## Annual Review - Summary Sheet

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| **Title:** Carbon Market Finance (Ci-Dev)[[1]](#footnote-2)delivered via the World Bank’s Carbon Initiative for Development (Ci-Dev) | | |
| **Programme Value:** £50 million (BEIS) | | **Review Date:** 1st January- 31st Dec 2019, published August 2020. |
| **Programme Code:** 203152 | **Start Date:** 2013 | **End Date:** 2025 |

### Summary of Programme Performance

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| --- | --- | --- | --- | --- | --- | --- | --- |
| Calendar Year | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Programme Score | A | A | A | A | A+ | A | B |
| Risk Rating | Medium | Medium | Moderate | Moderate | Moderate | Moderate | Major |

### Summary of progress and lessons learnt since last review

The Carbon Initiative for Development (Ci-Dev) aims to increase the flow of international carbon finance[[2]](#footnote-3), primarily into Least Developed Countries (LDCs). It launched in 2013 and supports climate change mitigation in pursuit of the Paris Agreement’s goals and facilitates access to cleaner energy and other poverty reducing technologies. It guarantees a revenue stream if projects deliver their expected benefits, builds local capacity to develop projects and monitor carbon emissions, and pilots projects that could serve as blueprints to increase LDC access to the international carbon market.

In this review period, the programme generally performed well against its outcome targets. It exceeded three of these (public finance mobilised, beneficiaries reached, and tonnes of CO2e reduced) and narrowly missed the other two (private finance mobilised, and megawatts of capacity installed). However, in the longer term, with two of the thirteen projects halted, and a third being reconfigured, the risks to Ci-Dev achieving its lifetime outcome goals has increased. This is primarily driven by the relatively low overall rate of implementation of new clean energy technologies in projects supported by Ci-Dev to date, which has reduced the likelihood that planned emission reductions will be realised in the longer term. Just after this review period it was estimated that the portfolio, as configured, was on track to achieve 62% of its expected delivery volumes. This is the primary reason BEIS has adjusted its assessment of the overall delivery risk of the Department’s investment in Ci-Dev from moderate to major in this Annual Review, and, although the programme almost scored an ‘A’, awarded an overall score of ‘B: outputs moderately did not meet expectation’.

The World Bank’s Ci-Dev team (‘the Trustee’) is taking remedial action, detailed below, to improve technology implementation and emission reduction rates, including recommitting capital from projects that have slowed or halted to existing, strongly performing projects; as well as bringing new projects into Ci-Dev’s portfolio. Just after the period covered by this Annual Review, the Trustee presented, and Ci-Dev Contributors agreed, a capital recommitment exercise for Ci-Dev funding that should achieve this over the 12 months to May 2021. At this stage, it is hard to assess the impact this remedial action will have on lifetime goals because credit volumes, prices and other elements of replacement projects are still being developed, and the effects of Covid-19 on the number and commercial viability of potential replacements are still being worked through. A clearer picture will emerge in the coming 12 months and may reduce the overall delivery risk, in time.

There were several positive developments during this review period. Three of the portfolio’s thirteen projects delivered their first UN-certified credits. These are the Ethiopia: Biogas, Ethiopia: Off-Grid Renewable Energy, and Uganda: Rural Electrification projects. Two other projects recorded their second credit issuance. These were Madagascar: Clean Ethanol Cookstoves, and West Africa: Biodigesters. The former is the first Clean Development Mechanism[[3]](#footnote-4) (CDM) project of its kind to issue credits in the country, and the latter the first CDM project to issue credits in Burkina Faso. This demonstrates progress towards Ci-Dev’s aim to enhance LDC participation in carbon markets.

The Trustee provided excellent support to the evaluators carrying out the second independent evaluation of the programme by arranging timely access to projects and data, scheduling interviews with stakeholders, contracting an independent supporting expert, arranging additional phone calls and commenting on several draft plans and reports. Some of its recommendations and conclusions are reflected in this review.

Over the review period, methodological activities have been developed effectively and delivered to a high standard. Methodological activities are ways for Ci-Dev’s to support its partners, or ‘Project Entities’ (PEs), to verify that abatement activity has led to the creation of carbon credits. Activities implemented in this area include the successful piloting of a second, national-scale approach (the Standardised Crediting Framework (SCF)) in Rwanda, following a previous SCF in Senegal, which in 2019 was independently assessed to have saved time and costs, and to offer lessons for similar schemes in other countries. Plans for a third SCF in Lao PDR were postponed following discussions with the relevant government ministries in the country. The Trustee’s work on plans to help Ci-Dev projects navigate the transition to the Paris Agreement carbon market met UK expectations, and informed a Contributor decision on how this should happen in a way that allows LDCs to access carbon market opportunities. Work under the Knowledge Management Work Programme in 2019 met expectations, and included three high-quality reports[[4]](#footnote-5), four well-targeted workshops, and six engagements at international events.

A particular challenge, mentioned above, has been that private-sector-led projects have found it difficult to secure the capital they need to run operations at the scale intended. The sister company to a Ci-Dev PE was declared bankrupt in November 2018, and the implications of this caused the corresponding project, a biodigester initiative in Kenya, called Simgas, to fail. The company implementing another Ci-Dev project, Inyenyeri Cookstoves, was declared bankrupt. A third project, DelAgua Cookstoves, is unlikely to generate further results as it adapts to a new business model. In the case of Simgas, a replacement countersignatory has been found, and a financial due diligence note agreed among Contributors. In the case of DelAgua, it is likely that Ci-Dev’s agreement with the project will be renegotiated in 2020, and the team behind Inyenyeri continue to seek additional finance.

Some implementation difficulties were expected when projects were signed off and these can be beyond the control of the Trustee and Contributors. The projects’ operating environments can be challenging, Ci-Dev projects are often reliant on larger lending operations, and there can be significant local capacity requirements, particularly in light of the fact that global CDM market activity remains very low, and so the incentive for host governments to fully resource related activity is generally weak. The Covid-19 crisis is likely to exacerbate this, as governments hosting Ci-Dev projects focus on their health response.

The Trustee has responded to implementation challenges, for example in the Uganda: Rural Electrification project, through a readiness grant that supported technology infrastructure and capacity building, which enhanced the data processing system, storage and analysis capabilities for rural electrification in the country. Other measures taken in response to delivery challenges include enhanced training and very close supervision to help achieve first credit issuances. It is important that everything possible is done to help struggling projects and this includes making effective use of readiness grants to provide direct capacity building support. Currently these appear underused, with 18%[[5]](#footnote-6) of such funds spent, compared to financial forecasts.

Some projects are performing well. For example the Ethiopia: Offgrid Electricity Access and Mali: Rural Electrification projects have met or exceeded expectations in terms of technology implemented. The Uganda: Rural Electrification project is also likely to deliver around double the initially expected credit volume.

Despite this, based on current delivery projections, including the two halted projects described above, Ci-Dev is likely to miss its lifetime outcome targets. By recommitting capital to new projects as part of the exercise described above, the Trustee will reduce this risk, but the extent to which this is achieved will depend on elements still to be determined: including credit volumes and prices, development benefits, and extent to which new projects learn from past failures. Any new projects introduced into Ci-Dev’s portfolio as a result, that are led by private companies, should demonstrate that lessons have been learned, particularly around operating capital assumptions, when they undergo financial due diligence.

### Ci-Dev’s expected overall Outcome is: “*Increased carbon finance flows to poor countries for low carbon energy and other poverty reducing technologies”*. To date Ci-Dev is slightly exceeding three outcome targets related to this, and narrowly missing two. Ci-Dev’s progress at the output level is mixed. Most (40%) of the output scoring in the Logical Framework (Logframe) that BEIS uses to assess progress, is weighted towards the implementation of projects and associated outputs from those. While progress against two other output groups has been good, for this most heavily weighted group, and in a second group, the programme has missed expectations.

This year BEIS has made six overarching recommendations for implementation in 2020, the first of which will comprise several areas of work following the recent evaluation of the initiative:

* The Trustee and BEIS, with input from LTS (the independent evaluators), should agree a response plan to the recommendations made by LTS’s mid-term evaluation of the programme, by the end of September 2020.
* The Trustee should provide a short quarterly update of Covid-19 risks to Ci-Dev projects, and mitigating actions, either as part of semi-annual or annual meetings, or separately.
* At each annual meeting, the Trustee and Contributors should assess if there is a clear justification for continued support for projects that underperform due to non-compliance with Ci-Dev’s requirements or persistent and recurring challenges which are beyond the Trustee’s power to resolve.
* BEIS and the Trustee should revise and update the logframe impact indicators, and its output targets (including those related to methodological support), with an aim that more of the logframe’s output indicators should assess the quality, and not just number, of outputs, e.g. events and publications, by end August.
* The Bank should present options by the end of October 2020 for increasing the disbursement rate of readiness grants to 100% by the end of 2021. These could include ‘pre-approving’ a standard readiness grant for each new or updated Ci-Dev commercial agreement, re-considering the proportion of bank-executed vs client-executed grants, revising the approach to budgeting so that forecasts are made more accurate, or increasing support to PEs so they are better enabled to access readiness grants – which have been demonstrated as a very effective tool to build capacity among Ci-Dev stakeholders.
* The Bank should conduct scoping work to set out options for further work that could enhance gender considerations in Ci-Dev’s crediting operations, by the end of October 2020.

## A. Introduction and Context

[**Business Case**](https://devtracker.dfid.gov.uk/projects/GB-1-203152/documents/) **(Intervention Summary 2014)**

[**Logframe**](https://aidstream.org/files/documents/Ci-Dev-Logframe-20180926020912.pdf) **(September 2018)**

**Outline of the programme**

Ci-Dev is a key part of BEIS’s portfolio of carbon pricing funds that strengthen interconnected carbon markets and help limit global temperature increases in line with the Paris Agreement’s goals. It sits alongside the Partnership for Market Readiness and Partnership for Market Implementation, which focus on capacity building for domestic carbon pricing mechanisms, and the Transformative Carbon Asset Facility (TCAF), a fund supporting innovative, scaled up crediting approaches.

In the short to medium term, Ci-Dev delivers direct climate and poverty reduction benefits in LDCs through supporting clean energy pilot projects such as household solar, biogas, cookstoves and micro-hydro systems. It uses carbon finance to help LDCs overcome barriers that stop them accessing global carbon finance and the international carbon market, including a lack of skills and experience in the UN methodologies used to generate credits, high capital costs and unproven returns on investment.

Ci-Dev also aims to help countries to access and benefit from carbon finance in the medium to long term. This is particularly relevant following the Paris Agreement, which includes Article 6, that relates to co-operative approaches for voluntary international cooperation, to allow for higher ambition in mitigation and adaptation actions. The infrastructure, capacity building and systems that Ci-Dev is piloting are strengthening cooperation and unlocking finance flows as well as helping recipient countries to understand the costs and opportunities of meeting their international emissions targets.

Ci-Dev started as a joint DFID and DECC/BEIS programme. This was funded using UK International Climate Finance (ICF) which is classified as Official Development Assistance (ODA). Ci-Dev has a total value of $124m[[6]](#footnote-7) made up of a Carbon Fund ($96m) which purchases emissions reductions from pilot projects supported through the programme, and the Readiness Fund ($28m) that develops methodologies and shares lessons and experiences with the international community. BEIS contributes £35m to the Carbon Fund. DFID contributed £14m to the Readiness Fund and £1m for independent evaluations. Responsibility for DFID spend was novated to BEIS with effect from 1 January 2018. Other donors are Sweden ($23m) and the Swiss Climate Cent Foundation ($23m). The funds are used to:

* Develop innovative low carbon methodologies to finance projects with high development benefits in LDCs and reduce carbon emissions. These are for low carbon technologies that deliver community/household level results, e.g. biogas, household solar and micro-hydro power.
* Test a results-based approach, by paying for Certified Emissions Reductions (CERS), to support a portfolio of pilot projects in LDCs that are innovative and offer household and community level development benefits.
* Determine, through investments, whether and how carbon results-based financing can be used in the energy access sector, and share lessons learned internationally to inspire further scaling and replication.
* Share new methodologies applicable to the LDC context, and their practical demonstration, to influence the future international carbon market so that LDCs can receive a greater share of carbon finance that results in reduced carbon emissions and increased development benefits.

## B: PERFORMANCE AND CONCLUSIONS

### Annual Outcome assessment:

In order to understand whether Ci-Dev is likely to achieve its expected outcome and wider impact, a series of indicators are tracked using measurable indicators in the Logframe (link above). The progress made towards these allows us to assess whether Ci-Dev is on track.

As noted above, the UK was unable to commit funds to the 13th and final commercial agreement (known as an ERPA) for a Cookstoves project in Lao PDR, because its share of the Carbon Fund, which is used to purchase emission reductions, was reduced by changes in the foreign exchange rate after the UK confirmed its support in 2013. However the UK has still supported the project through the Readiness Fund, which has helped project and methodology development and capacity building and so is likely to have had an effect on results. In agreement with BEIS analysts and the Trustee, we will therefore attribute results for this project from KPIs 11 and 12 to UK support, but not KPIs 2, 6 and 7, where we judge that results are more closely associated with Carbon Fund support.

Finally, figures from halted projects (Kenya Simgas, and Rwanda Inyenyeri) and Rwanda Delagua, which is struggling, have been removed from lifetime projections below. If and when replacement signatories are found, or agreements are amended, the projected results will be added back to these forecasts.

Progress made towards outcomes in the period covered by this Annual Review (1 Jan 19 – 31 Dec 19) has generally been positive and helped to achieve the outcome of ‘Increased carbon finance flows to poor countries for low carbon energy and other poverty reducing technologies. To score this performance we use five quantitative indicators, drawn from the group of ICF Key Performance Indicators (KPIs):

|  |  |
| --- | --- |
| **Outcome Indicator** | **Performance during the review period and commentary** **(all figures are cumulative through 31 Dec 2019, and attributed only to UK support)** |
| *Public finance mobilised*  *(ICF KPI 11)* | Ci-Dev mobilised **£72.8[[7]](#footnote-8)m of public finance,** against a 2019 target of **£55m.**  Public finance mobilised in 2019 included $9.13m secured by the Mali: Rural Electrification project and $0.99m provided by the Government of Burkina Faso to support a customer-facing subsidy for biogas digesters. Without the Ci-Dev ERPA, the Government has noted that it would likely have discontinued the subsidy.  The overachievement against this indicator is welcome and mainly reflects the fact that the Carbon Fund is almost fully committed and has leveraged public finance at the point of ERPA signature. Additional mobilisation is still possible. The Trustee projects that lifetime (i.e. up to 2025) public finance mobilised by Ci-Dev and attributable to UK support is likely to be around £84m, lower than the £96m target in the logframe, and, alongside BEIS, they will monitor progress closely. |
| *Private finance mobilised*  *(ICF KPI 12)* | Ci-Dev mobilised **£112.8m of private finance,** against a 2019 target of **£116m.**  Private finance mobilised in 2019 included $10.9m mobilised by the Ethiopia: Off-grid project, to date, from a $20m credit line set up to provide access to finance for private sector solar home enterprises. Household investments in the Ethiopia: Biogas and West Africa Biodigesters projects mobilised $2.71m and $0.76m respectively. The Trustee projects that mobilised lifetime private finance is likely to be around £121m, lower than the £161m target in the logframe. It is important that the Trustee considers what action within its remit could improve projections, as it is clear that private-sector led projects are encountering difficulties that are likely to affect lifetime achievement of this objective. |
| *M tons CO2 equivalent (MtCO2e[[8]](#footnote-9)) reduced through all Ci-Dev supported projects*  *(ICF KPI 6)* | Ci-Dev achieved a total of **0.17MtCO2e** reduction, against a 2019 target of **0.13MtCO2e**  This figure is derived from the emission reductions reported to the UNFCCC in the form of published monitoring reports. It could be measured at an earlier stage, when PEs report to the Trustee; or later, as CERs ultimately issued by the UNFCCC. The former is less robust (as it involves less oversight and review) and the latter a less relevant measure over a given review period (as the issuance process can take over 18 months).  It was agreed that to give added context to portfolio implementation, the former statistic could be included, but not scored, in annual reviews. When including MtCO2e monitored and reported by PEs to the Trustee, achieved cumulative generation increases to 0.97MtCO2e, of which 0.57MtCO2e is attributable to the UK.  Despite this increase, in the longer term the current projection is for the portfolio to deliver 2.76MtCO2e of the 4.11MtCO2e target (both UK attributed). Most (c. 1MtCO2e) of this new anticipated shortfall comes from the downward revision of delivery projections to reflect bankrupt or struggling projects. Should new signatories be identified, the lifetime projected result for this KPI will increase and lifetime targets will be more viable. |
| *Level of installed capacity of clean energy Megawatts (MW) in all Ci-Dev projects*  *(ICF KPI 7)* | Ci-Dev achieved an installed capacity of **54.6MW,** against a 2019 target of **55MW.**  This figure includes the electrical capacity equivalent (in MW) of the portfolio’s cookstove and biogas digester projects, which hold thermal generation capacity. Of the total installed capacity, 43.8MW are the electrical capacity equivalent in MW of the project’s three biogas digester projects and three cookstoves projects, which hold thermal generation capacity[[9]](#footnote-10). This is disaggregated from 10.7MW of electrical capacity (from mini-grids, solar home systems, and micro-hydro plants). The portfolio’s grid connections do not contribute to this outcome indicator.  Current analysis indicates that the lifetime target for this outcome indicator (202MW) will be missed, with progress expected to be 149MW. Most (c.40MW) of the shortfall is due to the removal of projections from the three projects mentioned above. Should replacement projects be found, lifetime targets will be more viable and could still be exceeded in some scenarios. The Ci-Dev portfolio as a whole is likely to see a slightly higher proportional result here, because results from Ci-Dev’s contract with the Lao PDR Cookstoves ERPA, which as explained above the UK is not committing funds to, will not be attributed to UK support. |
| *Number of people with improved access to clean energy from all Ci-Dev supported projects*  *(ICF KPI 2)* | **3.7m** people had improved access to energy through Ci-Dev projects, against a 2019 target of **3.4m.**  This score is disaggregated by gender. Of the 3.7m total, around 1.87m were female, and 1.865m male[[10]](#footnote-11).  Based on current projections, the portfolio will ultimately provide improved clean energy access to 5.7m beneficiaries compared to the target of 8m. This gap will be partially or fully closed if replacement projects are found. |

The results in the above table show overachievement against three outcome targets (public finance mobilised (32% overachievement), MtCO2e abated (31%) and beneficiaries reached (9%)); and underachievement of the other two (private finance mobilised (3%) and MW capacity installed (1%)).

Based on current projections, which exclude results from struggling projects, some lifetime targets are likely to be missed. The Trustee should ensure replacement projects are identified and taken forward to help ensure these results are achieved. This will include:

* an assessment of the compliance position of all Ci-Dev projects, with amendments and terminations considered in the case of poor performance;
* the development of a clear rationale for continuing or halting support for projects that are struggling for reasons beyond the Trustee and/or Contributors’ control;
* sustained efforts to find replacement signatories for projects that have failed - this is underway and demonstrated by the identification of such a partner for the Kenya Simgas project; and
* due diligence on replacement projects that accounts for the experience of the Ci-Dev portfolio to date, particularly with regard to private sector led projects.

Some of this work is underway and there is evidence that some projects are on course to overachieve against their projected delivery.

**Impact**

The intended Impact of Ci-Dev is that *‘Carbon financing reduces greenhouse gas emissions and poverty in less developed countries*’. Results towards Impact indicators were expected in 2019. These indicators were set in 2013. Since then the continued oversupply of the CDM credit market has reduced the incentive for new projects to come forward and to replicate or scale up Ci-Dev approaches. This means that tracking Ci-Dev impacts through the CDM may be a less reliable measure of the programmes’ success than was first intended. BEIS and the Trustee intended to update the Impact indicators in time for this review, but other priorities meant that this did not conclude in time to qualify for inclusion. As per new UK International Climate Finance (ICF) guidance, these will be updated as soon as possible following completion of this review, as reflected in this report’s recommendations.

**Overall output score and description**

|  |  |
| --- | --- |
| **Score** | **Output Description** |
| A++ | Outputs substantially exceeded expectation |
| A+ | Outputs moderately exceeded expectation |
| A | Outputs met expectation |
| B | Outputs moderately did not meet expectation |
| C | Outputs substantially did not meet expectation |

For this reporting period the programme has been given an overall output score of

**B – Outputs moderately did not meet expectation**

This is reached by scoring the programme’s performance against logframe output indicators and combining that with an assessment of progress towards outcome indicators. The scores awarded to the outputs, and their weighting, are below, with more details and narrative in Section C:

|  |  |  |
| --- | --- | --- |
| Output number and name | Score | Weighting (%) |
| 1. Pilot projects that can generate CERs and direct development benefits are implemented | B | 40 |
| 1. Ci-Dev prepared for projects to be registered under the UNFCCC mechanism for transferring emission reductions (either pre-2020 CDM or post-2020 Article 6 collaborative approaches) | B | 25 |
| 1. Ci-Dev’s Knowledge Management Strategy helps to increase capacity among communities, the private sector and governments to implement new methodologies developed by Ci-Dev | A | 25 |
| 1. Effective fund management of Ci-Dev ensures efficient use of funding and creates conditions for robust, independent evaluation | A+ | 10 |

### Key actions

BEIS’ 2019 Annual Review made five recommendations for the Trustee:

1. BEIS and the Trustee should work together to review and update the Logframe impact indicators. (by Aug 2019)

**Carried over** – work towards this recommendation began in 2019. This included: work by the Trustee to assess the appropriateness of impact indicators that were agreed with BEIS after business case approval in 2013, and their relevance in the context of today’s carbon market; as well as to update Ci-Dev’s outcome and output targets. This work did not conclude in time for inclusion in this review, so is carried over into this review’s recommendations.

1. The Trustee should engage early with BEIS on any development of a Ci-Dev successor programme and allow opportunities to influence its design. (Through 2019)

**Considered complete** – apart from some early conversations between BEIS and the Trustee, development of a potential successor programme has, to date, been carried out inside the World Bank and has been incorporated into broader discussions about trust fund reform. BEIS understands that the Bank will consult on these reforms, and any new funding opportunities, in the summer of 2020.

1. The Trustee should continue efforts to increase the disbursement rate of the Readiness Fund (RF) so that the rate increases to at least 65% (by the 2020 Semi Annual meeting)

**Unlikely to meet** – at the time of writing, the disbursement rate of the RF was 47% (actual disbursement). If contractually committed spending over the final 5 months of the financial year is included, the figure is 74%. Delays in readiness grant disbursement (a component of the RF) are the main driver behind RF underspend and this is reflected in the final recommendation of this review, which focusses on those grants.

1. The Trustee should work with BEIS and the evaluators to help ensure that a robust, independent Mid-Term Evaluation (MTE) is completed by end 2019 (through 2019).

**Considered complete** – The Trustee provided excellent support to the evaluators carrying out the second independent evaluation of the programme by arranging timely access to projects and data, scheduling interviews with stakeholders, contracting an independent supporting expert, and commenting on draft plans and reports.

1. The Trustee should continue work on its transition strategy, building on its post-2020 Ci-Dev portfolio transition report to ensure the fund is prepared for potential outcomes from UNFCCC negotiations at COP25 and, through Knowledge Management activity, that potential host countries better understand the relationship between crediting activities and their NDCs (end 2019).

**Complete** - The Trustee has continued work on the Ci-Dev transition strategy (i.e. how existing Ci-Dev projects might transition into Paris Agreement carbon markets) but in the absence of decisions and wider certainty at the UNFCCC level, work towards this has been limited. However, building on transition work, the Trustee proposed, and Contributors approved, a methodological framework for Ci-Dev portfolio transition as part of the financial year 2020 knowledge management work. Ci-Dev staff have shaped and delivered work to help hosts understand the relationship between crediting activity and their NDC achievement, for example in a workshop following the annual Designated National Authority forum in June at the UNFCCC in Bonn.

**Has the logframe been updated since the last review?**

The logframe has not been updated since the last review. The Logframe (Annex 2) was reviewed and updated in September 2018 to reflect the programme’s move into the implementation phase, and to include targets based on the project portfolio, rather than business case projections. An overall rationale for the update, and detailed commentary on the updated indicators was provided in the previous annual review.

## C: DETAILED OUTPUT SCORING

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Output Title** | **Pilot projects that can generate CERs and direct development benefits are implemented** | | | |
| Output number per LF | | 1 | **Output Score** | **B** |
| Risk: | | Major | Impact weighting (%): | 40% |
| Risk revised since last AR? | | Yes | Impact weighting % revised since last AR? | Last revised 2018 |

|  |  |  |
| --- | --- | --- |
| **Indicator(s)** | **Milestones** | **Progress** |
| 1.1 Number of ERPAs negotiated and agreed (fund wide) | 2018: 12  **2019: 13**  2025: 13 | **Achieved: 13.** The 13th and final ERPA (Lao PDR Cookstoves) was signed in August 2019. |
| 1.2 Median % of energy access technologies distributed annually compared to annual forecast | 2018: 80%  **2019: 80%**  2025: 80% | **Missed: 46%.** This continues a shortfall in distribution of energy access technology rates. |
| 1.3 Mean % of MtCO2e reductions realised annually compared to annual forecast | 2018: 80%  **2019: 80%**  2025: 80% | **Missed: 37%.** Although an increase on last year’s achievement of 18%, this continues a shortfall in actual vs planned reductions. |
| 1.4 % of in-year MtCO2e reductions from Ci-Dev projects submitted to UNFCCC that are issued as CERs | 2018: 60%  **2019: 65%** | **Exceeding: 80%.** Of 328k submitted units, 263k were issued as CERs by the UNFCCC. |
| 1.5 Number of Ci-Dev CERs a) issued; b) cancelled; c) sold | NOT SCORED | 1. 147k CERs were issued:  * Madagascar Clean Ethanol (25k) * Ethiopia Biogas (34k) * Ethiopia Off-Grid Renewable Energy (39k) * West Africa Biodigesters (20k) * Uganda Rural Electrification (29k)  1. 56.9k CERs were cancelled on the UK’s behalf 2. 42k CERs were sold to the other two Ci-Dev Contributors, with the balance expected to be processed in CY20. |

**Key Points**

The indicators in this output group measure results at key points in the Ci-Dev project process, from commercial agreement signature (1.1), to implementation of technology (1.2), to reduction of emissions (1.3), and finally to recognition of those reductions as compliance-grade CERs by the UNFCCC (1.4).

While some indicators have been met for this output, we consider, on balance, that overall performance is moderately below expectations. Indicator 1.4 has been exceeded, 1.1 met, and performance against 1.2 and 1.3 was missed. Remedial action is being taken, as described below.

**1.1** This fund-wide target measures the number of commercial agreements that have been negotiated and signed. It is intended to ensure that all Ci-Dev funds allocated for credit purchase are fully committed. Although this has been achieved as the Carbon Fund is fully committed to ERPAs, funding committed to the Simgas and DelAgua projects is unlikely to support results until new agreements are negotiated and signed off. It is therefore important that the Trustee takes this forward at pace.

**1.2** This measures the percentage implementation rate of clean technology and grid connections by comparing actual vs planned implementation/connection over the calendar year. As agreed with BEIS analysts, a median overall score is presented. This is calculated as follows:

A screenshot of a cell phone

Description automatically generated

### Four projects are above the 80% target. The main driver of overall underperformance is the Kenya: Solar Lighting Program, where a delay in implementing an associated International Development Association (IDA) operation in Kenya meant that no progress could be made. The Trustee made progress on carbon aspects of the project, deploying extra resource to help complete due diligence and the PE’s operational manual. The Trustee also reported that cost overruns in an IDA project in Mali, as well as the challenging security situation there, have delayed results, but the additional public finance leveraged (see outcome scoring) is likely to help overcome these delays.

In Ethiopia: Biogas, the Trustee has worked to ensure closer alignment to some EU activity so that EU financing for a national biogas programme will also benefit areas of the market targeted by the Ci-Dev project. Readiness grant disbursal in Uganda helped to upgrade the country’s capacity for national rural electrification and this project’s ERPA is being amended to reflect that in the longer term it is likely to overachieve original ERPA volumes by around 100%.

BEIS draws some confidence from this remedial action and the transparency offered by the Trustee’s databases and recognises some of the constraints Ci-Dev funding operates under, e.g. with some projects being the first of their kind in a host country, in a difficult operating environment. There is therefore a focus on capacity building rather than the quick delivery of high volumes of CERs. However, a 46% achievement means this indicator has been missed.

**1.3** This measures the percentage of actually achieved emission reductions against planned emission reductions over the review period. The Trustee achieved 37% against the 80% target. Three projects saw their first issuances, and two others their second. These included the portfolio’s first electricity access credits, and first issuances from public sector PEs. Other projects had their issuances pushed to 2020. The Trustee has reported that even with the proper project design and extensive due diligence, projects in LICs and LDCs continue to require capacity building support. While BEIS recognises an improvement on last year’s 18% realisation rate, a 37% achievement this year means this indicator has been missed.

**1.4** This measures the percentage of emission reductions that are reported to the UNFCCC that satisfy their criteria and so are recognized as CDM-grade credits. We welcome the significant overperformance against this indicator (80% against a 65% target), which suggests that emission reductions generated by Ci-Dev projects are good quality and comply closely with UNFCCC requirements.

**Summary of responses to issues raised in previous annual reviews (where relevant)**

1. The Trustee should continue efforts to increase the disbursement rate of the Readiness Fund (RF) so that the rate increases to at least 65% (by the 2020 Semi Annual meeting)

**Unlikely to meet** – at the time of writing, the disbursement rate was 47% (actual disbursement) with most of the shortfall attributed to a 15% disbursement rate of readiness grants. The overall RF rate including committed spending over the final 5 months of the financial year is 74%. Delays in readiness grant disbursement (a component of the RF) are the main driver behind RF underspend and this is reflected in the final recommendation of this review, which focusses on those grants.

**Recommendations from this Annual Review**

* The Trustee and BEIS, with input from LTS (the independent evaluators), should agree a response plan to the recommendations made by LTS’s mid-term evaluation of the programme, by the end of September 2020.
* At each annual meeting, the Trustee and Contributors should assess if there is a clear justification for continued support for projects that underperform due to non-compliance with Ci-Dev’s requirements or persistent and recurring challenges which are not within the Trustee’s power to resolve.
* The Bank should present options by the end of October 2020 for increasing the disbursement rate of readiness grants to 100% by the end of 2021. These could include ‘pre-approving’ a standard readiness grant for each new or updated Ci-Dev commercial agreement, re-considering the proportion of bank-executed vs client-executed grants, revising the approach to budgeting so that forecasts are made more accurate, or increasing support to PEs so they are better enabled to access readiness grants – which have been demonstrated as a very effective tool to build capacity among Ci-Dev stakeholders.
* The Trustee should provide a short quarterly update of Covid-19 risks to Ci-Dev projects, and mitigating actions, either as part of semi-annual or annual meetings, or separately.

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| **Output Title** | **Ci-Dev is prepared for projects to be registered under the UNFCCC mechanism for transferring emission reductions (either pre-2020 CDM or post-2020 Article 6 co-operative approaches)** | | | |
| Output number per LF | | 2 | **Output Score** | **B** |
| Risk: | | Moderate | Impact weighting (%): | 25% |
| Risk revised since last AR? | | No | Impact weighting % revised since last AR? | Last revised 2018 |

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| --- | --- | --- |
| **Indicator(s)** | **Milestones** | **Progress** |
| 2.1 Effective strategy for post-2020 Ci-Dev transition is developed and implemented | 2018: analysis, risk assessment, contingency planning underway  **2019: determine whether to aim for Article 6.2 or 6.4 recognition**  2025: implement strategy | **Achieved:** Following discussions through the review period informed by the Trustee’s work on Ci-Dev’s transition strategy, Contributors agreed that Ci-Dev should initially aim to operate under Article 6.2. |
| 2.2 Number of Standardised Crediting Frameworks[[11]](#footnote-12) (SCFs) | 2018: 2  **2019: 3**  2025: 3 | **Missed:** A second SCF in Rwanda is operational. Work on a third was paused in light of local capacity issues and work to identify and take forward future SCFs progressed well. |

**Key Points**

The lack of concrete decisions at COP25 in December 2019 means there is continuing uncertainty around the international rules that Ci-Dev will have to follow. Projects could operate under the terms of the Paris Agreement’s Article 6.2, which includes guidance for country to country transactions, or under 6.4, which established a centralised crediting mechanism under the UNFCCC that will operate in a similar way to the CDM, but whose rules are currently less clear and subject to further negotiation. In any circumstance, BEIS expects to see the avoidance of double counting, and that additionality and a contribution to sustainable development are both demonstrated. The Trustee’s work towards indicator 2.1 reflects those expectations and has informed a draft transition strategy to the extent possible in the absence of firm UNFCCC guidance. It includes a recommendation, which donors have agreed, that Ci-Dev projects seek to operate under Article 6.2 in the early 2020s as SCFs. The 2020 transition and SCF also featured in the four workshops the Trustee ran in 2020 and continues good work to promote the concept to international audiences that began before this review period (assessed separately, under indicator 3.2 below).

Good progress was made on the SCF pilot in Rwanda (2.2) which was in its final stages in February 2019. A third-party assessment of the Senegalese pilot was published in December 2019 and noted ‘substantial cost and time savings’ and ‘lessons … that can inform the design and implementation of similar schemes in other countries’, indicating that replication and transformational change may be possible. Work towards a third SCF began in the Lao PDR cookstoves project but was put on hold in light of local capacity issues, with a preference expressed to begin with a CDM-scale crediting project and to explore expansion to a sectoral or national SCF level once this is completed.

This means the 2.2 target of 3 was missed, so this output group scores a B. However, in the longer term, with good progress made on Ci-Dev’s transition strategy and Contributors authorising a plan to scale up all Ci-Dev projects into SCFs, it is likely that results for this output group will exceed current logframe expectations (e.g. 3 SCFs by 2025), reducing the risk that lifetime targets are missed. In scoping these SCFs, it will be important for the Trustee or their contractors to thoroughly assess the readiness of potential hosts to implement such an approach so that informed decisions can be taken on capacity building requirements.

**Summary of responses to issues raised in previous annual reviews (where relevant)**

1. The Trustee should continue work on its transition strategy, building on its post-2020 Ci-Dev portfolio transition report to ensure the fund is prepared for potential outcomes from UNFCCC negotiations at COP25 and, through Knowledge Management activity, that potential host countries better understand the relationship between crediting activities and their NDCs (end 2019).

**Complete** – The Trustee has continued work on the Ci-Dev transition strategy (i.e. how existing Ci-Dev projects might transition into Paris Agreement carbon markets) but in the absence of decisions and wider certainty at the UNFCCC level, work towards this has been limited. However, building on transition work, the Trustee proposed, and Contributors approved, a methodological framework for Ci-Dev portfolio transition as part of the financial year 2020 knowledge management work. Ci-Dev staff have shaped and delivered work to help hosts understand the relationship between crediting activity and their NDC achievement, for example in a workshop following the annual Designated National Authority forum in June at the UNFCCC in Bonn.

**Recommendations from this Annual Review**

* The Trustee and BEIS, with input from LTS (the independent evaluators), should agree a response plan to the recommendations made by LTS’s mid-term evaluation of the programme, by the end of September 2020.

|  |  |  |  |  |
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| **Output Title** | **Ci-Dev’s Knowledge Management Strategy helps to increase capacity among communities, the private sector and governments to implement Ci-Dev developed new methodologies** | | | |
| Output number per LF | | 3 | **Output Score** | **A** |
| Risk: | | Minor | Impact weighting (%): | 25% |
| Risk revised since last AR? | | No | Impact weighting % revised since last AR? | Last revised 2018 |

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| --- | --- | --- |
| **Indicator(s)** | **Milestones** | **Progress** |
| 3.1 Number of CDM projects registered with the CDM Executive Board in focus countries that use Ci-Dev developed new methodologies | 2018: 7  **2019: 8**  2025: 10 | **Missed:** 6 (a seventh was registered just after this review period) |
| 3.2 Number of events and reports to inform and consult on the Ci-Dev programme, build capacity, engage the private sector and disseminate programme experience (not cumulative) | 2018: 12  **2019: 12**  2025: 12 | **Exceeded: 14** |
| 3.3 Annual Knowledge Management Work Programme (KMWP) is developed and implemented | 2018: yes  **2019: yes**  2025: yes | **Achieved** |

**Key Points**

Overall, performance for this output met expectations. Due to the oversupply of CDM credits and the CDM’s likely end in 2023, there is diminished interest for developers to establish new projects using revised and/or new methodologies supported by Ci-Dev (3.1), although a seventh methodology was approved just after this review period. Other projects may have used Ci-Dev developed methodological improvements already, but tracking this can be difficult. The Trustee reports that it is also unlikely that this output indicator target can be met in the current carbon market, and the UK has agreed to discuss how this indicator could be revised.

Three reports, four workshops, six engagements at international forums and a World Bank internal comms piece mean that performance against (3.2) exceeds expectations. The [reports](https://www.ci-dev.org/KnowledgeCenter) were a methodological note on the SCF, lessons learned from the Senegalese SCF, and an internal evaluation of Ci-Dev’s pipeline development process. Workshops took place in Senegal, Germany, Rwanda and Washington. The programme manager read these reports, attended one of these events, and found all of those to be completed to a high standard. Appropriate audiences were targeted (LDCs, policymakers, CDM stakeholders) and opportunities, risks, recommendations and conclusions were set out in language appropriate to them. Six engagements at international events helped to promote experience more broadly. Finally, (3.3) the KMWP for FY20[[12]](#footnote-13) was agreed by donors in 2019. Feedback while this was iterated was responded to promptly and thoroughly and the result is a good range of work that covers key BEIS interests, and includes research into the relationship between gender and carbon benefits, and results-based carbon financing’s relationship to household decision making processes.

### Recommendations from this Annual Review

* BEIS and the Trustee should revise and update the logframe impact indicators, and its output targets (including those related to methodological support), with an aim that more of the logframe’s output indicators should assess the quality, and not just number, of outputs, e.g. events and publications, by end-August.
* The Trustee and BEIS, with input from LTS (the independent evaluators), should agree a response plan to the recommendations made by LTS’s mid-term evaluation of the programme, by the end of September 2020.

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| --- | --- | --- | --- | --- |
| **Output Title** | **Effective fund management of Ci-Dev ensures efficient use of funding and creates conditions for robust, independent evaluation** | | | |
| Output number per LF | | 4 | **Output Score** | A+ |
| Risk: | | Minor | Impact weighting (%): | 10% |
| Risk revised since last AR? | | no | Impact weighting % revised since last AR? | Last revised 2018 |

|  |  |  |
| --- | --- | --- |
| **Indicator(s)** | **Milestones** | **Progress** |
| 4.1 Specified project management processes and products are implemented | 2018: yes  2019: yes  2025: yes | **Met expectations** |
| 4.2 Sufficient resource is made available to manage external mid-term and final evaluations; and feedback on documents is provided in good time | 2018: yes  2019: yes  2025: yes | **Exceeded expectations** |

### Key Points

Overall, performance for this output slightly exceeded expectations. The introduction of two new databases in the previous review period has helped to monitor projects more closely during implementation phase (4.1). This year the Trustee added two more features to allow for more detailed scenario analysis, and to compare year on year performance. The Trustee exceeded expectations around the level of resource made available to the MTE. This included securing access to Ci-Dev and project-level documents and data; providing comments on drafts of the Approach Paper and the final report; arranging an interview schedule and meetings with the fund management team, deal managers and Task Team Leads to support the work; and contracting an independent CDM methodology expert to support the evaluators during field study. Through the review period, the Trustee made additional time (beyond what was anticipated in agreed project plans) available to BEIS and LTS to discuss emerging versions of the draft report. Overall, a consistently high standard was met over the review period, and this supports an assessment that expectations were exceeded.

**Summary of responses to issues raised in previous annual reviews (where relevant)**

1. The Trustee should work with BEIS and the evaluators to help ensure that a robust, independent MTE is completed by end 2019. (through 2019)

**Considered complete** – The Trustee provided excellent support to the evaluators carrying out the second independent evaluation of the programme by arranging timely access to projects and data, scheduling interviews with stakeholders, contracting an independent supporting expert, and commenting on draft plans and reports. A final draft of the report is with BEIS for sign off.

### Recommendations from this Annual Review

* The Trustee and BEIS, with input from LTS (the independent evaluators), should agree a response plan to the recommendations made by LTS’s mid-term evaluation of the programme, by the end of September 2020.
* BEIS and the Trustee should revise and update the logframe impact indicators, and its output targets (including those related to methodological support), with an aim that more of the logframe’s output indicators should assess the quality, and not just number, of outputs, e.g. events and publications, by end-August.

## D: VALUE FOR MONEY & FINANCIAL PERFORMANCE

### Key cost drivers and performance

There was no disbursement from the UK towards the Readiness Fund in 2019. This was as expected, as the UK made £1.123m available to the Readiness Fund in December 2018, and a further call for Readiness Funds followed just after this review period. UK support made available to the Carbon Fund was £165k to cover Trustee expenses (paid Nov 2019) and £0.88 million to cover our pro-rata share of commitments for the Kenya KTDA project[[13]](#footnote-14) (paid Dec 2019).

### VfM performance compared to the original VfM proposition in the business case

## BEIS assesses vfm using the 4 Es (Economy, Efficiency, Effectiveness, Equity) approach:

Economy, or ‘are we or our agents buying inputs of the appropriate quality at the right price?[[14]](#footnote-15)’

## 13 ERPAs have been signed, at a cumulative project development cost of $3.27m, or £197k per ERPA, or 21% below historic costs in other World Bank carbon funds of £274k. It is also c.27% below the projected £250k project design cost in the UK business case, including CDM validation and registration. Another key measure outlined in the UK business case is the cost of developing new methodologies, estimated at £0.1m for each new methodology. Actual cost per new methodology is c.£0.04m. Both these measures indicate good value for money.

Efficiency **– ‘**how well do we or our agents convert inputs into outputs?’

## The key input-to-output measure adopted in the business case is the ratio of skills building costs to volume of CERs generated (“cost per ton”). The business case then sets targets of:

## 

## 1) $2.57 (£1.60[[15]](#footnote-16)) per CER for direct project development costs[[16]](#footnote-17), and

## 2) $4.50 (£2.80) per CER for all costs[[17]](#footnote-18).

Latest data from the Trustee indicates that the projected cost for the former is $2.77; and $6.3 for the latter. This excludes abatement that was previously expected from Simgas and Delagua. If and when replacement projects are taken forward, it is likely that unit costs will decrease in time.

## Effectiveness - ‘how well are the outputs from an intervention achieving the intended effect?’

## Carbon unit price is a key output-to-outcome measure. Although no carbon price benchmark was defined in the business case itself, a price range of €4 to €10 was agreed with the Trustee and Contributors. Using the USD:EUR exchange rate on April 1, 2014 (the date the fund became operational), the target unit price range for the fund is $5.52 – $13.79. The current weighted average price per CER of 12 signed ERPAs (excluding Lao PDR which the UK did not sign) is $9.77.

## Equity – ‘are our development results targeted at the poorest?’

## Equity refers to the extent to which Ci-Dev reaches the underserved population. Equity is the essential theme embedded in the Ci-Dev programs. All 13 projects are located in LICs, of which ten are in LDCs. The project selection criteria included in the Carbon Fund Instrument and the Carbon Fund participation agreements called for 75% of projects to be found in LDCs, a target that the portfolio has met.

Women suffer disproportionately higher impacts from the effects of climate change. As a significant proportion of the Ci-Dev portfolio is made up of cookstoves projects, it is likely that over the programmes’ lifetime, and in light of gender norms in many communities where Ci-Dev operates, that co-benefits from these approaches will be higher for women, who do the majority of domestic cooking. Ci-Dev has commissioned research into the relationship between health, gender, and black carbon outcomes from Ci-Dev projects which is ongoing, and is due to present proposals in October on how gender-informed design can help strengthen energy access projects that use the carbon market.

## In addition, portfolio projects largely target marginalised households in rural areas, such as those without electricity and clean cooking equipment, and focus on addressing buy-side demand barriers with upfront cost subsidy or finance, extended warranties, and free replacement of key components.

**Assessment of whether the programme continues to represent value for money**

Overall, Ci-Dev is meeting its outcome targets, although two of the five have been narrowly missed (by 1% and 3%). As portfolio capital is reallocated over 2020 and new projects are selected, it will be important for the Trustee to maintain the successful approach to demonstrating vfm taken to date. The exercise is likely to increase the chance of achieving lifetime targets for no additional cost, and so is likely to improve value for money in the long term. This performance, and the above assessment against the ‘4 Es’, demonstrates that Ci-Dev continues to deliver value for money.

### Quality of financial management

The Ci-Dev trust fund is subject to the same financial systems and policies as the World Bank’s core resources, such as their rules on reinvestment of funds, their audit framework, and their internal control procedures. The Bank’s external auditor carries out an annual “single audit” of the trust fund system. This is a set of audited accounts for the trust fund’s portfolio and a statement of assurance about the internal control systems that govern trust funds. Contributors therefore receive a high degree of assurance that the quality of financial management is high. Some budget lines, e.g. for readiness grants, are consistently underused, and some remedial action is required to restore confidence in financial planning and forecasting.

Ci-Dev also produces clear financial management reports of the Readiness and Carbon Funds in annual and semi-annual reports.

|  |  |
| --- | --- |
| Date of last narrative financial report | July 2019 – Ci-Dev annual report, including spend through FY19 and the long-term plan and budgets for FY20 and beyond. |
| Date of last audited annual statement | Part of World Bank Single Audit of Trust Funds, conducted annually at the conclusion of each fiscal year – latest Single Audit of Trust Funds for FY19[[18]](#footnote-19) |

## E: RISK

### Overall risk rating: Increases to Major. Key risks are as follows:

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| --- | --- | --- |
| **Description** | **Risk Response Description** | **Category** |
| Planned sources of finance beyond those offered through Ci-Dev do not materialise, and projects are unable to deliver results at the intended scale. | The Trustee undertakes a thorough assessment process when identifying appropriate programmes, assessing institutional arrangements and political will, and conducting financial due diligence on the terms of commercial agreements, which is presented to donors for approval. Key lessons learned from Ci-Dev private sector-led projects that have struggled to secure all anticipated sources of finance will be reflected in this process. The Trustee is implementing responses to distribution issues, e.g. geotagging Ethiopian biodigesters; flying out specialists; using readiness grants to overcome buy and supply side barriers, and a new portfolio development tracker allows BEIS to track CER issuance and projection over multiple scenarios. | Major |
| Political or economic shocks in one or more partner countries leads to significantly reduced overall delivery of Ci-Dev’s intended outputs and outcomes reducing the value-for-money of BEIS’ investment. | The Trustee monitors risks through country offices. Mitigations include flying PE staff from areas too high risk to visit into neighbouring countries to shadow key implementation steps e.g. Malian staff shadowing verification in Senegal; and updating commercial agreements to reflect the diversion of funding by a host government away from Ci-Dev activity towards security purposes. Around 70% of BEIS funding is payable by results, and is therefore protected in the event of undelivery, and can be repurposed. | Major |
| Host countries focus on health, food and security elements of a coronavirus response, lowering their capacity to engage on Ci-Dev and achieve results. | The Trustee will monitor and report quarterly on coronavirus impacts and mitigations for Ci-Dev projects (see recommendation 2). Following a BEIS request, the Trustee delivered an initial assessment of impacts. Mitigations so far include the use of more conservative delivery projections, capacity building through virtual engagements, and procurement of equipment to allow PEs to operate remotely. | Major / Moderate |
| Broader lending operations that have a Ci-Dev component are delayed, jeopardising timely achievement of Ci-Dev results. | The Trustee will make as much independent progress as possible, assessing the likelihood of progress on wider lending operation(s), discussing this with donors and agreeing a way forward, including modification or termination of the agreement, with replacement project(s) sought. The Trustee will seek to influence broader lending operations to the extent possible, in a way that helps mainstream the achievement of Ci-Dev results. | Moderate |
| Ci-Dev activities fail to comply with emerging Article 6 guidance so that Ci-Dev credits lack environmental integrity or have negative developmental consequences that damage the UK's reputation. | Projects will have substantial in-country emission reductions and sustainable development benefits regardless of UNFCCC outcomes. The UK is committed to pay for units that meet CDM requirements, or a comparable standard, so finance for project entities is unlikely to be affected. The Trustee: will ensure high integrity Ci-Dev credits with high chance of post 2020 compliance; is piloting activity which could inform the post 2020 environment; and is assessing risks and opportunities associated with different options for Article 6 alignment through their portfolio transition strategy. | Moderate |
| The forthcoming Mid Term Evaluation is not equipped to make an adequate assessment of Ci-Dev's performance | BEIS, as client, are ensuring that final report follows the methodological approach agreed by BEIS analysts, is independent, and concluded on time. Significant resource from the Trustee, evaluators and BEIS has been committed to the report and helped ensure the latest draft is independent, robust, and represents good value for money. The Trustee was proactive in arranging travel and interview schedules, and access to the data and people required. | Minor |
| Corruption and insufficient financial capacities in host countries mean funds are misdirected or used inefficiently, reducing BEIS value for money and drawing criticism. | All programmes are subject to World Bank due diligence and safeguarding and fiduciary supervision. Payments are only be made upon verification of the monitored emissions reductions by an independent third party and as long as the programme is in compliance with the safeguarding policies of the Trustee and the CDM, this risk of corruption will be minimised to the greatest extent possible. | Minor |

The risk probability rating for Ci-Dev increases to Major. With two projects halting implementation, and others struggling, particularly those led by private sector partners, there is an increased risk to achievement of Ci-Dev’s outcome statement. Unless these are replaced, and issues with existing projects resolved, lifetime outcome targets are at risk. The Trustee has started work towards this with a capital reallocation plan, though there is insufficient data at the time of writing to say with confidence that this will generate a similar level of results. This may well change as details emerge in the coming months. The effects of coronavirus, and response to it among host countries, are likely to exacerbate this risk, for example if host countries place a lower priority on climate projects. Ci-Dev can and should enhance monitoring of projects in this context, but there are limited options to mitigate much of the risk it presents.

## F: COMMERCIAL CONSIDERATIONS

### Delivery against planned timeframe

BEIS’s contribution to Ci-Dev’s Carbon Fund was via a promissory note. Funds are drawn down according to need to guarantee the purchase of emission reductions according to commercial agreements.

BEIS makes disbursements to the Readiness Fund according to the needs identified in the annual Readiness Fund plan. The Trustee and other donors have agreed that all donors will make payments on a pro-rata basis.

The Trustee presents an annual long-term budget in advance of its annual meeting (usually July). This budget reflects the timeline of ERPA agreements and so drawdowns required for the Carbon Fund, based on the current portfolio, and a costed work plan for the Readiness Fund. Given that the signatory to two ERPAs have been declared bankrupt, and others are experiencing difficulties, there is an increased risk that if new signatories to that agreement, or new projects, cannot be secured, that BEIS is unable to disburse the programme’s full funding by the end of programme in 2025.

**Performance of partnership(s)**

The Climate Fund Management Unit of the World Bank, as Trustee, has ensured the fund has made progress in 2019. In terms of fund management, they have been a pro-active partner and there has been a continuing good working relationship. All queries have been responded to thoroughly and in a professional manner as would be expected. There is a good UK partnership with the other donors, the Swedish Energy Agency, and the Swiss Climate Cent Foundation. We feel that donors have common objectives for their contributions to Ci-Dev and all are actively involved in Ci-Dev oversight.

**Asset monitoring and control** -The programme does not own any assets.

## G: CONDITIONALITY

### Update on partnership principles (if relevant)

Financial aid conditionality does not apply to this programme.

## H: MONITORING & EVALUATION

### Evidence and evaluation

Three independent evaluations will take place over the course of the programme, through a contract that was procured directly by DFID, and novated to BEIS from 1 January 2018. The First Evaluation was completed in July 2018 and [published](https://aidstream.org/files/documents/CMF-Evaluation-20-07-2018-20181128111131.pdf). Some of its recommendations were incorporated into the subsequent Annual Review. The second evaluation is expected to conclude in summer 2020. Its draft conclusions and recommendations have informed the recommendations made by this review. The Trustee worked effectively to arrange access to the people and data the evaluators needed. Site visits and interviews took place over the summer, with the second half of 2019 used to draft and iterate the report.

**Monitoring progress throughout the review period**

The Trustee has been collecting data over the past year and have reported to the UK programme management team through telecons and six-monthly meetings. PEs to the Trustee twice a year, according to timings that align with the UK’s Annual Review and Results Collection exercises (end December), and Ci-Dev’s annual meeting (end June).

## I: TRANSFORMATIONAL CHANGE

**Rating: 2: Some early evidence suggests Transformational Change judged likely**

**Evidence and evaluation**

The UK’s assessment of Ci-Dev’s capacity for transformational change relies on four criteria, which each have two indicators. The four criteria are: capacity and capability can be increased; innovation; replicability of new methodologies; and critical mass.

Once these eight indicators are scored, an overall score from 0 – *transformational change judged unlikely*, to 4 – *transformational change judged very likely*, is awarded. An assessment of progress against the criteria and each criteria score (in brackets) follows:

**Capacity and capability can be increased (2)** This reflects Ci-Dev’s success in piloting a second Standardised Crediting Framework, in Rwanda. The results from this will be evaluated and published in 2020 once the pilot has concluded. An assessment of the first SCF in Senegal indicated that replication was possible and findings could help inform similar approaches in other LDCs.

**Innovation (2)** This was previously measured in terms of the number of new methodologies developed by Ci-Dev. Although the programme has delivered these according to expectation in the past, and they have been used by others, the slump in the CDM market is likely to limit the use of these new approaches by project developers.

**Replicability of new technologies (2)** CDM projects have been registered during this review period that use Ci-Dev developed methodologies (see Output 3.1) and public and private investment mobilised is exceeding, and marginally undershooting expectations respectively.

**Critical mass (2)** Three Ci-Dev projects in two LDCs issued their first tranche of credits in 2019, and two more made their second issuances, which indicates good progress towards the programmes’ aim to boost participation in carbon markets among LDCs. How Ci-Dev decides to engage with the emerging international carbon market framework will be key to its transformational impact.

## Annex 1 - Annual Review - Summary Sheet of 2018 Annual Review

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| --- | --- | --- |
| **Title:**Carbon Market Finance (Ci-Dev)delivered via the World Bank’s Carbon Initiative for Development (Ci-Dev) | | |
| **Programme Value:**£50 million (BEIS) | | **Review Date:**1st January- 31st Dec 2018, published April 2019. |
| **Programme Code:**203152 | **Start Date:**2013 | **End Date:**2025 |

**Summary of Programme Performance**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year | CY 2013 | CY 2014 | CY 2015 | CY 2016 | CY 2017 | CY 2018 |  |  |
| Programme Score | A | A | A | A | A+ | A |  |  |
| Risk Rating | Medium | Medium | Moderate | Moderate | Moderate | Moderate |  |  |

**Summary of progress and lessons learnt since last review**

The Carbon Market Finance (Ci-Dev) programme, delivered through the World Bank’s Carbon Initiative for Development (Ci-Dev), aims to increase the flow of international carbon finance1 to Least Developed Countries (LDCs) to support climate change mitigation in pursuit of the Paris Agreement’s goals, facilitate access to clean energy and implement other poverty reducing technologies. It guarantees a revenue stream if projects deliver their expected benefits, builds local capacity to develop projects and monitor carbon emissions, and pilots clean and poverty reducing projects that could serve as blueprints to increase LDC access to the international carbon market.

Ci-Dev performed well in 2018 as it moved fully into implementation phase. Ci-Dev’s first Certified Emission Reduction (CER) issuances took place through three of its projects: in Burkina Faso (which was the first ever UN Clean Development Mechanism (CDM) issuance to take place in the country); Madagascar (which represented the first issuance of its type in the country); and Kenya. This suggests significant progress towards Ci-Dev’s aim to enhance LDC participation in carbon markets.

An eleventh commercial agreement, called an Emission Reduction Purchase Agreement (ERPA), was signed for the Kenya Solar Lighting project in August 2018, and a twelfth, for Kenya Micro Hydro, is complete and was signed at March’s One Planet Conference in Nairobi. This means the UK’s commitment to the Carbon Fund is effectively fully committed2.

New implementation and delivery databases developed by the Trustee3 have enhanced project-level transparency, and informed a thorough Logframe review carried out by BEIS and the Trustee in September 2018. This means that targets now reflect the programme’s move to implementation phase. They are based on the selected portfolio rather than business case projections and are in some cases quite stretching compared to historical benchmarks.

Over the review period, Ci-Dev has continued to conduct relevant research, and to capture and disseminate lessons from the programme through its Knowledge Management Work Programme. Activities included outreach at three international events (Innovate 4 Climate; Carbon Forward Conference; and the Clean Cooking Investment Forum), five workshops (in Kenya, Germany (2), Senegal and Rwanda), five reports and a prominent article in Carbon Mechanisms Review4. BEIS had a good opportunity to influence the Knowledge Management approach for 2019.

The Independent First Evaluation (FE) was finalised in July 2018. The Trustee’s efforts to help complete this report were recognised in the previous (delayed) Annual Review, and its conclusions and recommendations were incorporated into that Review’s recommendations. In the second half of 2018, the Trustee helped BEIS and the evaluators, LTS, to set up the second independent evaluation by securing outstanding agreement from all Project Entities (PEs) to grant access to the documents and people the evaluators need.

Finally, the Trustee continued work on its transition strategy, producing a post-2020 Ci-Dev portfolio transition report (Part 2). However, the lack of agreement to guidance on carbon markets during COP24 in December 2018 means there is still significant uncertainty as to what the international rules governing co-operative approaches will be.

The fund’s expected Outcome is “*Increased carbon finance flows to poor countries for low carbon energy and other poverty reducing technologies”*. The fund is meeting or slightly exceeding targets for three of its four Outcomes, with performance against the fourth slightly below target.

Generally, it is meeting targets in its four Outputs, with the exception of two indicators: Indicator 1.2 - median % of energy access technologies distributed annually, which is missing the logframe target but meeting our expectations, based on the context provided (see narrative accompanying output scoring); and Indicator 1.3 – mean % of MtCO2e reductions realised annually, which is missing both the target and expectations. The Trustee thoroughly addressed the recommendations made by the previous BEIS review, and over this review period, scores ‘A: Outputs met Expectation’.

This year we make five recommendations for 2019:

1. BEIS and the Trustee should work together to review and update the Logframe impact indicators. [by Aug 2019]
2. The Trustee should engage early with BEIS on any development of a Ci-Dev successor programme and allow opportunities to influence its design. [through 2019]
3. The Trustee should continue efforts to increase the disbursement rate5 of the Readiness Fund so that the rate increases to at least 65% [by the 2020 Semi Annual meeting]
4. The Trustee should work with BEIS and the evaluators to help ensure that a robust, independent MTE is completed by end 2019. [through 2019]
5. The Trustee should continue work on its transition strategy, building on its post-2020 Ci-Dev portfolio transition report to ensure the fund is prepared for potential outcomes from UNFCCC negotiations at COP25 and, through Knowledge Management activity, that potential host countries better understand the relationship between crediting activities and their NDCs [end 2019].

1. The UK’s 2013 business case refers to the ‘Carbon Market Finance’ programme. The name of the initiative that is being funded – Ci-Dev – is now the name that is being used by BEIS in its oversight of the Department’s contribution to the initiative. [↑](#footnote-ref-2)
2. Carbon finance in this instance refers to paying for the emissions reductions of supported projects (in units of 1 tonne CO2 equivalent) that have been certified under the Clean Development Mechanism (CDM). Under the CDM, emission-reduction projects in developing countries can earn certified emission reduction credits. These saleable credits can be used by industrialised countries to meet a part of their emissions reduction target under the Kyoto Protocol. However, because International Climate Finance spend is classified as Official Development Assistance (ODA), all credits purchased by the UK will be cancelled and not used for compliance with UK greenhouse gas reduction targets. [↑](#footnote-ref-3)
3. All Ci-Dev projects are registered under the UN’s CDM - <https://cdm.unfccc.int/> [↑](#footnote-ref-4)
4. Available at <https://www.ci-dev.org/KnowledgeCenter> - one of the three is an internal report and is not listed here [↑](#footnote-ref-5)
5. Actual disbursement made over 1 July 2019 – 1 January 2020 compared to planned disbursement from 1 July 2019 – 30 June 2020 [↑](#footnote-ref-6)
6. The UK made its commitments in pounds sterling (GBP). Total Ci-Dev commitments have been calculated using the GBP:USD exchange rates on the days of UK signature of Ci-Dev legal agreements. [↑](#footnote-ref-7)
7. All figures for 2019, reported 10 March 2020 and subject to £:$ conversion rate of 1:1.2766 where required. This is the Bank of England’s annual average for 2019. Logframe figures are cumulative up to 2019 to which this exchange rate and an attribution rate of 58.448% was applied. [↑](#footnote-ref-8)
8. 1 MtCO2e is equal to 1 million tons of Carbon Dioxide, or its equivalent in the contribution made to global warming by other greenhouse gases [↑](#footnote-ref-9)
9. The converted electrical capacity from thermal units are as following: SimGas - 0.82 KW/unit, West African Biodigester – 2.57 KW/unit, Ethiopia Biogas – 2.5KW/unit, Madagascar Ethanol – 1.5KW/stove, Inyenyeri – 1 KW/stove, DelAgua – 1KW/stove [↑](#footnote-ref-10)
10. Total beneficiaries are disaggregated by gender using the World Bank’s [Indicator](http://databank.worldbank.org/data/id/2ddc971b?Code=SP.RUR.TOTL.FE.ZS&report_name=Gender_Indicators_Report&populartype=series): Rural population, female (%), [↑](#footnote-ref-11)
11. SCFs are a concept developed by the Trustee that offer a way for host countries to implement crediting projects at greater scale than Ci-Dev’s current CDM approaches, simplify the project cycle and involve a higher degree of host participation [↑](#footnote-ref-12)
12. References to ‘FY’ in this report refer to the US financial year (1 July – 30 June) unless stated otherwise [↑](#footnote-ref-13)
13. Payments by the UK against previous calls of funds for its share of the preceding 11 ERPAs had generated a surplus of cash received. After this cash surplus was applied to its share of the KTDA ERPA, the UK needed to pay only £188k to ensure the Trustee held enough capital to make the ERPA commitment. [↑](#footnote-ref-14)
14. [DFID Framework](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/49551/DFID-approach-value-money.pdf) – subsequent subheadings here are from the same source [↑](#footnote-ref-15)
15. Applying an exchange rate of £1 = $1.6076, which applied around the time the UK business case was signed off. [↑](#footnote-ref-16)
16. The costs directly associated with project development, using the following cost items in the latest Ci-Dev Readiness Fund LTP for the purpose of comparison: Project Expenses (Project Development, Supervision & Capacity, DOE expenses on validation and inclusion). [↑](#footnote-ref-17)
17. “To assess the additional costs for the more transformational impacts, the programme will also report the cost per tonne with the full costs included”, The full cost, is referred to as “skills building”, and includes costs for activities like skill-building, demonstration activities, monitoring impact, CDM methodology(ies), and lessons learned, but excluding administrative cost. The following cost items in Ci-Dev Readiness Fund LTP are used for comparison: project expense, readiness grant, knowledge management. Readiness Fund admin cost, budget contingency, FX adjustment are excluded. [↑](#footnote-ref-18)
18. <http://siteresources.worldbank.org/EXTABOUTUS/Resources/29707-1280852909811/FY19SingleAudit.pdf> [↑](#footnote-ref-19)