



# Mid-Term Evaluation of The NAMA Facility

Final Report

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## Executive Summary

This report is the product of the Mid-Term Evaluation (MTE) of the NAMA (Nationally Appropriate Mitigation Action) Facility, a multi-donor climate finance facility. The target audience of the evaluation is primarily the NAMA Facility's Technical Support Unit (TSU) and donors, although stakeholders that could affect the Facility's performance, such as the NAMA Facility Grant Agent, GIZ, and organisations that may have an interest in NAMA Support Projects (as potential implementers or funders) are also considered to be among its wider audience. This MTE was carried out between May and November 2016 by a small evaluation team of five evaluators and a project manager.

The NAMA Facility was established in 2013 and provides grant support to developing countries and emerging economies to implement transformational country-led NAMA Support Projects (NSPs). The NSPs are intended to contribute to the reduction of greenhouse gas emissions, and provide demonstration examples of NAMA finance and implementation, whilst encouraging countries to prepare more NAMAs and mobilise additional implementation finance for climate change mitigation actions. As of 2015, a combined total of €202 million in funding had been made available by four donors for the NAMA Facility.<sup>1</sup> Three calls for proposals since 2013 have resulted in the approval of 14 NAMA Support Projects (NSP). Call 4 is currently underway.

The subject of this MTE is the NAMA Facility's governance and management, and the NAMA Support Project portfolio from the Facility's first three calls for proposals. Its purpose is to identify the strengths and weaknesses of the NAMA Facility, its relevance to different stakeholders, and how implementation of the Facility can be improved. Seven evaluation questions (stipulated in the original terms of reference) were used to interrogate the evidence (table below).

The evaluation task was organised into six work streams: a Theory of Change analysis and Monitoring and Evaluation Framework assessment; a Portfolio Assessment; an Institutional Systems Review; a Project Cycle assessment; a Climate Finance gap assessment; and a Perception Assessment. Data collection was carried out in three phases: document review; internal perspective assessment; and external perspective assessment. Semi-structured interviews and surveys were employed in the internal and external assessment phases.

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### Table of key Evaluation Questions for NAMA Facility Mid-term Evaluation

Are the strategic objectives of The NAMA Facility as originally described in the KfW and GIZ programme offer being met? (the amended programme offers shall be taken into account e.g. regarding the log frame and theory of change)
Is any potential (which could be used for improving effectiveness) being missed and/or are any limitations regarding the intended objectives being encountered?
Why do so many project proposals submitted to The NAMA Facility score low on eligibility and feasibility? If projects are deemed to be insufficiently ready to receive funding, what are the main reasons for this, and what are the options for addressing this?
How is The NAMA Facility being perceived by relevant stakeholders?
What are the strengths and weaknesses of the current project cycle/funding practice?
What are the main challenges that projects face when going from pre-approval to final approval?
What are the early challenges faced by NSPs in the first six months of implementation? How can The NAMA Facility change to further support NSPs in the future?

## Key Work Stream Findings

### Theory of Change and Monitoring and Evaluation Framework Work Stream

Whilst the NAMA Facility Mandatory Indicators are plausible, measurable, and in line with standard practice; the original objectives of the NAMA Facility were formulated in the pre-Paris era and require updating. In addition, the Theory of Change and logframe are presented in a complicated way, based on significant assumptions and lacking direct causal linkages between levels. Despite this, and challenges related to designing the NSP monitoring and evaluation plans, the majority of NSP implementers regard the NSP monitoring and evaluation requirements to be feasible.

There are apparent differences in perception among Board members, and between TSU and some Board members regarding the degree of importance of M&E. As more NSPs begin implementation, the management and coordination of monitoring, learning and knowledge exchange across the portfolio will become more important. The TSU will have an important role in these functions which should be considered in the future TSU resourcing requirements.

## Institutional Systems Review Work Stream

The governance structure of the NAMA Facility is found to be operationally adequate: decisions are taken within a reasonable time frame; at appropriate cost; and the level of decision making authority afforded to the TSU is broadly appropriate. The multiple and distinct roles that GIZ and KfW perform within the NAMA Facility have been clarified, the firewall between functions of these organisations has been conceptualised and its existence is acknowledged by all internal stakeholders. However, it has not been formalised or credibly communicated to the outside stakeholders. Thus, the firewall fails to strengthen the image of the decision making processes as independent of GIZ and KfW influence.

In terms of management of the NAMA Facility, the management cost of the TSU is comparable to other multilateral climate funds and staffing levels have been adequate in the past (although there is a question over whether they will remain adequate following the proposed staffing changes). Communications by the TSU are generally regarded as strong or high quality by donors, external stakeholders and TSU staff themselves, although room for improvement exists in the communication between the TSU and the donors. There are ongoing challenges in contracting Third Parties as Delivery Organisations that are only partially addressed by the changes to the Fourth Call for proposals.

## Portfolio Analysis

The NSP portfolio covers a large number of different sectors and geographies. One LDC is covered in the portfolio. The current portfolio of NSPs generally aligns with the NAMA Facility's strategic objectives, highlighting the relevance of the portfolio for the Facility's objectives. However, only one of the NSPs from calls 1 and 2 has been developed without GIZ involvement, and KfW is by far the most represented DO for Financial Components. Thus, the portfolio is not representative with respect to Delivery Organisations. The number of proposed projects that were found to be ready for implementation (and thus ready for support by the NAMA Facility) was very limited. This raises questions on one side about the purpose of the fund and whether a revised set of criteria are needed so that support for readiness can be considered, but on the other side about the preparedness for NAMA implementation at the country level (given the need for the NAMA to find its place within the NDC model set out under the Paris Agreement).

## Project Cycle Work Stream

The TSU and Board have a positive approach to learning and accordingly, many aspects of the Facility, including of roles and responsibilities, terminology, templates, guidance documents and processes have been made clearer and/or adjusted on an iterative cycle. The dominant procedural challenges at the time of analysis were that the project cycle of Calls 1-3 was time inefficient. For Call 4 further steps have been taken to improve efficiency. In

addition, the analysis also demonstrated that the NSP selection criteria introduce a bias towards technical assistance organisations that is not necessarily in line with the Theory of Change and may affect the NAMA Facility's ability to achieve its objective as a finance focused facility.

## Climate Finance Gap Analysis Work Stream

The NAMA Facility has been designed to encourage countries to develop implementation-ready NAMAs, as at the time of its creation, the Financial Mechanisms of the UNFCCC were not ready to finance NAMAs. The NAMA Facility remains a strategic priority for its donors, at least until the Green Climate Fund is fully operational, and whilst there are other funding channels available for NAMAs, stakeholders demonstrate a willingness and propensity to keep the NAMA Facility open for accepting new proposals. Even beyond that, the evaluation has identified a number of potential benefits of the NAMA Facility for the donors to justify its continued operation as a component of the climate finance landscape. These include that a multitude of funding channels (including a multi-donor facility like the NAMA Facility) are needed to reflect the wide variety of NAMAs that can exist as there is no one-size-fits-all finance stream.

## Overarching Findings

Overarching findings that crosscut a number of work streams emerged in relation to the themes of learning; perceptions of the NAMA Facility; and with regard to perceived preference of GIZ as a Delivery Organisation. In terms of learning, the NAMA Facility has demonstrated eagerness and ability to learn and extract and adopt lessons. With regard to perceptions of the NAMA Facility, external stakeholders perceive the NAMA Facility as not necessarily accessible without using GIZ as the Delivery Organisation. In order to set up the Facility speedily with minimum administrative effort and maximum efficiency, GIZ and KfW were asked to play three different and partially conflicting roles. Untangling these and understanding that there is an inherent conflict of interest between these took some time. The result is a Facility that is providing most of its funding through these two agencies. The TSU and Board are conscious of this challenge and working actively to mitigate it.

Measures to remove the potential conflict of interest (CoI) between the three roles of GIZ/KfW are a firewall between project selection and implementation and procedural changes in Call 4, including outsourcing the evaluation and appraisal of NSP (Outlines) through third-party experts. KfW has withdrawn from the management of the Facility. However, the external perception of CoI still puts a strain on the Facility, and can only be resolved by an active approach to communicating openness and the idea of a level playing field. Whether or not the TSU manages to counteract the CoI perception will be one of the key preconditions for success and effectiveness of a longer-term and scaled-up Facility.

## Conclusions

The NAMA Facility has definite strengths. As a multi-donor platform with a promising approach and portfolio it provides valuable flexibility to donors and recipients of climate mitigation finance. The portfolio is broad and if all selected projects successfully move into implementation, it will provide ample opportunities for learning and replication. The focus on learning, with constant reflection and improvement, alongside the strengths of the 'Delivery Organisations' GIZ and KfW in terms of their sheer size, competence on climate mitigation and energy, and their worldwide networks, are important assets of the Facility. Their assets also represent a threat to the transparency of the Facility: transparency and clear communication on the selection of NSPs is needed to counter external perceptions of selection bias towards the two dominant Delivery Organisations. The Board and TSU are already taking action on this.

However, the strengths of the 'Delivery Organisations' have developed into a dominance that limits the attractiveness of the Facility for competitors. This limits the diversity of ideas and approaches that the Facility may be able to support. This is compounded by the relatively small scale of the Facility and the cap on the funding volume per project. Among other things - including a natural trend towards Technical Assistance - these are limiting to the type and number of approaches that can be supported where a much larger effort would be necessary and useful to encourage national initiatives and build a pipeline for the GCF.

The Paris Agreement offers new opportunities for the NAMA Facility. With regard to Nationally Determined Contributions, a larger set of countries will look into sector-wide approaches and start planning implementation. This could provide the NAMA Facility with new target groups for funding requests and for initiating replications of their projects.

## Recommendations

The recommendations are structured into three themes: In relation to the current climate finance landscape; associated with the 4th Call for proposals; and associated with continued improvement to the management of the facility.

### Recommendations in Relation to Fourth Call

Recommendation 1. The TSU should ensure that the processes and changes associated with the Call 4 are as transparent and openly communicated as possible.

Recommendation 2. The TSU should monitor external perceptions of the Facility during the Call 4.

## Recommendations Regarding Operational Management of the Facility

Recommendation 3. The TSU has the correct resourcing for NSP implementation oversight and administration (rather than call management and proposal negotiation).

Recommendation 4. Maintain a strong learning component to the TSU management.

Recommendation 5. Ongoing Review of NSP Selection Criteria.

## Recommendations in Relation to Relevance of the Facility in the Current Climate Finance Landscape

Recommendation 6. The TSU and Board should carefully consider what role the NAMA Facility can play in the Post-Paris Agreement climate finance landscape, within the limits of the financing agencies' mandates and the Facility's funding envelope. Then it should use this thinking as the basis for developing updated programme theory, logframe and medium term strategy.

Recommendation 7. The TSU should capture and communicate lessons from NSPs as they begin implementation.