

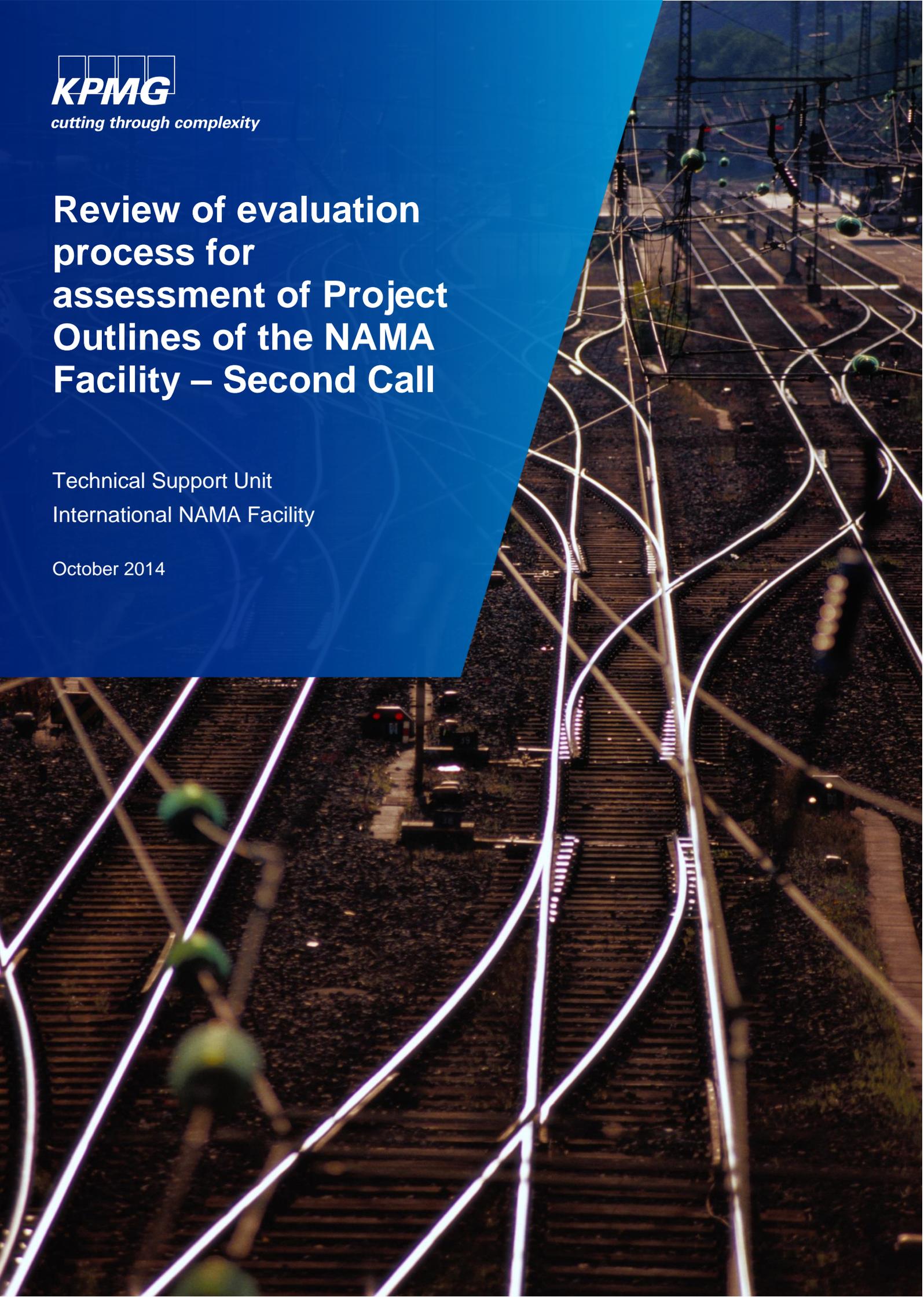


cutting through complexity

Review of evaluation process for assessment of Project Outlines of the NAMA Facility – Second Call

Technical Support Unit
International NAMA Facility

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Abbreviations

BMUB	Building and Nuclear Safety
DECC	UK Department of Energy and Climate Change
GHG	Greenhouse Gas
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
M&E	Monitoring & Evaluation
NAMA	Nationally Appropriate Mitigation Actions
NSP	NAMA Support Project
ODA	Official Development Assistance
TSU	Technical Support Unit
UK	United Kingdom

Introduction

The NAMA Facility was jointly established by the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB) and the UK Department of Energy and Climate Change (DECC) to provide financial support to developing countries and emerging economies that show leadership on tackling climate change and that want to implement transformational country-led Nationally Appropriate Mitigation Actions (NAMAs) within the existing global mitigation architecture in the short term.

The NAMA Facility aims to support the concrete implementation of highly ambitious projects that fit into the context of a broader NAMA and have the potential to catalyse transformational change towards low-carbon development. With this objective in mind, the founders of the NAMA Facility decided to hold open competitive calls for NAMA Support Project Outlines and select the most ambitious and promising NAMA Support Projects for funding. Until recently, most NAMA support initiatives had focused on the designing of NAMAs and creation of enabling environments for them (NAMA readiness). However, the objective of the NAMA Facility is to provide support for the implementation of NAMAs.

The first open call for project outlines was announced by the NAMA Facility in July 2013, inviting developing countries' governments or delivery organizations to submit proposals for NAMA Support Projects by 2nd September 2013. This was followed by a subsequent second open call announced in April 2014, inviting outlines for NAMA Support Projects by 15th July 2014.

As with the first call, the NAMA Facility has proposed that an independent third-party will undertake an ex-post evaluation of the pre-selection process of NAMA Support Project Outlines in order to ensure impartiality. In this context, KPMG has been appointed to undertake a review of the evaluation process of the NAMA Facility. KPMG is further providing its independent assessment of all the projects rated "Eligible" and a subset of the projects rated "Non-Eligible" by TSU based on the assessment template prepared by them.

Background

NAMA Facility's Technical Support Unit (TSU) was tasked with the evaluation of NAMA Support Project Outlines. Accordingly, TSU developed a template to assess the eligibility, feasibility as well as ambition level of the project proposals in accordance with the objectives of the facility. They also prepared specific eligibility criteria for qualified Delivery Organizations to provide technical and/or financial cooperation to support projects under the facility.

The NAMA Facility has categorized NAMA Support Project Outlines under two broad categories, Eligible and Non-Eligible NAMA Support Projects. Projects that pass the eligibility check are categorised as "Eligible" and are further ranked according to the points received for their ambition and feasibility. Depending on the total number of points accumulated by a NSP over the course of its assessment, the assessor then prescribes an overall category of A, B or C for each of the proposed eligible projects.

Projects that do not pass the eligibility check are rated as "Non-Eligible".

In this assessment, KPMG was called upon to review all 24 projects that were deemed eligible by the TSU. Along with the aforementioned eligible projects, KPMG also assessed 5 non-eligible projects, selected randomly out of a total of 25 non-eligible projects received by the TSU.

Eligibility criteria check

Project submissions are first subjected to an eligibility criteria check. Projects are assessed on the following aspects:

- Eligibility of the Delivery Organization
- Endorsement by the national government
- Co-operation with a qualified Delivery Organization
- Readiness for implementation
- Time frame for implementation
- ODA eligibility
- Financing volume
- Concept for the phase-out of support

Projects that do not pass the eligibility check are categorised as Non-Eligible while those that do are classified as Eligible. Eligible projects are assessed further with respect to feasibility and ambition criteria.

The TSU followed a three step approach, detailed below, to determine if a project was eligible or not:

- Individual assessment of the projects by TSU members with projects being randomly assigned to assessors

- Clarifications on difficult aspects of the individual project's eligibility during the individual assessment through internal deliberations with other members of the TSU
- Final discussion of all projects within the TSU team

Categorization of Eligible Projects

Once a project is determined to be eligible, it is assessed further, based on the following two criteria:

- Feasibility - Feasibility criteria seek to ensure that the NAMA Facility supports projects that are feasible, and therefore promising and likely to be implemented successfully.
- Ambition - The ambition criteria seek to ensure that the NAMA Facility supports the most ambitious and transformational projects.

Depending on the extent to which a project is aligned with each criterion, it can be allotted a maximum of 25 points per criterion, leading to a total of 50 points. Based on the final cumulative score, each eligible project is then finally graded into one of the following three categories:

- Category A - 34 or more points
- Category B - 24 to 33.5 points
- Category C - Less than 24 points

The TSU's assessment of an eligible project's feasibility and ambition criteria was performed on the basis of a four step approach involving the following steps:

- Individual assessment of the projects by TSU where projects are randomly assigned to assessors
- Clarifications on the difficult aspects of an individual project through internal deliberations with other members of the TSU, also with regard to a common understanding of assessment categories
- Creation of small groups within the TSU carrying out structured discussions of a project's assessment
- Final discussion of all individual project assessments within the TSU including comparisons between assessments of different NSPs.

This approach was developed to ensure that the final assessment and rating of individual projects was appropriate and justified, individually and within the context of the overall pool of eligible NSPs assessed, especially given the diverse nature of the regions and sectors to which the NSPs belonged.

Feasibility rating

Projects that pass the eligibility check are assessed further with respect to their feasibility. The assessment is performed on the basis of the following four aspects:

- National and international embeddedness
- Project structure
- Logframe and M&E
- Project finance

Based on the assessor's assessment of the project's fulfilment of the evaluation queries, each aspect is given a rating of A (complete fulfilment of evaluation queries), B (partial fulfilment of evaluation queries) or C (insufficient or no fulfilment of evaluation queries) along with an explanation detailing the assessor's reasoning for awarding the particular rating.

Equal weightage is given to all four aspects.

The maximum rating a project can receive for its feasibility is 25 points. The categorisation of the project on its feasibility is as follows:

Ratings on the four feasibility categories (listed as letter combinations)	Assigned points for feasibility
AAAA	25
AAAB	20
AABB	16
ABBB	14
BBBB	12
AAAC	11
AABC	10
ABBC	9
BBBC	8
AACC	7
ABCC	6
BBCC	5
ACCC	4
BCCC	3
CCCC	0

Ambition rating

As mentioned earlier, eligible projects are also assessed on the basis of their ambition. The assessment is performed based on the following four aspects:

- Potential for transformational change (10 points)
- Financial ambition (5 points)

- Mitigation potential (5 points)
- Sustainable development co-benefits (beyond GHG emissions reduction) (5 points)

Hence, the maximum rating a project can receive for its ambition level is also 25 points.

Assessment of Sustainable development co-benefits

During the assessment of a project’s ambition, one of the aspects for which it is evaluated is its “Sustainable Development Co-Benefits”. The approach with which a project’s sustainable development co-benefits is assessed in the template, is detailed below,

- The three sub-aspects of sustainable development co-benefits are measured on an ordinal scale of low (L), medium (M) and high (H).
- The combination of values for all sub-aspects translates into a final numerical score out of 5
- The combinations (irrespective of the order) and their resultant numerical scores are listed in the following table:

Sub-Aspect Combination	Final Numerical Score
LLL	1.0
LLM	1.5
LLH	2.0
LMM	2.5
LMH	3.0
MMM	3.0
LHH	3.5
MMH	4.0
MHH	4.5
HHH	5.0

Final rating

For the final rating, the ambition and feasibility criteria each have equal weightages and the sum of the points received in each of the criteria is used to arrive at the final rating of the eligible project and create a shortlist of eligible NAMA Support Project Outlines.

As mentioned earlier, based on the final cumulative score, each project is finally graded into one of the following three categories:

- Category A - 34 or more points
- Category B - 24 to 33.5 points
- Category C - Less than 24 points

KPMG Assessment

We formulated a team of experts comprising of professionals with prior experience and knowledge with respect to:

- International Climate Policy, Climate Change Mitigation projects in developing countries, Climate Finance Instruments, NAMA's
- Internal Audit and Process Evaluation
- Evaluating assessments for the First NAMA Facility Call

The team initially conducted a review of the entire process of evaluation of the Technical Support Unit and primarily assessed the following (among others):

- Format of NAMA Support Project outlines (in order to ascertain that the criteria/indicators used for evaluation by the TSU are aligned with the information sought from submitters)
- Process of seeking proposals (from the aspects of transparency, provision of equal opportunity, clarity in objectives, etc.)
- Criteria for evaluation of eligibility of project outlines (in order to ensure comparability and its applicability across various project types)
- Criteria for evaluation of ambition: ratings/weightages, accuracy of results etc.
- Criteria for evaluation of feasibility: classification of categories, accuracy of results etc.

Our observations (process weakness/control gap identified and exceptions noted, in the course of our review) based on the documents/further information provided by TSU are outlined as under:

- **Provision of relevant sections in the final assessment:** For some projects, information in the project outline for some of the evaluation queries were present in sections other than the ones listed under the "Relevant Sections" column. It would significantly benefit the evaluation process if the assessor could highlight these sections within the assessment template.
- **Evaluation of Feasibility:**
 - In some instances, even though the assessment template requires the assessor to furnish an explanation detailing his/her reasoning for awarding an A, B or C rating for a project outline's feasibility evaluation aspects, there is an absence of detailed reasoning/explanation (explanations are provided but they are not detailed enough to bring clarity to the result) which makes it difficult to understand the reasoning behind a final A, B or C rating for a particular evaluation aspect.
 - In some cases, evaluation queries are assessed as neither a Yes nor a No without an accompanying detailed set of reasons explaining why (while reasons are provided they are not detailed, thereby not providing sufficient clarity to the assessment). It would also be helpful if an additional option/column is provided, accompanied with detailed reasoning, explaining the assessor's decision in assigning neither a Yes nor a No value to the query.

- **Evaluation of Ambition:** While the assessor is required to provide reasons for his allotment of points to every query, the absence of any benchmarking information or in some cases, detailed reasoning behind the allocation of points for a particular query, makes it difficult to evaluate an assessor's appraisal.

While it is understandable that given the wide spectrum of projects, across multiple regions and industries, it would be difficult to create a common benchmarking or baseline system for all NSPs, it would be beneficial if the assessor could provide a detailed context for his/her assessment (for example, comparisons that may have been made with other NSPs leading to a particular outcome) helping the evaluator understand the reasoning behind his/her final assessment.

- **NAMA Support Project vs NAMA:** The evaluation queries provided within the outline are unable to clearly highlight that the project outline submitted needs to be a NAMA Support Project Outline and not a complete NAMA. This makes it difficult for the assessor to judge projects that have been proposed as NAMA Support Projects but have been detailed in the outline as NAMAs instead.

Conclusion

In conclusion, KPMG's assessment presented the following results,

- Of the 24 eligible projects present, KPMG's assessment differed from that of the TSU for a total of 10 projects. Out of these 10 projects, only 1 project had a different category (A, B or C) assigned to it by KPMG when compared to the categories assigned by the TSU.
- For the remaining 23 eligible projects, the category for the project given by the TSU was found to be appropriate
- The 5 randomly selected, non-eligible projects were appropriately rated as non-eligible by the TSU

Recommendations

Based on our observations during the assessment, we have the following recommendations for assessments of projects in subsequent NAMA Facility calls:

Area of Assessment in TSU Evaluation Template	Recommendation
Additional Relevant Sections	In cases where the TSU assessor is able to find information relevant to a criterion in sections other than those listed in the template, allow the assessor to indicate the aforementioned sections within the evaluation template.
Feasibility Criteria Evaluation – Assignment of A, B or C grades to evaluation aspects	Detailed reasoning clarifying the assessor’s thought process behind the assignment of a particular grade
Feasibility Criteria Evaluation – Assessment of evaluation questions as neither Yes nor No	Provision of the assessor’s reasoning in detail, possibly with an additional option/column, explaining his/her decision in assigning neither a Yes nor a No value to the query
Ambition Criteria Evaluation	Detailed reasoning (for example, comparisons that may have been made with other NSPs leading to a particular outcome) establishing context for the assessor’s final assessment
NAMA vs NAMA Support Project	Provide evaluation queries in the project outline that require the project submitter to clearly state whether the outline being submitted is an outline for a complete NAMA or a NAMA Support Project.

Scope Limitations

- Our responsibility in performing this work is to the NAMA Facility/GIZ only and in accordance with terms of reference agreed. The conclusion is based on the assumption that the data and information provided to us is complete and true.
- KPMG has not cross verified the information provided in the respective project outlines and has assessed the eligibility and ratings/points based on the information provided against the evaluation criteria of the TSU.
- At points where there was incomplete information with respect to certain criteria, KPMG has considered TSU rating to be more appropriate (relying on TSU understanding of requirements and weightings for particular components in accordance with the objectives of the NAMA Facility).
- KPMG assumes no responsibility for the accuracy and completeness of the information and will not be held liable for it under any circumstances.

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