



1. Project Data

Project ID P155885	Project Name South Africa PMR	
Country South Africa	Practice Area(Lead) Environment, Natural Resources & the Blue Economy	
L/C/TF Number(s) TF-A2970	Closing Date (Original) 30-Jun-2020	Total Project Cost (USD) 2,045,493.22
Bank Approval Date 21-Dec-2016	Closing Date (Actual) 31-Dec-2020	
	IBRD/IDA (USD)	Grants (USD)
Original Commitment	5,000,000.00	5,000,000.00
Revised Commitment	3,800,000.00	2,045,493.22
Actual	2,101,004.50	2,045,493.22

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2. Project Objectives and Components

a. Objectives

According to the Project Appraisal Document (PAD) (p. vii) and the Financing Agreement of March 3, 2017 (p. 4), the objective of the project was “to strengthen the readiness of the government of South Africa for the design, preparation and implementation of a carbon pricing instrument.” “Readiness” was defined as building capacity for countries to develop and implement carbon pricing instruments needed for Greenhouse Gases (GHG) mitigation and National Determined Contribution (NDC) implementation.



b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

Yes

Date of Board Approval

05-Nov-2019

c. Will a split evaluation be undertaken?

No

d. Components

The project included four components:

Component 1: Supporting the refinement of the design of the carbon tax through analytical work (appraisal estimate US\$2.2 million, revised to US\$2.5 million and then to US\$1.4 million, actual US\$1.4 million(only including financing from the grant)): This component was to finance studies on a number of topics, including: i) assessment of existing international competitiveness measures; ii) analysis of private sector and international climate finance resources sources and how they could complement domestic sources of climate finance (i.e. carbon tax revenue); and iii) finalization of the carbon tax modeling impact study.

During the 2019 restructuring, when developing the detailed Terms of Reference for the activities under this component, it became apparent that there were significant synergies between the National Atmospheric Emissions Inventory System- Central Energy Database (NAEIS-CED) exchange protocols activity and the NAEIS-CED institutional set-up activity. Therefore, the two were merged.

Component 2: Strengthening the capacity of the government to enhance data management and Monitoring, Reporting, Verification (MRV) systems (appraisal estimate US\$1.8 million, revised to US\$692,390 and then to US\$522,944, actual US\$499,782 (only including financing from the grant)): This component was to finance the strengthening of the technical capacity of the Department of Environment, Forestry and Fisheries (DEFF) and Department of Mineral Resources and Energy (DMRE) related to Greenhouse Gas (GHG) and energy data management and MRV systems. It was also designed to provide capacity building to some companies that were to be subject to GHG reporting. In addition, the activities will also enhance and extend the DMRE's Central Energy Database (DMRE-CED) to include the energy consumption data and reporting needs of the South African Energy Efficiency Target Monitoring System (EETMS).

During the 2019 restructuring, several activities were added: i) a technical assessment of the already developed Carbon Offset Administration System (COAS); ii) a framework for evaluating local carbon offset standards and piloting of the framework, and a user manual for carbon offset project developers; and iii) additional capacity building for DMRE for the implementation and operationalization of the COAS.

Component 3: Supporting the design of the carbon offset scheme (appraisal estimate US\$450,000, revised to US\$345,000 and then to US\$225,000, actual US\$129,129 (only including financing from the grant)): This component was to i) finance identification of gaps in the current regulatory and institutional



frameworks for administering the carbon offset scheme, ii) assessment of technical and legal modalities with existing international standards and South Africa's proposed scheme, iii) development of technical guidelines to support the implementation of carbon offsets, and iv) establishment of the carbon offsets registry system.

During the 2019 restructuring, this component was amended to focus less on broad awareness raising about the carbon tax and shifted to target engagement of businesses on how the carbon tax works and what is needed for compliance in advance of the first compliance year.

Component 4: Communication, stakeholder engagement and support to project administration (appraisal estimate US\$550,000, no loan funds were used towards this component but US\$500,000 of in-kind contribution from the National Treasury was used): This component was to support the National Treasury (NT) communicate with the relevant stakeholders on the objectives and design of the carbon tax. In addition, it was expected to improve the effectiveness of the project implementation for which the NT was to be the implementing agency. Specific activities under this component were to include: i) design of communication strategy; ii) consultations with the relevant stakeholders, including government agencies, major emitters, business associations, labor unions and NGOs; and iii) coordination of the project steering committee and related support. According to the Bank team (July 26, 2021) component 4 was financed through the Borrower's in-kind contribution (as well as some Bank-executed grant funding from the Partnership for Market Readiness (PMR) Secretariat).

During the 2019 restructuring, activities under this component were dropped (due to delays the National Treasury's (NT's) Economic Tax Analysis Unit to complete these tasks) and replaced with a task to review industry benchmarks.

e. **Comments on Project Cost, Financing, Borrower Contribution, and Dates**

Project Cost: The project was estimated to cost US\$7.0 million, actual cost was US\$2.89 million.

Financing: The project was financed by a Trust Fund (TF-A2970) in the amount of US\$5.0 million of which US\$2.10 million was disbursed. During the 2019 restructuring, the financing amount was reduced from US\$5.0 million to US\$3.8 million. Also, US\$1.2 million was cancelled from the grant.

Borrower Contribution: The Borrower was to contribute US\$2.0 million. Actual contribution was US\$870,000.

Dates and Restructurings: The project was extended by six months from its original closing date of June 30, 2020 to December 31, 2020.

On December 5, 2019, the project was restructured to: i) modify the Results Framework; ii) change components and costs; iii) extend the closing date by six months; iv) cancel financing in the amount of US\$1.2 million; v) reallocate between disbursement categories; vi) change in implementation schedule.

The project was approved on December 21, 2016 and became effective on March 3, 2017.



3. Relevance of Objectives

Rationale

South Africa was the 14th largest emitter of CO₂ in the world, responsible for about 1.5 percent of global emissions. Due to the country's dependence on its abundant natural resources, South Africa was particularly vulnerable to the effects of climate change. Most of South Africa's GHG emissions came from the energy sector, which contributed 85 percent to the total GHG inventory in 2010, of which electricity production alone took up about 60 percent of the 85 percent. Between 2000 and 2010, the total GHG emissions from the energy sector increased by almost 30 percent, with the largest proportion of this increase attributed to emissions from fossil fuel combustion (mainly coal) for electricity generation. A vast majority of energy industry emissions came from two companies: Eskom, the state-owned power utility providing coal-based electricity, and Sasol, with its coal-to-liquids facility. The government therefore recognizes that large mitigation contributions were to be achieved by reducing the emissions associated with energy generation and use.

In 2011, the government approved the National Climate Change Response Policy (NCCRP), which identified the government's strategy for an effective climate change response and the long-term transition to a climate-resilient and lower-carbon economy and society. The NCCRP proposed the adoption of a national GHG trajectory range against which to measure GHG mitigation outcomes and to aim to peak emissions between 2020 and 2025, allow them to plateau for a about a decade, before supporting their decline in absolute terms thereafter.

In 2016, the government endorsed the submission of its NDC to the Paris Agreement. The NDC outlined actions to achieve this mitigation commitment such as adopting a carbon tax, sector emission targets, company-level carbon budgets, and regulatory standards and controls for specific GHG pollutants and emitters. In 2019, the government passed the Carbon Tax Act, which introduced the use of a carbon tax and carbon offset allowance as a mechanism to meet tax liabilities. In July 2020, government launched the Carbon Offset Administration System (COAS).

The objective of the project was in line with the government's priority to implement a carbon pricing instrument as part of its commitment to reduce GHG emissions.

The objective of the project was also in line with South Africa's World Bank Country Partnership Strategy (CPS) (FY2014-2017). It was aligned with Engagement Area 2 which explicitly mentioned the importance of transiting to a low carbon economy, and Objective 6 which focused on informing the implementation of South Africa's long-term carbon mitigation strategy and advising the formulation of regulatory frameworks.

At project closing, the FY22-26 Country Partnership Framework for the Republic of South Africa had not been released.

The project was also in line with the World Bank's Climate Change Action Plan (2016-2020) through which the Bank committed to collaborate with clients and partners to increase the global share of GHG emissions covered by carbon prices, especially to scale up country-level support and global advocacy work to obtain the right price.



Taking everything together, the project's relevance of the objective is rated High.

Rating

High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To strengthen the readiness of the government of South Africa for the design, preparation and implementation of a carbon pricing instrument:

Rationale

Theory of Change: The project's retroactive theory of change outlines three short-term outcomes and two intermediate outcomes. The three short-term outcomes are: (i) increased integration and efficacy of the government's systems to report and track emissions data, (ii) increase country capacity to manage emission reporting systems, and (iii) increased stakeholder understanding and capacity to report on GHG emissions. The project ultimately sought to strengthen the government's capacity to plan, track, and deliver mitigation activities and track GHG emissions in a sustainable and cost-effective manner.

The activities that supported this theory of change included modifying the DEFF National Atmospheric Emissions Inventory System (NAEIS) to enable reporting on GHG emissions by industry, strengthening the DMRE-CED and providing capacity building on carbon tax MRV, and training for technical staff were to result in outputs such as modifying NAEIS and CED systems, modernizing EETMS design to move from manual to automated data processing and adding capacity to collect data from new sectors.

The project's theory of change envisioned that project activities such as developing regulatory and institutional frameworks and technical guidelines for the offset scheme, reviewing and assessing the Carbon Offset Administration System (COAS) as well as establishing the registry within the COAS system were to result in outputs such as a carbon offset system being designed according to defined criteria and approved by National Treasury manual for the COAS users.

The project's theory of change articulated the following activities: (i) facilitate stakeholder consultation with government agencies, major emitters, business associations, labor unions, and NGOs and (ii) review industry benchmarks in order to ensure readiness and buy-in by encouraging stakeholders, (iii) conduct an analysis on sector emissions benchmarks and carbon tax economic modelling.

All these outputs stated above were to result in the project's objective.

According to the ICR (p. 8) the project made the following critical assumptions: i) political support for carbon tax implementation; ii) adequate participation and feedback from different sectors; iii) capacity constraints can



be overcome; iv) coherent policy package to ensure complementarities between the carbon pricing instrument and other policies in the energy sector.

The ICR (p. 17) stated that in the framework of the PMR program “readiness” was defined as building capacity for countries to develop and implement carbon pricing instruments needed for GHG mitigation and NDC implementation.

Outputs

- Monitoring and reporting protocol for GHG reporting by the targeted entities was prepared and validated with the main stakeholders, achieving the target. The project supported DMRE in modernizing the design of the Energy Efficiency Target Monitoring System (EEMTS) tool to collect and analyze energy use data automatically. Also, an interface with the existing CED was built.
- Definition of the rules and procedures and technical guidelines for COAS were developed by DMRE, achieving the target. COAS is an online platform to facilitate the listing, transfer, and retirement of carbon credits generated in South Africa and used to offset carbon tax liabilities (COAS was launched in July 2020).
- A functional registry to support the carbon offset scheme was established by the DMRE, achieving the target.
- A stakeholder engagement plan was prepared and implemented according to defined criteria, achieving the target.
- The project generated 37 analytical reports that contributed towards designing and implementing carbon pricing (ICR, para. 32).
- Overall, the project benefitted 416 beneficiaries through capacity building initiatives, surpassing the target of 250 beneficiaries. According to the ICR (p. 33), almost 60 percent of these beneficiaries were female. According to the ICR (p. 31), training was provided within government as well as stakeholder engagement and training for carbon tax liable entities.

Intermediate Outcomes

- A carbon pricing instrument was designed, prepared and implemented, achieving the target. When the project closed, the Carbon Tax had been successfully implemented for about 18 months. The government launched the Carbon Offset Administration System (COAS) in July 2020 and published the regulations for carbon offsetting. Also, the government finalized the “Manual for Offset Users and a Framework for Adopting Local Standards.” Furthermore, six staff at DMRE were trained to oversee the COAS.
- 70 percent of targeted entities (those with emissions greater than 25,000 CO₂ annually and activities with no applicable threshold) reported GHG emissions and the corresponding qualitative outputs from the Central Energy Database. Monitoring and reporting protocols for GHG reporting by the targeted entities were prepared and validated by main stakeholders (not achieving the target of 75 percent of targeted entities).
- Industry benchmarks were reviewed, achieving the target. The project supported the refinement of the design of the carbon tax through analytical work such as leveraging technical analysis on sector emissions benchmarks and carbon tax economic modelling. According to the ICR (p. 19), the PMR Secretariat provided strategic and technical analysis – especially in initial stages of the project before the grant agreement was signed. South Africa was included as a country case study in the PMR’s “Guide to Greenhouse Gas Benchmarking for Climate Policy Instruments” published in April 2017.



Also, South Africa benefited from participating in the PMR's Offsets Working Group, which conducted a critical review of global best practices on the use of carbon offsets which informed the administration, scope, and ultimate design of South Africa's carbon offset system.

- The government participated in the PMR Partnership Assembly and in knowledge exchange with other countries at various stages of carbon pricing development. Especially, PMR publications like the "State and Trends of Carbon Pricing" allowed NT to point to the progress and work being made by other countries on development of carbon pricing policies when making the case for a carbon tax to the South African Parliament.

While the project achieved several of the targets under the objective, it did not achieve the target of 75 percent of targeted entities reporting GHG emissions and the corresponding qualitative outputs from the Central Energy Database. Therefore, the achievement of the objective was Substantial.

Rating
Substantial

OVERALL EFFICACY

Rationale

The project contributed to the achievement of the government's Nationally Determined Contribution commitments under the Paris Agreement by providing targeted support for the implementation of a carbon pricing instrument. The design of the carbon tax aimed to price harmful GHG and providing incentives to support industries to transition away from carbon-intense activities.

Overall Efficacy Rating

Substantial

5. Efficiency

Economic Analysis/Operational Efficiency

The PAD (p. 16) stated that the nature of the project did not allow for a direct cost-benefit analysis since it was a technical assistance project that produced only indirect economic and financial benefits. The PAD further stated that the project sought to build capacities to design policy measures and other technical features of a national carbon tax. The implementation of the carbon tax was to happen during the project lifetime and was expected to help South Africa to achieve its carbon mitigation goals in the least-cost manner. By supporting the carbon tax implementation, this project was to create incentives for producers to invest in low-carbon alternatives and energy efficiency measures.



The ICR did not include a traditional Economic Analysis and instead assessed efficiency based on a “use of resources” like other PMR projects had done (P130378, P145586 and P128654). While it is useful to assess the project’s use of resources, this analysis is more related to the project’s operational efficiency.

The project experienced several implementation delays due to the challenge of maintaining a project coordinator at the PMU, the need to build capacity within the government in regards to procurement and financial management, and to ensure continuous implementation during the Covid-19 pandemic. As a result of the Covid-19 pandemic, the Bank and National Treasury decided to amend the procurement plan in June 2020 and to drop three activities as they were not seen as relevant to achieve the objective. These activities included: i) Critical Review of industry benchmark proposals developed for carbon tax; ii) National Atmospheric Emissions Inventory System (NAEIS) -Central Energy Database Institutional set-up and Business case development; and iii) Capacity building for Monitoring, Reporting and Verification (MRV).

Three factors contributed to budget changes (ICR, p. 21). First, under the 2019 restructuring the scope was reduced since several activities had been achieved with internal NT resources and project funding was no longer needed. The estimated cost of the project was reduced from US\$7 million to US\$5.8 million. Second, delays resulting from the COVID-19 pandemic led to dropping three activities since none of them were necessary to achieve the PDO. Third, the cost of two activities was over-estimated. At project closing, the project had not disbursed US\$2.9 million.

Given the implementation delays, the overestimation of costs, and the lack of an Economic Analysis, the project’s efficiency is rated Modest.

Efficiency Rating

Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable
ICR Estimate		0	0 <input type="checkbox"/> Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Relevance of objective was rated High given its alignment with the Bank’s Country Partnership Strategy (CPS) (FY2014-2017), especially engagement area 2 (which mentioned the importance of transiting to a low carbon economy) and objective 6 (which focused on informing the implementation of South Africa’s long-term carbon mitigation strategy and advising the formulation of regulatory frameworks). Efficacy was rated Substantial since most but not all targets were achieved. Efficiency was Modest due to implementation delays, overestimation of



project costs and lack of an Economic Analysis. Taking everything together, the project's outcome rating is Moderately Satisfactory.

a. **Outcome Rating**
Moderately Satisfactory

7. Risk to Development Outcome

Potential risks to development outcomes can be categorized into the following broad areas:

Political: The ICR (p. 30) stated that the government continues its commitment to the objective of the project as demonstrated through the implementation of the Carbon Tax through an act of parliament and signed into law.

Technical: There is a need to build capacity of DMRE staff to develop and maintain IT skills to manage the COAS was identified as a risk. The project developed a "Manual for Offset Users and a Framework for Adopting Local Standards," which aims to support and maintain institutional knowledge. Also, DMRE and NT agreed to review how to ensure continuous management of COAS.

Financial: The ICR (p. 30) refers to a report by the consulting firm Price Waterhouse Cooper (PWC). This report found that South Africa's carbon tax might not be by itself sufficient to decrease the country's GHG emissions since the levy might be too low and emitters might not be sufficiently deterred. After all, the Carbon Tax applies only to scope 1 (direct) and not including scope 2 (energy supply) and scope 3 (value chain) emitters. The government has not made any commitments to increase the tax since the economic downturn as a result of Covid-19 has been challenging. However, according to the Bank team (November 8, 2021), the government has other policies focused on GHG mitigation that complement the tax.

8. Assessment of Bank Performance

a. **Quality-at-Entry**

According to the ICR (p. 24), in 2015 an extensive Market Readiness Proposal (MRP) was prepared to understand the national context and identify a detailed work plan. The MRP was presented to the PMR's Partnership Assembly for discussion and endorsement. The PMR provided the government with technical exchanges based on international best practices which informed the project's design and implementation.

According to the PAD (p. 16), the Bank identified relevant risks which were all identified as low or moderate. The PAD stated that the carbon tax was originally planned to be implemented in 2015. It was delayed to allow for more consultation and to ensure better policy alignment with other interventions as proposed by the DEFF, e.g. the carbon budgets. The project was to focus on additional analytical work to refine the design of the carbon tax on industry competitiveness and building of technical capacity



related to GHG data reporting and management. However, the Bank did not identify the risk of weak procurement and financial management capacity which resulted in implementation delays.

According to the ICR (p. 24), while the PMR Partnership Assembly endorsed funding in March 2015, the project did not receive internal Bank approval until December 2016. This delay was a result of the Bank team's decision to first complete the PMR funding proposal, review, and clearance process before initiating development of an IPF operation and going through the Bank project cycle.

The Results Framework was adequate (see section 9a for more details).

Quality-at-Entry Rating Satisfactory

b. Quality of supervision

According to the Bank team (July 26, 2021), the Bank conducted 7 supervision missions between October 2017 and December 2020. The project experienced a high turnover of Task Team Leaders (TTLs) (four TTLs in total) resulting in lack of continuity in terms of project supervision. There was also high turnover of staff in the Project Management Unit (PMU) which led to implementation delays (ICR, para. 52). The Bank team provided financial management and procurement training to its counterparts resulting in the submission of higher quality Interim Financial Reports (IFRs), documentation of expenditures, and completion of financial audits. However, implementation would have benefited from focusing more heavily on training the PMU upfront on Bank processing tools, such as STEP and Client Connection. Training on procedures would have been helpful to establish the designated account.

When the Bank team realized that some costs had been overestimated at appraisal and that some project activities were not critical for the achievement of the objective, the project was downsized and restructured accordingly.

COVID-19 impacted the project, especially stakeholder engagement and procurement. Due to the national "lock down" National Treasury (NT) could not advance important procurement related to the project. Of the approximately 30 events to support stakeholder engagement 22 events had to be hosted virtually.

Quality of Supervision Rating Moderately Satisfactory

Overall Bank Performance Rating Moderately Satisfactory

9. M&E Design, Implementation, & Utilization



a. M&E Design

The project's objective was clearly specified. The project's theory of change and how activities were to result in the intended outcomes was logical and reflected in the Results Framework. Given the objective of the project, all indicators measured the delivery of outputs. All selected indicators included a baseline and target, were sufficiently specific and encompassed all outcomes of the PDO statement. Furthermore, all indicators (dropped and those added) were adequate to measure the project's contribution towards achieving the objective. However, some indicators tried to measure several aspects at once such as "monitoring and reporting protocol for GHG reporting by the targeted entities prepared and validated with the main stakeholders."

According to the PAD (p. 16) the selected indicators were to be reported by the National Treasury (responsible for the project's M&E) semi-annually in connection with supervision missions and captured in the publicly accessible Implementation Supervision Reports (ISRs).

b. M&E Implementation

The Partnership for Market Readiness required additional M&E procedures such as the provision of status reports to the assembly on an annual basis. The government submitted annual reports for the period 2014 to 2020 for review and endorsement by the assembly (ICR, p. 27).

c. M&E Utilization

The ICR (p. 28), stated that the project's M&E information was used to inform the project restructuring. Also, when the project experienced a delay in the delivery of technical outputs, M&E data was used to facilitate the discussion between the Bank and the government to identify actions to accelerate disbursements.

M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

The project was classified as Category C and did not trigger any of the Bank's safeguard policies due to the nature of its technical assistance activities.

b. Fiduciary Compliance



Procurement:

The project experienced several procurement-related issues that resulted in implementation delays. The PMU faced the difficulty of being consistently staffed, which negatively impacted procurement processes. As a result, the project's procurement performance was rated Moderately Unsatisfactory. In 2019, the project's procurement performance was increased to Moderately Satisfactory due to stronger procurement capacity.

While a full time Program Coordinator was only selected in September 2018, the Program Coordinator resigned in February 2020 which was during a critical procurement phase. Since the replacement only joined the PMU in July 2020, due to Covid-19 lockdown measures, the project experienced delays in finalizing the procurement of some of the activities.

The Value-added Tax (VAT) was not included in the original cost estimates for activities delivered by international consultants. However, based on discussions it was determined that VAT was to be paid on services rendered by international consultants for projects in South Africa. As a result, a VAT of 15 percent was added to those activities that were contracted or under contractual negotiations with international companies. In addition, VAT was factored into the bids for the remaining activities to be contracted and did not impact the original project activity budget.

Financial Management:

The project had an adequate FM framework which provided accurate and timely FM information. Also, the project's FM was in line with regulations and requirements outlined in the grant agreement. Furthermore, the withdrawal and flow of funds arrangements were adequate. The project experienced delays in the completion of annual audits. However, the annual audits were completed by the time the project closed.

According to the Bank team (July 26, 2021), annual audits were completed with delays but satisfactorily.

The project included FM related issues. According to the Bank team (July 26, 2021) these were related to delays in submission of IFRs because of communication issues and the departure of the project coordinator. The communication issues were addressed through a series of trainings offered to the client and in numerous meetings. Another issue was the delay in preparing the audited financial statements due to the delay in hiring the auditor.

c. Unintended impacts (Positive or Negative)

NA

d. Other



11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	
Quality of M&E	Substantial	Substantial	
Quality of ICR	---	Substantial	

12. Lessons

The ICR (p. 30-31) included very useful lessons, which were adapted by IEG:

- **A combination of a clear political mandate, legal basis, and coordination among ministries is critical for the development and implementation of a carbon pricing instrument.** The objective of this project was fully aligned with the government’s climate priorities and commitment to implement a carbon pricing instrument. The NT did not just collaborate with different ministries but also with non-governmental stakeholders. This had a positive impact on the implementation. In addition, South Africa also shared lessons learned with other countries in international forums.
- **A country’s Ministry of Finance can be a key champion for climate change action as part of their responsibility of managing the national budgeting process.** In this project NT took on several roles that were critical for a successful implementation such as coordinating across different government entities as well as non-governmental stakeholders. In addition to successfully launching carbon pricing and policy design, it built support for carbon pricing within the government and industry to ensure coordination and efficiency.
- **Allowing for flexibility in the calibration of carbon pricing instruments is critical.** South Africa’s carbon pricing instrument included measures to ensure its ongoing competitiveness and allow for adjustments in case of future competitiveness concerns. For example, introducing the taxes in phases, providing different allowances, not including the electricity sector in the first phase, and planning for a review of the tax after two years of implementation provide sufficient flexibility to adapt the instrument to South Africa’s national context when needed.

13. Assessment Recommended?

No



14. Comments on Quality of ICR

The ICR provided an adequate overview of project preparation and implementation, was internally consistent and concise. While the ICR did not include a traditional economic analysis due to the topic of the project, it provided an analysis of operational efficiency. It included lessons learned that can be useful for future engagement in this area. The ICR would have benefitted from providing more information on critical areas such as Financial Management. In Annex 3 the component names do not match the numbers/amounts. Overall, the quality of the ICR is rated Substantial.

a. Quality of ICR Rating Substantial