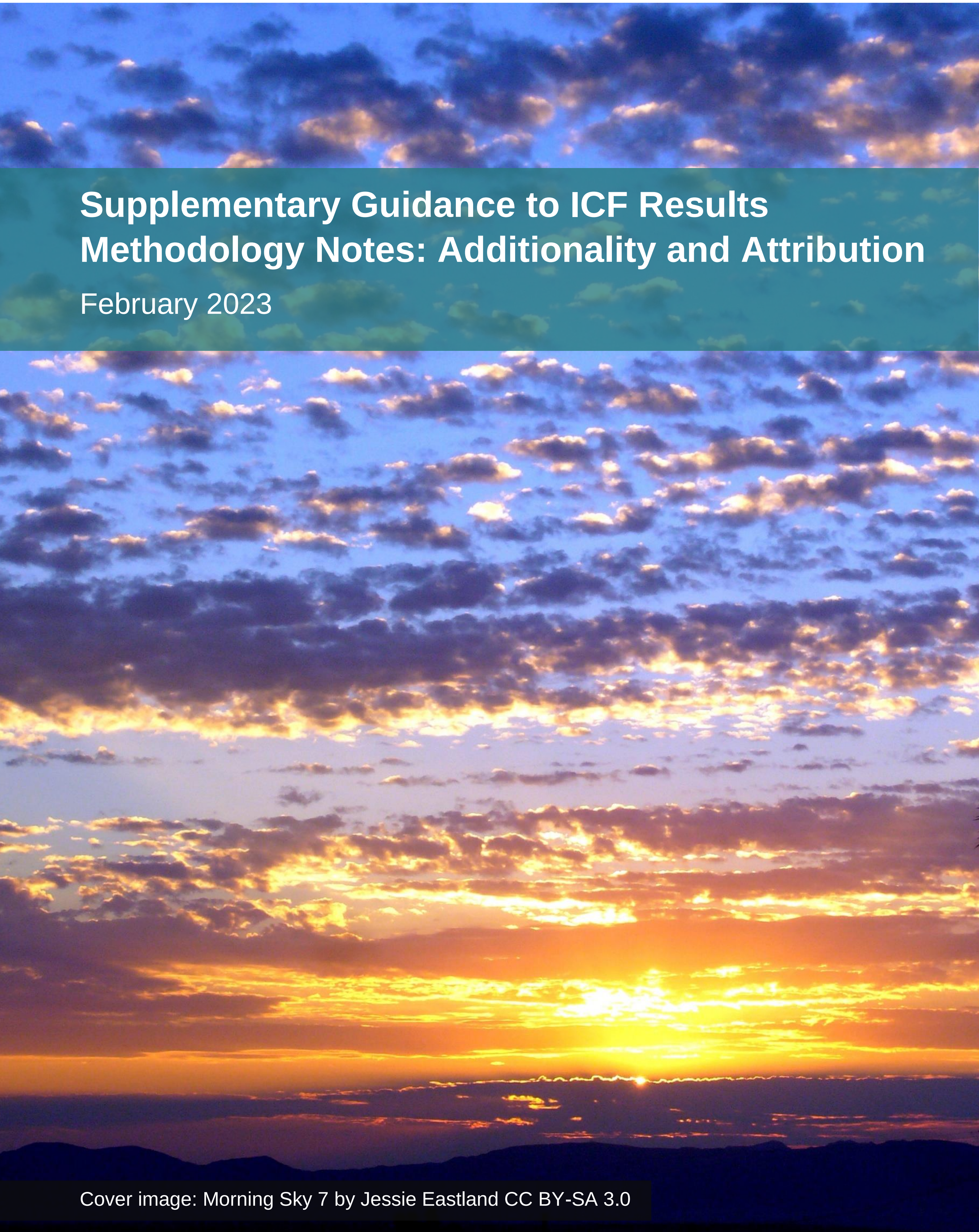
Supplementary Guidance to ICF Results Methodology Notes: Additionality and Attribution

February 2023



Contents

Acronyms

BAU	Business as Usual
Defra	Department for Environment, Food and Rural Affairs
DESNZ	Department for Energy Security and Net Zero
FCDO	Foreign Commonwealth and Development Office
ICF	International Climate Finance
KPI	Key Performance Indicator
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
SDG	Sustainable Development Goal
TA	Technical Assistance
UNFCCC	United Nations Framework Convention on Climate Change

Purpose of the document

This document is intended as supplementary guidance, to be read alongside the International Climate Finance (ICF) Key Performance Indicator (KPI) methodologies. The individual methodologies can be found on the **ICF gov.uk webpage.** Additionality and attribution are important adjustments to ensure we do not overestimate the results that are being achieved through UK ICF. For the Technical Assistance indicators, a contribution approach may be required, as it is often not feasible to quantify attribution for those results.

Key definitions

Additionality: Results are additional if they are beyond the results that would have occurred in the absence of the International Climate Finance (ICF)-supported intervention. That is, results are additional if they go beyond what would have been expected under a Business As Usual (BAU) counterfactual.

Attribution: Refers to allocating responsibility for impacts or results among all actors that have played a causal role in programmes that deliver additional results. Results are commonly attributed to causal actors based on their financial contributions to programmes.

Contribution: Where the nature of the programme makes it difficult to quantify the causal relationship between the ICF investment and the results achieved, such as in the case of many Technical Assistance programmes, it may be more suitable to take a ‘contribution’ approach to the results, rather than calculating ‘attribution’. For example, if ICF activity has contributed to quantified emissions reductions, all of those emissions reductions are included towards the results for the Technical Assistance Key Performance Indicator (ICF TA KPI), rather than trying to work out what proportion should be attributed to ICF. This is because other activities beyond those funded by ICF are likely to have contributed to realised emissions reduction, making it difficult to quantify the degree to which TA has played a causal role and attribute results only to the TA activity.

Applicability to ICF KPIs

With the exception of ICF KPI 15, ICF KPIs 1-17 all require determination of additionality, and then attribution to UK's ICF funding. ICF TA KPI 5 requires determination of additionality but no attribution as it takes a contribution approach. The remaining ICF TA KPIs 1-3 require no determination of additionality or attribution, and they take a contribution approach. The Annex provides a table illustrating this by ICF KPI.

In what order should additionality and attribution be applied?
All ICF programmes results that require determination of additionality should be estimated against a counterfactual and only results classed as 'additional' should be reported. Once a programme's additional results have been determined, results should then be attributed to the various actors involved in delivering the programme. When reporting attributed results against the ICF KPIs all reported results should be additional and attributed to the UK's ICF funding only.

Additionality

The following section is relevant to ICF KPIs 1-12, ICF KPI 17 and ICF TA KPI 5.

How can ICF Results account for additionality?
If the data is available for the counterfactual and there is a good estimate of what percentage of results are additional as a result of your project, this should be used. However, given the nature of ICF interventions and the assumptions used to determine a BAU counterfactual, many programmes will not have perfect counterfactuals. To adjust for additionality concerns, a set percentage '**adjustment factor'** can be applied to a programmes estimated results. This adjustment can be used to reflect uncertainty from the assumed counterfactual and potential data quality issues.

Adjustment Factor Examples

An adjustment factor of 50% would mean there is a high level of uncertainty surrounding the additionality of results, such that 50% of the results estimated by the programme are not counted and our confidence level surrounding results is poor.

An adjustment factor of 75% would imply that there is a medium level of uncertainty surrounding the additionality of results, such that 25% of results estimated are not counted and our confidence level surrounding the programmes results is satisfactory.

An adjustment factor of 100% would imply that there is a low level of uncertainty surrounding the additionality of results, such that all results estimated are counted and our confidence level surrounding the programmes results is good.

Level of confidence in additionality of results reported	Implied Adjustment factor
Low	50%
Medium	75%
High	100%

The most common adjustment factors used are set at 50%, 75% and 100%. These percentage adjustments are usually set at an overall programme level and applied to all projects and reporting ICF KPIs. However, programme specific adjustments can vary, and adjustments may differ depending on the project, country, sector, and the specific ICF KPI being reported.

For example, certain projects may have been identified within a programme to have specific additionality risks, which could warrant the use of a different adjustment factor. Adjustment factors can be revised throughout a programme's implementation considering new evidence. Evaluations and annual results collection should be used to test these assumptions on an ongoing basis. For example, a programme evaluation, experiences gained with working with the Delivery Partner or improved reporting frameworks and methodologies can all increase the overall confidence level in a programme's reported results.

Ideally, individual additionality assessments should be done at the project-level across all reporting ICF KPIs. However, where there is not enough granular information or resource available to undertake such an assessment, blanket additionality adjustments can be applied.

Considerations when determining the use of an adjustment factor

- Extent of market barriers present and the level of concessionality required across supported interventions (e.g. local market context, country, and sector)?
- Is there a strong rationale underpinning how a programmes supported interventions are leading to additional results (e.g. theory of change)? What evidence is there that these results might have been achieved in the absence of the ICF support? i.e. is there a strong rationale underpinning an alternative story/TOC of how these results could be achieved?
- Are robust additionality frameworks and processes in place (e.g. embedded as part of the project selection criteria)?
- Overall confidence in the reported results?
- Data quality concerns, uncertainty, and potential optimism bias?
- Quality of underlying assumptions surrounding the counterfactual?
- Are there concerns over how the ICF KPI methodologies have been applied by the reporting programme?

Note: The additionality of funding relative to other donors is not considered e.g. whether another donor might have provided concessional funding for the project/programme should the UK ICF funding be removed.

Attribution

The following section is relevant to ICF KPIs 1-12 and ICF KPI 17.

Why are ICF programmes attributed to UK's ICF funding?
In many instances UK Government may be acting alongside others to support a project and results are only reported based on the UK's ICF financial contribution to avoid 'overclaiming' results. This may be another bilateral donor, a multilateral body, development financial institution or the private sector where each partner has played a role towards the realisation of results. To attribute results to UK Government accurately it's necessary to know the sequence of investments by co-financers and the causal role UK Government may have had on investment decisions.

If UK Government is the sole investor
If UK Government is the sole investor in a project (or programme), it should assume all responsibility for any results, where the results are assessed to be additional and where UK Government has a causal role.

If UK Government is only funding part of a project
Where there are other co-funders results will need to be attributed accordingly.

- Where UK Government funding is not altering the risk faced by private (or other public) project co-finance or there isn't sufficient evidence to show finance has been mobilised by UK Government (official) finance, then pro-rata attribution based on all project costs (all project co-financing regardless of funding source) should be applied.
- Example: UK Government invests £10m alongside the private sector, which invests £40m, on equal terms to support the development of 50MW of renewable energy generation. In this instance results are attributed on a pro-rata basis: 10MW attributed to UK Government and 40MW to the private sector co-funder.
- Where public[1] funds (e.g. UK Government and another donor country government) have mobilised finance towards a project, and there is sufficient evidence to show any private financing was mobilised by the public funds, reporters may choose to calculate results as a pro-rata attributable share based on only the value of all public co-financing towards the project. Under this case, any mobilised finance is excluded from the attribution of results (and these results are allocated to the sources of public (official) funding only).
- Example: UK Government invests £5m alongside Donor X, which also invests £5m, on equal terms to support the development of 50MW of renewable energy generation by leveraging £40m of private finance. In the absence of UK Government and Donor X's investment the private sector wouldn't have invested. In this instance

[1] This is not restricted to funding from country governments and includes funding from entities backed by public funds such as Development Finance Institutions for example.

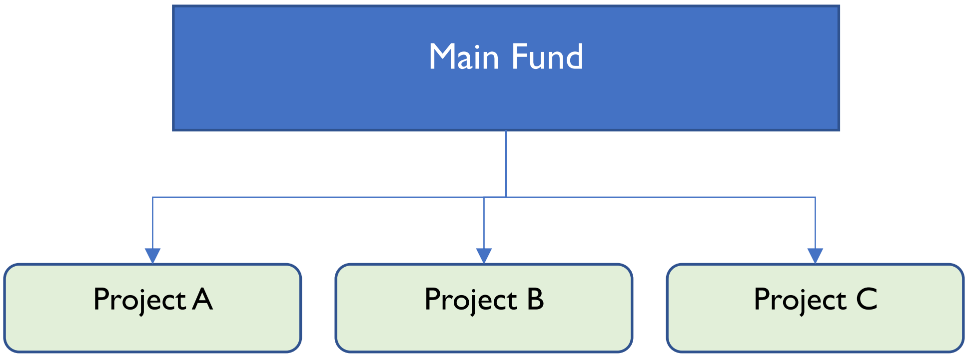
results are attributed on a pro-rata basis to UK Government and Donor X only. For installed capacity, 25MW is attributed to UK Government and 25MW to Donor X. For private finance leveraged, £20m is attributed to UK Government and £20m to Donor X.

- If the providers of public (official) funding assume different levels of risk, then consideration should be given to attributing a larger share of results to the source bearing the greater risk.

  Example: UK Government invests £5m alongside Donor X, which also invests £5m, but UK Government assumes a first loss position. This supports the development of 50MW of renewable energy generation by leveraging £40m of private finance. In the absence of UK Government's investment the private sector wouldn't have invested. In this instance a greater share of results could be attributed to UK Government than Donor X because of the greater amount of risk UK Government has assumed. The first 50% of results should be attributed to UK Government, and the next 50% attributed equally between UK Government and Donor X. For installed capacity, this would mean 37.5 MW is attributed to UK Government and 12.5 MW to Donor X. For private finance leveraged, £30m is attributed to UK Government and £10m to Donor X. (This reflects the approach adopted by the OECD to attribute leveraged private finance between sources of public funding. The full OECD methodology approach can be adopted where appropriate[2])

If UK Government is contributing to a fund
In a Fund investment, capital is raised in the main fund first. This is subsequently invested in individual projects. Leverage and attribution can occur at two levels:

- At the main fund level, UK Government's investment may leverage other investors.
- At the project level, the main fund's investment may leverage other investors.



[2] OECD DAC Guidance on measuring the amounts mobilised from the private sector by official development finance interventions (2020)

The amount of leveraged finance (ICF KPIs 11 and 12) will have to be determined at each level. It is too strong of an assumption to assume that all co-financing at the project level is mobilised by the public investment initiating in the main fund. In some cases, the use of different types of instruments or different levels of risk borne by different funders may require a more nuanced approach to attribution. In determining attribution in these cases, reporters should follow the OECD DAC's instrument-specific reporting guidelines[2].

Non-financial ICF KPIs are calculated at the project level. Attribution to UK Government based on its investment at the main fund level will depend on the extent to which UK Government's investment had a causal link to the observed results. The greater the leverage, the greater the share of results attributed to UK Government. If there is no leverage, or it's not been possible to assess leverage due to lack of data, then results are attributed pro-rata (i.e. based on UK Government's share of total funding).

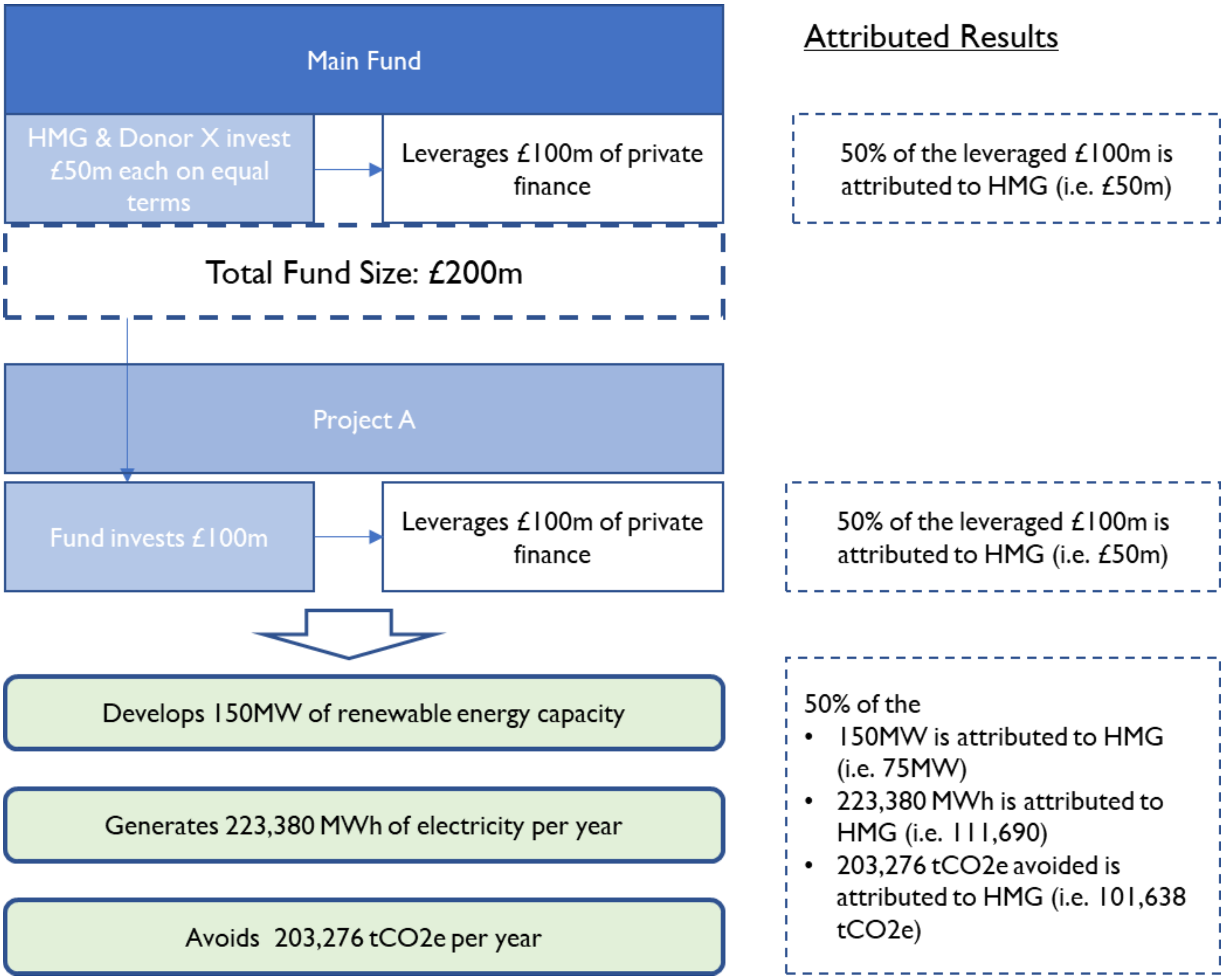
Example:

UK Government invests £50m in a main fund alongside Donor X on equal terms which also invested £50m. This leverages £100m of private finance. This results in a main fund size of £200m. UK Government's investment into the main fund is therefore said to have leveraged £50m (i.e. 50% of £100m).

The main fund invests £100m into project A and £100m into project B.

Project A. The main fund's investment leverages an additional £100m of private finance. The cumulative £200m is used to develop 150MW of solar panels which generates 223,380 MWh of electricity and avoids 203,276 tCO2e per year. Since the private sector financing at both the main fund and project level is the result of official funding, all of the results are attributable to UK Government and Donor X. Results attributed to UK Government:

- ICF KPI 12: £100m (50% of the private finance leveraged at the main fund and project levels)
- ICF KPI 7: 75MW of renewable generating capacity (50% of 150MW)
- ICF KPI 6: 101,638 tCO2e per year (50% of 203,276 tCO2e)

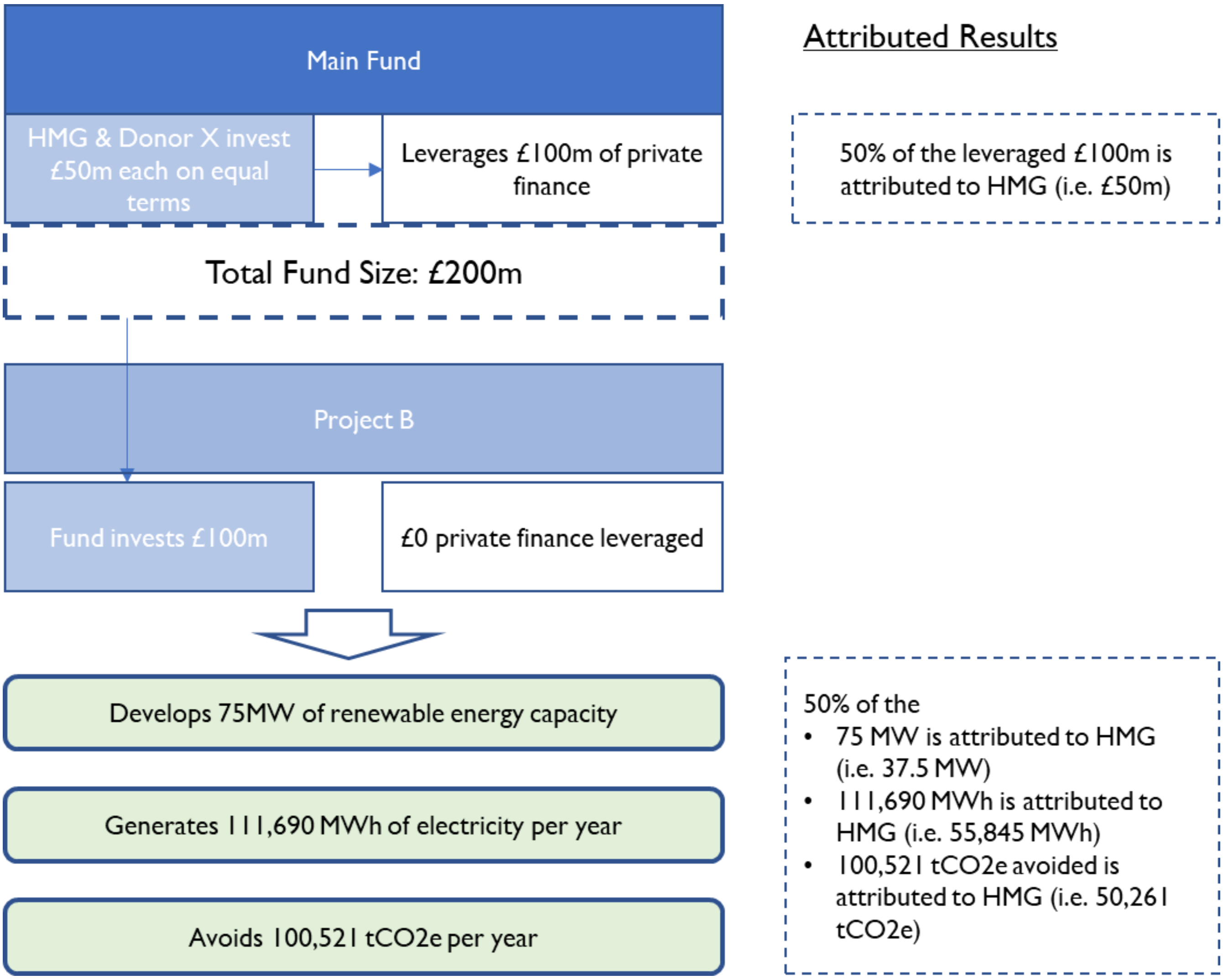


Project B. The main fund's investment allows an existing developer to expand an existing solar panel farm by 75MW. It doesn't result in the developer investing more of its own funds so there is no leverage. The 75MW of additional solar capacity generates 111,690 MWh of electricity and avoids 100,521 tCO2e per year. Results attributable to UK Government:

- ICF KPI 12: £50m (50% of the private finance leveraged at the main fund level)
- ICF KPI 7: 37.5MW of renewable generating capacity (50% of 75MW)
- ICF KPI 6: 50,261 tCO2e per year (50% of 100,521 tCO2e)

Total results. The results from Project A and Project B are added together to derive the total results the main fund has achieved. Total results attributable to UK Government for this fund:

- ICF KPI 12: £100m (Project A) + £50m (Project B) = £150m
- ICF KPI 7: 75MW (Project A) + 37.5MW (Project B) = £112.5MW of renewable generating capacity
- ICF KPI 6: 101,638 tCO2e (Project A) + 50,261 tCO2e per year (Project B) = 151,899 tCO2e per year

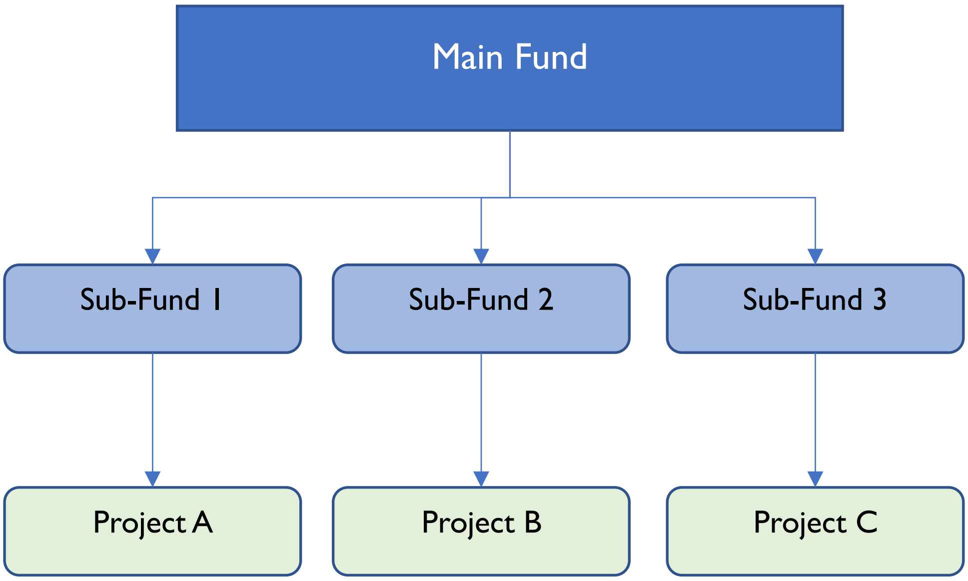


If UK Government is contributing to a fund of funds

In a Fund-of-Funds investment, capital is raised in the main fund first. This is subsequently invested in sub-funds which then invest in projects. The main fund may predominantly be donor financed. The sub-funds are likely to have different fund managers and may be at different stages of capital raising (some might have already raised substantial amounts of capital). Sub-fund mandates may differ to that of the main fund, and investments may be driven primarily by commercial considerations. All of this creates complexities when trying to assess causality and attribution.

Leverage and attribution can occur at three levels:

- At the main fund level, UK Government's investment may leverage other investors.
- At the sub-fund level, the main fund's investment may leverage other investors.
- At the project level, the sub-fund's investment may leverage other investors.



The amount of leveraged finance (ICF KPIs 11 and 12) will have to be determined at each level. It is too strong of an assumption to assume that all co-financing at the sub-fund and project level is mobilised by the public investment initiating in the main fund. This is because there are often other sources of financing at both the sub-fund and project level, potentially including other donors and even other UK Government spend. In some cases, the use of different types of instruments or different levels of risk borne by different funders may require a more nuanced approach to attribution. In determining attribution in these cases, reporters should follow the OECD DAC's instrument-specific reporting guidelines[2].

Non-financial ICF KPIs are calculated at the project level. Attribution to UK Government based on its investment at the main fund level will depend on the extent to which UK Government's investment had a causal link to the observed results. The greater the leverage, the greater the share of results attributed to UK Government. If there is no leverage, or it's not been possible to assess leverage due to lack of data, then results are attributed pro-rata.

Example:

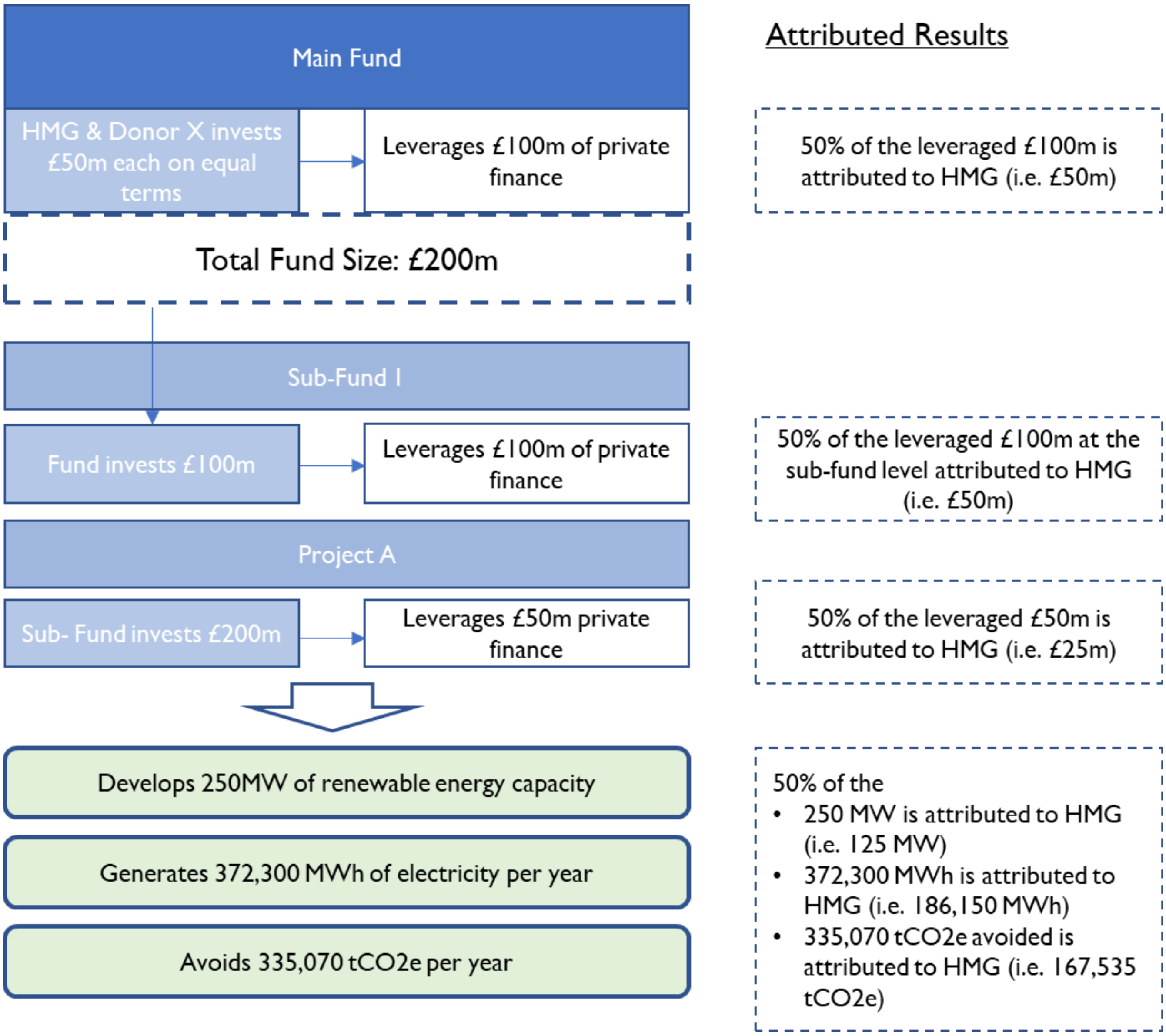
UK Government invests £50m in a main fund alongside Donor X on equal terms which also invested £50m. This leverages £100m of private finance. This results in a main fund size of £200m. UK Government's investment into the main fund is therefore said to have leveraged £50m (i.e. 50% of £100m).

The main fund invests £100m into sub-fund 1 and £100m into sub-fund 2.

Sub-Fund 1. UK Government's investment into the sub-fund leverages a further £100m of private finance. This results in a cumulative sub-fund size of £200m. £200m is invested in Project A.

- Project A. The sub-fund's investment leverages a further £50m in private finance. This is used to develop 250MW of solar panels which generates 372,300 MWh of electricity and avoids 335,070 tCO_2e per year. Since the private sector financing at both the main fund and sub-fund level is the result of official funding, all of the results are attributable to UK Government and Donor X. Results attributed to UK Government:

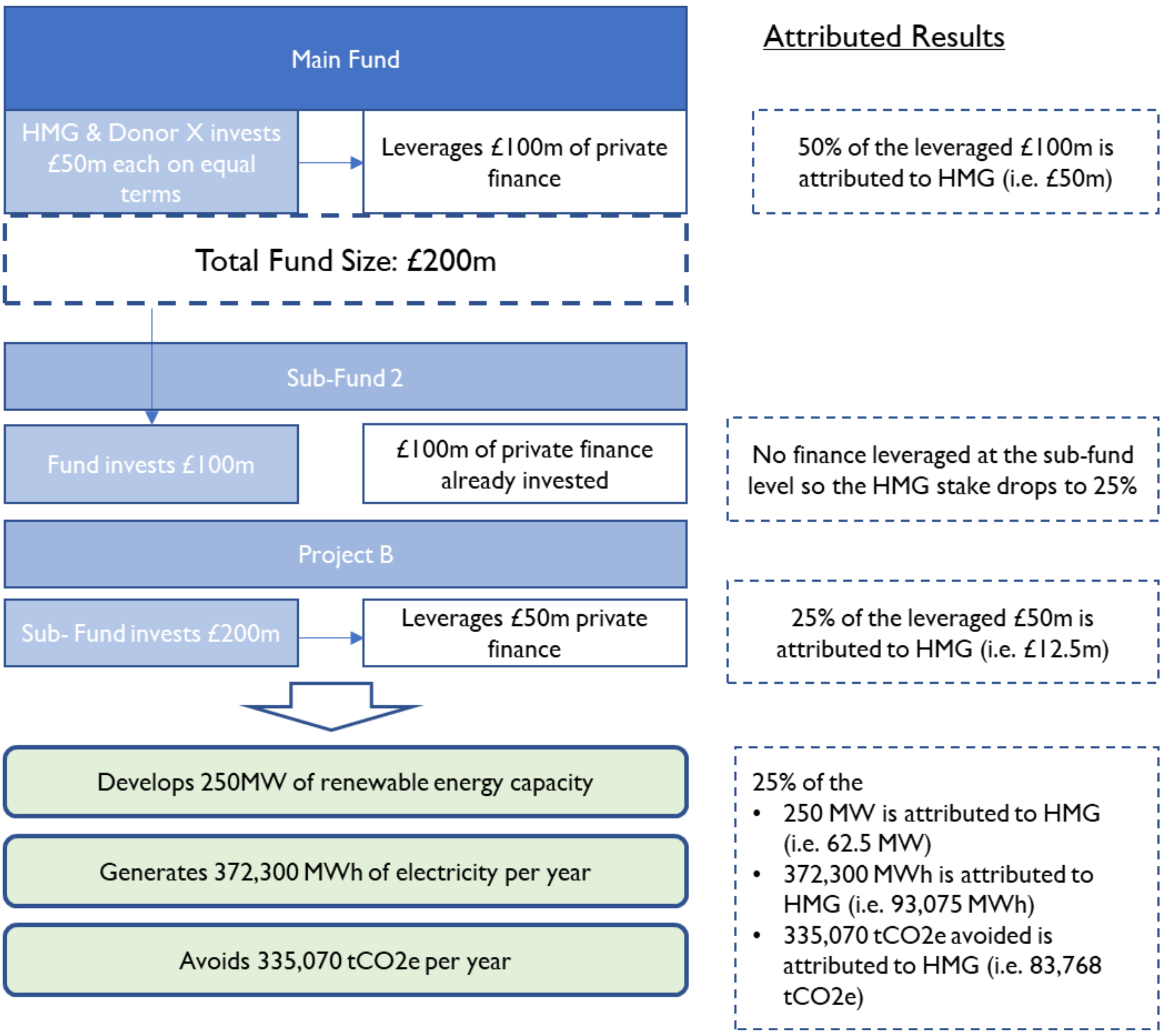
- ICF KPI 12: £125m (50% of the private finance leveraged at the main fund, sub-fund and project levels)
- ICF KPI 7: 125MW of renewable generating capacity (50% of 250MW)
- ICF KPI 6: 167,535 tCO2e per year (50% of 335,070 tCO2e)



Sub-Fund 2. UK Government invests £100m in sub-fund 2 after £100m had already been raised. This results in a cumulative sub-fund size of £200m but there is no leverage at the sub-fund level. £200m is invested in Project B.

- Project B. The sub-fund's investment leverages a further £50m in private finance. This is used to develop 250MW of solar panels which generates 372,300 MWh of electricity and avoids 335,070 tCO2e per year. Since the private sector financing at the sub-fund level is not the result of official funding, not all of the results are attributable to UK Government and Donor X. Results attributed to UK Government:

- ICF KPI 12: £62.5m (50% of the private finance leveraged at the main fund level and 25% of the finance leveraged at the project level because of UK Government's 25% attributed stake in the sub-fund)
- ICF KPI 7: 62.5 MW of renewable generating capacity (25% of 250MW)
- ICF KPI 6: 83,768 tCO2e per year (25% of 335,070 tCO2e)



Annex A

Table 1 shows whether consideration of Additionality is required for each ICF KPI. This can include the use of an adjustment factor. In addition, whether attribution or contribution is applicable.

Table 1: which ICF KPIs require consideration of additionality or attribution

ICF KPI Number	Key Performance Indicator	Additionality	Attribution or Contribution
1	Number of people supported to better adapt to the effects of climate change as a result of ICF	Yes	Attribution
2	Number of people and social institutions with improved access to clean energy as a result of ICF	Yes	Attribution
4	Number of people whose resilience has been improved as a result of ICF	Yes	Attribution
6	Net Change in Greenhouse Gas Emissions (tCO2e) – tonnes of GHG emissions reduced or avoided as a result of ICF	Yes	Attribution
7	Clean Energy: Installed capacity (MW) as a result of ICF	Yes	Attribution
8	number of hectares where deforestation has been avoided through International Climate Finance support	Yes	Attribution
10	value of ecosystem services generated or protected as a result of International Climate Finance support	Yes	Attribution
11	Volume of public finance mobilised for climate change purposes as a result of ICF	Yes	Attribution
12	Volume of private finance mobilised for climate change purposes as a result of ICF	Yes	Attribution
15	Extent to which ICF intervention is likely to lead to Transformational Change	No	Neither- Scorecard approach
17	Hectares of land that have received sustainable land management practices as a result of ICF	Yes	Attribution
TA 1	Number of countries supported by ICF TA	No	Contribution
TA 2	Number of individuals and organisations supported by ICF TA	No	Contribution
TA 3	Number of countries policies informed by ICF TA	No	Contribution
TA 5	Volume of emissions reductions or avoided supported by ICF TA	Yes	Contribution