

NAMA Facility

Annual Report 2022



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Executive Summary

The year 2022 was no exception to the tendency for constant change. As the pandemic receded, the war in Ukraine affected the world economy. In the meantime, the NAMA Facility continued financing innovative, mitigation-focused NAMA Support Projects (NSPs) that tackle climate change and have the potential to scale-up and seize the opportunity to build resilient and sustainable economies, even in uncertain times.

This report provides an overview of activities, learnings, and new developments in 2022. It covers the entire project cycle of NSPs, from the support for project development, assessment and selection of NSPs, all the way through implementation and, finally, to evaluation and learning. Alongside these themes, the report incorporates results from the Call for Projects in 2022, and highlights of lessons learnt.

The Ambition Initiative Call – Round Two

The NAMA Facility received applications until 30 April 2022 as part of the Ambition Initiative – Round Two Call, which emphasised the NAMA Facility's focus on ambitious climate action and green recovery efforts. The Technical Support Unit (TSU), the NAMA Facility's portfolio manager, encouraged prospective Applicants to participate in Ambition Initiative – Round Two, via live webinars, and provided assistance through myriad channels to support high-quality NSP Outline

submissions and increase their chances of receiving financial support.

The NAMA Facility received Outlines from 26 countries. Out of 40 Outlines, eight Outlines were selected to be assessed in more detail, through on-site in-depth assessments (IDA) between July and August 2022. During its Board Meeting 24 held on 8 September 2022, the NAMA Facility Board approved funding for four new NSPs to enter the Detailed Preparation Phase (DPP),

an essential stage of the NAMA Facility's project cycle preceding Implementation Phase. The NSPs selected were: Mongolia Clean Heating, Namibia Biomass, Nepal Sustainable Forest Management (SFM) and Bioenergy, and Paraguay Public Transport.

The TSU offered written feedback to the Applicants not selected to ensure transparency and support them in improving their Outlines for resubmissions.



Wind turbines in Chile. © GIZ Chile



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Portfolio at a Glance

The portfolio of NSPs reached 47 as five NSPs in DPP moved into the Implementation Phase: Palestine Olive Value Chain, Mozambique Waste Management, Mongolia Building Retrofitting, Honduras Livestock, Egypt Solar PV Industry. In addition, from those NSPs in Implementation Phase three NSPs completed their activities: Costa Rica Coffee, Indonesia Transport and Peru Transport while two projects, Brazil Beef and Colombia Transit-Oriented Development were discontinued. Three NSPs in DPP, Colombia E-Mobility, Madagascar REDD+, and Morocco Energy Efficient Households, were not approved for implementation.

In 2022, a majority of NSPs reported slightly lagging behind reaching their targets. An assessment of the progress achieved revealed that greenhouse gas (GHG) emissions reduction of the NSP portfolio has continued to increase since 2018, with 93% of the 2022 target achieved. The outcome indicator of people benefitting from NSPs was also mostly achieved (92% of the target). The qualitative assessment of NSPs' achievements in spurring transformational change has shown moderate results. The NAMA Facility portfolio target for the volume of public finance mobilised surpassed the target by 14%. The NAMA Facility sufficiently achieved the target of the mandatory core indicator measuring private financial leverage (M5) by 104%.

During the 27th Conference of Parties (COP27), held in Sharm El-Sheikh in November 2022, the NAMA Facility announced a name change to **Mitigation Action Facility**, effectively in 2023, and a new Call. This Call will be launched in the first half of 2023 and offer a simplified application process with a new Project Concept Phase preceding the Outline Phase. The new Call may include an offer of additional support for NSP Outline development for a limited number of selected concepts submitted by Applicants who have limited experience working with the NAMA Facility. The NAMA Facility Board also announced the selection of the four NSPs from the Ambition Initiative – Round Two to enter DPP.

The NAMA Facility further gained knowledge about its transformational change through the Evaluation and Learning Exercises (ELEs). These were conducted using the Transformational Change Measurement Framework developed in 2021 as a systematic evaluation approach. The results of the Learning Study that comprises nine ELEs and took place between 2020 and early 2022 are discussed in this report. Further Learning Studies planned for 2024 and 2025 shall provide deeper insights on the NSP's portfolio-wide progress towards transformational change.

A remarkable development in 2022 was the creation of the NAMA Facility Gender Vision to ensure equal rights, opportunities, access, decision-making power, and equal treatment of the interests, needs, and priorities

of all genders within all processes and interventions of the NSPs and the TSU. Furthermore, the NAMA Facility Logframe was revised with new and ambitious indicators and targets measuring the achievements of NAMA Facility.

2022 was distinctive in that it marked the reactivation of personal contact after the Covid-19 pandemic. During two in-person workshops, the NAMA Facility fostered dialogue on monitoring, knowledge management, and gender to support climate action among the NSPs. A workshop in Tunisia gathered NSPs from Africa and Asia and Pacific, while NSPs from Latin America and Caribbean (LAC) joined the exchange in the in-person workshop in Mexico. The NSPs in the NAMA Facility portfolio will be invited to join the May 2023 Global Project Exchange Workshop for a comprehensive exchange of experiences.

During the in-person workshops, the TSU presented the results of the assessment, conducted after the first three years of implementation of the Knowledge Creation Strategy (KCS), along with its three-year Action Plan, and gathered valuable feedback from NSPs. At the end of 2022, the NAMA Facility also approved the new Knowledge Management and Learning Strategy for the years to come.

In 2022, the TSU further engaged with other climate initiatives. For instance, through synergistic collaboration, the NDC Partnership continued assisting national governments interested in accelerating climate action to better develop NSP Outlines. Three organisations, Agence Française de Développement (AFD), Helvetas Swiss Intercooperation and Namibia Power Corporation (Pty) Ltd (NamPower), joined the list of institutions actively engaged during 2022 with the NAMA Facility, increasing the overall number of partner institutions to 21.

A close look at 2022 demonstrates how the NAMA Facility continued to evolve through its maturing portfolio, ongoing exchanges with NSPs, and learnings of the individual NSPs. In 2023, the NAMA Facility under its new name, Mitigation Action Facility, will continue to support partner countries in meeting their Paris Agreement goals as part of the aim to decarbonise key sectors. We invite all current and future prospective partner countries and institutions to engage with us to further advocate for ambitious climate action.



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Abbreviations

Abbreviation	Name
AFOLU	Agriculture, Forestry, and Other Land Use
BEIS	Department for Business, Energy, and Industrial Strategy of the United Kingdom
BMWK	Bundesministerium für Wirtschaft und Klimaschutz (German Federal Ministry for Economic Affairs and Climate Action)
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (German Federal Ministry for Economic Cooperation and Development)
CIFF	Children's Investment Fund Foundation
COP	Conference of Parties
DAC	Development Assistance Committee
DEO	Desk Officer
DPP	Detailed Preparation Phase
EE	Energy Efficiency
ELE	Evaluation and Learning Exercise
EU	European Union
EUR	Euro
FA	Financing Agreement
FAO	Food and Agriculture Organization of the United Nations
FAQ	Frequently Asked Questions
FC	Financial Cooperation
GBP	Great Britain Pound
GCF	Green Climate Fund
GESI	Gender Equality and Social Inclusion
GHG	Greenhouse Gas
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
Gt	Gigatons
IDA	In-depth Assessment
IPA	Intergovernmental Project Agreement
IPCC	Intergovernmental Panel on Climate Change

Abbreviation	Name
KCS	Knowledge Creation Strategy
KfW	Kreditanstalt für Wiederaufbau (Development Bank)
LAC	Latin America and Caribbean
LDCs	Least Developed Countries
LMIC	Lower Middle-income Country
M&E	Monitoring and Evaluation
MRV	Monitoring, Reporting, and Verification
Mt	Megatons
NAMA	Nationally Appropriate Mitigation Action
NDC	Nationally Determined Contribution
NDCP	Nationally Determined Contributions Partnership
NFGA	NAMA Facility Grant Agent
NSO	NAMA Support Organization
NSP	NAMA Support Project
OECD	Organisation for Economic Co-operation and Development
PCG	Perspectives Climate Group
PV	Photovoltaic
RE	Renewable Energy
SME	Small and Medium Enterprise
TC	Technical Cooperation
tCO₂e	Metric tons of carbon dioxide equivalent
ToC	Theory of Change
TSU	Technical Support Unit
UN	United Nations
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change

1 Main Developments in 2022



1.1 2022 at a Glance



Figure 1: NAMA Facility NSP portfolio in 2022



2.8m tCO₂e reduced by NSPs in 2022, equivalent to the emissions in 2021 from Rwanda, Puerto Rico and Grenada together¹



EUR 73m approved in 2022 to implement new NSPs



5.8m people benefitted directly from NSPs in 2022



EUR 193m leveraged through transformational NAMAs from public and private actors in 2022



15 low-carbon policies, regulations or standards adopted or amended through NSP support



170 national and sub-national institutions received technical assistance from NSPs



3 new partners joined as NSOs in 2022: Agence Française de Développement (AFD), Helvetas Swiss Intercooperation and Namibia Power Corporation (Pty) Ltd (NamPower)

¹ EDGAR – Emissions Database for Global Atmospheric Research

2022 at a Glance

AFOLU (Agriculture, Forestry, and Other Land Use)

The 2022 AFOLU portfolio includes sustainable and carbon-neutral bioenergy, livestock management, sustainable forest management measures, and innovations in rice, olive, and coffee production.



Good to know:

Projects in this sector save GHG emissions, and also capture CO₂ by creating and increasing carbon sink capacities (e.g. through reforestation).



NSPs in the AFOLU portfolio that reached major milestones

- 1 approved for Proposal Phase: Nepal SFM and Bioenergy
- 2 approved for Implementation Phase: Honduras Livestock and Palestine Olive Value Chain
- 1 completed in 2022: Costa Rica Coffee



Submissions (Outline Stage)

- 5 received in total
 - 2 in agriculture
 - 3 in forestry
- Many submissions took a cross-sectoral approaches, (e.g. bioenergy).



Sector Challenges & Opportunities

- + A project can often achieve sustainable mitigation action through a combined mitigation and adaptation approach (e.g. climate smart agricultural practices).
- Safeguards (e.g. land titles and forest governance enforcement) play an important role in project implementation; when safeguards cannot be guaranteed, it may result in a barrier to project funding.
- Substantial technical assistance is needed to achieve the major behavioral changes often required to reach intervention targets.



Highlights

- 2 productive, in-person events:
 - NAMA Facility organized “Results Management in the AFOLU Sector” workshop in the Climate Finance Collaboration Platform resulting in learnings for all participants.
 - NAMA Facility participated in the “Boosting Multilateral Investments for Biodiversity” plenary event in the framework of the OECD Multilateral Development Finance Week 2022.
- NSP Costa Rica Coffee was completed in 2022.
 - Considerable reduction of emissions throughout the whole coffee production process.
 - Vast majority of the targeted farmers now implement low-carbon practices, while achieving higher prices than farmers using conventional methods.
 - Costa Rica has successfully transformed its coffee production into a pioneering sector for carbon-neutral development, serving as an example for other agricultural sectors in Costa Rica.



Coffee harvest in Costa Rica. © Costa Rican Coffee Institute – ICAFE

2022 at a Glance

Energy Efficiency

The 2022 EE portfolio includes buildings, heating, household equipment (including refrigeration) and industrial applications. Subsectors often overlap, i.e. one project can target both buildings and refrigeration.



Good to know:

Projects at the Outline stage relied widely on grants as the main financing mechanism.



NSPs in the EE portfolio that reached major milestones

- 1 approved for Implementation Phase:
Mongolia – Building Retrofitting



Submissions (Outline Stage)

- | | |
|--|---|
| 8 received | 2 in household equipment
(including refrigeration) |
| 4 in buildings and/or heating
subsector | 2 in industrial applications |



Sector Challenges & Opportunities

- + Contributes to the sustainable energy supply; reduce GHG emissions; and stimulate the economy (e.g. by supporting and/or initiating the development of the ESCO sector). This is particularly important with regard to energy security.
- + Potential to deliver significant gender and other social co-benefits, as they often work closely with households, homeowner associations, SMEs, etc.
- Inflationary pressures, affecting both material and construction costs and interest rates, can limit the ability to forecast negative and positive effects (e.g. energy efficiency gains).



Highlights



Grant agreement between NAFIN, NAMA Facility, and GIZ. © GIZ Mexico

Mexico's national development bank, NAFIN, and GIZ Mexico signed an agreement to support SMEs investing in energy efficiency measures. This cooperation will help increase dissemination of EE technology to support reaching greenhouse gas (GHG) reduction targets.



Multi-storey apartment building in Ulaanbaatar. © GIZ Mongolia

Mongolia – Building Retrofitting was approved by NAMA Facility Board for implementation. This project will initiate Mongolia's first-ever energy performance contracting model for the energy efficient retrofitting of residential buildings, jumpstart a large-scale thermo-technical retrofitting programme, and create the market conditions to scale up investments in energy efficiency.

2022 at a Glance

Transport

The 2022 Transport portfolio includes electric mobility (public and individual transport modes), public transport integration support, and transit-oriented development.



Good to know:

E-mobility projects target various segments (buses, minibuses, taxis, cars, and 2- and 3-wheelers). These use decreasing subsidies over time and credit guarantee.



NSPs in the Transport portfolio that reached major milestones

- 1 approved for Proposal Phase: Paraguay Public Transportation
- 2 completed in 2022: Peru Transport & Indonesia Transport



Submissions (Outline Stage)

- | | |
|--|--|
| 4 received from sector in total | 1 in better integration and transport planning (parking schemes and externality pricing) |
| 3 in alternative energy sources (electric and hydrogen vehicles) | |



Sector Challenges & Opportunities

- | | | | |
|---|--|--|---|
| <p>+ Significant potential for GHG emission reductions in lifetime of targeted technology.</p> | <p>+ Transport projects targeting public transport have the potential to deliver significant gender and other social co-benefits.</p> | <p>- Investments in transit-oriented development have long gestation periods and multiple stakeholders, making them susceptible to delays and changing government priorities.</p> | <p>- Some electric mobility interventions have been affected by supply chain delays.</p> |
|---|--|--|---|



Highlights

NSP Promotion of Electric Mobility in Cabo Verde (ProMEC) was presented at the ECOWAS Sustainable Energy Forum 2022 (ESEF2022) in Abuja, Nigeria. More than 400 representatives of public institutions, private companies, and nongovernment, multilateral, and international organisations, among others, from across West Africa and the world participated in the forum.



Discussion of NSP ProMEC at ECOWAS ESEF2022 in Abuja, Nigeria. © Ministry of Industry, Commerce and Energy of Cabo Verde

2022 at a Glance

Renewable Energy

The 2022 RE portfolio includes biomass, green hydrogen, tidal stream, and solar.



Good to know:

Projects in this sector are using diverse types of financial mechanisms, including concessional loans, credit guarantees, and grants.



NSPs in the RE portfolio that reached major milestones

- 2 approved for Proposal Phase: Mongolia Clean Heating and Namibia Biomass
- 1 approved for Implementation Phase: Egypt Solar PV Industry
- 2 moved forward within Proposal Phase: Costa Rica green Hydrogen and Philippines Tidal Stream Energy



Submissions (Outline Stage)

- | | |
|-------------|------------------|
| 13 received | 8 solar |
| 2 biogas | 2 green hydrogen |
| 1 biomass | |



Sector Challenges & Opportunities

- + Rising costs of fossil fuels and sinking costs of RE technologies continue to improve the business case for projects using RE.

- Since most RE projects are developed using local currencies, the appreciation of hard currencies, like the US dollar, directly affects the investment costs of RE projects.



Highlights

41 self-supply renewable energy (SSRE) projects started implementation in Chile.

Together, these SSRE projects contribute to **4 MW of installed capacity**, with **3.6 MW of solar photovoltaic** and **0.4 MW for solar thermal and air source heat pumps**.



A Training on solar PV technologies being held in Chile. © GIZ/Hugo Munoz

2022 at a Glance

Waste

The 2022 Waste portfolio includes municipal solid waste (MSW), agricultural waste.



Good to know:

Projects in this sector typically deliver high mitigation potential due to reductions of methane emissions, a potent greenhouse gas. Management of organic waste allows for production of organic fertiliser which reduces the need of applying chemical fertilisers.



NSPs in the Waste portfolio that reached major milestones

- 1 moved forward within Proposal Phase: Peru Organic Waste
- 1 Approved for Implementation Phase: Mozambique Waste Management



Submissions (Outline Stage)

- 2 received: Pakistan Waste Management, South Africa Waste Management



Sector Challenges & Opportunities

- + Significant potential for GHG emission reductions
- + Opportunities to create safer employment for marginalised/disadvantaged groups informally working on waste disposal sites.
- + Diversity of waste streams to work with, including MSW, agricultural waste and C&D waste.
- Costly infrastructure and lack of viable, sustainable and/or replicable business models.
- Risks of underestimating behavioural change complexity, particularly, when MSW source segregation is part of the project approach and rationale.
- Sector's high dependency on public subsidies and/or Donor funding.
- Opaque flow of waste, especially with recyclables and in those locations where criminal gangs control the collection, processing, and/or trading waste streams.



Highlights



Workers sort dry waste at the Saligaon Integrated WM facility supported by the NSP India WM in Goa. © NSP India Waste Management

In September, NSP India Waste Management signed an agreement with a host of the Risk Sharing Facility (RSF), the Small Industries Development Bank of India (SIDBI). The RSF is a one of the key financial instruments of the projects and is expected to de-risk private investments in waste management infrastructure and leverage private funding at scale.



Children Book "17 adventures in the Kingdom of Waste" published by the NSP China WM. © NSP China Waste Management

By the end of 2022, NSP China Waste Management achieved all or even overachieved some of the Mandatory Key Indicators (M1 – 5), including M1 – GHG emissions reduced – reaching a total of 6.8 Mt CO₂e.

1.2 NSP Portfolio Overview

In 2022, the NAMA Facility held the Ambition Initiative – Round Two, the most recent Call for Projects, and selected four new NSPs to enter DPP. Namibia and Paraguay joined the portfolio with their first NSPs. Nepal already has one NSP in DPP, and Mongolia has an NSP in Implementation Phase. With the two new countries, at the end of the year 2022, the NSPs portfolio consisted of 33 countries, as illustrated above in **Figure 1**. The newly selected NSPs target transformational change in different sectors: agriculture, forestry, and other land uses (AFOLU), renewable energy (RE), and transport. In addition, the NAMA Facility portfolio includes NSPs contributing to carbon-neutral development in two other sectors: energy efficiency (EE) and waste (see **Figure 2**).

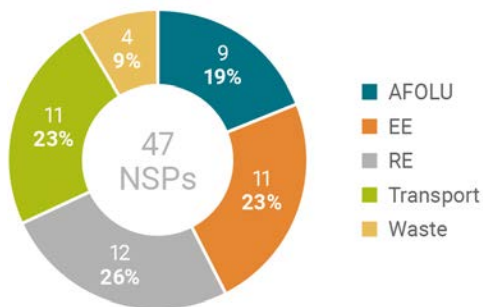


Figure 2: NAMA Facility portfolio: Sectoral breakdown

With the new additions, the NSP portfolio comprised 47 projects across three regions: Africa, Asia and Pacific, and LAC (see **Figure 3**). Although, the NAMA Facility Calls are open to all ODA-eligible countries, so far there are no NSPs in Europe. Most countries in the portfolio appear in critical positions on the Global Climate Risk Index². For instance, five out of the ten countries most affected by extreme weather events (2000 – 2019) are part of the NAMA Facility.

Furthermore, the countries in which NSPs intervene are socio-economically diverse. The current portfolio of the NAMA Facility includes seven least developed countries (LDCs), 12 lower middle-income countries (LMICs), 12 upper middle-income countries (UMICs), and one high-income economy³. Chile, the only high-income

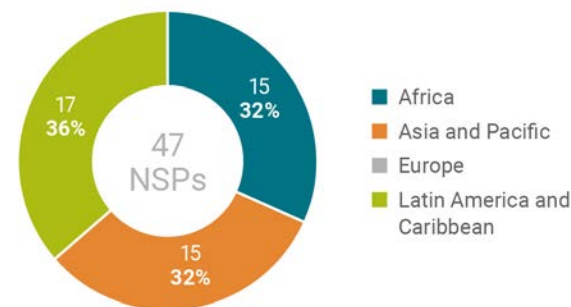


Figure 3: Geographical distribution of NAMA Support Projects (NSPs)

economy among the NSP countries, was classified as such in 2013 – right after their NSP was selected in the 1st Call.

In 2022, five NSPs in DPP moved forward into the Implementation Phase, while three NSPs in DPP were not approved to continue. In addition, three NSPs completed their activities after finishing their remaining components. Lastly, two projects from different Calls were discontinued.

As of December 2022, the NAMA Facility counted 13 NSPs in DPP, 17 NSPs in Implementation Phase, five completed NSPs, and 12 NSPs that were either discontinued after DPP or during Implementation Phase (see **Figure 4**).

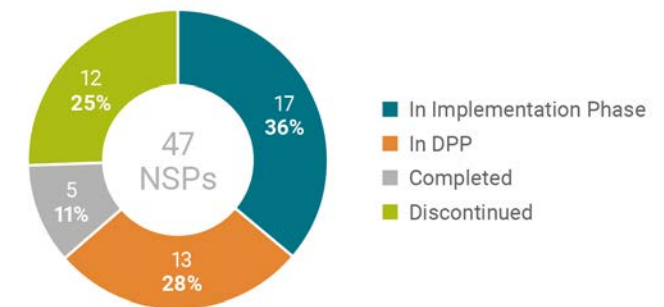


Figure 4: Status of NAMA Support Projects (NSPs) as of December 2022

² The Global Climate Risk Index 2021 developed by Germanwatch analyses to what extent countries and regions have been affected by weather-related loss events.

³ According to the OECD Development Assistance Committee (DAC) classification of Official Development Assistance (ODA) recipients. There is no data available for Palestine.

A more detailed overview of the status of each NSP and the changes that occurred in 2022 can be found in **Table 1**. A distinction between the Financial Cooperation (FC) and the Technical Cooperation (TC) components of the NSPs is made as in some cases they might have different implementation periods of time and be implemented by different organisations.

Table 1: Detailed status of the NSP portfolio in 2022

No.	NSP	Preparation (DPP)	Implementation	Completed	Discontinued ⁴	Changes in 2022
001	Mexico Housing			TC/FC		
005	Costa Rica Coffee			TC/FC		FC completed
006	Colombia Transit-Oriented Development			TC	FC discontinued	FC discontinued
009	Indonesia Transport			TC	FC discontinued	TC completed
025	Chile Renewable Energy		FC	TC		
203	Tajikistan Forestry				Discontinued	
212	Peru Transport			TC/FC		TC completed
228	Burkina Faso Biomass Energy				Discontinued	
237	Thailand Refrigeration and Air Conditioning			TC/FC		
306	Colombia Refrigeration		TC/FC			
308	Guatemala Cookstoves		TC/FC			
316	Kenya Transport				Discontinued	
317	South Africa Public Buildings and Infrastructure		TC/FC			
318	China Waste Management		TC			
404	Uganda Cookstoves				Discontinued	
405	Thailand Rice		TC/FC			
410	The Gambia Grid-Connected Solar		TC/FC			
414	Mexico SME Energy Efficiency		TC/FC			
428	Philippines Distributed Solar				Discontinued	
437	Tunisia Clean Energy in Buildings		TC/FC			
460	Brazil Beef				Discontinued	Discontinued

4 This category includes the following cases: NSPs not approved for Implementation and NSPs discontinued during Implementation.

No.	NSP	Preparation (DPP)	Implementation	Completed	Discontinued ⁴	Changes in 2022
469	Mexico Sugar Mills				Discontinued	
505	Brazil Industrial Energy Efficiency		TC/FC			
526	Peru Coffee				Discontinued	
537	Palestine Olive Value Chain		TC/FC			Approved for Implementation Phase
541	India Waste Management		TC/FC			
546	Mozambique Waste Management		TC/FC			Approved for Implementation Phase
548	Cabo Verde Electric Vehicles		TC/FC			
566	Colombia E-Mobility				Discontinued	Not approved for Implementation Phase
603	Morocco Energy Efficient Households				Discontinued	Not approved for Implementation Phase
619	Mongolia Building Retrofitting		TC/FC			Approved for Implementation Phase
639	Madagascar REDD+				Discontinued	Not approved for Implementation Phase
644	Honduras Livestock		TC/FC			Approved for Implementation Phase
649	Jordan Grid Enhancement	Preparation				
709	Rwanda E-Mobility	Preparation				
712	Peru Organic Waste Management	Preparation				
727	Egypt Solar PV Industry		TC/FC			Approved for Implementation Phase
728	Philippines Tidal Stream	Preparation				
744	Pakistan Sustainable Textile Sector	Preparation				
804	Kenya Solar Powered Cold Chain Services	Preparation				
808	Costa Rica Green Hydrogen	Preparation				
823	Nepal Electric Transport	Preparation				
832	Kenya Small Vehicles E-Mobility	Preparation				
903	Mongolia Clean Heating	Preparation				Approved for DPP
904	Nepal SFM and Bioenergy	Preparation				Approved for DPP
907	Namibia Biomass	Preparation				Approved for DPP
936	Paraguay Public Transport	Preparation				Approved for DPP

NSPs in DPP

In 2022, the NAMA Facility Board selected four NSP Outlines from Ambition Initiative – Round Two for DPP. Furthermore, eight previously selected NSPs entered Phase 2 of DPP.

- 903 Mongolia Clean Heating
- 904 Nepal SFM and Bioenergy
- 907 Namibia Biomass
- 936 Paraguay Public Transport

NSPs in Implementation Phase

In 2022, five NSPs were approved for the Implementation Phase:

- 537 Palestine Olive Value Chain
- 546 Mozambique Waste Management
- 619 Mongolia Building Retrofitting
- 644 Honduras Livestock
- 727 Egypt Solar PV Industry

Two NSPs entered Implementation Phase 2:

- 505 Brazil Industrial Energy Efficiency
- 541 India Waste Management

Characteristics of the Financial Cooperation (FC) among NSPs in Implementation Phase

The portfolio holds 16 NSPs with active FC components in the Implementation Phase with EUR 229m in total NAMA Facility funding of which, about EUR 132m correspond to FC funding. This corresponds to approximately 58% of the total funding.

These NSPs operate in 16 countries. Africa is the most active region with seven NSPs and EUR 56m in funding for FC (42% of global FC funding), followed by LAC with six NSPs and EUR 48m in funding for FC (37% of global FC funding), and Asia and Pacific with three NSPs and EUR 28m in funding for FC (21% of global FC funding), as represented in **Figure 5**.

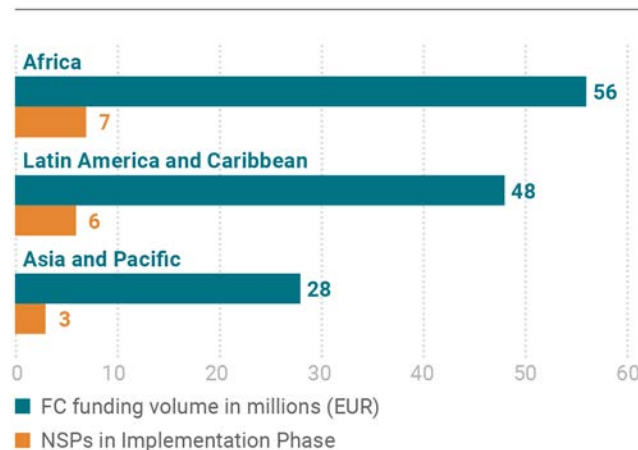


Figure 5: FC funding volume by regions

The EE and RE sectors account for the lion's share of FC funding (69%), followed by waste (16%), AFOLU (13%), and transport (3%). See **Figure 6**. By type of financial mechanism, nearly half (46%) of the total NAMA Facility FC funding goes to guarantee funds, 31% is allocated to (partial) grant subsidies, and nearly one quarter (23%) is committed to concessional loans. See **Figure 7**.

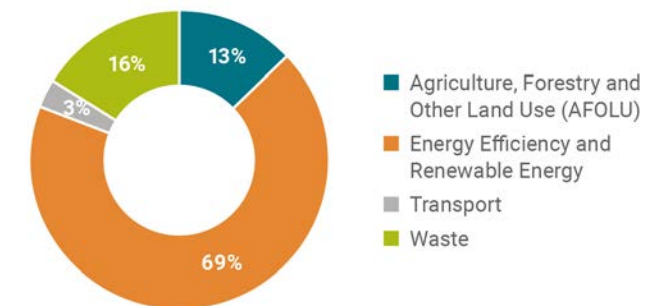


Figure 6: FC funding volume by sectors

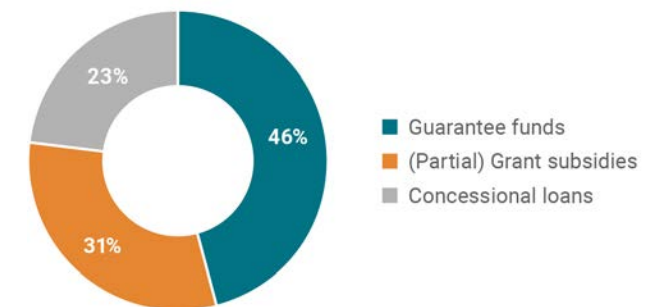


Figure 7: FC funding by type of financial mechanism

Indications from the portfolio risk assessment of NSPs in Implementation Phase

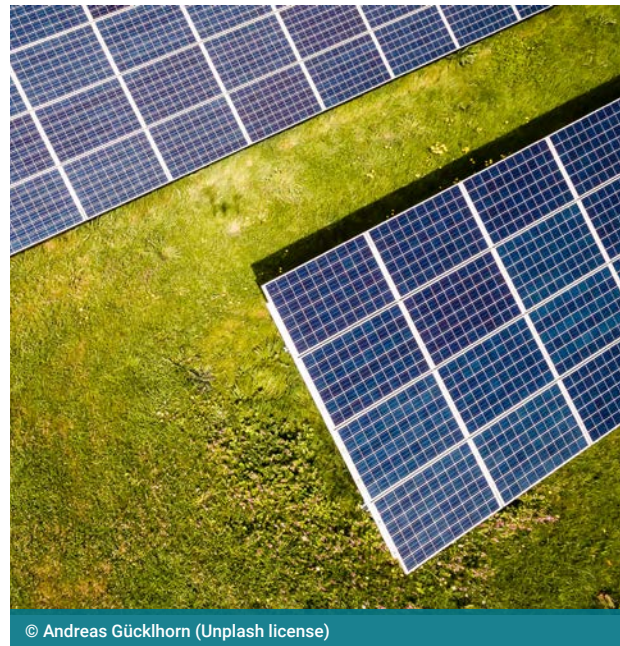
The portfolio is uniformly distributed around the globe and shows risk diversification through overall high granularity, while also having some concentration in EE and RE, and guarantee mechanisms.

A detailed look reveals:

- The portfolio includes 16 active NSPs in 16 countries and features a relatively high granularity and risk diversification. Any single country exposure lays below 11% of the total FC funding;
- Chile is the country with the largest FC funding (EUR 13.2m, which is 10.1% of the total FC funding in a single NSP) and leads the top three country exposures followed by South Africa (9.4%) and Mozambique (9.0%); together, Chile, South Africa, and Mozambique account for less than one third of the active FC funding portfolio (28.4%);
- Considering the total NAMA Facility funding (FC and TC), the NSP South Africa Public Buildings and Infrastructure has the largest budget and with this, South Africa is the single highest country exposure (8.7%), closely followed by Mozambique (8.6%) and Brazil (8.0%), which account for a combined total of 25.4%;

- There is a regional cluster risk in Africa with 42% of the FC funding committed to seven NSPs, followed by LAC (six NSPs, 37%); while Asia and Pacific accounts for a much smaller cluster (three NSPs, 21%);
- Africa is also the region with the highest commitment considering the total NAMA Facility funding (41% of total FC and TC), followed by LAC (37%) and Asia and Pacific (22%).

A reflection on these findings is included in [section 1.3](#).



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Intergovernmental Project Agreements

Intergovernmental Project Agreements (IPAs) are agreements under international law, between the German government and the partner country's government. IPAs describe the foundations of legal security and provide the project with essential rights, for their protection, during service delivery. Only GIZ-implemented NSPs require IPAs to proceed.

In 2022, four IPAs were in process. The IPA for Mexico SME Energy Efficiency reached completion. Three additional IPAs processes were ongoing. The governments of Germany and Mongolia approved the draft for the newly launched IPA for Mongolia Building Retrofitting, which is expected to be signed in early 2023. The IPA process for South Africa Public Buildings and Infrastructure is still ongoing, causing delays with disbursements. A more proactive approach was chosen by imposing strict milestones and deadlines for resolving the current deadlock, but four consecutive deadlines were not met. As a result, an alternative institutional set-up shall be explored. A separate IPA for Egypt Solar Photovoltaic (PV) Industry might not be necessary, as it is expected to be secured under the umbrella of a German Federal Ministry for Economic Cooperation and Development (BMZ) funded project.

1.3 Strategic Considerations

This chapter examines how the NAMA Facility is strategically evolving in response to global trends and the learnings drawn from ten years of driving transformation through climate finance.



Regional workshop in Mexico fosters dialogue on monitoring, knowledge management and gender to support climate action.
© Mitigation Action Facility

Prospects for the future

With the momentum gained since its founding in 2012, the NAMA Facility began a new chapter in 2022, announcing a new name Mitigation Action Facility, to shine a spotlight on the need to decarbonise priority sectors.

The Mitigation Action Facility will continue to fund ambitious mitigation projects that enable countries to attain Nationally Determined Contributions (NDCs) and long-term strategies that are central to meeting the goals of the Paris Agreement. The Mitigation Action Facility focuses primarily on three priority sectors – energy, transport, and industry – and, at the same time, remains open to cross-sectoral projects linked to one of them. As highlighted in the Intergovernmental Panel on Climate Change's (IPCC) Sixth Assessment Report⁵, energy, transport, and industry cumulatively account for more than 40 Gt CO₂e or 67% of global annual greenhouse gas (GHG) emissions (as of 2021). To shift the targeted sector towards a carbon-neutral development pathway, the Mitigation Action Facility will select innovative projects that can catalyse sector-wide transformational change.

Impacts of the Covid-19 pandemic: Less dramatic than anticipated

In 2022, restrictions introduced in the context of the Covid-19 pandemic were lifted in most partner countries. Nevertheless, the economic and social impacts of the Covid-19 pandemic linger at different levels. Most NSPs applied strategic measures to cope with the situation, but persistent consequences remain, prompting requests for cost-neutral extensions or the restructuring of NSP budgets. The NAMA Facility was able to adapt quickly to virtual meetings, facing some limitations with those in rural areas and/or with unreliable internet access.

The NAMA Facility gave a significant boost to the NSPs towards the end of the Covid-19 pandemic by gathering them in two regional workshops. These in-person NSP workshops made up for the lack of in-depth exchanges, which are only possible with unfettered face-to-face interactions. Given the rich learnings among the NSPs who participated and were able to compare, discuss, and draw conclusions on main aspects of their work, the NAMA Facility will invite all NSPs in Implementation Phase during 2023 for a Global Project Exchange Workshop.

⁵ The Intergovernmental Panel on Climate Change (IPCC), Sixth Assessment Report, Climate Change 2022: Mitigation of Climate Change, the Working Group III contribution. Finalized on 4 April 2022 during the 14th Session of Working Group III and 56th Session of the IPCC. AR6_Factsheet_April_2022.pdf (ipcc.ch)

NAMA Facility's portfolio in complex and turbulent times

Complexity becomes most apparent in times of crisis – even more so in a polycrisis. This is the case of the combined effect of the climate crisis, Covid-19 pandemic, war in Ukraine, and geopolitical crises with trade embargos, which have led to supply chain disruptions and a food crisis. The current energy crisis, inflation, subdued growth or recession, food crisis and bottlenecks in production, trade, and transport worsened the current situation. A first look at some of the characteristics of the FC component portfolio provide a good idea of the increased portfolio risks resulting from this global polycrisis context.⁶



The volatility and uncertainty in the polycrisis or even permacrisis⁷ could essentially exacerbate the risks underlying the active NAMA Facility portfolio. In particular:

- **Implementation risk** – the risk of NSPs not being fully implemented on time and consequently falling short on output and outcome expectations;
- **Disbursement risk** – the concurrent risk of slowed or overall lower NAMA Facility disbursements to NSPs derived from slower implementation pace;
- **Portfolio size risk** – the concurrent risk of a shrinking pipeline for the NAMA Facility portfolio. Shifts of strategic priority areas of governments or global macroeconomic trends such as rising inflation could discourage new NSPs Outlines from being submitted because they might seem unlikely to be successfully implemented⁸;
- **Portfolio performance risk** – the concurrent risk of receiving Outlines with a lesser level of ambition and a shift moving to more concessional mechanisms such as grants.

Outlook

The majority of NSPs in the NAMA Facility's portfolio are likely to be affected by the current situation in some way. They may experience a reduced implementation pace, a dampened scope in the scale of investments and/or anticipated impact, and even outright failure. Perhaps the greatest risks contributing to failure in individual cases are not related to macroeconomic trends, but to issues such as civil unrest leading to political disruption (for example, Peru) or the impact of extreme weather events (such as the floods in Pakistan in 2022). For the NAMA Facility, the overall and cumulative risks include lower than anticipated CO₂ emissions reduction, slower and lower disbursements, and a shrinking portfolio, especially as NSPs in development no longer reach fruition and new NSPs are not developed due to an increasingly adverse investment environment.

The rationale for the NAMA Facility is stronger than ever: for comprehensive and ambitious mitigation action, more and not less concessional finance might be required.

⁶ For further details on the characterization of the FC components in the NAMA Facility's portfolio, [see section 1.2](#).

⁷ Permaccrisis: Collins English Dictionary word of the year for 2022; meaning an extended period of instability and insecurity.

⁸ This risk could possibly be further exacerbated by a lower approval risk among NSPs in DPP, as their underlying business cases could no longer be viable. Thus, fewer NSPs would move forward to the Implementation Phase.

1.4 Calls for Projects in 2022

The Ambition Initiative – Round Two was announced at COP26 in Glasgow on 9 November 2021 and remained open through 30 April 2022.

The Ambition Initiative – Round Two featured the same set of requirements and opportunities for potential Applicants as the Ambition Initiative Call. It emphasised the NAMA Facility's focus on ambitious climate action and green recovery efforts.



1.4.1

Ambition Initiative – Round Two: Overview and Outcomes

The Ambition Initiative Call and the Ambition Initiative – Round Two featured an even higher level of ambition than previous NAMA Facility Calls to support countries with implementing their enhanced NDCs and building back greener as they recovered from the Covid-19 pandemic.

The NAMA Facility received 40 NSP Outline submissions, 12 of which were resubmissions from previous Calls with 26 countries participated in the Call (**Figure 8**). One NSP Outline was rejected as formally ineligible due to the absence of basic project data and non-provision of the NAMA Facility Outline template and Annexes, which are mandatory. Additionally, 12 NSP Outlines did not meet the NDC-related eligibility criteria of the Ambition Initiative – Round Two. The countries in which these NSPs intended to intervene had either not submitted an updated NDC to UNFCCC by the end of COP26 (17 November 2021) or their updated NDCs were deemed not ambitious enough to meet the Call's NDC-related eligibility criteria. Thus, the NAMA Facility Board agreed to move forward with the assessment of 27 NSP Outlines.

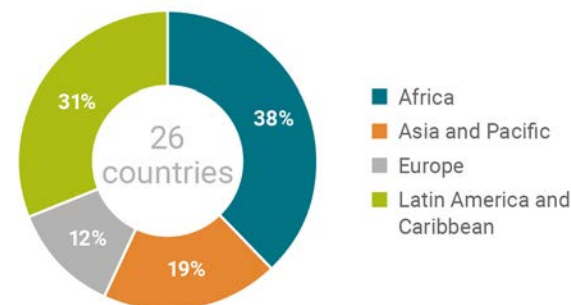


Figure 8: Ambition Initiative – Round Two – Regional distribution of NSP Outlines

As with previous Calls, the NAMA Facility's TSU and external assessors independently conducted desk-based assessments. As a result of a competitive tender, E Co Ltd. Group was assigned to perform assessments between 2 May and 14 June 2022. Through a series of consultations, the TSU and E Co compiled a joint list of NSP Outlines recommended for IDAs. Based on this recommendation, the NAMA Facility Board selected the following eight NSP Outlines for an IDA as part of the Board Meeting 23 on 28 June 2022:

- 903 Mongolia Clean Heating
- 904 Nepal SFM and Bioenergy
- 907 Namibia Biomass
- 910 Nepal Pyrolysis
- 915 Colombia Biogas
- 916 South Africa Green Transport
- 921 Colombia Green Hydrogen
- 936 Paraguay Public Transport

Among the shortlisted NSP Outlines, four NSPs were selected for an email exchange for clarifications prior to a potential IDA: Mongolia Clean Heating, Namibia Biomass, Nepal Pyrolysis, and South Africa Green Transport. Based on the analysis of the responses provided by the Applicants and the resulting TSU recommendation, the NAMA Facility Board selected all NSP Outlines, except for South Africa Green Transport, for an on-site IDA.

TSU staff, jointly with the external assessors from E Co, conducted on-site IDAs of the remaining seven NSPs between 26 July and 26 August 2022. After a three-day on-site examination and interviews with each NSP and its respective stakeholders and partners, the scores of the NSP Outline assessments were updated, which led to four NSPs being recommended for DPP.

As seen from **Figure 9**, the Ambition Initiative – Round Two featured a high share of NSP Outlines submitted from LAC regions. Nevertheless, submissions from the Asia and Pacific region remained strong in terms of the ratio of NSP Outlines submitted to NSP Outlines selected for DPP.

As in previous Calls, the TSU offered feedback calls to Applicants of all eligible but non-selected NSPs. Feedback calls aim to promote learning and improvement in the elaboration of NSP Outlines. **For the first time in the NAMA Facility's history, the TSU also provided Applicants with written feedback to offer clarity and transparency on the reasons for non-selection as well as to enhance traceability of changes in NSP Outlines, in particular, the incorporation of feedback received, in case of resubmissions.** By the end of 2022, out of 23 eligible NSP Outline submissions that were rejected after either desk-based or in-depth assessment, 22 applied for and received a feedback call (96%).

Most Applicants expressed a high level of appreciation for the feedback and welcomed the innovation to receive it also in writing. In their exchanges with the TSU, most Applicants highlighted the following:

- Needed more guidance on the criterion of NDC ambition;
- Needed more time to prepare NSP Outlines;
- Lacked feedback during NSP Outline preparation;
- Needed seed funding for NSP Outline development;
- Concerned about substantial efforts required to establish NSP Outlines that incur costs without clear chance of success.

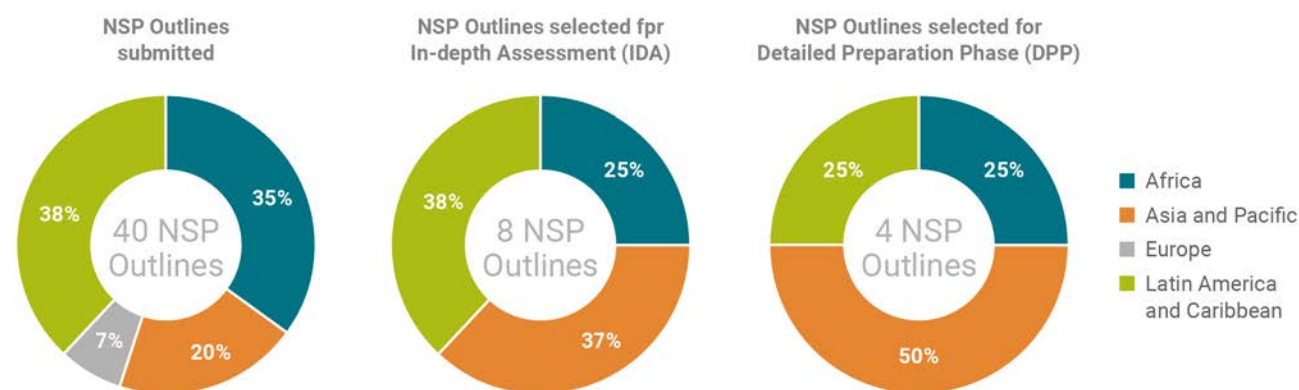


Figure 9: Ambition Initiative – Round Two – Regional distribution of NSP Outlines at different Outline assessment stages

New Call under the Mitigation Action Facility: Overview

At COP27 in Sharm El-Sheikh, Egypt on 11 November 2022, the NAMA Facility announced a new Call and a name change of the NAMA Facility to Mitigation Action Facility, both of which go into effect in 2023. (For more details please refer to the section 1.7.3). The new Call will launch in the first half of 2023 and offer a simplified application process with a new Project Concept Phase preceding the Outline Phase. The new Call may include an offer of additional support for NSP Outline development for a limited number of selected concepts submitted by Applicants who have limited previous experience working with the NAMA Facility.

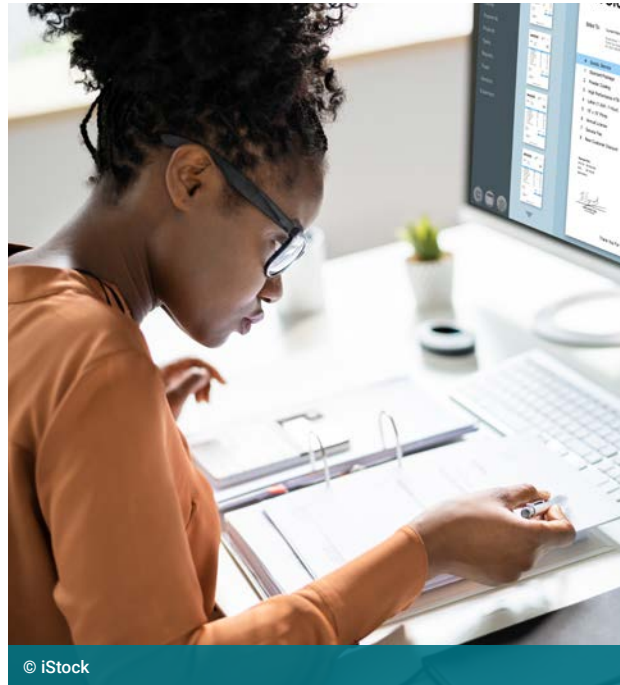
1.4.2

Overview of Conceptual and Material Changes (Outline and DPP Phases)

In 2022, the TSU and external experts continued providing support to both Applicants and NSPs in DPP and Implementation Phase in terms of GHG emissions reduction calculations. Additional activities have been implemented to strengthen the emphasis on gender and circular economy as part of standardised requirements for NSPs selected for DPP (more details below).

Mitigation Potential

The TSU, supported by external mitigation experts Perspectives Climate Group (PCG), developed cross-sectoral guidelines, known as the Mitigation Guideline, for Applicants and NSPs in DPP and Implementation Phase to provide guidance on GHG emissions reduction calculations. The document includes information on how to fill out the GHG Mitigation Potential Annex (corresponding to Annex 6 of the NSP Outline and Annex 7 of the NSP Proposal), general principles, definitions, requirements for determining mitigation potential, and sector-specific guidance. The Mitigation Guideline was updated in February 2022, as part of the Ambition Initiative – Round Two.



New Annex to enhance quality of resubmissions

To provide Applicants with a better overview of issues to be tackled and to increase transparency of feedback, a checklist for resubmissions was piloted (Annex 7 to the NSP Outline) as part of Ambition Initiative – Round Two. The Annex included a pre-filled section indicating key areas requiring improvements. This Annex also

served as a tool for assessors to track the improvements incorporated as part of resubmitted NSP Outlines. Assessors concluded that Annex 7 offered an improved degree of visibility regarding changes in the NSP Outline, although its level of detail depended heavily on the overall diligence of an Applicant.

Standardised requirements for NSPs entering DPP

As part of Ambition Initiative – Round Two, the TSU incorporated standardised requirements on gender equality and social inclusion (GESI) into notification letters. This will enable streamlining of requirements for different projects selected for DPP, and allow for greater attention on promoting gender equality and gender-sensitive project design. The NAMA Facility requested NSPs selected to enter DPP as part of the Ambition Initiative – Round Two to develop GESI plans in alignment with the draft of the NAMA Facility's Gender Vision Action Plan. (Please refer to section 1.5 for more details.) Another new requirement incorporated into notification letters concerns the circular economy. All projects must consider circularity of the proposed mitigation technologies and practices (e.g. promotion of the cradle-to-cradle approach based on the analysis of the current disposal practices applied to both conventional and mitigation technologies or practices) as well as minimisation of waste generation.

1.4.3

Ambition Initiative – Round Two observations

Diversity of Applicants

In the Ambition Initiative – Round Two, the diversity of Applicants was comparable to the Ambition Initiative Call and the 7th Call as the following groups could be distinguished:

- National institutions (development banks and programmes and funds, including commercial entities (e.g. Fondo Acción and Guidehouse GmbH);
- International finance institutions / NGOs / foundations (e.g. Helvetas Swiss Intercooperation, Global Green Growth Institute [GGGI], and Inter-American Development Bank [IDB];
- UN Organisations (e.g. FAO, UNDP, and UNCDF);
- Bilateral development agencies (e.g. Deutsche Gesellschaft für Internationale Zusammenarbeit [GIZ] and Agence Française de Développement [AFD]).

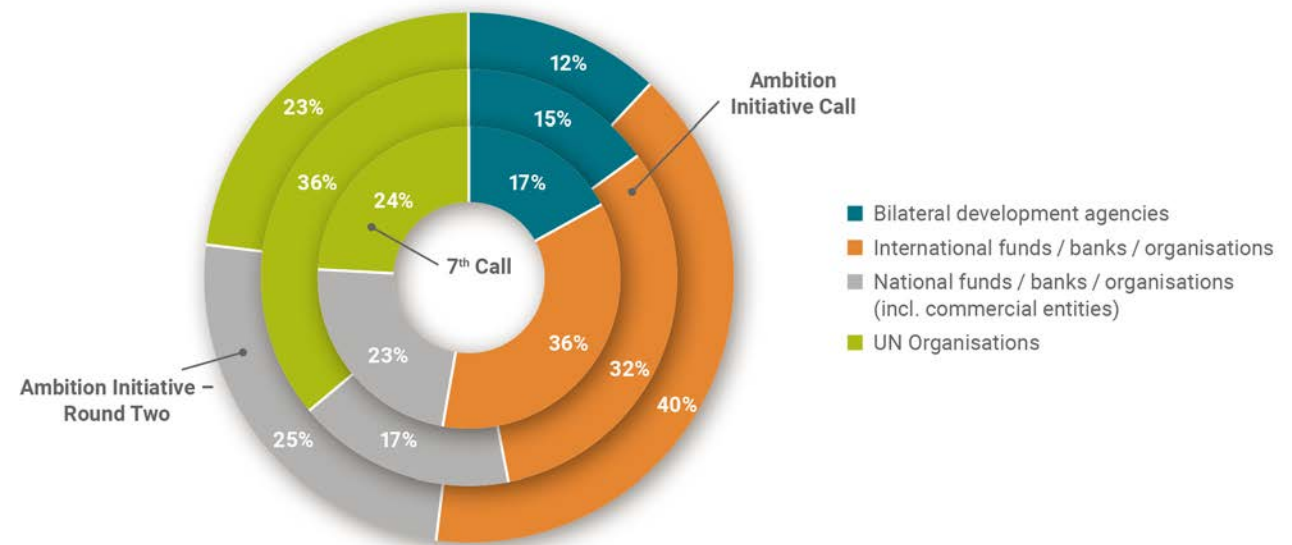


Figure 10: NSP Outlines per type of institution submitted in the 7th Call, the Ambition Initiative Call and the Ambition Initiative – Round Two

As seen in **Figure 10**, in the Ambition Initiative – Round Two and, similarly in the 7th Call, the majority of Outlines were submitted by international funds, banks, and organisations.

Similar to the 7th Call and the Ambition Initiative Call, bilateral development agencies (e.g. AFD and GIZ) had the highest success rate of 20%. This means that out of the total of five NSP Outlines submitted by such agencies, one was selected for DPP. The upcoming Call under the Mitigation Action Facility will introduce a new Project Concept Phase and offer external support with Outline development for some selected project concepts in order to increase Applicant success rate.

Quality of NSP Outlines

Desk-based assessments conducted by the TSU and the external assessors for Ambition Initiative – Round Two resulted in seven NSP Outlines scoring at least 25 out of 50 points (i.e. above the threshold for consideration for an IDA). No NSP Outline was rated higher than 34.3 points at this stage (an increase of 0.3 points in comparison to the Ambition Initiative Call, but a slight decrease of 0.2 points in comparison to the 7th Call). The average score of NSP Outlines submitted as part of Ambition Initiative – Round Two was 21.9, which was comparable to the Ambition Initiative Call (22.2). After IDAs, the average score decreased by more than 1.2 points to 25.6 – an effect that might be attributable to significant deviations between theoretical information provided in NSP Outlines and practical insights received by assessors as part of on-site IDAs (see **Figure 11**).

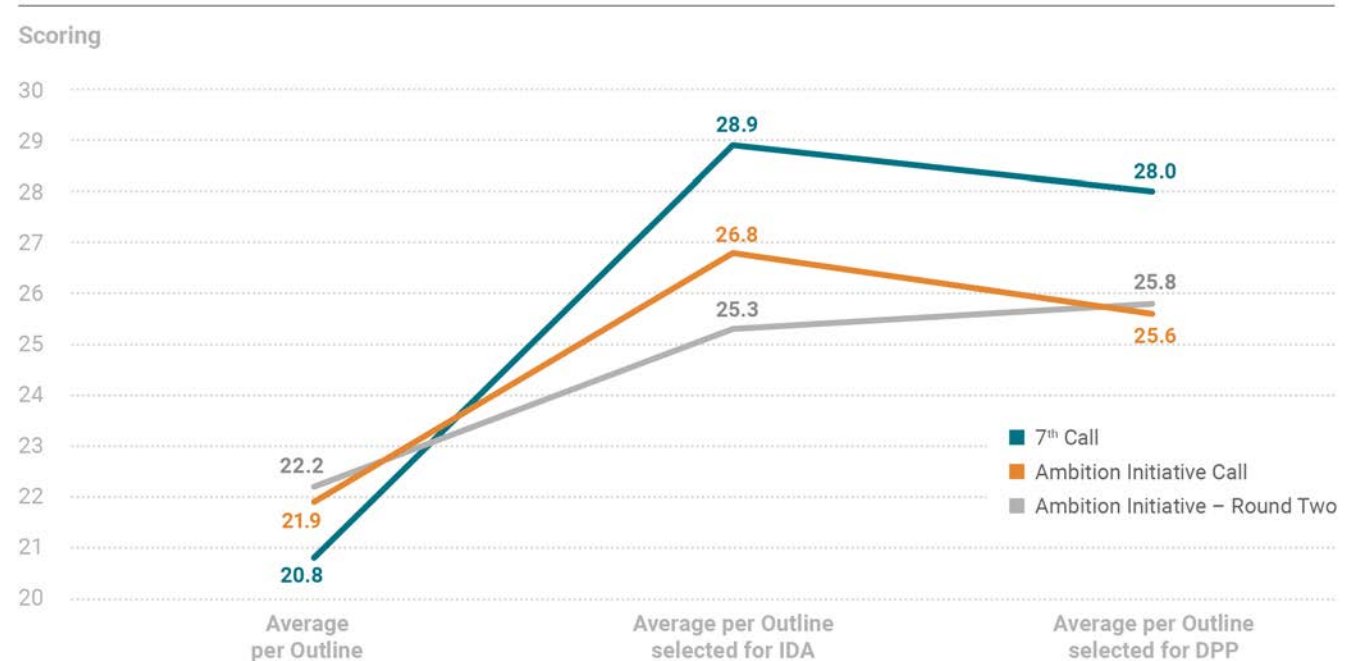


Figure 11: Average scoring of NSP Outlines at different stages of NSP Outlines assessment/selection (7th Call vs. Ambition Initiative Call vs. Ambition Initiative – Round Two)

In terms of sectors, NSP Outlines targeting the sector of RE, as with the previous Calls of the NAMA Facility, had the highest share among all submissions followed by AFOLU, EE, transport, and waste.

Following the trend of the Ambition Initiative Call, the Ambition Initiative – Round Two saw an even higher average volume of funding requested by NSPs. This is a result of the increase in the eligible maximum funding volume from EUR 20 million to EUR 25 million. One of the deviations from the trends set by the Ambition Initiative Call was the stronger correlation between the funding requested and estimated GHG emissions reduction.

With an average of 7.4 Mt CO₂e mitigated⁹, the NSP Outlines selected for DPP in the Ambition Initiative – Round Two demonstrated the highest targeted average mitigation potential to date (see Figure 12). This result has also impacted the cost effectiveness of the Call where reduction of 1 tCO₂e costs EUR 3 on average (vs. EUR 16.4 and EUR 6.7 in the case of the Ambition Initiative Call and the 7th Call, respectively).

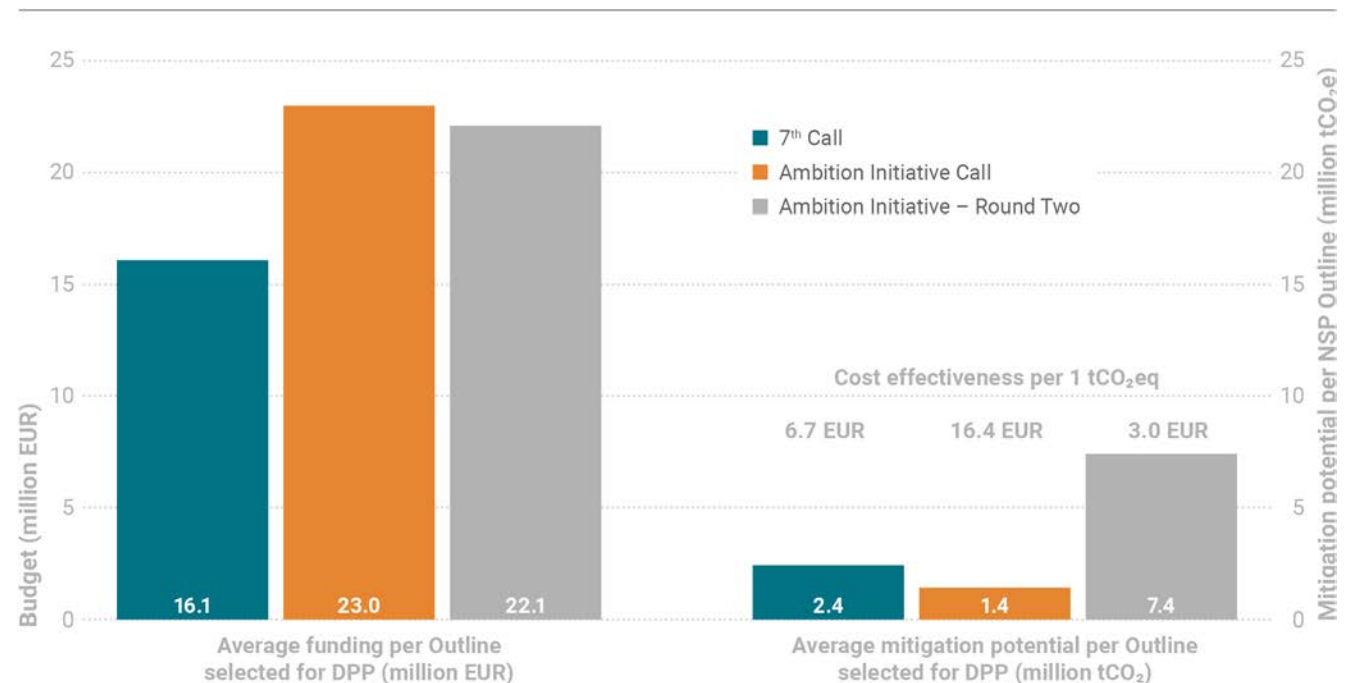


Figure 12: Comparison of the 7th Call, Ambition Initiative Call and Ambition Initiative – Round Two in terms of average funding requested and average mitigation potential of NSPs in DPP

⁹ The observed effect is partially attributed to an NSP Outline selected for DPP (Nepal SFM and Bioenergy) expecting an extremely high reduction of GHG emissions (above 23 Mt CO₂e). These estimations are subject to verification during the DPP. The median GHG mitigation potential of the NSPs selected for DPP in the Ambition Initiative – Round Two is 2.2 Mt CO₂e, which is comparable to the average of the 7th Call (2.4 Mt CO₂e) and still higher than the average of the Ambition Initiative Call (1.4 Mt CO₂e).

Mitigation Potential

The TSU observed that Applicants provided an increased quality of information to substantiate the Mitigation Potential of NSP Outlines as part of the Ambition Initiative – Round Two. This can be attributed to the additional guidance materials previously provided by the TSU. Nevertheless, given the complexity of the calculations and underlying assumptions, there is still potential for further improvement. The most critical observations from Ambition Initiative – Round Two, when calculating mitigation potential can be summarised as follows:

- **Parameters and assumptions:** Defining and conclusively presenting assumptions underlying the GHG emissions reduction calculations remains challenging for Applicants. Although some NSP Outlines provided conservative and sound assumptions and parameters, this section was often left incomplete by Applicants. In addition, submissions often did not include sufficient references and sources.
- **Direct and indirect emissions:** The level of plausibility of the direct and indirect emissions varied significantly between the NSP Outlines. Many NSP Outlines presented very low emission reductions, which were considered insignificant in the respective sector. More specifically, indications for indirect mitigation potential

were missing completely or were overly simplified. In some cases however, the indirect GHG emission reductions appeared to be overestimated, suggesting implausible replicability of the approach promoted by the NSP. In fewer cases, the mitigation potential had been well elaborated based on robust calculations and plausible assumptions; the direct mitigation potential was considered conservative and plausible.

- **Mitigation calculations:** The steps in the calculation process were often not presented. In many cases, the data provided did not show which formulas were applied; only the cumulative final figures or results were reported (i.e. calculations in Excel files were not properly presented and figures were inserted manually rather than calculated through formulas). The consequent lack of traceability hindered the assessment of the results' plausibility.
- **Cost effectiveness:** Given the direct mitigation miscalculations in many NSP Outlines, the cost effectiveness of these projects was considered improbable. In some cases, the potential GHG emission reductions to be triggered by the NSP were either over- or underestimated in relation to the requested funds, thus resulting in an unfavourable cost-benefit ratio. In some NSP Outlines, even those displaying robust financing structures, mitigation costs were too high compared to mitigation costs of comparable NSPs in Implementation Phase.

- **Leakages and rebound effects:** Although calculating leakage and rebound effects is not a mandatory requirement at the Outline Phase, assessors check both consideration and plausibility of Applicants' calculations. Most NSP Outlines did not consider leakage and rebound-related risks.

Conclusion

In many aspects, Ambition Initiative – Round Two continued the trends set by the Ambition Initiative Call. Aside the fact that Ambition Initiative – Round Two has had a higher level of eligible NSP Outlines in comparison to the Ambition Initiative Call (which can be explained by increased familiarity of Applicants with the specific Call requirements), issues such as an overall lower number of Outlines received, and lack of successful Applicants representing national institutions have been observed. This provides evidence of a high entry barrier associated with Calls for Projects of the NAMA Facility and specifically with the Ambition Initiative Call and Ambition Initiative – Round Two. If not addressed, this may result in decreased Applicant interest in the funding provided by the NAMA Facility. In this respect, the changes envisioned for the future Call to be launched under the Mitigation Action Facility are meant to reverse these trends and attract more NSP Outlines of high quality from a greater variety of Applicants.

1.4.4

Communications and Outreach

Throughout its communications activities in 2022, the TSU continued supporting the Call process to raise awareness and to help improve the quality of NSP Outlines. In this regard, communications and outreach revolved mainly around Ambition Initiative – Round Two. This included individual engagements with pre-selected potential Applicants (upstream engagements), social media, the newsletter, news pieces, Call-specific guidance documents circulated on the NAMA Facility website, and events, including live webinars and a side event at COP27.

Ambition Initiative – Round Two

To encourage potential Applicants to participate in Ambition Initiative – Round Two, the TSU organised two live webinars in 2022, which supplemented the first webinar held at the end of 2021 to introduce the Call and its requirements:

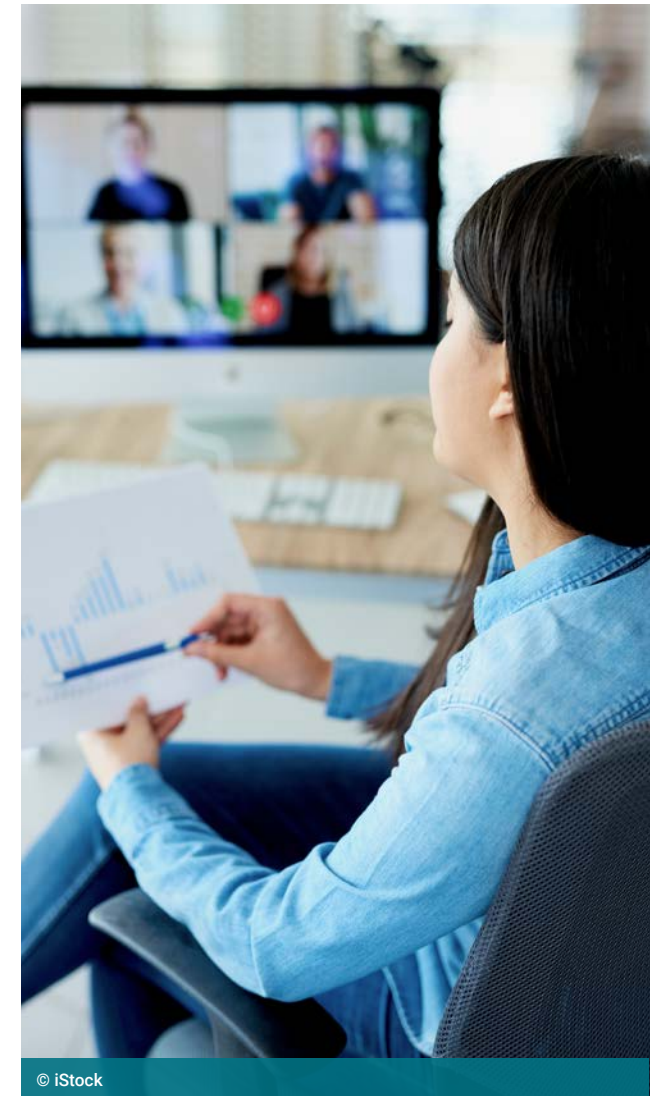
- NSP Outline Development: Practical Examples, 16 February 2022, offered a deep dive into the AFOLU sector and featured recommendations for Applicants preparing NSP Outlines in this sector;
- Clarifications and Frequently Asked Questions, 23 March 2022.

The two webinars organised in 2022 to support the Ambition Initiative – Round Two each had around 35 live attendees and, together, an average of 80 views on YouTube (based on YouTube statistics).

Upstream support and cooperation within the climate finance community

During the Ambition Initiative – Round Two, the NAMA Facility continued engaging with the NDC Partnership (NDCP). NDCP featured the Ambition Initiative – Round Two on their webpage dedicated to climate funding opportunities available to developing countries and emerging economies.

In-country facilitators of the NDCP have been supporting partner governments in applying to the Ambition Initiative – Round Two. Starting from Ambition Initiative – Round Two, based on the NAMA Facility Board's request, the TSU and external assessors arranged meetings with NDCP in-country facilitators as part of IDAs. This was done to better assess the relevance of a project for NDC Partnership Plans (if in place) and/or, more generally, for NDCP activities.





COP27. © Mitigation Action Facility

COP27

Continuing its presence, the NAMA Facility hosted a side event at the United Kingdom (UK) Pavilion at COP27 on 11 November 2022. The NAMA Facility Board announced the NSPs from the Ambition Initiative – Round Two selected for DPP. Furthermore, NAMA Facility Board representatives from Germany, the UK and the Children's Investment Fund Foundation (CIFF) revealed a new name of the fund, the Mitigation Action Facility (effective from 2023), and outlined its future direction including the focus on three priority sectors: energy, transport, and industry. At the same time, a decade-long commitment to fund ambitious climate solutions in partner countries in line with the Paris Agreement was restated, emphasising the need to accelerate efforts to ensure successful NDC implementation. It was also announced that a new Call for Projects would be launched in the first half of 2023. Additional speakers at the NAMA Facility side event included representatives of partner countries as per projects selected for DPP during the Ambition Initiative – Round Two, notably from Mongolia, Namibia, and Nepal.

1.5 Gender Mainstreaming

The NAMA Facility supports the implementation of sustainable development co-benefits which are associated with NSPs and go beyond the reduction of GHG emissions. These co-benefits include contributions to socio-economic, ecological, and institutional development, including gender-responsive development. Consequently, the NAMA Facility aims to work towards reducing gender-based discrimination, thus promoting gender justice and empowerment.

In previous years, the NAMA Facility had already taken into account gender-related considerations, such as the assessment of Annex 11 on Safeguards and Gender. The NAMA Facility requires all NSPs to undertake a systematic screening of possible intended and unintended negative impacts and risks of the NSP to environment, society, human rights, and gender at an early stage. The NSPs also report on the number of people benefitting from their interventions, under mandatory core indicator M2, with data disaggregated by gender. To increase the level of ambition and to align with the international frameworks and common practices on gender mainstreaming and equality, the NAMA Facility Board decided to further promote gender justice and ensure gender-responsive and even gender-transformative action in the long term.

In September 2022, the NAMA Facility Board approved the NAMA Facility Gender Vision which aims to advance gender justice in climate action and beyond. It recognises gender justice and empowerment as guiding principles, a cross-cutting mandate, and a co-benefit of the NAMA Facility to improve effectiveness, efficiency, and sustainability of impact.

The TSU is preparing a Gender Action Plan to be adopted by the NAMA Facility Board in the first quarter of 2023 to define concrete targets and measures to implement the objectives of the Gender Vision.



Mentoring programme for professional women. © GIZ Brazil

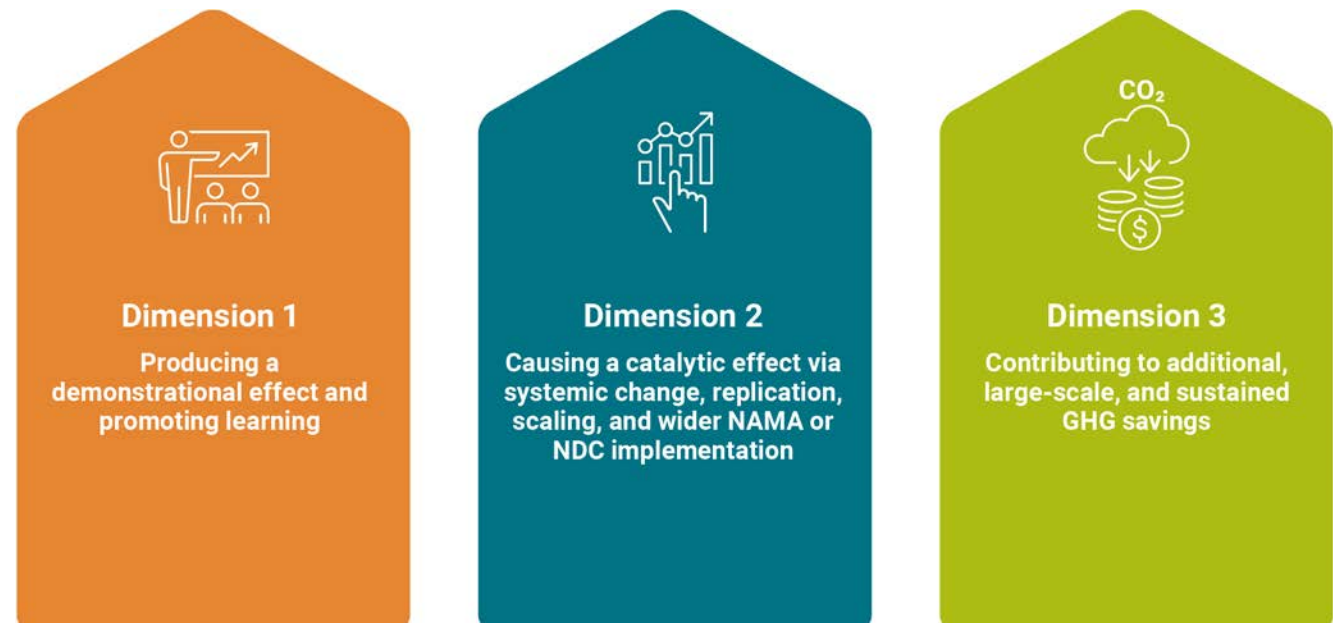
1.6 Transformational Change

Achieving transformational change is an integral goal of each NSP and the NAMA Facility portfolio as a whole. Since 2020, insights on transformational change have been collected as part of the ELEs ([see details in section 1.7.2](#)). Progress made towards achieving transformational change is evaluated in the ELEs as part of the impact OECD DAC criterion. In 2021, the ELE team (a consortium comprised of Ambero and Oxford Policy Management) introduced the Transformational Change Measurement Framework which allows for a more systematic approach to the evaluation of this impact OECD DAC criterion.

The framework is based on the overall NAMA Facility Theory of Change (ToC) and the NAMA Facility's definition of transformational change¹⁰ and is meant to guide the identification and tracking of NSP-induced transformational change. It introduces three dimensions that illustrate the pathways of how NSPs can achieve transformational change as specified in their respective ToCs. ELEs investigate NSPs' progress along each of the three dimensions (see graphic below).

The Transformational Change Measurement Framework was used as a basis for the Learning Study conducted in 2022, which included nine¹¹ ELEs accomplished between 2020 and early 2022. The Learning Study focused on the research question "What are the different pathways

NSPs pursue towards transformational change and how successful have NSPs been in contributing to it?" The main observations of the Learning Study along the three dimensions include:



¹⁰ The NAMA Facility defines Transformational Change as "Catalytic change in systems and behaviours resulting from disruptive climate actions that enable actors to shift to carbon-neutral pathways".

¹¹ Includes Final ELE of Costa Rica Coffee; Final ELE of TC of Colombia Transit-Oriented Development; Final ELE of TC of Chile Renewable Energy; Mid-term ELE of TC of China Waste Management; Final ELE of Thailand Refrigeration and Air Conditioning; Mid-term ELE of Thailand Rice; Final ELE of Peru Transport; Final ELE of FC of Mexico Housing; Mid-term ELE of Colombia Refrigeration.



Dimension 1

The ELEs revealed mixed results for the NSPs' ability to produce a demonstrable effect. Six NSPs succeeded in demonstrating the viability of the carbon-neutral solution with relatively large-scale piloting and adoption, which resulted in direct GHG emissions savings between 0.017 and 4.01 Mt CO₂e.¹² However, three NSPs did not trigger direct GHG emissions savings. The amount of public and private investment that an NSP mobilises for the scaling of the low-carbon solution can also hint at the success of the demonstrable effect, since it can be viewed as an indication of the partner buy-in. The amount of public investment mobilised by 2021 ranged from EUR 0.3 million to 183 million, and private investment ranged from EUR 1 million to 712.4 million. The Learning Study finds that the NSPs¹³ that did not succeed in demonstrating the viability of low-carbon solutions in practice were also not able to mobilise investment. The Learning Study concludes that the connection between learning, raising awareness about a particular carbon-neutral solution, and capacity development could be made clearer in the Transformational Change Monitoring Framework.



Dimension 2

The NSPs succeeded in creating systemic change, yet there was limited evidence of supporting a catalytic effect through other expected routes, including wider NAMA or NDC implementation, replication, and scaling-up of the NSP itself. The Learning Study concludes that all nine NSPs supported significant changes in the wider system and enabling environment, although some of the required steps were still underway. For example, of the specific changes targeted across the NSPs related to market behaviour and economic incentives, 25% had not taken place, 67% were underway and likely to be achieved soon, and 8% had been achieved.



Dimension 3

The NSPs provided weak evidence of achieving large-scale GHG savings. The NSPs aim at influencing GHG savings at a scale that can be considered transformational, including indirect GHG savings. However, different visions of when these GHG savings will be achieved were observed by the Learning Study (i.e., during the project vs. in the future). Similarly, the extent to which the large-scale GHG savings will be directly delivered or indirectly influenced by the NSP varied.

In general, the Learning Study could not provide a firm conclusion on the NSP portfolio-wide progress towards transformational change. However, these findings are based on a rather limited sample of ELEs. The findings will be revisited by the two subsequent Learning Studies slated to be conducted in 2024 and 2025 to shed further light on the maturing portfolio of NSPs. As the upcoming studies will be based on a significantly larger sample of final and mid-term ELEs, additional insights into the NSP-induced transformational change will be available in the future.

¹² The Learning Study included ELEs that were conducted until early 2022. Yet as the ELEs are based on the annual and semi-annual reporting data, the latest available figures were from 2021.

¹³ Namely, Peru Transport and Colombia Transit-Oriented Development.

Transformational Change Measurement Framework and Theory of Change

The Learning Study found a lack of alignment between the Transformational Change Measurement Framework and the ToCs of certain NSPs. It was found that there is a need to reinforce the alignment of the Transformational Change Measurement Framework with the NAMA Facility's definition of Transformational Change as well as the overall NAMA Facility ToC. As a result, the revision of the Transformational Change Measurement Framework was initiated in December 2022 and is expected to be completed in early 2023. The revision will focus on the refinement of the definitions of the three dimensions that were introduced earlier. Additionally, the updated Transformational Change Measurement Framework will be used as an input for the elaboration of the narrative of the NAMA Facility's ToC. Following the approval of the revised NAMA Facility ToC in January 2022, the TSU began developing a supporting ToC narrative. The ToC narrative shall provide further guidance to the NSPs on the NAMA Facility's intervention logic.



Tajikistan mountains. © TSU of the Mitigation Action Facility / Claudia Heller

1.7 Monitoring, Evaluation, and Learning

With a maturing portfolio, the NAMA Facility has increasingly focused on monitoring and evaluation (M&E) to embed learning across all its activities and to enable projects to be scaled up and replicated. Thus, knowledge gained from evidence is not only key to decision-making and improving outcomes at the project level but also for learning from successes and challenges at the portfolio level. The knowledge management and communication related activities, therefore, build upon this knowledge generated through M&E. The workstreams of monitoring, evaluation, knowledge management, and communication are thus all linked through the role of the NAMA Facility as a Knowledge and Learning Hub.

In 2022, the NAMA Facility further developed its role as a Knowledge and Learning Hub. This was guided by input received throughout a knowledge-needs assessment performed in 2022 by the external consulting firm OneOffTech. The assessment mapped the NAMA Facility's current knowledge management practices, needs, goals, and related challenges (see also section 1.7.3). The assessment concluded that despite having the role of serving as a Knowledge and Learning Hub there was no explicit definition of what services the NAMA Facility offers to its stakeholders to support learning. Nevertheless, the interviews conducted throughout the assessment confirmed the implicit view of the TSU in its role as the Knowledge and Learning Hub as:

- An **access** point for the NAMA Facility's key stakeholders (NAMA Facility Board, TSU, and NSPs) to obtain information and a **space for dialogue** among NSPs (internal sharing);
- A catalyst for **reusing** and adapting learnings;
- A point of **coordination** for conducting and reviewing the ELEs;
- An **archive** where documented knowledge from key stakeholders is collected, systemised, and retained;
- A driver for **disseminating** learnings to the climate finance community and for the strategic use of social media for the NAMA Facility to reach a broader audience (external sharing).

One of the recommendations from the assessment was to further strengthen the role of the NAMA Facility as a Knowledge and Learning Hub by:

- Grouping all available knowledge management and learning-related tools, instruments, and activities under the Knowledge and Learning Hub; and
- Making the Knowledge and Learning Hub better known within the NAMA Facility network.

Based on this recommendation, the following toolbox groups all current knowledge management and learning-related tools, instruments, and activities under the Knowledge and Learning Hub (**Table 2**).

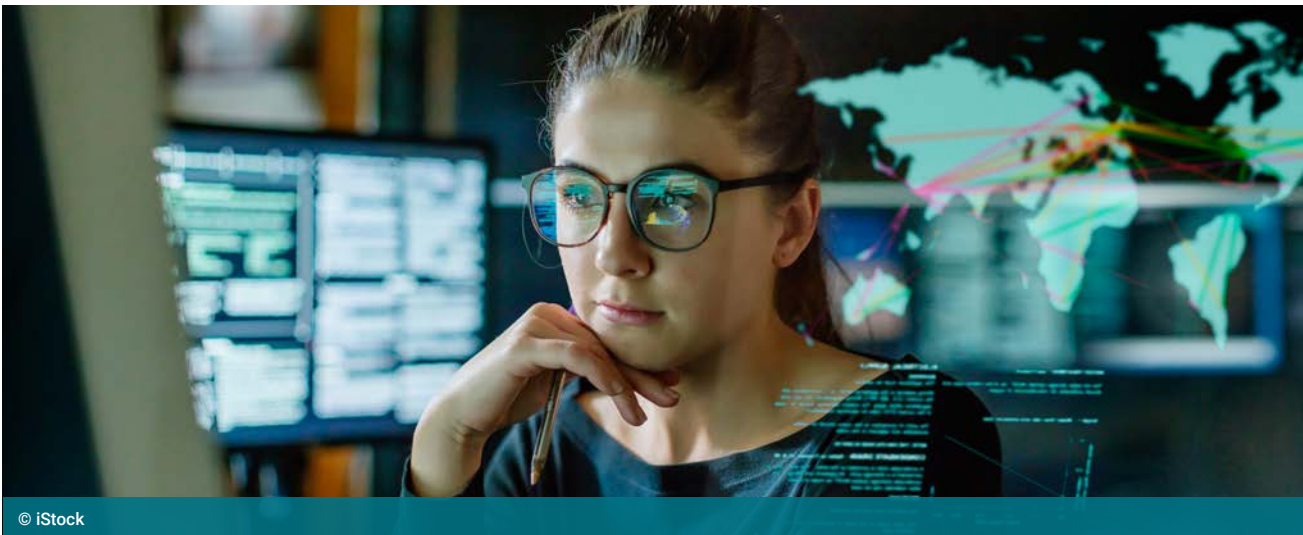
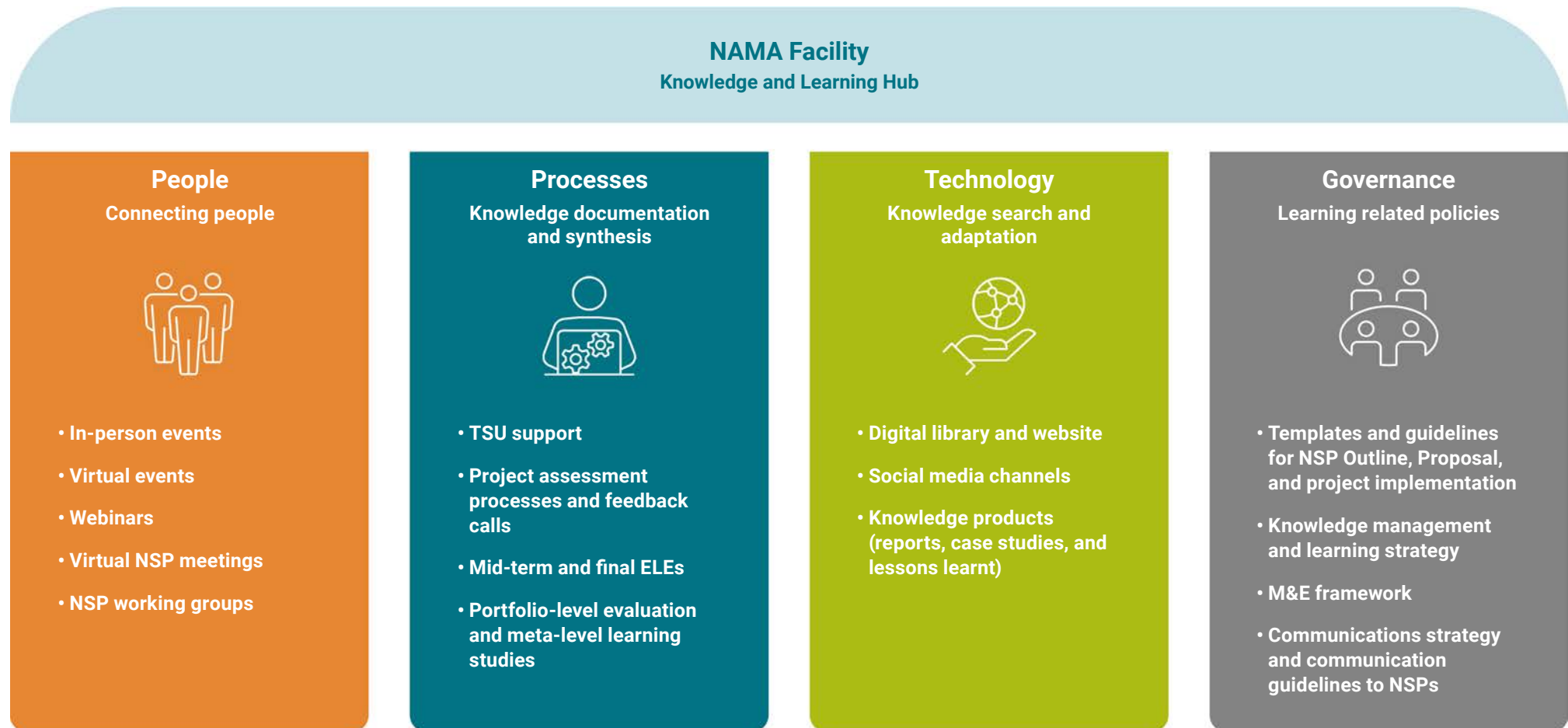


Table 2: The Knowledge and Learning Hub's toolbox

Hence, the TSU continued to strengthen the alignment and collaboration between monitoring, evaluation, knowledge management, and communications in 2022. Key achievements are thematically summarised, below, in **Table 3**.

Table 3: Monitoring, evaluation, and learning achievements in 2022

Theme	Achievements in 2022
Increased integration between monitoring, evaluation, and learning	<ul style="list-style-type: none"> Published first learning study in December 2022 Conducted an interactive virtual learning event, focused on the evaluation and learning approach and results of the NAMA Facility, with more than 60 participants Created new subpage dedicated to MEL for users to understand connections between these workstreams Held an exchange between consultants working on ELEs and the knowledge management team to ensure synergies are considered in the different assignments
Support to potential Applicants	<ul style="list-style-type: none"> Held two webinars and provided 12 Call-specific guidance documents (e.g., clarification notes, FAQs, Do's and Don'ts, the Mitigation Guideline) for the Ambition Initiative Call and the Ambition Initiative – Round Two. Relaunched more user-friendly Calls for Projects website section with resources cross-referenced in the Knowledge and Learning Hub digital library, in October 2022 to enable Applicants to easily access relevant information
Continued participation in the global climate finance community's activities	<ul style="list-style-type: none"> Continued engagements made with international climate finance coordination mechanisms to raise awareness on the NAMA Facility and its Calls as well as to raise ambition of climate action. Examples included the NDC Partnership, the Transformational Change Learning Partnership (TCLP) organized by the Climate Investment Fund (CIF), and the "Climate Funds Collaboration Platform on Results, Indicators and Methodologies for Measuring Impact" organized by the Green Climate Fund (GCF) Held a COP27 side event with 30 – 35 in-person attendees and more than 509 views of the recording
Improved content and frequency of posting to grow the online presence	<ul style="list-style-type: none"> Relaunched the website with more user-friendly and accessible features, including navigation, a more visually appealing Projects page, and an easier-to-use digital library Produced three human interest stories covering the project cycle, digitalisation, and green technology for end users (in progress; February 2023 publication date)
First physical exchanges among NSPs since before the Covid-19 pandemic	<ul style="list-style-type: none"> Held two Portfolio-wide virtual NSP meetings facilitated by the TSU Provided nine peer exchanges among NSPs, which were strengthened by sectoral and thematic working groups (on EE, transportation, and financial mechanisms and management) Offered two NSP in-person workshops in Mexico and Tunisia with, in total, more than 20 participants from 11 NSPs

1.7.1

Monitoring

Revision of the NAMA Facility Logframe

Following the start of the NAMA Facility Logframe revision process in October 2021, the TSU, in close consultation with the NAMA Facility Board, continued to refine the monitoring process. The Logframe was adjusted to align with the Theory of Change revision and the set of indicators, milestones and targets were also updated.

Furthermore, the TSU drafted a Logframe Manual, a supporting document which details the NAMA Facility's monitoring and reporting processes at the portfolio level, for internal use. The Logframe Manual is intended to support the NAMA Facility's monitoring process. The TSU expects the final version to be completed in early 2023. The document lists NAMA Facility indicators on outcome and output levels, and elaborates on the results level, definition and scope, methodology, reporting, and data sources. The table, below, illustrates different monitoring-related documents at the NAMA Facility.



NAMA Facility's Logframe

The logical framework matrix which displays the linkage between the NAMA Facility's Theory of Change and the monitoring of the NAMA Facility's success and operations. The matrix illustrates the overall design and scope of the NAMA Facility as a whole and provides a framework for the monitoring and evaluation of the NAMA Facility. The Logframe's target audience is TSU, Donors, and individual NSPs.



NAMA Facility's Logframe Manual

Internal guidance which details the NAMA Facility's monitoring and reporting process at the portfolio level. of All NAMA Facility indicators' and sub-indicators' reporting methodology, milestones, targets, and data-collection processes are all described within this document. This manual's target audience is mainly TSU.



NAMA Facility's M&E Framework

Guidance document presenting the NAMA Facility's M&E framework, describing monitoring and evaluation processes for both the individual NSPs and NAMA Facility's TSU for management, reporting, and learning purposes. Both NAMA Facility's TSU and individual NSPs are the target audiences of the M&E Framework.

Improving existing monitoring processes

To improve its overall monitoring processes, throughout the year, the TSU conducted internal assessments and used interviews with NSOs to gather feedback and identify potential areas for improvement. The recommendations were integrated into the overall monitoring processes (reporting templates, data collection, NSP guidance on reporting, etc.). One recommendation raised by NSOs was to provide more opportunities for peer learning and exchange among NSOs on M&E topics. This suggestion has been partly covered through the NSP in-person workshops in Tunisia and Mexico. (For more details, see [section 1.7.3.](#)) Apart from that, more exchanges of virtual and in-person nature will be held in 2023.

During the NSP in-person workshops in Tunisia and Mexico, the TSU consulted with participating NSOs on the opportunities and challenges when reporting different indicators. The information gathered served as input for the above-mentioned NAMA Facility Logframe revision and contributed to the updated guideline and template for the Annual Report 2022. The TSU also updated the M&E plan template to improve data accuracy and simplified the Annex on Covid-19 Impact Assessment both to adapt to the dynamic status of the pandemic and to improve data processing.

1.7.2 NSP Evaluation and Learning Exercises (ELEs)

Three ELEs were conducted in 2022:

- Mid-term ELE of Colombia Refrigeration
- Mid-term ELE of the FC component of the Colombia Transit-Oriented Development (final report pending and to be published in 2023)
- Final ELE of the TC component of the Indonesia Transport (final report pending and to be published in 2023)

As shown below in **Figure 13**, the majority of the foreseen ELEs are yet to be conducted, with the number of mid-term ELEs set to surpass the number of final ELEs in 2023. It is important to note, however, that ELE planning

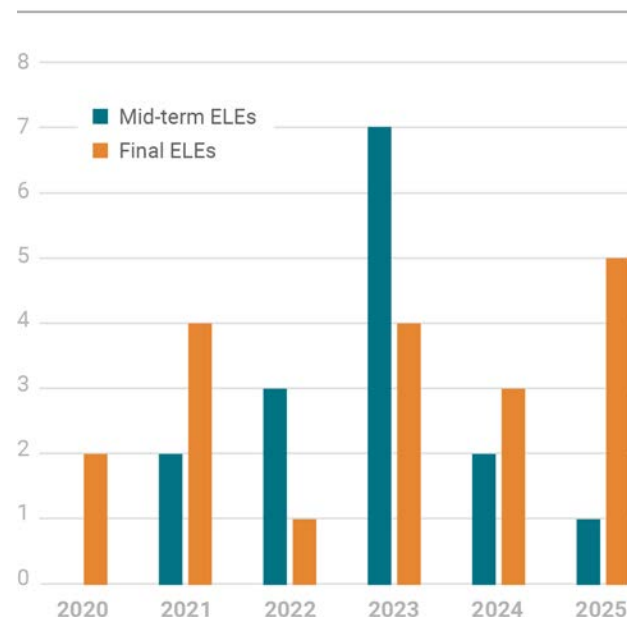


Figure 13: ELE distribution (2020 – 2025)

is closely linked to the overall progress of NSPs and hence, it might need to be further adjusted. The TSU updates ELE planning on a biannual basis.

The main results of the three ELEs conducted in 2022 include:

- All three NSPs have an overall good ranking of relevance and are considered aligned with the needs of their key stakeholders, yet some variation is present. For

instance, Colombia Refrigeration was highly relevant for all of its stakeholder groups, including the national government, refrigeration producers, and companies processing waste from electrical and electronic equipment. Meanwhile, Colombia Transit-Oriented Development portrayed high relevance for the national government due to its alignment with the country's NDC goals and targets. Yet, it was less relevant among local governments, especially those of smaller cities. To date, the relevance evaluation criterion has been the most positively ranked OECD DAC criterion in the ELEs performed so far.

- The NSPs displayed mixed results for the effectiveness assessment, which investigates the extent to which the NSPs achieve their intended outcomes. Overall positive findings were drawn about Colombia Refrigeration's ability to deliver intended outcomes, despite some delays. The conclusions about the Colombia Transit-Oriented Development and Indonesia Transport NSPs were less positive. The main reasons for the NSPs' reduced ability to reach their outcomes include lack of an overlap between TC and FC and implementation delays. Such delays were so substantial that outcomes could not be achieved within the NSP timeframes. They were mainly due to lengthy contractual negotiations, signing of IPAs, tendering procedures, and Covid-19 associated delays.

- The ELEs found an overall limited level of achievement of transformational change across all three NSPs. This concerns evidence of achieving demonstration effect, systemic change, and additional large-scale GHG emissions reduction. Nevertheless, the mid-term ELE of Colombia Refrigeration acknowledged its success in creating new regulations and contributing to refrigerator producers' ability to design and market energy-efficient refrigerators. This has led to a positive conclusion on the NSP's ability to achieve systemic change in the mid-term.
- The ELEs revealed mixed results on the sustainability of NSP interventions. For instance, the final ELE of Indonesia Transport, however, detected early signals of the mainstreaming of the NSP's approach into governmental strategies. Finally, the midterm of Colombia Refrigeration concluded that the policy reform supported by the project is not likely to backslide, which implied an overall positive sustainability outlook for this NSP.



Capacity development course from the NSP Colombia – Domestic Refrigeration. © GIZ Colombia

1.7.3 Knowledge management

After three years of implementation of the Knowledge Creation Strategy (KCS) and its three-year Action Plan, a review of the KCS by the NAMA Facility Board took place in 2022. For this purpose, the TSU hired the external consulting firm OneOffTech to conduct a knowledge-needs assessment with a focus on NSPs in the Implementation Phase and in DPP as well as Applicants as input to the review. Feedback from different stakeholders, including NSPs, was collected during a series of interviews and the two in-person NSP workshops. The draft assessment report and the proposed changes for the KCS were discussed with the NAMA Facility Board in a separate call on 21 November 2022 as well as through written feedback loops. It was agreed, as per recommendation of the assessment, to rename the KCS into Knowledge Management and Learning Strategy to put a stronger focus on the full co-learning cycle (access, reuse, review, retention, and dissemination of knowledge) and not only on knowledge creation. The aim is to more prominently consider the uptake and reuse of lessons learnt.

Other key recommendations of the assessment report that were included in the updated Knowledge Management and Learning Strategy comprise:

- Highlighting the role of NSPs more strongly as contributors and not only as beneficiaries of the Knowledge Management and Learning Strategy by more explicitly defining the Knowledge and Learning Hub. This way, the strategy can more inclusively serve all involved stakeholders in the NAMA Facility network.
- A slight reformulation of the overarching and strategic objectives to better align with the logic of internal and external knowledge management, the Logframe (outputs), and the Transformational Change framework.
- Involvement of all key stakeholders (specifically NSPs and the TSU) in updating the annual work plan on a yearly basis by breaking down, in detail, responsibilities between the TSU and other contributors.

The Knowledge Management and Learning Strategy, including an overarching roadmap for implementation, was approved by the NAMA Facility Board on 8 December 2022. The roadmap highlights priorities for the next three years of implementation of the Knowledge Management and Learning Strategy based on the feedback received by the NSPs during the in-person workshops. The Knowledge and Learning Hub can therefore be seen as the organisational platform for implementing the new Knowledge Management and Learning Strategy from 2023 onwards.

An additional task of the external consultants was to develop possible lines of action and interventions for strengthening knowledge management and learning within the NAMA Facility network. Through dedicated workshops and bilateral interviews, and in collaboration with key stakeholders of the NAMA Facility network, the following four needs were identified:

1. Strengthen transfer of knowledge across the different phases of the overall project cycle of the NAMA Facility
2. Strengthen the targeting/involvement of national/regional stakeholders (people and organisations)
3. Support findings of domain knowledge and cross cutting topics through enriching the Knowledge & Learning Hub
4. Information management within NAMA Facility towards strengthening the knowledge-related work

Based on the identified needs, seven change interventions were proposed by the consultants. During the in-person NSP workshops, the following interventions were prioritised and will guide the knowledge management related activities in 2023:

- Intervention 3: Finding out who has experience with my current problem
- Intervention 4: Digital space for NSPs
- Intervention 7: Centralised data management for the NAMA Facility

The main knowledge management-related activities that were implemented in 2022 can be found in **Table 3**.



1.8 TSU

1.8.1 Staffing

Based on the NAMA Facility Board's decision to extend the mandate of the TSU so as to better advise NSPs along the whole life-cycle from project development at DPP to the end of the Implementation Phase, an increase of TSU staff will be required. Other factors resulting in

need for further staff relate to a growing portfolio of projects and additional needs in the areas of the promotion of gender, communication, and monitoring. Related hiring processes will be finalised in the first half of 2023 so it is expected that by mid-2023, the TSU will comprise approximately 20 staff. With quite a few colleagues working part-time, this will add up to approximately 18 full-time equivalents.

TSU advice to NSPs in DPP and Implementation Phase

The TSU provides individual guidance to the NSP team through monthly exchanges between the NSP and the assigned desk officer. In 2022, desk officers held, on average, 13 regular exchanges. At times, some cases merit more frequent or specific guidance, which is provided through additional virtual calls or via e-mail. Special cases or new situations are also discussed internally during the weekly DEO exchange. This way, the TSU ensures that recommendations to the NSPs are well justified and transparent, and that knowledge and experience are developed and shared.



TSU Annual Planning Workshop in December 2022. © Mitigation Action Facility



1.8.2 Internal Sustainability Guidelines

Since 2018, the TSU has adhered to internal sustainability guidelines, which ensure its commitment to environmental sustainability as it pursues its global activities. These guidelines cover travel and accommodation as TSU staff are required to travel for IDAs as well as other events, such as the COP. For the sake of efficiency, the staff combines work destinations when possible. When travelling domestically, public transport is prioritised. Furthermore, public transport is prioritised when travelling domestically.

The resumption of traveling in 2022 led, however, to an increase in CO₂ emissions generated by TSU activities from approximately 1 to 51 tCO₂. Seven IDAs corresponding to the Ambition Initiative – Round Two Call were conducted on-site. Additionally, after more than three years of virtual exchange with NSPs, the TSU organised two in-person NSP workshops. This focus on two workshops allowed participants to travel shorter distances. The TSU held one in-person workshop in Tunisia for NSPs from Africa and Asia and the Pacific as well as one in Mexico for NSPs from LAC.

TSU staff are employed by and arrange travel through GIZ. Consequently, the TSU follows GIZ's corporate sustainability culture and principles, including the GIZ climate management policy. This policy includes

GHG emission offsetting which GIZ has carried out domestically since 2013 and internationally since 2020 by supporting climate action projects in LDCs. Further, GIZ has ensured that its domestic travel service provider has signed The Code initiative, committing to zero tolerance against sexual abuse of children throughout the supply chain.

In line with GIZ policy, the TSU is also dedicated to using resources efficiently and sustainably in office spaces. This includes activities such as saving paper and energy, planning sustainable events, and separating and recycling waste among other activities.



2 Outcome Assessment

A woman with glasses and a dark blazer is pointing at a large digital screen. The screen displays various data visualizations, including a map of a coastal area, a bar chart, and a line graph. The background is a blurred office setting with a staircase and other people working.

The NAMA Facility strives to achieve a transition towards carbon neutrality in line with the 1.5 degrees Celsius objective, supported by NSPs in their target countries. **As a tangible outcome, the NAMA Facility aims to demonstrate that climate finance can effectively catalyse transformational change in countries (including implementation of NDCs), reduce greenhouse gas emissions and enhance carbon-neutral development.**¹⁴ The NAMA Facility outcome is supported by five outputs.

Summary of achievements for Outcome indicators

The NAMA Facility's outcome is measured by assessing three mandatory core indicators on GHG emissions reduction, people benefitting from NSPs, and financial catalytic impacts from NSPs. Up to 2022, NSPs reported the **reduction of 8.2m tCO₂e GHG**, accounting for 93% of the target on GHG emissions reduction. With **25 million people benefitting from NSPs**, 92% of the target was met in 2022. Overall, the reported outcomes achieved have increased significantly between 2018 and 2022. The qualitative assessment of the achievements of NSPs to spur transformational change has shown moderate results, with a majority of NSPs lagging slightly behind in reaching their targets in 2022.

Overall findings

Various trends become evident when examining the NSP portfolio on outcome and output levels. Overall, the achievements in all quantitative NSP indicators are steadily increasing and show a maturation of the portfolio. The achievements in overall numbers are very impressive: over 8 million tCO₂ reduced, over EUR 25 million benefitting from NAMA Facility and EUR 646.5m in public and more than EUR 970m in private finance leveraged. While in previous years various outcome indicators were overachieved, in 2022, the picture is

slightly more mixed, which is likely due to the fact that the portfolio is growing more mature. The targets of the outcome indicators on GHG emissions reduction, people benefitting from NSPs and NSPs achieving transformational change were almost achieved in 2022, though they surpassed the 2021 targets by 45%. A noteworthy observation is that the mandatory core indicator measuring public financial leverage (M4) overachieved its 2022 target (114% achievement). The mandatory core indicator measuring private financial leverage (M5) surpassed its 2022 target by 4%).



Mentoring initiative of the project Brazil Industrial Energy Efficiency for women as energy efficiency specialists. © GIZ Brazil

14 The NAMA Facility's Theory of Change Outcome statement.



When examining NSP reporting, the following overall patterns are evident across the portfolio:

- **Most of the results of the indicators, which are based on quantitative NSP data reporting, are largely due to achievements of two to three NSPs.** They include China Waste Management and NSPs in late stages of the Implementation Phase, such as Indonesia Transport and Thailand Refrigeration and

Air Conditioning. As reported in 2020 and 2021, China Waste Management, alone, constitutes over 50% of the portfolio achievements in all quantitative M-indicators (M1, M2, M4, M5). In 2022, however, the gap between China Waste Management and the rest of the portfolio is slightly narrower (except for M5). This is potentially a result of the further maturing portfolio. NSPs in later stages of the Implementation Phase tend to report higher values. This is because NSPs often start slowly and reach a certain level of maturation later (e.g. financial mechanisms often show an effect only in the second or later years of the Implementation Phase).

- **NSPs with lower targets for indicators tend to influence the overall portfolio achievement to a lower degree.** One example is Costa Rica Coffee in outcome indicator 2 (M2): while this NSP heavily surpassed its target for M2 (by 64%), the influence of the overachievement is minor at the portfolio level (only 0.05% of the overall values that have been reported by NSPs). This is because its targets – based on sector and country specifics – are low in comparison to other NSPs. Similarly, the level of success of NSPs with comparatively high target values over-proportionally affects an indicator's overall portfolio achievement. Examples are China Waste Management and India Waste Management, which, based on sector and country specifics, showcase higher targets and hence, influence the portfolio's indicator performance

to a higher degree. The percentages of achievements per NSP per M-indicator are displayed in the attached NAMA Facility Logframe overview sheet.

- **Most challenges reported by NSPs are due to delays in the Implementation Phase,** leading to achievements below the targets. This pattern can be seen concerning results for Outcome indicators 1 (M1), 2 (M2), and 3 (M3) as well as Output indicators 2.1 (M4) and 2.2 (M5). Experience has shown that many NSPs report delays in Implementation Phase, in some cases ELEs later show that the formerly reported delays are, in reality, related to dysfunctional financial mechanisms, for example (as in the case of Thailand Rice).
- **NAMA Facility reporting requirements were developed and updated step by step between 2013 and 2022.** The M&E and reporting requirements of various NSPs of Calls 1–3 have been updated; however, the foundations of reporting remain limited in comparison to NSPs of later Calls. For example, Peru Transport reports on the wider NAMA framework, Chile Renewable Energy splits the TC and FC component implementation. Finally, China Waste Management is implementing its project without an FC component.

NSPs made use of the **open space format of the NSP in-person workshops** to present their current learnings and/or approaches that could be of interest to all NSPs. As an example, Brazil Industrial EE presented the tool they currently developed to streamline data collection for MRV. This triggered a lively discussion amongst NSPs on how to **replicate it in other NSPs** and how to extend it with M&E indicators (source: interviews and observations of external knowledge management consultants OneOffTech).



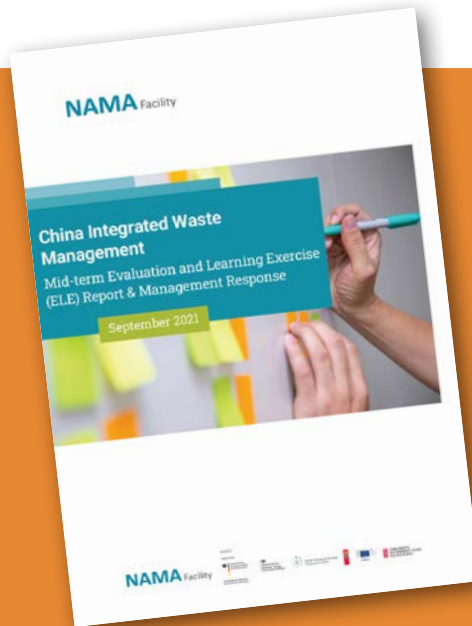
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The **NSP in-person workshops** in Tunisia and Mexico provided an **open platform for exchange** amongst NSOs and the TSU. In Mexico, it became obvious that some NSPs perceived the ELEs as a kind of “internal audit” and not as a tool to support NSPs with learning. The TSU colleagues responded by spontaneously organising a session on ELEs to better introduce the concept of ELEs

to NSPs and to better prepare NSPs for this exercise. As an outcome, NSPs better understood the rationale of ELEs as tools to improve project implementation and better frame their ToC in transformational change objectives (source: interviews and observations of external knowledge management consultants OneOffTech).

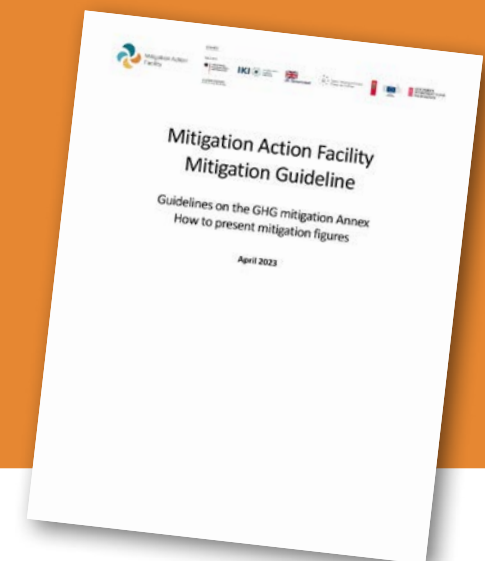


China Waste Management acknowledged the **process of conducting the ELE and its documentation** as a very good learning instrument for the project. The team reported that the findings and discussions with the ELE consultants provided meaningful suggestions, and several changes were applied based on recommendations (source: interviews and observations of external knowledge management consultants OneOffTech).

Through **exchange with more advanced NSPs** and the TSU during the NSP in-person workshop in Mexico, the **recently approved** NSP Palestine Olive Value Chain focusing on AFOLU learned about the range of thematic areas of the NAMA Facility. The NSP also connected with other fellow NSPs to better consider the synergies with waste management along the agricultural value chain in the project design (source: interviews and observations of external knowledge management consultants OneOffTech).



The **NAMA Facility Mitigation Guideline** on Annex 6: GHG mitigation potential was perceived by Applicants to be a valuable source of information and helpful in filling out the application template (source: survey on knowledge products, knowledge sharing activities, and general TSU support).



3 Lessons Learnt



The NAMA Facility encourages learning at all levels. The focus of this chapter will be on lessons learnt at the NAMA Facility level. Contrary to previous assumptions, the impacts of the Covid-19 pandemic on the NAMA Facility portfolio have not been as dramatic as feared. Indirect issues in NSPs, such as delays in project set-up and a limited traction of financial mechanisms, continue to have a greater impact. Since financial components are often more ambitious than technical ones and constitute the more difficult part of NSP implementation, it is not surprising that they typically take longer to implement and require more leeway. In general, compared to their initial planning, NSPs have been taking a longer time to pick up momentum, but then deliver quicker than initially anticipated. NSPs should intensify their efforts to address initial delays and reaffirm project approaches at the start of the Implementation Phase. Given the NAMA Facility's current performance rates, in terms of achievement rates of the mandatory core indicator (between 93 – 114%), NSPs are definitely making headway. The same applies for the disbursement level of funds, which has caught up considerably, showing an increase from 42% in 2021 to 47% in 2022.

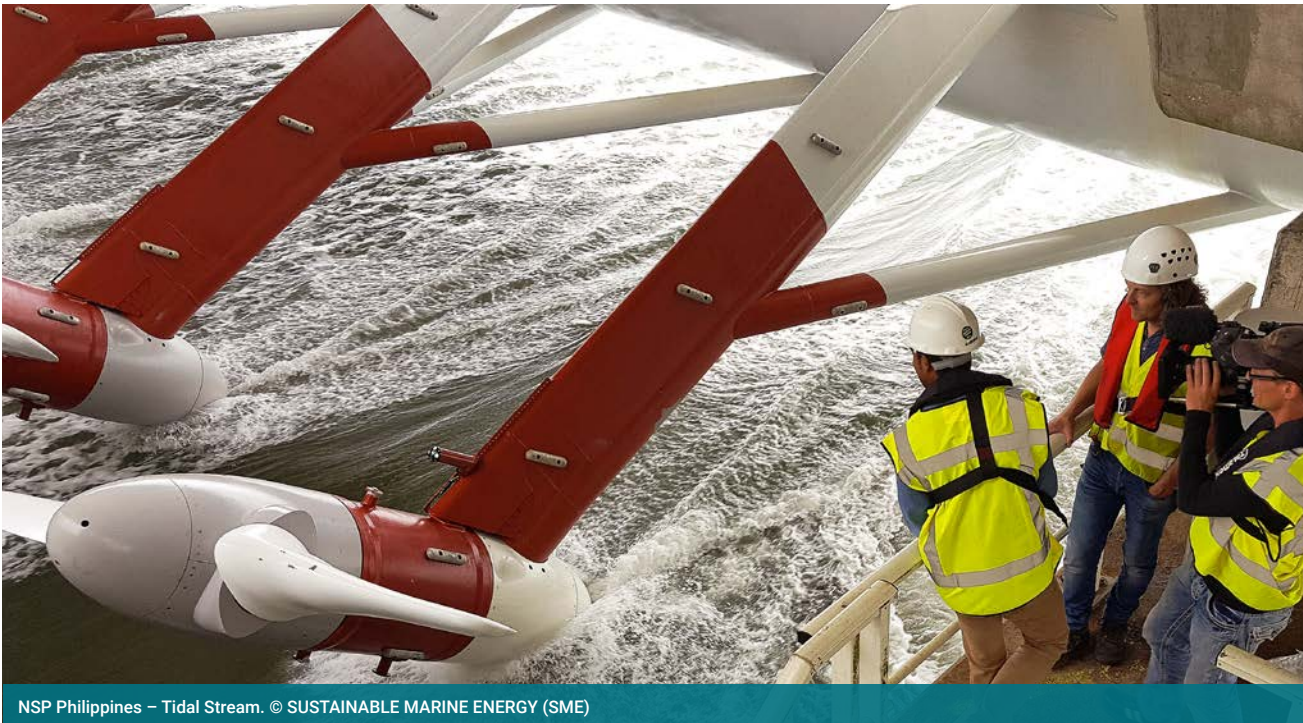
Single big-ticket investments are emerging as a new project type in the portfolio with three NSP Proposals soon to be decided on by the NAMA Facility Board: Jordan Grid Enhancement, Namibia Biomass, and Philippines Tidal Stream. These NSPs requested financing at the upper end of the permitted NSP funding volume and

target infrastructure construction to promote RE. All three come with additional compliance needs and risks of delays related to construction projects of such size, but all offer great opportunities to fast-track impact and spending as they have already achieved a high level of preparedness and maturity. One of these NSPs has even opted to present an NSP Proposal without tapping into DPP funding. It remains to be seen how the NAMA Facility Board will view these projects and, if approved for the Implementation Phase, how quickly they can gain traction compared to NSPs that target investment at more dispersed or even household levels.

The NAMA Facility Board has demonstrated its willingness to take difficult decisions when it comes to the non-selection, (partial) rejection of amendment requests, and early termination of NSPs. The emerging picture of the overall NSP portfolio illustrates that, per the Call for Projects, one or two NSPs in DPP are ultimately not selected for the Implementation Phase and another one or two NSPs in the Implementation Phase are (partially) terminated early. This appears to be a healthy proportion in a maturing portfolio in order to ensure an efficient use of resources. In all individual cases of NSPs not selected or terminated, measures to



Climate experts gather for projects workshop in Tunisia to discuss monitoring, gender and knowledge management. September 2022. © Mitigation Action Facility



NSP Philippines – Tidal Stream. © SUSTAINABLE MARINE ENERGY (SME)

mitigate negative impacts are taken: Applicants or NSOs are ensured support for their projects from other funding sources and provided with encouraging feedback. The NAMA Facility Board has also not shied away from repealing measures that have not worked as expected, such as the phased approach to the contracting in DPP which had limited impacts while requiring additional administrative efforts.

Further innovation of the NAMA Facility as a whole remains underway: the mitigation plausibility checks established earlier continue to add significant value to NSPs at all stages and are now focused on contributing earlier on in the process to support NSPs in DPP. Further lessons have been drawn and systematically shared with potential Applicants, NSOs, and the broader climate finance community who all comprise an essential element of the NAMA Facility's function as a knowledge

and learning hub to support a higher quality of climate finance instruments.

Additionally, with the rebranding of the NAMA Facility scheduled for the first half of 2023 and resulting changes in the management of Calls for Projects, a further diversification of Applicants and increase in projects submitted will be targeted in the three key sectors.

Last but not least, the NAMA Facility Board has decided to further enhance the role of the TSU and extend its mandate to offer more advice to Applicants and NSOs along the life cycle of NSPs whenever it does not collide with the TSU mandate to assess projects. Initial attempts have reported success in 2022 with on-site advice provided to Mozambique Waste Management at late stages of its DPP, and a pre-screening of a mature NSP Proposal draft for Pakistan Sustainable Textile Sector. In 2021, the TSU also intensified its efforts to provide advice to NSOs in terms of budget planning, monitoring of spending, and general financial management of grants provided. Interventions range from kick-off conversations at the start of both DPP and NSP Implementation Phase to training for financial managers at NSOs as well as advice on invoicing and audits of grant contracts.

There are emerging obstacles faced by NSPs that will present challenges in 2023 and possibly for years to come: economic repercussions stemming from the war

in Ukraine and a global tendency towards protectionism, potentially resulting in a rebound away from globalization. This increases the level of inflation and public debt that are bound to hit developing countries particularly hard. Higher prices for imported goods, such as food and fuel, are already severely impacting a lot of countries which subsidise such goods. With increasing public debt levels, it is likely that their focus will shift away from availing funding and capacities for climate action. Such impacts will not only affect NSPs in the Implementation Phase, but could also result in less ambitious projects being proposed under future Calls. Increased inflation with interest rate hikes as well as supply chain problems are bound to make business cases for investment into climate-friendly technologies less attractive. This could result in less ambitious projects in terms of mitigation to be achieved per euro of funding provided. In contrast, the increase in the electricity prices or restrictions in the supply of gas make the case for the take-up of RE.

All is not bleak, however. Such developments might also result in an increased level of attractiveness and relevance of support provided in the form of grants offered by the NAMA Facility. We noticed in several cases in 2022 that the level of concessionality applied by other donor funds adjusted upwards. Further, in some cases, the question of whether NSPs can intervene in contexts where other donor funding has already been provided remains to be clarified to ensure additionality. Cooperation with other climate finance mechanisms



also functions the other way around: in the case of and based on the experience of Thailand Rice and Brazil Energy Efficiency, project proposals to the GCF are under preparation which illustrate how synergies between the

NAMA Facility and the GCF can be created. Ultimately, it can be safely claimed that the relevance and attractiveness of NAMA Facility interventions is likely to grow rather than recede, especially in difficult times.

4 Assumptions and Risks

The NAMA Facility operates in a highly dynamic and complex environment and its success rests on many assumptions. This section discusses general and specific assumptions and risks.

4.1 Assumptions

General assumptions for achieving the outcomes include:

- Countries consider NAMAs as building blocks for the implementation of NDCs;
- Additional domestic and/or international finance is available for NAMA implementation;
- The NAMA Facility support fills a niche in global climate finance architecture so that support from the NAMA Facility and the GCF are seen as complementary by countries;
- The perceived and actual barriers and risks for carbon-neutral investments are reduced due to the NSP interventions;
- The approved NSPs are implemented as intended and planned.

Output-specific assumptions are as follows:

Output

1

For achieving Output 1
("The NAMA Facility is effective and efficient in catalysing transformational mitigation action to implement NDCs"),
it is assumed that:

- **Countries continue to develop NAMAs and to apply to the NAMA Facility for support;**
- **The NAMA Facility Board continues to provide sufficient funding for the implementation of Calls of the NAMA Facility;**
- **Eligibility criteria for NSPs do not become more restrictive;**
- **NSPs are implemented as intended and in a timely manner.**

Output

2

For achieving Output 2
("Additional public and private finance supported to drive carbon-neutral development"),
it is assumed that:

- **Sufficient domestic and international finance from public and private sources is made available for NAMA implementation;**
- **NSPs are implemented as planned and in a timely manner.**

Output

3

For achieving Output 3
("The NAMA Facility disseminates
lessons from transformational
mitigation action, contributing to
an effective learning environment"),
it is assumed that:

- The TSU is operational and sufficiently staffed;
- There is continued interest shown by the global community and the NAMA Facility Board in the implementation of NAMAs.

Output

4

For achieving Output 4
("National and local stakeholders
have enhanced their capacities and
policy environment to implement
transformational action"),
it is assumed that:

- Institutions in partner countries have sufficient capacities to absorb and use TA from the NAMA Facility;
- The enabling environment triggered by the NSP in partner countries is implemented and enforced beyond the NSP's direct intervention and lifetime.

Output

5

For achieving Output 5
("Implemented NSPs
produce sustainable and
transformative co-benefits"),
it is assumed that:

- Sufficient M&E capacities are available.

4.2 Risk Description

The following risks mentioned (and highlighted) in previous Annual Reports were again observed in 2022:

Delays in NSP Implementation and Disbursement of Funds

This risk is considered high. Processes are slowed due to pending IPAs; delays in implementation and financing agreements, appraisals, and approval procedures by the NAMA Facility Board; and low capacities at NSOs and implementing partners. Mitigation measures addressing the risk of delays include:

- A streamlined NAMA Facility Board approval procedure for NSPs;
- Capacities within the German government dedicated to IPAs and keeping IPAs a priority in the TSU;
- Clear deadlines applied for the DPP of NSPs selected in the 4th Call and onwards;
- TSU and external support for any implementing partners having insufficient capacities for NSP implementation.

Non-Compliance by Third-Party NSOs and/or NAMA Support Organisations

Since the responsibility for implementation lies with third-party NSOs, the NFGA cannot assume liability for the delivery of results in NSPs with third-party NSOs.

While GIZ has general rules for contracting to minimise risk and ensure correct use of funds, higher effort is required for assessing eligibility, evaluating of third-party NSOs and auditing the NSP. Meanwhile, the TSU has gained experience to better manage the process with third-party NSOs. This risk is considered medium.



Inconsistent Implementation of the NAMA Facility's M&E Framework

The first version of the M&E Framework was finalised and communicated to NSPs at the end of 2015. However, NSPs have experienced challenges in consistently operationalising and applying the M&E Framework in their specific sector and country contexts. Mitigation measures include increased guidance from the TSU, early communication of expectations to NSPs, internal M&E capacities within NSPs, and facilitation of exchange between NSPs on M&E implementation (e.g. virtual meetings with the NSPs, which take place twice a year and in-person workshops, as conducted in 2022). In addition, a revised version of the M&E Framework has been in use since 2018. The M&E Framework will be updated again in 2023 to include revisions decided in the NAMA Facility Logframe revision in 2022. This risk is considered medium.



Changes of Country Context

The country risk (political, security, and economic) is beyond the scope of the NAMA Facility's influence. Risk mitigation includes a close monitoring via the NAMA Facility Board's embassies and/or delegations, GIZ country offices, and country representations of other implementation organisations. In severe cases, it could also result in an early discontinuation of the NSP. This risk is considered medium.

Lower Mitigation Impact and Lower Transformational Potential than Initially Expected

The scope of influence is considered high, particularly before the approval of implementation of an NSP when the NAMA Facility Board could reject the funding of an NSP. The TSU can mitigate this risk by providing enhanced intelligence during the NSP selection process (e.g. through IDAs), by explicitly communicating expectations prior to a Call and at the beginning of the DPP, and through close monitoring. The TSU continues to provide external support on mitigation calculations to NSPs in DPP and in the Implementation Phase. This risk is considered medium.

External Event Risk

External events (e.g. natural disasters, disease, and war) can adversely affect the implementation and/or success of an NSP. The NAMA Facility targets beneficiaries in developing countries, some of which are in unstable regions or regions highly susceptible to the impacts of external events. This risk is beyond the NAMA Facility's scope of influence. Risk mitigation includes monitoring via the NSP risk monitoring. The risk is considered medium.

Volatile Development of the GBP/EUR Exchange Rate

As a significant share of NAMA Facility Board funding is provided in Great Britain Pounds (GBP), and the NAMA Facility provides funding for NSP implementation in EUR, the future volatility of the GBP/EUR exchange rate may require further quantitative adjustments. The development of the GBP/EUR exchange rate increases the risk of a funding gap. Just as in previous years, this risk had been considered medium for the NAMA Facility.

4.3 Risk Monitoring

The NAMA Facility risk monitoring is based on inputs and processes from various entities, such as the TSU, the NFGA, the NAMA Facility Board and NSPs. The streamlined NSP risk monitoring approach, introduced in November 2020, serves as a tool to provide data and present the aggregation of generic NSP risks at the portfolio level. The streamlined NSP risk monitoring is conducted every six months to supplement the Annual and Semi-Annual Reports. The five Key Risk Indicators show the extent to which the NSPs estimate an impact on their project within the upcoming six months, January to June 2023.

2022 Findings

Overall, the results of the streamlined NSP risk monitoring show that various risks have slightly increased since the 2022 Semi-Annual Report. Various NSPs expected a potential adverse impact on project success and/or implementation caused by the economic recession, both globally and in various country contexts. NSPs reported a slight increase in both political country risk and socio-economic events risk and a visible increase in foreign, political, and socio-economic risk factors. On a positive note, Key Risk Indicator 1: Implementation Risk shows that fewer NSPs fear delays in implementation in the upcoming six months compared to the last report (see **Figure 14**).



Figure 14: Streamlined NSP Risk Monitoring Comparison (Semi-Annual Report 2022 vs. Annual Report 2022)

Key Risk Indicator 1: Implementation Risk

Key Risk Indicator 1 presents the NSPs' estimate on the likelihood of the NSPs' implementation being delayed between January and June 2023. Seven NSPs in Implementation Phase report high risks, three report medium risks, and four report low risks. Overall, NSPs report a lower risk of delays for the upcoming six months in comparison to the last report. This result is partly derived from the fact that two NSPs entered Implementation Phase in the second half of 2022, replacing two finalised NSPs.

Key Risk Indicator 2: Political Country Risk

The Political Country Risk Indicator offers a more favourable picture, overall, compared to the preceding indicator. However, the reporting levels of this key risk indicator have slightly increased in comparison to the last report in 2021. Eight NSPs demonstrate low risk level, four NSPs show medium risk, and two NSPs display high risk.

Key Risk Indicator 3: Socio-Economic Risk

Key Risk Indicator 3 presents the NSPs' estimation of the extent to which socio-economic country risks will influence the implementation of the NSPs during the first half of 2023. Compared to the previous report, the reported risk has slightly increased with six NSPs reporting low risk, seven NSPs displaying medium risk, and one NSP showing high risk. While two NSPs increased their risk level to high and medium for this indicator, one NSP went from medium to low risk. Overall, various NSPs fear that economic recession, high inflation rates, and/or high interest rates may reduce the purchasing power of customers, the willingness to invest, and/or affect the national partner's financial contributions.

Key Risk Indicator 4: External Events Risk

Key Risk Indicator 4 presents the NSPs' estimate on the extent to which external events (e.g. natural disasters and disease) will adversely affect the implementation and/or success of the NSP between January and June 2023. Ten NSPs report low risks and four NSPs report medium risks. In comparison to the previous report, two NSPs have lowered their risk level from medium to low, and one NSP went from low to medium risk. Thus, the reporting on this indicator is similar to the previous report.

Key Risk Indicator 5: Foreign, Political, Socio-Economic Factors Risk

Key Risk Indicator 5 presents the NSPs' estimate on the extent to which foreign political and socio-economic factors (e.g. global market development and opposing global trends) will adversely affect the implementation and/or success of NSPs between January and June 2023. Seven NSPs report low risks, five NSPs report medium risks, and 2 NSPs report high risks. In comparison to the last report, two NSPs went from medium to high risk, and one NSP from low to medium risk; a trend towards an increased risk is apparent. Various NSPs reported the following three risk factors: the economic recession, resulting higher inflation, adverse foreign exchange rates, affecting global supply chains, and the macro-economic situation in their respective countries.

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