



Department
of Energy &
Climate Change

Nationally Appropriate Mitigation Actions

Second Annual Review

April 2015

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Contents

Executive summary	4
Summary.....	5
A. Introduction and Context.....	8
B: Performance and Conclusions.....	10
C: Detailed Output Scoring	13
D: Value for Money and Financial Performance.....	21
E: Risk.....	23
F: Commercial Considerations.....	24
G: Monitoring and Evaluation.....	25
H: Transformational Change	26

Executive summary

The Facility continues to progress well. The second call was successfully launched and completed on time, meaning it was open for over a month longer than the first call. Project documentation was refined and improved for the second call, based on feedback from the previous call. Four further projects were pre-approved for funding in the second call (Peru, Thailand, Burkina Faso, and Tajikistan). The results of the second call were publicly announced at a press conference at COP 20 in Lima.

Summary

This Summary Sheet captures the headlines on programme performance, agreed actions and learning over the course of the review period. It should be attached to all subsequent reviews to build a complete picture of actions and learning throughout the life of the programme.

Title: NAMA Facility		
Programme Value:	Review Date: 8 May 2015	
Programme Code:	Start Date: May 14	End Date: April 15

Summary of Programme Performance

Year	2014	2015						
Programme Score	A+	A						
Risk Rating	Medium	Medium						

Summary of progress and lessons learnt since last review

The overall score for the NAMA Facility for 2015 is **A (Outputs meet expectation)**.

The Facility continues to progress well. The second call was successfully launched and completed on time, meaning it was open for over a month longer than the first call. Project documentation was refined and improved for the second call, based on feedback from the previous call. Four further projects were pre-approved for funding in the second call (Peru, Thailand, Burkina Faso, and Tajikistan). The results of the second call were publicly announced at a press conference at COP 20 in Lima.

More project proposals were received in the second call compared to the first and with a greater geographical spread. While the overall quality of projects has improved, concerns remain over the number of project proposals which have failed to meet the Facility's basic eligibility criteria.

An additional £75m of ICF funding was approved for the NAMA Facility by the ICF approvals panel. This money will cover a £25m UK contribution to the Third project call in 2015, and further contributions to possible fourth and fifth calls in 2016 and 2017.

The Facility has been successful in recruiting two new donors for the third project call in 2015 – Denmark who have contributed €10m and the European Commission who have contributed €15m. The addition of new Donors to the NAMA Facility is extremely welcome and shows the success of the Facility so far. A successful kick off meeting with new donors was held in March 2015, and the updating of legal and contractual documents covering the addition of new donors and governance arrangements are near to completion (this process is likely to be finalised by late summer 2015).

The Facility has taken a very proactive approach to communications over the last 12 months. The NAMA Facility website was established, and was visited almost 38,000 times in 2014. Several factsheets were published and a significant number of presentations were held (over 15 in total in 2014), some of them at high level events, influencing the international debate on NAMAs.

Some progress has been made on the Facility's approach to Monitoring and Evaluation (M&E) this year, particularly on the theory of change. Progress has been very slow however on the finalisation of the NAMA Facility Monitoring and Evaluation Framework, which is still not finalised, and the logframe still does not include baselines. This is a concern both regarding the Technical Support Unit's (TSU) capacity, and their willingness to provide sufficient resources to M&E. There are mitigating circumstances, but closer monitoring of the Facility's progress on M&E will be required in the next 12 months, in particular regarding the development of the individual project's M&E plans.

Two of the four projects pre-approved in the first project call (Indonesia and Costa Rica) have now submitted project proposals and moved towards implementation, but it is concerning that most projects are taking longer than the anticipated 6-12 months to go from pre-approval to implementation and that the Chile and Colombia projects pre-approved in the first call have not yet reached the implementation stage. In particular, the financial components of projects are taking longer to develop than anticipated. The financial component for the Chile project is not due until early 2016, and the Colombia one is not due until later this year. It is also worth noting that although the Indonesian and Costa Rica proposals have been approved, their financial components have not yet been designed in detail, and that these proposals also did not contain any updated date on baselines and targets on project specific indicators. This lack of progress in proposals between the pre-approval and implementation stages is worrying, and we will need to undertake some analysis on why this is taking so long.

Given the extremely slow development of the M&E framework, and concerns regarding the first call projects taking longer to reach the implementation stage than we had initially envisioned, the Facility's score has been downgraded from an A+ in the previous reporting year to an A. The M&E issue is a cause for concern given one of the key objectives of the Facility is to develop lessons, and it is crucial that the Facility improves in this regard in the next reporting year, including by developing robust baseline data for the logframe, by ensuring that individual country M&E plans are produced on time (within six months of project approval), and by taking forward the plans to have a mid-term evaluation of the Facility in 2016. On the slower implementation of projects, this has already been a key piece of learning of the NAMA Facility- that innovative financial mechanisms take longer to set up than we had estimated, and that financial actors are reluctant to engage in the details of such arrangements until funding has been secured. We will actively look to find ways to speed up the time it takes projects to reach implementation, including by increasing the TSU's resource and expertise and the amount of guidance available to projects, but it is also important to be not too prescriptive as we do not want to disincentivise the development of potentially innovative and new financial mechanisms which may take longer to develop.

Summary of recommendations for the next year

(Owner: Donors in consultation with TSU) Need to consider if the NAMA Facility has more of an enduring role within the climate finance architecture, and if so whether any major changes are required for a fourth call. Related, it will be important to consider how the NAMA Facility can complement and not duplicate the work of the GCF once fully operationalised.

(Owner: TSU) Continue to seek out new donors for the Facility, and encourage existing donors to continue their financial commitment to the Facility.

(Owners: TSU) Consider ways in which the Facility can increase the number of projects that are meeting the Facility's eligibility criteria

(Owner: TSU) Consider ways in which projects can move more quickly to implementation, including through potentially allowing the approval of a project's technical component in advance of its financial component, and by identifying ways in which the TSU can be more proactive in helping pre-approved projects with their appraisal phase (including on encouraging them to develop updated and more robust project data compared to the original project proposal) and with the development of final project documentation, including by providing more detailed guidance.

(Owner: TSU) Ensure that the TSU are dedicating sufficient resources to Monitoring and Evaluation, including finalising the M&E framework, by setting up a monthly M&E call between DECC and the TSU to monitor progress, and requesting that the TSU share with DECC the processes that they have put in place to ensure no further slippages on M&E and to provide reassurance that project specific M&E plans will be completed within 6 months of project approval.

A. Introduction and Context

Link to Business Case:	
Link to Log frame:	

Outline of the programme

The NAMA Facility is designed to support and fund the implementation of the most transformational parts of Nationally Appropriate Mitigation Actions (NAMAs), a concept that originated in the United Nations Framework Convention on Climate Change (UNFCCC) negotiations. NAMAs are concrete projects, policies, or programmes that shift a technology or sector in a country onto a low-carbon development trajectory.

Without it, there is no direct route for developing countries to bid for UK climate finance in the International Climate Fund (ICF). We are not resourced to directly run an open competition, drawing on German resources means that we can deliver more results in more places.

The NAMA Facility provides an incentive for developing countries to strive for ambitious (i.e. more transformational) NAMAs, whereas the finance they can attract from the multilateral development banks (MDBs) or from the private sector will generally not be suitable for these aspects of NAMAs. The NAMA Facility ensures there is competition with NAMA support projects compared against each other and encouraged to strive for more ambition. Prior to the establishment of the NAMA Facility, there was a lack of evidence of effective NAMA implementation, and the NAMA Facility offers an opportunity to pull together this learning through a dedicated funding instrument.

The NAMA Facility helps address the risk that countries will develop un-ambitious and non-transformational NAMAs, and will ask for donor funding for these. This would mean that these NAMAs will not help fulfil 2020 pledges, or close the pre-2020 mitigation gap, or provide a good basis for high quality NAMAs in the post-2020 regime. Similarly, as the quality of these NAMAs would not be high, we would not want to fund them. So the NAMA Facility helps address a political risk that unfunded NAMAs are used as evidence that developed countries (including the UK) are not delivering climate finance in line with country-owned development.

This programme creates an open competitive process to improve the value for money and quality of NAMAs; potential recipient countries can apply to independently. This will drive up the quality of projects and their value for money.

The main objectives of the NAMA Facility are:

- To support high quality, transformational NAMAs that would not be funded otherwise
- To demonstrate how transformational NAMA investments could be supported across a range of sectors and in a range of countries, so that common themes can be drawn from these examples and applied to other projects, which will therefore be more likely to be deemed investable and receive financial flows

- To provide an incentive for developing countries to show leadership and strive for ambitious and transformational NAMAs which will shape the international debate on NAMAs and provide a significant contribution to the reduction in global emissions and poverty
- To provide a direct route for developing countries to access UK climate finance
- To enable countries to deliver or go beyond their 2020 mitigation pledges in the UNFCCC by providing the capital investment to support implementation of NAMAs

The UK has provided £75m of grant finance from the ICF to support and fund the implementation of the most transformational parts of Nationally Appropriate Mitigating Action (NAMA) plans. NAMAs are concrete projects, policies, or programmes that shift a technology or sector in a country onto a low-carbon development trajectory. Mitigation actions can be undertaken at different scales. NAMAs have developed from a UNFCCC initiative to focus mitigation planning at the recipient country level. While NAMAs as a concept are broadly understood, there is no internationally agreed definition of them, although much discussion on this issue has taken place.

The BMUB have provided €90m (c.£75m) to the programme, as well as administrative expertise and support. The BMUB also bring expertise and funding from other projects under their International Climate Initiative (ICI) which continues to directly support this investment. These include c.€10m invested in technical assistance for NAMA planning, covering preparatory work with potential countries for NAMA implementation, training, templates and MRV. They also bring c.€30m of committed funding from the ICI to develop NAMA concepts that could be taken up by the NAMA Facility.

For the Third NAMA Facility call which opened in April 2015, two new donors have joined– the European Commission who are providing €15m of funding, and the Danish Government who are providing €10m.

B: Performance and Conclusions

Annual outcome assessment

NAMA Support Projects demonstrate that climate finance can effectively support transformational change in partner countries, reduce greenhouse gas emissions and enhance low carbon development

It is too early to make a definitive statement on whether the Facility is likely to achieve its desired outcome by the end of the programme as only the pilot project in Mexico and two of the four projects selected in the first call have reached the implementation stage.

Regarding the Facility's intention to **reduce greenhouse gases** and **enhance low carbon development**, initial analysis of the expected results of four pre-approved projects in the first call indicate the potential for the following results:

Volume of public sector finance mobilised:

Expected life time results:

- Attributed: £35,900,709
- Non-attributed: £79,268,765

Volume of private sector finance mobilised:

Expected life time results:

- Attributed: £88,161,966
- Non-attributed: £194,661,620

Reduction in greenhouse gas emissions over the lifetime of the projects:

Expected lifetime results

- Attributed: 10,001,234tCO₂e
- Non-attributed: 22,082,726tCO₂e

The above was calculated using data from the preliminary project appraisals for the following four NAMA projects: Mexico, Costa Rica, Chile, and Indonesia. This data was then scaled to current size of the NAMA Facility (£165.5m of which £75m was laid as per promissory note by the UK). Due to the delays in the design and implementation of the Financial Component of the projects already approved preliminary values for reduction target in terms of GHG savings and other expected results will only be determined in the first 6 months after the official start of the projects and final values during the first 12 months. Therefore it is not possible to update the expected results based on final results frameworks and assess whether the expected results are still achievable by the envisaged activities.

Regarding the Facility's intention to **support transformational change**, considerable success has already been achieved. In particular, the NAMA Facility has been very influential in informing the development of the Green Climate Fund (GCF), helping raise its ambition specifically regarding the competitive evaluation process, having clear approval criteria, and incorporating sustainable development and transformational impact as part of the approval criteria. The NAMA Facility made a submission to the GCF to this effect.

NAMA Facility has been successful in promoting a wider range of mitigation projects, especially in sectors that had previously been less successful in obtaining climate finance, including transport and efficiency programs.

NAMAs offer concrete examples of actions that can achieve the desired paradigm shift towards low carbon development and enhanced private sector investment, and the NAMA Facility similarly offers a strong model for encouraging and selecting transformational actions. We have seen that having real-world examples of policy actions and financial mechanisms has been helpful in evaluating whether the

different GCF design parameters are likely to achieve a transformational outcome and in thinking through the structure of the Fund.

Overall output score and description

The overall output score for the NAMA Facility is **A (Outputs meet expectation)**. The Facility scored an A+ its previous review. This reduced score reflects the fact that projects are taking longer to reach the implementation stage than expected, and because of the very slow progress in developing the Facility's M&E plan.

The Facility is on track in most areas. The first two project calls have been delivered successfully on time, with a larger number of project proposals received in both. While the quality of the project proposals remains mixed there was a clear improvement in the overall quality of projects in the second call compared to the first. It was encouraging to see that many of the unsuccessful projects from the first call acted on the feedback received from the TSU and submitted strengthened proposals in the second call (most notably the Thailand and Peruvian project proposals which were the strongest two bids received in the second call).

The Facility has been successful in recruiting two additional donors for the third project call, increasing the amount of funding that will be available, particularly helpful given the results of the third call will be announced just before or during the Paris COP.

The Technical Support Unit is now on course to be fully staffed by the end of summer 2015 and is functioning more effectively as the team become more experienced in delivering the project cycle, and more familiar with the Facility's processes and criteria. This applies mostly to the project call cycle which the TSU have handled effectively – there is room for improvement on the TSU's performance on the project appraisal phase, but we expect this to improve as their resource increases and they become more familiar with this part of the process. Feedback on the TSU from those who have submitted proposals has generally been positive.

The NAMA Facility has also established a number of processes to ensure that improvements are made to the Facility's processes. In particular, annual lessons learned days have now taken place in March 2014 and March 2015 to reflect on the previous year's call, and to consider improvements, including those based on feedback received. The Facility has sought feedback from project submitters and others involved.

The biggest challenge facing the Facility at the moment is that feedback received suggests that the appraisal phase is not functioning as effectively as the project selection phase. In particular, projects are taking longer to go from pre-approval to implementation than initially expected. Of the four projects pre-approved in the first call, only two have reached the implementation stage. We expected it would take the projects 6-12 months to be ready for approval and progress to implementation; in fact the Costa Rica project took 13 months to reach approval and the Indonesia project 15 months. Both of these were approved with caveats contained in the board decision – the Costa Rica proposal was still lacking an M&E framework and a detailed financial mechanism on approval, and the Indonesian proposal required further work on the financial component and on the M&E framework. Though adding caveats to board decisions is not unexpected and provides a useful way of maintaining control over projects without holding up implementation, the slow progress of these projects on M&E in particular is disappointing. The lack of detailed financial component mechanisms is also a concern, in particular because without details on these it is not possible to calculate robust expected results. The technical component of the Chilean project is set to be approved in June 2015, but this too lacks an M&E framework. The financial component is unlikely to be ready for approval until early 2016. The Colombian proposal is due to come for approval in late summer 2015.

Further thinking needs to be done on how the appraisal process can be speeded up, but feedback received has suggested that the Facility's guidance for the appraisal phase could be clearer and the TSU have been less effective in dealing with requests and enquiries regarding the appraisal phase compared to on the project calls. To some extent this is to be expected, as the Facility has now undergone two

project calls but has only seen one set of projects go through the appraisal phase. The separation of financial component and technical components within NAMA Facility projects is also creating some difficulty, as experience so far suggests that the technical components are ready for implementation well in advance of the financial component, so some consideration needs to be given on whether the Facility should allow the technical components of projects to begin implementation in advance of financial components. To help speed up and improve the appraisal process, the TSU has hired an additional consultant who in particular has substantial experience in dealing with financial components of projects. We are hopeful that this additional resource and expertise should be sufficient to speed up and improve the process, but we will keep this under close review.

Key actions

(Owner: Donors and TSU) A decision on the NAMA Facility's long-term role needs to be made by the end of 2015, in order that further Promissory Notes can be laid and so that a fourth call can be launched on time in April 2016. Work on finding new donors and encouraging existing ones to continue with their commitment must be completed to a similar timeframe.

(Owner: TSU) Any formal changes to the appraisal phase processes need to be made by the end of 2015 also, although work on providing more guidance should begin in advance of that to assist projects pre-approved in the second call.

(Owner: TSU) Further consideration to be given on whether technical components of projects should be able to begin in advance of financial components.

(Owner: TSU) Any additional technical support for project submitters, including through the use of DECC's strategic technical assistance (TA) funding would need to be in place in time for the fourth call opening in April 2015. Other work should take place in the meantime to help increase the number of project's that meet the Facility's eligibility criteria – for example it has been suggested that it would be helpful for the NAMA Facility to offer a series of webinars on how to prepare a compelling NAMA proposal.

(Owner: TSU) The finalisation of the Facility's Monitoring and Evaluation framework is now long overdue and should be completed by August 2015 at the latest.

Has the logframe been updated since the last review?

Yes. In May 2014, a Monitoring and Evaluation Day was held and attended by the donors (including DECC's M&E expert) and the Technical Support Unit, and facilitated by an external M&E expert. Based on the discussions here and further feedback, both the logframe and theory of change were revised in January 2015. The logframe is now considerably more detailed and contains revised outputs and more indicators, as well as the development of project specific outputs and indicators, though significant work remains in defining baselines, milestones and targets for all indicators.

C: Detailed Output Scoring

Output Title	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	Output Score	A+
Risk:	Low	Impact weighting (%):	10
Risk revised since last AR?	N/A	Impact weighting % revised since last AR?	Decreased from 16.7% as NAMA Facility had now been established, though the need for it to efficiently allocate support remains

Indicator(s)	Milestones	Progress
Number of countries bidding in geographic regions	There was excellent progress in the geographical diversity of project proposals in the second call. 39% of project proposals came from Africa, 39% from Asia, and 22% from Latin America. In particular, it was welcome that there was an increase of nine percentage points in the number of bids from Africa, and that one of the four projects selected in the second call was from that continent (Burkina Faso). The second call also saw the Facility's first pre-approved project in central Asia (Tajikistan) as well as additional projects in Latin America (Peru) and South East Asia (Thailand).	In progress, but positive development since last annual review.
Additional donor funding committed to the NAMA Facility	Two new donors secured for the third project call.	In progress, but positive development since last annual review.

Key Points

In addition to the points made above, the NAMA Facility has become an increasingly well-established part of the climate finance architecture in the last 12 months. Its criteria and processes are well understood within the climate finance community, partly as a result of extensive engagement by the donors and the TSU at various international events, including COPs and UNFCCC workshops.

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

One of the recommendations in the last annual review was to secure additional donors for the NAMA Facility – this has now been achieved. It was also recommended that more be done to encourage proposals from a greater variety of geographical regions and covering different sectors so it was pleasing to see an increased diversity of both in the second call. This in part could be attributed to increased outreach from the TSU and donors in terms of presenting the Facility at events around the world, and in engaging in other ways with potential project submitters).

Recommendations

(Owner: TSU) The Facility should continue to seek out and engage potential new donors, but while remaining mindful that the addition of too many new donors may make governance processes more complex.

(Owner: DECC) DECC should remain in close contact with existing donors regarding their intentions for future project calls, in particular Germany as without their continued commitment it would be difficult for the Facility to continue (especially given that matched German funding is one of the conditions that need to be met to release the additional UK funding that was approved by the ICF Approvals Panel in October 2014).

(Owner: TSU) We are pleased with the geographical spread of the Facility, and attempts to reach out to African countries in the past year have been successful in helping increase the number of project proposals coming from that continent. The TSU should continue to take opportunities to promote the NAMA Facility, including through UNFCCC regional workshops which provide a good opportunity to reach out to particular underrepresented geographic regions.

(Owner: DECC) DECC should continue to work closely with the FCO (both in London and in post) to promote the NAMA Facility, particularly in Africa and Asia. Despite such attempts to increase the geographical diversity of the projects supported by the Facility, the principle remains that the Facility will support the best projects irrespective of where they are from.

(Owner: TSU) The facility should discourage applications from Middle Income Countries that are likely to graduate from ODA eligibility in 2017 (e.g. Chile and Uruguay), and words have been added to this effect in the NAMA Facility's General Information Document.

Output Title	Quality of project pipeline improved		
Output number per LF	2	Output Score	A+
Risk:	Medium	Impact weighting (%):	20
Risk revised since last AR?	N/A	Impact weighting % revised since last AR?	Increased from 16.7% as it is important that the Facility demonstrates that it is developing the project pipeline as it becomes more established.

Indicator(s)	Milestones	Progress
Number of good practice examples communicated internally.	The TSU provided feedback to all unsuccessful eligible projects submitted in the first call.	In progress, but positive development since last annual review.
No of lessons learned events organized	An internal lessons learned exercise was in March 2015 held to reflect on the second call. Lessons learned from the NAMA Facility project calls have also been shared in a number of international meetings including at the UNFCCC intersessional meeting in Bonn in June 2014, at the NAMA Day in COP 20 in Lima, at a number of UNFCCC regional workshops, and at the World Bank's Partnership for Market Readiness meeting. Information on these lessons learned have also been made available on the NAMA Facility website.	In progress, but positive development since last annual review.
Number and quality of NSP/NAMAs in the pipeline	The number of NAMA Support Projects (NSPs_ in the NAMA Facility (approved or pre-approved) pipeline is now 9 following the pre-approval of 4 projects in the second call – in line with our expectations. Regarding the pipeline of projects more generally, the Facility had 47 proposals in the first project call and 49 in the second so there is a large pipeline. Concern remains however regarding the number of projects that are failing to meet the Facility's eligibility criteria.	In progress, but positive development since last annual review.

Key Points

With an increase in funding secured for the third call, we are likely to fund an additional 4-6 projects. The Facility has however increased the size of the projects allowed from 5-15 million Euro to 5-20 million Euro – this was partly down to the consideration that having too many small projects would increase the burden on the TSU.

A total of 11 Project Outlines were resubmitted in the second call. Most of them were significantly improved in terms of quality and feasibility; two project outlines (Peru and Thailand) achieved the highest

two scores in the call and were pre-selected for funding. In addition 5 were included in the top 10 highest ranking NSP Outlines. Compared to the first call, there was in general an improvement in the ambition and quality of the NSP Outlines based on the scores the projects received. The TSU have put together some analysis of the changes between the first and second call. The increase in proposal quality is encouraging and at least partly reflects the fact that the Facility has become well established and its criteria are better understood, in addition to the fact that project submitters had more time to put together proposals for the second call and that many were acting on feedback provided to them by the TSU after the first call.

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

The previous review recommended that more be done to increase the number of projects meeting the Facility's eligibility criteria. The TSU have produced additional guidance on the criteria, and have worked proactively with project submitters who failed the eligibility criteria who requested feedback. Approximately 50% of projects in the second call met the eligibility criteria compared to 40% in the first call, but there is still room for substantial improvement here (see recommendation below).

Recommendations

(Owner: TSU) The TSU should proactively provide feedback to projects that fail to meet the NAMA facility eligibility criteria, in addition to providing detailed feedback to all other project submitters (currently feedback is only provided to non-eligible proposals on request).

(Owner: TSU) Develop ideas on how to share NAMA Facility best practice, including giving consideration as to whether specific examples of good project proposals can be shared with potential bidders, and on other ways in which the project pipeline can be improved (in terms of quality). This could include using DECC strategic TA funding to assist bidders with project development, and for the TSU to offer a series of webinars on how to prepare a compelling NAMA proposal.

(Owner: TSU) Increasing the number of proposals received is less of a priority given that the Facility is already having to reject the vast proportion (approximately 90%) of project proposals that are submitted. Nevertheless, the Facility should continue to promote itself through international events, its website and through the production of documentation, and through FCO and DFID country networks.

(Owner: TSU) An additional lessons learned meeting with all donors should take place in Q1 2016 to reflect on the third call.

Output title	Additional public and private finance leveraged for low carbon investment and development		
Output number per LF	3	Output Score	A
Risk:	Low	Impact weighting (%):	16.7%
Risk revised since last AR?	N/A	Impact weighting % revised since last AR?	N/A

Indicator(s)	Milestones	Progress
Volume of public finance mobilised for low carbon investment and development	Updated numbers were provide on this in the latest results collection (Spring 2015)	In progress
Volume of private finance mobilised for low carbon investments and development	Updated numbers were provide on this in the latest results collection (Spring 2015)	In progress
Ratio between public and private investment, amount of co-financing/ leverage factor	Further analysis is required on a project level based on the date we have.	In progress

Key Points

Given the facility is still early in its life and only three projects have begun implementation (and two of which have only done so in the last few months), no results have been reported regarding the mandatory core indicators

In the latest results collection the following expected results on private and public finance mobilised was calculated using data from the project appraisals for the following four NAMA project appraisals: Mexico, Costa Rica, Chile, and Indonesia. This data was then scaled to currently available NAMA Facility donor contributions.

Volume of public sector finance mobilised:

Expected life time results:

- Attributed: £35,900,709
- Non-attributed: £79,268,765

Volume of private sector finance mobilised:

Expected life time results:

- Attributed: £88,161,966
- Non-attributed: £194,661,620

In general the projects pre-approved and approved so far demonstrate strong potential for leveraging public and private sector finance (see table below):

Public sector finance mobilised:

First Call

Chile Self-Supply Renewable Energy -At least USD 13.000.000

Colombia Transit Oriented Development -Not determined yet

Costa Rica Low Carbon Coffee - Not determined yet

Indonesia Implementation of SUTRI- Not determined yet

Mexico Implementation of Housing - Target: EUR 120.000.000

Second Call

Burkina Faso Biomass Energy- EUR 9.700.000
Peru Sustainable Urban Transport- Not determined yet
Thailand Refrigeration and Air Conditioning - EUR 10.000.000
Tajikistan Forestry- Not determined yet

Private sector finance mobilised:

First Call:

Chile Self-Supply Renewable Energy - USD 100,000,000
Colombia Transit Oriented Development - Not determined yet
Costa Rica Low Carbon Coffee - Not determined yet
Indonesia Implementation of SUTRI- Not determined yet
Mexico Implementation of Housing - Target: EUR 80.000.000

Second Call

Burkina Faso Biomass Energy- EUR 14,000,000
Peru Sustainable Urban Transport -Not determined yet
Thailand Refrigeration and Air Conditioning -EUR 52.000.000
Tajikistan Forestry- Not determined yet

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

No recommendations on this output were made in the last annual review.

Recommendations

(Owner: TSU) A key focus should be on getting robust data from the financial component of projects once they have been designed.

Output Title	Good practice examples of innovative financing and incentive mechanisms of NSP/NAMAs are demonstrated		
Output number per LF	4	Output Score	A
Risk:	Low	Impact weighting (%):	20
Risk revised since last AR?	N/A	Impact weighting % revised since last AR?	Increased from 16.7% now that more projects are getting close to implementation

Indicator(s)	Milestones	Progress
Number of good practice examples with regard to efficiency and viability of financial / incentive mechanisms published	9 projects now approved or pre-approved covering a wide variety of sectors, and using a range of financial mechanisms. Details of these projects are available on the NAMA Facility website, and have been shared in various NAMA facility presentations and workshops.	In progress

Key Points

The Facility has been successful in promoting a wide range of mitigation projects, especially in sectors that had previously had been less successful in obtaining climate finance. In particular, complex sectors like transport and agriculture, which were not well suited to being tackled by the project based mechanisms (Clean Development Mechanism, JI) of the Kyoto Protocol, are now effectively addressed through the concept of NAMAs.

The financial components of the first call projects are yet to be fully designed however, and while the project proposals provide a strong indication that they will be innovative, it won't be possible to make a more robust assessment until we have seen the final project designs.

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

No recommendations on this output were made in the last annual review.

Recommendations

(Owner: TSU) The Facility continues to seek out ambitious projects with innovative financial mechanisms. As NSPs receiving funding continue to develop, consideration should be given to how experiences and knowledge from such projects can be shared more widely, so lessons can be learned.

Output Title	National capacities and enabling environment for NAMAs are strengthened		
Output number per LF	5	Output Score	A
Risk:	Medium	Impact weighting (%):	16.7%
Risk revised since last AR?	N/A	Impact weighting % revised since last AR?	N/A

Indicator(s)	Milestones	Progress
Number and type of changes in national/local policies and regulatory framework with regard to low-emission investment and development	Will be monitored by individual projects	In progress
Number and type of capacity building measures	Will be monitored by individual projects	In progress
Number of people addressed by awareness raising measures	Will be monitored by individual projects	In progress

Key Points

Through its funding criteria, the Facility has helped to coalesce around an ambitious vision for NAMAs that is broader than a CDM-like project and incorporates potential for transformational change, sustainable development, and financial ambition in addition to mitigation potential. This broader vision for NAMAs offers a powerful framework as developing countries consider NAMAs as part of their Intended Nationally Determined Contributions (INDCs). All of this will serve to strengthen national capacities and enabling environments within countries.

For example, feedback from the Centre for Clean Air Policy (CCAP) who have submitted a number of NAMA Facility project proposals was that:

“We commend the Facility for its transparency in its approval criteria. This transparency has allowed us to more strongly advocate certain modifications to a NAMA as we work with a given developing country on a NAMA. For example, in working on a refrigerator NAMA for Colombia, the ambition criteria allowed us to promote potential policy reforms rather than merely the identification of potential bankable projects.”

Such examples will become more powerful as projects enter the implementation stage.

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

No recommendations on this output were made in the last annual review.

Recommendations

(Owner: TSU) Project logframes and M&E plans should be scrutinised to ensure that the metrics above are reported against, where appropriate.

Output Title	Sustainable (social, economic and environmental) co-benefits are generated		
Output number per LF	6	Output Score	A
Risk:	Medium	Impact weighting (%):	16.7%
Risk revised since last AR?	N/A	Impact weighting % revised since last AR?	N/A

Indicator(s)	Milestones	Progress
Number and type of co-benefits demonstrated: <ul style="list-style-type: none"> • environmental co-benefits • social co-benefits • economic co-benefits 	Co-benefits are strongly emphasised in the NAMA Facility's selection criteria.	In progress

Key Points

The project proposals pre-approved in the second project call all demonstrated excellent potential to deliver substantial co-benefits. For example:

Burkina Faso: Co-benefits will include more stable supply chains and continuous, more affordable energy access. The project also contributes to a healthier and more resilient environment, reducing indoor and outdoor pollution. The majority of the target group are women.

Tajikistan: An additional benefit of the project is the creation of new jobs and incomes for local inhabitants. New plantations will be good for biodiversity conservation, climate change adaptation and ecosystem services. They could for example protect people from floods and landslides

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

No recommendations on this output were made in the last annual review.

Recommendations

(Owner: TSU) Ensure methodologies for calculating these co-benefits in project proposals are robust

(Owner: TSU) Project logframes and M&E plans should be scrutinised to ensure that the metrics above are reported against, where appropriate.

D: Value for Money and Financial Performance

Key cost drivers and performance

Consider the specific costs and cost drivers identified in the Business Case

Have there been changes from those identified in previous reviews or at programme approval. If so, why?

The costs of the TSU were €638,599 in 2014. This compares to €407,932 in 2013. In the original NAMA Facility business case TSU costs were estimated at £650,000 a year so despite this increase the costs are still less than we anticipated. The increase in costs is due to an increase in the number of TSU staff – this increase in resource was anticipated and was necessary given the Facility’s increased project portfolio. TSU resource will increase again (by 2.3 FTE) over the next year as the workload continues to increase with a third project call

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

Performance against vfm measures and any trigger points that were identified to track through the programme

There have been no major changes to the VfM assessment which was included in the NAMA Facility Business case Addendum (October 2014). At this stage there is limited information to support this section of the review. However, based on a competitive process the Facility has successfully selected projects to allocate the existing resources for the first and second bidding round. It is possible to secure a minimum VfM through the investment criteria of the Facility related to mitigation potential and financial ambition, but the true net benefits and VfM of UK funds allocated to NAMA projects will be determined by the specific projects supported and vary on a case by case basis. The VfM assessment will need to be updated once approved projects provide detailed logframes, expected outcomes, and – in time – actual results.

Assessment of whether the programme continues to represent value for money

Overall view on whether the programme is good value for money. If not, why, and what actions need to be taken?

The programme has met or exceeded all output indicators to date, and so has demonstrated value for money in terms of achieving this. It is expected that a more thorough analysis of the value for money of each supported project will be possible in future reviews as these projects reach full implementation stage.

Quality of financial management

Financial management of the Facility is provided by the TSU, who provide details of budgets, requested payments, and disbursement schedules, including in the annual report received in 2015. An update of the financial management of the Facility was also provided at the Lessons Learned meeting in March 2015. The quality of this financial management has been good.

A close relationship has also been maintained with DECC’s finance’s colleagues, with a close dialogue maintained and plenty of advance notice given when disbursements to projects are due to be made.

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

E: Risk

Overall risk rating:

Medium

Overview of programme risk

What are the changes to the overall risk environment/ context and why?

No major change.

Review the key risks that affect the successful delivery of the expected results.

Slow disbursement of funds: Projects disburse slowly or none at all due to occurrences which could have been foreseen and prevented. This would result in limited impact of the Facility and potentially surplus funds remaining after the competitive process has been completed.

Projects taking too long to reach implementation: Projects, in particular the financial components, are taking longer to develop in most cases than initially expected. This is partly down to the difficulty in getting the financial sector to engage with projects until they are convinced funding is likely. This delay in projects has the potential to reduce the impact of projects; both in terms of delivering change on the ground and in developing learning, but also could also reduce the NAMA Facility's expected political benefits (e.g. its impact on the negotiations).

Projects not delivering expected benefits: Though the NAMA Facility's competitive project calls, and its two stage selection and appraisal phase, should mitigate against this, there remains the risk that some of the projects may fail. Given the Facility has not over-programmed, this would reduce the benefits of the Facility. It is also possible that successfully implemented NAMA Facility projects will fail to deliver the expected benefits, though this is a risk for any project.

Lack of priority given to M&E: Progress on M&E so far has been extremely slow, with the TSU dedicating more staff time to the front end of the process (project calls). Additional staff have been hired to help strengthen the TSU resource on M&E, but if an improvement is not achieved then this could reduce the usefulness of the Facility in terms of long term learning.

Are there any different or new mitigating actions that will be required to address these risks and whether the existing mitigating actions are directly addressing the identifiable risks?

With regards to projects taking longer than hoped to reach implementation, consideration should be given in this reporting year to making changes to the approvals process to make it easier for the technical components of projects to be approved in advance of the financial components. It should also be requested that the TSU play a more proactive role in helping projects who are going through the appraisal stage, including by providing more detailed guidance.

Any additional checks and controls are required to ensure that UK funds are not lost, for example to fraud or corruption.

No, sufficient safeguards are in place through GIZ and KfW.

Outstanding actions from risk assessment

N/A.

F: Commercial Considerations

Delivery against planned timeframe

In general, the Facility is delivering to time, in particular the two project calls have been delivered on time.

The following delays should be noted:

- As flagged earlier, the Colombian and Chile projects pre-approved in the first call are yet to reach the implementation stage (this will likely take over 18-24 months, rather than 6-12 months as initially expected)
- The Monitoring and Evaluation Framework has taken longer than expected to be finalised
- Disbursements to projects have been slower than expected, with only three small disbursements (of around £400k in total) made so far
- Finalising the governance and contractual arrangements with the new donors has taken longer than hoped, largely due to the requirements of the European Commission.

None of the delays above have any significant impacts on the costs of the programme.

Performance of partnership (s)

How well are formal partnerships/ contracts working?

We have a strong working relationship with Germany on this project, with shared objectives. If Germany were to pull out of the Facility, this would have significant implications given they are a founder and large donor, that they have the contractual relationships with GIZ and KfW, and given DECC's future funding of the Facility is dependent on Germany continuing as a donor. Given our strong working level relationship with Germany, we will continue to discuss intentions for a fourth call throughout the rest of 2015 and early 2016.

The two new donors have been incorporated into the NAMA Facility relatively smoothly, with a kick off meeting held in March 2015. Both new donors have been incorporated into the regular NAMA Facility process (e.g. fortnightly donor calls) and decision making around changes for the third call was handled efficiently by the TSU with no major disagreement amongst donors. Of the two new donors, Denmark are more engaged and a good relationship has been established with them. The Commission have put less resource into the Facility, adopting a relatively 'hands off' approach so far.

Are we learning and applying lessons from partner experience

We have made some changes to the way we have worked (e.g. encouraging more face-to-face meetings) based on experiences so far. In particular, it was noted that project selection can be done more effectively if donors meet in person to discuss projects. So far the NAMA Facility Board has only met virtually, but given the two new donors it is felt that the Board should meet in person when deciding on projects to be selected in the third call. The increase in face-to-face meetings has definitely been beneficial in terms of having more productive conversations, sharing feedback and discussing lessons learned and in developing relationships with other donors and the TSU.

Asset monitoring and control

We have confidence that the implementing agencies of the NAMA facility, KfW and GIZ, have put sufficient safeguards in place.

G: Monitoring and Evaluation

Evidence and evaluation

Changes in evidence and implications for the programme

There have been no major changes of evidence in the past reporting year.

How is the Theory of Change and the assumptions used in the programme design working out in practice in this programme? Are modifications to the programme design required?

The Theory of Change has been revised based on the experience gained through the operation of the Facility so far, and based on an M&E day held with donors, the TSU and M&E experts.

It is too early to make a robust assessment on the effectiveness of the revised Theory of Change. No major programme changes have been made so far, though it is possible that more significant changes will be made ahead of a possible fourth project call as we consider the niche of the NAMA Facility in comparison to the GCF in particular.

Is there any new evidence available which challenges the programme design or rationale? How does the evidence from the implementation of this programme contribute to the wider evidence base? How is evidence disaggregated by sex and age, and by other variables?

Indications so far are that the Facility is being effective in providing evidence and learning for the development of projects which incorporate potential for transformational change, sustainable development, and financial ambition in addition to mitigation potential across a variety of sectors. The NAMA Facility use of robust assessment criteria has been influential in informing the GCF.

How evidence is disaggregated will vary depending on the nature of each project.

Where an evaluation is planned set out what progress has been made.

A mid-term evaluation of the NAMA Facility will take place in 2016, although given the delays to the development of the M&E framework so far there is a risk that continued delays would make this date unachievable. Further details of this, including timings and who will carry out this review, are still to be confirmed but the TSU will shortly begin making more detailed plans on this, including on the remit of the evaluation and on plans for procurement. It should be made clear to the TSU that this is a key task and should be prioritised.

Monitoring progress throughout the review period

- A Monitoring and Evaluation Day took place in May 2014, which was a crucial milestone in getting agreement on the theory of change and logframe.
- DECC's 6 monthly internal review of the NAMA Facility was completed in September 2014.
- Drafts of logframe and theory of change were sent to DECC in January 2015, but the logframe still lacks baselines and targets. It is vitally important that the logframe is finalised by Q4 2015.
- A lessons learned session to reflect on the second call was held with donors and the TSU in March 2015.
- The projects that received final approval from the first call (Costa Rica and Indonesia) included logframes and will be developing their Monitoring and Evaluation Frameworks over the next 6 months.
- The annual report of the Mexican pilot project was received in May 2015.
- A draft version of the Facility's M&E Framework was shared with in June 2015 - more than 12 months after the NAMA Facility M&E day and a long way behind the expected schedule. There are mitigating circumstances – in particular staff departures in the TSU over the past 12 months leading to a lack of resource. The new TSU recruitment and staffing structures agreed by the donors include 1.0 FTE for Monitoring and Evaluation which should help prevent further serious slippages on M&E – the framework should be finalised by August 2015 at the very latest..

H: Transformational Change

Rating

From the Spring 2015 results collection, the NAMA Facility scored:

Expected results: 3 - Tentative evidence of change – transformation judged likely

Actual results: 3 - Tentative evidence of change – transformation judged likely

It is difficult to judge the transformational nature of this Facility at this stage because the projects that it is supporting are still at a very early stage and have not yet delivered results.

Evidence and evaluation

Fostering political will to act on climate change

The NAMA Facility has been very successful in raising awareness and interest in transformational NAMAs. It has contributed to the international debate in this area and is influential. HMG and NAMA Facility staff have given a number of presentations on the NAMA Facility around the world in 2014, including in Copenhagen, Laos, Bangkok, Namibia, Colombia, and Kazakhstan. The NAMA Facility also held side events at the UNFCCC intercessional in Bonn in June 2014, and at the COP in Lima in December 2014.

47 bids were received for the first bidding round of the Facility (against a target of 10), demonstrating strong engagement with the fund from potential recipients. 49 bids were received in the second call, and it was notable that the second call received a larger number (19) from Africa than in the first call (14) which can be partly attributed to the NAMA Facility's attempts to encourage African projects.

ICF-supported activities are enhancing local capacities to act on climate change

In Mexico around 25 NAMA concepts are now at various stages of development, clear evidence of Mexico's increased interest in this agenda. 47 bids from 36 countries were received for the first bidding round, and 49 bids from 30 countries in the second bidding round, strong evidence that developing countries are engaging with the Facility and the NAMA agenda.

Analysis of the project proposals received in the second round suggest that the quality has improved relative to the first round (for example, the number of projects meeting the eligibility criteria increased from 40% to 50%, and the scorings given by the TSU for the project bids that were eligible are on average higher than the first call), demonstrating an increased understanding of the process from potential recipient countries. Furthermore, reporting against 'volume of NAMA Facility funding disbursed' will be used as a proxy for demonstrating this element of transformational change, with the assumption that money disbursed leads to capacity.

Feedback from the Burkina Faso project pre-approved in the second call was that the "NAMA Facility has really helped push the ambition of the Biomass Energy NAMA. Its call for transformational change towards low-carbon development, encouraged us to be ambitious but also to aim at transforming the status quo of the biomass energy sector."

HMG-supported activities are encouraging innovation and testing new approaches

There is no evidence yet of results from the projects supported by the NAMA Facility. However, all of the projects selected by the NAMA Facility Board in the first two calls scored highly on the 'transformational' criterion (this criterion was developed in conjunction with the BMUB and taking into account the ICF work to define the term) when being evaluated (they were all in the top five projects overall). In both the first and second calls, the projects proposals received generally scored highest on the ambition criteria, particularly on transformational change.

There is strong potential for these projects to demonstrate innovation and testing of new approaches, although as yet little firm evidence.

Discussion about the selection criteria for the NAMA Facility in the international arena is feeding into the development of the Green Climate Fund. In particular, the NAMA Facility has played a pro-active role in the development of thinking on what constitutes transformational change, including through the production of a factsheet on the concept and operationalisation of transformational change (which is available on the NAMA Facility website) and by submitting a response to the public call for inputs on the GCF's investment framework.

Ideas and lessons shared widely

In 2012, 2013, and 2014 the TSU and donors gave more than 10 NAMA Facility-related presentations, against a target of 6.

The Facility has made one further presentation in the first months of 2015, and is planning a side event at COP 21 in Paris. In particular, very influential presentations were given at the UNFCCC COP in 2012 (a launch event), and at the COPs in 2013 and 2014 (announcing results of the bidding round) and the 2013 and 2014 intercessional meetings. A number of these presentations covered lessons learned from the first and second project calls, including the one given at the 2014 intercessional. Positive feedback was received on all of these presentations.

The NAMA Facility also has a website which it has used to share lessons learned (for example lessons learned presentations are publically available here), and has produced leaflets publicising the work of the NAMA Facility and lessons learned so far which were distributed at the 2014 intercessional in Bonn and at the COP in Lima. We continue to see a monthly increase on visitors to the NAMA Facility website.

The FCO network has also been proactive in promoting the NAMA Facility in countries that are eligible to bid.

HMG-supported activities are creating the incentives for others to act on climate change

DECC funding has been matched by the German BMUB in the NAMA Facility. There is strong potential for co-funding from both recipient country governments and other sources such as KfW loans in the bids accepted into the Facility pipeline. We have secured two additional donors for the third NAMA Facility call – the European Commission are contributing €15 million, and the Danish government are contributing €10 million. It is possible that additional donors may be sought for a fourth call, and the Danish government has already expressed a strong interest in continuing its funding for a fourth call.

HMG-supported activities are being replicated by others

At this stage there is little evidence of the NAMA Facility activities being replicated. However, there has been considerable discussion of the Facility's activities at international climate finance events including in UNFCCC workshops and at a UNFCCC day held during COP 20 in Lima.

Activities are likely to be sustained once HMG funding ends.

All projects that receive funding from the NAMA Facility will have to demonstrate a credible 'phase out' concept outlining how it will continue once the NAMA funding has ceased. This criterion seeks to ensure that NAMA Facility support will lead to sustainable, long-lasting results. Support will only be granted if the outline demonstrates when the need for support will come to an end.

It is difficult to judge the transformational nature of this Facility at this stage because the projects that it is supporting are still at a very early stage and have not yet delivered results. However, the Facility is having a strong and influential impact on international discussions of NAMAs, in particular in relation to the selection criteria that it used during the first bidding round. There are grounds to expect this influential role to continue into the future and for the Facility to continue to play a clear role in the development of this sector of climate finance.

Monitoring progress throughout the review period

The concept of transformational change is monitored through the six monthly results reporting process.

More informally, the Facility continues to assess its ability to deliver transformational change through seeking feedback from project submitters and from those involved with projects under implementation, through discussions at lessons learned meetings, and through assessment of project proposals.

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