



# Mobilised private (climate) finance report 2019

Final Report

### Contract details

Ministry of Foreign Affairs of the Netherlands - Mobilised private (climate) finance report 2019

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# 1 Introduction

## 1.1 Background

The contribution of the private sector has received increasing attention in the field of international development finance. The Organisation for Economic Co-operation and Development (OECD) states that the need to mobilise private resources is at the heart of discussions around financing the Sustainable Development Goals (SDGs), including to combat climate change.<sup>1</sup>

The Dutch Ministry of Foreign Affairs (MFA) is continuously working to find ways to measure the private mobilisation of its public finance for climate and development. Based on the *Joint Donor Statement on Tracking Progress towards the \$100 billion goal*<sup>2</sup>, the Netherlands MFA started in 2016 with its reporting on climate finance for development. Through this statement, the Netherlands committed itself together with 18 other donors to the goal of “Jointly mobilising \$100 billion a year by 2020 from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources of finance”. This goal was reiterated and extended until 2025 at the COP21 in Paris. A new and higher goal is likely to be set after this period.

The Development Assistance Committee (DAC) of the OECD developed a methodology to measure the volume of **private finance mobilised by official development finance interventions** that contributes to the SDGs. First steps have been made with the publication of the report ‘*Climate finance in 2013-14 and the USD 100 billion goal*’, that was published that same year as the Joint Statement.<sup>3</sup>

In 2016, OECD DAC carried out a survey to pilot the methodologies for specific financial instruments. The results of this effort were published in 2017 in the report *Amounts Mobilised from the Private Sector by Official Development Finance Interventions*.<sup>4</sup>

The OECD DAC is continuously elaborating its methodology to facilitate measurement of the mobilisation of private finance. By 2019, seven reporting methodologies for leverage mechanisms had been developed by OECD DAC:<sup>5</sup>

1. Guarantees;
2. Syndicated loans;
3. Direct investments in companies;
4. Shares in Collective Investment Vehicles (CIVs);
5. Credit lines;
6. Simple co-financing arrangements (grants and loans);
7. Project finance Special Purpose Vehicles (SPVs).

<sup>1</sup> OECD (2019). Amounts mobilised from the private sector for development. Retrieved from: <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/mobilisation.htm>

<sup>2</sup> Joint Statement on Tracking Progress Towards the \$100 billion Goal by Joint Statement on Tracking Progress Towards the \$100 billion Goal by Australia, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Poland, Sweden, Switzerland, United Kingdom, United States, and the European Commission (2015). Retrieved from:

<http://www.news.admin.ch/NSBSubscriber/message/attachments/40866.pdf>

<sup>3</sup> OECD (2015). Climate finance in 2013-14 and the USD 100 billion goal. Retrieved from:

<http://www.oecd.org/environment/cc/OECD-CPI-Climate-Finance-Report.pdf>

<sup>4</sup> OECD (2017). Amounts Mobilised from the Private Sector by Official Development Finance Interventions. Retrieved from: <http://dx.doi.org/10.1787/8135abde-en>

<sup>5</sup> OECD DAC (2019). Measuring and reporting on mobilisation. Retrieved from:

[http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/DAC/STAT\(2019\)21&docLanguage=EN](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/DAC/STAT(2019)21&docLanguage=EN)

The reporting methodologies for these instruments are discussed in detail in section 2.3.

Since 2017, OECD countries are requested to use the methodology developed by OECD DAC in their reporting to the OECD DAC on the realisation of mobilised private finance. Last year, the Netherlands started with a pilot to calculate the volume of mobilised private finance for official development aid interventions. For the reporting on mobilised private *climate* finance, The Netherlands is using the OECD DAC methodology to report to the European Union (under the Monitoring Mechanism Regulation) and to the United Nations Framework Convention on Climate Change (UNFCCC) since 2016.

### Scope and objectives of the report

The objectives of this year's report are again twofold: (1) to calculate the mobilised private finance for development and (2) to calculate mobilised private climate finance. The first figure will be used for the indicator 'Amount of mobilised private finance' in the results framework of the MFA. This indicator presents the aggregated private finance mobilised by funds and programmes of the Directorate-General International Cooperation (DGIS). The MFA used this indicator for the first time when collecting data for its reporting on results in 2018 to the Dutch Parliament.

In addition to the integrated national reporting, the calculations of the **mobilised private finance for development** may be used to support the MFA's future reporting to the OECD DAC.

Similar to previous years, the calculations of **the mobilised private climate finance** will support the MFA in three different reporting cycles on climate finance: the national report of the Homogenous Budget for International Cooperation (HGIS-nota), the reporting to the European Union and the reporting to the UNFCCC.

In short, this report assesses the Dutch mobilised private (climate) finance, using the OECD DAC methodologies to the best extent possible.

## 1.2 Mobilised private finance in 2019 - Results

Table 1-1 shows the overall amounts of total private finance mobilised by the Netherlands in 2019, and the amounts of mobilised climate finance. Table 1-2 gives a more detailed overview of the mobilisation. Please note that some programmes have only been taken into account for the reporting on private **climate** finance. In other cases, we isolated the climate relevant mobilised private finance from the overall mobilised private finance for development.



Table 1-1 Mobilised private finance for development and climate by Dutch public funding in 2019 (€ million)

	Mobilised private finance for development by NL	Mobilised private finance by NL, climate related
Mobilised by Dutch programmes and funds	230.029	130.142
Mobilised by multi-donor programmes and funds	146.936	96.974
Mobilised by Multilateral Development Banks and PIDG	Not measured	403.496
Mobilised by FMO A	Not measured	234.763
<b>Total</b>	<b>376.965</b>	<b>865.375</b>

Table 1-2 Total mobilised private finance per programme for development and climate by Dutch public funding in 2019, disaggregated (€ million)

Programme (activity #)	Mobilised private development finance by NL	Mobilised private finance by NL, climate related
<b>Dutch Programmes</b>	<b>225.407</b>	<b>130.142</b>
Aqua for All (26962)	15.964	-
Geodata for Agriculture and Water (25484)	2.939	2.939
Orange Corners (4000002092)	0.354	0.142
Sustainable Development Goals Partnership (4000001360)	18.618	7.447
Drive (27804)	4.622	-
<b>State Funds</b>	<b>147.769</b>	<b>118.242</b>
Access to Energy Fund I (4000002350)	76.568	76.568
MASSIF (24949)	23.833	-
Building Prospects (3278)	47.367	41.674
Solidaridad Practice for Change (28819)	3.428	1.371
Dutch Good Growth Fund track 1 (26663)	24.688	-
Dutch Good Growth Fund track 2 (26664)	11.648	-
Dutch Good Growth Fund track 3 (26665)	-	-
<b>Multi-donor funds</b>	<b>146.936</b>	<b>96.974</b>
Green Climate Fund (27119)	11.219	11.219
Global Environmental Facility (27173)	2.847	2.847
Global Agriculture and Food Security Program (23294)	20.321	0.615
Global Small Medium Enterprise Facility (27841)	-	-
Sustainable Trade Initiative (IDH, 27092)	20.074	9.003
Sustainable Trade Initiative ISLA (IDH ISLA, 25884)	1.185	1.185
Sustainable Trade Initiative Farmfit Fund (IDH Farmfit, 4000002783)	10.000	-
One Acre Fund (29032)	15.309	6.123
Climate Investor One (CIO, 24463)	65.982	65.982
<b>Sub total</b>	<b>372.343</b>	<b>227.115</b>
<b>Climate finance mobilised by NL through the MDBs, FMO A and PIDG</b>		<b>638.259</b>
Multilateral Development	Not measured	374.018
FMO A	Not measured	234.763
Private Infrastructure Development Group (PIDG)*	Not measured	29.478
<b>Grand total</b>	<b>Mobilised private finance by NL</b>	<b>Mobilised private finance by NL, climate related</b>
<b>Totals</b>	<b>376.965</b>	<b>865.375</b>

\* Based on financial year 2018

### 1.3 Changes since the 2018 report

This report deviates from the previous Trinomics reports on mobilised private finance in the following ways:

- **Implementing organisations completed the OECD DAC reporting template themselves<sup>6</sup>:**

Last year, Trinomics worked with a template designed by the OECD DAC to calculate the private finance mobilised by the Netherlands MFA through public interventions. The key advantage of this Excel template is that it automatically applies the OECD DAC methodologies in calculating the private finance mobilised (when used correctly). Since the template was complex and not optimally aligned with the reporting process of funds and programmes, Trinomics completed the template based on input from the programme managers in most cases.

In 2019, the OECD DAC has improved the template in a more simplified and user-friendly way. This has led to a different approach of the data collection, in which the fund and programme managers were responsible for completing the template and the quality of the data. Trinomics supported this process with an instruction document and a workshop on how to use the template at the start of the assignment.

- **Reporting over several years:** In the 2018 report, we only considered mobilised private finance resulting from commitments made by the programmes in 2018 in most cases. Following the OECD DAC methodology, mobilised private finance resulting from commitments from earlier years (until 5 years back at maximum) can also be included, as long as there is a clear causal relation between the public intervention and the private action in 2019.<sup>7</sup> This year we followed the OECD DAC methodology more strictly by including mobilisation from commitments in earlier years when feasible.
- **The mobilisation in Climate Investor One (CIO) is attributed to public parties only:** In last year's report, we attributed the private finance mobilised by CIO on the project level to the public investors as well as private investors of CIO. Because this is not in conformity with the OECD DAC methodology in cases where there is a clear causal link between the public interventions and the private finance mobilised, we followed the methodology more strictly this year by only attributing the mobilisation to the public parties involved in CIO.

<sup>6</sup> OECD (2019). Rationalised template for collecting supplementary data on amounts mobilised from the private sector.

<sup>7</sup> OECD DAC (2016). Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire - Addendum 1, DCD/DAC (2016)3/ADD1/FINAL.

## 2 Mobilised finance: what to measure

### 2.1 Applying OECD DAC reporting methodologies in practice

The OECD DAC has developed reporting methodologies for seven different financial instruments which are used to mobilise private finance. The methodologies were only finalised recently, with the last updates in 2019.<sup>8</sup> Therefore, they have not been tested a lot in practice. Even though the OECD DAC methodologies should be considered as the final methodologies, some components in the *report instructions* remain multi-interpretable and some components are difficult to match with the actual structure of certain Dutch programmes. The OECD DAC Working Party on Development Finance Statistics (WP-STAT) continues reviewing and expanding reporting instructions. In this report, the OECD DAC methodologies are used. To estimate the mobilised private climate finance by the Netherlands through their contributions to the core funding of the Multilateral Development Banks (MDBs), the principles stated by the OECD's Technical Working Group (TWG) were applied.<sup>9</sup>

Aside from improving the reporting instructions, WP-STAT is continuously working on methodologies to measure more indirect “catalytic effects” of public interventions, such as grants for policy support, technical assistance and feed-in-tariffs development. It is, however, recognised that it is very difficult to measure the catalytic effect statistically and that the results are susceptible to double-counting. Indirect mobilised private finance is therefore not included in the report.

### 2.2 Basic principles

Although the methodologies differ per instrument, there are a few basic elements applicable to all of them. These can be summarised by the following basic principles:

1. All public bodies that provide public interventions for an activity have a share in the mobilisation of the private finance for this activity. Public bodies can also originate in developing countries;
2. Mobilised private finance is divided amongst the public bodies, so that the same flow is not double counted;
3. Public bodies that invest in the riskiest tranches (e.g. equity) of an investment or company are attributed a larger share of the mobilised private finance than public bodies that invest in lower risk tranches (e.g. senior debt);
4. When possible, financial flows are counted at the point of commitment;
5. When possible, we report at both the fund and the project level;
6. The default method<sup>10</sup> to estimate the climate relevance of public investment is the OECD Rio marker definition for climate change<sup>11</sup>. Following this method, it is assessed whether climate mitigation and/or adaptation is considered a principle or significant objective in a certain project (or programme if information is not available at project level). In case climate

<sup>8</sup> OECD DAC (2019). Measuring and reporting on mobilisation. Retrieved from: [http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/DAC/STAT\(2019\)21&docLanguage=EN](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/DAC/STAT(2019)21&docLanguage=EN)

<sup>9</sup> OECD and CPI (2015). Climate finance in 2013-14 and the USD 100 billion goal. Annex F. Retrieved from: <http://www.oecd.org/environment/cc/OECD-CPI-Climate-Finance-Report.pdf>

<sup>10</sup> For FMO, a different methodology was applied which is closer to the MDB method. This is explained in detail in Section 6.

<sup>11</sup> OECD DAC Rio Markers for Climate Handbook (2016). Retrieved from: [https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook\\_FINAL.pdf](https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf)

mitigation or adaptation is the principle objective, a project is considered 100% climate relevant. In case climate mitigation or adaptation is a significant objective, a project is considered 40% climate relevant. If a project is 40% climate relevant, the mobilised private finance is multiplied by 0.40 in order to attribute the mobilised private climate finance.

More details on the basic elements of the methodologies are provided in Annex A.

## 2.3 Methodologies per intervention and how this is applied to this report

The Netherlands uses various public interventions to mobilise private finance. It mobilises private finance through programmes which are managed from within the Netherlands, through multi-donor funds (e.g. the Green Climate Fund), through the Dutch Development Finance Institution FMO and through the MDBs. For all instruments, it is assumed that the private investment would not have taken place without the public intervention and additionality is guaranteed.

Public interventions can use various financial instruments. OECD DAC has developed methodologies<sup>12</sup> to estimate the private mobilisation for:

1. Guarantees;
2. Syndicated loans;
3. Direct investments in companies
4. Shares in Collective Investment Vehicles (CIVs);
5. Credit lines;
6. Standard grants & loans in simple co-financing arrangements
7. Project finance Special Purpose Vehicles (SPVs).

Methodologies for the first five financial instruments have not changed since last year's report. Some changes have been implemented for 'standard grants & loans in simple co-financing arrangements' and 'project finance SPVs', following the methodological changes that OECD DAC has made for these leveraging mechanisms. All instruments are described below.

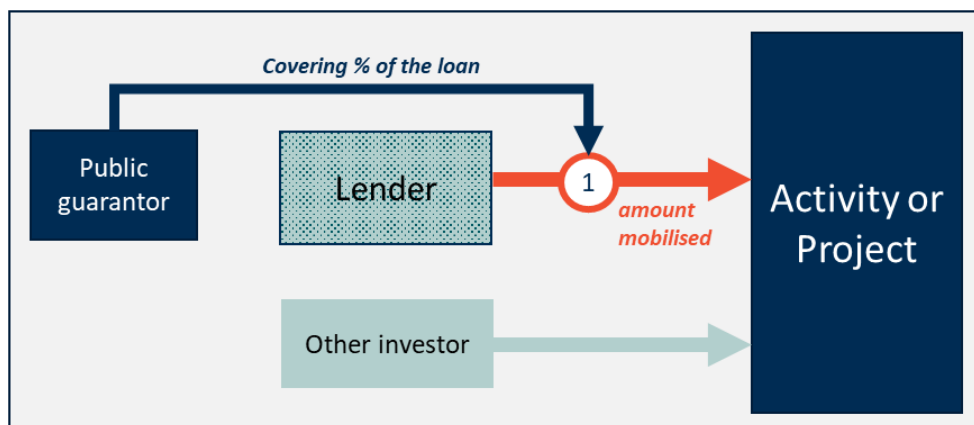
### 2.3.1 Guarantees

#### OECD DAC Description:

Legally binding agreements in which the guarantor agrees to pay (a part of) the amount due on a loan, equity or other instrument in the event of non-payment by the obligor or loss of value in case of investment. In this report, the term guarantee refers to both guarantees and insurance schemes.

<sup>12</sup> The instructions for the first five are described in OECD (2018). DAC methodologies for measuring the amounts mobilised from the private sector by official development finance interventions. Retrieved from: <http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC-Methodologies-on-Mobilisation.pdf>. The instructions for the last two are described in OECD (2019) Measuring and reporting on mobilisation. Retrieved from: <http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC-Methodologies-on-Mobilisation.pdf>

Figure 2-1 Schematic overview of methodology for guarantees



Source: Trinomics based on OECD DAC methodologies

#### Information needed:

Value of the private loan which is (partially) covered by the guarantee. Note that the entire loan provided by the lender (which is covered by the guarantee) counts as mobilised private finance (irrespective of the percentage of this loan which is covered by the guarantee).

**Applied to:** GAFSP, GSMEF, DGGF track 1 (RVO), FMO-A, PIDG

#### 2.3.2 Syndicated loan

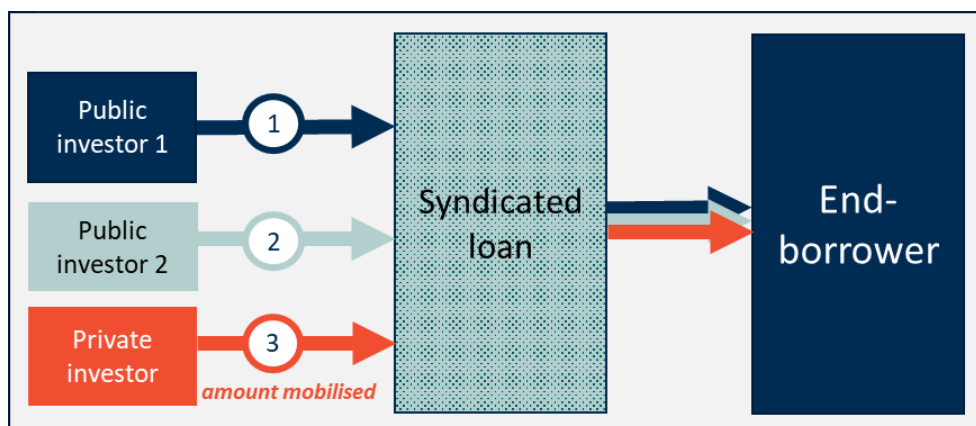
##### OECD DAC Description:

Loans provided by a group of lenders (called a syndicate) who work together to provide funds for a single borrower. The main objective is to spread the risk of a borrower default across multiple lenders, and thereby encourage private participation. A syndicated loan arranged by an official institution may include financing from the market through the so-called “A/B loan” structure. The official institution often retains a portion of the loan for its own account (A loan) and sells participations in the remaining portion to other participants (B loan). The borrower signs a single loan agreement with the lender. Official arrangers may also seek to syndicate “parallel loans” from other official institutions and participants that are not eligible participants for B-loans. In these cases, the official arranger identifies potential participants, structures the deals, and negotiates with the borrower in coordination with all parallel lenders.<sup>13</sup> 50% of the amounts mobilised are attributed to the organisation which leads the syndicate (the lead arranger), the remainder 50% is attributed to the other participants (pro-rata).

In the case of a private arranger, 100% of the amount mobilised is attributed to the official participants. The assumption is that private investors (including the arranger) would not have invested without the presence of official participants in the syndication.

<sup>13</sup> OECD (2018). DAC methodologies for measuring the amounts mobilised from the private sector by official development finance interventions.

Figure 2-2 Schematic overview of methodology for syndicated loans



Source: Trinomics based on OECD DAC methodologies

**Information needed:**

1. Value of A-loan committed by lead arranger;
2. Value of parallel loans committed by public institution(s); and
3. Value of B-loan(s) committed by private investor(s).

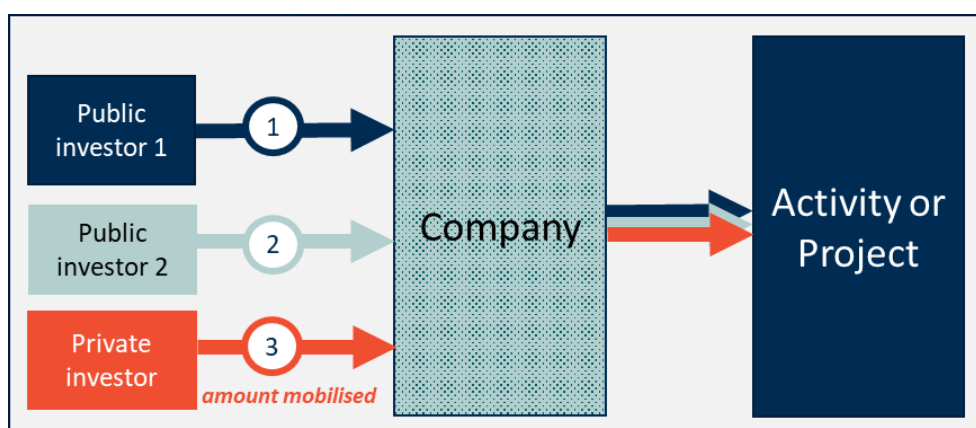
**Applied to:** FMO-A, FMO state funds

### 2.3.3 Direct investments in companies

**OECD DAC Description:**

In this report, direct investment in companies refer to on-balance sheet investments in corporate entities, which are conducted without any intermediary and which typically consist of or can combine the following instruments/mechanisms: equity, mezzanine finance and senior loans.

Figure 2-3 Schematic overview of methodology for investments in companies



Source: Trinomics based on OECD DAC methodologies

**Information needed:**

1. Value of equity and/or loans committed by each public investor, per financing round; and
2. Value of finance committed by private investor(s), per financing round.

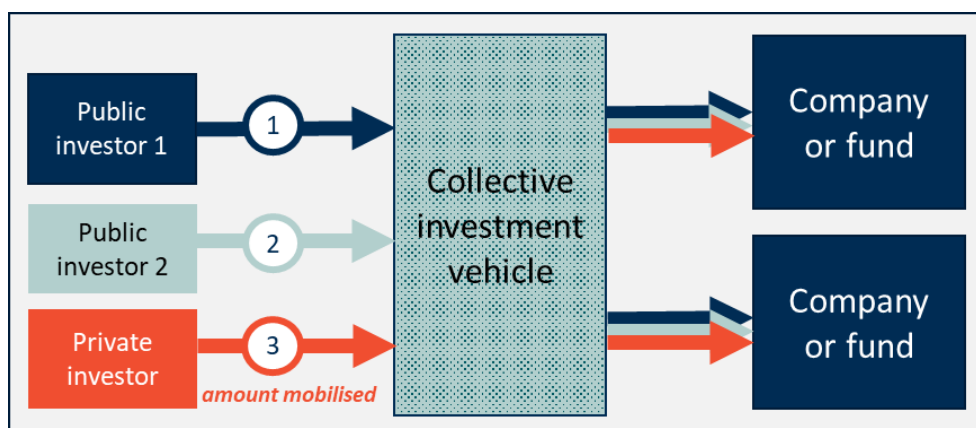
**Applied to:** FMO-A, FMO state funds, DGGF-1 (RVO), PIDG

### 2.3.4 Shares in collective investment vehicle (CIV)

#### OECD DAC Description:

CIVs allow investors to pool their money and jointly invest in a portfolio of companies. A CIV can either have a flat structure - in which investments by all participants have the same profile with respect to risks, profits and losses - or have its capital divided in tranches with different risk and return profiles, e.g. by different order of repayment entitlements (seniority), different maturities (locked-up capital versus redeemable shares) or other structuring criteria.<sup>14</sup>

Figure 2-4 Schematic overview of methodology for shares in collective investment vehicles



Source: Trinomics based on OECD DAC methodologies

#### Information needed:

For mobilisation at CIV level:

1. Value of equity and/or loans committed by each public investor, per financing round, with a clear division between investments in the riskiest tranche and investments in the mezzanine/senior tranche;
2. Value of finance committed by private investor(s), per financing round.

For 2<sup>nd</sup> level mobilisation from CIV:

3. Value of equity and/or loans committed by collective investment vehicle to company/fund;
4. Value of equity and/or loans committed by other public investor(s); and
5. Value of equity and/or loans committed by private investor(s).

With this information, the OECD DAC methodologies on investment in a company (in the case of a company) or shares in CIVs (in the case of a fund) can be applied for assessing the 2<sup>nd</sup> level mobilisation.

**Applied to:** DGGF track 2 (Triple Jump), FMO-A, FMO state funds, Sustainable Trade Initiative (IDH), Climate Investor One (CIO)

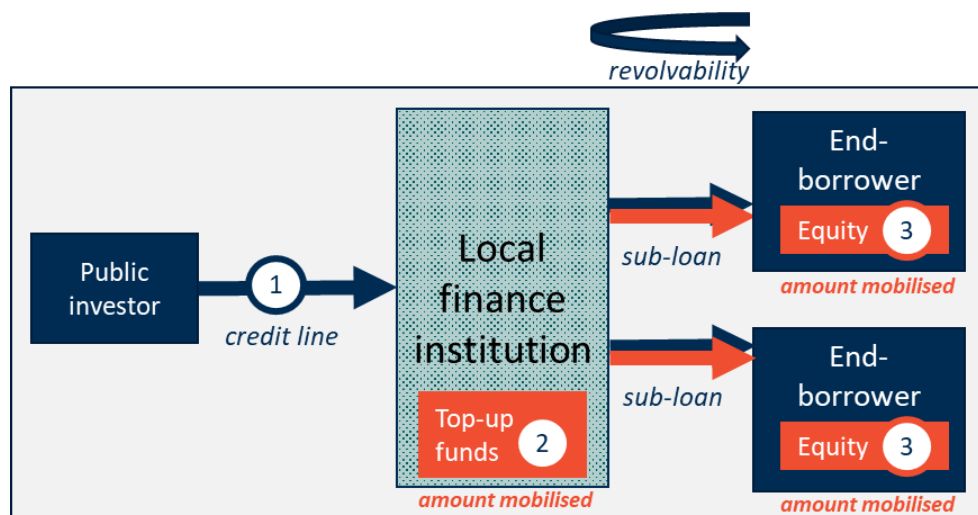
<sup>14</sup> OECD (2018). DAC methodologies for measuring the amounts mobilised from the private sector by official development finance interventions.

### 2.3.5 Credit lines

#### OECD DAC Description:

Refers to a standing credit amount which can be drawn upon at any time, up to a specific amount and within a given period. Borrowers decide how much of the agreed funding they wish to draw down and interest is paid only on the amount which is borrowed and not on the amount made available. The maturity of the official credit line is usually longer than that of the individual sub-loans extended by the LFI to its clients, allowing the LFIs to on-lend to local end-borrowers (companies, project developers, etc.) on a revolving basis during the lifetime of a credit line.<sup>15</sup>

Figure 2-5 Schematic overview of methodology for credit lines



Source: Trinomics based on OECD DAC methodologies

#### Information needed:

To calculate the first level of mobilisation:

1. Value of credit committed by public investor to local finance institution;
2. Value of top-up of funds committed by local finance institution.

To calculate the second level of mobilisation:

3. Average value (or percentage) of equity committed by end-borrowers.

To calculate the revolvability of the credit line:<sup>16</sup>

4. Tenor and grace period of the credit line;
5. Average tenor of loans provided by local finance institution; and
6. Average utilisation of credit line (%).

Applied to: FMO-A

<sup>15</sup> OECD (2018). DAC methodologies for measuring the amounts mobilised from the private sector by official development finance interventions.

<sup>16</sup> If the tenor of the sub-loans is shorter than the tenor of the credit line, they can revolve within the tenor period of the credit line.

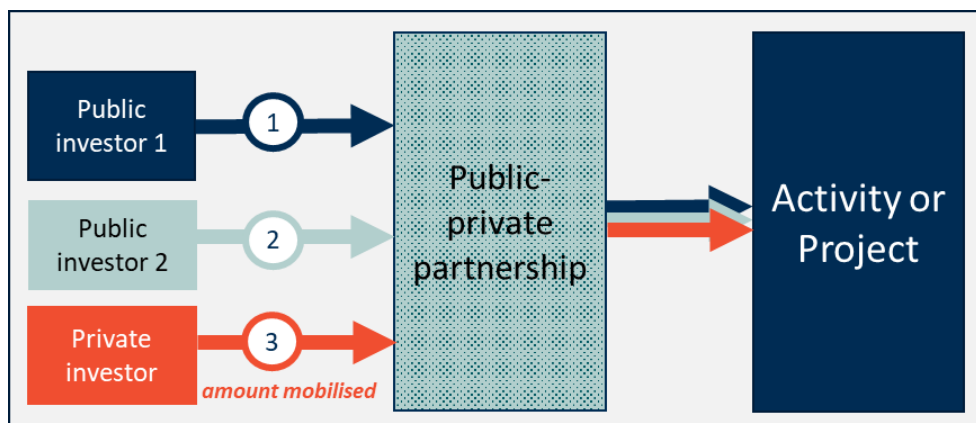


### 2.3.6 Standard grants & loans in simple co-financing arrangements

#### OECD DAC Description:

These include various business partnerships, B2B programmes, business surveys, matching programmes, as well as result-based approaches. A causal link between a standard grant or loan and private co-investment can only be established when it can be demonstrated (through e.g. contractual agreements or project documentation) that the provision of public funds are conditioned to private sector co-financing or specific outcomes of private sector investments (in the case of result-based financing mechanisms).

Figure 2-6 Schematic overview of methodology for grant co-financing schemes



Source: Trinomics based on OECD DAC methodologies

#### Information needed:

1. Value of grant/loan awarded by the official institution;
2. Sum of public finance committed to the project (official institution+ public partners' grants/loans); and
3. Sum of private sector co-financing committed to the project (awarded enterprise co-financing or private outflow from a PPP + private partners' co-investment in the project).

**Applied to:** Aqua for All, Geodata for Agriculture and Water (G4AW), Orange Corners, Sustainable Development Goals Partnership facility (SDGP), FMO state funds, FMO-A, Global Agricultural and Food Security Programme (GAFSP), Global Small and Medium Enterprise Facility (GSMEP), Sustainable Trade Initiative (IDH), Solidaridad, DRIVE, One Acre Fund, Global Environment Facility (GEF), Green Climate Fund (GCF).

### 2.3.7 Project finance in Special Purpose Vehicles (SPVs)

OECD DAC has developed instructions on how to avoid double counting in projects in which different financial instruments are used - such as in Special Purpose Vehicles (SPVs). Project finance SPVs may be combined with the financial instruments guarantees, syndicated loans and direct investments in companies.<sup>17</sup>This report has not applied this methodology and will therefore not provide all details here.

<sup>17</sup> OECD (2019) Measuring and reporting on mobilisation. Retrieved from: <http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC-Methodologies-on-Mobilisation.pdf>

## 3 Dutch programmes and funds

### 3.1 Facilities with a public private component: Aqua for All, G4AW, Orange Corners, SDGP and DRIVE

**OECD DAC methodology used:** Standard grants/loans

The Netherlands has numerous programmes with public-private financial elements that can potentially mobilise private finance. The following programmes were identified to mobilise private finance in 2019:

1. Aqua for All (26962);
2. Geodata for Agriculture and Water (G4AW, 25484);
3. Orange Corners (4000002092);
4. Sustainable Development Goals Partnership (SDGP, 4000001360).
5. DRIVE (27804).

The five facilities encourage public-private partnerships by forming collaborative ventures with government bodies, enterprises and Non-Governmental Organisations (NGOs) or knowledge institutes, together with the Netherlands MFA. All partners commit to monetary and/or in-kind contributions to projects in developing countries. Only monetary contributions are included in this report, in-kind contributions are not.

The **Aqua for All** PPP Innovation programme started in November 2014 and ended in December 2019. The current Aqua for All programme 'Making Water Count' runs between July 2019 and 2024 and makes new commitments regularly. In 2019, private parties committed financial resources to both programmes. Compared to 2018, the private mobilisation of Aqua for All has increased significantly.<sup>18</sup> Aqua for All believes that innovation as well as public and private capital are needed to bridge the service and finance gap in the water and sanitation economy in Africa and Asia. The programme creates an enabling environment for innovative ideas to scale up and use funds to facilitate public and private investments in viable water and sanitation solutions.

The **G4AW** programme is executed by the Netherlands Space Office (NSO). It is aimed at improving the output of the agriculture, pastoral and fishing sector in 26 partner countries by providing food producers with relevant information, advice or (financial) products by using geodata (satellite and mobile data). The programme promotes and supports private investments for large scale, demand driven, and satellite-based information services targeted at actors in the food production chain.

**Orange Corners** is financed by the Netherlands MFA and executed by the Netherlands Enterprise Agency (RVO). It provides young entrepreneurs across Africa and the Middle East with the necessary training, networks and facilities to start and grow their businesses. The programme targets early stage businesses that create innovative and sustainable solutions to local challenges and contribute to the UN Sustainable Development Goals.

Another programme managed by RVO is the **Sustainable Development Goal Partnership facility (SDGP)**. The programme is aimed at the SDGS 2 (ending hunger), 8 (decent jobs and economic growth)

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<sup>18</sup> Compare EUR 2.91 million private mobilisation in 2018 to EUR 15.964 million private mobilisation in 2019.

and 17 (partnerships for the goals).<sup>19</sup> The programme mobilised private finance in 17 projects, which were significantly relevant for climate mitigation.

**DRIVE** committed to one new project in 2019 which mobilised private finance, and this project was not considered climate relevant. DRIVE is the successor of the ORIO programme and focuses on investments in infrastructural projects that create an enabling environment in the priority sectors water, climate, food security and sexual and reproductive health (SRHR). Public infrastructure projects that have high development relevance in other sectors can also apply for DRIVE support.

In total, the Netherlands mobilised **€ 42.497** million of private finance through the Dutch facilities with a public private component, of which **€ 10.528** million was climate related.

**Table 3-1 Mobilised private finance by facilities with a public private component (in million €)**

Programme (activity #)	Financial instrument	Amount committed by NL <sup>20</sup>	Total public investment <sup>21</sup>	Total private investment	Mobilised private finance by NL	Of which climate relevant
Aqua for all (26962)	Standard grant/loan	0.470	0.470	15.964	15.964	-
G4AW (25484)	Standard grant/loan	8.508	8.938	3.290	2.939	2.939
Orange Corners (400002092)	Standard grant/loan	0.670	0.670	0.354	0.354	0.142
DRIVE (27804)	Standard grant/loan	5.406	7.064	6.039	4.622	-
SDGP (4000001360)	Standard grant/loan	30.344	32.596	19.183	18.618	7.447
<b>Total</b>		<b>45.399</b>	<b>49.739</b>	<b>44.830</b>	<b>42.497</b>	<b>10.528</b>

## 3.2 FMO state funds

**OECD DAC methodologies used:** Syndicated loans (arranger or participant), direct investments in companies (equity), direct investments in companies (mezzanine/senior debt), shares in CIVs (flat, low risk or high risk), standard grants/loans.

**FMO state funds** are funded by the Dutch government and managed by FMO (Dutch development bank). More detailed information on FMO can be found in section 6. FMO reported on three different state funds:

- The Access to Energy Fund (AEF, 4000002350) - AEF aims to support private sector projects to ultimately provide long-term access to energy services in Sub-Saharan Africa;<sup>22</sup>
- Building Prospects (Previously the 'Infrastructure Development Fund', 3278) is aimed at private sector development to create reliable infrastructure in many sectors (e.g. energy, transport, ports etc.). Climate mitigation and adaptation are a second focus theme of the fund;<sup>23</sup> and

<sup>19</sup> SGDP Partnership <https://english.rvo.nl/subsidies-programmes/sdgp>

<sup>20</sup> The amounts committed by the Netherlands refer to (1) the amounts committed by the Dutch public programme to projects which mobilised private finance in case of Dutch programmes or to (2) the amounts committed by multi donor funds to projects which mobilised private finance multiplied by the share of the Netherlands in the multi donor fund in case of multi donor funds.

<sup>21</sup> The amounts committed by all public parties to projects which mobilised private finance (including the Dutch commitments). For multi donor funds, this includes the commitments from the fund not driven by Dutch contributions (but driven by other donors).

<sup>22</sup> <https://www.fmo.nl/aef>

<sup>23</sup> <https://www.fmo.nl/building-prospects>

- MASSIF (24949) - MASSIF provides access to financial services (e.g. bank accounts, savings products or loan products) for micro-, small- and medium-sized entrepreneurs in lower and lower-middle income countries.<sup>24</sup>

FMO reported on ten Building Prospects projects, seven AEF projects and five MASSIF projects. The FMO state funds mobilise private finance with a variety of financial instruments. Table 3-2 shows the results for the private mobilisation through the FMO state funds.

In total, the Netherlands mobilised **€147.769** million of private finance through FMO state funds, of which **€118.242** was climate related.

Table 3-2 Mobilised private finance by FMO state funds (in million €)

Programme (activity #)	Financial instrument	Amount committed by NL <sup>20</sup>	Total public investment <sup>21</sup>	Total private investment	Mobilised private finance by NL	Of which climate relevant
AEF I (4000002350)	Shares in CIV (high risk)	10.500	33.991	78.124	25.087	25.087
	Shares in CIV (medium risk)	6.772	13.543	27.000	13.500	13.500
	Direct investment in company (equity)	14.445	24.292	29.661	29.661	29.661
	Direct investment in company (debt)	1.517	35.561	36.446	6.852	6.852
	Standard grant/loan	2.460	4.932	2.943	1.468	1.468
Building Prospects (3278)	Syndicated loan (participant)	0.261	22.677	28.478	0.129	-
	Shares in CIV (flat)	8.412	21.805	4.464	4.464	0.893
	Shares in CIV (high risk)	20.490	67.271	88.124	29.274	27.281
	Shares in CIV (medium risk)	6.772	13.543	27.000	13.500	13.500
	Direct investment in company (equity)	10.786	18.536	-	-	-
MASSIF (24949)	Shares in CIV (flat)	4.460	4.460	8.036	8.036	-
	Shares in CIV (high risk)	4.400	29.600	10.000	1.993	-
	Direct investment in company (equity)	5.312	5.312	9.804	9.804	-
	Standard grant/loan	1.000	1.000	4.000	4.000	-
<b>Total</b>		<b>97.587</b>	<b>296.525</b>	<b>354.081</b>	<b>147.769</b>	<b>118.242</b>

### 3.3 Solidaridad

**OECD DAC methodology used:** Standard grants/loans

**Solidaridad** aims to make global supply chains more sustainable. It does so through cooperation with local organisations and companies. Its two programmes, the Practice for Change (PfC) (28819) and Advocacy for Change Programme (27545) are funded for 100% by the Netherlands MFA.

All projects performed by Solidaridad are 40% climate relevant (based on the Rio markers). From all OECD DAC methodologies available, Solidaridad's activities are most comparable to simple co-financing arrangements. All reported data for the two programmes are preliminary, and subject to Solidaridad's Annual Audited Financial Report of the Advocacy for Change and Practice for Change programmes, due

<sup>24</sup> <https://www.fmo.nl/partner-with-us/massif>

April 30, 2020. Most of Solidaridad's support programmes only make new commitments once every few years as these programmes run several years. Table 3-3 shows the results for Solidaridad in 2019. In total, the Netherlands mobilised €3.428 million of private finance through Solidaridad, of which €1.371 million climate related.

Table 3-3 Mobilised private finance by Solidaridad (in million €)

Programme (activity #)	Financial instrument	Amount committed by NL <sup>20</sup>	Total public investment <sup>21</sup>	Total private investment	Mobilised private finance by NL	Of which climate relevant
Solidaridad AfC (28819)	Standard grant/loan	-	-	1.150	-	-
Solidaridad Pfc (27545)	Standard grant/loan	0.802	0.802	3.428	3.428	1.371
<b>Total</b>		<b>0.802</b>	<b>0.802</b>	<b>4.577</b>	<b>3.428</b>	<b>1.371</b>

### 3.4 Dutch Good Growth Fund

**OECD DAC methodologies used:** Standard grants/loans and guarantees

The Dutch Good Growth Fund (DGGF) provides financial support to Dutch and local entrepreneurs. Its activities focus on 70 different low- and middle-income countries. DGGF contains three different tracks:

- Track 1 (26663): Financing Dutch SMEs which aim to invest in low-and middle-income countries;
- Track 2 (26664): Financing local SMEs in low-and middle-income countries; and
- Track 3 (26665): Financing and/or insuring Dutch SMEs, which aim to export to low-and middle-income countries.

The first track is managed by The Netherlands Enterprise Agency (*Rijksdienst voor Ondernemend Nederland, RVO*), the second track by a consortium of Triple Jump and PricewaterhouseCoopers (PwC), and the third track by Atradius DSB (Dutch State Business).

**RVO** (track 1) provides tailored financial services to Dutch businesses that want to invest in, import from or export to low- and middle-income countries. Even though RVO tracks the climate relevance of their projects using the Rio markers, so far none of the DGGF track 1 projects has been scored meeting the Rio markers. In 2019, RVO reported on guarantees and direct investments in companies.

**Triple Jump** (track 2) only uses shares in CIVs to mobilise private finance. As explained in Section 2, the OECD DAC methodology for shares in CIVs allows to report on commitments over the last five years. Triple Jump reported on commitments made between 2017 and 2019. None of the projects is considered climate relevant, following the Rio marker principles.

**Atradius DSB** (track 3) did not mobilise private finance in 2019. In last year's report, one insurance cover was considered relevant as it covered an actual on-ground investment in a developing country. This year, Atradius DSB provided numerous export credit insurance policies. However, as these covered exports from the Netherlands to low-and middle-income countries rather than on-ground investments in developing countries they are not considered relevant for this report.

Table 3-4 shows the results for DGGF per track.

In total, the Netherlands mobilised **€36.335** million of private finance through the Dutch Good Growth Fund. None of the projects were scored based on Rio markers, for which reason no climate related finance is reported here.

**Table 3-4 Mobilised private finance by DGGF (in million €)**

Programme (activity #)	Financial instrument	Amount committed by NL <sup>20</sup>	Total public investment <sup>21</sup>	Total private investment	Mobilised private finance by NL	Of which climate relevant
DGGF Track 1 - RVO (26663)	Guarantee/ insurance	11.270	11.270	18.700	18.700	-
	Direct investment in company (debt)	37.450	61.536	6.860	5.988	-
DGGF Track 2 - Triple Jump & PwC (26664)	Shares in CIV (flat)	40.399	161.804	37.672	11.648	-
<b>Total</b>		<b>89.119</b>	<b>234.610</b>	<b>63.232</b>	<b>36.335</b>	-

## 4 Multi donor programmes and funds

### 4.1 The Sustainable Trade Initiative (IDH)

**OECD DAC methodology used:** Standard grants/loans and shares in flat CIVs

**The Sustainable Trade Initiative** (27092) and **The Sustainable Trade Initiative ISLA** (25884) are funded by the Netherlands (81%), SECO (9%) and DANIDA (10%). They are analysed as a Collective Investment Vehicles (CIVs), as they pool donor money to sponsor projects in developing countries. The private sector does not invest in The Sustainable Trade Initiative (IDH). Therefore, based on the OECD DAC methodology for CIVs, no private finance has been mobilised at a fund level within IDH.

At a “programme level”, IDH mobilises private finance through the commitment of grants to projects. As a result, other public and private entities step in and commit additional financial resources to these projects. Private finance can either stem from international companies or from local corporations. Public partners include NGOs<sup>25</sup>, other (local) governments or communities in developing countries.

IDH did not report at a project level, but on commitments per program/sector (e.g. coffee, timber, cocoa), because reporting on project level would have caused an excessive administrative burden. Reporting at a programme level is less accurate than at project level as it cannot be specified which countries or regions were targeted. All programmes are considered at least 40% climate relevant (following the Rio markers). Six programmes were considered 100% climate relevant (following the Rio markers). Table 4-1 summarises the results for IDH.

In 2019, IDH received additional funding from the Netherlands MFA to start the IDH Farmfit Fund. **The IDH Farmfit Fund** (4000002783) is a major public-private impact fund for smallholder farmers. The Fund’s innovative financing model makes investments in smallholder farmers attractive, as it de-risks investments in smallholder farming and helps drive sustainable impact by lowering risks and costs for both farmers and investors. In 2019, the Netherlands MFA committed € 50 million to the fund and a private party committed € 10 million to the fund. In addition, it is expected that the IDH Farmfit Fund will mobilise another € 30 million of private finance in 2020. The Farmfit Fund will be used as impact funding to achieve additional private mobilisation at a project level from 2020 onwards.

Table 4-1 summarises the results for IDH.

In total, the Netherlands mobilised **€31.258** million of private finance through the Sustainable Trade Initiative (IDH), of which **€ 10.187** million was climate related.

<sup>25</sup> All NGOs were considered public as it was not feasible to separate public and private NGOs within IDH’s administrative system.

Table 4-1 Mobilised private finance by IDH (in million €)

Programme (activity #)	Financial instrument	Amount committed by NL <sup>20</sup>	Total public investment <sup>21</sup>	Total private investment	Mobilised private finance by NL	Of which climate relevant
IDH (27092)	Standard grant/loan	9.783	14.087	27.433	20.074	9.003
IDH ISLA (25884)	Standard grant/loan	2.078	6.397	3.647	1.185	1.185
IDH Farmfit Fund (4000002783)	Shares in CIV (flat)	50.000	50.000	10.000	10.000	-
<b>Total</b>		<b>61.861</b>	<b>70.484</b>	<b>41.080</b>	<b>31.258</b>	<b>10.187</b>

## 4.2 Global Agriculture and Food Security Program (GAFSP) & Global Small Medium Enterprise Facility (GSMEF)

**OECD DAC methodologies used:** Standard loans

The **Global Agriculture and Food Security Program (GAFSP) Private Sector Window** (PrSW, 23294) and the **Global Small Medium Enterprise Facility (GSMEF, 27841)** are both multi donor facilities managed by the International Finance Corporation (IFC). GAFSP PrSW is funded by several industrialised countries, including the Netherlands. GSMEF is funded by the Netherlands and the United Kingdom. Both facilities can be seen as CIVs, which pool donor contributions to sponsor projects in developing countries. The climate relevance differs per project and is tracked per project (following the Rio markers). The private sector does not invest in GAFSP, nor in GSMEF. Therefore, based on the OECD DAC methodology, no private finance has been mobilised at the facility level.

At the project level, private finance is mobilised by both GAFSP PrSW and GSMEF. IFC does not only manage GAFSP PrSW and GSMEF as an implementing entity; it also co-finances all projects to which GAFSP PrSW and GSMEF make commitments. GAFSP PrSW made new commitments to seven projects in 2019, of which four mobilised private finance. These commitments were either loans or direct investments (equity). GSMEF also mobilised private finance in 2019. IFC co-financed all projects with either loans or risk sharing facilities (RSFs). Despite the availability of OECD DAC methodologies on these advanced financial instruments, the private mobilisation has been calculated by applying the methodology for simple co-finance arrangements as IFC could not share sufficiently disaggregated data to apply other OECD DAC methodologies (due to confidentiality reasons).

For GAFSP PrSW, the Dutch contribution was established using the share of the Netherlands in the gross total contribution receipts of all donors to the GAFSP PrSW. This share was 36.3% in 2019.<sup>26</sup> This is different for GSMEF. GSMEF is funded by the United Kingdom (UK) and the Netherlands in two separate funds. The Dutch funding is used to finance projects in other (less developed) countries than the UK funding. None of the projects through which GSMEF mobilised private finance in 2019 used funding from the Netherlands. As a result, no mobilised private finance is attributable to the Netherlands.

Table 4-2 summarises the findings for GAFSP and GSMEF. In the table, the total public investment for GAFSP includes the total contributions from GAFSP - resulting from both Dutch contributions and other donor contributions -, IFC and other public investments.

<sup>26</sup> [https://www.gafspfund.org/sites/default/files/2019-11/09619%20GAFSP%20AR2018\\_Final%20%281%29.pdf](https://www.gafspfund.org/sites/default/files/2019-11/09619%20GAFSP%20AR2018_Final%20%281%29.pdf)



In total, the Netherlands mobilised **€20.321** million of private finance through GAFSP and GSMEF, of which **€0.615 million** was climate related.

Table 4-2 Mobilised private finance by GAFSP and GSMEF (in million €)

Programme (activity #)	Financial instrument	Amount committed by NL <sup>20</sup>	Total public investment <sup>21</sup>	Total private investment	Mobilised private finance by NL	Of which climate relevant
GAFSP (23294)	Standard grant/loan	6.811	37.579	112.114	20.321	0.615
GSMEF (27841)	Standard grant/loan	-	Not disclosed	11.300	-	-
<b>Total</b>		6.811	37.579	123.414	20.321	0.615

<sup>A</sup> The contributions to the GAFSP projects are estimated based on the share of the Netherlands in the gross total contribution receipts of all donors to the GAFSP PrSW

### 4.3 The One Acre Fund

**OECD DAC methodologies used:** Standard grants/loans

In 2019, private investments have been mobilised by the **One Acre Fund** (29032). The Fund supplies financing and training to help smallholders grow their way out of hunger and build pathways to prosperity. In addition to training activities, the fund uses private financial instruments, such as asset-based loans: farmers receive high-quality seeds and fertilizers on credit, and the fund offers a repayment system that allows to pay back their loans in any amount throughout the loan term. <sup>27</sup>

The mobilisation has taken place as a result of simple co-finance arrangements at the fund level: the Netherlands MFA has provided a conditional loan with a value of \$15 million to cover first losses. In addition, the public authority International Development Finance Corporation (IDFC) has provided a \$20 million loan. The mobilised private finance amounts to \$ 17.142 million. This amount is considered (40%) relevant for climate, because the Fund holds climate mitigation and adaptation as core principles of Climate Smart Agriculture.

Table 4-2 summarises the findings for the One Acre Fund.

In total, the Netherlands mobilised **€15.309** million of private finance through the One Acre Fund, of which **€6.123 million** was climate related.

Table 4-3 Mobilised private finance by the One Acre Fund (in million €)

Programme (activity #)	Financial instrument	Amount committed by NL <sup>20</sup>	Total public investment <sup>21</sup>	Total private investment	Mobilised private finance by NL	Of which climate relevant
One Acre Fund (29032)	Standard grant/loan	13.395	31.255	35.720	15.309	6.123

### 4.4 Private Infrastructure Development Group (PIDG)

**OECD DAC methodology used:** direct investments in companies (equity), direct investments in companies (mezzanine/senior debt), guarantees

<sup>27</sup> <https://oneacrefund.org/what-we-do/our-model/>

**The Private Infrastructure Development Group** (PIDG, 8848) supports infrastructure projects in low income, lower-middle-income countries and in fragile and conflict affected states at different stages of their development. By using limited amounts of donor funding, PIDG is able to reduce the project development risk and crowd in other private sector investors to make projects happen. Since its establishment in 2002, PIDG has developed significant expertise operating at the frontier of what is possible in private sector infrastructure investment in the challenging markets of Sub-Saharan Africa and South-East Asia.

PIDG consists of 4 infrastructure companies (InfraCo Africa, InfraCo Asia, Emerging Africa Infrastructure Fund, GuarantCo) and a Technical Assistance Facility (TAF).

In 2018, the Netherlands MFA has renewed its support to PIDG and committed 100 million USD for the period 2018-2022.

As PIDG works with many private entities, the information on mobilised private finance in 2019 was not yet available. PIDG did report on its 2018 mobilisation to OECD directly in June 2019. For that reason, the Netherlands MFA decided to report on the climate mobilisation figures of 2018 for PIDG in this year's report. This does not lead to double counting as the mobilisation from PIDG was not included in last year's report. In essence, this methodology corresponds to the methodology used to report on the mobilisation through the Multilateral Development Banks (MDBs), for which data from 2018 are used in this analysis to report on climate finance, as no data on 2019 are available yet. However, in contrast to the MDBs, the OECD DAC methodology can be applied for PIDG, because PIDG reported on its mobilisation over 2018 to OECD DAC. In sum, this report uses the mobilisation reported by PIDG to OECD DAC in 2018.

In total, the Netherlands mobilised **€29.478** million of private climate related finance through PIDG. This figure also includes mobilisation realised through the FMO Building Prospects investment in PIDG.

## 4.5 Climate Investor One (CIO)

**OECD DAC methodology used:** Shares in CIV (high risk) and shares in CIV (medium risk)

**Climate Investor One** (CIO, 24463) is a collective investment vehicle that offers investment opportunities for renewable energy projects in developing countries. It is managed by the investor Climate Fund Managers, which is jointly owned (50-50% shares) by FMO and the South African infrastructure investment business Phoenix InfraWorks, which is a private entity. Climate Fund Managers is not (directly) owned or operated by a government, and is therefore considered private.<sup>28</sup> CIO comprises two separate funds: the CIO Development Fund (DF) and the CIO Construction Equity Fund (CEF). All CIO activities in these funds are considered 100% climate relevant.

In 2017, three Dutch (semi-) governmental institutions participated in CIO's first replenishment cycle: FMO (AEF), the Netherlands MFA, and the Nederlandse Waterschapsbank (NWB). Private institutions also committed financial resources to CIO. In 2019, one private party invested in the CIO CEF and private

<sup>28</sup> OECD DAC (2016). Understanding Key Terms and Modalities for Private Sector Engagement in Development Co-operation. Retrieved from: <http://www.oecd.org/dac/peer-reviews/Inventory-1-Private-Sector-Engagement-Terminology-and-Typology.pdf>

parties also invested in projects financed by CIO. These private investments, both at fund and at project level, are partially attributable to the Netherlands through its contributions to CIO.

The Dutch share in DF in December 2019 was 13.01%, all public parties committed to DF through similar risk tranches. Since parties committed to CEF through various risk tranches, the shares in CEF are more difficult to determine. To estimate the Dutch share, we analysed CEF as a CIV, which allows to distinguish between parties which invest 'ordinary' equity and parties which invest first-loss equity. Based on this approach, the Netherlands MFA share (the Netherlands MFA and FMO AEF combined) in CEF was 25.88% and the NWB's share was 24.48% in December 2019. The mobilisation attributable to the Netherlands was calculated using these shares at fund level and project level.

**Error! Reference source not found.** summarises the results for CIO.

In total, the Netherlands mobilised **€65.982** million of private finance through Climate Investor One (CIO). This amount is reported as 100% climate relevant.

**Table 4-3 Mobilised private finance by Climate Investor One (in million €)**

Fund (24463)	Financial instrument	Amount committed by NL <sup>20</sup>	Total public investment <sup>21</sup>	Total private investment	Mobilised private finance by NL	Of which climate relevant
DF	Shares in CIV (flat)	1.501	11.541	17.988	2.339	2.339
CEF	Shares in CIV (medium and high risk)	108.903	294.936	169.109	63.642	63.642
<b>Totals</b>		<b>110.404</b>	<b>306.474</b>	<b>187.097</b>	<b>65.982</b>	<b>65.982</b>

## 5 Multilateral climate funds

### 5.1 Global Environmental Facility (GEF)

**OECD DAC methodology used:** Standard grants/loans

The **Global Environmental Facility** (GEF, 27173) is a multilateral climate fund which specifically focusses on environmental projects. The Netherlands is one of the countries which contributes to GEF and, as such, mobilises private finance through these contributions. GEF reported on 156 climate-related projects in 2019.<sup>29</sup> In 2018, the 7<sup>th</sup> replenishment cycle of the GEF Trust Fund took place, in which the Dutch share in GEF changed from 2.27% to 2.09%.<sup>30</sup> Table 5-1 summarises the results for the private mobilisation of (climate) finance by the Netherlands through its contributions to GEF.

In total, the Netherlands mobilised **€ 2.847** million of private finance through the Global Environmental Facility (GEF). This amount is reported as 100% climate relevant.

Table 5-1 Mobilised private finance by GEF (in million €)

Programme (activity #)	Amount committed by NL <sup>20</sup>	Total public investment <sup>21</sup>	Total private investment	Mobilised private investment by NL	Of which climate relevant
GEF (27173)	6.617	2 093.311	900.728	2.847	2.847

### 5.2 Green Climate Fund (GCF)

**OECD DAC methodology used:** Standard grants/loans

The **Green Climate Fund** (GCF, 27119) is an investment fund that was founded as part of the UNFCCC's financial mechanism to provide developing countries with climate finance. In 2019, several new commitments were made by the GCF which are considered 100% climate relevant. In total, the Dutch share in the GCF equals 1.62%. This is a slight increase compared to 2018, in which the share was 1.31%. Table 5-2 summarises the results for GCF.

In total, the Netherlands mobilised **€11.219** million of private finance through the Green Climate Fund (GCF). This amount is reported as 100% climate relevant.

Table 5-2 Mobilised private finance by GCF (in million €)

Programme (activity #)	Amount committed by NL <sup>20</sup>	Total public investment <sup>21</sup>	Total private investment	Mobilised private investment by NL	Of which climate relevant
GCF (27119)	15.943	2 411.100	1 696.700	11.219	11.219

<sup>29</sup> Based on data request of the Netherlands to the GEF (2019) (personal communication).

<sup>30</sup> [https://www.thegef.org/sites/default/files/council-meeting-documents/GEF.A6.05.Rev\\_.01\\_Replenishment.pdf](https://www.thegef.org/sites/default/files/council-meeting-documents/GEF.A6.05.Rev_.01_Replenishment.pdf)

## 6 Dutch Development Bank - FMO

**FMO** is the Dutch development bank and is sustained by a participation of the Dutch government (51%). The remainder of the FMO is owned by commercial banks. FMO is an independent and commercial bank with an independent management and board. The leverage of climate relevant loans of FMO A is included in this report, in line with the other donors taking part in FMO loans.

**OECD DAC methodologies used:** Syndicated loans (arranger or participant), guarantees, credit lines, direct investments in companies (equity), direct investments in companies (mezzanine/senior debt), shares in CIVs (flat).

**FMO-A** refers to on-balance sheet investments from FMO. In this report, only the potentially climate relevant projects by FMO-A were considered relevant. FMO reported on 37 FMO-A projects in 2019 (projects below the €50 thousand threshold were not considered). The projects on which FMO reported contained a wide variety of financial instruments. For all financial instruments, the corresponding OECD DAC methodology was used.

The mobilisation achieved through credit lines is most likely underestimated, as only first level mobilisation is tracked by FMO. First level of mobilisation occurs when FMO provides a loan for a credit line and a private business issues a loan as a result of FMO's loan. The second level of mobilisation occurs when a private investor provides additional financial resources (e.g. equity) at a project level to a project which is (partially) financed by the credit line. Due to the revolving characteristics (i.e. if a loan is partially paid back, new loans can be issued from these revolved financial resources), the amounts of private mobilisation at the second level can be significant, depending on the revolving factor and the amounts of additional private capital invested at a project level.<sup>31</sup> To calculate finance mobilised at the second level of mobilisation, information is needed on the average tenor of the sub-loans provided by the local commercial banks, the average use of the credit lines, as well as the equity that is provided by the private end-borrowers. Since this information is not tracked by FMO, the second level of mobilisation cannot be estimated in this report.

FMO has developed its own methodology to determine the climate-relevance of projects.<sup>32</sup> This methodology is not based on the Rio markers, but is closely aligned to the MDB methodology for Climate Finance. For this report, FMO's climate relevance is leading. However, all transactions which were labelled climate relevant by FMO were critically assessed by Trinomics, based on the following principles:

- For all transactions which were marked climate relevant by FMO in the fields of wind, solar, energy efficiency, hydro energy and forestry, FMO's climate relevance was followed without further in-depth analysis (following the MDB methodology)<sup>33</sup>;
- All other projects which were identified as climate relevant by FMO were critically assessed based on the Rio marker principles. These projects were mainly in the fields of agri-business

<sup>31</sup> The revolving factor is used to estimate the average revolvability of a credit line in case the maturity of the credit line is longer than the maturity of individual loans.

<sup>32</sup> FMO classifies a project "green" if the company in which it invests has certain certificates indicating that they operate their business in a better way than the average business in a certain industry from a climate perspective.

<sup>33</sup> European Investment Bank (2015). Common Principles for Climate Mitigation Finance Tracking. Retrieved from: [https://www.eib.org/attachments/documents/mdb\\_idfc\\_mitigation\\_common\\_principles\\_en.pdf](https://www.eib.org/attachments/documents/mdb_idfc_mitigation_common_principles_en.pdf)

and financial institutions. Based on this assessment, the climate relevance indicated by FMO of three transactions was adjusted.

Table 6-1 shows the results for the FMO-A.

In total, the Netherlands mobilised **€234.763** million of private climate related finance through FMO-A.

**Table 6-1 Mobilised private finance by FMO-A (in million €)**

Programme	Financial instrument	Amount committed by NL <sup>20</sup>	Total public investment <sup>21</sup>	Total private investment	Mobilised private finance by NL	Of which climate relevant
FMO A	Syndicated loan (arranger)	125.848	145.052	145.052	Not measured in this report	104.939
	Syndicated loan (participant)	16.853	4.572	4.572		4.572
	Shares in CIV (flat)	81.584	53.635	53.635		44.926
	Guarantee/insurance	11.997	11.997	11.997		11.997
	Direct investment in company (equity)	45.741	91.772	91.772		-
	Direct investment in company (debt)	72.749	62.282	62.282		62.282
	Credit line	29.405	9.244	9.244		6.047
<b>Total</b>		<b>384.178</b>	<b>543.569</b>	<b>378.555</b>		<b>234.763</b>

## 7 Multilateral Development Banks

The analysis on the Dutch mobilisation of private finance through their share in the core contributions of the **Multilateral Development Banks** (MDBs) was only performed for *climate* finance as more information was not available from the MDBs. To calculate the mobilised private *climate* finance by the Netherlands through their contributions to the MDBs, two MDB windows are analysed separately, namely:

- **The concessional windows** provide financial resources on a “money-in, money-out” basis. This implies that they do not raise funds on the capital markets and as such they rely on regular replenishments (i.e. contributions) from donors;
- **The non-concessional windows** provide financial resources which are raised on international capital markets. Whereas financial products from the concessional windows have lower interest rates (and therefore are cheaper) than products from the non-concessional windows, products from the non-concessional windows still offer advantages over financial products from the private capital market (e.g. in terms of timing, the level of repayments and the duration of a loan).<sup>34</sup>

The following steps were taken to determine the mobilised private *climate* finance by the Netherlands through their contributions to the MDBs:

- **Step 1:** attributing the MDBs’ climate finance resulting from **concessional loans** to the Netherlands;
  - Step 1a: determine the portion of the total donor contributions made in the latest replenishment cycle (x) and the portion of retained earnings from previous replenishment cycles (y), for the concessional windows per MDB;
  - Step 1b: determine the Dutch share in the current and historical replenishment shares, per MDB;
  - Step 1c: determine which part of the climate finance from the MDBs’ concessional windows can be attributed to the Netherlands.
- **Step 2:** attributing the MDB’s climate finance resulting from **non-concessional** loans to the Netherlands; and
- **Step 3:** estimating the mobilised private climate finance by the Netherlands through their contributions in MDBs by multiplying the result from step 1 and step 2 by the mobilisation factor.

### 7.1 Collected data

To determine the Dutch mobilisation of private *climate* finance through their share in the core contributions of the MDBs, data from the latest MDB joint report is used as the principle source.<sup>35</sup> To date, no report has been published on 2019. Therefore, the data from the 2018 report is used as a second-best option, which covers the fiscal year of 2018.

Four of the MDBs - The Asian Development Bank (AsDB), The African Development Bank (AfDB), The Inter-American Development Bank (IDB) and the World Bank Group (WBG) have a concessional window

<sup>34</sup> <https://www.oecd.org/environment/cc/Explanatory-note-attribution-TWG-methodology-climate-finance.pdf>

<sup>35</sup> IDB (2018). 2018 Joint Report on Multilateral Development Banks Climate Finance. Retrieved from: <https://publications.iadb.org/en/2018-joint-report-multilateral-development-banks-climate-finance>

and a non-concessional window (see table 7-1).<sup>36</sup> The Joint Report does not make the distinction between the concessional and non-concessional windows. Even though it would be more accurate to base the private mobilisation calculation on separated data for either window, no official figures from the MDBs are available on the split between concessional versus non-concessional funding. Therefore, the split of concessional versus non-concessional funding was estimated based on the proportions reported in the 2014 version of this report (on climate finance).<sup>37</sup> As a result, the division between non-concessional and concessional funding should be regarded as an estimate only. Table 7-1 **Error! Reference source not found.** shows the total climate finance commitments in 2018, the estimated shares of the non-concessional and concessional windows and - based on the 2018 commitments and the estimated shares per window - the estimated climate finance commitments in 2018 per MDB.

Table 7-1 MDB Climate Finance in 2018 (USD million)

Bank	Total climate finance	Estimated % of non-concessional window (in total climate finance)	Estimated % of concessional window (in total climate finance)	Non-concessional window	Concessional window
AsDB	3,585	75%	25%	2,692	893
AfDB	2,744	67%	33%	1,833	911
EBRD	3,484	100%	0%	3,484	-
EIB	5,386	100%	0%	5,386	-
IDB (IDBG)	3,750	95%	5%	3,568	182
IDB Invest (IDBG)	711	100%	0%	711	-
IFC (WBG)	3,910	100%	0%	3,910	-
IBRD/ IDA (WBG)	15,819	49%	51%	7,790	8,028
<b>Total</b>	<b>39,389</b>			<b>29,375</b>	<b>10,014</b>

Source: 2018 Joint Report on MDB Climate Finance. NB: These figures are in USD

## 7.2 Attribution to the Netherlands: MDBs' concessional windows

Due to the structure of the MDBs, one cannot calculate the Dutch share in the total budget of the MDB concessional windows with a standard pro-rata attribution. This is because a significant part of the funding in the concessional windows stems from the reflows of previous funding cycles. Therefore, these previous (or historical) funding cycles should also be considered in order to assess the Dutch share in an MDB's concessional window to the best extent possible. In technical terms, this translates into the following formula<sup>38</sup>:

$$\left[ x \left( \frac{\text{Dutch contribution}}{\text{All contributions}} \right)_{\text{Current}} \right] + \left[ y \left( \frac{\text{Dutch contribution}}{\text{All contributions}} \right)_{\text{Historical}} \right] \times \text{Annual climate finance flow}$$

### Step 1a. Calculating x and y - the portion of the balance sheet resulting from contributions in the latest (x) and historical (y) replenishments

The financial resources of the concessional windows are twofold:

1. The portion of the institution's balance sheet resulting from donor contributions made in the latest replenishment cycle (labelled as "x"); and
2. The portion of the institution's balance sheet resulting from the retained earnings from previous replenishment cycles which can be used to finance new projects (labelled as "y").

<sup>36</sup> The concessional windows for AsDB, AfDB, IDB and WBG are the Asian Development Fund (AsDF), African Development Fund (AfDF), IDBG (Inter-American Development Bank Group) and IDA (International Development Association) respectively.

<sup>37</sup> Proportions are based on MDB 2014 climate finance, information obtained through personal communication with the Multilateral Development Banks.

<sup>38</sup> OECD (2015). Climate Finance in 2013-2014 and the USD 100 billion goal, Annex F.



The replenishment cycles that were used in last year's report are still ongoing in 2019 (see table 7-3 for an overview of periods), which implies that the split between x and y for the concessional window remains the same compared to last year's report.<sup>39</sup> The shares were calculated based on the methodologies applied by the OECD in 2015 for the report *Climate Finance in 2013-2014 and the USD 100 billion goal*.<sup>40</sup> For the IDB Fund for Special Operation, it is not possible to make the split in x and y.

Table 7-2 x and y for the concessional windows

Concessional window	X	Y	Source
AsDF	67.6%	32.4%	ADF-XII Donors' report
AfDF	73.7%	26.3%	ADF-14 Replenishment report, Annex 1
IDA	56.0%	44.0%	IDA-18 Replenishment report, paragraphs 143 and 144

Source: own research based on OECD method

### Step 1b. The Dutch share in x and y

The attribution of the private *climate* finance mobilised by the MDBs' concessional windows is based on the share of the Netherlands in the current replenishment cycle (x) and the average share of the Netherlands in the past replenishment cycles (y). This is shown in respectively Table 7-3 and Table 7-4. The capital shares in the latest replenishment cycle in Table 7-3 were provided by the Netherlands MFA and the shares in Table 7-4 are calculated based on public data. IDB's replenishment cycle ended by 2015, but a new cycle (IDB-10) has not started so far.

Table 7-3 Latest replenishment cycle

Bank	Concessional window	Period	Cycle	Share NL
AsDB	ADF	2017-2020	12	0.53%
AfDB	ADF	2017-2019	14	3.36%
IDB	FSO	2011-2016	9	0.24%
WB	IDA	2017-2020	18	2.71%

Source: The Netherlands MFA

Table 7-4 Historic replenishment cycles

Bank	Concessional window	Period	Cycles	Currency	Contribution NL	Total donor contributions	Share NL
AsDB	ADF <sup>41</sup>	2017	1-11	USD	736.000	33,897.000	2.17%
AfDB	ADF <sup>42</sup>	2017	1-13	UA	1.262	30.062	4.20%
IDB	FSO <sup>43</sup>	2009	1-8	USD	36.937	9,762.320	0.38%
WB	IDA <sup>44</sup>	2017	1-17	USD	8,471.475	237,875.932	3.56%

Sources: Provided in footnotes

### Step 1c. Calculating the Dutch attribution

Table 7-5 shows the calculations which were used to determine the climate finance spending funded by the MDBs' concessional windows and which of those are attributable to the Netherlands. Note that this table does not show the *private* climate finance mobilised by the MDBs' concessional windows (this will be shown in Section 7.4).

<sup>39</sup> Although new replenishments have been announced for IDA-19, AfDF-15, and AsDB-XIII, they are not considered in the report, because the commitments cover a period after 2019.

<sup>40</sup> OECD 2015, *Climate Finance in 2013-2014 and the USD 100 billion goal*.

<sup>41</sup> <https://www.adb.org/sites/default/files/institutional-document/496016/adb-financial-report-2018.pdf>

<sup>42</sup> [https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/AFDB\\_Financial\\_Report\\_2018\\_-\\_English.pdf](https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/AFDB_Financial_Report_2018_-_English.pdf)

<sup>43</sup> <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=35291148>

<sup>44</sup> <https://www.rijksoverheid.nl/binaries/rijksoverheid/documenten/rapporten/2017/01/31/ida18-deputies-report-additions-to-ida-resources-eighteenth-replenishment/ida18-deputies-report-additions-to-ida-resources-eighteenth-replenishment.pdf>

Table 7-5 Dutch shares in MDBs concessional windows and attribution of climate finance

Bank	Total climate finance	X	Y	NL % in X	NL % in Y	Attributed to NL (USD m)	Attributed to NL (€ m)
AsDB	892.857	67.64%	32.36%	0.53%	2.17%	9.474	8.460
AfDB	910.848	73.75%	26.25%	3.36%	4.20%	32.605	29.116
IDB	181.998			0.24%	0.38%	0.377	0.337
WB	8,028.353	55.96%	44.04%	2.71%	3.56%	247.671	221.170
<b>Total</b>	<b>10,014.055</b>					<b>290.126</b>	<b>259.083</b>

(a)  $Attribution\ to\ NL = Total\ climate\ finance\ (X * NL\% \text{ in } X + Y * NL\% \text{ in } Y)$

### 7.3 Attribution to the Netherlands: MDBs' non-concessional windows

To determine the mobilised private *climate* finance attributed to the Netherlands based on contributions to the MDBs' non-concessional windows, the Dutch capital shares in the banks are used. The formula that is proposed by the Technical Working Group (TWG) is slightly more complex<sup>45</sup>, but ultimately results in the same figures for the Netherlands as the Dutch shares in the banks. The Netherlands MFA provided the shares of the Netherlands in the non-concessional window.<sup>46</sup>

Table 7-6 shows the climate finance from the MDBs' non-concessional window, which can be attributed to the Netherlands (based on the Dutch capital shares in the MDBs).

Table 7-6 Dutch shares in MDBs non-concessional windows and attribution of climate finance

Bank	Total	NL %	Attributed to NL (USD m)	Attributed to NL (€ m)
AsDB	2,692.143	1.02%	30.813	27.516
AfDB	1,833.152	0.86%	18.842	16.826
EBRD	3,484.000	2.50%	95.650	85.415
EIB	5,386.000	5.32%	303.437	270.969
IDB (IDBG)	3,568.432	0.20%	7.918	7.071
IDB Invest (IDBG)	711.149	0.69%	5.444	4.862
IFC (WBG)	3,910.000	2.19%	87.381	78.031
IBRD (WBG)	7,790.330	1.95%	157.609	140.745
<b>Total</b>	<b>29,375.207</b>		<b>707.095</b>	<b>631.436</b>

(b)  $Attribution = Total\ climate\ finance * NL\%$

### 7.4 Estimating mobilised private climate finance

The previous steps calculated the MDBs' spending for climate finance purposes (and the shares which are attributable to the Netherlands) from the concessional windows and non-concessional window respectively. However, these calculations do not show the private mobilisation through the MDBs. In order to estimate the mobilised private climate finance through the Dutch contributions in the MDBs, a mobilisation factor is applied. In the OECD report *2020 Projections of Climate Finance Towards the USD 100 Billion Goal*<sup>47</sup>, estimates of private co-finance attributable to developed countries are given for the years 2013-2014.<sup>48</sup> Ideally, this report would use updated estimates from more recent years. These are,

<sup>45</sup> OECD (2015). Climate Finance in 2013-2014 and the USD 100 billion goal, Annex F.

<sup>46</sup> Please note that the capital shares of the Netherlands are used. This can slightly differ from the voting shares of the Netherlands.

<sup>47</sup> OECD (2016). 2020 Projections of Climate Finance Towards the USD 100 Billion Goal. Retrieved from: <https://www.oecd.org/environment/cc/oecd-climate-finance-projection.htm>

<sup>48</sup> This mobilisation factor is based on the average ratio of attributed private co-finance/total public climate finance commitment for the years 2013-2014. Public finance includes outflows from the MDBs and multilateral funds such as GEF and the CIFs. OECD 2016, "2020 projections of Climate Finance towards the USD 100 billion goal: Technical Note"

however, not available. For this reason, the estimated mobilisation factor for 2013-2014 is used in this report, which is mainly applied to the MDBs, but also to several multilateral funds such as the GEF and CIFs). This estimated mobilisation factor equals 0.42. This mobilisation factor implies that for each €1 of climate finance provided by the MDBs, private sector actors provide €0.42 of climate finance. A sensitivity analysis was performed based on preliminary (and confidential) OECD data on the amounts mobilised from the private sector by the MDBs in 2018. This analysis confirmed that a mobilisation factor of 0.42 does not significantly overestimate the mobilised private *climate* finance for all six MDBs for which data was available in 2018. Table 7 shows the results for the private mobilisation through the MDBs.

In total, the Netherlands mobilised **€374,018** million of private climate related finance through the Multilateral Development Banks.

**Table 7-7 MDB Climate Finance in 2018 - Attribution to the Netherlands (€ million)**

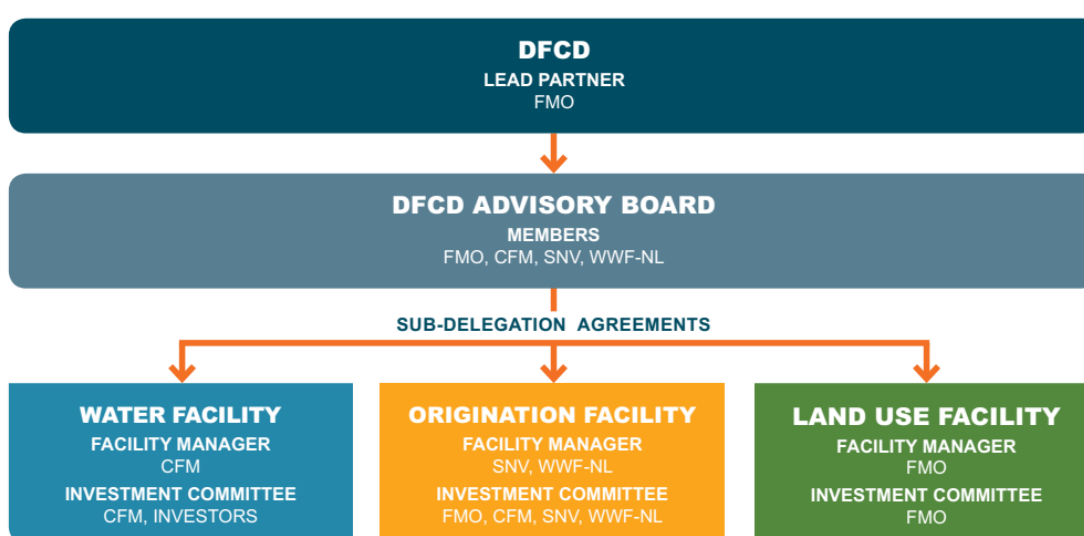
Bank	Non-concessional window		Concessional window		Total	
	MDB climate finance attributed to NL	Mobilised private climate finance	MDB climate finance attributed to NL	Mobilised private climate finance	MDB climate finance attributed to NL	Mobilised private climate finance by NL
AsDB	27.516	11.557	8.460	3.553	35.976	15.110
AfDB	16.826	7.067	29.116	12.229	45.942	19.296
EBRD	85.415	35.874		-	85.415	35.874
EIB	270.969	113.807		-	270.969	113.807
IDB (IDBG)	7.071	2.970	0.337	0.141	7.408	3.111
IDB Invest (IDBG)	4.862	2.042		-	4.862	2.042
IFC (WBG)	78.031	32.773		-	78.031	32.773
IBRD / IDA (WBG)	140.745	59.113	221.170	92.891	361.915	152.004
<b>Total</b>	<b>631.436</b>	<b>265.203</b>	<b>259.083</b>	<b>108.815</b>	<b>890.518</b>	<b>374.018</b>

## 8 Funds and programmes with mobilisation potential

### 8.1 Dutch Fund for Climate and Development (DFCD)

The Dutch Fund for Climate and Development (DFCD) was launched in November 2019. The DFCD is a € 160 million fund of the Dutch Government that focuses on climate adaptation. The primary objective of DFCD is to support climate related businesses in developing countries with finance that benefits vulnerable groups and ecosystems. The fund is managed by FMO, SNV Netherlands Development Organisation (SNV), World Wide Fund for Nature (WWF) and Climate Fund Managers (CFM). The structure of DCFD is provided in Figure 8-1.

Figure 8-1 Organisational Structure DFCD



DFCD is structured through three separate, but operationally linked facilities, each with a specific sub-sector focus and role across the project lifecycle:

- WWF and SNV manage the € 30 million **Origination Facility** (€ 15 million each) that identifies and develops bankable business cases for the other two Facilities using Technical Assistance and simple co-finance arrangements (grants);
- CFM manages the € 75 million **Water Facility**. Here, finance is used tactically within a Development Fund and a tranching Construction Equity Fund<sup>49</sup> to mobilize private capital at fund level. It is expected that every € 1 million of donor funding in the Construction Equity Fund will mobilise € 4 million of private sector finance;
- FMO manages the € 55 million **Land Use Facility**, which directly provides loans, grants and equity to projects.

Together these three facilities support projects to overcome the bankability gap. Using blended finance, the DFCD aspires to bridge the project development "valley of death", which is the phase in which most climate adaptation projects are abandoned, by providing grants, concessional loans and technical assistance.

<sup>49</sup> CFM has successfully applied this model in its Climate Investor One (CIO) mandate. Also see section 6.2.

A final indirect methodology through which the fund aims to catalyse finance into climate projects is through demonstrating the feasibility of climate (adaptation) business models. This will encourage the development of scalable and competitive markets for these types of projects.

DFCD was not included in this year's report as it did not mobilise private finance in 2019.

## 8.2 2SCALE

2SCALE is a € 300 million programme that manages a portfolio of PPPs for inclusive business in agri-food sectors and industries led by local SMEs or producer organizations in Sub-Saharan Africa. 2SCALE provides a range of technical support and financial brokering services to SMEs.

With the financial support from the Dutch government (33%), private sector partners (33%) and financial institutions (33%), it is one of the largest incubators of inclusive agribusiness in sub-Saharan Africa.

2SCALE runs from 2012 to 2023 and entered a new phase in 2019. In the first seven years the programme developed a portfolio of 58 partnerships. In the coming five years the programme targets 60 partnerships in four agri-food sectors and industries providing access to food to 1 Million Base-of-the-Pyramid (BoP) consumers, involving 750,000 Smallholder Farmers and 5,000 Micro and Small and Medium entrepreneurs in sustainable value chains.

2SCALE focuses on establishing agribusiness clusters around business champions, such as entrepreneurial producer organizations or local SMEs that trade or process farmer produce and want to build commercially viable strategies in African food industries through:

- sustainable sourcing, based on mutually beneficial relations with smallholder farmers; and
- by serving local and regional Base-of-the-Pyramid (BoP) markets.

In 2019-2020, 2SCALE expects to mobilise € 2-10 million from private sector contributions (PSCs) and € 10-15 million from financial institutions related to sustainable business plan of the Private Sector partners. All activities are co-funded by private sector partners or funded out of private sector arrangements with financial institutions. The private sector is expected to bring at least € 50 million (on top of € 50 million of the first phase) to match the public contribution of the Netherlands MFA for 2019-2023. Private sector contributions mainly consist of simple co-finance arrangements (grants and loans).

Moreover, 2SCALE aims to overcome the challenges to access finance for smallholder farmers and local SMEs, by focusing both on the supply side (loan products that address the financial needs of target groups, and management systems and other accompanying measures that reduce risks and transaction costs) and on the demand side (e.g. by improving financial literacy, by maximizing savings and re-investment strategies to limit demand and reduce additional outlays on interest).

In the coming years, 2SCALE will strengthen its capacity in financial intermediation and will collaborate with financial partners such as Rabobank, the Dutch development bank (FMO) Massif Fund, Lendahand's crowdfunding arrangements, Common fund for commodities (CFC), IDH's Farm Fit fund, AgriFi, Agrittera ABC fund, impact investors, climate smart challenge funds, and others.

As described above, the Netherlands has already mobilised private finance through 2SCALE. Measuring the mobilisation was, however, out of scope of this report, as the timing did not allow for a sufficient in-depth analysis on the financial instruments and because the required information was not (yet) available.

### 8.3 SDG 7 Results

The programme “SDG 7 Results: Access to renewable energy” is managed by RVO and offers support to businesses, NGOs and financial institutions to target underserved households in 17 countries in Africa and Asia to gain access to renewable energy technologies and services. SDG 7 Results is based on the results-based principle meaning, payments will be done based upon the results achieved by the implementor. The 3 results areas of the programme are (1) at least 2 million people have gained access to renewable energy; (2) Mobilised private climate finance of a leverage of 2 and (3) 150.000t of CO<sub>2</sub> eq/per year avoided. In March 2020, it is expected that projects under the first tender will be assigned.

SDG 7 Results was not included in this year’s report, as it did not mobilise private finance in 2019.

### 8.4 Mobilising More 4 Climate

The new version of Mobilising more for climate (MoMo4C) was launched in November 2019. The new MoMo4C is a programme which aims to bring entrepreneurs, policy makers and investors within selected landscapes together to enable business propositions which can tackle the impacts caused by climate change in developing countries. As from 2020, MoMo4C’s private mobilisation will be analysed through the OECD DAC methodology for simple co-finance arrangements.

MoMo4C was not included in this year’s report, as it did not mobilise private finance in 2019.

### 8.5 The Sustainable Water Fund

The **Sustainable Water Fund programme (FDW)** is managed by RVO and aims to contribute to water safety and water security in developing countries. With the FDW programme, the Netherlands supports collective initiatives between governmental bodies, industry and NGOs to address water issues. There are no further funding rounds for FDW.

### 8.6 Pharm Access (Health Insurance Fund)

PharmAccess is an entrepreneurial, non-governmental organisation with a digital agenda, dedicated to connecting more people to better healthcare in Africa.

Supported by the Netherlands MFA, the PharmAccess Group has introduced new mechanisms to make health markets work for lower and middle income groups in Africa, stimulating both the demand and supply side of the healthcare market, by using private instruments for a (semi) public good.

Working together with local and international public-private partners, its interventions focus on financing mechanisms such as health insurance, and mechanisms to assess and stimulate improvement of the quality of care delivered. PharmAccess leverages donor funding to reduce risks and decrease other barriers to investments, to enhance sustainable public and private investments in health. In addition, investing in mobile and digital technology are considered important strategies to increase transparency, efficiency and effectiveness of its interventions.

PharmAccess already mobilises private finance. For this report, measuring the mobilised private finance by the Netherlands through PharmAccess was not possible, as the timing did not allow for a sufficient in-depth analysis on the financial instruments used by PharmAccess.

## 9 Recommendations

### 9.1 Caveats in the current methodology to measure private mobilisation

- Discrepancies between MDB and OECD DAC methodologies** - The methodologies on measuring private mobilisation developed by the MDB-group and the OECD DAC differ substantially. There is an ongoing dialogue between the OECD DAC and the MDBs to harmonise their methodologies, but no major progress has been achieved so far. The Netherlands MFA, together with other donors, urges both parties to reach an agreement. We support this dialogue as harmonisation would increase the comparability of global data.
- Methodologies to determine the relevance of climate finance (both public and private) can only provide an indication of the actual climate impacts** - Both the Rio marker methodology and the MDB methodology determine the climate relevance of a project upfront. As a result, the extent to which climate finance induces positive mitigation or adaptation impacts in the project implementation remains unmeasured. This applies for public climate finance as well as the corresponding mobilised private finance.
- Risk of overestimating actual investments by reporting on commitments** - The OECD DAC methodology defines the commitments as the preferred point of measurement. This allows to easily connect public interventions to the corresponding mobilised private finance (usually based on project contracts). Various public administrations would not be able to report on mobilised private finance based on disbursements as this cannot always be tracked (due to confidentiality issues regarding financial information from private parties). Reporting on the base of commitments is therefore preferred. We note, however, that amounts reported based on commitments are on average substantially higher than actual disbursements and reporting on commitments causes larger fluctuations between reporting years. Although we encourage international harmonisation - and therefore support reporting on commitments - the potential overestimation resulting from reporting on commitments remains a risk.
- No methodology to report on Technical Assistance (TA)** - The OECD DAC methodology does not yet allow for reporting on mobilised private finance through TA programmes. The OECD DAC is in the process of defining conditions under which TA can qualify as directly mobilising policy instrument. We consider TA an effective instrument to mobilise actual private finance as it contributes to the enabling environment for private investors. Yet, reporting on mobilised private finance resulting from TA remains challenging and susceptible to double-counting.
- Methodology does not optimally reflect mobilisation impact of public interventions** - Guarantees can facilitate private investments in climate action and development. We consider the impact of a guarantee on the realisation of a project (or business case) lower than the impact of grants or loans. However, guarantees can lead to identical levels of reported mobilised private finance (following the OECD DAC methodology), as other - more impactful - instruments. To illustrate this, a guarantee on a €1 million loan can mobilise the same amount of private finance as a €1 million grant, while the costs for a public authority to issue a guarantee - as well as the impact on a project - are much lower compared to the provision of a grant (in general around 1%).

- **Maximising the amounts of mobilised private finance within the OECD DAC framework** - Since several years, donor countries have gradually put more emphasis on mobilised private finance both for development and for climate finance. We observe that, aside from this political development, the reporting method itself can influence the operational choices for different instruments. This is the case when programmes aim to maximise the amounts of mobilised private finance within the given reporting rules of the OECD DAC framework. We note that it is unclear if (and to what extent) projects and financial instruments with a higher mobilisation potential (i.e. relatively low costs for the public administration and high amounts of mobilised private finance) generate more positive development / climate impacts than projects with a lower mobilisation potential. We consider this an important topic for future research.

## 9.2 Recommendations to the MFA for future reporting

- **Proactively support the alignment of OECD DAC and MDB methodologies** - The MDBs are responsible for almost half of the private climate finance mobilised by the Netherlands. Still, the reported figures of the MDBs possess a high degree of uncertainty. There are ongoing discussions on political level between several donor countries (including e.g. Canada and the Netherlands) and the MDBs to find a way to align the methodologies or to share data between the MDBs and OECD DAC. We encourage the Netherlands MFA to keep advocating the alignment of the OECD DAC and the MDB methodologies. Next to the current political efforts for alignment, we believe there are practical opportunities to improve the quality of the reporting on mobilisation through MDBs based on the OECD DAC methodology within the existing political reality. In the absence of major international progress, we recommend the Netherlands MFA to proactively engage with international funds and programmes through which the Netherlands MFA mobilises large amounts of private finance (e.g. multi-donor funds) on a technical level and to seek practical arrangements for better reporting on mobilisation. We also recommend the Netherlands MFA to reach out to funds with mobilisation potential (listed in section 0, such as 2SCALE) at an earlier stage, for instance in September 2020, so that they are well prepared at the start of the next reporting round.
- **Continue to use the OECD DAC reporting template<sup>50</sup>** - Most programmes and funds completed the OECD DAC reporting template themselves this year. The updated version of the template is an improvement compared to last year's reporting cycle, as it is more user friendly. We recommend the Netherlands MFA to continue encouraging programme managers to use the template. The major advantage of the template is that it automatically applies the OECD DAC methodology on the inserted data and, as such, directly calculates the private finance mobilised by Dutch public interventions at project level (if used correctly). The consequence of the gradual shift towards more independent reporting by programme managers is that it becomes increasingly challenging to assess the accuracy of the underlying data by third parties. We emphasise that it remains important to perform sufficient cross checks to assess the correct use of the template (e.g. data cleaning, validation questions), as the template does

<sup>50</sup> OECD (2019). Rationalised template for collecting supplementary data on amounts mobilised from the private sector.



not always match with the complexity of individual cases in practice. Validation or a form of ‘judgement call’ will remain required in the reporting process.

In line with a more independent reporting process, we recommend to develop a handbook to (1) enhance the understanding of the principles and the methodology of mobilised private finance for all staff involved, (2) to give structured guidance on how to use the OECD DAC template correctly and (3) to give guidance on reporting on specific cases for which the OECD DAC template does not provide sufficient guidance.

- **Continue to value projects based on their actual development/climate impacts rather than on the amounts of mobilised private finance** - As explained in section 9.1, projects which mobilise relatively large amounts of private finance do not necessarily create more positive development/climate impacts than projects which mobilise relatively little amounts of private finance. We see that within the Netherlands MFA, the potential development/climate *impact* is the driving force in the investment decisions related to development and climate finance. We encourage the Netherlands MFA to pursue this policy.

## Annex A - Definitions and principles used for estimating mobilised private finance

Public and private transactions:<sup>51</sup>

- **Public transactions** are those undertaken by central, state or local government agencies at their own risk and responsibility, regardless of whether these agencies have raised the funds through taxation or through borrowing from the private sector. This includes transactions by public corporations, i.e. corporations over which the government secures control by owning more than half of the voting equity securities or otherwise controlling more than half of the equity holders' voting power; or through special legislation empowering the government to determine corporate policy or to appoint directors;
- **Private transactions** are those undertaken by firms and individuals from their own private funds.

Public and private investors:

- **Public investors:** An organisation is considered public if (1) more than 50% of the (voting) shares of an organisation are owned by public bodies or (2) if the government is empowered to determine corporate policy or to appoint directors through special legislation. This also applies to Non-Governmental Organisations (NGOs);
- **Private investors:** All organisations that are not considered public under the above-mentioned definition. This also applies to NGOs.

Direct versus indirect mobilisation:<sup>52</sup>

- **Direct mobilisation:** mobilisation through public co-finance to projects. Examples are grants, loans, direct equity investments and guarantees.
- **Indirect mobilisation:** climate policies *not* providing financial support, such as capacity building for climate project demonstration or policy development. Examples are capacity building grants and loans, and technical assistance.

Relevant period:

- In the 2018 report, we only considered mobilised private finance in 2018 resulting from commitments made by the programmes in 2018. This is different in the 2019 report. Following the OECD methodology, mobilised private finance in 2019 resulting from commitments from earlier years (until 5 years back at maximum) can also be included, as long as there is a clear causal relation between the public intervention and the private action in 2019.

Point of measurement of public and mobilised private finance:

- By default, public finance and mobilised private finance are measured at the moment of commitment. Whenever deviations were made, this was explicitly mentioned.

<sup>51</sup> OECD DAC (2016). Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire - Addendum 1, DCD/DAC (2016)3/ADD1/FINAL.

<sup>52</sup> OECD Research Collaborative on Tracking Private Finance (2017). Private finance for climate action. Estimating the effects of public interventions. Retrieved from: <https://www.oecd.org/env/researchcollaborative/publications/>

#### Commitments:

- Commitments are defined as ‘firm, signed, engagements to invest a certain amount targeted to a specific purpose.’<sup>53</sup> For this assignment, commitments can either be public or private, and can occur either at fund or activity level.

#### Attribution:

- Attribution of private co-finance is based on OECD DAC methodologies. If no methodologies are available, it is based on a pro rata calculation (based on the share of the Dutch public finance in the total amount of public finance for the project).

#### Causality:

- All private co-finance in the same project is assumed to have been mobilised by the public finance.

#### Classifying developing countries:

- Following OECD DAC, developing countries are specified on the DAC List of ODA Recipients.<sup>54</sup> Many countries that fall under the non-Annex I<sup>55</sup> definition are now classified as High Income Countries by the World Bank and are not included in the DAC List of ODA Recipients. ‘Non-Annex I countries’ include countries that have made considerable economic progress since the Climate Convention was written in 1992. A good example is the Republic of Korea, a non-Annex I country that has become a large donor to the Green Climate Fund (GCF). Acknowledging the countries that are challenged the most by climate change and taking into account the ‘common but differentiated responsibilities principle’<sup>56</sup>, we follow OECD DAC by excluding the High Income Economies from the definition of developing countries.

#### Assigning a geographical origin to private finance:

- It is difficult to assign a geographic origin to private finance, as different criteria would lead to different outcomes and no internationally agreed criteria exist.

#### Currency and conversion:

- OECD conversion rate methodology.

<sup>53</sup> OECD DAC (2016). Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire - Addendum 1, DCD/DAC (2016)3/ADD1/FINAL.

<sup>54</sup> DAC List of ODA Recipients. Retrieved from: <http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC-List-of-ODA-Recipients-for-reporting-2018-and-2019-flows.pdf>

<sup>55</sup> UNFCCC Non-Annex I Countries. Retrieved from: [https://unfccc.int/process/parties-non-party-stakeholders/parties-convention-and-observer-states?field\\_national\\_communications\\_target\\_id%5B514%5D=514](https://unfccc.int/process/parties-non-party-stakeholders/parties-convention-and-observer-states?field_national_communications_target_id%5B514%5D=514)

<sup>56</sup> Principle 7 of the Rio Declaration on Environment and Development, available at <http://www.un.org/documents/ga/conf151/aconf15126-1annex1.htm>



## Annex B - Glossary

Abbreviation	Explanation
2SCALE	Toward Sustainable Clusters in Agribusiness through Learning in Entrepreneurship
AEF-I	Access to Energy Fund
CIO	Climate Investor One
DFCD	Dutch Fund for Climate and Development
DGGF	Dutch Good Growth Fund
DRIVE	Development Related Infrastructure Investment Vehicle
FACD	Foreign Affairs Capacity Development
FDW	Sustainable Water Fund
FMO	Entrepreneurial Development Bank
G4AW	Dutch Geodata for Agriculture and Water
GAFSP	Global Agriculture and Food Security Programme
GCF	Green Climate Fund
GEF	Global Environment Facility
GSMEF	Global Small and Medium Enterprise Finance Facility
IDH	The Sustainable Trade Initiative
MFA	Ministry of Foreign Affairs
MoMo4C	Mobilising More for Climate
OAF	One Acre Fund
PIDG	Private Infrastructure Development Group
SDGP	Sustainable Development Goals Partnership Facility

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