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Mitigation Action Facility Theory of Change -

Summary Narrative and Assumptions

2023

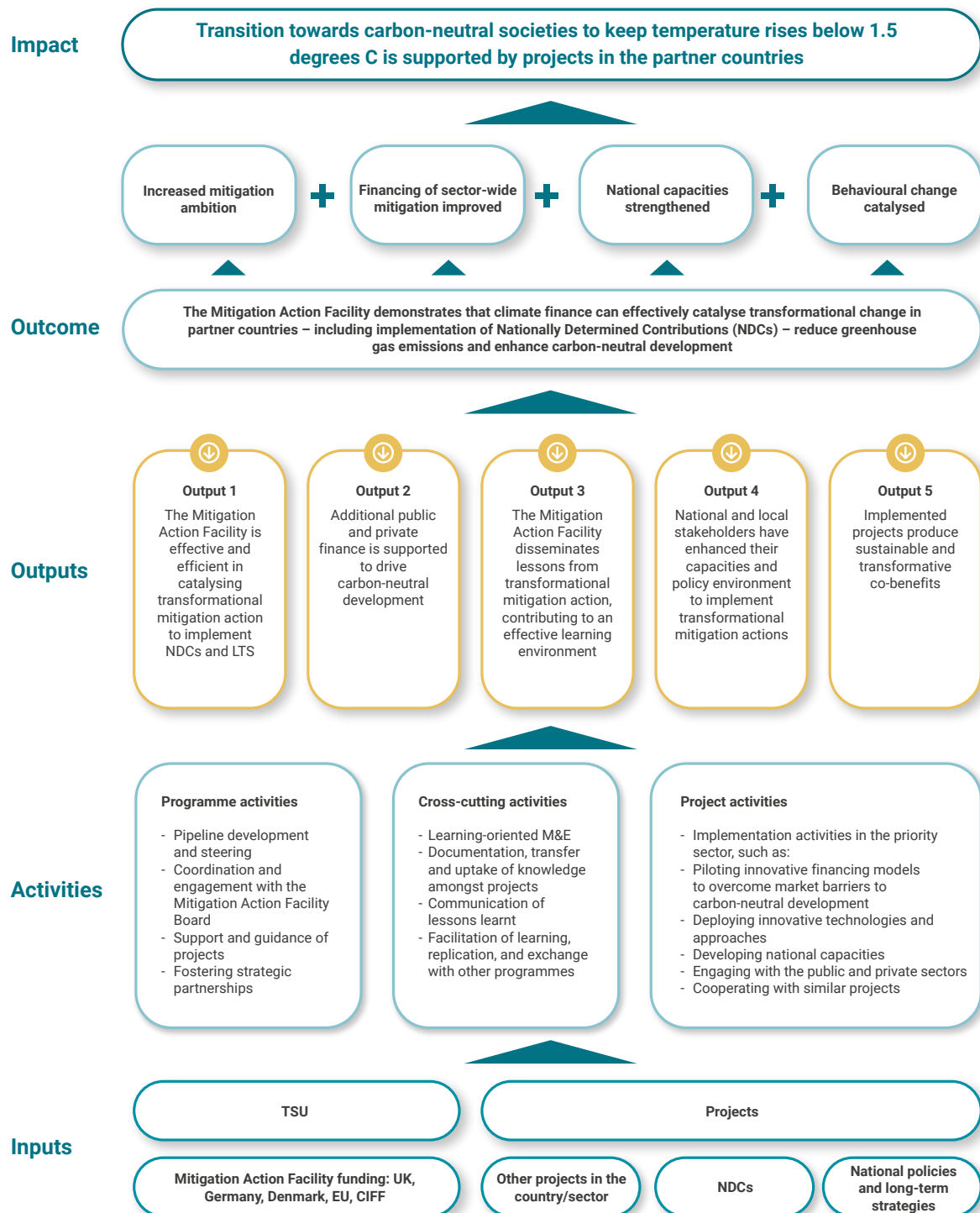
Introduction

The Mitigation Action Facility aims to accelerate sectorial decarbonisation to keep temperature rises below 1.5 degrees Celsius by financing measures that shift priority sectors in a country towards a sustainable, carbon-neutral pathway. The Mitigation Action Facility launches annual competitive Calls enabling partner countries, or organisations on their behalf, to apply for funding. The most ambitious and feasible climate change mitigation projects are selected for support through a comprehensive assessment process. The grant-based funding provided by the Mitigation Action Facility is used to enable a combination of technical assistance measures and financial cooperation.

The Theory of Change (ToC) of the Mitigation Action Facility explains the causal pathways by which the Mitigation Action Facility's activities create a chain of results leading to the outputs that contribute to achieving the intended programme outcome and impact. This document represents the situation in 2023, building on lessons learnt since the launch of the Mitigation Action Facility's predecessor NAMA Facility in 2012. The intention is to re-visit the ToC narrative regularly together with the general ToC updates.

The intended target audience of the ToC includes project representatives, potential applicants, partner governments, and the wider climate finance community.

Figure 1: Theory of Change



Key inputs

The identified key inputs for the Mitigation Action Facility are split into three categories:

Donor funding is a key input for the Mitigation Action Facility. It presently consists of funding by the German Federal Ministry for Economic Affairs and Climate Action (BMWK), the UK's Department for Energy Security and Net Zero, the Danish Ministry of Climate, Energy and Utilities (KEFM), the Danish Ministry of Foreign Affairs (MFA), the European Union, and the Children's Investment Fund Foundation (CIFF). This input can also relate to government funding, other donor contributions, and private-sector finance.

Technical Support Unit (TSU) performs secretariat functions, including the management of the Calls, M&E processes, communications, knowledge management and technical back-stopping. The TSU often serves as an intermediary between the Donors and the projects and provides crucial support for the overall functioning of the Mitigation Action Facility.

Projects funded by the Mitigation Action Facility support governments in implementing the most ambitious parts of their NDCs, through the provision of financial and technical cooperation instruments. Projects are led and implemented by implementation organisations.

The inputs are affected by a range of contextual factors:

Other mitigation initiatives and projects in the country and/or sector can inform the design of the projects bidding for the Mitigation Action Facility funding. Projects are strongly encouraged to build on relevant existing initiatives in the given country and leverage lessons learnt from other projects relevant to a given technology and/or sector.

NDCs and their targets help pre-determine areas for Mitigation Action Facility funding, ensuring that the targeted sectors are prioritised in the local context for achieving mitigation impacts. Compatibility with the NDCs is a prerequisite for securing Mitigation Action Facility funding.

National policies and long-term strategies set a political context that is relevant to defining the scope of a project intervention and to supporting the significance of impacts. The projects are intended to be aligned with these strategies to ensure sufficient policy coherence.

Activities

The following three types of activities have been identified as those which capture the nature of the Mitigation Action Facility.

Programme activities refer to portfolio-level activities conducted by the TSU under the guidance of the Mitigation Action Facility Board:

- Pipeline development and steering are performed through the Call management processes, which include the preparation of supporting webinars, documents and guidance materials, upstream activities, as well as outreach and exchange with potential applicants to ensure a sufficient pipeline of projects. Outline and Proposal assessments, which include external financial and GHG mitigation plausibility checks, help ensure a high level of quality in the projects before they are granted full implementation funds.
- Coordination and engagement with the Mitigation Action Facility Board through regular exchange ensure that Mitigation Action Facility Donors are kept up to date on the latest status of the portfolio and the crucial issues discussed.
- Support and guidance of projects during the Detailed Preparation Phase (DPP) and Implementation Phase are provided by Desk Officers (DEOs) of the TSU, in the form of general advice, conditions for implementation, and the operationalisation of the amendment policy.
- Strategic partnerships are fostered with the wider climate finance community, which includes other climate funds, programmes and institutions, through outreach activities and engagement on crucial aspects.

Project activities are led by Implementation Organisations. This entails the delivery of the Project Proposal at the end of the DPP, and project implementation in terms of the Financial and Technical Cooperation Components. The implementation is guided by the conditions and requirements defined by the Mitigation Action Facility. Examples of project activities include:

- Piloting innovative financing models to overcome market barriers to carbon-neutral development
- Deploying innovative technologies and approaches
- Developing national capacities
- Engaging with the public and private sectors
- Cooperating with similar projects

Cross-cutting activities are those activities that concern both the projects and the TSU – where both levels (programme and project) inform each other:

- Learning-oriented monitoring and evaluation take place. The projects are encouraged to establish and/or support governments with setting up MRV systems. Additionally, projects are subject to regular reporting to the Mitigation Action Facility, which is aggregated at the portfolio level. Mid-term and final Evaluation and Learning Exercises (ELEs) are conducted

on projects, while Interim Evaluations are performed at the portfolio level to extract key lessons learnt and recommendations.

- Documentation, transfer and uptake of knowledge take place within and among projects, as well as at the portfolio level. This is operationalised via the implementation of the Knowledge Management and Learning Strategy.
- Dissemination of lessons learnt at portfolio and project levels occurs via the website, webinars, virtual meetings, and other channels facilitated by the TSU, building on the communications strategies and outputs from individual projects.
- Facilitation of learning, replication, and exchange with other programmes through dedicated events and publications is organised at the portfolio level for the overarching topics. Likewise, these aspects are addressed by projects targeted at their specific audiences as part of implementation efforts.

Outputs

The aggregated programme-level, project-level, and cross-cutting activities lead to the delivery of the Outputs outlined below.

Output 1: The Mitigation Action Facility is effective and efficient in catalysing transformational mitigation action to implement NDCs

Key assumptions:

- Programme-level activities are delivered successfully, ensuring a sufficient pipeline of eligible projects that represent a diverse set of technologies, countries, sectors, and applicants.
- Most ambitious, innovative, and feasible projects that can catalyse sector-wide, transformational change are selected as part of the competitive Call process.
- The capacity of future applicants is improved, thus ensuring proposals of higher quality in the project pipeline.
- Board decisions are taken swiftly to ensure timely project approval.
- Project activities are implemented according to their timeline, and foreseen project outputs and outcomes are achieved ensuring sufficient interlink between Technical and Financial Cooperation components.
- Project implementation is conducted successfully, making use of the steering and support offered by the TSU.
- The cross-cutting activities contribute to improving the Mitigation Action Facility's internal processes and procedures.

The result is a portfolio of transformational, ambitious, and locally owned projects to implement the NDCs, which contributes to carbon-neutral development in supported countries.

Output 2: Additional public and private finance is supported to drive carbon-neutral development

Key assumptions:

- Selected projects entail financing models to overcome systemic market barriers to carbon-neutral development.
- Financial mechanisms are designed to optimise financial leverage and sustainability, including a definition of a phase-out strategy for Mitigation Action Facility support and a phase-in of other sources of financing, including national financing for self-sustained long-term implementation.
- Public and/or private entities targeted by projects are receptive to efforts to leverage co-financing.

As a result, financial leverage is supported by public and private funding sources due to project activities. The supported finance is monitored and reported regularly to the Mitigation Action Facility.

Output 3: The Mitigation Action Facility disseminates lessons learnt from transformational mitigation action, thus contributing to an effective learning environment.

Key assumptions:

- Knowledge-sharing activities and products create added value to projects and the Mitigation Action Facility.
- Identified best practices contribute to the global debate on climate finance and transformational change.
- Creating an effective learning environment contributes to improved project and Mitigation Action Facility performance.
- Projects share lessons and learn from exchanges and synergies with other projects throughout implementation, as well as from mid-term and final ELE findings.
- Lessons from both successes and failures are taken into account, and changes are implemented accordingly.

As a result, the demonstrational effect of projects is facilitated through an effective learning environment, which implies that the projects, the Mitigation Action Facility Board, and the TSU can derive the factors that contribute to project success vs. failure objectively and transparently to improve project quality over time.

Output 4: National and local stakeholders have enhanced their capacities and policy environment to implement transformational mitigation actions

Key assumptions:

- Projects support structural changes and address systemic barriers quicker than “business-as-usual”.
- Relevant stakeholders are adequately engaged, and their cooperation is supported throughout project implementation.

- Sustainable governance and cooperation structures are put in place to ensure the continuation of impacts beyond the projects' lifetime.
- Project MRV systems contribute to, or are aligned with, the sectorial and/or national MRV systems for GHG reductions.

As a result, local ownership is strengthened, and more capacities are available to ensure the long-term sustainability of the mitigation action intervention.

Output 5: Implemented projects produce sustainable and transformative co-benefits

Key assumptions:

- Project activities produce social, economic, environmental and political/institutional co-benefits relevant to the local context.
- Co-benefits are self-sustaining, long-term oriented, and significant for driving transformational change in the targeted sector.
- Projects apply an intersectional understanding of gender and social inclusion and acknowledge gender and social inequalities. To overcome prevailing inequalities, projects adopt a gender-responsive approach through concrete measures and activities.

Outcome and Impact

The Mitigation Action Facility's desired outcome is to **demonstrate that climate finance can effectively catalyse transformational change in partner countries – including implementation of NDCs – reduce greenhouse gas emissions and enhance carbon-neutral development.**

To achieve this outcome, the Mitigation Action Facility relies on a successful demonstration effect produced by its projects. This implies that projects successfully demonstrate their benefits and co-benefits while indicating the viability and potential profitability of their implemented mitigation solutions. Sufficient stakeholder buy-in, including financial resource mobilisation, is achieved as investments are de-risked. Embeddedness in sectorial and national climate policy context is catalysed as part of the demonstration effect, too.

In parallel, systemic change is accomplished as projects trigger shifts in market behaviour and economic incentives, prompting improvements in the regulatory environment and strengthening national capacity, thus ensuring the sustainability of project impacts. The demonstration effect and systemic change pave the way for scale-up and replication by de-risking projects for other public and/or private investors. This leads to generally improved financing conditions for subsequent mitigation actions.

The demonstration effect, systemic change, scale-up, and replication contribute to a wider catalytic effect beyond the targeted sector. This manifests as:

- Enhanced national capacity, including strengthened national and sub-national institutions, enhanced policies and regulatory frameworks facilitating carbon-neutral development pathways, and reinforcing the overall competitiveness of partner countries.
- Behavioural change whereby a shift among citizens, communities and organisations towards carbon-neutral preferences occurs, prompted by social, psychological, and economic incentives.
- Improved financing of mitigation action, as additional capital leveraged from public and private actors becomes available.
- Higher mitigation ambition, which implies overall large-scale GHG emissions reduction aims.

The Mitigation Action Facility amplifies the catalytic effect of its projects through cross-organisational and cross-sectoral learning. Evidence-based best practices and key lessons are defined and shared with the Mitigation Action Facility stakeholders, thus contributing to wider spillover effects beyond the individual projects. For these effects to occur, the following assumptions must be upheld:

- Projects are adapted to the local context to leverage the context-specific drivers of transformational change. If multiple projects are implemented in the same country, their efforts are complementary for achieving a wider catalytic effect.
- There is sustained political interest and support in target countries over the medium-to-long term and between administrations.
- Reversed flow of funds or behaviour is accelerated or initiated through projects and is irreversible and significant. This leads to improved financing of mitigation action, including scale-up and replication measures.
- The lessons shared are valuable to local and/or national stakeholders and a wider climate finance community and inspire further mitigation action, replication, and greater ambition beyond the target sectors.
- Scale-up and replication strategies implemented by local and/or national stakeholders catalyse further impacts and foster an environment for transformational change.

The wider catalytic transformational change ensures that large-scale GHG emission reductions are achieved supporting **the transition towards carbon-neutral societies to keep temperature rises below 1.5 degrees C by projects in the partner countries.**

Donor Acknowledgement

The Mitigation Action Facility is a joint initiative of the German Federal Ministry for the Economic Affairs and Climate Action (BMWK), International Climate Initiative (IKI), UK's Department for Energy Security & Net Zero (DESNZ), the Danish Ministry of Climate, Energy and Utilities (KEFM), the Danish Ministry of Foreign Affairs (MFA), the European Union and the Children's Investment Fund Foundation (CIFF).

Disclaimer

Some of the content in this document was authored under the NAMA Facility but is published by the Mitigation Action Facility. The Mitigation Action Facility is a continuation of the NAMA Facility and builds on its legacy. The NAMA Facility was active from 2012 to early 2023.

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