A (Met expectations)
	5.1	19%	A
Output 6		5%	A (Met expectations)
	6.1	2.5%	A
	6.2	2.5%	B
Overall		100%	A (Met expectations)

Table 1 below lists the thematic and geographic windows that were supported, the number of eligible ideas submitted per window and the endorsed instrument.

Table 1: 2025 Lab Windows, applicant numbers and selected instruments

Lab Window (total number of eligible applicants ³)	Selected 2025 Instrument
Brazil (29) (DESNZ funded)	The Seeded Initiative, is the first financial instrument in Brazil designed for native seedling nurseries. It fills a critical gap in restoration finance by providing risk-managed, receivables-backed credit.
India (52) (Bloomberg Philanthropies funded)	The Price Risk Facility is a price insurance vehicle designed to protect agricultural borrowers and lenders from price volatility. It partners with insurers to underwrite input and post-harvest loans for smallholder farmers. By directly addressing price volatility, a risk often overlooked in emerging economies, the Price Risk Facility fills a critical gap in agricultural finance.
Philippines (19) (UNDP funded)	The Philippine Smallholder Agri-Fishery Resilience and Regenerative Fund is the first blended finance vehicle in the Philippines designed specifically for agri-smallholders. It brings together tiered capital, climate-smart finance, parametric insurance, and market access.
East and Southern Africa (77) (Core funding)	Carbon Neobank is a fully digital carbon bank designed to help African green SMEs access affordable, flexible financing. Developed by Melanin Kapital, it provides loans ranging from \$50,000 to \$1m and includes a technical assistance facility to prepare projects and strengthen climate-adaptive production capacity, maximizing impact.
Latin America and Caribbean – Mitigation (42) (DESNZ funded)	The Community Equity Opportunity Fund (CEOF), combines investment and technical assistance from the earliest stages of utility scale renewable energy projects in Latin America and the Caribbean. It enables rural and Indigenous community co-ownership, builds local capacity, and offers flexible financing structures that support follow-up investments, ensuring both financial viability and community participation.
Latin America and Caribbean – Adaptation (48) (US State Department funded)	Páramo Wildlife Resilience Facility mobilises resources for wildfire risk mitigation, emergency response, and ecosystem restoration. It provides rapid, pre-arranged funding to suppress high-intensity fires and support long-term adaptation, protecting Colombia's páramos and securing water for millions.
Global Mitigation (147) (Core funding)	The Clean Economy Fund (CEF) is India's first structured equity fund focused on decarbonizing economic growth. This \$75m fund aims to accelerate India's green transition by investing in innovative technologies and businesses, including first-of-its-kind factories and business models.
Adaptation (208) (US State Department funded)	Tropical Resilience Fund (TREF) is a debt fund investing in early and growth-stage projects and ventures across Latin America and Southeast Asia. The focus is on conserving, restoring, and protecting natural ecosystems while strengthening the resilience of investments.
Agriculture and Food Systems (183) (FCDO funded)	IREN AGRI is a blended finance debt fund that combines mid-term finance, technical assistance, inclusive digitalization, and multi-year offtake agreements with African cooperatives.

³ Some applications eligible for multiple windows



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Progress against recommendations from the last review

Recommendation	Progress
Carefully engage with CPI to roll-out the new BC pilot activities, carefully monitoring progress and results. Promote the changes to Lab members and encourage the broader shift to selection of instruments more likely to mobilise private finance. (September 2025)	Achieved. DESNZ observed the first Investment Committee selection of instruments and CPI shared regular progress updates throughout the year. There has been some divergence to the planned disbursement schedule and this will be incorporated into management in future years (see recommendations below). The Facility was well communicated to Lab members.
Commence activity on an independent evaluation of the Lab to review its position in the wider climate finance ecosystem, and which other programmes/initiatives are well placed to support early-stage proposals. (September 2025)	Partially achieved. DESNZ decided to conduct an internal strategic review of the Lab given budget pressures and internal capabilities. The findings of the interview analysis of Lab proponents can be found in Section D. Further work is ongoing to complete a synthesised report.
Ensure that the updated logframe specifically and coherently contains metrics to focus on and incentivise private sector mobilisation. Work with CPI to ensure that the activities being encouraged through the new logframe are carefully targeted and incorporated into delivery. (March 2025)	Achieved. The Logframe moved from 10 indicators in 2024 to 27 indicators in 2025. The current indicators place substantially more emphasis on the ability of proponents to secure investment, this re-work took place before the shift away from the hub-and-spoke model of delivery.
In relation to the Delivery Partner Review, ensure that previous and new actions agreed with CPI are closely monitored and implemented. Review points in February and July 2025 have been agreed.	Achieved. DESNZ and FCDO met with CPI colleagues on both dates and received written updates on progress against recommendations.
Work with CPI to consider options for securing value from unsuccessful shortlisted applications such that their effort (and Lab time/resources) aren't wasted. This forms part of broader thinking on this topic. September 2025.	Partially achieved. CPI are exploring new ways to extract broader value from the application pipeline. In particular, CPI are assessing how to better use the data generated through the process to produce insights for the market. While still at an early stage, CPI are considering the development of a Lab flagship report that would include a dedicated section analysing application volumes, thematic areas, and emerging trends. This would allow CPI to share aggregated insights and help inform the wider ecosystem, while remaining proportionate in terms of resource allocation.

Major lessons and recommendations for the year ahead

Lesson learned	Recommendation
<p>In the first year of delivery for the pre-seed facility, the independent investment committee was successfully formed, proponents selected, and significant progress made against milestones. Some delays to milestones occurred alongside some amendments to the disbursement schedule. Lessons from this should be incorporated into future delivery.</p>	<p>CPI to formally report on lessons from the first year of the pre-seed capital Facility and share any recommendations on how the budget should be best managed in Year 2 and Year 3 of the business case (June 2026).</p>
<p>In light of the announcement to reduce ODA by 2027, the Lab’s budget profile will need to reflect Ministerial decisions.</p>	<p>CPI and DESNZ to work closely to amend the budget profile and value and reflect this in an updated Grant Agreement (June 2026).</p>
<p>The expanded Logframe under this business case set a number of new indicators. Small amendments are proposed in the Output section below.</p>	<p>Proposed amendments to the Logframe shall be actioned and revised (June 2026).</p>
<p>The in-house analysis of the Lab provided useful findings but was not fully completed in this Reporting cycle.</p>	<p>DESNZ to complete the remaining sections of the strategic review and compile existing analysis into a final product ahead of the start of the next business case process (July 2026).</p>
<p>The Lab secretariat has re-structured within this reporting period, with opportunities for refreshed strategic engagement with Lab members.</p>	<p>DESNZ to engage with CPI’s new lead for Lab member engagement and review the future strategy throughout its development over 2026 (December 2026).</p>
<p>There were a number of instruments which became inactive during this year which highlighted the proportion of instruments in the whole portfolio which are now inactive. Whilst we don’t expect all ideas to be successful, it might be useful to have some more concrete analysis of trends in the portfolio to identify possible areas which the programme need support or additional elements especially approaching the new BC period.</p>	<p>Hold a session with CPI for them to present analysis of the inactive portfolio and identify any common themes and give recommendations for areas which could be targeted for support in the future. (July 2026)</p>

Section B: Theory of change and progress towards outcomes

Summary of the programme's theory of change, including any changes to outcome and impact indicators from the original business case

As the current business case expanded the programme's remit, and noting lessons from the previous decade, the Theory of Change (ToC) was updated in 2024 (Annex A).

In summary, the ToC expects that Lab technical activities (from calls for proposals, capacity building, endorsement, and finally to grant support) will enable ideas to improve, to work to accelerated timelines, be better connected with investors, and be more likely to succeed in securing investment. Ultimately, these actions will contribute to an increased stock of high-quality investment propositions with potential to mobilise investment for climate, from both public and private sources.

Progress against the expected outcomes and impact, and actions planned for the year ahead

Impact metrics: Total public and private finance raised by Endorsed Lab projects

The Lab's mission is to drive billions of dollars of private investment into climate change action in developing countries. This is a core HMG priority, noting the investment gap for the global climate transition, and the need to draw on a range of source of finance to meet needs. The Lab's model, whereby it incubates innovative financing structures and launches them onto the market, has the potential to promote best practice and new ways of mobilising capital. Yet, for a number of years, Endorsed Lab instruments struggled to mobilise sufficient capital for reasons that include a lack of internal capacity and capability to continue driving progress Post-Endorsement, a lack of available public and private finance to invest into their instruments, and in-country enabling environment barriers to implementing the instruments.

The Lab donors and wider Lab members have considered options to address this point of failure, including moving the Lab's focus from earlier-stage ideas in more nascent markets and sectors towards more commercially ones, and by the provision of new funding streams such as the UK's pre-seed capital facility.

Funds mobilised by the Lab portfolio are detailed in Table 2 which describes whether the milestones have been achieved and compares progress to the previous year.

Table 2: Progress against Impact statement indicators 1, 1.1 and 1.2.

Impact Indicator	Achievement in 2024	Achievement in 2025	2025 milestone
1. Total finance raised by Endorsed Lab projects.	\$4.15bn*	\$4.47bn	\$4.44bn Progress exceeded expectations.
1.1 Total private finance achieved by Endorsed Lab projects.	\$1.61bn	\$1.98bn	Increase of \$108m Progress exceeded expectations – total increase of \$370m.
1.2 Total public finance achieved by Endorsed Lab projects.	\$2.02bn	\$2.26bn	Increase of \$162m Progress exceeded expectations – total increase of \$240m.

*This figure is greater than indicator 1.1 and 1.2 combined. This recognises that Lab projects also secure philanthropic finance and funding from unknown sources.

Figure 1 shows the annual increase in total finance mobilised per year since 2015, and also disaggregates finance mobilised by proponents, with Climate Investor One and Two and 3 separated as the largest single sources of mobilisation historically. For reference, Climate Investor One was Endorsed in the Lab’s 2015 cycle and has mobilised 66% of tracked private climate finance reported by the Lab to date. Figure 2 shows the split between public and private sources per year.

Figure 1: Finance Mobilised (\$1,000s):

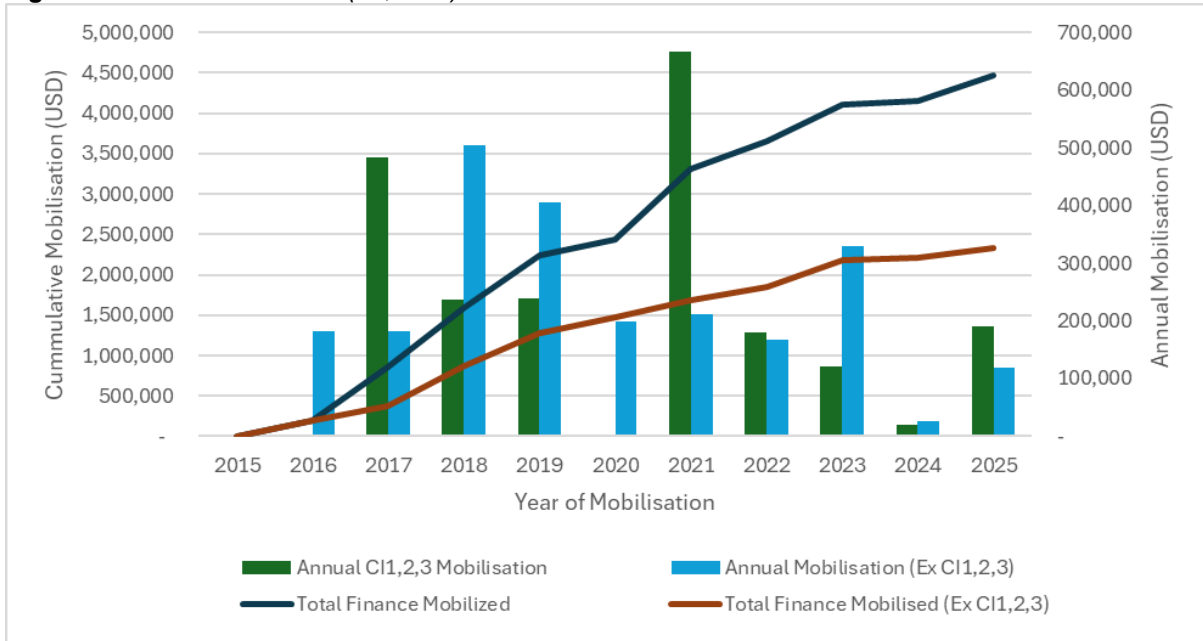
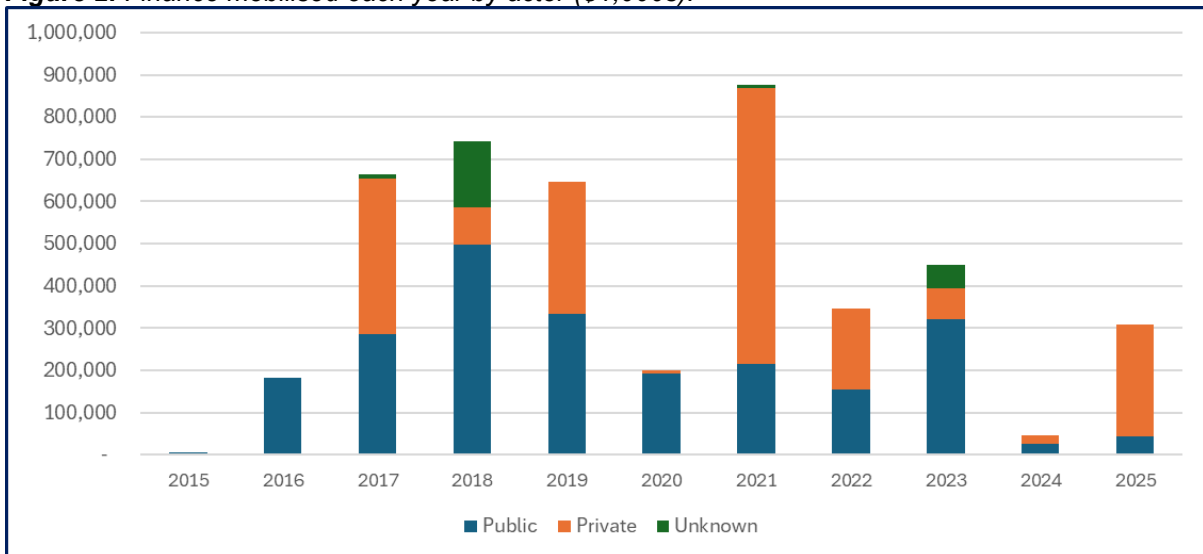


Figure 2: Finance mobilised each year by actor (\$1,000s):



The new business case components aimed at accelerating the rate at which instruments secure finance, namely the go-to-market support and pre-seed Facility, have not contributed to results as this is their first year of delivery. Despite this, targets have been exceeded and examples of 2025 investments into Lab proponents is below:

- The [Sub-National Climate Finance Initiative \(SCF\)](#) (2020 Lab cohort) secured \$20m from a Japanese multinational, plus \$1m for the technical assistance facility. They now work across 24 countries.

- [Growth Next-Generation Agriculture](#) (2024 Lab cohort) secured mandate letters from two DFIs. IFC intend to provide \$10m of mezzanine finance, DFC likely rescinded their offer.
- [Structured Finance for Nature \(SFN\)](#) (2024 Lab cohort) is oversubscribed for their Series B round, with AXA (a French multinational insurer) expected to anchor their mezzanine layer with \$30m.
- [One Acre Ventures](#) (2021 Lab cohort) is now deploying capital provided by the MasterCard Foundation and received a letter of intent from a family office to provide further capital.

Impact metrics: Number of Endorsed Lab instruments within the whole (Active) portfolio at Expansion (Stage 5), Scale (Stage 6), and Replication (Stage 7) (%).

The Lab marginally exceeded the milestone for this indicator, with 52% of the Lab's active alumni portfolio now being at a point of expansion, scale or replication. This is against a target of 51%. For detail on how the Stages of Development taxonomy is defined, see the narrative section of Output 1.

Although not covered by the Logframe indicators, it is worth noting that 29% of Lab alumni are no longer active for reasons including a lack of prioritisation by the proponents, lack of suitable investors, and changed market dynamics. When considering the Lab's total portfolio (still active and now discontinued proponents), the number that are at least at Stage 5 drops to 28% of the portfolio.

Impact metrics: Extent to which the Lab is likely to have a transformational impact.

The indicator used the [HMG International Climate Finance Key Performance Indicator \(KPI\) 15 methodology](#) for measuring the Lab's likelihood to deliver transformational change. The milestone target for this year was to achieve a rating of 'four' (Partial evidence that suggests that Transformational Change is likely) out of a maximum score of five. The milestone was achieved. Of the seven criteria used to assess the Lab's progress against KPI 15, the Lab met all but two criteria, with these two (Output 3.1: The annual number of shortlisted proposals submitted to the Lab and Outcome 2: Number of all proposals moving from development to pilot) having been removed from the Logframe last year and as such could not be assessed this year.

Outcome One: A range of high-quality ideas are developed and prepared for Endorsement

The two indicators for Outcome One are:

- (i) Proportion of instruments in the eleventh cycle that are at least at Proof of Concept Stage by Endorsement (%), and
- (ii) Proportion of Endorsed Lab instruments from the tenth cycle that have reached Pilot stage or above within one year of Endorsement.

These two indicators refer to the Stages of Development taxonomy. For the full taxonomy see the narrative for Output One. The milestone for the first indicator was to achieve 90% but this was exceeded with 100% proponents achieving at least Proof of Concept. For the second indicator, the milestone was 35% of the 2024/25 cohort reaching pilot stage. This did not meet expectations as only 33% of proponents (3 out of 9) met the target, with just one instrument below achieving the target. The remaining proponents were all at 'Proof of Concept' stage which is one stage below the pilot stage.

Outcome Two: Ideas receive high quality capacity building and expertise which helps them receive investment post-Endorsement.

The three indicators for Outcome Two are:

- (i) Amount invested into Lab instruments by Lab members (cumulative),
- (ii) Proportion of Lab endorsed instruments receiving investment within two years of endorsement (%), and

- (iii) Proportion of all proponents within the active portfolio at Pilot Stage or Expansion stage.

The first indicator was slightly exceeded. The milestone expected \$1.45bn of cumulative investment by Lab members and observers - \$1.46bn was achieved.

The second indicator did not have a milestone as this was the first-year measuring progress. 57.35% of the active portfolio had received investment within two years. Next year's milestone will be this baseline + 5%.

The final indicator expected 45% of the active portfolio to be at Pilot Stage or Expansion stage but only 28% achieved this. The reasoning is a number of instruments became inactive in the reporting period (The current proportion of inactive instruments in the portfolio is 24% or 20 out of 82 instruments). Examples of challenges faced by proponents include:

- Green Affordable Housing Finance: the proponent has faced financial difficulty and is prioritising other commercial ventures.
- Pay as You Save for Clean Transport: lack of market demand – the original pilot in Colombia was unsuccessful after oil and gas subsidies increased. A follow-on pilot in the US received low uptake and was scrapped after the 2024 elections.
- Smallholder Forestry Vehicle: Unable to raise capital from the GCF, they turned to venture capital and equity but it was not compatible with their business model.

Arguably, and when compared to the impact indicator measuring all proponents above Stage 5, this indicator could hint that major barriers to development occur at the earlier Stages of Development. The Lab's sister programme, the Catalytic Climate Finance Facility (In addition to the new Pre-Seed grant facility of the Lab business case), emerged in recent years to address this 'valley of death' between pilot stage and before scaling to help address the issue.

Intermediate outcome One: Lab support, including the additional go-to-market capacity building and pre-seed grant capital funding, helps develop the highest potential endorsed instruments and improve their chance of securing funding.

The three indicators for Intermediate Outcome One are:

- (i) Proportion of Lab instruments receiving 'Go-to-market' support which advance at least one Stage of Development within 6 months of support ending (%),
- (ii) Proportion of selected proponents receiving pre-seed facility support that advanced into Pilot or Expansion stage within 6 months of support ending (%), and
- (iii) Proportion of selected proponents receiving pre-seed facility support that have gone on to secure external funding within 6 months of pre-seed facility support ending (%).

For all three indicators, data is not yet available and will be reported on in the next annual review of the programme, due to the metrics collecting the data within 6 months of support ending, the data couldn't be collected as the data collection timeline for this annual review was still during the first round of new support.

Due to the programme funding reduction following the ODA prioritisation exercise outlined above, the Go-to-market support will not form part of the Lab deliverables from 2025 onwards, as such intermediate outcome one will not be measured and assessed for the programme future performance.

Logframe updates since the last review

The Logframe was fully updated during the 2024 business case process. The indicators mirror the revised Theory of Change and place a deeper emphasis on monitoring the Lab's ability to support proponents most likely to secure finance post-Endorsement. The Logframe also includes more quantitative milestones. The shift away from the Hub-and-spoke model occurred after this Logframe rework, and as such, indicators may need to be revisited to reflect this shift for future reviews.

Section C: Output scoring

Output Title	Call for proposals: A range of diverse instruments are improved as a result of the technical assistance intervention		
Output number:	1	Output Score:	A
Impact weighting (%):	19%	Weighting revised since last AR?	N/A
Risk rating	Minor	Risk revised since last AR?	No

Indicator(s)	Milestone(s) for this review	Progress
1.1 Instruments move by at least one Stage of Development* during the Lab cycle	<i>100% of proponents achieve the expectation.</i>	Progress met expectations – 100% of instruments moved by at least one stage of development.
1.2 Proportion of proponents giving positive feedback on quality of support (%)	<i>100% of proponents achieve the expectation.</i> <i>(Question asked: “Overall, how would you rate the quality of your lab experience. 1 – Poor; 4 – Excellent)</i>	Progress met expectations. 100% positive feedback provided at both the Global Lab level, and on UK supported Labs. (However, only 7 out of 10 proponent teams responded)
1.3 Proportion of shortlisted proponents teams that have a diverse leadership team (%)	<i>40% meet this expectation.</i>	Progress met expectations. 40% of proponents had a gender diverse leadership team.

Output summary and supporting narrative for the score

Previously, DESNZ used the Climate Investment Readiness Levels (CIRLs), a methodology that built on the NASA-developed Technology Readiness Levels approach, to assess how Lab proponents moved through stages of business development. This year, the methodology moved to the ‘stages of development’ model which is used by the Lab’s secretariat.

The Stage of Development Taxonomy is below:

- Basic Idea:** an early-stage concept. Preliminary research has been done, but instrument structure, target market, and/or implementing partners have not been identified or defined.
- Initial development:** undergoing research and testing but is not yet reasonably deemed feasible. The concept has been shown potential to work in practice, yet details on instrument structure and pathway to market are still unclear.
- Proof of Concept:** developed and tested to the point that it is in theory feasible, with further activity required to make the next commercial steps (pilot, product development, required agreements, etc) happen. It is a viable product although a few details are yet to be developed.
- Pilot Instrument:** pilot has been tested and financial vehicle development is nearly (or fully) complete.
- Expansion:** active and heading towards full scale-up version, refining the model, and seeking out additional funding or operational partners.
- Scale-up:** active and in scale-up mode, looking for replication in new sectors or regions.
- Replication:** The instrument has been shown to work and is being replicated in sectors and/or geographies.

Table 4 shows the progression of endorsed Lab instruments from the eleventh cycle. One proponent moved by three stages of development, three proponents moved by two stages of development, and five moved by one stage of development.

Table 4: Lab proponents' changes in Stage of Development

Instrument	Development Stage at selection	Development Stage after endorsement	Stage of Development change
Carbon Neobank	Initial Development	Proof of Concept	From 3 to 6
Community Equity Opportunity Fund	Proof of Concept	Pilot Implementation	From 3 to 4
The Clean Economy Fund	Initial Development	Pilot Implementation	From 2 to 4
IREN Agri	Proof of Concept	Pilot Implementation	From 3 to 4
Páramo Wildfire Resilience Facility	Basic Idea	Proof of Concept	From 1 to 3
Agri-Smallholder Resilience Fund (ASRF)	Initial Development	Proof of Concept	From 2 to 3
Price Risk Facility (PRF)	Initial Development	Proof of Concept	From 2 to 3
The Seeded Initiative	Basic Idea	Proof of Concept	From 1 to 3
Tropical Resilience Fund (TREF)	Initial Development	Proof of Concept	From 2 to 3

Output indicators 1.2 and 1.3 then provide qualifying information to help determine whether changes to the Stage of Development can be attributed to Lab support, and to determine whether the types of instruments being supported had gender balanced leadership teams.

100% of respondents gave positive feedback on the quality of Lab support, however, noting that only 7 of 10 proponents this year responded to this feedback. This aligns with the feedback received through survey responses for the DESNZ in-house strategic review of the Lab. Of the 26 respondents (across multiple Lab years), nearly all (93%) agreed or strongly agreed that Lab technical support improved instrument development

Changes to this output, and any planned changes as a result of this review

Previously, this output had a weighting of 60% to reflect that it is the primary rationale for the Lab's existence. With a growing number of outputs and a broadened Lab remit, this was revised to 19%.

CPI amended their methodology slightly on the feedback form for proponents this year compared to last, changing the range from 1-5 (Poor to excellent) to 1-4 (Poor to excellent). The impact of this change will be reviewed with CPI ahead of the next review to determine if there is a loss of clarity with the reduced granularity for feedback responses.

CPI and DESNZ should broaden output 1.3 to ensure that the data can fully support an understanding of how Lab proponent selection supports Gender Equality, Disability and Social Inclusion.

Progress on recommendations from the previous AR, lessons learned this year, and recommendations for the year ahead

The new methodology for tracking business development was adopted and the Logframe was updated per the recommendations.

Output Title	Members and observers: A diverse range of organisations from the public and private sectors are convened to offer expert and relevant guidance through selection and instrument.		
Output number:	2	Output Score:	A
Impact weighting (%):	19%	Weighting revised since last AR?	N/A
Risk rating	Minor	Risk revised since last AR?	No

Indicator(s)	Milestone(s) for this review	Progress
2.1 Number of Lab members (Organisations), including % that are private sector.	At least 110 organisational members of which 55% are from the private sector.	Progress met expectations. While there were 120 organisational Lab members, only 53% were from the private sector.
2.2 Number of experts involved through the Lab cycle.	At least 110 participants.	Progress exceeded expectations. 165 organisations were involved in the Lab. From these organisations, 359 different individual experts supported the Lab.
2.3 Proportion of Lab members giving positive feedback on the Lab process and their involvement (%)	95% provide positive feedback.	N/A. This data is not available for this annual review period, noting that the Partnerships lead responsible for this work had not been recruited during the time period and has commenced work in January 2026, after the scope of this AR period.

Output summary and supporting narrative for the score

Lab members form the core of the Lab and include representatives at selection meetings, senior principal advisors, and advisors from various organisations. Lab members may subsequently invest in endorsed Lab instruments or bring expertise to working groups to support selected ideas to refine their business models. There may be multiple Lab members per organisation involved with the Lab.

While there has been an increase in the number of organisations involved in the Lab each year (29 organisations in 2014, rising to 110 in 2024, and now 165 in 2025), the number of total experts dropped from 450 in 2023, to 367 in 2024, to 359 in 2025. This is reflective of CPI’s strategy to focus efforts on experts who provide sufficient time and expertise within the Lab process. Noting Output 4 below, there is further work to keep the Lab membership fully engaged throughout each Lab cycle.

Over the past year, the Lab has undertaken a more systematic review of its membership base. Historically, the programme built a large and diverse membership, but over time some organisations became less active. In the private sector in particular, engagement is often driven by individual stewardship. Typically, one or a small number of champions within an organisation are familiar with and committed to the Lab. When these individuals leave their roles, it can be challenging to maintain continuity if there is no clear successor or alternative focal point. As a result, some private sector organisations became less engaged despite remaining formally on the membership list.

In contrast, development-focused institutions such as DFIs, governments, and multilateral organisations tend to engage with the Lab as part of their institutional mandate. While individual staff may rotate, organisational participation is usually sustained, which makes their engagement more stable over time.

The shift in the proportion of private sector members this year therefore reflects a deliberate effort to improve the quality and accuracy of CPI’s membership tracking. CPI proactively

removed organisations where they no longer had an active contact or meaningful engagement. This led to a temporary reduction in the private sector share of total membership. To address this going forward, the Lab has strengthened its approach to partnerships. In 2026, CPI will recruit a dedicated Partnerships Lead who will be developing a refreshed membership and engagement strategy. This will focus on maintaining stronger relationships with private sector members, identifying multiple contacts within organisations, and ensuring continuity of engagement. We expect this more structured and proactive approach to support both the retention and growth of active private sector participation over time.

Of the 165 organisations involved, 83 were formal Lab members, and 82 were other experts. Broken down by organisation type, 83 were from the private sector and 49 from the public sector. The remaining organisations were non-profits or philanthropic organisations.

The new Partnerships lead within CPI will create a comprehensive strategy for engaging the Lab membership and will be surveying them on potential changes to ways of working in future cycles.

While the in-house strategic review analysis of the Lab in 2025 did not survey the Lab membership (only proponents), the results did indicate that proponents valued Lab technical support. 93% agreed or strongly agreed that support improved instrument development and 85% thought the support was tailored to their needs.

Changes to this output, and any planned changes as a result of this review

The Logframe was fully updated since the last annual review period. The updated outputs focus exclusively on Lab members and observers across the Lab portfolio and do not disaggregate information specific to UK-funded activities. DESNZ and CPI will consider whether to include this information in future reviews.

Progress on recommendations from the previous AR, lessons learned this year, and recommendations for the year ahead

In light of changes within the Lab's Secretariat, DESNZ should build strong relationships with the new partnerships lead and work collaboratively to support a comprehensive strategy to further improve Lab member engagement and investment into proponents.

Output Title	Regional and global selection: The most promising financial instrument ideas are selected through expert assessment and scrutiny at selection events.		
Output number:	3	Output Score:	A+
Impact weighting (%):	19%	Weighting revised since last AR?	N/A
Risk rating	Minor	Risk revised since last AR?	No

Indicator(s)	Milestone(s) for this review	Progress
3.1 Number of countries targeted by selected instruments	At least eight	Progress exceeded expectations – 11 countries were targeted.
3.2 Proportion of selected proponent organisations based in the global south (%)	At least 60%	Progress exceeded expectations – 78% of proponent organisations were based in the Global South.

Output summary and supporting narrative for the score

The table below lists initial target countries per instrument and whether they are based in the Global South. Note output 3.1 informs DESNZ' reporting against Technical Assistance KPI 1 - Number of countries supported by ICF Technical Assistance.

Table 5: progress against output 3.

Instrument	Target countries	Proponent based in Global South?
Carbon Neobank	Kenya and Uganda	Yes
Community Equity Opportunity Fund	Argentina and Colombia	Yes
The Clean Economy Fund	India	Yes
IREN Agri	Cote D'Ivoire, neighbouring West African countries	No – Societe Generale and Ksapa are based in France.
Páramo Wildfire Resilience Facility	Colombia	Yes
Agri-Smallholder Resilience Fund (ASRF)	The Philippines	Yes
Price Risk Facility (PRF)	India	Yes
The Seeded Initiative	Brazil	Yes
Tropical Resilience Fund (TREF)	Brazil, Peru, Indonesia, Cambodia	No – Impact Earth is UK-based with offices in Brazil.

Changes to this output, and any planned changes as a result of this review

The logframe was fully revised in this reporting period. This is a new output and indicators. Instead of focusing on the number of applications as a tool to measure the Lab's ability to

select high-quality instruments, the indicators now focus on whether selected instruments can cover a breadth of markets and whether they are led by local teams. On the latter point, evidence from previous Lab's cycles finds that local teams are more likely to secure positive outcomes long-term.

Progress on recommendations from the previous AR, lessons learned this year, and recommendations for the year ahead

Reflecting the quality of applications to the regional Labs per year, plus the evidence that regional proponents are more likely to achieve outcomes post-Endorsement, the Lab is moving to a fully regional model in the twelfth cycle.

Output Title	Capacity Building: Proponent ideas receive analysis, stress testing, and guidance through working groups and 1:1 meetings for selected proposals.		
Output number:	4	Output Score:	B
Impact weighting (%):	19%	Weighting revised since last AR?	N/A
Risk rating	Minor	Risk revised since last AR?	No

Indicator(s)	Milestone(s) for this review	Progress
4.1 Proportion of Lab members attending a minimum of 2 working group sessions or one 1-2-1 session (%)	60% (Regional members) 40% (Global members)	Progress did not meet expectations – only 20% of regional members and 10% of global members met this threshold.
4.2 Proportion of instrument with a GEDSI impact assessment or strategy by endorsement	At least 80%	Progress exceeded expectations – 100% had a strategy or assessment by endorsement.
4.3 Number of proponent organisations that have received Lab technical assistance support	At least seven	Progress exceeded expectations – 10 proponents received technical support.

Output summary and supporting narrative for the score

While the Lab overachieved on output indicator 4.2 and 4.3, lack of progress against 4.1 is the rationale for an overall B score.

Regarding output 4.1, in previous years, the Lab measured engagement more broadly, capturing members who participated in any element of the programme cycle. This included attending a single event, participating in a working group, or engaging at other touchpoints. Under the revised logframe, the definition has been strengthened to focus on more sustained and meaningful engagement, requiring participation in at least two workshop sessions or one-to-one interactions. As a result, the threshold for qualifying as an “engaged” member is higher, which has contributed to the lower proportion recorded this year.

This shift also coincides with ongoing efforts to improve membership management and ensure that our tracking reflects active and consistent engagement. At present, the Lab has a relatively large membership base, but a smaller core group of highly engaged organisations. The size of the overall membership dilutes the percentage of members meeting the new engagement threshold. Therefore, this year results serve as a useful baseline, from which we may adjust for next years review following a revised member engagement strategy.

A further challenge relates to the type and level of representation within member organisations. In many cases, the Lab’s primary contacts are senior individuals who play an important strategic and convening role and are able to participate in high-level events. However, they often have limited availability to engage consistently in working groups or more operational aspects of the programme. This has made it more difficult to secure sustained participation across the full cycle.

Addressing this will be a priority within the new membership and partnerships strategy. The recently appointed Partnerships Lead will focus on deepening engagement within member organisations by identifying multiple points of contact, including more mid-level or technical

staff who may be better positioned to participate in working groups and ongoing activities. The objective is to maintain strong relationships with senior stakeholders while also broadening institutional engagement to ensure continuity and more consistent participation. We expect this approach to improve performance against this indicator over time.

For 4.3, the milestone of seven reflects that neither DESNZ nor the Lab has control over the number of Lab windows per year given that it is a multi-donor programme. The rationale for this indicator, which is disaggregated in the Logframe, is that it informs DESNZ' results note for Technical Assistance KPI 2.2 - Number of organisations supported by ICF Technical Assistance.

Changes to this output, and any planned changes as a result of this review

The Logframe has been revised since the last reporting period, with all three of these indicators being new compared to previous year. As such these will provide a useful baseline from which to measure future progress and we may adjust the targets for future reviews accordingly, particularly relating to output 4.1 due to the reasons provided above.

Progress on recommendations from the previous AR, lessons learned this year, and recommendations for the year ahead

CPI will refresh their strategy for engaging the Lab membership and using their expertise to inform proponent development. Once this has concluded, DESNZ and CPI will discuss whether the milestones should be amended or other actions to improve performance against 4.1.

Output Title	Post-endorsement support: Proponents are connected to relevant investors and pitch decks are shared within investor networks.		
Output number:	5	Output Score:	A+
Impact weighting (%):	19%	Weighting revised since last AR?	N/A
Risk rating	Minor	Risk revised since last AR?	No

Indicator(s)	Milestone(s) for this review	Progress
5.1 Number of private sector attendees at portfolio events post-endorsement.	10 per event for two events	Progress exceeded expectations – 102 private sector participants attended events.

Output summary and supporting narrative for the score

This output was originally designed to track attendance at the 2025 ‘Demo Day’. Previously, Demo Days would occur Post-Endorsement to present Lab proponents to a wider external audience. In 2025, this was reformulated into an online portfolio series which was well attended. The output also accounts for participation at two in-person events at London Climate Action Week and New York Climate Action Week which brought together alumni and investors.

Changes to this output, and any planned changes as a result of this review

The Logframe has been revised since the last reporting period. DESNZ and CPI will consider whether next year’s milestone target should increase to note the change in number and formats of events. The impact weighting for this indicator is deemed too high given the proportion of indicators compared to other outputs and the scale of the impact on the wider programme performance. It is recommended that this is revised down in order to increase the proportion for output 6 from next year.

Progress on recommendations from the previous AR, lessons learned this year, and recommendations for the year ahead

As above.

Output Title	Pre-Seed grant capital facility: Financial instruments have access to capital to progress to the next stages of instrument development.		
Output number:	6	Output Score:	A
Impact weighting (%):	5%	Weighting revised since last AR?	N/A
Risk rating	Minor	Risk revised since last AR?	No

Indicator(s)	Milestone(s) for this review	Progress
6.1 Number of Lab ideas securing pre-seed grant capital support	Between 3 and 5	Progress met expectations. Five ideas were supported by the Facility.
6.2 Amount of capital disbursed from the pre-seed grant capital fund (Cumulative)(£GBP)	£800,000	Progress did not meet expectations. Only £721,300 was disbursed in the period.

Output summary and supporting narrative for the score

The table below lists the proponents that were supported by the pre-seed Facility and provides a narrative on their progress.

Table 6: updates on pre-seed facility proponents.

Proponent	Use of grant funding	Narrative update
CoolPact Capital Fund India	<ul style="list-style-type: none"> To develop a comprehensive Impact Management and Measurement system and refine the design of the Technical Assistance Facility. Funds legal expenses and fundraising efforts. 	<ul style="list-style-type: none"> Progressed on fundraising, structuring, and pipeline development. The Fund made various engagements with investors and has been working with legal counsel. The Technical Assistance Facility's design and the Impact framework have been completed. The Fund is undergoing an amendment process and they are sourcing a new Fund manager.
Growth Next-Generation Agriculture	<ul style="list-style-type: none"> Supports finalisation of fund setup and development of legal policies. Supports fundraising and implementation of the impact measurement plan. 	<ul style="list-style-type: none"> The proponent is expected to meet its final milestone in January 2026. The Fund manager and legal counsel were formally appointed. The proponents soil monitoring app has been field tested and is key to their impact measurement strategy. Investor engagement is on track.

Regenera Ventures	<ul style="list-style-type: none"> • Supports fundraising, including through the preparation of investor materials. • Enables the team to bring in specialist expertise. 	<ul style="list-style-type: none"> • Work is progressing well on legal structuring, fundraising and pipeline development. • Work has been completed to re-brand and create communications materials. • Fundraising was impacted by the withdrawal of the US' DFC.
Resilient Municipal Market Fund	<ul style="list-style-type: none"> • Supports the hiring of a structured finance expert to lead investor negotiations. • Supports development of a pipeline and the Technical Assistance Facility. 	<ul style="list-style-type: none"> • Undergoing an amendment process, focused primarily on how finance will be delivered. Due to conclude in Q2 2026. • Fundraising efforts are active and will progress once the amendment process is finalised. • Significant market mapping has occurred.
Structured Finance for Nature	<ul style="list-style-type: none"> • Funds advance market commitments. • Supports the hiring of a structured finance expert to support fundraising. 	<ul style="list-style-type: none"> • Undergoing an amendment process to refine it's blended finance structure. • Legal work has progressed and the proponent has made progress on Series B equity fundraising.

The pre-seed facility faced disbursement delays due to delays in setting up the contract for the new business case, with knock on delays on scheduling the independent Investment Committee to select projects. Originally, £300k was scheduled for February, £300k for June and £200k for December. In practice, £263,800 was paid in March, and £457,500 in June. The remaining budget will be spent in February 2026 and overall forecasts for the Financial Year will be met.

As one milestone was achieved and the only milestone was not achieved due to administrative delays to setting up the business case, this indicator will score an A overall.

Changes to this output, and any planned changes as a result of this review

This is a new output under the refreshed Logframe. In line with learning lessons on the disbursement schedule, and with Year One completed, it is proposed to increase the impact weighting of this output in future reviews, noting how important this business case component is to achieving business case objectives. It is expected that this will be rebalanced by reducing the weighting of output 5 as noted above.

Progress on recommendations from the previous AR, lessons learned this year, and recommendations for the year ahead

DESNZ and CPI should confirm budget forecasts for remaining years noting a) a drop in total number of Lab windows in future years, b) delays to the original disbursement schedule in 25/26.

Section D: Programme performance not captured by outputs

2025 Strategic Review of the Lab

This year, DESNZ conducted a strategic review of the Lab. This included surveying Lab alumni, 26 of which responded. DESNZ' in-house monitoring, evaluation and learning advisors analysed their responses and found that:

- **Technical support:** Nearly all (93%) agreed or strongly agreed that Lab technical support improved instrument development, with 88% finding that it sped up their progress.
 - **Most valued:** design and stress testing of ideas, market sounding, financial modelling, and developing implementation pathways.
 - **Tailoring:** 85% thought support was tailored to their needs and 77% thought that support from stakeholders was relevant to their stage of development.
- **Investor engagement:** Most felt that the Lab connected them with relevant funders, with agreement slightly higher for private funders (73%) than public funders (69%).
 - **Securing Finance:** Only 46% agreed that the Lab helped them to secure private finance, and only 42% for public finance.
 - **Accelerating investment:** 42% agreed that the Lab helped to speed up the process to secure private finance, vs 54% agreeing that it sped up the process to secure public finance.
 - **Support by window:** ideas from the Brazil and Africa windows were more likely to agree that the Lab helped to secure private finance. For public finance, Africa-window ideas were more likely to agree.
- **Post-Endorsement:** 77% agreed or strongly agreed that the Lab continued to provide support post-Endorsement. Nearly all (96%) felt that the Lab provided a point-of-difference when engaging with investors.
- **Suggested changes:** ~1/4 felt that no further changes were needed. Other proponents welcomed grant funding opportunities. They also proposed more stakeholder mapping, including more direct introductions and more help to benchmark cost of capital from different Lab members. One suggested that the Lab should evolve to provide Series A financing.

Links with the wider ecosystem

The Community Equity Opportunity Fund (CEO) proponent this year was also supported by the UK's flagship technical assistance programme UK Partnership for Accelerated Climate Transitions (UK PACT). A short summary of how the two programmes interacted with CEO is below:

- **CEO background:** In Colombia, regulations require all renewable energy projects to undergo a *prior consultation* process with nearby communities to agree on terms and conditions. This process ensures that community perspectives are integrated into project development, establishing appropriate social safeguards. As of 2024, there were approximately 80 renewable energy projects valued at nearly USD 3.5 billion. However, nearly half of these projects have not yet secured community approval, preventing them from entering the Colombian electricity market despite being built and ready to operate. This bottleneck has led to the dismantling of several projects and poses risks to the government's energy transition plans, potential energy shortages for over 2 million Colombians, and a decline in international investment flows into Colombia's energy sector. CEO actively involves local communities in energy projects and enables them to

economically benefit, improving the efficiency and effectiveness of the consultation process and leading to more equitable outcomes.

- **The Lab's role:** CEOF blends highly concessional donor capital with private finance to invest in solar and wind projects where Indigenous and rural communities have equity stakes. The instrument will operate in partnership with private investors, renewable energy developers, and public or philanthropic funding sources. The Lab helped to strengthen their Fund structure, impact metrics, implementation and financing plans, and governance structure.
- **UK PACT's role:** providing the technical assistance and strategic outreach necessary to ensure the mechanism is understood, adopted, and sustained. The programme will:
 - provide communications and awareness-raising support, bringing in best practise from Canada, South Africa and Nepal.
 - provide implementation support to three early adopters of the programme – offering technical assistance to communities and companies who pilot the Fund's aims.
 - Train communities, developers, energy generators, banks and government officials on the legal, financial and governance aspects of equity partnerships.
 - Support financial institutions to offer investment products that facilitate community participation.
 - Promote regulatory support for the model using multi-stakeholder dialogue methods to foster knowledge exchange.

This initiative exemplifies how different, yet complementary programmes can address different dimensions of a complex challenge. While The Lab focuses on the *design and implementation* of the financial mechanism, UK PACT ensures its *adoption and sustainability* through technical assistance, stakeholder engagement, and policy development.

Section E: Risk

Overall risk rating: Moderate

The risk rating remains moderate. This reflects that UK funding to the Lab has substantially increased under the new business case, including through new funding areas. With new activity, delivery risks have slightly increased. In light of the UK government announced the decision to reduce Official Development Assistance by 2027, reductions in Lab budget in future years will need to be carefully managed to mitigate impacts to the programme overall.

As recorded in most annual reviews to date, DESNZ recognises the consistent track record of the Lab and the constructive partnerships between DESNZ, CPI and other donors.

Overview of risk management

Programme risks are managed within the Lab’s Steering Group meetings (annually), tracked in the Programme’s Project Delivery Plan (PDP), and discussed bilaterally with CPI in regular monthly meetings. The UK is an engaged donor across Lab fora, across the entire programme as a core donor and also on the specific Lab windows which DESNZ is a funder of. This allows for regular monitoring throughout the Lab cycle and opportunities to flag as risks are identified.

Current risks

Risk	Mitigation	Risk
Finance mobilisation. The rate of finance mobilised (particularly private) reduces, impacting the ability of the Lab to meet its goals. This is pertinent as USAID and DFC wind-down activities, noting they were a major provider of concessional finance.	2025 saw the establishment of ‘go to market’ support and the pre-seed facility. Both business case elements were specifically designed to address this risk. Alongside this, Convergence and CPI created the Catalytic Climate Finance Facility in May 2023. As both these initiatives become mainstreamed as options for Lab alumni, future activity should show a positive impact on results. The Lab Logframe update in 2025 also included new indicators to better track progress of instruments.	Moderate
Performance of new pilot activities. New activities do not deliver intended outcomes or face significant issues, impact broader Lab outcomes.	The go to market support was well received in 2025. However, due to budget pressures it is likely that it will be removed from future Lab delivery. The pre-seed facility proponents faced delays to achieving milestones, causing knock of disbursement delays. However, as noted in the lessons section, lessons will be captured and inform any adaptations in the next cycle.	Moderate
Budget pressures. Small budget reductions in 26/27 and 27/28 could impact Lab outcomes if not proactively managed. A reduction in Lab windows could also impact ability to spend CDEL through the pre-seed facility effectively.	DESNZ and CPI are working closely to consider options and this is being fed back to DESNZ central teams.	Moderate

<p>Lab future strategy. As with any long-running programme, it is pertinent to ensure relevance within the wider ecosystem and to adapt to changing priorities to ensure effectiveness.</p>	<p>The Lab secretariat has re-structured in this reporting period. The new Partnerships lead will develop a new strategy to engage the Lab membership and promote strong selection of relevant Lab proponents. DESNZ intends to work closely with CPI to inform this work.</p>	<p>Moderate</p>
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Section F: Programme management: delivery, VfM, commercial and financial performance

Summary of the performance of partners and DESNZ, notably on commercial and financial issues, and including consideration of VfM.

Performance of Partnerships

The UK's partnership with CPI is long-standing and productive, with the Lab being one of various partnerships with the organisation. DESNZ's role as a donor within the Lab is clearly defined within the Lab's guidelines and the contribution is managed through a direct Grant Award. The UK and CPI speak regularly either bilaterally or through the Steering Group.

Coordination with CPI teams in regional Labs, and with respective FCDO teams at Posts, declined in this period due to internal DESNZ resource pressures. A new Lab programme manager has joined the team and will focus on re-engaging through 2026. DESNZ has worked closely with the counterpart lead in FCDO managing the ClimateShot Investor Coalition programme which funded the Lab's sustainable agriculture window. DESNZ sits on their Steering Committee to support join-up.

Each year, DESNZ consults wider HMG networks on shortlisted Lab applications, ad-hoc offers participation in Lab working groups where relevant HMG capabilities are available, and may consult across HMG on finalised Lab documents ahead of Endorsement.

Financial Management

Invoices are accompanied by narrative reports which detail progress made during the relevant time period.

With the new business case came a new budgeting approach. RDEL payments for core technical assistance activities continued to be paid in arrears, albeit moving to three payments per year instead of two. CDEL (capital investment) activities were also incorporated into the programme through the pre-seed Facility. As CPI required assurances that funds were available before committing to disbursing funds to proponents, it was agreed through the business case that DESNZ would provide funding in advance of need subject to evidence that the funds would be required within a defined time period. While overall a small amount in this reporting period (<£1m), this is a divergence from the typical payment process of the preceding decade. Internal budgeting was also amended in February 2025 to badge the administration of the pre-seed facility as CDEL (a £600k swap over the life of the business case).

In this reporting period, planned spend in 24/25 was £216,200 under forecast due to delays in signing the Grant Agreement and setting up the pre-seed Facility. Payments in 25/26 saw delays to the December payment due to slower than expected disbursements of CDEL. Provisional cuts to the Lab budget were also made in light of the Government's announcement to reduce the ODA budget and these changes are currently being discussed with CPI.

Major lessons from this reporting period are:

- The budgeting approach agreed between CPI and DESNZ does not align with DESNZ' internal spend milestones, with annual Lab budgets crossing multiple FYs. Where underspend occurs, this affects whether budget is effectively 'lost' to the programme and impacts DESNZ' ability to accurately forecast.
- CPI regularly updated on the progress of pre-seed Facility proponents in achieving milestones (and therefore their need for future disbursements). CPI and DESNZ should agree a tracker that can be used for the remainder of the programme to strengthen future governance on this.

- CPI and DESNZ should meet to discuss lessons from this year and whether any amendments should be made to the future budgets in 26/27 and 27/28 in light of this.
- CPI and DESNZ should continue to discuss re-profiling in light of budget reductions.

Value for Money

The following framework is used to evaluate whether the programme has, and is expected to, deliver value for money.

Economy	Are we (or our agents) buying inputs of the appropriate quality at the right price?
Efficiency	How well are we (or our agents) converting inputs into outputs?
Effectiveness	How well are the outputs produced by an intervention having the intended effect?
Equity	Who is benefiting, are we reaching targeted groups?

Economy

£1,432,800 was provided in March and June 2025 for the eleventh cycle to cover costs of running the Brazil Lab, LAC mitigation window, core funding to the Global Lab, go-to-market support and delivery of the pre-seed Facility. A further following activities were supported:

- Staff time in supporting proposals (including providing technical analysis),
- Preparation of working group calls and follow ups,
- Organising and convening events,
- Coordination between proponents and Lab members, and
- Selecting pre-seed facility proponents and disbursing capital.

As CPI is a not-for-profit organisation there are no management fees; all funding goes towards delivering the Lab. Under the 2024 business case, administration fees moved from ██████ to ██████ to reflect increased investment in operational, administrative and financial systems. This is judged to be reasonable to deliver a global innovation incubator programme with a broad geographic and thematic remit. Notably, the senior experts and Principal Advisors to the Lab offer their time pro-bono and often provide in-kind support through hosting high-level events.

CPI/Lab costs have been assessed as at the high-end of acceptable limits. However, a significant consideration in this is the high-cost locations in which CPI has its core offices: London and San Francisco. Further, the increase in administration/overhead rates reflect the growing size of CPI as an organisation and the necessary investment in corporate functions e.g. improved operations, financial and administrative systems.

Note the administration of the pre-seed facility is a cost-effective addition to the programme in this reporting period. Given that much of the analysis of potential instruments is gathered during engagement through the core Lab process, and the independent investment committee is formed of senior experts offering their time pro-bono, the facility is economical compared to delivering the outputs through a separate delivery structure.

Efficiency

The Lab has demonstrated consistent achievement or exceeding of targets including this year, indicating a strong efficiency for the programme outputs.

Analysis from the survey conducted through the in-house strategic review of the Lab found that 64% strongly agreed, and 31% agreed, that the Lab's technical support improved their overall development. The majority also agreed or strongly agreed that the Lab's offer was tailored and adapted to meet their needs as they evolved.

While still positive, the Lab scored less well on its ability to connect proponents with suitable investors (only 58% agreed or strongly agreed).

This year, the Lab also introduced a new application process to ensure efficiency for both the Lab secretariat and prospective applicants.

Effectiveness

As in the outcomes and impact section above, the Lab has performed well against a number of indicators, including on finance mobilised. As an indicator that the Lab is viewed as impactful by the wider ecosystem, it has been named as one of 15 finalists for the World Economic Forum's Giving to Amplify Earth Action Awards, in the unlocking capital at scale category. The awards celebrate cross-sector partnerships that creatively blend public, private, and philanthropic funding to deliver systemic impact. The Brazil Lab was also highlighted by Brazil's largest financial newspaper as a pioneer in testing innovative financial models.

Initial feedback on the pre-seed facility is that it has been positively received by proponents, and that the governance of the independent investment committee has been productive. Next year's annual review will appraise results from Year One of delivery in more detail.

Equity

Many of the Endorsed Lab instruments deliver development co-benefits alongside climate mitigation and adaptation outcomes. Examples of wider sustainable development outcomes supported by this year's ideas include:

- Creation of new jobs and gender inclusion within SMEs in India.
- Improved air quality.
- Diversified revenue streams, increased incomes and increased jobs for farmers and cooperatives.
- Financial inclusion of farmers with no formal credit history and protection from price shocks.
- Communities at risk of wildfires increase their preparedness to respond.

As in the Output section, the Lab also over-achieved targets on number of proponents based in the Global South and number of proponents with GEDSI Impact assessments. They achieved their target on number of proponents with diverse leadership.

Assessment

The Lab continues to deliver value for money. Recommendations in the sections above will continue to action any elements within the programme to further improve efficiency and effectiveness.

Paris Alignment

This programme does not go against the fossil fuel policy, nor does it go against partner countries own climate plans (NDCs / NAPs) – indeed there are opportunities to support these. It does not need to complete a full Climate and Environment risk assessment, being low risk – as set out in the previous AR. This programme will not undertake Shadow Carbon Pricing. The programme is small (<£10M) and focused on the provision of technical assistance which will not generate a material amount of emissions. The only emissions foreseen are associated with unavoidable international travel, which will be kept to a reasonable minimum. It is judged that applying SCP is unlikely to generate information which would further change the programme or change decisions we have to take.

Annex A: Lab Theory of Change

The Lab Theory of Change 2024

Problem:

There is a lack of private sector investment in the measures needed to underpin the transition to low-carbon, climate resilient economies and public finance alone cannot meet this investment gap. Developing robust and innovative financial instruments is a difficult process which is constrained by limited capacity, funding and understanding between civil society, Governments and the private sector.

