Mitigation Action Facility

Annual Review 2023

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| **Section A: Summary and overview** |

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| **Title: Mitigation Action Facility** | | |
| **Programme Value £ (full life): 305m\***  \*laid via promissory note to date with a further 70m approved in the business case period | | **Review date: Jan 2023 - Dec 2023** |
| **Programme Code:**  GB-GOV-13-ICF-0007-NAMA | **Programme start date:** Dec 2012 | **Programme end date:** Dec 2027 |

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| **Year** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** |
| **Overall Output Score** | A+ | A | A | A | A | A+ | A+ | A | A | **A** |
| **Risk Rating** | Medium | Medium | Medium | Moderate | Moderate | Moderate | Moderate | Moderate | Moderate | Moderate |

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| **Link to Business Case:** |  |
| **Link to Logframe:** | *Devtracker Link – If not published, ensure it is published before or alongside the Annual Review* |
| **Link to previous Annual Review** (if appropriate) | *https://devtracker.fcdo.gov.uk/projects/GB-GOV-13-ICF-0007-NAMA/documents* |

Description of programme

The Mitigation Action Facility (MAF) is a multi-donor fund established in 2012 by the United Kingdom (DESNZ) and Germany (BMWK). The Facility is a key fund for the delivery of the UK’s £11.6bn ICF commitment for 2021/22 to 2025/26. The MAF focuses on delivering permanent policy changes and deploying novel technologies through financial mechanisms in developing country markets to achieve lasting transformational change. It prioritises action in hard-to-abate sectors through the provision of high value grants targeting mid-sized projects (circa £20m) with a combination of finance and technical assistance. The financing type, scale and accessibility of the Facility makes it a core part of the UK’s climate finance assistance as DESNZ works to strengthen the end-to-end support offer to developing countries across the full length of the investment chain in every major emitting sector.

MAF’s aim is to speed up the deployment of innovative clean technologies that reduce greenhouse gas emissions in developing countries. The Facility donors make funding and other high-level decisions, whilst the Secretariat, known as the Technical Support Unit (TSU) and hosted by the German development agency Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, runs the day-to-day operations.

The MAF invites funding proposals, approximately once every year, for projects from Governments and delivery organisations in all ODA eligible countries. Since 2013, the MAF has selected 47 Projects to receive funding for the Detailed Preparation Phase (DPP), following 10 funding calls. As of December 2023, there are 26 active projects; 8 Projects in DPP, and 18 Projects in implementation. In the same period since inception, 7 projects have been completed: China Waste, Colombia Transit-Oriented Development, Costa Rica Coffee, Indonesia Transport, Mexico Low Carbon Housing, Peru Transport, Thailand Refrigeration and Air Conditioning. In 2023, 1 project was not selected for implementation following DPP, and 2 have been discontinued during implementation. 11 further projects have either been discontinued or were not selected for implementation phase.

Summary of progress and supporting narrative for the overall score

The overall performance of the programme has met expectations with an overall score of A. MAF made good progress towards logical framework (logframe) milestones over this review period and has met or exceeded targets in 15 of its 26 output sub-indicators. Of the remaining 11 sub-indicators that did not meet or exceed targets 3 are new and have not yet recorded results (4.3, 5.2.a and 5.2.b) whilst another (1.3.b) has been amended to include a wider set of projects and will also not show a result until next year. This leaves 7 sub-indicators scoring below the expected level. At output level, indicators where the MAF has surpassed targets include the number of countries applying for calls, the percentage of eligible applications, the volume of public finance mobilised by projects, as well as the number of national and sub-national institutions accessing technical assistance.

Although the overall performance of the programme exceeds expectations, there is still room for improvement. For 7 indicators, targets have not been met – at the lowest end these include disbursement rates and milestone targets for the project development completion. One of the main causes for delay are roadblocks in contracting with implementing organisations, especially in the case of GIZ-led projects where the requirement for an intergovernmental project agreement (IPA) can cause significant delay. There has also been slower than expected implementation of financing mechanisms (related to which TSU are exploring how the financial component (FC) can be strengthened in the design phase).

At the portfolio level, the MAF has advanced with project mid-term and final evaluations, completing 6 midterm or end point Evaluation and Learning Exercises (ELEs) in 2023, spanning projects in Tunisia, Chile, Cabo Verde, China, Mexico and Brazil. Two further ELEs were under development in December 2023 for publication in early 2024 – on India Waste and Colombia Refrigeration. All ELEs follow the same theory-based evaluation methodology, but their findings are specific to the context of each individual project. The first meta study using a sample group of projects was commissioned by the Facility in 2022 to identify overarching findings and better understand the common challenges and lessons learnt. 2023 saw the Facility taking on board the results of that first study, such as on lessons in catalysing transformational change including linking technical and financial components more effectively for future projects. The second meta study will take place in 2024. A 3rd evaluation of the wider Facility has also been commissioned for 2024.

In addition to the output results, the MAF has demonstrated how it can evolve and respond to international climate priorities with the launch of the Call for Projects 2023. The Call was the first application window since the NAMA-to-MAF rebrand, emphasising the Facility’s focus on energy, industry and transport priority sectors and alignment with the Breakthrough Agenda. It was also the first time the Concept Phase of applications was introduced. The round closed for applications in July 2023 with a record 307 eligible applications from 106 different countries, demonstrating the Concept Phase’s inaugural year success in its’ bid to attract a diversified pool of applicants through creating a more accessible entry point. In October 2023, the MAF board selected 28 of these project proposals to progress into Outline Phase. 24 Outlines were indeed received by 31 December 2023, spanning all three priority sectors and all geographical regions.

The MAF’s risk level remains moderate due to implementation risks stemming mainly from delivery as projects are reliant on the ongoing support of recipient country governments and are often innovative in nature, and therefore inherently riskier. Measures are in place to monitor and manage the ongoing risks, and the TSU provides regular updates to the MAF Board. Generally, the residual risk remains within our programme risk appetite given its ambitions.

## Progress against recommendations from the last review

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| **Recommendation** | **Progress** |
| DESNZ to work with the TSU to agree and finalise indicators on scaling and gender for 2023 logframe data collection. | **Complete** – these new indicators were finalised in 2023 and are included in the latest logframe (4.3, 5.1 and 5.2) to be reported on from 2024. |
| TSU and donors finalise and publish the Gender Action Plan. | **Complete** – the Gender Action Plan was published in August 2023. |
| Implement recommendations under Outputs 1, 2, 3, and 5 as detailed in Section C. | **Complete** – recommendations were taken into consideration and enacted during M&E discussions throughout the year, targets adjusted. |
| TSU and donors to undertake project management review to assess and improve engagement with, and offer of support to projects, including but not limited to risk management, budgeting and forecasting and enhance the quality of the proposals presented at the end of Detailed Preparation Phase. | **Ongoing** - TSU planning and governance enhancements were taken to the next level by the end of December 2023 with a set of 2024 deliverables devised including better risk management, more detailed and quantitative reporting to donors and steps to increase the competitiveness and quality of projects at the end of DPP. DESNZ has seen good progress in all these areas to date. |
| TSU recruits of M&E, comms, gender and finance experts to enhance the capacity and function of the secretariat. | **Complete** – gender, comms and M&E expertise was successfully recruited for in 2023 and finance expertise has additionally been recruited by the time of writing in 2024. |
| TSU and donors design and implement a communications plan to enhance MAF’s call and Facility promotional capabilities. | **Complete –** a comms strategy was presented at the October 2023 board meeting, which feeds into the outreach activities planned for 2024. |
| TSU to hold more frequent (annual) project exchange workshops and facilitate engagement between donors and project leads. | **Complete –** a Global Project Exchange Workshop for projects in implementation took place in Nauen, Germany in June 2023, which amongst others included a project fair and exchange between Donors and projects. Donors also set the ambition to hold one Board meeting in a project country per year. The next project exchange workshop is being planned for autumn 2024 focusing on the industry sector. |

Major lessons and recommendations for the year ahead

The ’A’ score headlining this annual review reflects the efforts undertaken by the TSU and donors since the last annual review and the performance of the MAF portfolio this year, particularly regarding achieved milestones, the delivery of Call for Projects 2023, and positive outcomes of project evaluations. Over the next reporting period, DESNZ expects MAF to build on both the achievements and lessons learnt to ensure that it continues to be a high performing delivery vehicle for International Climate Finance. This includes the successful delivery of the 2024 Call for Projects, operationalising the newly formed Advisory Committee, updating relevant logframe indicators to ensure they reflect a continuing push on ambition, and continuing to expand work streams on the MAF’s overall strategic direction and operational priorities (such as the recruitment of financial expertise within the TSU, implementing the Gender Action Plan and wider programme management review).

To act on the lessons learnt from this annual review, and wider strategic considerations for the year ahead, we make the following recommendations:

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| **Recommendation** | **Deadline** |
| TSU recruits a finance expert and additional desk officers to enhance the capacity and function of the secretariat. | *September 2024* |
| TSU and donors design and implement a new communications plan including website improvements and more accessible comms materials to enhance MAF’s Call for Projects 2025 and Facility promotional capabilities. | *November 2024 (launch of Call for Projects 2025 at COP29)* |
| TSU and donors to implement TSU development plans for 2024, focussing on the funding journey, governance and internal processes. Successful implementation will improve engagement with, and the offer of support to projects, including but not limited to risk management, budgeting and forecasting and enhance the quality of the proposals presented at the end of Detailed Preparation Phase. | *November 2024 (launch of Call for Projects 2025 at COP29)* |
| TSU to hold more frequent (annual) project exchange workshops and facilitate engagement between donors and project leads. | *December 2024* |
| Implement recommendations under Outputs 1, 2, 3, 4 and 5 as detailed in Section C. | *December 2024* |

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| **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

The Mitigation Action Facility’s desired outcome is to demonstrate that climate finance can effectively catalyse transformational change in partner countries – including implementation of Nationally Determined Contributions (NDC) – reduce greenhouse gas emissions and enhance carbon-neutral development.

The MAF’s Theory of Change (ToC) depicts the pathway of changes that will be initiated through MAF support to catalyse transformative mitigation action. These desired changes are primarily triggered by the individual projects and are enhanced by the cross-cutting actions of the facility. To achieve this outcome, MAF relies on a successful demonstration effect produced by its projects. In parallel, systemic change is accomplished as projects trigger shifts in market behaviour and economic incentives, prompting improvements in the regulatory environment and strengthening national capacity ensuring the sustainability of project impacts. Demonstration effect and systemic change pave the way for scale-up and replication by de-risking projects for other public and/or private investors, which leads to the overall improved financing of mitigation action.

Given the Facility’s objective of supporting implementation, the focus of projects in 2023 continued to be on financial support mechanisms that serve to mobilise capital investments in, and support the operability of, carbon-neutral alternatives. Alongside this, technical support and institutional and regulatory capacity development in partner countries is provided during project implementation to facilitate this objective.

Following the 2020 interim evaluation of the Facility and the revision of the MAF ToC in January 2022, the updated ToC, which includes more accurate inputs, revised activities (split into programme-level, project-level and cross-cutting activities), and slightly reformulated outputs, outcome and impact statements was approved by the MAF Board in 2023. The ToC narrative was also updated, explaining the logic of the intervention, key assumptions and underlying causal pathways.

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

In 2023, the MAF has achieved or surpassed most outputs and early project outcome results have shown growth in line with project maturity expectations despite disbursements delays in many cases. The three outcome indicators (GHG emissions reductions, people benefitting from MAF projects and transformational change) achieved an average success rate of 97% in 2023.

**Outcome 1 (M1)**: GHG emissions reduction across projects continue to demonstrate strong progress with overall reduction of 11.3 million tCO2e GHG up to 2023, a 134% result on the set target of 8,419,567 tCO2e. A cumulative KPI, the results benefit from the inclusion of completed projects including Costa Rica Coffee, Thailand Refrigeration and Mexico Housing, where project impacts extend beyond the projects’ active implementation phases and continue to produce planned emissions reductions. Other projects of note include China Waste Management and its 7.3mtCO2 reduction which makes up 64% of the overall reduction numbers. Whilst a notable outlier, this is nevertheless a reduced proportion of the portfolio’s results when compared with 2022 (70%), which can be explained by the growing maturity of the portfolio as more projects reach later stages of implementation and more pronounced impacts of projects’ financial mechanisms begin to yield greater results. This includes the 1.6 million tCO2e reduction achieved by the project Thailand Rice, contributing to 14.7% of overall mitigation numbers reported by all projects at the end of 2023 and Colombia Refrigeration, reducing emissions by 550,666 tCO2e (4.8% across all projects). Where discrepancies have arisen between target (2023) and actual emissions reduction outcomes in over half of projects, this is typically due to common upstream issues such as overestimation during project set up and target-setting, delays in operationalising the financial mechanisms (such as in Brazil Energy Efficiency), or delays in signing contracts and administrating change requests such as in Tunisia Clean Energy Buildings.

**Outcome 2 (M2)**: The number of people directly benefitting from MAF projects (outcome 2) also shows more modest but steady increase and overall near-achievement of 89%, building on the 25.5 million people supported in 2022, expanding to 28.1 million beneficiaries across the portfolio in 2023. As before, the highest-achieving projects include China Waste Management and India Waste Management, alone comprising 27.1 million people of the 28 million total. The high number of beneficiaries in waste sector projects is comprised of total inhabitants in project-relevant cities that benefit from enhanced waste management systems attributable to the project’s technical assistance component. For example, individuals in four population-dense geographical zones in India benefitting from both capacity building programmes and activities on sustainable waste management as well as from waste management facility improvements, were included. For the 11 projects that supported fewer beneficiaries than targeted, similar barriers were described as those inhibiting GHG emissions reductions; project delays in implementation phase and challenges in setting up and in the take-up of financial components of the project. Gender parity in the 2023 beneficiary numbers shows room for growth with 41% female beneficiaries to 59% male.

**Outcome 3 (M3)**: Finally, when looking at transformational change (TC) likely to be catalysed beyond the lifetime of projects, MAF projects increased from 2022 but moderately underachieved against a raised ambition for 2023. The projects had an average TC score of 2.1 against the raised target of 3.1. Disaggregated, this means 10 projects met or exceeded their targets whilst 6 fell below target. Due to the reasons laid out below, this is not concerning due to the variance and difficulty in assessing TC, particularly as the only qualitative scoring system of the core M-indicators. Transformational change, such as enhanced, sustained, and inclusive action on emission reductions, is hard to predict, multi-faceted, multi-causative, and takes time to unfold. The ELE metastudy also points to the difficulty in measuring projects’ catalysed TC. For instance, a key criterion is whether projects are on track to meet the target for indirect GHG savings. However, these are to be realised during the ten-year period after the completion of the project, making it difficult to assess TC during the project timeframe.

The projects that overachieved, such as Brazil Energy Efficiency, garnered high interest and demand among target groups, creating an effective feedback loop with their financial mechanisms. In Brazil’s case it’s noteworthy to highlight a national-level programme announced by the project’s partner Government ministries due to the success of the project pilot. Where projects fell short of their target, this is attributable to a variety of factors, including delayed financial mechanism deployment, lower interest and uptake of these mechanisms than expected, such as in the case of Guatemala Cookstoves with lower participation of microfinance institutions in the project’s Guarantee Fund than anticipated.

Transformational change is often difficult to assess for ICF programmes. It is encouraging that projects are engaging well with the TC measurement framework (which many projects indicated was useful in focus groups in May 2023). The fact that projects are engaging well with the framework and using it to guide project decision making is positive and as important as achieving a ‘good’ score. One of the considerations in monitoring TC is to encourage reflection on ‘how’ to catalyse TC on an annual basis, ensuring that projects use learning to strengthen their approach to TC. In the DESNZ annual assessment of KPI 15 on transformational change, MAF was scored as showing ‘partial evidence that suggest transformational change is likely’. This methodology reflects the complexities and timeframes involved and the score is as expected for the maturity of the programme's portfolio. For instance, in the case of more mature projects such as Thai Rice and Colombia Refrigeration, the Facility is seeing typically higher levels of transformational change potential, an area which should continue to be monitored.

Logframe updates since the last review

The MAF logframe was only moderately revised in 2023 to increase the ambition of indicators and targets measuring the achievements of the Facility following significant revisions in 2022 to align with the Theory of Change revision.

New indicators on upscaling and gender were introduced to Outputs 4 and 5 and will be reported against for the first time in 2024.

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| **Section C: Output scoring** |

## Output 1: The Mitigation Action Facility is effective and efficient in catalysing transformational mitigation action to implement NDCs

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| **Output Title** | The Mitigation Action Facility is effective and efficient in catalysing transformational mitigation action to implement NDCs | | | |
| Output number: | | 1 | Output Score: | ***A*** |
| Impact weighting (%): | | 30% | Weighting revised since last AR? | No |
| Risk rating | | Moderate | Risk revised since last AR? | No |

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| **Indicator(s)** | **Milestone(s) for this review** | **Progress** |
| 1.1.a) Number of Countries in Calls | 50 | **Progress substantially exceeded expectation (212%)**  2023: 106 |
| 1.1.b) Percentage of eligible projects in Calls | 82.5% | **Progress moderately exceeded expectation (110%)**  *2023: 91.1%* |
| 1.2.a) Percentage of projects which conclude DPP within 15 months​ | 100% | **Progress met expectation (100%)**  *2023: 100%* |
| 1.2.b) Average timeline between project selection and project approval | *23 months* | **Progress moderately did not meet expectation (91%)**  *2023: 25 months* |
| 1.3.a) Percentage of projects completed, achieving the intended project outcome | 80% | **Progress moderately did not meet expectation (84%)**  *2023: 67%* |
| 1.3.b) Percentage of projects that complete Implementation Phase 1 within 18 months | 70% | **Progress moderately exceeded expectation (114%)**  *2023:80%* |
| 1.3.c) Percentage of projects that are completed within the approved timeline | n/a | **n/a** |
| 1.3.d) Percentage of projects that have spent >90 % of allocated funds by project completion | 70% | **Progress moderately exceeded expectation (143%)**  **2023: 100%**  For 2022, it was recommended to shift to non-cumulative counting and adjust threshold from 95% to 90%. The higher result for 2023 is reflective of this change and provides scope for greater ambition. |
| 1.4.a) Average duration from the Board’s affirmative decision to the first disbursement (third-party implementers) | 12 months | **Progress substantially did not meet expectation (39%)**  *2023: 19 months*  *The indicator was created in the 2022 logframe revision and this year saw a slight increase. So far, only 4 projects have concluded this process: Colombia TOD (26) The Gambia G. Solar: (10) Guatemala Cookstoves (42) and Honduras Livestock (19). More information below. It was recommended to shift to non-cumulative counting to have a more accurate picture on the average timeline over a specific period and adjust targets as following: - 2023: 12 months - 2024: 10 months The Board agreed to this proposal. As the project portfolio matures with further projects coming to completion which benefit from enhanced TSU support, it is expected that the average times will decrease whilst the ambition is simultaneously raised.* |
| 1.4.b) Percentage of annual estimated funding spent by Mitigation Action Facility within the reporting year | 75% | **Progress moderately exceeded expectation (113.1%)**  *2023: 85%*  *This is an increase from 2022 (51%) and is also in its second year as a subindicator so will require continuous monitoring.* |
| 1.4.c) Percentage of Implementation Organisations that consider Mitigation Action Facility implementation support to be valuable | 85% | **Progress moderately exceeded expectation (110%)**  *2023: 93.33%*  The targets were set based on portfolio projections in 2015/2016. Various projects have since been extended, e.g. Costa Rica Coffee and China Waste Management. Other projects have extended their implementation timeframe due to the separate execution of FC and TC, e.g. Chile SSRE. Other projects have been terminated, e.g. Mexico Sugar Mills and Brazil Beef. Extensions are rather standard for Project implementation and are often based on good reasons, just as for terminations. |

***Output summary and supporting narrative for the score***

* Output 1 measures MAF’s ability to award and disburse funding for climate mitigation activities. Notable indicator successes for this output are the number of different countries applying to Calls for Projects and the proportion of initial project eligibility in new funding rounds which both exceeded raised targets for 2023. 106 countries were represented in Call for Projects 2023 applications, of which 91.1% applications were deemed eligible. The ambition should continue to be raised for these indicator targets in future.
* Two sub-indicators scored poorly (1.3.a, and 1.4.a): These were, firstly, the percentage of projects completed, achieving outcomes and secondly, the average duration between the board’s affirmative decision to the first disbursement of funding.
* The common thread running through the two lower scores is a combination of target-setting based on estimations made near the start of the programme, now adjusted for 2024 reporting, and delays to project implementation and spend due to a range of external factors in-country. Examples can be found below.
* The number of completed projects with achieved outcomes (1.3.a) spans 3 eligible completed projects with an average achievement of 84%. China Waste’s 282% overachievement masks underachievement by Thai Refrigeration and Costa Rica Coffee. The lower scores in these projects were affected by unforeseen barriers to implementing of some of the financial mechanisms, such as an unsuccessful credit line in Costa Rica.
* The results of lower-scoring indicators are being factored into discussions with the Facility secretariat on engagement with and support of projects in DPP phase in 2023 at the time of writing. The aim is to significantly improve the provision of support to projects in this phase with better risk management and developed in-house financial expertise.

Recommendations

* Increase the ambition of 1.1.a to be continue raising the ambition level for 2024: 105 countries minimum.
* Change the ambition of 1.3.a so that the target is calculated cumulatively, and the ambition is raised year on year for projects achieving their intended outcomes.
* Continue pushing the ambition for 1.4.a by making relevant changes to minimise delays in the lead up to first disbursement of funds. Some modifications are already in action at the time of writing in 2024, including the finalisation of a standardised grant agreement template for new non-GIZ projects. The effect of this new product on delays should be monitored for potential indicator changes for 2025.

## Output 2: Additional public and private finance supported to drive carbon-neutral development

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| **Output Title** | Additional public and private finance supported to drive carbon-neutral development | | | |
| Output number: | | 2 | Output Score: | ***A*** |
| Impact weighting (%): | | 20% | Weighting revised since last AR? | No |
| Risk rating | | Moderate | Risk revised since last AR? | No |

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| **Indicator(s)** | **Milestone(s) for this review** | **Progress** |
| 2.1 Volume of public finance supported for low-carbon investment and development (M4) | 566,674,323 EUR | **Progress moderately exceeded expectation (148%)**  2023: 836,285,442 EUR The 2023 target value of EUR 567m has been overachieved. This is largely due to the projects China Waste Management, and Mexico Housing, which mobilised EUR 580m and EUR 183m. |
| 2.2. Volume of private finance supported for low-carbon investment and development (M5) | 1,071,906,361 EUR | **Progress moderately did not meet expectation (91%)**  2023: 980,111,728 EUR  This target was made more ambitious for 2023 due to previous overachievement. |
| 2.3. Ratio of public, private and co-funding supported versus NAMA Facility funding provided | 25 | **Progress moderately did not meet expectation (69%)**  2023: 17.19  The 2023 target was revised to be more ambitious following continued overachievement against this milestone in the previous 4 years. |

***Output summary and supporting narrative for the score***

* Output 2 looks at the ability of MAF projects to leverage further private or public funding.
* The volume of public finance leveraged up to 2023, measured by indicator M4, was EUR 836m, showing strong progress following EUR 647m being reported in the 2022 report and remaining well above the target of EUR 567m.
* As reflected across other output results, China Waste Management and Mexico Housing continue to strengthen the cumulative scoring of M4, leveraging, since projects began, EUR 580m and EUR 183m respectively on their own. For both M4 (2.1) and M5 (2.2), both China and Mexico projects historically perform significantly higher than other projects which should be taken into consideration in looking at the overall score.
* Where projects leveraged less public finance than their target, this was due to the delay of the financial component establishment (such as Cabo Verde Vehicles and South Africa Public Buildings), unsuccessful operation of their financial component (e.g. Colombia Refrigeration), or obstacles in finalising key contracts (as in the case of Mongolia Building Retrofitting).
* The volume of private finance leveraged up to 2023, measured by M5, was EUR 980m, showing some but limited progress following the EUR 971m reported in 2022. This indicator target was increased for 2023 to curtail the trend of overachievement in this category and drive greater ambition and is therefore only 91% met in 2023.
* Looking beyond Chinese capex investments in waste facilities in China Waste which remains an outlier, there are underperformances in M5 (private sector finance leveraging) to take lessons from that directly mirror the underperformances recorded under M4 and the leveraging of public finance with many of the same factors at play.
* Where there is more substantial room for improvement is indicator 2.3, where the overall ratio between mobilised public and private funding compared to MAF funding remains lower than the target.
* The results currently represent a ratio, which is acceptable for the time being, but this will continue to be monitored and the target will persist on the side of ambition for the coming year.

Recommendations

* Identify lessons learnt from the success of China Waste Management and Mexico Housing projects which led to higher finance leveraging scores.
* Assess the target for 2.1 (M4) and consider raising ambition in future years.
* Consider the attribution methodology for 2.3 to take into account significant anomalies in the results across projects.

## Output 3: The Mitigation Action Facility disseminates lessons from transformational mitigation action, contributing to an effective learning environment

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| **Output Title** | The Mitigation Action Facility disseminates lessons from transformational mitigation action, contributing to an effective learning environment | | | | | |
| Output number: | | | 3 | Output Score: | | ***A*** |
| Impact weighting (%): | | | 20 | Weighting revised since last AR? | | No |
| Risk rating | | | Moderate | Risk revised since last AR? | | No |
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| **Indicator(s)** | | **Milestone(s) for this review** | | | **Progress** | |
| 3.1.a) Number of knowledge products published | | 15 | | | **Progress moderately exceeded expectation (127%)**  2023: 19 | |
| 3.1.b) Number of knowledge-sharing activities conducted | | 15 | | | **Progress met expectation (100%)**  2023: 15 | |
| 3.2.a) Number of engagements by communication channel | | Website:  Total page views of “Knowledge and Learning Hub” subpage per year: 4,000  Social media:  No. of followers increased in Twitter per year: 360  Average no. of impressions per month: 3,500  Average no. of profile visits per month: 3,500  Average no. of views per YouTube video uploaded: 100  Number of public relations/media engagements per year: 2 | | | **Progress moderately did not meet expectation (61%)**  Website: Total page views of “Knowledge and Learning Hub” subpage per year: 2,035 (51%)  Social media:  No. of followers increased in Twitter per year: 103 (29%)  Average no. of impressions per month: 1,804 (52%)  Average no. of profile visits per month: 1,220 (35%)  Average no. of views per YouTube video uploaded: 122 (122%)  Number of public relations/media engagements per year: 3 (150%) | |
| 3.2.b) Number of individuals attending a knowledge-sharing event | | - 50 per webinar,  - 50 per side event,  - 25 per virtual project meeting  - 50 per other TSU-led event  - 5 per peer exchange  - 25 per project-run event | | | **Progress substantially exceeded expectation (179%)**  - 123 per webinar (246%)  - 54 per side event (108%)  - 31 per virtual project meeting (123%)  - 121 per other TSU-led event (241%)  - 7 per peer exchange (147%)  - 59 per project-run event (212%) | |
| 3.3.a) Percentage of respondents considering knowledge products and sharing activities as valuable | | 80% | | | **Progress met expectation (104%)**  2023: 83% | |
| 3.3.b) Examples of use / added value of knowledge products and knowledge-sharing activities | | 5 | | | **Progress met expectation (100%)**  2023:5 | |

***Output summary and supporting narrative for the score***

* Output 3 speaks to knowledge and learning generated and shared by the Facility.
* Almost every indicator met or exceeded 2022 targets with the exception of 3.2.a.
* The indicator 3.2.a was newly created in the 2022 logframe revision so is in its second year of reporting. It should be monitored closely for necessary revisions. It should also be noted that no results were recorded from July – December 2023 which explains the lower score. This is due to changes made in the TSU’s comms team, now fully in place for 2024. There may also be some impact from the overall reduced use of Twitter since its rebranding as X, also in 2023.
* 3.2.b: Strong, improved results across the board suggest the targets are in a position to be raised, particularly the target for the attendance at webinars which notably overachieved in 2023.
* In relation to this set of output indicators, in 2023, MAF hosted a 2nd Evaluation and Learning event in February, as well as a Call for Projects 2023 launch event at the NDC Conference in June, attracting 41 and 200 attendees respectively and raising the profile of the Facility.

Recommendations

* Increase the milestone targets for output three collectively to reflect the growing number and maturity of projects as the Facility moves into 2024 and beyond. Specifically, the ambition of indicator 3.1.a could be raised following overachievement in 2023 and projects’ own knowledge products could be added to the target.

## Output 4: National and local stakeholders have enhanced their capacities and policy environment to implement transformational mitigation action

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| --- | --- | --- | --- | --- |
| **Output Title** | National and local stakeholders have enhanced their capacities and policy environment to implement transformational mitigation action | | | |
| Output number: | | 4 | Output Score: | ***A++*** |
| Impact weighting (%): | | 15% | Weighting revised since last AR? | No |
| Risk rating | | Moderate | Risk revised since last AR? | No |

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| --- | --- | --- |
| **Indicator(s)** | **Milestone(s) for this review** | **Progress** |
| 4.1 Number of policies, regulations, standards adopted or amended due to project support that promotes carbon-neutral development | 22 | **Progress substantially exceeded expectation** (159%)  2023: 35 |
| 4.2. Number of national and sub-national institutions received technical assistance to implement transformational mitigation actions | 120 | **Progress substantially exceeded expectation (333%)**  2023: 400 |
| 4.3 Percentage of projects achieving successful scaling activities | n/a | New indicator for 2023. Projects are required to define the relevant scaling dimension as well as establish the respective targets, milestones. |

***Output summary and supporting narrative for the score***

* Output four considers the success of MAF’s technical assistance components.
* The methodology for 4.1 was adjusted in 2023 to become cumulative.
* Achievements to note include South Africa Buildings where a new Energy Performance Certificate has been adopted by the South African national government and Thai Rice where a national Climate Change Action Plan for the Agriculture Sector has also been newly adopted in Thailand in 2023 as a direct result of project technical assistance.
* By the end of 2023, 62% of policies within range have been newly adopted whilst 38% have been amended, and these vary by national and subnational level in scope. For example, of the 25 policies adopted by MAF partner countries in 2023, 19 were implemented at a national level which demonstrates a gradually higher level of policy adoption across the portfolio.
* 4.2 considers the number national and subnational institutions that received technical assistance from MAF interventions. Notable achievements further highlight the successes of the Thai Rice project where 138 institutions at national level benefitted from technical assistance support. Transport and waste management projects, such as in Indonesia and India showed a greater tendency towards subnational impact where relevant policies are typically devolved or where specific cities or regions have been targeted. Some projects saw the number of national and subnational level institutions similarly receiving technical assistance support such as Brazil Energy Efficiency where 20 national and 14 subnational institutions demonstrates the broader impact of the project’s interventions. It is worth noting that output four methodologies were aligned with the methodologies of the newly created technical assistance KPIs, reported on for the first time in 2022 so they should continue to be monitored.

## Output 5: Implemented projects produce sustainable and transformative co-benefits

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| **Output Title** | Implemented projects produce sustainable and transformative co-benefits | | | |
| Output number: | | 5 | Output Score: | ***A++*** |
| Impact weighting (%): | | 15% | Weighting revised since last AR? | No |
| Risk rating | | Moderate | Risk revised since last AR? | No |

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| **Indicator(s)** | **Milestone(s) for this review** | **Progress** |
| 5.1. Number of co-benefits achieved through project support | 65 | **Progress substantially exceeded expectation (152%)**  2023: 99  This represents an increase on 2022 including an increase in the target. |
| 5.2.a) Percentage of project’s achievement of the Mitigation Action Facility’s minimum requirements to plan and implement in a gender-responsive manner |  | New indicator introduced in 2023 with the launch of the Facility’s Gender Action Plan. |
| 5.2.b) Percentage of project’s implementation of a gender-transformative pilot activity |  | New indicator introduced in 2023 with the launch of the Facility’s Gender Action Plan. |

***Output summary and supporting narrative for the score***

* Output 5 measures co-benefits of Mitigation Action Facility projects. Co-benefits are multiple positive effects that extend beyond the primary objective of a policy, action or measure (climate mitigation).
* In 2023, the 99 co-benefits to the local contexts of MAF projects – exceeding the target of 65 – can be disaggregated to: 6 political, 34 social, 27 environmental and 32 economic. Examples across categories include decreased outdoor air pollution, reduced costs, reduced electrical consumption, generating new jobs, increased citizens’ belief in their current Government. All themes show an increase of co-benefits since 2022 apart from political co-benefits which remained steady.
* 5.2 was introduced in September 2023 in accordance with the new Gender Equality and Social Inclusion (GESI) focus of the Facility to shine light on gender-responsive project achievements across the Facility. It followed the launch of the Facility’s Gender Action Plan (GAP) in the summer of 2023 therefore the decision was taken with Board approval that reporting would commence in 2024.
* Scoring methodologies were shared with active projects and rolled out in 2023 in advance of 2024 reporting for both 5.2.a and 5.2.b. The indicators will consider formal, operational and MEL requirements of the Facility and projects’ compliance in meeting them in a gender-responsive manner. Some projects have already submitted results under formal requirements such as Mongolia Building Retrofitting. Over half of active projects have already introduced a GESI-specific indicator in their own reporting whilst going further to set up GESI action plans. It has been agreed that those projects nearing completion are not required to retrofit GESI reporting as part of their projects.

Recommendations

* Monitor 5.1 in line with the Facility’s co-benefits paper findings and consider adjustments to the targets to increase the ambition for 2024.

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| **Section D: Programme performance not captured by outputs** |

In 2023 the MAF finalised and published its Gender Action Plan (GAP) which aims to ensure equal rights, opportunities, access and treatment of the needs and priorities of persons of all genders, and those facing social exclusion and discrimination, within all processes of the Facility. Going forward, the Plan will provide the necessary practical toolkit for mainstreaming GESI throughout the Facility at portfolio and project level. Kick off workshops of the GAP in September 2023 were successful in bringing together project leads and Facility staff and to understand new objectives, requirements and quality assurance mechanisms. Vital work under GESI continues into 2024.

2023 also saw the terms of reference set and key actors identified for the formation of the Facility’s first Advisory Committee (AC). The AC aims to provide the Facility with important consultation and guidance at a strategic level to address the need for broader international engagement and topical alignment in the key sectors and geographies in which it participates. By December 2023, the committee had been established, comprised of experts from diverse national contexts and representing critical areas of the climate finance community. DESNZ successfully approached E3G and CAN-UK for senior representation on the Committee. The group of 8 experts will formally meet and be collectively operational as an advisory unit from 2024.

The Call for Projects 2023 (CfP23) can be seen as a pivotal moment for the Mitigation Action Facility, marking the first launch of a competitive funding round under the new branding, announced at COP26 in 2022 in a move away from ‘NAMA Facility’. The Call saw a record number of applications (327) submitted, in conjunction with the rollout of the new Concept Phase of applications, requiring a less-developed and less-detailed project proposal to allow greater diversification of applicants. The concept phase welcomed a larger number of applications from within the industry sector including more specific industry subsectors such as cement.

Against this backdrop of evidenced demand for MAF funding from the summer, the Board took stock of the Facility’s progress, processes and future ambitions during a facilitated workshop in Berlin in October 2023, marking a key moment in the development of the Facility. The workshop built upon 2022/early 2023 discussions and agreements to enhance the mandate of the TSU and the subsequent bolstering the secretariat over the course of 2023 with more subject-specialist recruitment such as in monitoring and evaluation. Using this momentum, the combined effect of the workshop and follow-on efforts of board members and the TSU saw the production and finalisation of a key output, summarising and detailing a series of clear objectives and specific actions for TSU planning in 2024 and beyond. Vitally, this has provided impetus for modular improvements across the areas of outreach and engagement, the funding journey, devolved decision-making, risk monitoring and reporting to the board, already being seen in 2024.

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| **Section E: Risk** |

Overall risk rating**:**

Moderate

Overview of risk management

The MAF risk framework includes a risk register, regular reporting on the status of the portfolio and an updated risk section in the annual review. These build on the risk management framework established over the past years, which includes a risk appetite statement, project cancellation policy, standardised monitoring tools and trigger points for donors to consider the performance and progress of projects in its portfolio.

## Current risks

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| --- | --- | --- | --- | --- |
| **Risk** | **Likelihood** | **Impact** | **Mitigation** | **RAG Rating** |
| **External Risk:** Deteriorating country context | Possible | Major | The country risk (political, security, economic) is beyond the scope of influence by the programme intervention. Risk mitigation includes a close monitoring via the donor’s embassies/ delegations and the GIZ country offices and could potentially also include the early discontinuation of projects. | High |
| **External Risk:** External events (e.g. natural disasters, disease, and war) | Possible | Major | External events can adversely affect the implementation and/or success of a project. The Facility targets beneficiaries in developing countries, some of which are in unstable regions or regions highly susceptible to the impacts of external events. This risk is beyond the Facility’s scope of influence. Risk mitigation includes monitoring via the project risk monitoring. | High |
| **Operational/delivery risk:** Slow implementation of projects and disbursement | Possible | Major | Ensure delivery timelines included as a key TSU KPI for future funding rounds.  Ensure there is a streamlined MAF Board approval procedure for new projects in place.  Ensure capacities within the German government dedicated to IPAs and keeping IPAs a priority in the TSU.  Ensure project is closely monitored by TSU desk officers and any delays or heightened risk of impact reduction is escalated to the board. Partner government endorsement is managed closely. | High |
| **Operational/delivery risk:** Government endorsement of projects reduced or withdrawn leading to delays or cancellations of project implementation | Possible | Major | The risk of recipient countries changing priorities is beyond the Facility’s scope of influence. However, this is mitigated by ensuring government partners are key members of project team; by the TSU ensuring projects keep on track; and by donors working with respective embassy teams to use their relationships with governments to help maintain support | Medium |
| **Operational risk:** over reliance on a small pool of implementing partners | Possible | Moderate | Lack of diversity amongst Implementing Partners increases delivery risk at the portfolio level. This is mitigated by improving communications and outreach to attract a wider range of implementers; adding a cap to the number of projects that can be delivered by one organisation; and simplifying the application process to encourage new partners to apply. | Medium |
| **Delivery risk**: Foreign exchange risk | Possible | Moderate | Grant Funding is agreed in Euros, but expenditure is likely to take place in local currencies. The currency risk is to be managed by the implementing partners. There is also a risk as UK funding to the MAF is in GBP which is managed by not committing 100% of funds before they are drawn down. | Medium |
| **Delivery risk:** Projects have reduced impact due to inflationary pressures and global interest rate rises | Possible | Minor | Inflation will not have an impact on the cost of the programme to the UK as the programme is awarding grant funding, but could impact specific projects due to increasing costs of delivery which then result in less than expected impact as less of the project can be funded. Private finance investment appetites may also be affected by interest rate increases. | Medium |
| **Delivery risk:** projects have a lower mitigation impact and lower transformational potential than initially expected | Possible | Moderate | MAF can mitigate this risk by providing enhanced intelligence during the project selection process (e.g. through in-depth assessments), by explicitly communicating expectations prior to a Call and at the beginning of the DPP, and through close monitoring. The TSU continues to provide external support on mitigation calculations to projects in DPP and in the Implementation Phase. | Medium |

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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.

The UK maintains a strong and active working relationship with the other donors (Germany, Denmark, CIFF and the European Commission) and the TSU of the MAF. Board meetings continue to be twice-yearly with donor calls interspersed on a monthly basis.

The MAF’s open competition only supports highly ambitious and feasible projects that have the greatest potential for transformation within their countries and sectors. Following the closing of the Call for Projects 2023, 327 proposals were received, of which 6 have been selected for the DPP in 2024 at the time of writing. The board continually monitors the project call process and other operational processes with the view to improve the effectiveness of the MAF.

Regular improvements have been introduced to the project call process, to reduce the time taken to reach implementation and speed up disbursements. The Board continues to monitor these delays and taking appropriate action to improve the overall process which included in 2023:

* The introduction of a new first stage of the application process – a concept phase – in which a shorter, simpler application is invited to attract a wider diversity of potential implementing organisations. This in turn aims to reduce the delivery risk as the failure of one organisation would have limited impact on a more diverse portfolio of projects.
* The decision to further develop the TSU’s enhanced mandate in 2023 to further strengthen the quality of support provided to the proposals during the Detailed Preparation Phase and Implementation Phases. For example, by making the twin roles of the TSU during DPP – of support to projects during the phase and as an assessor of projects at the end of the phase – more distinct and better communicated to allow increased trust and improved reception of advice, in order to minimise the chances of project delay or failure to pass DPP assessment.
* The recruitment of gender, finance and MEL experts into the MAF secretariat to specifically strengthen the facility’s offer to projects and the overall programme in these strategic areas.

Based on analysis in 2023, the operational cost of the TSU was expected to be 0.6% of the approved funding, allowing the majority of UK funding to be directly invested in the technical assistance and mitigation activities. These management costs are comparably significantly lower than other multilateral climate funds when assessed during the DESNZ extension business case process in 2023.

UK payments into MAF will continue to be made by Promissory Note ahead of each annual Call. Financial management of the MAF is provided by the TSU, who provide details of budgets, requested payments, and disbursement schedules to the donors. The quality of this financial management has been good – TSU regularly provide a detailed breakdown of portfolio disbursements and costs; their due diligence process requires each project to submit payment schedules, financial forecast, and financial statements. These are reviewed by both by GIZ (as the MAF's trustee) and TSU and an external auditor before funds are approved. Updates of the financial management of MAF continue to be provided in Board meetings and donor calls.

Economy: The MAF performs well on economy: in the 2022/23 extension Business Case, the operational cost of the TSU was expected to be 0.6% of the approved funding (€1.8m committed for the TSU against €311m currently committed), allowing most UK committed funds to be directly invested in the mitigation activities as BMWK fund the majority of the TSU budget. This represents good value for money and is a unique arrangement for a multilateral ICF programme, where the UK would be expected to jointly fund the administration of the programme as a joint lead donor. The UK maintains a strong relationship with the TSU and other donors.  At the portfolio level, the open competition structure and diligent review processes of the MAF allows for the board to set high standards to ensure that only the most ambitious proposals get selected, where projects are being scored against set criteria for ambition and feasibility. This has meant the funds provided to projects have been able to have higher outputs due to the strong competition between projects, indicating strong value for money. On average, MAF has received 80 proposals per call, of which approximately 4 make it to implementation phase. Since the introduction of the Concept Phase in 2023, the programme has also continued to diversify its portfolio of delivery partners (22 of the 28 projects selected for Project Concept phase under the Call in 2023 are from different organisations), this progress helping to mitigate the risk of over reliance on one delivery organisation.

Efficiency: MAF made good progress towards its logframe milestones over this review period and has met or exceeded targets in 15 of its 26 output sub-indicators, which shows that the programme is succeeding from an efficiency perspective. MAF remained above its set targets for output indicators 2.1 and 2.2, despite a slowdown in the percentage increase for indicator 2.2 following the completion of two larger projects. There have been signs of lessons being learned from previous underspend, where projects have been awarded funding but did not make it to implementation. MAF selected more projects for DPP and Implementation than the available budget and continuously monitored this ‘over-programming’ which led to no funding gap in 2023. An independent programme evaluation has been commissioned alongside mid-term and final evaluations for a number of projects and a corresponding meta-analysis of all project evaluations so far. These project evaluations have contributed to a process of learning, evaluating project outcomes and determining what the common challenges faced by projects are and developing lessons learnt to be applied to future projects. The shorter design phase coupled with new cancellation policies means that we expect efficiency to improve for the later calls which these apply to. There remains room for improvement in how efficiently the programme converts some of its inputs into outputs, with 8 targets not being met. This includes the rate of disbursements which have been an issue since the pandemic, as well as the rate of completion of the project development phase.

Effectiveness: The achieved volumes of leveraged public and private funding indicates the effectiveness of the programme in supporting other investors to finance mitigation projects. While the number of projects reporting significant leveraged finance is low due to the early stage of most projects, this will increase as the programme progresses, with 2 more projects reporting results for achieving leveraged finance for the first time this year. MAF has also continued to show progress in the amount of GHG emissions reduced (indicator M1) with 11.3mtCO2 reported up to 2023. MAF continued to conduct mid-term and final evaluations in 2023 to assess the progress projects are making towards transformational change. Findings from the evaluations completed so far suggest there to be positive evidence that the projects are effectively supporting transformational change in partner countries, reducing greenhouse gas emissions, and enhancing low carbon development. However, the evaluations have also found that delays to implementation and slow disbursement rates have lowered the effectiveness of some projects. DESNZ have asked TSU to collect the lessons learnt from the evaluations and monitor closely how projects incorporate recommendations into programme delivery.

In the second year of the new Technical Assistance (TA) KPIs, first introduced for the annual results for reporting for 2022 MAF reported improved results in 2023:

* TA KPI 1: Number of countries supported by ICF technical assistance. 18 countries were supported by the Mitigation Action Facility in 2023. TA KPI 2: Number of Individuals and Organisations Supported by ICF Technical Assistance. 1991 individuals and 400 national and subnational organisations were supported in 2023.
* TA KPI 3: Number of climate policies informed by International Climate Finance technical assistance. 35 climate policies were supported by MAF in 2023.
* TA KPI 5: Volume of emissions reductions avoided/supported by ICF Technical Assistance. 1,316,881 tonnes of CO2 have been mitigated as a result of TA activities in 2023 and 9,471,168 tonnes of CO2 since 2016.

Equity: The benefits from projects are spread across a diverse range of regions and sectors. Across energy, transport, industry and across-sector, 35% of projects in implementation or DPP are in Latin American Region, 31% projects in Asia-Pacific, and 34% projects in African countries. The portfolio includes 3 least developed countries, 8 lower middle-income countries and 11 upper middle-income countries. One high-income economy is also included; Chile graduated from the OECD DAC list after the project was selected from the first call for projects in 2013. MAF developed a Gender Action Plan in 2023. Using the MAF’s 2022 Gender Vision as a building block, the Gender Action Plan aims at ensuring equal rights, opportunities, access, decision-making power, and treatment of the interests, needs, and priorities of persons of all genders, and those facing social exclusion and discrimination, within all processes and interventions of the Facility. The plan serves as a practical guide to mainstream gender and social inclusion (GESI) throughout MAF. During the digital kick-off workshops in September 2023, TSU staff and project representatives were introduced to the new objectives, requirements, and quality-assurance mechanisms as well as to training and sensitisation measures. The Facility has strong safeguards in place, as it uses GIZ’s safeguard framework (which matches international best practices), which covers among others the areas of climate and environment, conflict, gender and sexual harassment and violence.

Compliance table

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| **Paris alignment pillar** | **Description of activity** |
| How have you taken a proportional approach to climate and environment risk assurance? | Yes, a climate risk assessment has been undertaken which conclude that the programme is **low risk.** An Environmental Screening was also conducted, which was rated **low risk** |
| How have you taken a proportional approach to using shadow carbon pricing? | As the programme does not pertain to any of the relevant sector codes (Water Supply and Sanitation; Social Services and Infrastructure; Economic Infrastructure; Production Sector; Environment Protection; Development Planning), a shadow carbon pricing appraisal is not applicable. |
| Does the programme adhere to HMG’s fossil fuel policy? | Yes, the programme is focussed on providing financial and technical assistance to accelerate deployment of clean energy technologies |
| Are you ensuring the programme does not undermine impacted countries climate plans? | Yes, the Mitigation Action Facility is designed to specifically aid delivery of national climate plans by providing technical and financial assistance to develop technical, policy, regulatory, investment and innovation-linked projects to accelerate national transitions in line with NDCs and LTSs. |

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| Date of last narrative financial report |  |
| Date of last audited annual statement |  |