



Mid-Term Evaluation of The NAMA Facility

Final Report

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Acronyms

ADMIRE	Adaptation Mitigation Readiness
BEIS	UK Department for Business, Energy and Industrial Strategy
BDD	Board Decision Documents
BMUB	German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety
CAF	<i>Corporacion Andina de Fomento</i> (Development Bank of Latin America)
CAUES	China Association of Urban Environmental Sanitation
CCAP	Centre for Clean Air Policy
CIFs	Climate Investment Funds
CLCDS	Colombian Low-Carbon Development Strategy
CoI	Conflict of Interest
COP	Conference of the Parties
CTF	Clean Technology Fund
DAC	Development Assistance Committee
DECC	UK Department of Energy and Climate Change (since July 2016, this has become BEIS)
DMS	Document Management System
DO	Delivery Organisation
DPP	Detailed Preparation Phase
DTU	Danmarks Tekniske Universitet (Denmark's Technical University)
EC	European Commission
ECN	Energy Research Centre of the Netherlands
EEPBP	Energy Efficiency in Public Buildings Programme in South Africa
EFKM	Danish Ministry of Energy, Utilities and Climate
ESG	Evaluation Steering Group
EUR	Euros
FA	Financial Assistance

FC	Financial Component
FINDETER	Financiera de Desarrollo Territorial S.A.
FIP	Forest Investment Program
FIRM	Facilitating Implementation and Readiness for Mitigation
GCF	Green Climate Fund
GEF	Global Environment Facility
GHG	Greenhouse gas
GID	General Information Document
GIZ	<i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i> (German Development Agency)
IADB	Inter-American Development Bank
ICF	International Climate Fund
IDA	International Development Association
IFI	International Financial Institutions
IKI	International Climate Initiative
IPA	International Project Agreement
ISR	Institutional Systems Review
IT	Information Technology
KIIs	Key Informant Interviews
KfW	<i>Kreditanstalt für Wiederaufbau</i> (German Development Bank)
KPI	Key Performance Indicator
LDC	Least Developed Countries
MAIN	Mitigation Action Implementation Network
MI	Mandatory Indicator
M&E	Monitoring and Evaluation
MRV	Monitoring, Reporting and Verification
MTE	Mid-Term Evaluation
NA	Not Applicable
NAMA	Nationally Appropriate Mitigation Action
NDC	Nationally Determined Contribution
NF	NAMA Facility

NFGA	NAMA Facility Grant Agreement
NSO	NAMA Support Organisation
NSP	NAMA Support Project
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
PPCR	Pilot Program for Climate Resilience
PIF	Project Identification Form
RAC	Refrigeration and Air Conditioning
SMAP	Sectorial Mitigation Action Plans
SMART	Specific, Measurable, Achievable, Measurable, Time-Bound
SNV	Stichting Nederlandse Vrijwilligers (Netherlands Development Organisation)
SREP	Scaling Up Renewable Energy in Low Income Countries Program
SSRE	Self-Supply Renewable Energy
SUTRI	Sustainable Urban Transport Program Indonesia
TA	Technical Assistance
TC	Technical Component
tCO ₂	Tonnes of carbon dioxide equivalent
TOC	Theory of Change
TOD	Transit-Orientated Development
TOR	Terms of Reference
TSU	Technical Support Unit
UK	United Kingdom
UDP	UNEP DTU Partnership
UN	United Nations
UNDP	United Nations Development Programme
UNEG	United Nations Evaluators' Group
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollar

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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.¹ 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.

¹ It is jointly funded by the climate funds of the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB), the British Department for Business, Energy and Industrial Strategy (BEIS) (formerly DECC), the Danish Ministry of Energy, Utilities and Climate Change (EFKM) and the European Commission (EC).

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.

1 Introduction

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. Mandated in accordance with the general NAMA Facility implementation plan by its donors, the MTE was commissioned as an external contract, and the contract awarded to LTS International.

1.1 Scope and Objectives of the NAMA Facility Mid-Term Evaluation

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. Specifically, the objectives as listed in the Terms of Reference (TOR, Appendix 1), are to analyse and improve understanding of:

- The strengths and weaknesses of the NAMA Facility at all levels (governance, Technical Support Unit (TSU), NSP pipeline and portfolio);
- The relevance of the NAMA Facility to different stakeholders: to beneficiaries and recipient countries, to donors, to Delivery Organisations (DOs); and,
- How the management of implementation of the NAMA Facility can be further improved, including answering questions related to the funding modalities (e.g. looking at global competitive bids and how they have worked and not worked).

These key objectives and the approaches used to answer these questions are discussed and refined further in the Inception Report (Appendix 1).

1.2 Evaluation Audience

The target audience of the evaluation is primarily the NAMA Facility's TSU and donors. However, there are other stakeholder groups that might be affected by this evaluation: those that could affect the Facility's performance, such as the NAMA Facility Grant Agents GIZ/KfW, and those that may have an interest in the findings of this evaluation, for example future NSP support organisations, country governments and other NAMA funding agencies.

1.3 Evaluation Team

This MTE was carried out between May and November 2016 by a small evaluation team consisting of Dr Christine Wörlen (Team Leader and Lead Evaluator), Julia Larkin, Dr Philippa Lincoln, Dr Martina Greib, William Battye (Evaluators) and Hannah Betts (Project Manager).

1.4 Report Structure

Section 1 summarises the background to the assignment. The evaluation object, the NAMA Facility, is described in section 2. The evaluation approach is detailed in section 3, with a detailed technical methodology in the accompanying Appendix series. Section 4 then moves on to the analysis and key findings, presented by work stream. Overarching findings are drawn together in section 5, with conclusions and recommendations presented in sections 6 and 7.

This report is accompanied by a number of Technical Appendices, which provide detailed technical analysis for key findings from the MTE work streams. This Technical Appendix series includes the MTE methodology and survey documentation.

2 The NAMA Facility

2.1 Background

The NAMA Facility was announced at the eighteenth session of the Conference of the Parties (COP18) in Doha 2012, and established in 2013. The Facility aims to provide support to developing countries and emerging economies to implement transformational country-led NAMAs (NAMA Facility, 2015). In terms of intervention logic, by financing and supporting 'NAMA Support Projects' (NSPs) the NAMA Facility expects to generate examples of NAMA finance and implementation, whilst encouraging countries to prepare NAMAs and mobilise additional implementation finance, all of which are intended to contribute to the reduction of greenhouse gas emissions. The NAMA Facility provides grants, the size of which is dependent on each NSP appraisal (NAMA Facility, 2016). Delivery Organisations (DOs) and implementing partners are encouraged to use these grants to set up mechanisms that will provide or unlock other types of financial support (NAMA Facility, 2013; NAMA Facility 2014A; NAMA Facility 2015). Four calls for submissions of NSP Outlines have been conducted since 2013. So far the portfolio consists of 14 projects, covering a range of regions and sectors.

As of 2015, a combined total of €202 million in funding had been made available by four donors for the NAMA Facility (European Commission, 2016). The UK Department of Energy and Climate Change (DECC, now BEIS)² and German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB) established the facility and provided joint funding of €120m³ for the first and second calls for proposals (Garside, 2015). The Danish Ministry of Energy, Utilities and Climate (EFKM) and the European Commission (EC), joined the NAMA Facility as new donors in 2015. The third call saw contribution of additional funding of up to EUR 85 million by BMUB, DECC, EFKM and the EC (NAMA Facility, 2016F), and they have jointly provided up to EUR 60 million for a fourth call of the NAMA Facility (NAMA Facility, 2016F). An additional £75m of UK International Climate Fund (ICF) funding was earmarked for the NAMA Facility in 2015 (DECC, 2012A; DECC, 2014A; DECC, 2015).

This MTE has occurred during 2016; after the UNFCCC Paris CoP. The historic "Paris Agreement" does not explicitly mention NAMAs. The Nationally Determined Contribution

² For the purposes of this MTE report, reference is made to DECC, not BEIS, throughout. The MTE review team acknowledge that the name of the department has now changed.

³ BMUB and DECC committed an initial €70 million, with an additional € 50 million in 2014 (NAMA Facility, 2014).

(NDC) targets that countries have formulated as contributions to the Paris Agreement do however need an implementation entity and NAMAs are one of the potential implementation vehicles for NDCs. It is recognised that increased support is needed for capacity building and implementation, whilst NAMA financing may come from public and private sources. The NAMA Facility (NF) was the first initiative to provide earmarked support for NAMAs which are ready for implementation through both, technical and financial support; but it is by no means the only financing instrument for NAMAs. The Green Climate Fund (GCF) is expected to become the main instrument that NAMA developers will engage with in the future (Carbon Market Watch, (2016). The role of the NAMA Facility in complementing, and adding value to NAMAs within the evolving climate finance landscape is important to it remaining a relevant instrument.

2.1.1 Facility Governance

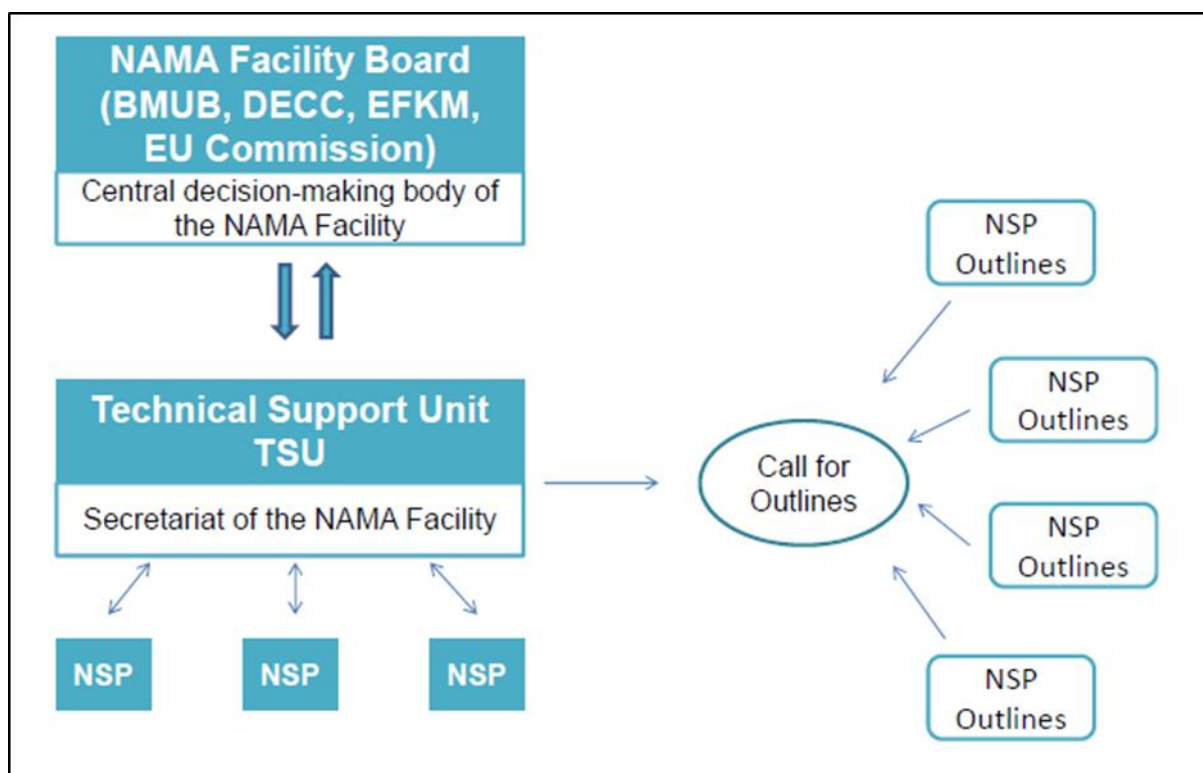


Figure 1. NAMA Facility Governance Structure⁴

⁴ Soren, D. (2016). NAMA Facility: Supporting the Implementation of Nationally Appropriate Mitigation Actions (NAMAs). Presentation on 23 May 2016 at the NAMA Facility Workshop.

The NAMA Facility is governed by a board of donor representatives that is responsible for all strategic and funding decisions. The German development bank *Kreditanstalt für Wiederaufbau* (KfW Development Bank) and the *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ) were commissioned to implement the NAMA Facility as “Delivery Organisations” on behalf of the donors (KfW/GIZ, 2013). They jointly operate a Technical Support Unit (TSU), which provides a secretariat function and is responsible for operational management of the NAMA Facility and for implementing the decisions of the board.⁵ Both GIZ and KfW can be referred to as a ‘trustee’, which is used to differentiate the role of KfW and GIZ vis-à-vis third party Delivery Organisations.⁶ The Trustee function includes due diligence and appraisal, contract management before and during implementation and accountability management of the NAMA Support Organisations. In 2016, KfW withdrew from this role.

2.1.2 Updated Procedures for the NAMA Facility

This Mid-Term Evaluation (MTE) has taken place during a period of evolution of the NAMA Facility. It has focused on the period from establishment to the selection of projects from the Third Call for submission of NAMA Support Project (NSP) Outlines. However, between its Third and Fourth Calls, the Facility has taken steps towards restructuring. The changes in the systems and procedures between these two calls are expected to address some of the challenges to pipeline development, project selection and appraisal that the NAMA Facility has identified. The evaluation has taken stock of these and other ongoing changes, and has attempted to assess to what degree the changes to the Facility’s procedures are likely to influence the Facility and its operations. As the evidence base for this is as yet limited, the evaluation has taken a more strategic perspective, focusing on those challenges that are likely to persist in spite of proposed adjustments to the project cycle. Box 1 demonstrates changes that have been made for the Fourth Call.

⁵ The TSU function includes outreach, Board support, and, included for the first three calls, the eligibility check prior to board selection of proposals.

⁶ The term ‘Trustee’ is used in this broader sense in this context, and not in the context of its actual definition for the purpose of this report evaluation.

Box 1 Changes to the project cycle for Call 4

Each call for proposals to the NAMA Facility has seen modifications made to the application process, in line with feedback and reviews. Following the Third Call for proposals, the NAMA Facility has undergone a substantial reshaping with regards to its processes, based on lessons learned in the TSU and feedback from external assessors, submitters of NSPs and the donors (NAMA Facility, 2016B). The reshaping mainly concerns the application and selection process, with the aim of lower costs for applications and higher eligibility rates. The following are the main modifications that have been made (NAMA Facility, 2016A; NAMA Facility, 2016B):

- Clarifications of terminology, e.g. Phase 1 now named 'Outline Phase', phase 2 now named 'Detailed Preparation Phase'. Elimination of the term "Delivery Organisation", which had previously caused misunderstandings, instead focus on "NAMA Support Organisation" (NSO).
- Light NSP Outline template within outline phase. Main changes are on reducing length, on giving up on FC/TC divide and on dropping the requirement to determine an implementing organisation (NSO) for the NSP at this early stage.
- Range of eligible submitters widened to include any legal entity that fulfils certain capability requirements and allow for different submitter for Outline vs. full proposal. Eligibility of the NSO no longer an elimination criterion under the initial outline assessment.
- External lead assessor introduced, enhancing the independence of the Outline assessment.
- On-site assessments of Outlines in addition to the desk-based assessment will allow for a more thorough assessment of Outlines.
- Allowing for a more thorough "detailed preparation phase" (DPP) of up to 18 months and with increased funding but with a clear cut-off deadline.
- Technical input (appraisal) during the detailed project preparation by external experts from the TSU expert pool.
- The overall grading scale of 50 points has been maintained in order to enable comparability with former calls/ assessments. Outlines below 25 points are not submitted to the NAMA Facility Board.

3 Evaluation Approach

This section provides a short summary of the evaluation approach adopted. The detailed methodology is provided in Appendix 2.

The overall approach was theory-based and utilisation-focused. The approach to the analysis borrowed from contribution analysis: The Theory of Change, its assumptions, and the approval documents for the NAMA Facility served as the basis for formulating hypotheses for each work stream. In parallel to a null hypothesis from inferential statistics, these hypotheses started with an “optimal state” in which the Theory of Change is completely implemented and “working”. The collection of evidence was then scanned for aspects (in particular disconfirmatory ones), which were the basis for updating and refining the hypotheses. This allowed the evaluation team to identify those areas where evidence showed that not everything was in line with the original programme theory, and to formulate recommendations for adjusting either the expectations or the course of action.

During the evaluation, close consultation was maintained with the TSU, in order to keep findings relevant and useful to the evaluation users. Analysis was discussed with the TSU and Board at two debriefing meetings that allowed for joint reflection on the findings and feedback to the evaluation team. The feedback was particularly valuable for identifying what recommendations would be most relevant and useful.

3.1 Work Streams

The NAMA Facility is a complex and fast evolving structure. In order to disentangle and systematically analyse the Facility, the Evaluation Team defined several work streams. These work streams were designed to look at the issues from a number of different perspectives: in relation to the NAMA Support Project portfolio; from the project cycle perspective; with regard to institutional systems; in relation to the Theory of Change and monitoring and evaluation, and finally from the viewpoint of the international climate change negotiations and climate finance. There was joint scheduling of interviews and surveys, but each stream analysed the issues and evidential base independently. This enabled the analysis of issues that might arise from more than one aspect, and strengthened the evidence base for the findings, conclusions and recommendations.

3.2 Steps Taken in the Evaluation

After an initial analysis of the Theory of Change (ToC), a set of hypotheses were prepared to test work stream-related assumptions within the ToC the evaluation questions were defined

(see Table 1 for an overall summary). This occurred during a consultative inception phase (3.2.1). The implementation consisted of an in-depth desk review of documents, key informant interviews and a set of broader opinion surveys. These were structured in two phases: an **internal phase** which entailed consulting with staff and stakeholders internal to the NAMA Facility. This was followed by a second **external phase** that involved engaging with project applicants and stakeholders during and between these phases, close consultation was maintained involved with the TSU. Analysis was discussed with the TSU and Board at two debriefing meetings that allowed for joint reflection on the findings and feedback to the evaluation team.

Table 1: Summary of Evaluation Steps

Phase I: Initial Desk Review		
Foundational documents (KfW/GIZ offers, UK business case, DANIDA assessment)	NF publications (GID)	Existing portfolio documents
Project documents	Lessons learned documents	Unsuccessful projects submissions
Phase II: Internal Stakeholder Interviews		
TSU	Donors	UDP
KfW/GIZ HQ (next step)	Representatives from selected successful projects (next step)	
Phase III: Desk phase [ongoing through phases]		
Refine hypotheses	Formulate findings using triangulation matrix to help understand areas of high confidence and gaps	Identify further evidence
Phase IV: External Stakeholder Interviews		
Unsuccessful projects (n~15) [critical case sampling]	Find further evidence	Formulate conclusions
International specialists (n~10)	Review hypotheses	Formulate recommendations

3.2.1 Inception Phase

The inception phase of this assignment focused on developing a deeper understanding of the NAMA Facility and on gathering key documents for data collection. During the inception phase, the evaluation team refined the evaluation strategies and adjusted the evaluation

methodologies and approaches proposed in the Inception Report (Appendix 1). This was done so that the questions expressed (in the ToR and in discussions with the NAMA Facility TSU and the Evaluation Steering Group (ESG) in an Inception meeting⁷ for this assignment) could be addressed in an efficient and effective manner in the evaluation. An evaluation matrix comprising evaluation questions was prepared and related to the hypotheses that were set up to test work stream aspects of the ToC. In the course of the evaluation, the matrix for each work stream was populated with evidence, triangulated and corroborated using the documentation review, interviews and survey findings.

3.2.2 Analysis

Evidence collected throughout the MTE was analysed, recorded and triangulated. Evidence from the evaluative documentation review was mapped into the respective work stream matrices. Interviews were coded for key themes and topics, with findings developed within each work stream. A 'strength of evidence protocol' (see Appendix 2) was applied to test the strength of evidence to support or refute each hypothesis.

3.3 Evaluation Limitations

Several levels of limitation were identified in the evaluation methodology, related to timing, resource availability and the data collection methods used. These are outlined in detail in Appendix 2 and summarised below.

Scope limitations: The very early stage of NSP implementation means there is limited evidence of outcome level progress. It means the progress of the portfolio and overall contribution to stated outcomes and impacts is not well evidenced at this stage. This has not affected the evaluation of NAMA governance, its calls and other operational factors which were the main focus of this mid-term evaluation. It has meant our assessment of its relevance has relied on our assessments of the post-Paris climate finance landscape and on the interviews with key informants.

Evidence Limitations: access to **external documentation** for comparison was difficult as only a small number of comparable funds (e.g. GEF) publish documentation and evaluation findings in the public domain. The **Key Informant Interviews** had to be reduced from 50 to 26 due to timing and capacity constraints: several external stakeholders were not able to make time to speak with evaluators during the MTE. Others were harder to reach and 'tie

⁷ Inception meeting held 10.5.2016. The meeting was to officially kick-off the mid-term evaluation of the NAMA Facility. Held at GLZ, with the donors present, the meeting served to act as a basis to introduce plans for the inception phase, clarify aspects of the evaluation, and for both parties ask key questions in relation to the project (Kick Off, 2016).

down' for interviews (despite several attempts to contact and arrange interviews). Call 4 was ongoing during the MTE period and; because the implementation of the updated call procedures required significant outreach activities by the TSU to potential submitters; caution had to be used in contacting potential submitters. This limited gathering of opinion from potential submitters on the effect changes in procedures had in their interest to submit, perception of likelihood of success and so on. Host country governments of NSPs were not approached and there were no resources for international visits for interviews. Instead, an online survey was used to solicit opinion from NAMA facility past and potential submitters (including project proponents), the evidence from which was added to the evidence matrix to triangulate findings collated from other sources.

Host country governments of NSPs and potential NSPs were not approached, because an assessment of the number of interviews needed to get a representative and somewhat unbiased view showed that this would significantly exceed the evaluation team's available resources, while resulting in limited new and relevant information.

Method limitations: Whilst the methods used to collect data were justified by time and resource constraints and by the team's wish to avoid disrupting the ongoing operations of the NAMA Facility and its Call 4, nonetheless there are clear weaknesses that need to be noted. It is recognised that the data has very limited external validity and that the findings of the evaluation have equally limited generalisability.

Key Informant Interviews (KIIs) are vulnerable to interviewer and interviewee bias risks. To manage this risk, the evaluation team prepared a consistent interview schedule that was used in all interviews. The findings were mapped into the work stream matrices and required triangulation from other KIIs and other data sources to be utilised in the interpretation of evaluation findings.

There are inherent risks with the use of surveys. The surveys were only tested through a pilot exercise with a separate population who don't necessarily reflect the views and opinions of the sampled populations. In the case of the 'internal survey' which was conducted amongst the TSU staff and Board, whilst all representatives were sampled, the number is very small. Because of the small number of respondents (12 in total), no attempt was made to apply statistical analysis to the findings and the findings were used qualitatively.

The external survey had a relatively low response rate. It was also a self-response survey that included Likert style responses. These responses introduce biases which affect the validity of the data. For this reason both the internal and external survey data was not used on its own, but was used as part of the triangulated evidence base, in combination with other findings from key informant and document review. This gives us sufficient assurance that, despite the small sample size the key people were spoken to and that a breadth of views are represented.

No general stakeholder consultation of the climate change community (e.g. through a survey published through climate-l) was conducted in order to limit the risk of potentially worsening the negative perception of NAMA Facility that was identified through the key informant interviews.

4 Work Stream Findings

As described in the Evaluation Approach, Section 3, the analysis was conducted in several work streams, which are fully documented in the Technical Appendix 2. A summary of the findings from each work stream is presented in this chapter. A number of findings converge across work streams and result in cross-cutting or overarching findings. These are presented in Overarching Findings Chapter 5.

4.1 Theory of Change, Monitoring and Evaluation Work Stream

This work stream assessed the original programme theory of the NAMA Facility and the adequacy of its Monitoring and Evaluation Framework, including the current Theory of Change diagram and logframe (Appendix 3 Figure 1)

Finding 1 The original objectives of the NAMA Facility were formulated in the pre-Paris Agreement era. They require updating.

The objectives of the NAMA Facility as reflected in the original DECC business case, the original programme offers of the DOs to BMUB, and the Danida Appraisals, were formulated under a very different UNFCCC negotiation environment and fundamentally different climate finance landscape to that which exists today. The more recent implementation of the Green Climate Fund and the United Nations Framework Convention on Climate Change (UNFCCC) Paris Agreement both create new conditions for the NAMA Facility. The objectives that are pursued by the NAMA Facility should therefore be updated to fit the post-Paris environment and contribute to its transformative goals.

Finding 2 The current Theory of Change is rooted in the outdated original programme theory of the NAMA Facility, and also requires updating.

The initial programme theory of the NAMA Facility, does not reflect aspects subsequently considered by the Board and TSU as instrumental in its implementation: for instance, the division of NSPs into Technical Assistance (TA) and Financial Assistance (FA) components; the need for ambitious and transformative NAMAs; and the focus on NSP selection by merit rather than political considerations. Harmonising the most recent Theory of Change (TOC) diagram developed by TSU (See Appendix 3, Section 3.1, Figure 1) with the expectations and recent experiences of NAMA Facility implementation, would allow for results-oriented management of the Facility and improve its technical merits.

Finding 3 The Theory of Change is convoluted, the direct causal linkages between levels are unclear and based on significant assumptions.

The current TOC emphasises coverage at the impact level, which by definition is outside of the control of the NAMA Facility or NSPs. Rather than de-emphasising this level, the “attribution gap” is highlighted. The logical flow and linkages between levels are not clear or specific. The logical hierarchy of “IF (e.g. Activities) are undertaken AND (e.g. output) assumptions hold true, THEN (output) will be achieved” is not fully in place between the levels of the Theory of Change.

The Outcome space within the original programme design was premised on a series of key assumptions (which are tested in the form of hypotheses and reported in this report below):

- A significant number of ambitious NAMA proposals are finance-ready
- NAMA Facility support is required to add the transformational dimension to NAMAs
- The need for support exists independently of a country’s economic status
- Transformational NAMAs require a Financial Component
- No other funding source is available to finance transformational NAMAs.
- Large scale impact and replication will ensue if the transformational NAMAs provide role models and other donors make funding available

The focus of the Outcome formulations in the TOC lies in the demonstration effect of the NSPs, rather than greenhouse gas emission reductions, or sectoral transformation results. In this respect, the TOC is not in line with the expectations of the Board or other stakeholders, who regard NSPs as leading to the implementation of meaningful and transformative NAMAs: the NSPs are expected to trigger transformation and to seed changes locally that build on readiness activities and smaller projects, and that can be scaled up – if need be – through the Green Climate Fund or mainstream activities.

Finding 4 The Mandatory Indicators are in line with standard practice, plausible and measurable.

The NAMA Facility Monitoring and Evaluation Framework contains valuable advice and good practice on indicators, indicator operationalisation and project and programme monitoring, in particular the Mandatory Indicators,⁸ which are the most clearly elaborated component of the logframe. They are well formulated, and precisely scoped and defined in the Indicator Guidance. They are measurable and the measurement guidance is clear. In some cases, the lower level output and outcome indicators are unlikely to give a clear measure of results against the relevant achievement level, because they are either not directly linked or causally

⁸ The NAMA Facility logframe includes five core Mandatory Indicators (three at outcome level and two at output level) and 11 non-Mandatory outcome indicators.

incomplete. However, this is probably a function of the presentation of the TOC, on which the logframe is based.

Finding 5 Limited resources have constrained the operationalisation of the NAMA Facility M&E Framework

The Monitoring and Evaluation Framework was published by the TSU two years after the establishment of the NAMA Facility and after three calls for proposals had been undertaken. Internal interviews and internal documentation also indicated that the importance attached to strong M&E varies amongst the donors both contrastingly suggests that it was not a major priority of the TSU during its early years. However, the TSU states that, while this took much longer than planned, the delay was due to a lack of resources and capacity rather than a lack of prioritisation. The current framework of indicators fully integrates with the relevant Key Performance Indicators of the UK's International Climate Fund (ICF), so the indicator framework complies with the needs of at least one of the donors.

Finding 6 NSPs overwhelmingly consider the NSP monitoring requirements to be feasible.

Despite some challenges related to designing the NSP monitoring and evaluation plans, particularly in relation to the harmonisation of indicator frameworks between the NSP, the NAMA Facility and Monitoring Reporting and Verification (MRV) systems, by far the majority of NSPs surveyed regard the NSP requirements to be feasible. They would, however, welcome additional support from the TSU on monitoring and evaluation, particularly in terms of training and coordination of NSP workshops, such as the NAMA Facility-hosted workshop on monitoring and evaluation that was held in January 2016.

Finding 7 Monitoring, Reporting and Learning will gain in importance and should be considered in the Technical Support Unit staffing structure.

In the near future, more NSPs are expected to commence implementation, finalise their monitoring and evaluation plans, and start generating experiences and lessons. The NAMA Facility's orientation towards transformation and replication can only materialise in practice if portfolio level monitoring and reporting incorporates the systematic extraction of lessons and their use in informing course correction. If this is the role of the TSU, it should be noted that it has limited resources to do this effectively. With the number of NSPs progressing through the Detailed Preparation Phase anticipated to be higher in future, and the number of successful Outlines increased during 2017, there is likely to be a larger draw on TSU staff resources than at present. Proportionally it is anticipated that this will result in lower levels of effort available for M&E within the NAMA Facility.

4.2 Institutional Systems Review Work Stream

This section presents summarised findings on the governance and management of the NAMA Facility. The detailed analysis and findings of this work stream, based on document review, stakeholder interviews and an internal stakeholder survey, are in Appendix 3.

4.2.1 NAMA Facility Governance

Finding 8 The governance structure of the NAMA Facility is 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 TSU and donors to the NAMA Facility were comfortable with its governance structure and the structure for decision making, and felt that decisions are taken by the Board and implemented by the TSU within reasonable timeframes. Donors also felt that decisions are implemented with appropriate costs and in relation to an acceptable cost-benefit ratio for this type of funding instrument. Even so, self-assessment surveys with the TSU reveal more mixed views on the efficiency of the NAMA Facility and mixed views on the efficiency of Board decisions in terms of time frame.

Board level costs are minimal as staff time is covered by the donor organisations themselves. These results indicate a reasonably effective and efficient decision-making arrangement. This is backed up by the survey and key informant findings, with over half of respondents agreeing that the TSU currently has an appropriate level of decision-making authority for the NAMA Facility. Where there were efficiency opportunities to be had from greater delegation of decision-making to the TSU, such delegation was effected.

In the Fourth Call, more of the responsibility for the selection of the Outlines will be taken over by Third Parties, reducing the influence of the TSU on the funding decision, relative to the past. While this will cause additional costs and reduce efficiency it is a necessary step to enhance the credibility of the Facility in the current set up.

Finding 9 Conditions associated with some donor funds are not considered to have affected NSP funding decisions

We found no evidence of conditions on use associated with donor funding affecting the outcome of the funding decisions. Whilst some of the donors that provide funds to the NAMA Facility have conditions associated with how those funds can be spent, there is some complementarity and fungibility between the different donor funds, which provides enough flexibility that individual NSP funding decisions should not be influenced by those

conditions. Internal stakeholders do not consider that donor funding conditions have influenced NSP funding decisions.

Finding 10 GIZ and KfW have multiple and distinct roles that they perform within the NAMA Facility. These have been increasingly clarified. A firewall between functions of these organisations has been conceptualised but not formalised.

The GIZ and KfW have three key functions associated with the NAMA Facility: joint management and operation of the TSU; functioning as Trustee and contractor of third parties,⁹ including appraisal, and implementing NSPs; and as a DO of NSPs. In each of these functions, KfW is generally responsible for Financial Components, GIZ for the Technical Components. Given that GIZ and KfW both manage the TSU and submit NSP funding outlines, there is obvious potential for conflict of interest within such a system.

Donors and TSU staff referred to a knowledge 'firewall' existing between GIZ's and KfW's role as proponents and implementers of NSPs and their roles in managing the TSU. This firewall consists of a separate document storage facility for the TSU and a requirement that staff do not pass information to persons outside of the TSU regarding calls for proposals and funding decisions. Staff also referred to a Document Management System (DMS) that separates information between the TSU and external GIZ /KfW, but there is no written staff guidance or documented detailed information of this system, risking an inconsistent interpretation of how the firewall is expected to work. Because the firewall is not codified *i.e.* it is not written down anywhere; the contents of the firewall are not clear to an external audience.

4.2.2 Management of the NAMA Facility

Finding 11 The management cost of the TSU is comparable to the multilateral climate funds

The proportional cost of the TSU is 4.2% of total allocated funds. Aside from pledges, donor costs for oversight of the NAMA Facility are in terms of staff time. This compares well to the costs of some peer organisations (for example, the Green Climate Fund which has an administrative cost of approximately 3.7% of total pledged funds). A study by the Overseas Development Institute on the effectiveness of multi-lateral climate funds finds that the administrative costs of funds vary widely and range up to much higher levels (15%, Nakhooda *et al* (ODI), 2014). This review was not able to establish implementation and

⁹ From 2017, GIZ will act as the NAMA Facility Grant Agent or 'Trustee', managing funds and all procurement and contractual procedures on behalf of the NAMA Facility.

management costs for GIZ/KfW administered NSPs. We cannot therefore determine efficiency of the system overall.

Finding 12 TSU staffing levels have been adequate in the past.

The TSU was initially staffed with temporary secondments from KfW and GIZ, then with staff on fixed-term secondments once the TSU was formally established. Over time the number of staff and the balance between consultants, full time staff and GIZ/KfW has changed. At present the TSU has 10 staff members including an advisor seconded from Danida and support staff. Both KfW and GIZ also use in-house staff resources for the Trustee and NSP functions and for the delivery of services (contracting, auditing, IT etc.).

When surveyed in mid-2016 both donors and TSU regard the TSU broadly as adequately staffed. However, a TSU staffing review document noted a number of challenges in relation to procedural changes, increasing implementation and M&E tasks, which could all increase the TSU workload. At the same time, the TSU will need to replace the three (2.4 FTE) staff seconded from KfW, when KfW withdraws from managing the TSU, with two GIZ seconded staff (2.0 FTE). The overall reduction in available resources and procedural changes infer an increased workload for each staff member, whilst new staff will also take time to get up to speed with operations and be fully effective.

Finding 13 There are challenges in contracting Third Parties as Delivery Organisations that are only partially addressed by the changes to the Fourth Call for proposals

When the NAMA Facility was first developed, there was a clear rationale for the role of GIZ and KfW, as these organisations have key features necessary for implementation of the Facility, such as an existing architecture to implement activities across countries and sectors, existing relevant framework agreements and staff, proven implementation structure, and appropriate fiduciary and risk management systems.

Contracting of other organisations for delivery of NSPs seems to have been a secondary priority, and difficulties in contracting Third Party Delivery Organisations (DOs) have subsequently emerged. The key constraints are: that the contracting procedures were not straightforward to adjust to Third Party DOs; there is a lower level of risk tolerance towards Third Party DOs; and, that there is confusion amongst applicants over the Technical Component/Financial Component logic and its contracting implications.

Changes have been made for the Fourth Call that are intended to go some way to addressing this issue. As the changes are in the process of being operationalised, the effect on addressing contracting challenges in practice remains to be seen.

Of the external stakeholders surveyed, most (21 out of 27) reported that outreach products and communication with the TSU were reasonable or strong, with only 6 out of 27 responding that there was room for improvement in these areas or that they were of low quality. Among the TSU staff surveyed, TSU communications with DOs were universally regarded as strong or of high quality. This view is backed up by donors, five out of seven of whom regarded TSU communications with DOs as strong or of high quality.

Communication with donors by the TSU was also well regarded by both the donors. The perception of quality and impact of communications such as strategy papers or documents related to NSP appraisals and Board meetings, was also generally high among the stakeholders interviewed.

The operating language of NSP communications (*i.e.* English) was identified as a limitation to NAMA Facility access for potential NSP proponents from non-English speaking backgrounds. Two external responders noted that they found the lack of local language skills of the TSU a challenge which limited their ability to communicate during proposal development. However, this language challenge not unique to the NAMA Facility, but common to many global funds.

4.3 Project Cycle Assessment Work Stream

This section contains a summary of the key findings from the Project Cycle Assessment. The detailed analysis and findings are presented in Appendix 3.

4.3.1 Project Cycle Management

Finding 14 The Project Cycle of Call 1-3 was time inefficient, although steps have been taken to improve efficiency.

The time taken to develop a NSP from outline submission to implementation ranges between 29 months in the case of Costa Rica and 37 months in the Colombia NSP, far exceeding the 23-24 months average time between submission and implementation of the Global Environment Fund (GEF), an international benchmark. This situation has been caused by several factors:

- Long delays in the exchange of International Project Agreement notes between the German Government and partner countries, which are necessary before an NSP can be implemented;
- A long appraisal phase, due to sometimes lengthy multiple feedback loops between the TSU, DOs and the donors; and,

- The long duration of revision processes in the NSP countries that originate, *inter alia*, from difficulties in the coordination of large numbers of stakeholders involved in developing the NSP from outline to implementation.

The length of time from outline submission to implementation is exacerbated by a lack of cancellation policy designed to suspend projects from the pipeline if a given time period is exceeded. Concern over the length of time from outline to implementation is shared by TSU, donors and NSP submitters alike, with fears that this may affect the relevance of the NAMA Facility and momentum among NSP stakeholders.

Finding 15 The TSU and Board have a positive approach to learning, which has resulted in constant adjustment, including of roles, useful clarifications and adjustments to processes.

The promotion of learning and the willingness to learn and absorb lessons is a central feature of NAMA Facility governance. Various examples of active learning by the NAMA Facility have been identified by this assessment, covering adjustments to processes; clarification of descriptions and roles; and elaboration of operational processes. Self-assessment survey results suggest that donors generally feel that the approach to learning internally within the Facility is positive and open, and that opportunities for learning are taken seriously. This finding is taken up in more detail in the Overarching Findings.

4.3.2 Effects of the project selection criteria on the development of NAMA Facility portfolio

Finding 16 The set-up and application of the selection criteria favour the application and dominance of Technical Assistance organisations

The majority of DOs proposed in NSP outlines are organisations that specialise in technical assistance, despite the expressed purpose of the NSPs to mobilise additional finance and be closely linked to financial instruments. For instance, data from the Call 3 shows that all the DOs of the Technical Component of submitted Outlines, and the overwhelming majority (71%) of the DOs for the Financial Component, were technical assistance organisations. Only 29% of the DOs for the Financial Component were banks.

A number of factors associated with the selection criteria appear to be involved. Firstly, the relatively small scale of funding specified in the criteria favours technical projects. Financial Institutions indicate that they are discouraged by the maximum funding envelope of 20 Million Euro, which limits the type and scale of projects that can be undertaken. The size of funding is considered too small to be interesting to, and to allow in, all promising financial assistance-focused NSPs. Additionally, the requirement for a Financial Component implicitly promotes the need for technical assistance, given that it requires some traditionally technical

assistance type activities, such as due diligence, feasibility studies, capacity building etc. to implement the Financial Component.

Given these factors, it is inherent that there is a strong element of technical assistance within the NAMA Facility portfolio and a dominance of technical assistance organisations as DOs. Possibly as a consequence of this, the separation of the Financial Component and Technical Component is felt to be an artificial approach that is not understood by many submitters as it does not correspond with their understanding and formulation of NAMAs and NSPs. Submitters of Project Outlines report that they face difficulties in formulating the Financial Component, whilst others struggle to find appropriate financial institutions to partner with and struggle especially in understanding what type of financial component would be the most effective for their NSP. Many Outlines proposed were rejected on the basis of the lack of readiness of the financial component.

The technical assistance loading of the NAMA Facility is a cause for concern amongst those that believe that the objectives of the NAMA Facility as a financing facility are less likely to be achieved as a result. An additional issue is that the introduction of the new “competitive element” in the Fourth Call may precipitate a development where countries might not necessarily be willing to present larger policy initiatives or programmes to the Facility, because they have to face the double hurdles of getting their NSP Outline through the outline phase into the Detailed Preparation Phase (DPP), and within the DPP they could be disadvantaged, because the smaller projects might be quicker in finishing their appraisal phase. If smaller projects are favoured, this could provide an additional factor to reduce the attractiveness of NSPs to financial institutions and thus compound the problem.

4.4 Portfolio Analysis Work Stream

The portfolio analysis described general characteristics of the portfolio assessed the adequacy of the current portfolio for meeting the NAMA Facility’s strategic objectives. See Appendix 3 for more insight into these findings.

4.4.1 Portfolio Composition

Finding 17 The existing portfolio covers a wide range of sectors, countries and regions and approaches, but is dominated by GIZ and KfW as Delivery Organisation.

The portfolio has a moderate geographical and a good sectoral distribution and appears to be addressing climate finance gaps and serving as a demonstration for the international community. The existing portfolio includes primarily middle income countries; there is only one Least Developed Country represented.

GIZ is by far the dominant DO. In the first two calls, only one selected project– the Colombia TOD NSP – does not include GIZ. While in the Burkina Faso Biomass project SNV is the official DO, here, too, GIZ is playing an important role in the local partnership. In the third call, one more non-GIZ project and three more GIZ projects were added. In addition, there are 2 NSPs in the first three calls, where GIZ is also functioning as the DO for the Financial Component. KfW is not quite as strongly represented but is still the second most common Delivery Organisation/NAMA Support Organisation.

While GIZ has had a 23% share of the TC DOs in the Outline submissions for Calls 1 - 3, its shares in the ultimately selected sample was closer to 80%. Similarly for the FC DOs, the German institutions submitted around 17% of the Outlines and succeeded to have more than half of the winning proposals. Two of the four projects that scored higher than the lowest selected project had no participation of either KfW or GIZ.

4.4.2 Portfolio Relevance for the Strategic Objectives

Finding 18 The existing portfolio generally reflects the strategic objectives.

The original objectives for the NAMA Facility can be summarised as (1) maximising greenhouse gas (GHG) emission reductions, (2) optimising for demonstration effects promoting within and cross-country replicability and regional public and private finance mobilisation, and (3) demonstrating the feasibility of ambitious NAMAs internationally, such as for the climate negotiations and mobilising international climate finance (KfW/GIZ, 2013).

The evaluators found that the existing portfolio is a reasonably good fit with the strategic objectives, particularly when considered in context of competing criteria and the overall characteristics and level of readiness of submissions to the NAMA Facility as well as the broader pool of NAMAs in the NAMA Registry. The null hypothesis was maintained throughout the analysis. That is, **“the existing portfolio adequately meets the NAMA Facility’s strategic objectives overall, with NSPs that reflect a balance of the three main strategic objectives.”**

However, very few projects are under implementation even as of year 3 of the Facility, so it is too soon to assess how well the selected NSPs will deliver on their indicators.

Finding 19 Readiness was overestimated. Other International Climate Initiative projects provided NAMA readiness support for the selected NSPs but the choice of projects that were found to be sufficiently ready for NAMA Facility support was very limited.

Generally, the NAMA Facility has not been able to attract many NAMA projects that are implementation ready. The findings suggest that the assumption regarding NAMA readiness

underlying the Theory of Change was optimistic. Potentially this is also an explanation for the long project preparation periods; these are longer than the average project preparation periods of the GEF which do not explicitly have the same strong transformational - orientation for selection or the competition-driven selection approach.

However, there were a significant number of NAMA Readiness projects, sponsored in particular from the German IKI and Danida. These include Mitigation Momentum (Ecofys and ECN), MAIN (CCAP), FIRM (UDP) and ADMIRE (UDP). The selected NSPs were either supported by these projects or part of ongoing GIZ relationships, as well as a large number of ongoing country-specific efforts. Through a de-emphasis on readiness, a wider range of Outlines will be rated on other aspects and will thereby have a greater chance of receiving NAMA Facility support.

Finding 20 There are contradictions inherent in the three key objectives of the NAMA Facility

There are contradictions inherent in the three key objectives of the NAMA Facility as well as in its structure. For example, the funding range is only practical for a subset of potential NAMAs, which are less likely to be the most innovative and transformative options. The competitive element designed to promote ambition also introduces uncertainty and limits the participation of governments and the private sector. The most transformative projects may not be the most implementation ready, or able to guarantee the biggest emission reductions.

Contradictions inherent in criteria that are directly linked to strategic objectives include:

High mitigation ambition of projects: Whilst the mitigation ambition is highly relevant for that particular overarching objective, it is only somewhat relevant for replication or international finance. A diversity of project profiles could provide significant mitigation reductions and stimulate within-country or external replication. However, the most significant emission reductions would be expected in middle income countries that are addressing a part of, or an entire, sector with potential for high emission reduction (e.g. energy). The preferred DOs would likely be those that specialise in the specific sector.

Sectoral and Geographic spread and Country Income: The mitigation ambition objective would tend to promote the selection of projects within particular sector/income clusters, with less concern about specific regions. The (within-country or external) replication objective would tend to promote a diverse selection of projects in all sectors, income levels and regions, proportionally. The options for alternative funding vary by sector and income level, and may vary additionally to a lesser degree by region.

International climate finance model/mobilisation: Addressing gaps in available international finance is relevant for all three objectives to varying degrees. As the

NAMA Facility only provides a small proportion of the total funding needed, it is important to note that the NSPs already have, or will need to identify, other appropriate sources.

4.5 Climate Finance Gap Analysis Work Stream

Details of the analysis and the findings summarised in this section are provided in Appendix 3.

Finding 21 There are other funding channels for NAMAs but stakeholders demonstrate a willingness and propensity to keep the NAMA Facility open for accepting new proposals.

The Climate Finance Gap Analysis started out with an initial hypothesis (based on one of the original assumptions) that:

The NAMA Facility is funding proposals for which no other funding source is currently available;

The NAMA Facility is not the only source of NAMA financing. However, the NAMA Facility was not designed to support all NAMA projects, only those that have high transformative potential. It was also one of the few instruments that supported NAMA implementation. NAMAs will have varying scopes and include different activities: therefore, different sources of financing will be needed to fund the activities within the NAMAs. Supported NAMAs in the current UNFCCC list are funded by the NAMA Facility, UNDP MDG CARBON, GEF Trust Fund, Spanish NAMA platform, Inter American Development Bank and existing ODA for Climate change mitigation.

The GCF will also be a source of financing for NAMAs in the future. This, together with the fact that NAMAs are no longer the cornerstones of mitigation action in developing countries, implies that this original rationale for the NAMA Facility may no longer be relevant. That does not discount its potential role in the climate finance landscape as we discuss below.

The second sub-hypothesis in this work stream analysis was:

In the post-Paris world, financing NAMAs will not be important anymore and the NAMA Facility can shut down.

The leading thinkers on how to move the UNFCCC process forward insist that “Paris is about mainstreaming green growth into general development plans. The time of project-by-project work is over.”

However, the key informant interviews revealed that important arguments for continued operation of the NAMA Facility exist even though the Paris Agreement does not specifically mention NAMAs: some countries have fully structured their Nationally Determined Contributions in NAMAs, and it is recognised that NAMAs are an important vehicle for the operationalisation of the NDCs. NAMAs are in between small scale projects, and an attempt at nation-wide sectoral transformation. They are, or can be, useful building blocks for implementing nation-wide commitment in sectoral efforts.

Finding 22 The NAMA Facility remains a strategic priority for the donors, at least until the Green Climate Fund is fully operational.

Most donors to the NAMA Facility felt that, at least until the Green Climate Fund is fully operational, the NAMA Facility will remain a priority. This is not necessarily because of the relevance of NAMA as a mitigation instrument, but because there is ample space in climate finance and global negotiations and the new Paris agreement for flexible mitigation-focused funding. So, the NAMA Facility remains a potentially valuable tool, and donors prefer to have multiple delivery instruments operational.

Finding 23 The benefits the NAMA Facility provides as a component of the climate finance landscape might outweigh the cost of its operation in the interpretation of the stakeholders, including the donors.

Generally¹⁰ the interviewees, including the donors, perceive it as a positive option to keep the NAMA Facility open. Some stakeholders believe that the NAMA Facility might still have a useful role to play in the climate finance landscape, even though its original rationale has weakened or disappeared, because it has the following advantageous features:

- A specific merit-oriented and competitive selection process, which is not primarily governed by (geo) political considerations;
- The benefit offered by having multiple additional funding channels open – additional to the official climate finance mechanisms – is tangible: it allows the more ambitious countries to draw on several funding channels at the same time, and to work on more issues at the same time if they have the capacity and political will – which is a benefit to Annex II and Non-Annex-II countries;
- Last but not least, the Facility provides motivation for countries to develop interesting and innovative ideas.

¹⁰ The interviews were not representative – all interviewees had some relationship with the NAMA Facility. One of them said that he/she thinks the Facility should be closed.

There are also potential advantages that might not have materialised but might be achievable:

- The possibility of developing an improved system that will be i) able to reduce the time delay between appraisal and implementation;¹¹ ii) have a limited amount of red tape, and iii) which be open to many different agencies;
- A facility that can receive climate mitigation funds with a flexible time horizon for pledges and,
- That can build on multiple delivery organisations with the necessary fiduciary and technical capacity.

As discussed in other sections of this report, these are characteristics that have not yet fully materialised as strengths of the NAMA Facility. Keeping the NAMA Facility open would require significant improvements to some of these traits which can currently be considered weaknesses: currently, long and drawn-out administrative procedures and project preparation times including the need to conclude International Project Agreements (IPAs) prevent implementation from taking place as quickly as originally envisioned. The DOs are currently plagued by difficult contractual challenges and a prolonged process of defining their role. These difficulties lie mainly on the administrative and preparatory levels.

The costs that will need to be balanced with them are mainly twofold:

- Costs to donors in supporting an administrative mechanism (in the form of the DO and the Trustee); and,
- Costs to applicants in adapting to the specific set of templates and requirements asked for by the NAMA Facility.
- These costs are not significantly different between the NAMA Facility and other climate finance mechanisms. The first set of costs would be comparable for all climate finance mechanisms. The second set is – according to interviews – something that “all applicants are used to.” Overall, these costs seem to be manageable and typical, while the potential benefits are not easy to achieve with the standard climate finance mechanisms. However, the benefits will only materialise with significant improvements of the known weaknesses and a (re-)focusing of the profile and objective of the NAMA Facility.

¹¹ The hope is realistic that the existing project cycle delays can be limited through learning effects.

5 Overarching Findings

The findings from the work streams have been described in Section 4-Work Stream Findings. The evaluation also captured a number of overarching and cross-cutting observations and findings that contribute to the conclusions and recommendations. These overarching findings are significant topics that have been identified across several work streams, such as the need for learning, the problematic triple role of the “Delivery Organisation”, the impact of external perceptions, and the perception that the NAMA Facility is a technical assistance facility more than a climate finance facility.

5.1 Learning

Finding 24 The NAMA Facility has demonstrated eagerness and ability to learn and extract and adopt lessons.

Across all work streams, the NAMA Facility, its TSU and its Board have demonstrated a high degree of openness for self-reflection and improvement. After each call, a lessons-learned exercise documented the experiences, reflected upon the results and put forward deliberations on how to improve the facility. For each call, the procedures, criteria, funding, guidance documents, process manuals and templates have been changed and adjusted to reflect these lessons. In later calls, the TSU has offered feedback in the form of phone discussions to non-selected proposal proponents. This is particularly laudable since it shows the openness of the Facility to enter into dialogue with project proponents.

This eagerness to learn results from a shared sense of pride between the TSU and the Board that the NAMA Facility is an interesting and special joint endeavour. In the course of this evaluation, the eagerness to learn has also been reflected in the willingness to share and to engage in an open and constructive dialogue.

As a consequence of this willingness to learn, the changes associated with Call 4 potentially open up the Facility for a larger number of applicants and Support Organisations. This willingness is an important strength of the Facility, and the precondition for staying relevant.

5.2 Balancing the trade-offs of multiple roles

Finding 25 In order to set up the Facility speedily, with minimum administrative effort and maximum efficiency, the “Delivery Organisations” GIZ and KfW were asked to play three different and partially conflicting roles. Untangling these and understanding that there is a perceived conflict of interest risk took some time.

The role of the “Delivery Organisation” includes: providing the services of a Secretariat to the Board (through the TSU); acting as the fund manager and contractual partner of donors and funding recipients; and also acting as an implementer of NAMA Support Projects.

GIZ and KfW are active in Non-Annex II countries and in the area of climate mitigation. Both organisations are among the most established bilateral institutions globally working on climate change mitigation. It seems to be a rational leveraging of existing capacities to allow them to propose and implement NSPs.

In addition, they are institutions that have a long-standing relationship with the Lead Donor BMUB. GIZ in particular has been administering the German International Climate Initiative (IKI) for a long time. They are “*Durchführungsorganisationen*” (implementing organisations) for German Development Aid and have special status with respect to administering German budgetary resources. Therefore, using them as the administrative bodies for the NAMA Facility enabled the utilisation of established and streamlined procedures for the transfer of the funds of the Lead Donor, and jump started the Facility.

The decision by the NAMA Facility Board to second staff from the “Delivery Organisations”, GIZ and KfW, to the Technical Support Unit was one of convenience. Both organisations could use some of the allocation of funds from the donors, in this case from BMUB, to pay for these services. Having them do this on a shared basis ensured that both Delivery Organisations had equal access to the Board and the incoming NSP Outlines, and allowed the installation of the TSU with minimal administrative effort as both institutions offered these services as part of their contracts with BMUB and DECC.

The distinction between these three functions of GIZ and KfW has not always been clear to stakeholders. While the multiple roles are now described in public documents such as the Process Manual, confusion has been expressed in particular by the third party “Delivery Organisations” for which the same term has been used, but in relation to a reduced set of functions. This particular confusion is now mitigated with the new terminology that was introduced in Call 4. Now the Facility distinguishes explicitly between:

The **NAMA Support Organisation** – “responsible and accountable for the proper delivery of funds and/or services, the financial and administrative management of the NAMA Support Project, reporting to the TSU and Donors and for monitoring”;

Implementing Partners – “national (sector) ministries, financial institutions such as regional or national (development) banks and other public and/or private entities mandated by the national government to implement and operate the NAMA Support Project”; and,

Applicants – national ministries or legal entities that submit a NSP Outline to the NAMA Facility.

The role of the Trustee is now undertaken by the NAMA Facility Grant Agent, which is, following the withdrawal of KfW from the management of the Facility, GIZ alone.

Finding 26 The perceived conflict of interest between the three roles of GIZ/KfW is mitigated, but not eliminated, by the introduction of independent assessment of NSP Outlines.

Given that GIZ and KfW both manage the TSU and submit NSP Outlines for funding, i.e. they self-evaluate their own projects in comparison with external stakeholders, there is obvious potential for conflict of interest within such a system. Strategies have been adopted by the Board and the TSU to manage this, such as the establishment of an information ‘firewall’. However, in the first three calls the TSU had a large influence on decision making, in particular with respect to funding decisions, since it puts together for the Board the shortlist of NSPs that have passed eligibility and been prioritised during appraisal. The level of external scrutiny on these decisions has been increased from call to call. The funding decisions associated with the first two calls were validated by external audits.

For the Call 3, an independent assessment of the NSP outlines was put in place. For Call 4, the eligibility assessment of NSP outlines against the NSP eligibility criteria will be performed by the TSU, and the merit ranking of the outlines will be undertaken by an external expert then reviewed by the TSU.

While all internal stakeholders interviewed felt that there has been no intentional bias towards NSPs in which GIZ/KfW are DOs in terms of funding decisions, the self-evaluation of GIZ and KfW proposals by GIZ and KfW has continually been a reason for concern on all sides.

5.3 External Perceptions of the NAMA Facility

Finding 27 External stakeholders do not necessarily perceive the NAMA Facility as accessible without the help of GIZ.

There is a persistent perception among stakeholders that the Facility is 'German aid for German Institutions'. Some potential NAMA Support Organisations (NSOs) told the evaluation team that they were turned down by local government partners who regarded an NSP as disadvantaged if it was not submitted through GIZ, the dominant DO in the NAMA Facility portfolio. Other external stakeholders dismissed the Facility as a typical "bilateral" exercise, extrapolating from situations in which it is a legal requirement or preference to execute overseas development assistance through the country offices of donor development institutions e.g. implementation of German development assistance by the GIZ country offices.

Partially these perceptions are based on misunderstanding of what the Facility strives for, or what the role of the DO entails. But in other cases, the reasons for the failure of submitted proposals might be hard to see from the outside. NSP applicants had no way to compare their outlines to other submissions, there are no model outlines, and they had no way of knowing that GIZ (and KfW) outlines had also been rejected. As a result, some unsuccessful applicants have ceased to regard the Facility as a potential source of funding.

Finding 28 Several factors, including the dominance of GIZ as a Delivery Organisation in the NAMA Facility portfolio, contribute to the perception of preference towards German Delivery Organisations, particularly GIZ.

The Evaluation Team took an in-depth look at what factors might contribute to this perception and whether there is an evidential basis for this criticism. Four major factors, or observations, have been selected for discussion. The most obvious factors leading to perceptions of bias towards German delivery organisations is the high number of NSPs in which GIZ is a DO and the success rate of GIZ and KfW proposals (although the latter is not necessarily known to external stakeholders). This fact lends itself to at least three possible unfavourable explanations, i) that these two organisations have better access to information from the TSU and donors, ii) that the evaluation process might be tailored to favour GIZ/KfW, and iii) that GIZ/KfW staff at the TSU might favour GIZ/KfW outlines due to a conflict in loyalty. All three such explanations have been tested by the evaluation team, but there was no evidence supporting them. The firewall and the general practice within the TSU was credibly described to the Evaluation Team as preventing favouritism. Most staff were aware of the potential for a conflict of loyalty and confronted it openly with the declared intention to be fair and inclusive in the selection process.

The strong performance of GIZ and KfW proposals in the outline assessment process can be explained by those organisations submitting high quality outlines. For each call for proposals, the assessment process and selection of successful outlines has undergone a Third-Party audit or parallel evaluation. The ratings of the Third Parties were very close to the ratings of the TSU in almost all cases. While the Evaluation Team has not redone these assessments, it uses this basis to conclude that the selection process has not unduly favoured GIZ or KfW.

A second observation is that the eligibility rules have excluded a number of institutions that have applied as Delivery Organisations. This was one of the key factors that led to the high number of outline submission being rated ineligible. No evidence was found in the interview or document review to support the hypothesis that the eligibility criteria were designed to favour GIZ/KfW. However, there is also no evidence that can be presented to the contrary. The Fourth Call is now piloting new criteria.

A third observation that was particularly highlighted in the 2015 stakeholder survey (UDP, 2015) was that potential applicants are unfamiliar with the application forms. While this is a valid concern, the requirements do not exceed those of other climate finance mechanisms. It cannot therefore be considered a factor that favours GIZ/KfW in particular, but it does disadvantage agencies that are unfamiliar with climate finance applications.

The last observation, that the TSU is located in Berlin, staffed by KfW and GIZ, with almost exclusively German staff, is not in and of itself a challenge but can strengthen an already negative impression of a “closed shop” that is created by the other factors. The evidence suggests that this is a choice of convenience – office space was available in the Berlin GIZ offices which are in the same building as the Lead Donor BMUB.

Table 2 demonstrates that there are at least four observations that can lead to the perception of bias towards GIZ and KfW, but they are not well supported by evidence. In addition, the changes to the project cycle for Call 4 include measures that specifically target most of these factors. This perception of bias was frequently stated to the evaluation team, and with the withdrawal of KfW from the management of the TSU, the focus of this perception will fall even more on GIZ. It seems necessary that the TSU and Board take an active approach not only to adjusting rules that perpetuate this perception but also to communicating how the TSU is independent of the selection of projects.

Table 2: Observations and possible explanation patterns in relation to perceived GIZ/KfW favouritism, evidence and possible recommendations

Observation	Competing explanation patterns for this observation.	Evidence	Possible steps for improvement
1. Success rate and resulting portfolio: a quarter (GIZ)/a fifth (KfW) of the submissions lead to 80% (GIZ)/45% (KfW) of selected proposals.	GIZ and KfW have better access to information on how to comply with the requirements, through access to their colleagues in the TSU or documentation.	No evidence. Firewall has been confirmed consistently in interviews, but cannot be assessed in effectiveness or enforced as it is not codified.	Codify firewall.
	The evaluation process is rigged in favour of these two organisations.	No evidence for a GIZ/KfW bias in the evaluation process. Rather, ratings have been validated through Third Parties (although not by Evaluation Team). Thus, evidence points to actual merit of GIZ and KfW proposals, or at least to the fact that the GIZ and KfW proposals most closely match the profile for the requested ideal NSP.	Third party evaluation already put in place for Call 4. Extended and intensified DPP might benefit alternative NSOs.
	GIZ and KfW staff are evaluating Outlines of their own organisations against Outlines of others. The individual loyalty conflict is leading to a non-level playing field. The best proposals come from GIZ and KfW.	However, many Outlines have not been rated because they were ruled ineligible. One important aspect for that were characteristics of the Delivery Organisation. This also increases the success rate of GIZ and KfW.	
2. Many other potential DOs are ineligible. Statistics on ineligibility rulings as well	Eligibility requirements have been designed to protect GIZ and KfW interest.	There is no evidence for or against this possible explanation.	Change eligibility criteria such that they ensure that as many Outlines as possible can enter

as rules on eligibility exclude a significant number of organisations and Outline submissions.	Eligibility requirements have been designed to ensure compliance with restrictions on donor funding.	No such restrictions have been found, this explanation is rejected.	the competition. Has been started with Call 4 already. Monitor experiences and keep adjusting.
3. Logframes and some definitions are required but many other potential DOs are not familiar with them.	<p>Template requirements have been designed to protect GIZ and KfW interest.</p> <p>Template requirements have been designed to protect project quality.</p>	These are standard requirements for Climate Finance and also required by other financing mechanisms. There is no indication that these have been put in place for reasons other than ensuring project quality. However, they might discourage submissions and submitters might not be able to handle them with the same ease as KfW and GIZ.	Call 4 has already changed to an "Outline Light" format. The Facility is asked to keep adjusting the templates to make them easier to understand and use without compromising on important aspects. Monitor experiences and keep adjusting.
4. Location of TSU in Berlin, staffing with Germans and one Dane, KfW and GIZ role in triple role of secretariat, fund manager and implementer.	<p>Location and staffing are providing strategic advantages for German institutions.</p> <p>Location and staffing are choice of convenience, potentially also political preference</p>	There is no evidence that location and staffing were strategic choices regarding either political signals or factors that help GIZ and KfW gain any advantages, nor that they provide such. German is the language of convenience within the Secretariat. There is evidence that the location is a choice of convenience.	While not based on factual evidence, these observations do not raise confidence in the TSU. Ethnic diversity at TSU has already been improved as of 2016. If considered a relevant aspect to manage outside perception, further changes could and should be implemented. (On the basis of an explicit cost-benefit analysis).

6 Conclusions

The conclusions of this Mid-Term Evaluation of the NAMA Facility are structured around the three evaluation objectives, which are to increase understanding of:

- 1) The strengths and weaknesses of the NAMA Facility;
- 2) How the management of the NAMA Facility can be further improved; and,
- 3) The relevance of the NAMA Facility.

The conclusions draw on responses to the evaluation key questions where these address a component of the objectives. A Strengths, Weaknesses, Opportunities Threats (SWOT) analysis based on the findings of the evaluation was undertaken to provide the means to document the strengths and weaknesses of the NAMA Facility. The Threats and Opportunities sections of the analysis also inform the response to the evaluation objective that explores how the management of the NAMA Facility can be improved.

6.1 The Strengths and Weaknesses of the NAMA Facility

Conclusions for this evaluation objective are drawn from responses to the key evaluation questions focused on whether the NAMA Facility Strategic Objectives are being met and whether there is potential being missed or limitations regarding achievement of the intended objectives, along with a SWOT analysis (Figure 1).

Are the strategic objectives of the NAMA Facility as originally described in the KfW Development Bank and GIZ programme offer being met?

Based on the findings of the evaluation, the portfolio of NSPs is potentially suited to achieve the strategic objectives of the NAMA Facility – although these strategic objectives also include some internal contradictions that have also been highlighted. The negotiation-related objectives of encouraging countries to develop ambitious NAMAs and commitments have been reached with the Paris Agreement, although the causal attribution to the NAMA Facility is not evidenced. Both sets of strategic objectives – the implementation-related strategic objectives, and the negotiation-related strategic objectives – are now outdated due to the developments around the Paris Agreement and the Green Climate Fund and require reconsideration.

Strengths

Within the UNFCCC, NAMAs are a well-known modality that has mobilised many stakeholders. The NAMA name and concept, given its UNFCCC basis, implies strong links with the climate focal points in the partner countries. Hence, a distinct strength of the NAMA Facility is its “brand name”.

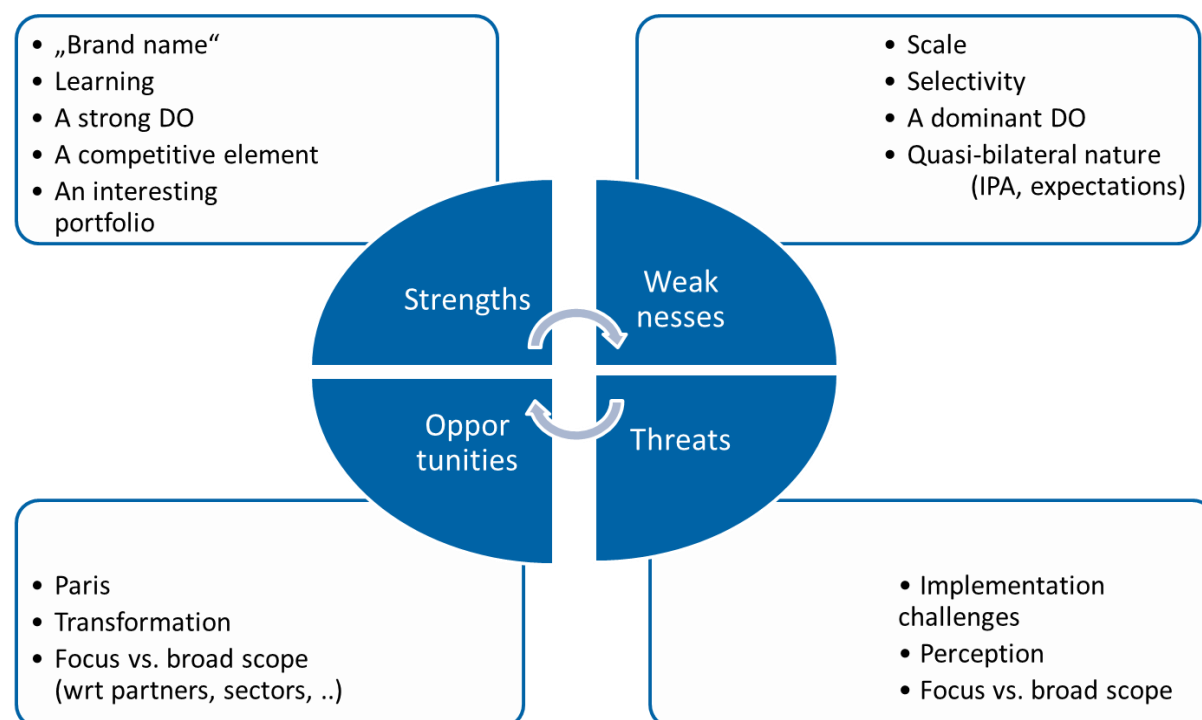


Figure 2: Strengths, Weaknesses, Opportunities, Threats analysis of the NAMA Facility

A governance and management strength of the TSU, supported by the Board, is its willingness to learn and improve its processes. In terms of the institutional capacities, this strong focus on learning and the strength of the “Delivery Organisation(s)”,¹² including their sheer size, their competence on climate mitigation and energy and their worldwide networks were important assets for the institution and helped build up a promising portfolio. This portfolio includes an interesting focus on alternative approaches in transportation and forestry, along with a reasonable geographic spread. If all selected outlines can be moved successfully into the implementation stage, the portfolio will provide ample opportunities for learning and replication.

¹² Formerly GIZ and KfW, as of Call 4 KfW has withdrawn from the management of the Facility.

Weaknesses

The institutional structure is responsible for strengths as well as weaknesses. The strength of the delivery organisations has developed into a dominance that limits the attractiveness of the Facility in the eyes of potential submitters of outlines, and thus limits the diversity of ideas and approaches. This problem is compounded by the relatively small scale of the Facility and its corresponding necessary selectivity. The relatively small scale of the funding also limits the attractiveness of NSP funding to financial institutions, which reinforces the perception that the NAMA Facility is primarily a technical assistance facility and may hinder the ability of NSPs to mobilise additional funding or scale up. A weakness of the combined finance and TA component model is that it creates incentives to project proponents to formulate a financing component even if none would be necessary. It risks over-budgeting for small scale support to ensure it 'fits' within the 5 to 20 million window, which will lead to appraisal problems and disbursement delays.

Critics have said in the interviews for this Evaluation that the NAMA Facility operates too much in the tradition of Official Development Assistance. The underlying thinking is "project by project", by people who are "stuck in logframes". Even Board Members call for a better integration of the NAMA Facility's activities into the national budgets, "after so many years of the Paris Aid Agenda". Other Board Members doubt whether that would be possible in the current setup.

This review has also identified that a number of criteria in the project cycle, including the fact that it is grant funding and that a perceived conflict of interest impede the Facility's ability to achieve its objectives. Regarding the project cycle, the changes made for Call 4 address a number of the existing limitations, however, the need to administer the NSPs through bilateral aid structures including International Project Agreements has led to a number of challenges in the project cycle that are as yet unaddressed.

6.2 The relevance of The NAMA Facility to different stakeholders

The persistent perception among external stakeholders of preference towards GIZ as a Delivery Organisation has been highlighted by stakeholders with such persistence that the Evaluation Team considers it a threat to the development and the impact of the Facility (SWOT analysis, Figure 1). This perception has engendered feelings of frustration and alienation among potential submitters of NSP outlines, which is likely to have decreased their perception of relevance of the facility as a source of NAMA support funding. In addition, the relatively small scale of the funding from the perspective of financial institutions limits the attractiveness of NSPs to those institutions.

Provision of funding for a Detailed Preparation Phase, signals a general acknowledgement that NAMAs were not “ready” enough for quick drafting and immediate implementation of NAMA Support Projects. Whilst recognising that the NAMA Facility identified this need and then made changes to address it, it suggests that the original intended grant scope was not fully aligned with, and thereby relevant to, the needs of the NSP applicants. While on the one hand some stakeholders have been dismissive over the apparent ‘technical assistance’ focus of the facility, the lack of implementation ready NAMAs and the need for the provision of grant funding by the NAMA Facility for a ‘Detailed Preparation Phase’ suggests that ‘Technical Assistance’- focused support may be necessary at present.

Given that the donors continue to regard the NAMA Facility as of strategic relevance, at least until the GCF becomes fully operational, this suggests an opportunity to increase the relevance of the facility by considering whether the current needs of potential applicants are well aligned with those anticipated in the programme theory of the facility, and with its systems, processes and scale of funding.

6.3 Management and Implementation of the NAMA Facility

Specific strengths and weaknesses in relation to management identified in the SWOT analysis are covered under section 6.2. This section covers the Threats and Opportunities presented in the SWOT before interpreting these further in relation to the strategic direction of the NAMA Facility.

6.3.1 Opportunities

In the view of the evaluation team, the changes made with regard to Call 4 are appropriate and in some cases, were long overdue. The changes bring clarity and increased flexibility with respect to the various roles that governments, technical organisations and financial institutions can play. The option for applicants to change their lead agency between the project development stage and project implementation opens up new possibilities for new submitters and removes constraints associated with some of the eligibility criteria.

Government agencies can now initiate NSPs directly and find the appropriate NAMA Support Organisation in the Detailed Preparation Phase. Lightening the documentation requirements for the Outline submission also makes submitting easier. The expectation that this might lead to a higher number of proposals is realistic. Opportunities in terms of strategic direction are discussed in section 6.3.3.

6.3.2 Threats

In addition to the perceived preference of GIZ, additional threats to the Facility are likely to be encountered as more NSPs begin implementation, which will put the quality of the proposals and implementation of the test, and most likely bring additional administrative challenges. Monitoring and project-level evaluation routines will need to commence. Overall, the Facility and TSU will enter a new era with new roles and responsibilities. Decisions with respect to whether to broaden the scope of the portfolio in terms of countries, implementers, sectors, and approaches, whether to focus on those few countries that already have many NAMAs prepared and ready for implementation, or indeed whether to close the Facility, are part of the next steps.

6.3.3 Strategic direction

The combined Finance-TA components and the relatively small size of the funding envelope means that NAMA Facility needs to carefully place itself in the climate finance landscape going ahead. Its current position represents a weakness, but as identified in the SWOT (Figure 1), the Paris Agreement offers new opportunities for the NAMA Facility. With respect to Nationally Determined Contributions, a larger set of countries will look into sector-wide approaches and start thinking about the concept of transformation. The NAMA Facility may be able to bridge the current financing gap in helping the NAMAs with the most potential be transformation ready. Before clearly communicating its purpose to potential beneficiaries the Board needs to review the Niche that it wants the NAMA Facility to occupy.

Paris Agreement provides the NAMA Facility with new potential target groups for funding requests and for initiating replications of their projects. A larger funding scale would allow both: an in-depth, focused testing of varying approaches to transforming crucial sectors like transportation; and a further broadening of the sectoral and geographic scope to include, for instance, more Least Developed Countries and riskier approaches.

Another important role could be to provide a “step up” function from smaller successful initiatives (e.g. Global Environment Fund Medium Sized Projects) that require funding of the scale provided through the NAMA Facility, and that use the larger funding volumes available through the Green Climate Fund as an exit strategy for NAMA Facility support. Another role is of course providing additional funding channel for countries that have more than two NAMAs where one of them could be financed through the GEF, another one through the GCF, and the other(s) through the NAMA Facility.

7 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.

7.1 In Relation to the Fourth Call for Proposals

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

The outline appraisal and selection process from Call 4 will primarily be undertaken by an external evaluator and consultants hired by the TSU. These individuals may be the same experts that might have previously been used by GIZ and KfW in their role as fund manager/Trustee. Although these experts may still have the same contractual partner as in the earlier system, the potential for public perception of conflict of interest could be lessened if these experts are selected with care, respecting the need to be independent and free conflict-of-interest as well as of high technical expertise. (Ownership: TSU; priority: medium)

While the changes made in relation to Call 4 are important steps for mitigating some of the weaknesses of the Facility and have a realistic chance of being effective, their significance may be overlooked by stakeholders that are not deeply involved in the Facility and its processes. In order to continue to address the negative perception of the Facility, with a view to generating a large range of diverse proposals from different agencies, the recommendation is to be upfront and open about these changes and to boldly communicate them and their underlying rationale, with the aim of reassuring stakeholders. (Ownership: TSU; priority: high)

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

Changing stakeholder perceptions will require time. The point in the project cycle when perceptions can be most influenced by the NAMA Facility are the periods in which calls are open because that is the period of most active outreach of the Facility. This period for Call 4 coincided with the evaluation so that no systematic effort to measure any shifts in perceptions could be undertaken. However, since the effectiveness and relevance of the NAMA Facility may be limited by negative perceptions about it, it is recommended that the TSU closely monitor external perceptions during the Call 4. (Ownership TSU; priority high)

7.2 In Relation to Continued Improvement of the Facility

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

With the new call design, the roles and responsibilities of the TSU have changed. Instead of focusing on managing the quality of the projects through the selection process, it can now focus on managing the processes and knowledge from NSP implementation. This will involve at least as much work as previous situations demanded, especially as the number of projects, and hence the complexity of the challenges, are growing. This also relates to NSP monitoring and evaluation. Staffing requirements should be reviewed and necessary resourcing provided by the NAMA Facility's funders. On this basis, a new medium-term strategy (7 – 10 years) can be prepared. It is important that this role is then clearly communicated (Ownership: Board, supported by TSU; priority; medium to high).

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

The new setup of governance structure and call processes along with the fact that the first NSPs will progress to implementation, will offer new opportunities and needs for learning. It is important that the TSU learns from the experience. A systematic process that documents learning and demonstrates how this learning feeds into practice should be prepared and used by the TSU (Ownership: TSU; priority; medium to high).

Recommendation 5. Ongoing Review of Selection Criteria

As has been long-standing practice, the Facility should continue to review its NSP selection criteria to ensure that the funding portfolio complies with its objectives. This includes reviews of the non-eligible proposals as they might give important clues where innovative and interesting ideas are waiting for funding. The Facility should orientate its own criteria in line with its then newly formulated Theory of Change and purpose of the mechanism (if that is an outcome of the review – Recommendation 1). (Ownership: TSU; priority; medium).

7.3 In Relation to 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.

As noted in the conclusions, there are a range of roles that the NAMA Facility could play within the Post- Paris Agreement climate finance landscape, and there is opportunity for the facility to increase its alignment with the needs of the applicants to the facility. To do this, it will be necessary for the TSU and Board to first, carefully consider what role is needed, what role it can play, and what role fits with the resources available.

Overall, the Facility is currently too small to have a large-scale impact on its own. Up to now there have been inadequate numbers of implementation ready NAMAs that the Facility is in a position to support. While adding five ambitious initiatives per year requires a lot of work and effort, it is i) very small in comparison to what is needed and ii) may be ambitious if NAMAs do not come on-line quickly enough. In reviewing the place of the Facility in the climate finance landscape, the Board should communicate and coordinate with the climate finance mechanisms and work with donors to identify larger funding streams that are reliable in the long-term. This could include; for example; cooperation on pipeline generation and build-up between the GEF, GCF and NAMA Facility. As part of this review process, it is recommended to re-describe its programme design through the Theory of Change. Formulating the programme design theory from top to bottom, from objectives to activities, will aid in understanding what the operational implications are.

As part of this review, the Board needs to understand if the challenges that the NAMA Facility faces can be overcome and how - including the perceptions of the Facility's conflict of interest (Ownership: Board; priority; high). Once the future role of the Facility is understood and agreed, then the Board needs to ensure the right management arrangements are in place for its effective and efficient delivery. On this basis, a new medium-term strategy (7 – 10 years) can be prepared. It is important that this role is then clearly communicated (Ownership: Board, supported by TSU; priority; medium to high).

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

Implementation of the NSPs will offer new opportunities and needs for learning. The TSU should make provision to capture lessons and make them available for replication and scale-up initiatives to maximise the learning and demonstration potential that can be afforded by these projects (Ownership: TSU; priority: high).

Technical Appendix Series

Appendix 1 Inception Report of the NAMA
Facility Mid-Term Evaluation

Appendix 2 Full Evaluation Design and
Methodology

Appendix 3 Work Stream Analyses

Theory of Change and M&E Framework Assessment Work
Stream

Portfolio Analysis Work Stream

Project Cycle Review Work Stream

Institutional Systems Review Work Stream

Climate Finance Gap Analysis Work Stream

Appendix 4 Evaluation Question Work Stream
and Evidence Matrix

Appendix 5 Evaluation Survey Results

Appendix 6 List of Persons Interviewed

Appendix 7 References and Documents
Reviewed