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Evaluation of the B-CD Fund (FMO Capacity Development Programme)

Final report

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Executive Summary

Conclusions

General portfolio review

- In 2015, MFA provided a B-CD grant of EUR 4.95 million to support FMO's Capacity Development programme.
- Between 2016-2019, 41 CD projects were contracted using the B-CD grant.
- The B-CD grant was underutilised: as of June 2020, only about 80% of the full B-CD grant had been committed (EUR 4 million), while around 70% had been disbursed (EUR 3.4 million).
- B-CD was successful in identifying and financing Green and Gender projects.
- B-CD exceeded its target for Green projects and almost met its target for Gender projects.
- B-CD remained within the portfolio limits regarding geography.
- B-CD clients were mostly financial institutions benefiting SMEs.

Efficiency

- Between 2015 and 2019, FMO did not have clear procurement rules for CD. Nevertheless, the B-CD selection criteria from 2015 stated that at least 3 consultants should have been compared if B-CD's contribution exceeded EUR 100,000. This procurement rule regarding the selection of consultants was not fully clear to all CD officers and was not always implemented.
- Overall, the cost of international consultants recruited for B-CD projects appeared reasonable and in line with international market rates, even when a competitive tender did not take place.

Additionality

- The financial additionality of MFA's B-CD grant for FMO was moderate to low: other FMO CD budgets could have potentially funded the FMO's B-CD projects.
- The non-financial additionality of MFA's B-CD grant for FMO was high: it seems likely that a fair share of B-CD projects would not have been carried out by FMO without the B-CD fund, or would have had a different design, with less focus on gender or climate.
- There are indications that B-CD had 'catalytic effects' on both FMO and its clients in terms of raising gender and climate awareness, and generating additional investments in these areas.
- The financial additionality of B-CD relative to clients' own funding was mixed:
  - On the one hand, there were cases where clients truly had a limited ability to contribute their own resources, leading to high financial additionality.
  - On the other hand, there were cases where shareholders or partners included large multinationals, in which case the financial additionality of B-CD was low.
- Financial additionality compared to other DFIs was moderate.
- The non-financial additionality of B-CD-projects to clients was moderate to high, and was highest when FMO itself selected the consultant or was able to influence the specific consultant deliverables or design of the project.

Effectiveness

- The B-CD grant appears to have been an effective MFA instrument in that it encouraged FMO to do more in the 'gender' and 'green' areas.

- At output level, most deliverables in B-CD projects were met.
- The impact (long-term outcomes) of B-CD projects was not systematically measured and reported.

Recommendations

Efficiency

- Make sure that the new procurement rules for CD projects are clear and applied to each CD project.
- When judging the price of proposals, do not only assess the total price but also e.g. the average daily rates paid to international consultants and to local consultants.
- Improve the monitoring of the tender process, including the list of consultant candidates, the selection criteria used for scoring the consultants, and the tables used for scoring proposals.

Additionality

- The rationale behind the cost distribution (particularly between FMO and the client) should be clearly explained in the documentation.
- Improve financial additionality by more systematically assessing to what extent the project could be financed by other shareholders/investors, particularly when the client is funded by large multinational companies.
- Further increase non-financial additionality by (a) increasing FMO's involvement in selecting consultants; (b) increasing FMO's involvement in designing the project and its deliverables.
- Systematically monitor catalytic effects, e.g., to what extent B-CD projects are being followed-up with generating additional investments in these areas.

Effectiveness

- Measuring and monitoring the direct and longer-term impact of CD should be done more systematically.
- Start each project with the construction of a simple Theory of Change with a few key indicators that could be monitored during the project.
- Improve the systematic reporting of relatively standard output level information.
- (Re-)introduce a one-pager to internally close a CD project.
- MFA should consider using CD grants more often as a tool to encourage FMO to enter new focus areas or new markets (e.g. Sahel countries), as the B-CD grant appears to have been effective in encouraging FMO to do more in 'gender' and 'green' areas.
- Improve information sharing between the CD team and FMO deal teams regarding client outcomes and end-beneficiary outcomes.
- Improve information sharing and reporting between the CD team and E&S officers on the E&S impact of B-CD projects.
- Consider expanding the CD team, as improving impact measurement and identifying projects in new focus areas will require additional resources.

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1 Introduction

Commissioned by the Dutch Ministry of Foreign Affairs, SEO Amsterdam Economics has evaluated the B-CD grant that has supported the Capacity Development programme of FMO.

1.1 Background B-CD Fund

The Dutch entrepreneurial development bank FMO aims to achieve sustainable development goals through both investments and Capacity Development (CD). As one of the largest bilateral private development banks in the world, FMO invests in more than 85 developing countries and emerging markets. By helping private companies in these countries to operate and grow in an environmentally and socially responsible manner, it aims to support jobs and income generation and "improve people's lives in those parts of the world where this makes the biggest difference."[1] In addition to providing loans and equity investments to its clients, FMO has a Capacity Development (CD) programme.[2] Through this CD programme, FMO contributes to the costs of hiring external consultants, trainers and experts for the transfer of knowledge and provision of technical expertise. CD funding takes the form of grant-based co-financing, where FMO's clients take on part of the costs.[3]

In July 2015, the Dutch Ministry of Foreign Affairs (MFA) provided FMO with a grant to support its Capacity Development programme with funding for 'Green' and 'Gender' CD projects.[4] The EUR 4.95 million grant was used for a separate CD fund, called B-CD, and was aimed at supporting CD in two focus areas: 40 percent of the funding was earmarked for 'Green' CD projects[5] and another 40 percent of total funds for 'Gender' CD projects.[6] The remaining 20 percent was not earmarked but was de facto mostly used for 'Green' projects. B-CD funding could be used for actual or potential FMO-A clients as well as sector initiatives that were not client specific but from which clients could benefit or where a market development impact was expected.[7]

The first B-CD projects were awarded in May 2016 and since then over EUR 4 million was committed across 41 projects. The B-CD Program was technically operational since November 2015 when the first tranche of the subsidy had been made available by MFA.[8] The commitment period formally ended on 31 December 2018 but disbursements for existing projects are possible until end-2020.

1 https://www.fmo.nl/
2 https://www.fmo.nl/partner-with-us/capacity-development
3 2017 FMO CD Factsheet
4 FMO Capacity Development - Annual Report 2018
5 Climate change mitigation/adaptation and other forms of footprint reduction.
6 Promoting the position of women across the corporate value chain; promoting projects directly or indirectly supporting women-owned / women-managed / women-focused businesses.
7 B-CD investment criteria
8 FMO Capacity Development - Annual Report 2018

1.2 Purpose of the assignment

The evaluation of the B-CD grant is required by the Dutch government under its general policies on evaluation. Since 2001, regular, independent evaluations of Dutch government policy have been mandatory. Development cooperation programmes were already subject to close evaluations for much longer. Following a competitive tender procedure as part of MFA's evaluation framework, SEO Amsterdam Economics was commissioned by MFA to conduct the evaluation of the B-CD grant (as well as the evaluation of the MASSIF Fund, which has been carried out in parallel).

Evaluations of Dutch development cooperation programmes generally have a twofold objective: accountability and learning.[9] The first objective is accountability: to determine whether policies and programmes have been efficient and effective, so as to account for the use of resources. The second objective is a learning objective: to offer insights into why results were (or were not) achieved, and to draw on such lessons to improve policies and programmes.

The B-CD evaluation also has both accountability and learning purposes. On the one hand, B-CD's commitment period has ended and disbursements only continue to be made for any remaining ongoing projects that are expected to end in 2020. This, combined with the broader policy evaluation of Article 1 (foreign trade and development cooperation budget) currently carried out by MFA, is a good moment for taking stock of whether the grant funding for B-CD was used effectively and efficiently. On the other hand, FMO continues to provide Green and Gender CD projects as part of its general CD programme, including through MASSIF and other FMO funds that are supported by MFA. The lessons learned from the B-CD evaluation are therefore expected to be relevant for both FMO's CD team and MFA's other programmes with FMO.

1.3 Evaluation questions

The Terms of Reference for this evaluation included the following evaluation questions:

General
- How was the EUR 4.95 million grant utilised?
- How has B-CD's portfolio developed between 2015-2019 in terms of themes, size and sector of businesses, countries, and regions and type of client?

Efficiency
- Has the B-CD Fund been managed efficiently?
- How did B-CD processes ensure that fees paid for CD services were in line with market prices?
- To what extent do case studies indicate that fees paid for CD services were in line with market prices?

Additionality
- To what extent are B-CD grants financially additional? (input additionality)
- To what extent are B-CD grants non-financially additional? (development additionality)

[9] https://www.government.nl/ministries/ministry-of-foreign-affairs/organisational-structure/ministry-of-foreign-affairs-evaluations

Effectiveness

- Outputs: what are the direct and indirect outputs of B-CD in terms of e.g. staff training, risk management, Environmental & Social governance, client protection?
- Outcomes: what do the case studies indicate about direct and indirect outcomes of B-CD in individual transactions in terms of institutional strengthening and a stronger financial sector?

Conclusions and lessons learned

- What learnings can be identified that are relevant for FMO's Capacity Development program?

1.4 Methodology

To answer the above evaluation questions, the evaluation team analysed and synthesised a variety of quantitative and qualitative information sources. We generally aimed for 'triangulation', which refers to the use of multiple methods or data sources to develop a comprehensive understanding of phenomena.[10] This use of multiple sources minimised bias and ensured that the conclusions would not depend on a particular selection of case studies or interviewees.[11]

The main methods used for this evaluation were desk review of programme and project documents, portfolio data analysis, and interviews with CD team management and relevant CD officers for 10 case studies. At the portfolio level, the SEO evaluation team reviewed and analysed the available and relevant programme documents about B-CD (including B-CD selection criteria, B-CD project list, B-CD list of disbursements and 'Plan van Aanpak' B-CD) and conducted interviews with the CD team on general CD procedures and management. In addition, the team analysed 10 out of the 41 B-CD projects in more detail. These 10 case studies were selected using a list of case study selection criteria described in Appendix A. For these case studies, the team analysed the available project-specific documentation (e.g. Capacity Development For Approval documents, Financial Proposals, documentation on the selection process of the consultant, final reports from consultants and final reports from clients). Furthermore, for each of the 10 case studies, the team interviewed the relevant CD officers that had been responsible for or were otherwise familiar with the specific B-CD project.

10 Patton, M. Q. (1999). Enhancing the quality and credibility of qualitative analysis. Health services research, 34(5 Pt 2), 1189.

11 While it would have been preferable to also interview B-CD beneficiary clients and consultants, the evaluation budget did not allow for this, and it was agreed with MFA to only interview FMO CD officers in combination with desk review.

2 Analysis of the B-CD fund

This chapter discusses the selection criteria for B-CD projects and the portfolio analysis of all 41 B-CD projects.

2.1 Selection criteria B-CD projects

FMO's contribution to B-CD projects took the form of a grant, 80 percent of which was earmarked by MFA for projects related to climate or gender. FMO's (convertible) grants covered the cost of hiring external consultants, trainers and experts to facilitate the transfer of knowledge and the provision of technical expertise. It was agreed with MFA that at least 40 percent of the fund would be allocated to 'Green projects' and another 40 percent to 'Gender projects'.[12] 'Green projects' were defined as those projects that would contribute to climate change mitigation or adaptation and other forms of footprint reduction. Gender projects were expected to (a) promote the position of women across the corporate value chain; and/or (b) directly or indirectly support women-owned, women-managed, or women-focused businesses.

In addition, B-CD projects are subject to specific selection criteria.[13] These criteria, which were established in 2015 by FMO, [14] were as follows:

- **Eligible clients:** FMO-A clients or potential clients,[15] sector initiatives that are not client-specific from which benefits accrue to clients, in countries listed on FMO's country list.
- **Eligible activities:** professional development, risk management, MIS/IT systems, product development, start-up activities, environmental and social performance, corporate governance, climate, and gender.
- **Financial limits:** The minimum FMO's contribution per CD project was EUR 15,000 and the maximum was EUR 250,000. The maximum cumulative amount of grants for a beneficiary could not exceed EUR 400,000.
- **Client contribution limits:** The beneficiary's own contribution should in principle be 50% of the total cost of the CD project. Contributions from third parties (e.g. other donors) could be accepted, and were to be determined on a case-by-case basis. The minimum own contribution of the beneficiary was 25%. This had to be a monetary contribution and could not be in kind.
- **Consultant selection:** External consultants could be hired at transparent and international market rates, subject to mutual consent by both FMO and the beneficiary client. For projects to which FMO contributed at least EUR 100,000, the selection of the consultant had to take place through a competitive process, on the basis of three different proposals for comparison.
- **Costs not eligible for funding:** Costs incurred before signing the Financial Proposal, VAT, KYC checks, hardware, equipment, licences/packages, FMO staff costs, due diligence costs, marketing activities, audit reports, and operational costs related to normal course of business.
- **MFI requirement:** MFI networks required a transparent procurement and governance process.

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12 MINBUZA-2017.74173 27609 Capacity Development FMO Policy Memorandum ('publieksbemo').
13 FMO's Capacity Development Criteria BZ-CD, August 2015.
14 The selection criteria are internal FMO criteria and have not been agreed upon with MFA.
15 Potential clients were defined as a client for which a CIP was approved and a term sheet had already been signed. Exceptions were possible in order to make a project bankable.

The same criteria applied to private equity funds, with a few deviations:

- **Eligible clients**: FMO-A clients and first time Fund Managers (other Fund Managers could be approved on a case by case basis).
- **CD contribution**: The CD contribution per investee company could not exceed 20% of the CD facility.
- **Not eligible for funding**: Fund manager administration fees.
- **Time constraints:** CD was provided for a limited time and only if the Fund Manager had an investment in a portfolio company
- **Facility limits:** The amount of the facility could not exceed 10% of the amount invested by FMO in the fund managed by the Fund Manager. Higher percentages, up to 50%, were allowed for investment funds or holdings aimed at establishing Greenfield microfinance institutions.
- **Financial limits in case of Board seats**: The CD contribution per meeting was EUR 3,000 with a maximum of 4 meetings per year for 4 years (i.e. a maximum of EUR 48,000 for this period). The maximum CD contribution was 50% of total costs. The other 50% needed to be covered by the client or the relevant FMO Investment Department.

Finally, the B-CD fund had specific portfolio limits aimed at reducing regional/country, currency and exposure risks. The portfolio limits (based on Total Assets) were as follows:

- Minimum 35% and maximum 45% in Africa;
- Minimum 25% and maximum 35% in Asia;
- Minimum 20% and maximum of 40% outside Africa or Asia.

2.2 Portfolio analysis[16]

As of March 2020, the B-CD portfolio consisted of 41 projects with a total FMO commitment of more than EUR 4 million—about 80 percent of the total available budget[17] of nearly EUR 4.95 million. Figure 2.1 shows how the B-CD portfolio developed over time. Nearly 40 percent of the 41 project contracts were signed in 2017. This was also the year in which FMO committed the largest amount. In 2019, two additional project contracts were signed for a total amount of EUR 300,000, even though the commitment period of B-CD had technically ended on 31 December 2018.[18]

The financial limits on B-CD projects were not abided by in all cases. The average B-CD project was around EUR 100,000. However, the smallest B-CD project was EUR 945, far below the agreed minimum of EUR 15,000[19]. Of the eight projects below EUR 15,000, six were exchange programmes which required minimal involvement from FMO. Furthermore, three projects exceeded the agreed maximum amount of EUR 250,000. For example, Case study 6 was larger than EUR 250,000 because the project was implement at multiple FMO clients.

[16] The in-depth portfolio data analysis includes all B-CD projects between 2016 and 2019. The first B-CD projects started in May 2016 and therefore 2015 is excluded from the analysis.

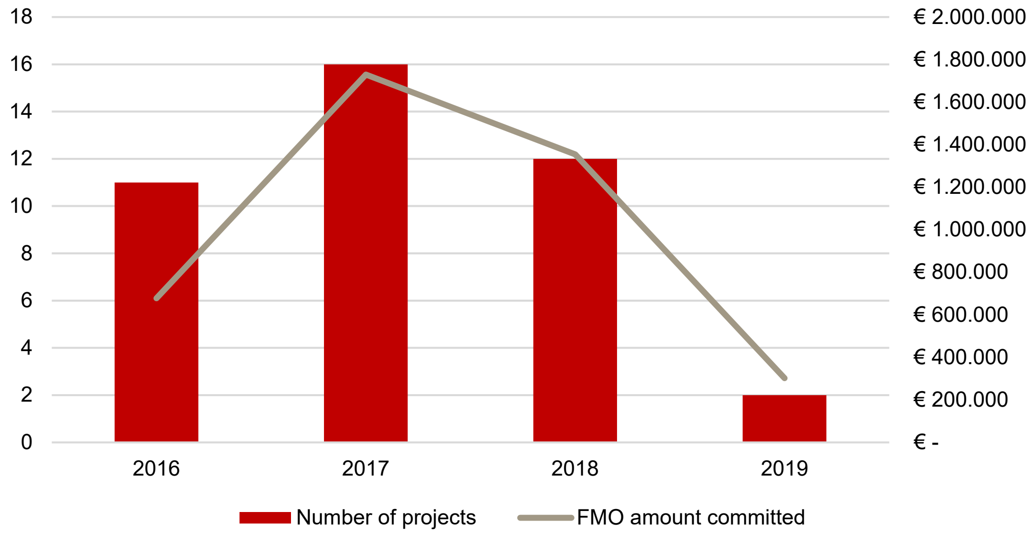
[17] FMO indicated that the full budget was not committed because:
- B-CD was a new fund and it took a while to get the project up and running before the commitment cut-off period.
- Some funds committed were freed up due to cancellation of projects or reduction of scope.

[18] However, disbursements or top-ups for existing projects are possible until end-2020.

[19] Note that the minimum amount was imposed to decrease administrative challenges and decrease workload for FMO.

Total disbursements were lower than the committed total. As mentioned before, EUR 4 million was committed across 41 projects. Total cumulative disbursements as of June 2020 totalled to EUR 3.4 million. This indicates that certain deliverables were still to be completed or had not been met on time or to satisfaction (see Chapter 5 'Effectiveness' for the in-depth analysis of outputs and outcomes).

Figure 2.1 The number and volume of B-CD projects peaked in 2017

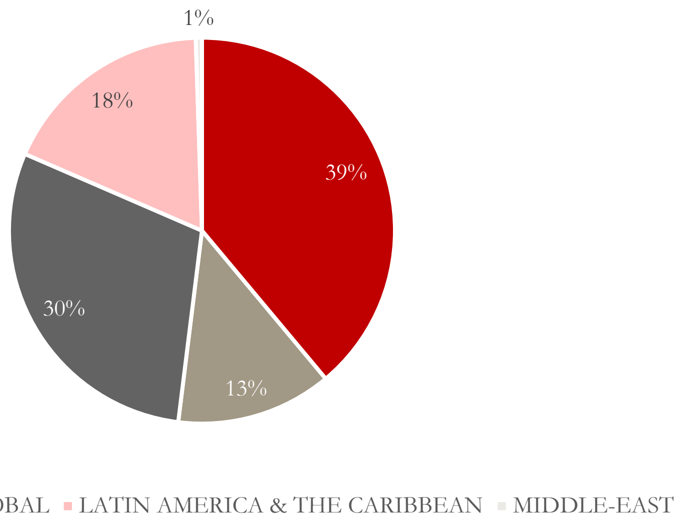


Source: SEO Amsterdam Economics, based on project information as of March 2020

FMO's committed amount for projects in Asia was relatively low, whereas the share for projects in Africa was high. As Figure 2.2 shows, FMO committed almost EUR 1.6 million (39 percent) towards projects in Africa while around EUR 500,000 (13 percent) was used for projects that took place in Asia. In comparison, the portfolio limits for these regions were 35-45 percent and 25-35 percent, respectively. Furthermore, 30 percent of FMO's committed amount was used for multi-country or 'global' projects[20], which also included Asian and African countries. Figure 2.3 shows the regional distribution of B-CD projects per year. In 2016 and 2017, the focus was more on 'global' projects, but in 2018 the focus shifted towards Africa to meet the portfolio requirement of 35-45 percent in Africa. In addition, one B-CD project was added in the Middle East in 2018 (Case study 1). As part of the shifting MFA strategic focus to invest more in the private sector in the MENA region, FMO redefined it's direction towards being more active in countries in the MENA region in 2018.

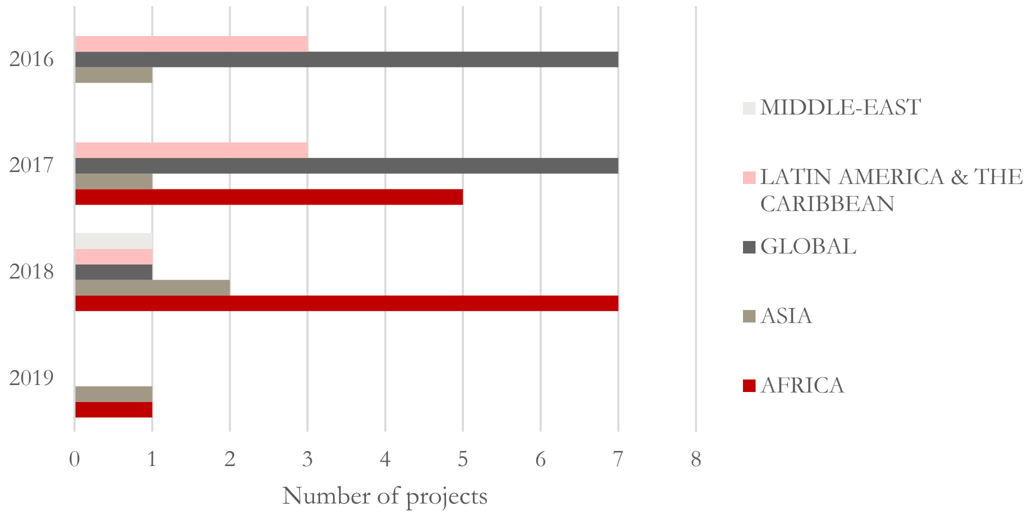
[20] Projects are labelled global when they cover more than one country / region.

Figure 2.2 Projects in Africa accounted for 39% of FMO's committed amount



Source: SEO Amsterdam Economics based on B-CD project information as of March 2020

Figure 2.3 The initial focus was on global projects, but the focus on Africa increased over time

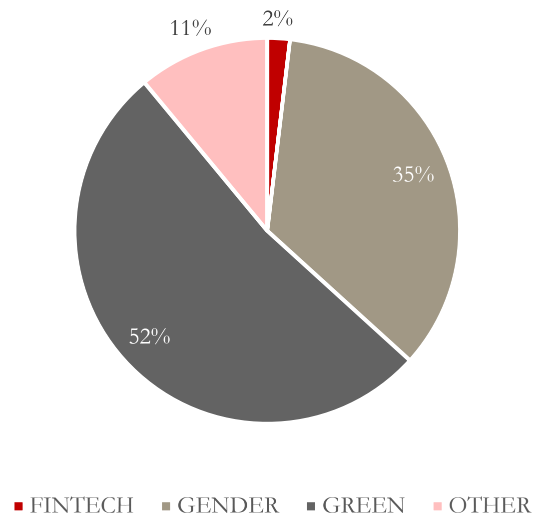


Source: SEO Amsterdam Economics, based on project information as of March 2020

More than half of FMO's committed amount was used for 'Green' projects. As mentioned in the introduction, the B-CD grant was earmarked for two focus areas: 40 percent for 'Green' CD projects and 40 percent for 'Gender' CD projects. Figure 2.4 shows that 52 percent of FMO's committed amount was used for projects classified as 'Green' and only 35 percent as 'Gender'. Similarly, Figure 2.5 shows that most projects that started in 2016, 2017 and 2018 were classified as 'Green'.

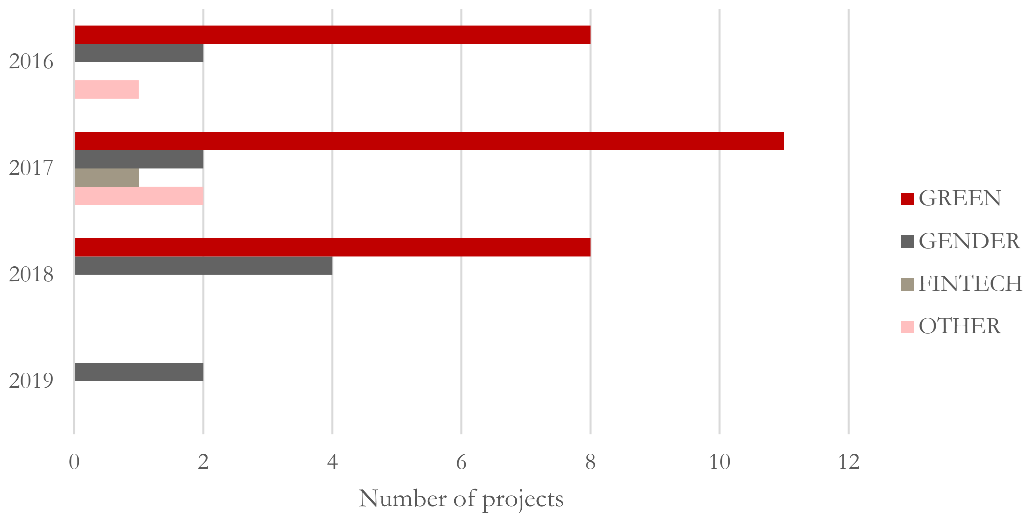
Stakeholder interviews suggest that it was more difficult to find 'Gender' than 'Green' projects. An FMO officer explained that FMO was one of the first European DFIs with a Gender target, and that awareness of gender equality was low and not a priority for most FMO-A clients. Another FMO officer noted that FMO's own focus on gender-related investments (e.g. via gender credit lines) only started later. Note, however, that the two projects signed in 2019 were both 'Gender' projects.

Figure 2.4 52% of FMO's committed amount was for 'Green' projects and 35% for 'Gender' projects



Source: SEO Amsterdam Economics based on project information as of March 2020

Figure 2.5 Most B-CD projects that started in 2016, 2017 and 2018 were classified as 'Green'



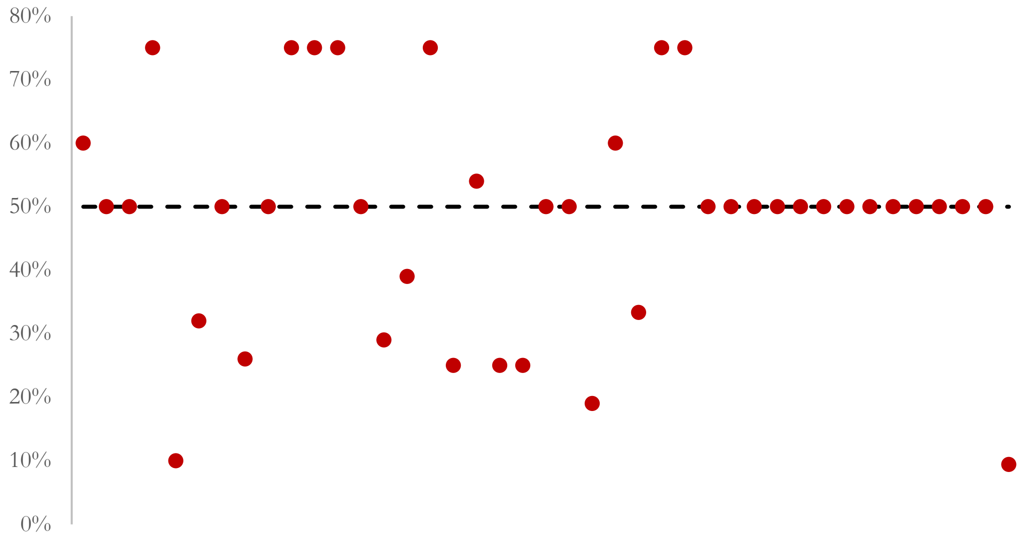
Source: SEO Amsterdam Economics, based on project information as of March 2020

The monetary B-CD contribution to the cost of the 41 B-CD projects varied from 9.4 to 75 percent, with a median share of around 50 percent. Figure 2.6 shows that FMO's contribution was approximately as frequently below as above 50 percent of the total cost of the project. According to the B-CD criteria, recipients should, in principle, contribute 50 percent of the total cost of the project and the client contribution could not fall below 25 percent.[21] While the figure

[21] FMO's Capacity Development Criteria BZ-CD, August 2015.

shows that FMO's contribution never exceeded 75 percent, this does not mean that the client always contributed 25 percent. As we report in Chapter 44, in 3 out of 10 case studies the client did not contribute at all, because another contributor had been found.

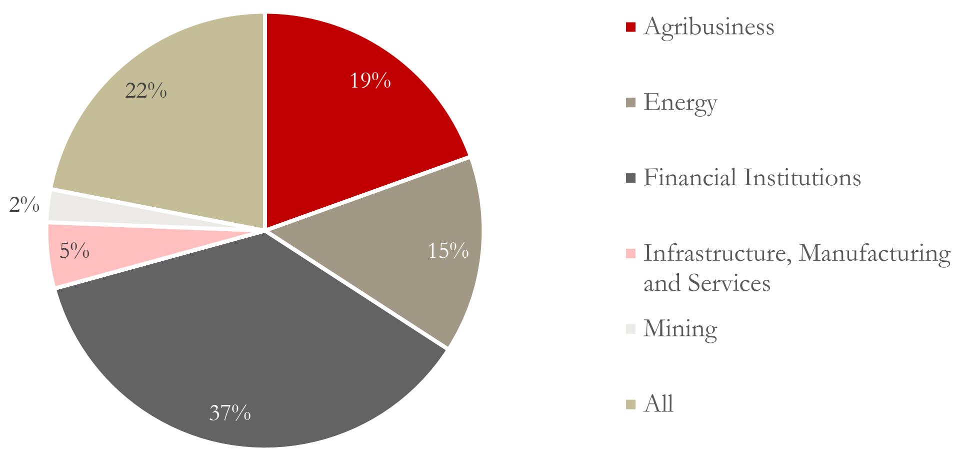
Figure 2.6 FMO's contribution to B-CD project costs ranges from 9.4% to 75%



Source: SEO Amsterdam Economics, based on all available B-CD Financial Proposals

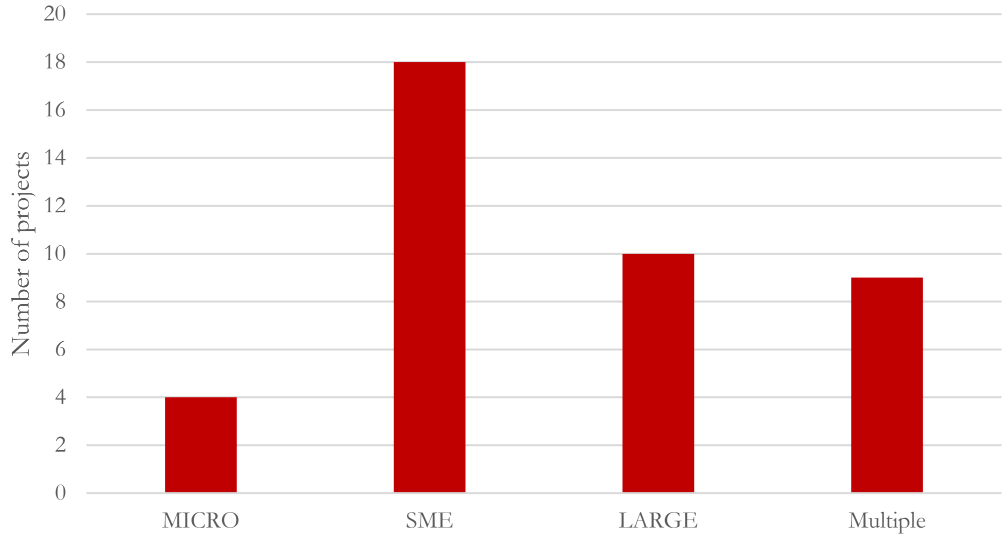
More than one third of B-CD clients were financial institutions, while end-beneficiaries were mostly SMEs. As Figure 2.7 shows, B-CD clients were active in a range of sectors, with financial institutions taking the largest share, followed by agribusiness and energy. Furthermore, Figure 2.8 shows that the end-beneficiaries of B-CD projects were mostly SMEs, followed by large companies.

Figure 2.7 The majority of B-CD clients were financial institutions



Source: SEO Amsterdam Economics, based on all available B-CD Financial Proposals

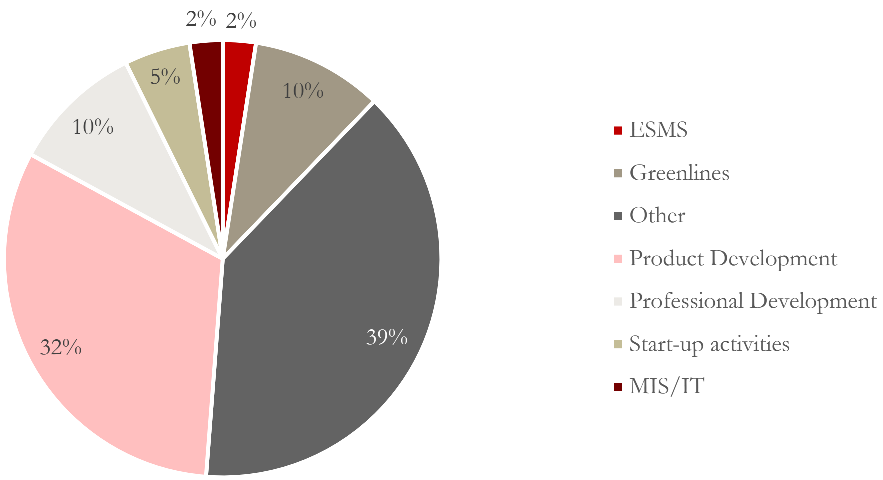
Figure 2.8 The end-beneficiaries of B-CD projects were mostly SMEs followed by large companies



Source: SEO Amsterdam Economics, based on all available B-CD Financial Proposals

Nearly a third of B-CD projects were related to product development. Figure 2.9 shows that 32 percent of B-CD projects were for product development, 10 percent involved Green credit lines ('Green lines') and another 10 percent was aimed at professional development. Two projects (5 percent) concerned start-up activities while one project (2 percent) was ESMS related.

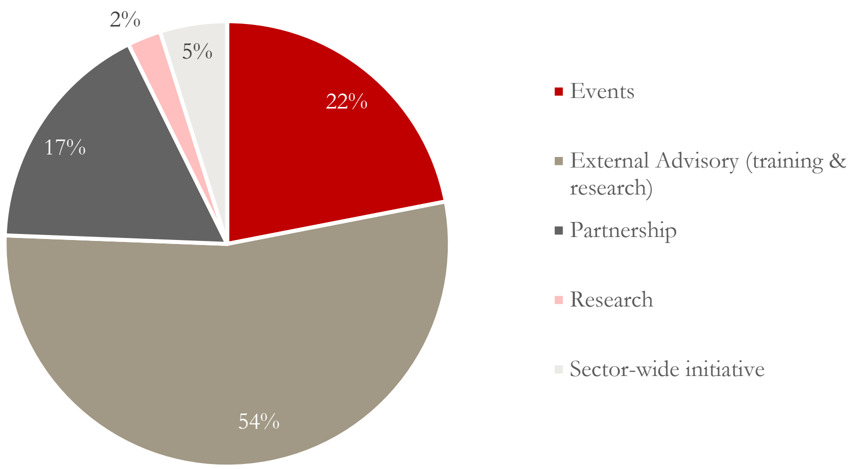
Figure 2.9 32% of B-CD projects involved product development



Source: SEO Amsterdam Economics, based on all available B-CD Financial Proposals

More than half of the B-CD projects made use of external advisory services. Figure 2.10 shows that 54 percent of the projects, external advisory services (in some cases combined with training and research) were used. In one-fifth of the cases, funds were contributed for organising Events. Sector-wide initiatives accounted for 5 percent of the total number of projects.

Figure 2.10 More than half of B-CD projects made use of external advisory services



Source: SEO Amsterdam Economics, based on all available B-CD Financial Proposals

3 Efficiency

3.1 At fund level

Management cost of the B-CD fund

FMO received the highest management fee for B-CD in 2018. The absolute management fees increased significantly since 2015. For the two disbursement years, 2019 and 2020, FMO did not receive a management fee. There is no information available on the composition of the management fees (e.g. the share used for salaries).

Table 3.1 Annual management fees that FMO has received for the management of B-CD (in EUR)

	2015	2016	2017	2018	2019	2020
Management fee FMO for B-CD	12,000[22]	180,000[23]	286,000[24]	337,000[25]	0	0

Source: SEO Amsterdam Economics (based on B-CD annual reports)

The CD teams seems to operate efficiently in terms of output per FTE. While the evaluation team has not been able to receive the necessary information from MFA (due to confidentiality of the documents) to make an in-depth assessment of the efficiency of the B-CD fund, it seems that the CD team operates efficiently in terms of the large number of projects conducted with a small team. As of August 2020, the CD team (B-CD and CD together) comprised 9 staff members, which is low compared to the broad range of geographical and thematic CD projects. We understood that each CD officer manages up to 20-40 CD projects at the time which seems very high. Efficiency in terms of output achieved per euro may therefore not translate into efficiency in terms of outcomes achieved per euro.

Fees paid for CD services

In order to ensure that fees paid for B-CD services were competitive, consultants had to be selected through a competitive selection mechanism whenever the B-CD contribution would exceed EUR 100,000. The B-CD selection criteria state that for projects where FMO's contribution exceeded this threshold, FMO was required to carry out a competitive selection process between three different consultants. This process includes the comparison of multiple proposals and prices to justify the preference for a specific consultant. This procurement rule ensures that competitive prices are paid for the services offered by the consultants. However, it was agreed with MFA that in exceptional cases this condition for a comparison could be waived, based on approved justification.[26]

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22 FMO Capacity Development - Annual Report 2016
23 FMO Capacity Development - Annual Report 2016
24 FMO Capacity Development - Annual Report 2018
25 FMO Capacity Development - Annual Report 2018
26 FMO's Capacity Development Criteria BZ-CD, August 2015.

For projects below the threshold, FMO was allowed to directly select a consultant without a competitive procedure. According to an FMO CD officer, this is because the substantial time and resources required for carrying out a competitive selection was not considered to be justified for 'small' projects.

(B-)CD procurement rules for the selection of consultants were not clearly defined between 2015 and 2019. Before 2017, the 3 quotes requirement (as described above) is the only "procurement" rule FMO imposed on itself for the selection of consultants. Since 2017, there was an FMO procurement policy but the CD manager explained that CD remained a "grey area in terms of procurement". The adjusted procurement rules of 2019 have been developed but remain to be further worked out.

The confusion about procurement rules among CD officers is understandable, because of the many internal changes in procurement rules and internal discussions at FMO about procurement criteria. Based on our interviews, it appears that the many changes in procurement rules regarding the selection of consultants implied that the rules were not clear to all CD officers. CD officers explained that the procurement rules were somewhat confusing, or at least not transparent, as they had been changing frequently in recent years. It is not clear to the evaluation team why the lack of clarity was not previously noticed and addressed internally.

3.2 At case study level

Our case studies included several larger projects that exceeded the EUR 100,000 threshold and yet were directly assigned to a consultant without a competitive tender process. Table 3.2 shows that this was the case for three out of ten case studies: Case study 3, Case study 6,[27] and Case study 7. In all three cases, the consultants were directly appointed because they were deemed to have unique qualifications or experience related to previous projects. It was also considered more "efficient" and "consistent" for FMO to appoint the consultants directly. This is understandable for Case study 6, as the project was executed by an implementing partner and FMO did not require procurement. For Case studies 3 and 7, it also seemed reasonable to believe that the appointed consultants had unique qualities for the project, but a comparison between different consultants would have increased transparency of the selection process. In general, transparency and accountability would be improved by requiring projects above the threshold to always propose and compare different consultants.[28]

[27] Note that for Case study 6, the project was executed by an implementing partner that itself designed the programme and not by a standard consultant. Therefore, FMO did not require a procurement process.

[28] While it would be logical to exempt implementing partners from this requirement, it would still be useful to design selection criteria for choosing between different projects proposed by different implementing partners, or in fact for choosing between any two CD projects whenever CD resources are scarce and a choice needs to be made. Such criteria could potentially be based on an ex-ante assessment of additionality and expected impact, compared to cost.

Table 3.2 Overview of tender procedures across the 10 case studies

Case study	FMO commitment	Tender	# proposals requested	# proposals received
1. Case study 1	<€100,000	Yes	3	3
2. Case study 2 **	<€100,000	Yes	>3	>3
3. Case study 3	>€100,000*	No	1	1
4. Case study 4	<€100,000	NA	NA	NA
5. Case study 5	>€100,000*			
Subproject 1		Yes	4	4
Subproject 2		8 different individual consultants were selected for subproject 2. For each position multiple candidates were compared.		
6. Case study 6	>€100,000*	No	1	1
7. Case study 7	>€100,000*	No	1	1
8. Case study 8	<€100,000	Yes	4	2
9. Case study 9	<€100,000			
Phase 1 (FMO not involved with Phase 2)		No	1	1
10. Case study 10	>€100,000*	Yes	27 applications 5 parties were interviewed	

Source: SEO Amsterdam Economics (based on documentation provided by FMO)
* Comparison of three proposals needed according to B-CD selection criteria.
** Project consisted of 6 subprojects. For each subproject different consultants were compared.

The selection of consultants was often executed by CD clients, which has both advantages and disadvantages. Based on desk research and interviews, it appears that it was quite common for the CD team to go with the candidate proposed by a client. Among the advantages of delegating this selection, CD officers mentioned that the client may have more information and likely has a larger local network from which to choose consultants with relevant local knowledge. Moreover, going with the choice of the client was seen as improving the client's ownership and commitment to the project, as well as FMO's own relationship with its client. A member of the CD team confirmed that, in case of CD grants (provided to clients to engage a consultant), it is in fact the default that the client is in the lead for the selection of the consultant, in which case their procurement approach is used. In some cases, clients may have more elaborate procurement procedures than FMO and are quite capable of selecting qualified candidates. In other cases, this could potentially lead to a lack of transparency, or potential governance concerns, but these risks are limited given that clients themselves also contribute substantial resources. Moreover, CD officers stated that they are always involved with the selection in order to ensure quality.

Despite the above, the international consultant rates paid for B-CD projects seemed fairly competitive, even in cases were a competitive tender did not take place. For the nine case studies which involved consultants, the daily rates charged by international consultants ranged from USD 900 to USD 1400 per day. Judged by the evaluation team's own experience with international tender processes for advisory services commissioned by MFA, the World Bank Group and the Asian Development Bank, these rates appear to be broadly in line with international market rates for such services (albeit slightly on the high side). In cases were a tender procedure was held, desk research and interviews suggest that the consultant with the lowest rates was usually chosen.

For various smaller projects, multiple proposals were requested and compared even if this was not required. For three of the case studies with an FMO contribution below EUR 100,000, CD officers requested and compared multiple proposals even though this was not required. Based on interviews with FMO CD officers, it appears that this request for comparison usually came from the client itself, who in most cases also contributed to the project costs and therefore had an interest in comparing the price and quality of the consultants.

4 Additionality

While B-CD projects could potentially have been financed by other FMO CD budgets, it seems likely that a fair share of B-CD projects would not have been carried out without the B-CD fund, or would have had a different design (e.g. with less focus on gender and climate.

4.1 At fund level

The financial additionality of MFA's B-CD grant for FMO appears to have been low relative to FMO's other available CD budgets. According to several stakeholders (both from FMO and from MFA) these specific B-CD projects could likely have been funded from other FMO CD budgets even if there had not been a B-CD fund. It could be that financial additionality was a bit higher in the early years of the programme (2015-2016) but it likely declined further over time. Mainly because, FMO's overall CD programme in 2017 already explicitly included 'gender' and 'green' among their four focus areas (with other two being 'governance and risk management' and 'E&S risk management').[29]

However, the B-CD fund appears to have had strong non-financial additionality (development additionality) for FMO itself, in that it encouraged FMO to do more in the Gender and Green areas. As noted earlier, FMO and MFA had agreed specific targets for the share of B-CD projects in the 'Gender' and 'Green' areas (with 40% of B-CD funding earmarked for each of these two areas). According to multiple FMO CD team members, these targets actively encouraged FMO CD officers to do more in this area than they otherwise would have done. This was particularly the case for gender projects in the early years (2015-2017), given that FMO "did not yet have a very clear agenda in that area at that time; B-CD was a catalyser to get this agenda started." Based on interviews at programme and project level, it seems clear that the B-CD targets for Green and Gender actively encouraged CD officers to actively search for such projects.[30]

There are indications that B-CD had 'catalytic effects' for both FMO and its clients in terms of generating additional investments focus on climate and gender. Several CD team members believed that B-CD had been 'catalytic' for FMO in that it helped to get FMO colleagues "to think more about these areas and to do more in these areas". In addition, the B-CD projects were seen by them as having helped to "raise awareness" among FMO clients (for example via 'gender journeys'), who in some cases later started working with FMO on these areas, including via investments such as gender lines or green credit lines. In this way, B-CD "opened the eyes of FMO clients for the business case of doing more with women and green projects."

29 2017 FMO CD Factsheet

30 In some cases, it even seemed that FMO CD officers strongly pushed for a gender-related CD project even if financial additionality for the client seemed low, just because FMO itself had a gender target that it needed to meet. When CD officers were asked during interviews whether there would have been other parties who would or could have financed a certain gender-related project, FMO replied in several cases that this may have been the case, but that they themselves very much wanted to be part of the project.

4.2 At case study level

The financial additionality relative to the clients' own funds and to other DFIs/impact investors was assessed at case study level. Based on interviews, FMO documents and publicly available documentation, the evaluation team assessed the extent to which the client (or its shareholders) could have contributed more to the CD project or whether another DFIs/impact investor could have financed the CD project instead of FMO.

Table 4.1 FMO financed between 19 and 75 percent of the total costs, and exceeded the 50% threshold in 3 out of 10 cases

Case study	Contribution FMO	Contribution client	Other contributions
1. Case study 1	75%	25%	-
2. Case study 2	19%	81%	-
3. Case study 3	60%	40%	-
4. Case study 4	50%	50%	
5. Case study 5	50%	50%	-
6. Case study 6	50%	0%	50%
7. Case study 7	32%	0%	68%
8. Case study 8	75%	25%	-
9. Case study 9	33%	0%	66%
10. Case study 10	39%	25%	36%

Source: SEO Amsterdam Economics (based on Capacity Development For Approval documents)

Based on the 10 case studies, financial additionality relative to the clients' own resources was highest when the client contribution was lowest (although it could also mean good negotiation skills on the part of the client). As Table 4.1 shows, the committed client contribution was only 25 percent (the minimum requested contribution) in 3 cases. In another 3 cases the client did not contribute to the general projects costs but contributed to other related costs (if financially possible). In Case study 6 the FIs that actually benefited from this project covered the local costs (e.g. venues, catering, local travel, accommodation for their staff). In Case study 7, the client committed to cover the projects costs that were not eligible for B-CD funding (e.g. awareness campaign studies, videos, photographer). In Case study 9, the client did not contribute at all because of the lack of funding which is understandable as it is a social enterprise.

In some cases, the clients' own funds could have been increased with the help of shareholders which decreases FMO's financial additionality. For example, in Case study 7, the client was funded by a large multinational that could realistically have paid for the project itself which makes FMO less financial additional. It is still possible that FMO was needed in such cases to simply induce the client to carry out this project, but this is then covered under non-financial additionality.

Table 4.2 Financial additionality and non-financial additionality were mixed

Case study	Financial additionality		Non-financial additionality
	Relative to clients' own funds (incl. shareholders)	*Relative to other DFIs/impact investors*	
1. Case study 1	High	Moderate	Moderate
2. Case study 2	Moderate	Moderate	Moderate
3. Case study 3	Low	Low	Moderate
4. Case study 4	Low	Moderate	High
5. Case study 5	High	Moderate	Moderate
6. Case study 6	High	Moderate	High
7. Case study 7	Low	Moderate	Low
8. Case study 8	Moderate	Moderate	Moderate
9. Case study 9	High	High	Low
10. Case study 10	High	High	High

Source: SEO Amsterdam Economics (based on case study reports)

Financial additionality compared to other DFIs and impact investors was mostly moderate. In quite a few cases, multiple other DFIs, were involved in financing the same clients and FMO CD officers often considered it likely that these other DFIs could have also financed this B-CD project if the client had requested them to do so. However, this need to be a problem because ODA funds like B-CD are not expected (by MFA) to be additional to other ODA funds.[31] It was also noted that various other DFIs often contribute more (as a percentage of total cost) to CD projects than FMO.[32] Nevertheless, in some other cases like Case study 9 and 10 , it seemed less likely that other DFIs would have been interested in funding the project.

Non-financial additionality was lowest when FMO influenced neither the selection of the consultant nor the design of the project. In quite a few cases the selection of the consultant was left to the client with minimal influence from FMO (e.g., Case study 9). In some cases, the project was already designed and the consultant had already been selected before FMO contributed the B-CD funding (e.g., Case study 7). In such cases it seems likely that the same project would have been carried out in the same way by the same consultant had another financier been able to fund it.

Non-financial additionality was higher when FMO either recruited consultants from their own network or was able to influence the design of the project. In some cases, FMO selected consultants that would unlikely have been selected by the client itself or by other financiers (for example, the selection of the consultant for Phase 1 of Case study 5). In other cases, FMO clearly influenced development outcomes by setting specific deliverables for consultants in line with FMO

31 In principle, CD funded by ODA resources would only need to be additional to CD funded by the core capital (non-ODA) of DFIs. The potential availability of other ODA-funded CD funding should therefore in theory not lower our additionality rating. However, in practice it was not possible for the evaluation team to determine whether other DFIs would have funded CD from ODA or non-ODA resources.

32 This is not necessarily a good thing as a contribution of the client usually ensures ownership and commitment from the clients' slide.

and MFA targets. For example, Case study 2 got a specific focus on women due to FMO's involvement.

Non-financial additionality was highest when FMO itself designed the entire project or played a crucial role in inducing the client to carry out this project. In Case study 4, for example, financial additionality was low (as the amounts involved were very small) but non-financial additionality was very high because FMO made use of its own network to connect clients and partners. It seems clear that this project would not have taken place without FMO. Another example is Case study 6, which adapted its course materials to developing countries, which they unlikely would have done without FMO's involvement.

5 Effectiveness

This chapter discussed the available evidence on the effectiveness of B-CD projects. Given that limited information is available at portfolio level, this evidence is largely based on the case studies. The specific outputs and outcomes of each case study are discussed in the separate case study report (Appendix B).

5.1 At fund level

In general, there was limited systematic information available on the outputs of CD projects. At output level, financial information was made available on the amounts committed and disbursed. However, the reasons for differences between committed and disbursed amounts were not reported systematically. Similarly, there was no systematic reporting of other relatively standard output level information such as the number of consultant days spent on the project, number of client visits, number of people trained, etc. This having said, the CD team was very cooperative in providing this information to the evaluation team upon request.

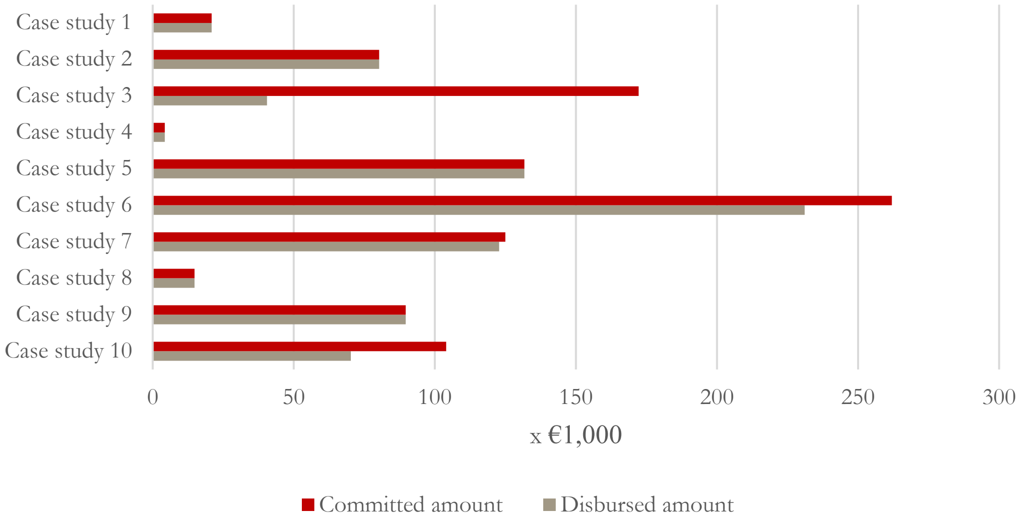
Since 2018, CD projects at FMO no longer require a formal internal end-report. Multiple FMO officers indicated that until 2018 FMO used 'completion forms' to internally close a CD project. However, due to the time constraint of CD officers, CD projects since 2018 are no longer closed with a formal end-report. Instead, FMO mostly relies on reports from the consultants or the client for information about the outcomes of the CD provided. This information does not appear to be systematically collected or reported.

5.2 At case study level

For most case studies, disbursed amounts equalled commitment amounts, suggesting that all deliverables were met. As Figure 5.1 shows, for most projects the committed FMO contribution was equal or close to the disbursed amount, which is an indication that the deliverables were met to the satisfaction of FMO and/or the recipient / client, where relevant. In theory, it is also possible that disbursements were made in full even if the deliverables were not met in full, but the evaluation team did not receive any indications that this was the case for any of the case studies. In Case study 3, the project is ongoing and disbursements are yet to be made. For Case study 10, the project is also ongoing but without FMO support. Finally, for Case study 6, the project was only implemented in two instead of the expected three countries.[33]

[33] Nevertheless, the two pilots contributed to the creation of a syllabus / materials that can be used by multiple clients, more cheaply and at scale.

Figure 5.1 For 6 out of the 10 case studies the full committed amount was disbursed



Source: SEO Amsterdam Economics, based on project list and overview of disbursements

With regard to Environmental & Social governance, there was no explicit reporting on the impact that B-CD projects can have on reducing ESG risks. As Table 5.1 shows, all 10 B-CD projects included as case studies had either an environmental or social governance component, as judged by the evaluation team (or both, as in Case study 7). This of course is logical given the focus of B-CD on Green and Gender areas. However, outside the consultant reports, there was no explicit reporting back to FMO or MFA on the environmental or gender impact of B-CD projects, nor on the extent to which these projects mitigated E&S risks for FMO or their clients.[34]

Table 5.1 Most B-CD projects had either an environmental or social governance component

Case study	Environmental governance	Social governance (e.g. gender component)
1. Case study 1		√
2. Case study 2		√
3. Case study 3		√
4. Case study 4	√	
5. Case study 5	√	
6. Case study 6		√
7. Case study 7	√	√
8. Case study 8	√	
9. Case study 9	√	
10. Case study 10		√

Source: SEO Amsterdam Economics (based on case study reports)

34 Note that this reporting was not required by MFA but the evaluation team sees this an opportunity for (B-)CD to demonstrate their impact.

Reporting of outcome-level results was even more limited than reporting of output-level results. The available consultant and client reports were mostly focussed on outputs and less on outcomes. The evaluation team retrieved most information about the outcomes through the interviews with the CD officers. Furthermore, there was generally limited follow-up by the CD Team, as post project this is for the relationship manager (IO). As a result, it is often unclear what changes were implemented as a result of the advice or services provide by consultants. For cases where FMO continued to invest in the client, it is possible that IOs from the debt department or equity department would be informed about the outcomes of CD. However, this information was not reported back to the CD team, at least not in a systematic way.

Although outcome data was limited, the case studies show examples of the long-term impact of B-CD projects:

- **Some case studies had positive long-term impact.** For example, Case study 2 changed the client's approach to women and led to a follow-up investment from another investor. Furthermore, due to the success of this project, similar projects have started in other countries. Another example is Case study 5 which helped the client launch its new strategy linked to the SDGs. The environmental footprint calculation also helped the client to set new environmental goals.
- **In two cases it appears that the expected outcomes did not materialise, even when most deliverables were met.**
    1. Case study 9 included a study regarding the health impact of certain cooking methods. The results of this study were disappointing and therefore the impact on sales was limited.
    2. As part of Case study 1, the consultant advised the client on how to best identify potential new female clients and how to assess their needs. All the deliverables of the project were met and the project was fully implemented, however, the follow-up of the project never materialised. It was expected that the B-CD project would be followed by a next project in which the client should have prepared its products internally to actually target specific market segments with loans and non-financial services for women. The main reason why the follow-up project did not materialise appears to have been a lack of top management engagement.

6 Conclusions and recommendations

6.1 Conclusions

General portfolio review

- **In 2015, MFA provided a B-CD grant of EUR 4.95 million to support FMO's Capacity Development programme.** The B-CD grant was used for financing 41 CD projects that were contracted during 2016-2019.
- **The B-CD grant was underutilised:** as of June 2020, only about 80 percent of the full B-CD grant had been committed (EUR 4 million), while around 70 percent had been disbursed (EUR 3.4 million). FMO indicated that the full budget was not committed because (1) B-CD was a new fund and it took a while to get the project up and running before the commitment cut-off period and (2) some funds committed were freed up due to cancellation of projects or reduction of scope.
- **B-CD was successful in identifying and financing Green and Gender projects.** More than half of FMO's committed amount was used for 'Green' projects, which was even more than targeted. Around 35 percent of FMO's committed amount was used for 'Gender' projects, which was less than expected but close to the target of 40 percent.
- **B-CD remained within the portfolio limits regarding geography.** Projects in Africa accounted for 39 percent of FMO's committed amount, with the focus on Africa increasing over time. While fewer than expected projects took place in Asia, there was a high share of 'global' projects.
- **B-CD clients were mostly financial institutions benefiting SMEs.** More than one third of B-CD clients were financial institutions. End-beneficiaries of B-CD projects were mostly SMEs.

Efficiency

- **Between 2015 and 2019 there were no clear procurement rules for (B-)CD.** Nevertheless, B-CD selection criteria from 2015 stated that at least 3 consultants should be compared if B-CD's contribution exceeded EUR 100,000. This procurement rule was not fully clear to all CD officers and were not always implemented. For some projects above this threshold, consultants were directly appointed, while for various smaller projects, multiple proposals were requested and compared even though this was not required.
- **Overall, the cost of international consultants recruited for B-CD projects appeared reasonable and in line with international market rates**, even when a competitive tender did not take place.

Additionality of MFA's B-CD grant for FMO

- On the one hand, **the financial additionality of the B-CD fund as a whole appears to have been low relative to other available CD funding from FMO.**
- On the other hand, **the B-CD fund appears to have had strong non-financial additionality for FMO itself, in that it encouraged FMO to do more in the Gender and Green areas.** It therefore seems likely that a fair share of B-CD projects would not have been carried out by FMO without the B-CD fund, or would have had a different design.

- **There are indication that B-CD had 'catalytic effects' on both FMO and its clients.** This was particularly the case in terms of raising awareness at FMO of Green and Gender issues, and generating additional investments in these areas.

Additionality of B-CD projects for FMO clients

- **Financial additionality relative to clients' own funding was mixed.**
  - On the one hand, there were cases where clients truly had a limited ability to contribute their own resources, leading to high financial additionality.
  - On the other hand, there were cases where shareholders or partners included large multinationals, in which case the financial additionality of B-CD was low.
- **Financial additionality compared to other DFIs was moderate.**
- **The non-financial additionality of B-CD-projects was moderate to high**, and was highest when FMO itself selected the consultant or was able to influence the specific consultant deliverables or design of the project.

Effectiveness

- **The B-CD grant appears to have been an effective MFA instrument in that it encouraged FMO to do more in the 'gender' and 'green' areas.**
- **At output level, most deliverables of B-CD projects were met.**
- **The impact (long-term outcomes) of B-CD projects was not systematically measured and reported.** We understand that the CD team and evaluation/impact teams are already working on improving the framework for measuring impact, but there appear to be three constraints:
  1. **Capacity constraints of the CD team.** With 20-40 CD projects per CD officer, the CD team currently appears understaffed. We understand that monitoring and reporting impact is not a priority in that case, as it takes away resources from the actual CD projects.
  2. **The heterogeneity of CD projects.** Since CD projects can be quite different from each other, it is difficult to develop standardised indicators (but project-specific indicators would also be encouraged).
  3. **The attribution problem.** Even when measuring impact indicators (such as employment, revenues, etc) it is difficult to claim attribution of these results to the CD project. However, as further elaborated below, this could partly be addressed through follow-up surveys and occasional in-depth evaluations.

6.2 Recommendations

Efficiency

- **Make sure that the new procurement rules of 2019 for CD projects are clear and applied to each CD project.**
  - Improve the transparency of the existing procurement rules, as not all CD officers were fully aware of the exact rules (for example, the level of the threshold above which at least three proposals need to be requested).

  - Develop guidelines for proposal selection, for example, a scoring table with specific weights for methodology/experience/price that are announced in advance in requests for proposals. (e.g., using the example in Case study 10)
  - Consider a wider distribution of tenders across potential candidates. If FMO is in charge of the tender, it currently only seeks within its own existing network to hire consultants for large projects (more than EUR 100k). Advertising the project could potentially yield more, and more competitive proposals.
  - To further increase the transparency of the selection process, the consultants for CD projects above the threshold (EUR 50k as of 2019) should never be appointed directly unless there is a implementing partner.
- **When judging the price of proposals, do not only assess the total price** but also e.g. the average daily rates paid to international consultants and to local consultants.
- **Improve the monitoring of the tender process**, including the list of consultant candidates, the selection criteria used for scoring the consultants, and the tables used for scoring proposals.

Additionality

- **Clearly explain the rationales behind the cost distribution in the documentation.** This is particularly important for the cost distribution between FMO and the client.
- **Improve financial additionality by more systematically assessing to what extent the project could be financed by other shareholders/investors,** particularly when the client is funded by large multinational companies. If the project is to be funded from ODA resources, it is particularly important that these resources are additional to non-ODA funds.
- **Further increase non-financial additionality by increasing FMO's involvement in project design.** In particular, the CD team could be more involved in (a) selecting consultants (or checking the procurement procedures of clients); (b) designing the project and its deliverables. This does require additional human resources.
- **Systematically monitor catalytic effects,** e.g., the extent to which B-CD projects are being followed-up with generating additional investments in these areas.

Effectiveness

- **Start each project with the construction of a Theory of Change** to determine which indicators should be monitored during the project.
- **Improve the systematic reporting of relatively standard output level information** such as the number of consultant days spent on the project, number of client visits, number of people trained, and the extent to which other deliverables were achieved.
- **(Re-)introduce a one-pager to internally close a CD project.** This could include information on the extent to which deliverables were met, the share of the committed amount that was actually disbursed, the extent to which FMO and the client were satisfied with the consultant (and would recommended the consultant for other projects), any leads for follow-up CD support or investments, and a recommendation for when to best check back with the client on the longer-term outcomes of the project.
- **Improve the measuring and monitoring of the impact of CD.** While CD projects can be quite heterogeneous and have different type of impacts that may be difficult to capture in standardised indicators, we can see several areas for improvement:

a. The impact of CD projects in ESG areas (E&S, CG, CPP) should be measured in terms of their impact on reducing ESG risk ratings.[35]
b. The short-term impact of CD on improving knowledge and skills could be measured using simple pre-CD and post-CD evaluation forms
c. The medium-term impact of CD could be measured with a short CD beneficiary survey among CD recipients after 1 year. This survey could measure e.g. if (a) to what extent the improved knowledge/skills were still there; (b) CD participants were still in their job, had been promoted, or left the company; (c) how the improved knowledge or skills had been applied; (d) whether the CD had generated any changes at the organizational level (e.g. changes in policies, standards, products or services); (e) expected impact of changes at the organizational level. This survey could also be used to identify follow-up CD needs.
d. The 'catalytic effects' of CD (on making investments from FMO or other investments possible, e.g. by reducing certain risks) could also be measured and reported, e.g. in a short impact report 1 year after the CD has been completed. This question could be included in:
   - the CD beneficiary survey after 1 year (to capture possible catalytic effects on other DFIs)
   - the FP template, requiring FMO itself to make a judgment on the extent to which any CD had been instrumental for the proposed investment (e.g. on a scale of 1-5);
   - the ToRs for future evaluations of CD or investment projects

- **As part of the efforts to improve impact measurement, consider assessing 'demonstration effects' so as to measure the indirect impact of CD (and investments) at the sector level.** FMO aims to achievable a sustainable impact at the level of the financial sector, but this is currently not measured or reported. Yet this could be an important area of impact: for example, by improving E&S standards, CG standards, or CPP policies for an FI, FMO's CD could indirectly have demonstration effects on other FIs that may copy similar standards. Based on examples from other DFIs (e.g. EBRD, IFC) we suggest that this is measured in two ways:
  - **Ex ante,** by making an assessment of potential demonstration effects, i.e. the extent to which the CD or investment would lead to introducing standards, products or services that are new to the sector or segment and therefore have the potential to be copied by others (this could be included in the FP template, both for investments and for CD, as is done at EBRD)
  - **Ex post**, by making an assessment of actual demonstration effects (this question could be included in the CD beneficiary survey, CCRs, as well as in ToRs for future evaluations)
- **Use special CD funds such as B-CD more often as a tool to encourage FMO to enter new focus areas or new markets** (e.g. Sahel countries). Since the B-CD grant appears to have been effective in encouraging FMO to do more in 'gender' and 'green' areas, using such grants more often would be a recommendation for MFA.
- **Allocate or request additional resources so as to improve impact measurement and identification of projects in new focus areas.** It appears that the CD team is already under-resourced for the large number of projects they manage (with only 9 CD officers and up to 40

35 However, we understand from the CD team that FMO is currently working on a new Sustainability Information System (SIS) with the objective to provide a systems solution to enable FMO to manage its portfolio in a way where finance, risk and impact are treated in balance. We also understand that an expansion of the SIS system to incorporate CD is currently being considered. We believe this is an excellent opportunity to develop and include impact indicators at the CD level and keep track of whether CD was provided to address certain E&S risks.

CD projects per CD officer). Given these capacity constraints it is understandable that monitoring and reporting is currently not a priority. However, we understand that the CD team is currently working with the evaluation/impact teams at FMO to jointly develop a better framework for measuring the impact of CD.

- **Improve information sharing between the CD team and FMO deal teams regarding client outcomes and end-beneficiary outcomes.** For cases where FMO continues to invest in a CD client, IOs from debt or equity departments could be asked to collect and share information about the outcomes of CD (and vice versa).
- **Improve information sharing and reporting between the CD team and E&S officers on the E&S impact of B-CD projects**, including on gender impact and on the extent to which these projects mitigated E&S risks for FMO or their clients.
- **Consider expanding the CD team**, as improving impact measurement and identifying projects in new focus areas will require additional resources.

Appendix A Case study selection

The evaluation team developed a list of criteria used for selecting a representative sample of 10 case studies out of 41 B-CD projects. These criteria were based on the characteristics of the B-CD portfolio. These criteria were discussed with FMO and MFA and were adjusted slightly based on their feedback.

The final list of selection criteria applied to the case study sample was as follows:

1. Combined total of 10 B-CD projects.
2. Combined minimum value of EUR 1 million.
3. A representative spread across regions (Asia, Latin America & the Caribbean, Middle East, Africa and Global).
4. 80% completed projects and 20% ongoing projects.
5. A representative spread across the topics:
   a) Green
   b) Gender
   c) Fintech
6. The size distribution of the selected sample should broadly match the current (and anticipated future) size distribution of the B-CD portfolio:
   a) Average project size of around EUR 100,000.
   b) Include at least one large investments (> 200,000).
   c) Include at least one small investments (< 10,000).

Based on the six selection criteria above, the following selection of ten case studies were selected:

Table A. 1 Proposed 10 case studies B-CD

Name	FMO amount	Year	Topic	Region	Status	Main reason
1. Case study 1	-	2018	Gender	M-E	Completed	M-E
2. Case study X	-	2017	Fintech	LA	Completed	Fintech
3. Case study 3	-	2018	Gender	Africa	Completed	Gender in Africa
4. Case study 4	-	2017	Green	Global	Completed	Small FMO amount
5. Case study 5	-	2017	Green	Asia	Completed	Asia
6. Case study 6	-	2017	Other	Global	Ongoing Phase one completed	Large and topic 'other'
7. Case study 7	-	2017	Green	Africa	Ongoing	Ongoing
8. Case study 8	-	2017	Green	Africa	Completed	Green in Africa
9. Case study 9	-	2016	Green	LA	Completed	LA
10. Case study 10	-	2017	Gender	Global	Completed	Global
Total FMO amount	**€ 1,001,297**					
Average FMO amount	**€ 100,130**					

The final column briefly summarizes the most important reasons for selecting the particular investment. The first two projects in the list of proposed case studies should always be part of the sample as they are the only projects that comply with certain selection criteria. The remaining projects have been selected to make sure that the sample complies with all selection criteria. Table A. 2 shows per selection criterion how the sample scores and how this relates to the whole B-CD portfolio.

Table A. 2 Match with selection criteria

Proposed selection criteria for the 10 case studies	Sample	Total portfolio
1. Combined total of 10 projects.	10 projects	41 projects
2. Combined minimum value of EUR 1 million.	€ 1,001,297	> €4 million
3. A representative spread across regions.	Global (30%) Africa (30%) Latin America (20%) Asia (10%) Middle-East (10%)	Global (37%) Africa (32%) Latin America (17%) Asia (12%) Middle-East (2%)
4. 80% completed and 20% ongoing projects.	Completed (80%) Ongoing (20%)	Completed (61%) Ongoing (39%)
5. A representative spread across the topics.	Green (50%) Gender (30%) Other (10%) Fintech (10%)	Green (66%) Gender (24%) Other (7%) Fintech (3%)
6. a. Average project size of around EUR 100,000. b. Include at least one large projects (> 200,000). c. Include at least one small projects (< 10,000).	Average: €100,130 1 large projects 1 small project	Average: € 99,104 7 large projects 6 small projects

Replacement case study (update as of June 17, 2020)

Due to absence of the relevant contact person within FMO, Case study X has to be replaced. This project is the only Fintech project, and can therefore not be replaced with another Fintech project. Ideally, the replacement project should have been completed, executed in the same region and be around EUR 75,000. The selected replacement case study is Case study 2.

Table A. 3 Final 10 case studies B-CD

Name	FMO amount	Year	Topic	Region	Status	Main reason
1. Case study 1	-	2018	Gender	M-E	Completed	M-E
2. Case study 2	-	2016	Gender	LA	Completed	Replacement for Case X
3. Case study 3	-	2018	Gender	Africa	Completed	Gender in Africa
4. Case study 4	-	2017	Green	Global	Completed	Small FMO amount
5. Case study 5	-	2017	Green	Asia	Completed	Asia
6. Case study 6	-	2017	Other	Global	Ongoing Phase one completed	Large and topic 'other'
7. Case study 7	-	2017	Green	Africa	Ongoing	Ongoing
8. Case study 8	-	2017	Green	Africa	Completed	Green in Africa
9. Case study 9	-	2016	Green	LA	Completed	LA
10. Case study 10	-	2017	Gender	Global	Completed	Global
Total FMO amount	**€ 1,004,879**					
Average FMO amount	**€ 100,488**					