

## Annual Review - Summary Sheet

<b>Programme Value: £219.2 million</b>		<b>Review Date: January 2018 – December 2018</b>
<b>Programme Code:</b>	<b>Start Date: January 2013</b>	<b>End Date: December 2027</b>

Year	2014	2015	2016	2017	2018	
Programme Score	A+	A	A	A	A	
Risk Rating	Medium	Medium	Medium	Moderate <sup>1</sup>	Moderate	

### Summary of progress

- The Nationally Appropriate Mitigation Actions (NAMA) Facility is currently meeting expectations and is on track to meet its overall objectives. It has performed strongly, scoring A across all the measured outputs. The Facility also continues to provide good value for money (demonstrating strong economy, efficiency and effectiveness) and its risk levels remain moderate. The 2017 annual review recognised the Facility's achievements in its core area of activity (operating an effective project selection development process). It also recognised that the Facility needed to maximise its ability to aid the transformational change potential of its strong project pipeline by:
  - strengthening its capacity across a range of operational activities such as the knowledge creation and communication strategies
  - strengthening its ability to manage a quickly growing and maturing portfolio by evolving its monitoring, evaluation and risk frameworks; and
  - continuing to deliver strongly on its core activities.

The Facility was also asked to address 'legacy' implementation issues. Although limited secretariat resources have meant that it has been necessary to adjust the initial multi-year timelines, in general, the Facility has made good progress across the board.

### Key achievements during this period:

#### **Portfolio**

- The 5th Call** closed on 15 March 2018. 76 outlines were received, demonstrating a continued high interest in the offer of the NAMA Facility. 23 Outlines were submitted by applicants from 15 least developed countries (LDCs); Outlines came from nine Small Island Developing States (SIDS) illustrating a diverse range of interest. After the in-depth assessment 7 Outlines were selected for support of their detailed preparation phase (DPP). **6th Call.** At the COP24, the NAMA Facility launched the 6<sup>th</sup> Call (EUR 80 million (BMUB – EUR 30 million; BEIS – GBP 45 million).
- Progress of NAMA Support Projects (NSPs)** During 2018, 2 projects graduated from the Detailed Preparation Phase (DPP) and were approved to start implementation: Thailand Rice and South Africa Public Buildings and Infrastructure.

#### **Strategic**

- Fund structure:** Germany have requested an examination of the Facility's *structure in order to investigate if more effective and efficient objectives are available*. This is envisaged to be an 18 months projects and initial work has started.

<sup>1</sup> New risk ratings have been used since 2016: Minor, Moderate, Major, and Severe.

5. **Risk Framework:** As recommended in the 2017 Annual Review, the Facility has started work on evolving a risk framework that will reflect the expected growth of the portfolio size and maturing of existing projects. This involves the following products:
  - i. Amendment, Cancellation and Risk framework policy
  - ii. Risk Appetite Statement
  - iii. Risk log / dashboard

The amendment policy which establishes a framework for NSP amendments and extension was successfully approved in 2018. The work on the remaining products continue and are expected to be implemented by the end of 2019/ early 2020.
6. **Transformational Change:** The Facility continued to be actively involved in the Transformational Change Learning Partnership of the Climate Investment Funds. The participation resulted in a collaboration with UNEP/DTU and the World Resource Institute (WRI) on pilot testing the Initiative on Climate Action Transparency (ICAT) Guidance on Transformational Change. Two NSPs started applying the guidance in mid-2018. The reports will be finalised in the first quarter of 2019. The work to refine the definition has started, and as part of the scheduled midterm reviews in 2020, it is expected that the Facility will have developed a transformational change framework and have evaluated several of the NSPs and the Facility.
7. **Knowledge Creation Strategy:** Good progress was made on the knowledge creation strategy. The draft has been approved and the corresponding 3-year work plan is expected to be approved in early 2019.
8. **M&E Framework update:** Steps were taken to improve GhG emission monitoring and evaluation by changing methodologies to estimate projections for the lifetime of technology, more robust indirect emission savings calculations and use consultants to conduct external plausibility check. Extra support is now also available at the DPP stage to help strengthen institutionalising of capacities for monitoring
9. **Communication Activities:** At COP, the Facility also launched its comprehensive six-year report entitled “Inspiring Climate Action – The NAMA Facility: A Snapshot”. Further communication activities included side events at the Bonn Climate Conference and the COP24.

#### Summary of responses to previous annual review recommendation:

10. The Facility has made progress on last year’s recommendations, however advancement against the recommendations needs to be accelerated if it is to meet the original completion dates (See table below). Delays have occurred in some cases due to external circumstances out of the Facility’s control such as joint initiatives on transformational change. The recommendations made last year have also increased the responsibilities and activities on the TSU significantly, adding to their core portfolio management duties without corresponding increase in TSU capacity. To manage this risk, it is recommended that the Facility produce annual work and resource plans that should be scrutinised by the board to ensure adequate staffing and resourcing.

<u><b>Actions from Annual Review</b></u>	<u><b>Status</b></u>	<u><b>Progress</b></u>
<b>(Owner: TSU, Timing: Q1 2019)</b> Strengthen the Facility’s Theory of Change. The corner stone of achieving the higher-level objectives is the Facility’s Theory of Change (ToC), which requires simplification and strengthening, as stated in the Midterm Evaluation in 2016.	Not started	Delayed as it requires completing other related activities first, which were delayed.
<b>(Owner: TSU, Timing: Q1 2019)</b> Additionally, there is a need to ensure that the ‘multiyear strategic and policies and frameworks’ in place are also revised to push the Facility to achieve higher level objectives. These should also help guide relevant activities so that all activities strongly contribute towards achieving higher	<u><b>Started</b></u>	Delayed.

objectives. The review of policies and strategies should at minimum include the risk framework, communication strategy and a cancellation policy.		
<b>(Owner: TSU, Timing: Q2 2019)</b> The Facility should be looking to achieve 'higher level' objectives. This should be reflected by revising the expected milestones accordingly to both raise the bar of existing milestones and introduce indicators to measure quality.	<u>Started</u>	Delayed as it requires completing other related activities first, which were delayed.
<b>(Owner: TSU, Timing: Q1 2019)</b> Closely monitor the impact of the 18-month cut off introduced in the DPP. The impact should be quantified and presented to the board in order to determine if further action is required.	<u>Completed</u>	
<b>Owner: TSU, Timing: Q1 2019)</b> Slow disbursements should be monitored and reported on systematically and be presented to the board biannually as part of the risk reporting framework. Further steps and strategies to tackle common issues, mitigate highlighted risks and improve the slow disbursements should be a focus for 2018.	<u>Completed</u>	<u>Ongoing</u>
<b>(Owner: TSU, Timing: Q4 2018)</b> - Strengthen NSP level evaluations through revising the ToR to ensure that the lessons from the Mexico Housing evaluations are incorporated into future evaluations.	<u>Completed</u>	
<b>(Owner: TSU, Timing: Q4 2018)</b> To increase the robustness of results and to be better account for the impact of each output, a breakdown between what outputs and results are attributable to the technical components and what are attributable to the Financial component would be helpful. Such information could provide a better idea of how to further increase effectiveness. Further breakdown of the beneficiaries including their gender is required.	<u>Completed</u>	
<b>(Owner: TSU, Timing: End of 2018)</b> Develop and establish the NAMA Facility 'Knowledge Management Strategy'.	<u>Started</u>	<u>Slightly delayed</u>
<b>(Owner: TSU, Timing: Q2 2019)</b> Revise the M&E Framework to both incorporate the findings of the M&E workshop and learnings from past experiences.	<u>Started</u>	<u>Slightly delayed</u>
<b>(Owner: UK, Timing: Q4 2018)</b> Increase engagement with the facility by using posts to promote NSPs, partake in more NAMA events, possibly accompany TSU in midterm and onsite evaluations to increase UK association with NSPs and consider secondments of staff into the TSU.	<u>Started</u>	<u>Ongoing</u>

#### Areas for Development:

11. Implementation delays to early projects (From calls 1-3, which did not benefit from the new pipeline process started from 2017) continue to weigh down the Facility's efficiency in disbursing funds and the related private finance KPIs. The new cancellation and project amendment policies will provide the board with additional levers to deal with underperformance in this area and therefore expected performance on related indicators should improve going forward.

### Summary of recommendations

12. The Facility should produce annual work and resource plans to enable adequate staffing and resourcing to carry out effective and efficient implementation of activities. **Owner: TSU, Timing Q4 2019**
13. Continue progress on last year's recommendation in order to meet the adjusted deadlines:

<b><u>Delayed actions from last year's Annual Review</u></b>	<b><u>Deadline</u></b>
<b>Owner: TSU, Strengthen the Facility's Theory of Change and update the Logframe accordingly.</b> The corner stone of achieving the higher-level objectives is the Facility's Theory of Change (ToC), which requires simplification and strengthening, as stated in the Midterm Evaluation in 2016.	<b><u>Q2 2020</u></b>
<b>(Owner: TSU)</b> Additionally, there is a need to ensure that the 'multiyear strategic and policies and frameworks' in place are also revised to push the Facility to achieve higher level objectives. These should also help guide relevant activities so that all activities strongly contribute towards achieving higher objectives. The review of policies and strategies should at minimum include the <b>risk framework, communication strategy and a cancellation policy.</b>	<b><u>Q2 2020</u></b>
<b>(Owner: TSU, Timing: End of 2018)</b> Develop and establish the NAMA Facility 'Knowledge Management Strategy'.	<b><u>Q1 2019</u></b>
<b>(Owner: TSU, Timing: Q2 2019)</b> Revise the M&E Framework to both incorporate the findings of the M&E workshop and learnings from past experiences	<b><u>Q4 2019</u></b>

## **A. Introduction and Context**

### **Outline of the programme**

12. Nationally Appropriate Mitigation Actions refer to activities that reduce emissions in developing countries; and are predominantly directed at plans within an economic sector, or across sectors for a broader national focus<sup>2</sup>. The NAMA Facility is designed to support and fund the implementation of the most transformational parts of NAMA plans. The main objectives of the NAMA Facility are<sup>3</sup>:
- Financing innovative projects that tackle specific local challenges for cutting emissions in sectors and countries with strong potential for being scaled up, replicated and able to influence wider sectoral changes.
  - Unlocking investment opportunities by providing tailor-made climate finance to fund projects with potential to:
    - Strengthen country ownership to deliver low carbon activities and aligning them closely with country's NDC and other relevant climate and development plans;
    - Pilot financing models to overcome market barriers to low-carbon development;
    - Use innovative technologies and approaches that need donor financing to deliver on country plans; and
    - Boost participation of the private sector to deliver low carbon activities.
13. The total funding allocated by the NAMA Facility is approximately €429m, with the UK providing the largest contribution of approximately €243.9m of grant finance. The other contributors and board members are Germany (who have contributed €180m), the European Commission (€25m) and of Denmark (~€10m)
14. There is a strong relationship between NAMAs and NDCs – developing NAMAs have enabled developing countries to gain valuable experience which has directly informed the development of more ambitious NDCs. NAMA projects supported via the NAMA Facility are also widely regarded as 'building blocks' for NDC implementation with good potential for being scaled up and replicated, thereby making deeper inroads into decarbonising developing country economies.

## **B: PERFORMANCE AND CONCLUSIONS**

### **Annual outcome assessment**

15. The Facility has continued to meet expectations since its inception and is clearly a well performing institution. The outcome as stated in the logframe is to demonstrate, through its NSPs, that climate finance can effectively support transformational change and support the implementation of NDCs. Based on the output indicators, we the Facility is making good progress and the early indications are positive. However, most of the NSPs at early stages of implementation and therefore it is too early to provide a definitive judgement.
16. The Facility is supporting an ambitious and diverse range of NSPs and therefore is well positioned to deliver the outcome. Indicator 1.1 and 1.2 indicate the strong number of proposals being received, as well as the increased diversity in terms of both the sectors and the regions. The significant support provided to NSPs in the DPP, also points to a focus on developing quality projects and thereby increasing the ability of the NSPs to make a transformational impact. By the end of 2018, a total of 11 NSPs were in the implementation phase.
17. However, there are also risks to achieving the outcome, mainly stemming from delays in implementation and disbursement (see Indicator 1.3 and 1.4). The greater emphasis on design and planning (through the DPP) aims to address these issues. And the issue of Intergovernmental Project Agreements, which have caused issues across the portfolio, can be addressed via levers such as the cancellation policy that will be established in 2019.

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<sup>2</sup> <https://unfccc.int/topics/mitigation/workstreams/nationally-appropriate-mitigation-actions#eq-1>

<sup>3</sup> <http://www.nama-facility.org/about-us/>

18. Since this year (2018) the Facility has looked to introduce a concerted effort on activities beyond delivering ambitious projects by focusing on strengthening its Theory of Change and its strategic framework and policies. The 2017 recommendations acknowledged that this would take time and therefore many of these recommendations are expected to be accomplished over the next 2-3 years. Generally good progress has been made; however, in some cases delays have occurred due to external events and resource limitations. This risk needs to be addressed.

#### Overall output score and description

19. The overall output score for the NAMA Facility is **A (meets expectation)**. With respect to sharing good practices and lessons learned amongst both the wider climate finance community and the NSPs in its portfolio (**output 3**), the NAMA Facility is on track and surpassing expectations on developing a knowledge strategy and organising learning events respectively. However, it just missed the number of case studies expected to be published. This was because the Facility was felt that publishing additional case studies would not derive significant enough value. For **output 4**, where the facility has met expectations in improving national or local capacities and helping to ensure enabling environments to implement transformative NAMAs. Indicators (**output 1**) show that the Facility is far exceeding expectations at attracting and supporting ambitious NSPs, but there have been delays in the implementation. It is also performing as expected in attaining additional public and private finance leveraged with exception of the volume of private finance leveraged by NSPs (**output 2**) as well as in regard to ensuring partner countries implement and monitor transformative NSPs that produce sustainable co-benefits (**output 5**).

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

20. The logframe has not been updated. However, as acknowledged in the 2017 Annual Review and again recommended in this review, the logframe should be revised by the end of 2019 to reflect the amendments made to the selection and approval process.

### C: DETAILED OUTPUT SCORING

<b>Output Title</b>	The NAMA Facility is established as a mechanism which efficiently allocates support to the implementation of ambitious and transformative NAMAs.		
Output number per LF	1	<b>Output Score</b>	A
Risk rating (Minor, Moderate, Major or Severe)	Minor	Impact weighting (%):	30%
Risk revised since last AR?	N/A	Impact weighting % revised since last AR?	N/A

Indicator(s)	Milestones	Progress
<b>Indicator 1.1:</b> Number of countries bidding in geographic regions	<b>Milestones of at least 30 countries per Call.</b>	<p><b><u>Surpassed:</u></b></p> <ul style="list-style-type: none"> <li>2013 (1st Call): 48 (9 Americas, 13 Asia, 11 Africa, 1 Europe, 14 Oceania, and a joint proposal)</li> <li>2014 (2nd Call): 32 (9 Americas, 10 Asia, 13 Africa)</li> <li>2015 (3rd Call): 32 (8 Americas, 10 Asia, 13 Africa, 1 Europe)</li> <li>2016 (4th Call): 45 (11 Americas, 13 Asia, 17 Africa, 4 Europe)</li> <li>2017: There is no value for 2017 as the 5<sup>th</sup> call was open until 15 March 2018. This is reflected in all indicators within this annual review.</li> <li>2018 (5th Call): 46 (13 Americas, 11 Asia, 19 Africa, 1 Europe)</li> </ul>
<b>Indicator 1.2:</b> Percentage of NSPs submitted that are assessed as eligible	<p><b>Milestones:</b></p> <ul style="list-style-type: none"> <li><b>Pre-2019:</b> No milestones</li> <li><b>2019:</b> 48%</li> <li><b>2022:</b> 50%</li> <li><b>2024:</b> 52%</li> </ul>	<p><b><u>Surpassed (based on current trajectory towards future milestones):</u></b></p> <ul style="list-style-type: none"> <li>2013 (1st Call): 40% (19 out of 47)</li> <li>2014 (2nd Call): 43% (23 out of 53)</li> <li>2015 (3rd Call): 48% (20 out of 42, 1 withdrawn)</li> <li>2016 (4th Call): 41% (31 out of 75, 1 withdrawn)</li> <li>2018 (5th Call): 62% (47 out of 76, with 1 pending)</li> </ul> <p>In 2018, there was a focus on improving the eligibility of the proposals being received. As a result, the Facility made a concerted effort with potential applicants through hosting webinars during the call process. These webinars targeted areas such as eligibility of proposals and information that a potential NSP would need to submit as part of the process. This resulted in an 62% eligibility rate- a significant improvement from the last call. For 2019, the target for this indicator is set at 50%</p>

<b>Indicator 1.3:</b> Percentage of NSPs approved within 18 months of initial concept approval	<b>Milestone:</b> <ul style="list-style-type: none"> <li>• <b>Pre-2019:</b> No milestones</li> <li>• <b>2019:</b> 70%</li> <li>• <b>2022:</b> 75%</li> <li>• <b>2024:</b> 80%</li> </ul>	<u><b>On track (based on current trajectory towards future milestones)</b></u> <ul style="list-style-type: none"> <li>• <b>2016:</b> 66%</li> <li>• <b>2017:</b> 50%</li> <li>• <b>2018:</b> 50%</li> </ul> <p>In 2018, two NSPs were approved for implementation. For Thailand Rice, the time between outline selection and approval for implementation was 17 months; for South Africa Public Buildings and Infrastructure, it was 27 months. The overall value therefore stayed at 50%.</p> <p>The target for indicator 1.3 for 2019 is 70%. We believe that this target can be achieved as the time allowed for DPP from the 6<sup>th</sup> call has been shortened to 15 months from the original 18 months period. This helps increase the likelihood that this target will be achieved. For the 6<sup>th</sup> call, the initial approval is scheduled to occur in August 2019, with final approval scheduled for November 2020 (assuming 7 proposals are approved, this would mean that approx. 4 proposals would need to be approved within the timeline to meet the target).</p>
<b>Indicator 1.4:</b> Percentage of approved funding disbursed to NSPs	<b>No Milestone:</b>	<ul style="list-style-type: none"> <li>• <b>2013:</b> 0%</li> <li>• <b>2014:</b> 4.3%</li> <li>• <b>2015:</b> 4.6%</li> <li>• <b>2016:</b> 11.2%</li> <li>• <b>2017:</b> 14.6%</li> <li>• <b>2018:</b> 19.9%</li> </ul> <p>The indicator depends on a number of factors including the specific instruments used in NSPs, on implementation capacities of applicants and implementing partners. However, the biggest factor is time required to secure intergovernmental project agreements (IPA). Delays in securing IPA have slowed down implementation start dates and thus disbursements. A cancellation policy is being discussed and it is expected to be operational for by the end of 2019. This should help to improve disbursement rates. It should also be noted that the current KPI does not take into account the amendment made to the approval process that now includes an additional stage between board approval and implementation start. We advise that the KPIs and NAMA reporting capture this stage in more detail to more accurately reflect the efficiency of the Facility</p>



<b>Output Title</b>	Additional public and private finance leveraged for low carbon development in NAMA Support Countries		
Output number per LF	2	<b>Output Score</b>	A
Risk rating (Minor, Moderate, Major or Severe)	Minor	Impact weighting (%):	20%
Risk revised since last AR?	N/A	Impact weighting % revised since last AR?	N/A

Indicator(s)	Milestones	Progress
<b>Indicator 2.1:</b> Volume of public finance mobilised through NSPs	<b>Milestones:</b> <ul style="list-style-type: none"> <li>• <b>Pre-2019:</b> No milestone</li> <li>• <b>2019:</b> 52.8m EUR</li> <li>• <b>2022:</b> 424.4m EUR</li> <li>• <b>2024:</b> 424.4m EUR</li> </ul>	<p><b><u>Surpassed (based on current trajectory towards future milestones:</u></b></p> <ul style="list-style-type: none"> <li>• <b>2013:</b> 0 EUR</li> <li>• <b>2014:</b> 0 EUR</li> <li>• <b>2015:</b> 23m EUR</li> <li>• <b>2016:</b> 113.7m EUR</li> <li>• <b>2017:</b> 121.8m EUR</li> <li>• <b>2018:</b> 128.3m EUR</li> </ul> <p>Although there is no official milestone for 2017 or 2018, significant progress has continued where the reported outcome increased by 5% between 2017 and 2018. As a result, it is likely that the target for 2019 will be met (overachieved, where the target set is at EUR 67.7m). The results so far have come almost solely from the Mexico project. However, public finance is expected to increase significantly between 2019 and 2022.</p>
<b>Indicator 2.2:</b> Volume of private finance mobilised through NSPs	<b>Milestones:</b> <ul style="list-style-type: none"> <li>• <b>Pre-2019:</b> No milestone</li> <li>• <b>2019:</b> 207.1m EUR</li> <li>• <b>2022:</b> 508m EUR</li> <li>• <b>2024:</b> 508m EUR</li> </ul>	<p><b><u>Not on track (based on current trajectory towards future milestones:</u></b></p> <ul style="list-style-type: none"> <li>• <b>2013:</b> 0 EUR</li> <li>• <b>2014:</b> 0 EUR</li> <li>• <b>2015:</b> 0 EUR</li> <li>• <b>2016:</b> 16.5m EUR</li> <li>• <b>2017:</b> 57.7m EUR</li> <li>• <b>2018:</b> 96.4m EUR</li> </ul> <p>The reported outcome increased by 67% between 2017 and 2018, which is due to the inclusion of the Thai Rice NAMA. However, at this time it would require a significant increase in order to meet the target for 2019. This is based on the assumption that projects are straight into the implementation phase following the board decision, which is not the case. Several projects have also faced delays due to the milestones not considering implementation lead time and the actual start date. This will be addressed in the 2019 through the logframe milestone revision and reflected in both the 2019 and 2020 Annual review.</p>
<b>Indicator 2.3:</b> Ratio of public, private and co-funding mobilised	<b>Milestones:</b> <ul style="list-style-type: none"> <li>• <b>Pre-2019:</b> No milestones</li> <li>• <b>2019:</b> 1:3.4</li> <li>• <b>2022:</b> 1: 11.7</li> </ul>	<p><b><u>Surpassed (based on current trajectory towards future milestones:</u></b></p> <p><b>2013:</b> 0</p> <p><b>2014:</b> 0</p> <p><b>2015:</b> 1:4.6</p>

versus NAMA Facility funding provided	<ul style="list-style-type: none"><li>• <b>2024:</b> 1: 11.7</li></ul>	<b>2016:</b> 1:15 <b>2017:</b> 1:11.2 <b>2018:</b> 1:7.7
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<b>Output Title</b>	The NAMA Facility shares good practices and lessons learned from NSPs to the global community		
Output number per LF	3	<b>Output Score</b>	A
Risk rating (Minor, Moderate, Major or Severe)	Moderate	Impact weighting (%):	20%
Risk revised since last AR?	N/A	Impact weighting % revised since last AR?	N/A

<b>Indicator(s)</b>	<b>Milestones</b>	<b>Progress</b>
<b>Indicator 3.1:</b> Develop knowledge and lessons-learned strategy and review annually	<b>Milestones:</b> To be reviewed annually	<b>On track:</b> As recommended in the 2016 Mid-Term Review, Donors approved a draft Knowledge Management Strategy during winter 2018. Following this, the TSU will look to implement the strategy beginning in 2019.
<b>Indicator 3.2:</b> Number of events organised / funded to share lessons learned about developing, funding, and implementing transformative NAMAs	<b>Milestones:</b> At least 3 Per Annum	<b>Surpassed:</b> <b>2012:</b> 1 Event, <b>2013:</b> 1 Event, <b>2014:</b> 2 Events, <b>2015:</b> 2 Events, <b>2016:</b> 4 Events, <b>2017:</b> 5 Events, 2018: 5 Events  In 2018 the NAMA Facility has taken part in variety of different events, which include 2 virtual workshops with NSPs , the ‘Inspiring Ambitious Action on Climate Change’ (Bonn) and a webinar on financial mechanisms.
<b>Indicator 3.3:</b> Number of good-practice examples or reports on innovative and transformative NAMAs published	<b>Milestones:</b> At least 5 Publications Per Annum	<b>Not met/ Delayed:</b> <b>2013:</b> 0 Published, <b>2014:</b> 4 Published, <b>2015:</b> 3 Published, <b>2016:</b> 6 Published, <b>2017:</b> 9 Published, <b>2018:</b> 4.  The Facility has continued to develop a number of “good practice” examples to share from its experience and the existing portfolio in various formats such as webinars, in which the audience has the opportunity to get actively involved as a means to ensure two-way communication. Three webinars focusing on lessons learned were conducted in 2018: “5th Call Introduction, Clarifications and FAQs”, “Lessons learnt from the 5th Call” and “Financial mechanisms”.  The TSU conduct produce publications on both the NAMA Facility and on specific NSPs, but in 2018 were unable to do both. This was because there were no possible NSPs case studies that could be produced.

<b>Output Title</b>	National or local capacities and enabling environments to implement transformative NAMAs are in place		
Output number per LF	4	<b>Output Score</b>	A
Risk:	Moderate	Impact weighting (%):	15%
Risk revised since last AR?	N/A	Impact weighting % revised since last AR?	N/A

Indicator(s)	Milestones	Progress
<b>Indicator 4.1:</b> Number of policies, regulations, standards adopted or amended due to NSP support that promote low carbon development	<b>Milestones:</b> <ul style="list-style-type: none"> <li>• <b>Pre-2019:</b> No milestone</li> <li>• <b>2019:</b> 1</li> <li>• <b>2022:</b> 22</li> <li>• <b>2024:</b> 22</li> </ul>	<p><b><u>Surpassed (based on current trajectory towards future milestones:</u></b></p> <p><b>2013: 0, 2014: 0, 2015: 1, 2016: 4, 2017: 11, 2018: 24</b></p> <p>Although there were no official milestones set for 2018, there were a reported 24 achievements. As more NSPs enter actual implementation, they start reporting on achievements. Participation in MRV systems of partner countries is an important topic for many NSPs: Mexico Housing and Costa Rica Coffee have reported successes in this field in the past; Chile Renewable Energy and Peru Transport are actively working on this topic. Peru Transport also contributed to the introduction of the Euro IV emission standard. Thailand Refrigeration and Air Conditioning has supported the introduction of new technical safety and efficiency standards.</p>
<b>Indicator 4.2:</b> Number of national and local institutions received technical assistance to implement transformative NAMAs.	<b>Milestones:</b> <ul style="list-style-type: none"> <li>• <b>Pre-2019:</b> No milestone</li> <li>• <b>2019:</b> 35</li> <li>• <b>2022:</b> 42</li> <li>• <b>2024:</b> 42</li> </ul>	<p><b><u>Delayed (based on current trajectory towards future milestones:</u></b></p> <p><b>2013: 0, 2014: 0, 2015: 0, 2016: 11 Institutions, 2017: 12 Institutions, 2018: 21 Institutions</b></p> <p>Although there were no official milestones set for 2018, achievements were reported for this period. Similar to the case the previous year, all NSPs reported making contributions to this indicator. However, while it appears that it would require a significant increase in order to meet the target for 2019, the issue of start dates negatively impacts this indicator. This should be part rectified in 2019 though the revision in milestone start dates and will need to be revised down to be reflective of what actually happens.</p>

<b>Output Title</b>	Partner countries implement and monitor transformative NSPs that produce sustainable co-benefits		
Output number per LF	5	Output Score	A
Risk:	Moderate	Impact weighting (%):	15%
Risk revised since last AR?	N/A	Impact weighting % revised since last AR?	N/A

Indicator(s)	Milestones	Progress
<b>Indicator 5.1:</b> Number of NSPs completed according to the approved project concept	<b>Milestones:</b> <ul style="list-style-type: none"> <li>• <b>Pre-2019:</b> No milestone</li> <li>• <b>2019:</b> 0</li> <li>• <b>2022:</b> 7</li> <li>• <b>2024:</b> 7</li> </ul>	<p><b><u>On Track (based on current trajectory towards future milestones:</u></b></p> <ul style="list-style-type: none"> <li>• <b>2017:</b> 0</li> <li>• <b>2018:</b> 0</li> </ul> <p>At the end of 2018, 11 NSPs were in implementation, 10 of which are currently scheduled to have been concluded by 2022; Thailand Rice is scheduled to be concluded in 2023.</p> <p>In 2017, the first component of an NSP was concluded: the TC component of Mexico Housing. In 2018, no NSPs or components were concluded. At the time of writing of this report, the following NSPs / components are scheduled to end in 2019: Costa Rica Coffee FC+TC components, Colombia Transit-Oriented Development TC component and Peru Transport FC+TC components (however, an extension request is pending).</p>
<b>Indicator 5.2:</b> Number and type of co-benefits reported: <ul style="list-style-type: none"> <li>• Environmental</li> <li>• Social</li> <li>• Economic</li> </ul>	<b>Milestones:</b> <ul style="list-style-type: none"> <li>• <b>2017 – 2021:</b> No milestone</li> <li>• <b>2022:</b> 16 (4 Social, 9 Economic, 3 Environmental)</li> <li>• <b>2024:</b> 16 (4 Social, 9 Economic, 3 Environmental)</li> </ul>	<p><b><u>On Track:</u></b></p> <ul style="list-style-type: none"> <li>• <b>2017:</b> 0</li> <li>• <b>2018:</b> 2</li> </ul> <p>While NSPs are only beginning to analyse potential co-benefits in order to capture and report on them consistently, in 2018, Costa Rica Coffee reported mitigation co-benefits for the first time.</p> <p>In addition, as most NSPs are in the early stages of implementation or are still under appraisal, they are not expected to be demonstrating co-benefits until subsequent years.</p>
<b>Indicator 5.3:</b> Percentage of NSPs with operational M&E plans within 1 year of projects' official starting dates	<b>Milestones:</b> <ul style="list-style-type: none"> <li>• <b>Pre-2019:</b> Not set</li> <li>• <b>2019 – 2024:</b> 100%</li> </ul>	<p><b><u>On track:</u></b></p> <ul style="list-style-type: none"> <li>• 2016: 25%</li> <li>• 2017: 33%</li> <li>• 2018: 75%</li> </ul> <p>This indicator reflects the intention to have a sound M&amp;E application from the early phase of implementation. According to the NAMA Facility M&amp;E Framework (as revised in 2018), NSPs are required to</p>

		submit their M&E plans latest within three months of implementation. NSPs selected in the 2nd Call and later Calls have to submit an indicative M&E plan already with their NSP Proposal. NSPs from the 1st Call have been requested to adjust their individual M&E plans to the M&E framework guidance in retrospect.
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## **D: VALUE FOR MONEY & FINANCIAL PERFORMANCE**

### **Key cost drivers and performance**

21. In the 2017 Business Case, the operational cost of the TSU was expected to be 1% of the approved funding, allowing the majority of donor funds to be directly invested in the technical assistance and mitigation activities. In 2018, the administrative cost of the programme was £1,414,955 which is equivalent to 0.63% of the funding allocated. This was an increase from last year and mainly resulted from the decisions made by the Board to increase the staffing to manage a growing and maturing portfolio.

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

#### **Economy (are we getting inputs at the right price)**

22. The Mid-term Evaluation Report found that the management cost of the TSU is comparable to the multilateral climate funds. Aside from pledges, donor costs for oversight of the NAMA Facility are in terms of staff time. This compares well to the costs of some peer organisations. Overall, our assessment is that the NAMA Facility continues to provide value for money for UK climate finance. A key driver for this is the ability of the Facility to draw upon the expertise of GIZ (TSU is staffed via GIZ) in assessing of proposals, managing a portfolio of projects and effective governance of the facility. This has enabled the NAMA Facility to meet expectations, deliver effective project call cycles and ensure the high standards of governance are met.

#### **Cost Efficiency (how well are we converting inputs into outputs)**

23. Using both current and planned expenditures and achievements, cost efficiency for the mandatory core indicators can be calculated. It is not possible to know how much of an NSP's budget was spent on a specific indicator. It should therefore be assumed that a certain amount of budget spent contributes to all indicators in the same way – there are results in M1 and M2 and M4 and M5 for each EUR spent. It should also be noted that technologies promoted by the NSPs will continue to generate mitigation effects beyond 2024 at no additional cost. Therefore, cost efficiency will improve over time.

For indicators M1 and M2, these are expressed in EUR/ t CO<sub>2e</sub> and EUR/person, respectively.

NSP	M1 cost efficiency in EUR/t CO <sub>2e</sub>		M2 cost efficiency in EUR/person	
	2018	2024	2018	2024
Mexico Housing	29.0	116.5	32.7	346.3
Costa Rica Coffee	145.7	51.3	927.6	1,166.7
Colombia Transit-Oriented Development	n/a	1,995.7	12,430.4	638.6
Indonesia Transport	n/a	4.0	n/a	n/a
Chile Renewable Energy	n/a	56.2	4,162.3	51,428.6
Peru Transport	n/a	2.5	n/a	5.2
Thailand Refrigeration and Air Conditioning	184.8	2.7	145.2	11.3
Colombia Refrigeration	n/a	3.8	n/a	7.0
South Africa Public Buildings and Infrastructure	n/a	4.7	n/a	10,946.9
China Waste Management	n/a	12.1	n/a	0.4
Thailand Rice	n/a	3.7	n/a	32.8

Table 24: Cost efficiency for indicators M1 and M2. Please note that Mexico Housing has already overachieved the target for 2024. However, the cost efficiency indicated for 2024 is based on the original target.

NSP	M4 leverage in		M5 leverage in	
	EUR leveraged / EUR spent		EUR leveraged / EUR spent	
	2018	2024	2018	2024
Mexico Housing	22.52	8.06	10.71	5.37
Costa Rica Coffee	0.32	0.33	0.48	1.14
Colombia Transit-Oriented Development	0.08	0.04	0.00	1.92
Indonesia Transport	0.00	5.00	0.00	2.14
Chile Renewable Energy	0.00	0.33	0.00	5.00
Peru Transport	0.00	4.33	0.00	0.05
Thailand Refrigeration and Air Conditioning	0.00	0.71	4.56	20.38
Colombia Refrigeration	0.00	1.14	0.00	11.14
South Africa Public Buildings and Infrastructure	0.00	1.27	0.00	3.58
China Waste Management	0.00	43.75	0.00	37.50
Thailand Rice	0.00	0.61	0.00	5.88

Table 25: Cost efficiency / leverage for indicators M4 and M5. Please note that Mexico Housing has already overachieved the target for 2024. However, the leverage indicated for 2024 is based on the original target.

### **Effectiveness (how well are our outputs delivering the desired outcomes)**

24. The 5-year implementation period for the NSPs and the fact that many of the outcomes will be realised after this implementation period means that it is necessary to use early results indicators to make a judgement on the Facility's effectiveness. These indicators suggest that there is some positive evidence that the NAMA Support Projects are effectively supporting transformational change in partner countries, reduce greenhouse gas emissions and enhancing low carbon development. However, delays in implementation of the early NSPs (for example some NSPs need to sign Intergovernmental project agreements and Implementation agreements) mean that there is a risk that there could be a delay in realising the outcomes.

### **Equity**

25. The benefits from NAMA Facility projects are spread across a diverse range of regions and sectors. The Facility currently has 10 projects across the Latin American Region, 3 projects in 3 Asian countries, and 2 projects in 2 African countries. Furthermore its 15 projects cover 8 different sectors. As projects enter further into the implementation phase, the Facility is expected to provide greater information including a gender breakdown of its beneficiaries. The Facility also has strong safeguards in place, as it uses GIZ's safeguard framework, which covers among others the areas of climate and environment, conflict, gender and sexual harassment and violence.

### **Assessment of whether the programme continues to represent Value for Money**

26. The Facility continues to represent value for money as it is able to deliver outputs economically. Although too early to provide a firm view, the outputs are thought to be effective in that early indications suggest they will deliver the desired outcomes. However, the Facility needs to guard against delays in implementation in order to preserve its good value for money status.

### **Quality of financial management**

27. The Business Case sets out the financial management processes in place. The Facility uses the frameworks provided by GIZ, performance against these expectations have been realised as stated in the Mid Term review. Financial management of the Facility is provided by the TSU, who provide details of budgets, requested payments, and disbursement schedules. Updates of the financial management of the Facility were also provided in Board meetings and donor calls. The quality of this financial management has been good.

Date of last narrative financial report	06 March 2018
Date of last audited annual statement	7 June 2018



## **F: RISK**

### Overview of programme risk

28. **Overall risk rating is** Moderate

There is no major change to the overall risk rating. The top key risks that have the potential to impact on the delivery of the expected results are:

<b>Risk</b>	<b>Update</b>
<b>Risk 1:</b> Projects taking too long to reach implementation	<p>This risk is considered high. Delays are caused by pending intergovernmental project agreements (IPA) and delayed implementation and financing agreements.</p> <p>The risk is considered high but is a risk that needs to be accepted due to the fact that the Facility supports projects proposed by GIZ, making IPAs mandatory. However, where possible, the Facility is looking to mitigate this by introducing and implementing the cancellation policy</p>
<b>Risk 2:</b> Volatile Development of the pound sterling/euro exchange rate	<p>This risk is considered medium. As a significant share of Donor funding is provided in a currency other than EUR, while the NAMA Facility commits funding for NSP implementation in EUR, the volatile development of pound sterling/euro exchange rate increases the risk of a funding gap. With additional provision of British funds for the 5th Call and as the Pound Sterling/Euro exchange rate has changed since the start of the NAMA Facility in 2013, there will be a need for adjustment of the relevant equivalent value in Euro. For NSP under implementation, the losses from the devaluation of the Pound should be considered in the distribution of funds in order to provide the approved funding to NSPs. This will be part of the modified programme offer of GIZ in the first half of 2018. The further development of the pound sterling/euro exchange rate may require further quantitative adjustments.</p>

**Outstanding actions from risk assessment:** None

## **G: COMMERCIAL CONSIDERATIONS**

### **Delivery against planned timeframe**

29. On 10 December 2018, the 6<sup>th</sup> Call for NAMA Support Projects was launched, earmarking up to EUR 80m. The Call's closure was scheduled for 15 March 2019 and was run efficiently and on time.
30. Changes have been continually made to the project call process to improve the time taken to reach implementation and speed of disbursements. The Board continues to monitor these delays and taking appropriate action to improve the overall process which includes:
- Limiting the maximum duration of the DPP for the 6<sup>th</sup> call to 15 months;
  - increased capacities within the German government dedicated to IPA and making this issue a priority in the TSU work; and
  - Contracting Third Party Delivery Organisations/NAMA Support Organisations

### **Performance of partnership (s)**

31. The UK maintains a strong and active working relationship with Germany, Denmark and the EU on this project. To ensure that decision making remains robust and effective, the NAMA Facility Board met regularly in person twice in 2018 with additional business conducted via monthly conference calls in-between. All donors remain committed to the Facility and will participate in the development of a new strategy to guide the Facility over the coming years.

### **Asset monitoring and control**

32. The Facility use GIZ's policies and processes for this. We have confidence that the implementing agencies of the NAMA Facility have adequate safeguards in place.

## **H: MONITORING & EVALUATION**

### **Monitoring**

33. The NAMA Facility's 2018 Annual Review conducted by its Technical Support Unit was the main source of evidence used. This was complimented by the relevant Board Meeting minutes.
34. During the reporting period, the NAMA Facility is updating its Monitoring and Evaluation Framework based on the NAMA board's agreement. The update was based on a consultative process and based on lessons learned from NSPs in implementation and related climate finance institutions such as the Climate Investment Funds, the Green Climate Fund and the International Climate Initiative. Donors and monitoring experts from the ICF provided valuable input and comments.
35. The facility has continued to engage with other climate funds such as the GCF, CIF and other UN organisations. There has been a focus on Transformational Change and, in particular, the Facility has engaged strongly with the Transformational Change workstream hosted by the CIFs. This has led to a significant increase in knowledge on this area and methodologies how to operationalise it into Theory of Change (ToC) and logframes. Therefore, the Facility should make modifications to its ToC as required.
36. In addition, other activities that are scheduled to occur and which will be assessed next year include:
  - The new NSPs evaluation ToR were agreed in 2018,
  - As mentioned previously, we expect to complete the update of the NAMA M&E framework by end of 2019 which ensure that there is consistency between NSP and NAMA Facility frameworks,
  - Progress on the Transformational Change workstream which will include a workshop and subsequent actions,
  - Procuring the NSPs evaluation contract. This will allow us to assess next year if we achieved these during 2019.
37. In 2018, the NAMA Facility was subject to a review by the UK Independent Commission for Aid Impact (ICAI) as part of a review of UK's international climate finance. The evaluation team of ICAI interviewed team members of the TSU as well as representatives of BMU. The findings were published in early 2019 where the report highlighted the positive impact the UK had on the operations of the NAMA Facility.

## **I: TRANSFORMATIONAL CHANGE**

**Rating:** 3 - tentative evidence of change. This KPI was first reported against in March 2015 and again in March 2016 and 2017 where it also scored a 3.

### **Evidence and evaluation**

38. Transformation is judged as 'likely', as there is little firm evidence at this early stage of transformation. In terms of fostering innovation and testing new approaches, the NAMA Facility's open competition only supports highly ambitious projects that have the greatest potential for transformation within their own countries and sectors. Likewise, the NF has been successful in attracting other donor and beneficiary public and private financing and encouraging other to promote policy reforms and project replication although much more work is needed. Also, much has been done to exchange ideas at international events and to share lessons more widely. However, although there has been growing global interest in the facility and the potential for further state-sponsored NAMAs, there have been challenges in raising the capabilities amongst applicants to develop robust NSP proposals. However, much effort is being made to increase such capacity in current and future calls.