External evaluation of the Dutch Fund for Climate and Development (DFCD)

Final Report

seo • amsterdam economics

MDF

EMPOWERING PEOPLE, CREATING IMPACT

AMSTERDAM

31 January 2024

Authors

Gerbrand van Bork, Nienke Oomes, Claudio Corte Coi, Debbie Keijser, Taha Chaudhary, Nicolas Berthiaume (all SEO) and Hilde van Dijkhors (MDF)

Commissioned by

Dutch Ministry of Foreign Affairs

TABLE OF CONTENTS

Annexes

LIST OF ABBREVIATIONS

CFM	Climate Fund Managers
CIF	Climate Investment Fund (World Bank Group)
DFCD	Dutch Fund for Climate Development
DFI	Development Finance Institution
FIs	Financial Institutions
FMO	Dutch Entrepreneurial Development Bank
GCF	Green Climate Fund
LA	Landscape Approach
LDC	Least Developed Country
LUF	Land Use Facility
IOB	the Dutch Foreign Policy evaluation department
IGG	Inclusive Green Growth (department of MFA)
OF	Origination Facility
PIDG	Private Infrastructure Development Group
PPCR	Pilot Programme for Climate Resilient projects (CIF programme)
MFA	Ministry of Foreign Affairs
SNV	SNV Netherlands Development Organization
ToC	Theory of Change
ToR	Terms of Reference
WF	Water Facility
WWF-NL	World Wide Fund for Nature Netherlands

DEFINITIONS OF KEY TERMS

- *Bankability*: A company is considered bankable if it has demonstrated recent profitability, maintains low risks, and provides financial reports in line with standard accounting practices. A project is bankable for repayable finance if project cashflows show financial feasibility (commercial viability) and if risks are manageable.
- *Graduation*: a project from the Origination Facility (OF) can graduate to the DFCD internal investment facilities (WF, LUF) or to external investors. For graduation, the Investment Committee (IC of DFCD) requires the project to demonstrate climate and development relevance, impact potential and bankability (see before).
- *Financial additionality*: the extent to which finance provided by DFIs does not distort the market for private finance (in particular, avoiding the crowding out of repayable finance from commercial banks or investors).
- *Origination:* the process of translating embryonic (project) ideas into developed projects with bankable business cases; in the context of the DFCD, to develop projects to the stage where they can then secure investment at low transaction cost, either from the water or land use facilities, or from other external financiers.

1. INTRODUCTION – PURPOSE OF THE ASSIGNMENT

The key objective of the evaluation is **learning**, along the lines of the OECD-DAC criteria.

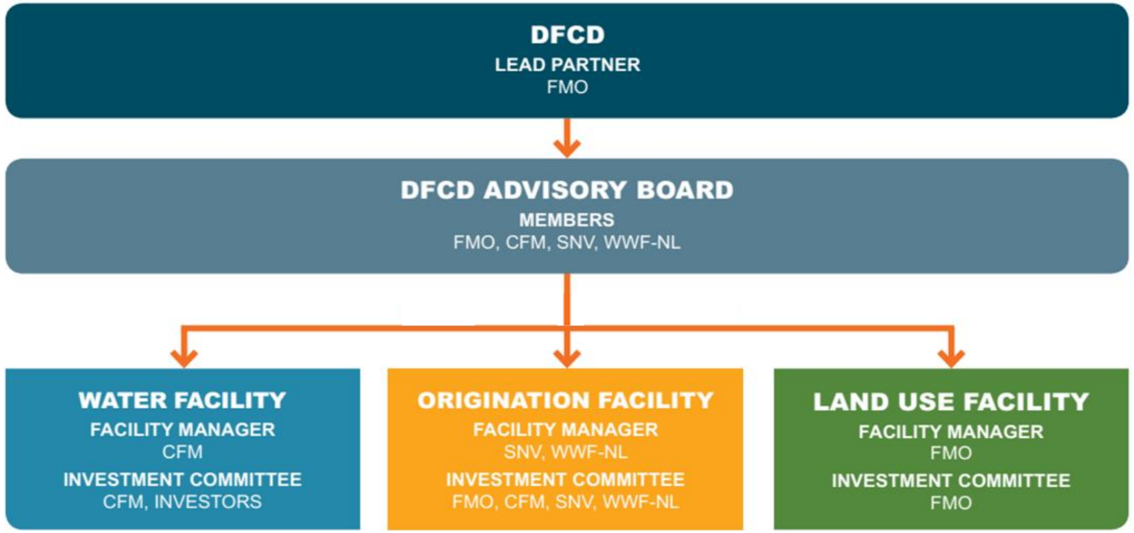
- Following the ToR, the main research question was: "*How can the implementation of the DFCD be improved **to maximally contribute to the impact** as worded in the Theory of Change (ToC) and to **optimise the added value of the fund** within the international climate finance architecture?*"

- **Key focus topics**:
  1. The **relevance** of the Fund to the principles stated in the Grant Policy Framework, regarding the objectives of DFCD (EQ 1).
  2. The **coherence and added value** of DFCD with respect to other climate funds or instruments (national, international) also related to the funding needs for climate adaptation and mitigation projects of the private sector in developing countries (EQ 2).
  3. The overall **effectiveness** of the DFCD (EQ 3).
  4. The **efficiency** of the Fund structure and governance, <u>including the adequacy of the monitoring, evaluation and learning capacity</u> of the Fund managers and procedures for collaboration within the consortium (EQ 4)
  5. Draw **lessons learned and provide recommendations**

2. ABOUT DFCD

DFCD is a climate resilience fund funded by the Dutch MFA focusing on supporting climate adaptation and mitigation projects.

- The key objective of DFCD is to enable private sector investment in projects aimed at climate change adaptation and mitigation in developing countries.
- The DFCD is managed by a consortium of Dutch Entrepreneurial Development Bank (FMO, lead), Climate Fund Managers (CFM), World Wide Fund for Nature Netherlands (WWF-NL) and SNV Netherlands Development Organization (SNV). This is *quite a unique collaboration* of DFIs and NGOs with local presence in developing countries of the consortium partners.
- The Fund started in 2019 and will run until the end of 2037.
- The overarching goal pursued by the MFA, which invested €160 million (2019-2023), with the DFCD fund is **climate-resilient economic growth** (see next slide for the Theory of Change). Recently, MFA funded another € 40 mln to the Origination Facility (phase 2) and an agreement for guarantee funding with the European Commission is expected in 2023.
- The fund aims to enable private sector investment in projects with a climate change adaptation and mitigation focus (at least 50% of resources, but preferably 65% must go to climate adaptation projects).
- The fund can operate in all OECD-DAC developing countries but has a specific focus on least developed countries (at least 25% of resources must go to projects in LDCs) and priority countries of Dutch development cooperation – BHOS priority countries (at least 25% of resources must go to projects in these countries)
- The fund has three facilities (origination, land use and water facility, see slide 8 for more information).



[1] Annual report DFCD, 2022

2. ABOUT DFCD

DFCD is divided into three facilities: the **Origination Facility** focuses on project identification and (pre) feasibility, while the **Land Use Facility** and **Water Facility** focus on project implementation.

Origination Facility (OF)

- Managed by WWF-NL and SNV
- Budget: €30 million (+ € 40 mln for DFCD phase 2)
- It focuses on project identification and (pre-) feasibility development activities for the Investment Facilities.
- It works through provision of TA and grants to understand climate risk and opportunities, developing investors pitch, as well as developing full business cases
- Three stages, of approval. After approval in stage 2 by the IC, they graduate in stage 3 to the Investment Facilities

Land Use Facility (LUF)

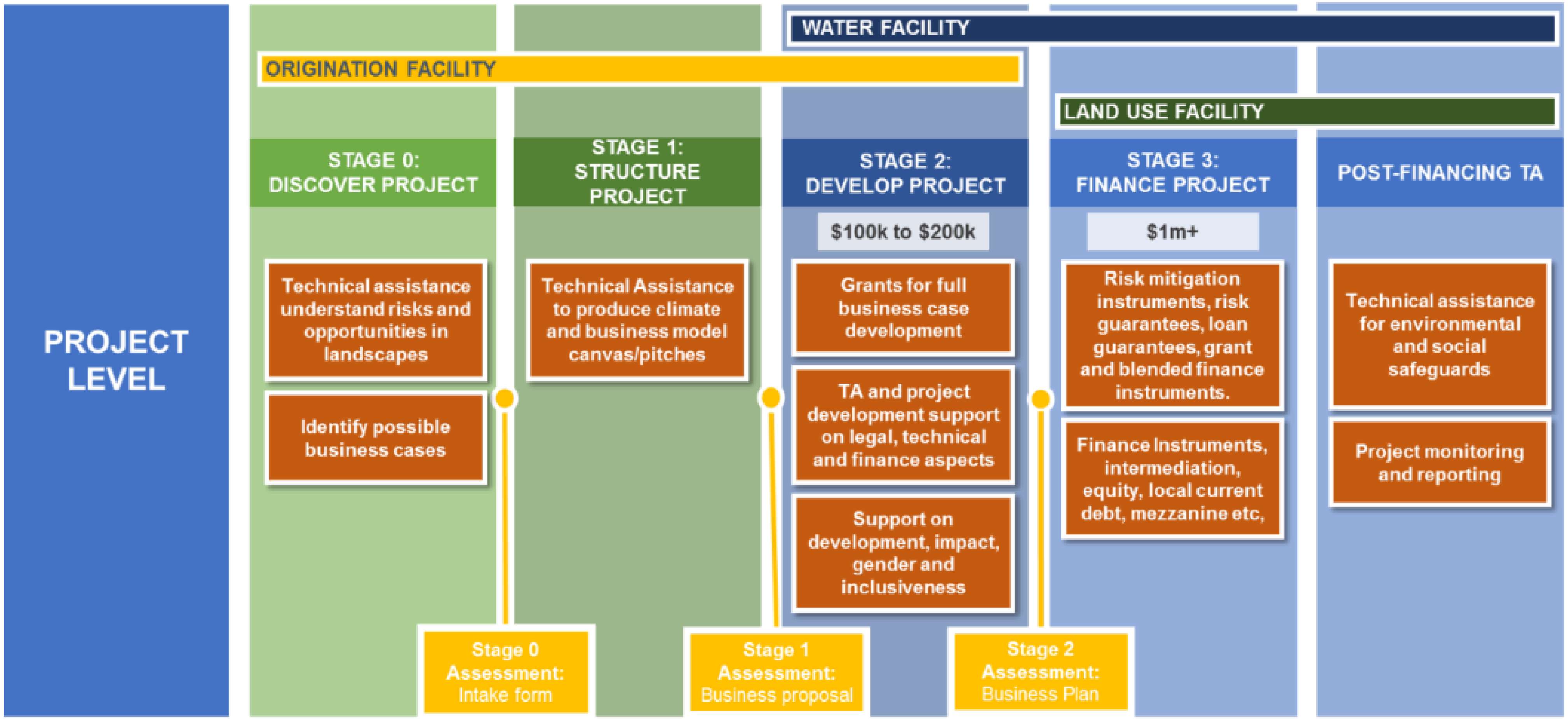
- Managed by FMO
- Budget: €55 million
- Targets investments which have graduated from the Origination Facility, as well as opportunities from FMO's network in sectors relating to agroforestry, sustainable land use and climate resilient food production
- It mainly provides different financial instruments (mainly debt and equity), aiming to mobilise private funding at project level.
- It can also offer post construction TA funding.

Water Facility (WF)

- Managed by CFM
- Budget: €75 million
- Targets investments which have graduated from the Origination Facility, as well as opportunities from CFM's network of investors, in sectors related to water and sanitation infrastructure, and environmental protection.
- It is based on the structure of Climate Investor One, aiming to raise capital for a development fund, a construction equity fund and a refinancing (debt) fund. It has its own IC with external investors.
- It is part of Climate Investor Two, of which DFCD is only one of the investors.

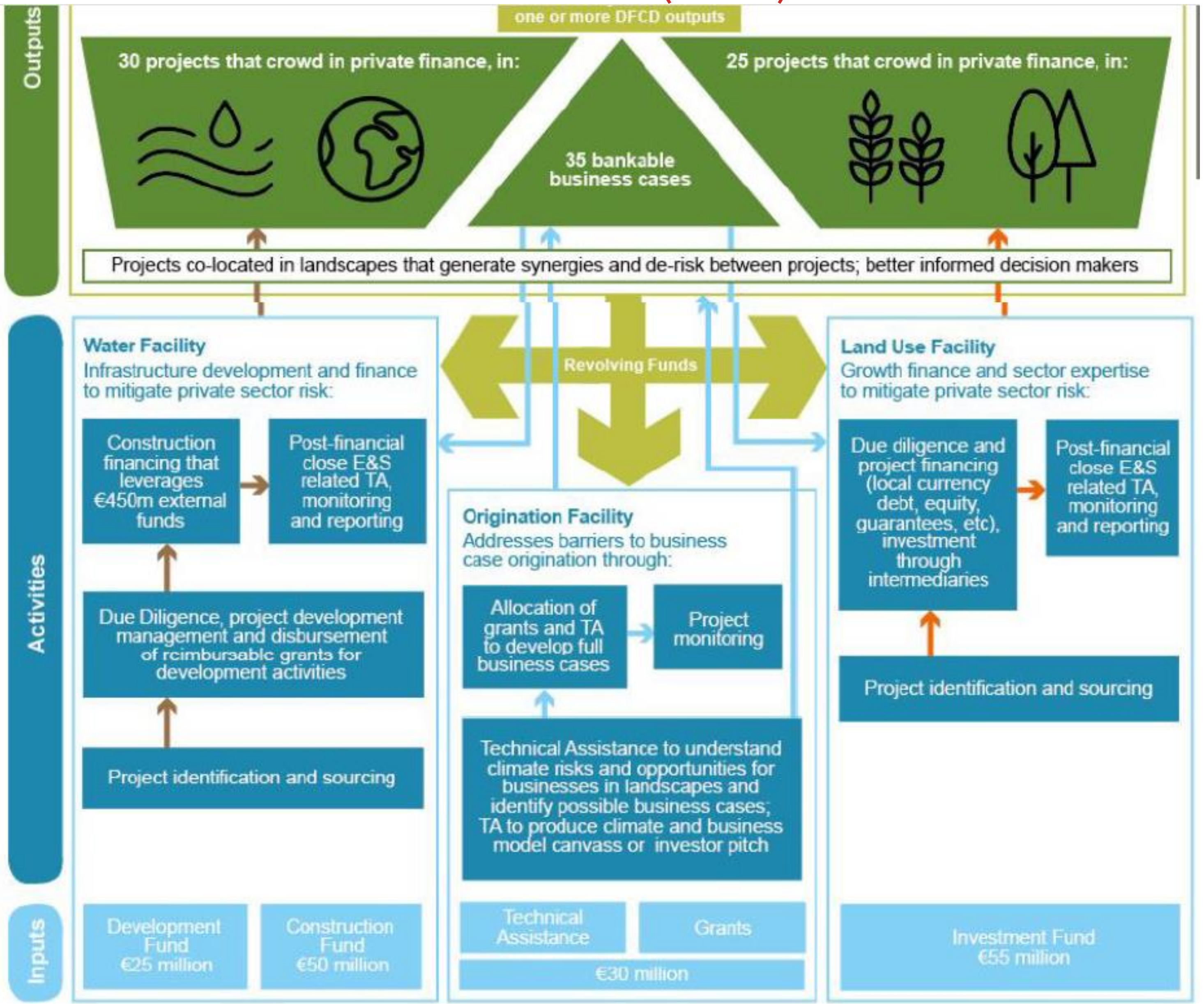
2. DFCD SET-UP AS FORESEEN IN THE BID BOOK

In the bidbook of the consortium five stages were foreseen from Origination to post-financing TA. Ticket sizes > 1 mln in implementation phase and a wide scope of (proposed) financial instruments, including guarantees and post-investment TA.



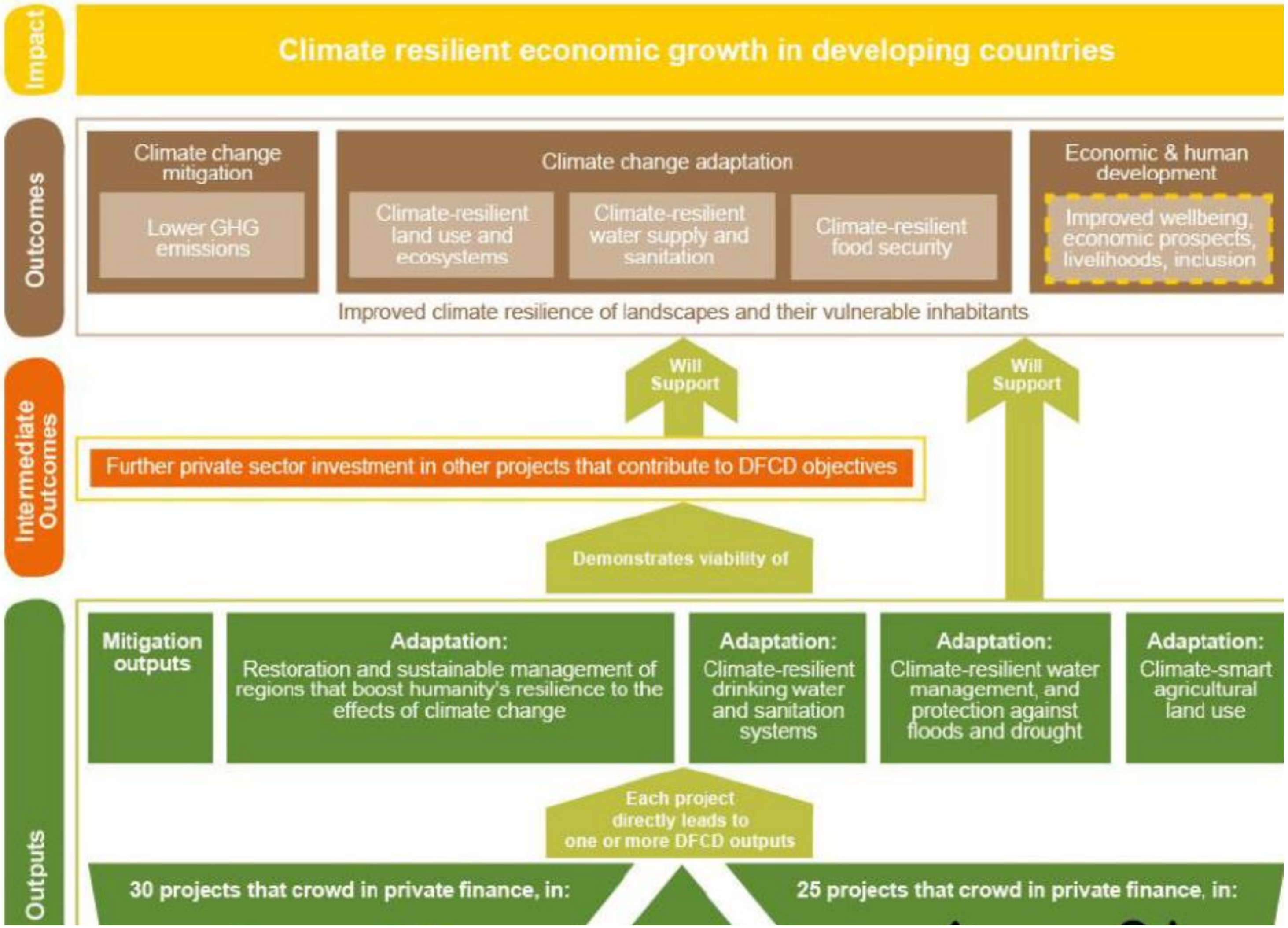
Source: DFCD presentation to MFA and Bid Book consortium

2. ABOUT DFCD – TOC (1/2)



- Through the funds allocated by the Ministry and the guarantee funding by EC (**inputs**), the three facilities aim at providing TA, grants as well as debt and equity financing (**activities**)
- The aim of DFCD is to create business cases for bankable projects (**outputs**) that will crowd in private finance (leverage)
- 35 bankable business cases were foreseen in the bid book.

2. ABOUT DFCD – TOC (2/2)



- DFCD activities are expected to lead to climate change mitigation and adaptation **outputs** for each project (e.g. the construction of climate-resilient drinking water and sanitation systems).
- This is expected to have demonstration effects, which will attract further private investments in similar projects **(intermediate outcomes)**.
- Such investments are expected to further contribute to climate change mitigation and adaptation objectives (**outcomes**), thereby contributing to climate resilient economic growth in developing countries.
- Given the changes in DFCD phase 2, ToC is currently somewhat outdated. It is recommended to update ToC.

3. METHODOLOGY

Our evaluation approach combined four complementary and mutually reinforcing elements. We triangulated all data sources to ensure validity of results. Moreover, data and findings were also validated in in-depth interviews and in a validation workshop with consortium partners and results were reviewed by reference group peer reviewers.

In-depth review of DFCD procedures and processes:

- Extensive desk review and KIIs
- Coverage: all OECD-DAC criteria

In-depth analysis of climate finance architecture, to assess:

- Internal coherence
- External coherence
- Financial additionality
- Non-financial additionality

See also Annex B.

DFCD portfolio analysis, based on:

- DFCD portfolio data and impact data
- Stakeholder survey among DFCD stakeholders (102 respondents, see also Survey Annex C.)

Case studies:

- In-depth case studies field visit and case study review Vietnam (2 in-depth cases, 2 light cases)
- 4 additional 'light' case studies from Indonesia, Nepal, Kenya and South Africa / Mozambique / Uganda.

3. METHODOLOGY AND LIMITATIONS OF THE EVALUATION

- Evaluators categorised the evaluation questions from the ToR under the key OECD DAC evaluation criteria (plus additionality), while some questions were added or rephrased (see Inception Report).
- Findings per OECD DAC evaluation criterion and sub-evaluation question are based on (where possible) a **triangulation of portfolio analysis, desk review of DFCD documents, case studies, survey and interviews with consortium partners.**
- Recommendations from analysis and findings were prioritised and refined in a **validation workshop** with the consortium partners and discussed in a report presentation with reference group peer reviewers.

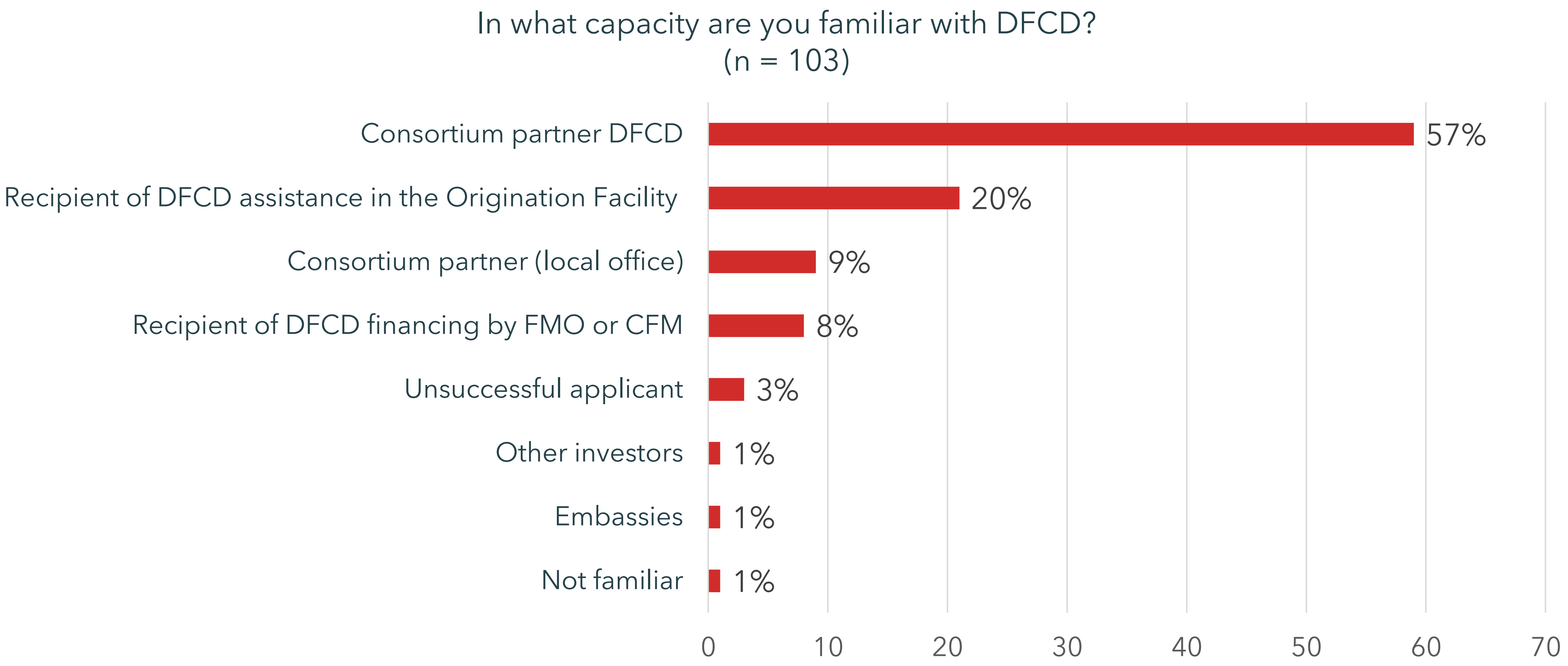
Scope of the study and limitations

- The study should be regarded as an **interim evaluation**. As of January 2024, only a limited number of projects are in the implementation phase. Consequently, it is premature to comprehensively evaluate the effectiveness, financial additionality, and revolvability of the DFCD. Additionally, there were too few projects in implementation to fully assess needs and gaps of blending financial instruments during this phase.
- The coherence assessment was concentrated on comparing DFCD with shortlisted sizable climate funds of Development Finance Institutions (DFIs) targeting the private sector in developing countries.[1]
- In the study evaluators faced data limitations regarding other state funds, WF disbursements, and ticket sizes of some of the shortlisted climate funds/DFIs. A comprehensive analysis of private finance mobilisation was for this reason not possible.
- The survey had a more limited response from external DFCD stakeholders (DFIs, embassies, other; see next page). Annex C also presents survey results for non-consortium respondents.

[1] In line with the Terms of Reference and the Inception Report, this comparison did not include impact investors.

3. METHODOLODY - SURVEY RESPONDENTS

Most respondents were consortium partner staff or applicants. The response was disaggregated by respondent type (consortium partners vs applicants), as outlined in Annex C, to control for bias.[1]



[1] Although bias can never be fully eliminated, responses by consortium members did not seem to be more positive than those by applicants, which provides an indication of low bias (for questions where applicants did not have a clear incentive to provide positively biased answers).

4. EVALUATION FINDINGS

The key findings of the interim evaluation study are presented by OECD-DAC criterion:[1]

1. Relevance
2. Coherence and Additionality
3. Effectiveness
4. Efficiency
5. Other findings

The evaluation questions from the Terms of Reference (ToR) for this assignment have been categorised and refined in the Inception Report based upon the above-mentioned OECD-DAC evaluation criteria. The specific evaluation questions are presented in the next chapters under each main OECD- DAC criterion.

[1] Plus additionality, following the Terms of Reference.

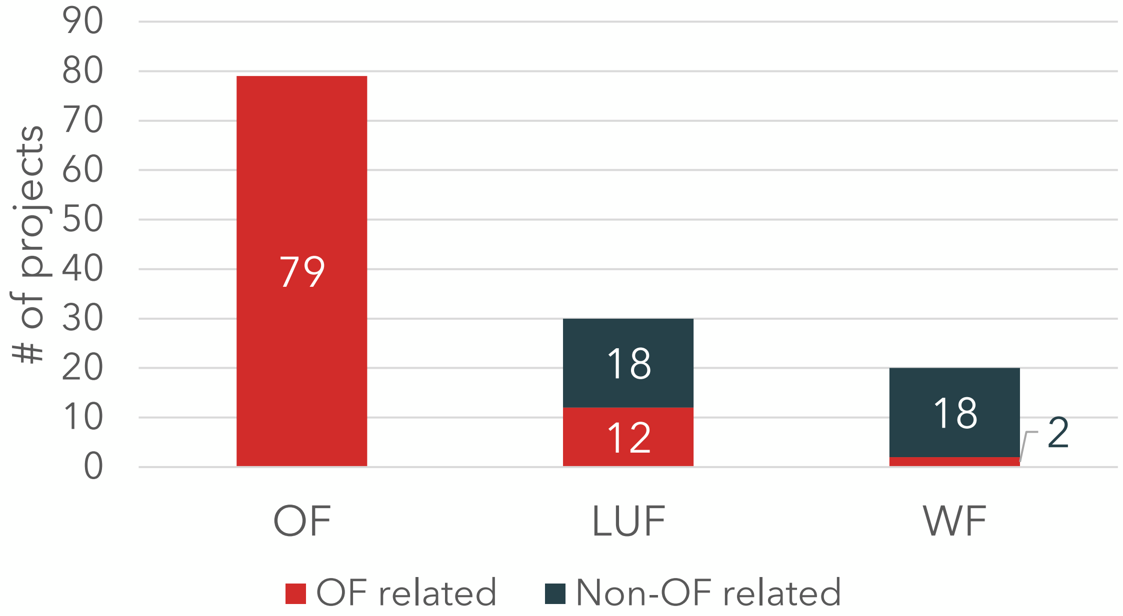
4.1 Relevance

EQ1A: What are the current DFCD portfolio characteristics?
EQ1B: To what extent is the portfolio in line with Fund targets and donor priorities?
EQ1C: To what extent do DFCD processes ensure the generation of projects that are relevant given the ToC and Fund targets?

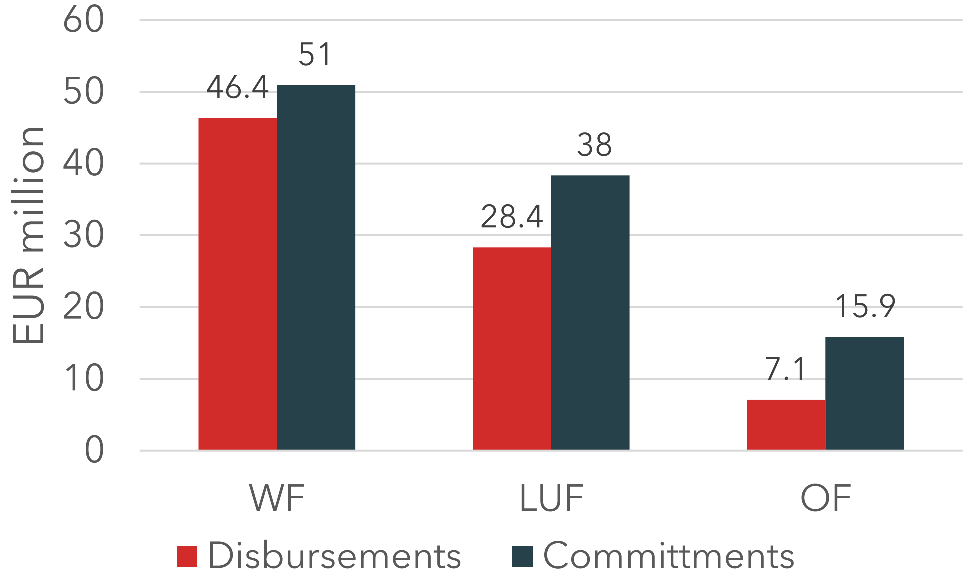
EQ1A – DFCD PORTFOLIO CHARACTERISTICS

As of October 2023, the DFCD portfolio consisted of around 130 projects. The Majority of projects in the Investment Facilities was originated outside the OF, indicating that risks are not assessed early enough by WF and LUF investment officers (as confirmed by interviews and case studies) and WF leverages mostly on its own development facility.[1]

Most projects are still in the Origination Facility (79, of which 28 in development phase).



The DFCD committed around EUR 105 million of investments. The large share was committed by the Water Facility.



Source: DFCD progress reports as of 06-10-2023 and Monday.com database as of 21-11-2023. WF disbursements were separately provided by FMO. Note: # for the OF include projects in the discovery phase. OF related projects in IFs are not necessarily projects that have graduated from the OF, but projects in which both OF and IF are actively involved, according to the available information.

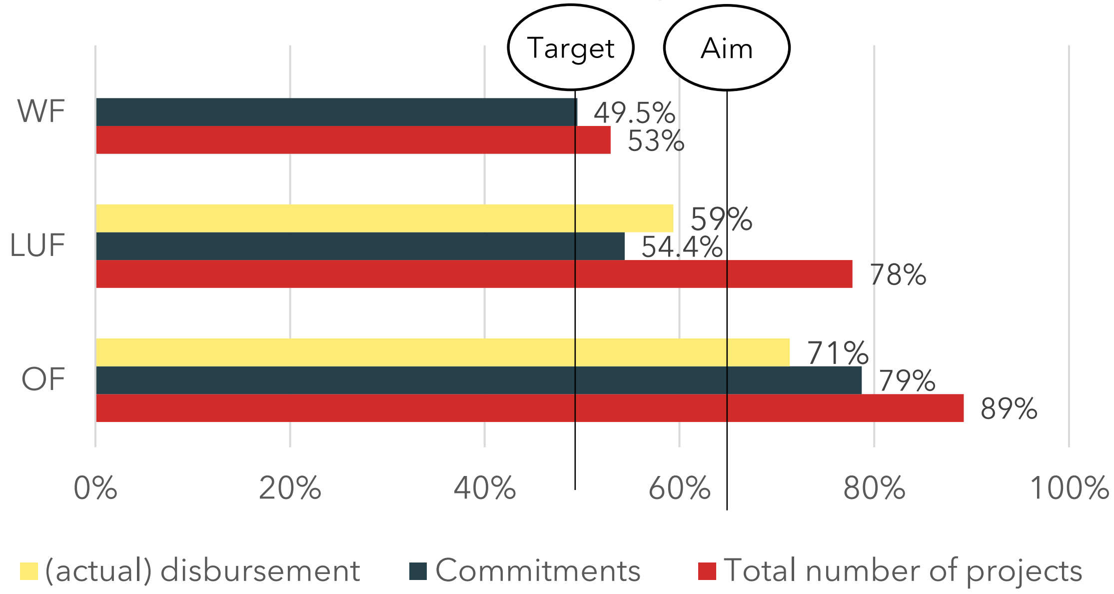
Note: disbursements for the OF only include grants. WWF representatives reported that about EUR 8 million were disbursed for TA.

[1] Morevoer LUF and WF were incentivised to look for projects outside of the OF to be able to spend early on.

EQ1A - CURRENT PORTFOLIO CHARACTERISTICS

As of October 2023, the DFCD met the 50% adaptation target (in terms of committed investment), but only the OF met the 65% desired aim, although the % for the LUF and WF can change rapidly when new investments are made, due to current low number of investments.

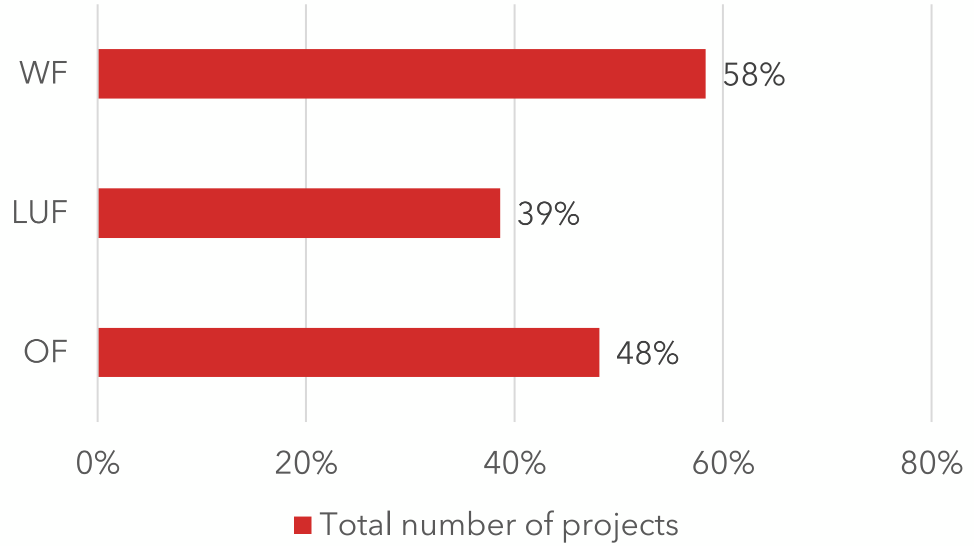
The DFCD committed overall 56% investment to climate adaptation (i.e. with a Rio Marker 1 or 2 for adaptation), above official target, but not yet reaching the aimed 65% of committed investments. This result varies among facilities, with the OF reaching t



Source: DFCD progress reports. Note: numbers for the OF do not include projects in the discovery phase. Projects with a Rio marker 2 were given a 100% weight, whereas project with a Rio Marker 1 were given a 40% weight. No data on disbursements were available for the WF (only CI2 as a whole).

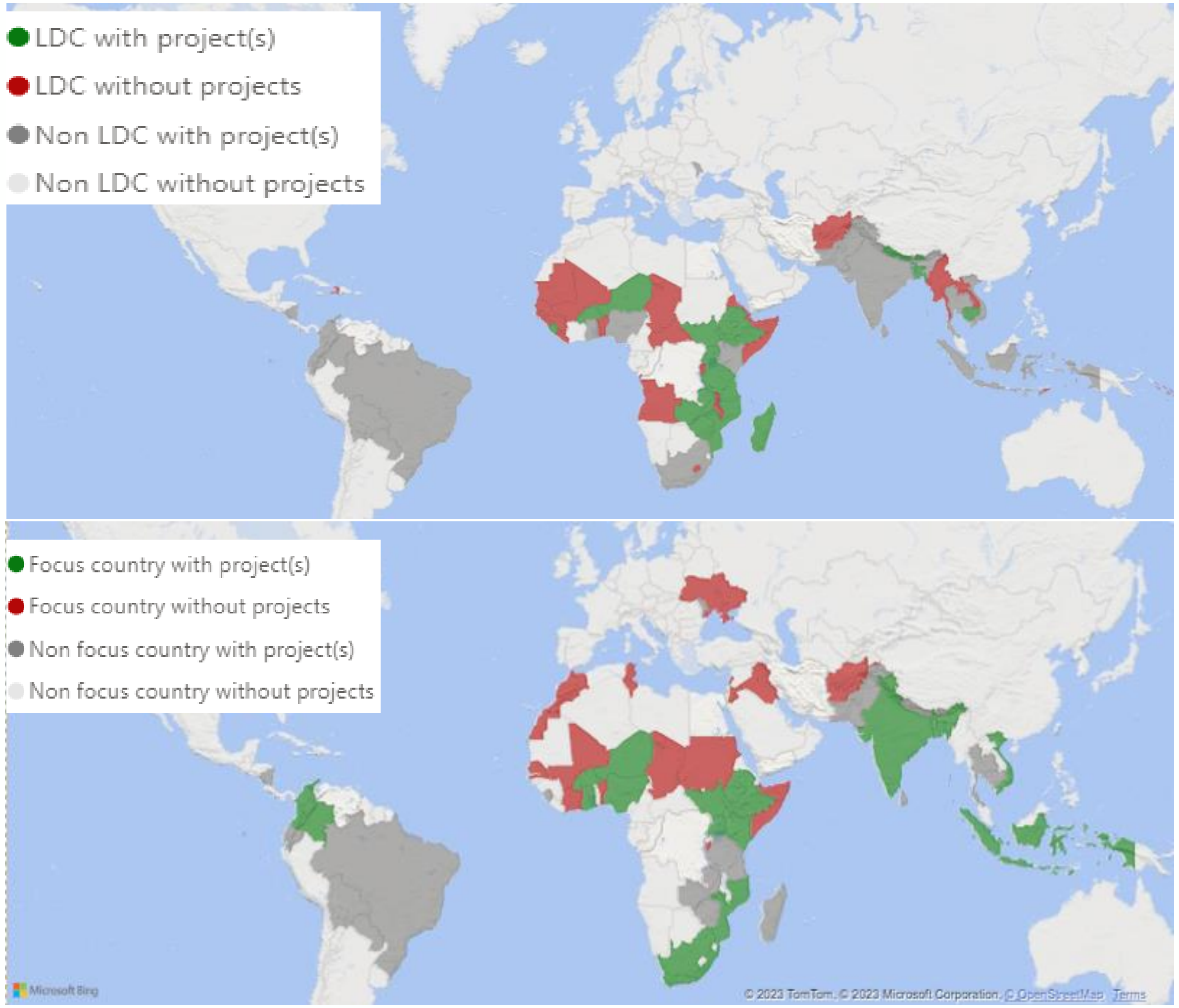
Note: DFCD projects need to have a Rio Marker 2 either for adaptation or mitigation.

The number of projects addressing climate mitigation (i.e. with a Rio Marker 1 or 2 for mitigation) varies between 39% (LUF) and 59% (WF). The DFCD set no target on climate mitigation objective.



Source: Monday.com as of 21-11-2023. Note: numbers for the OF only include projects in the “structure” or “development” phase. Projects with a Rio marker 2 were given a 100% weight, whereas project with a Rio Marker 1 were given a 40% weight.

EQ1B - PORTFOLIO CONFORMITY WITH FUND TARGETS AND DONOR PRIORITIES



A moderate number of LDCs and MFA focus countries is covered by DFCD as of end of 2023:

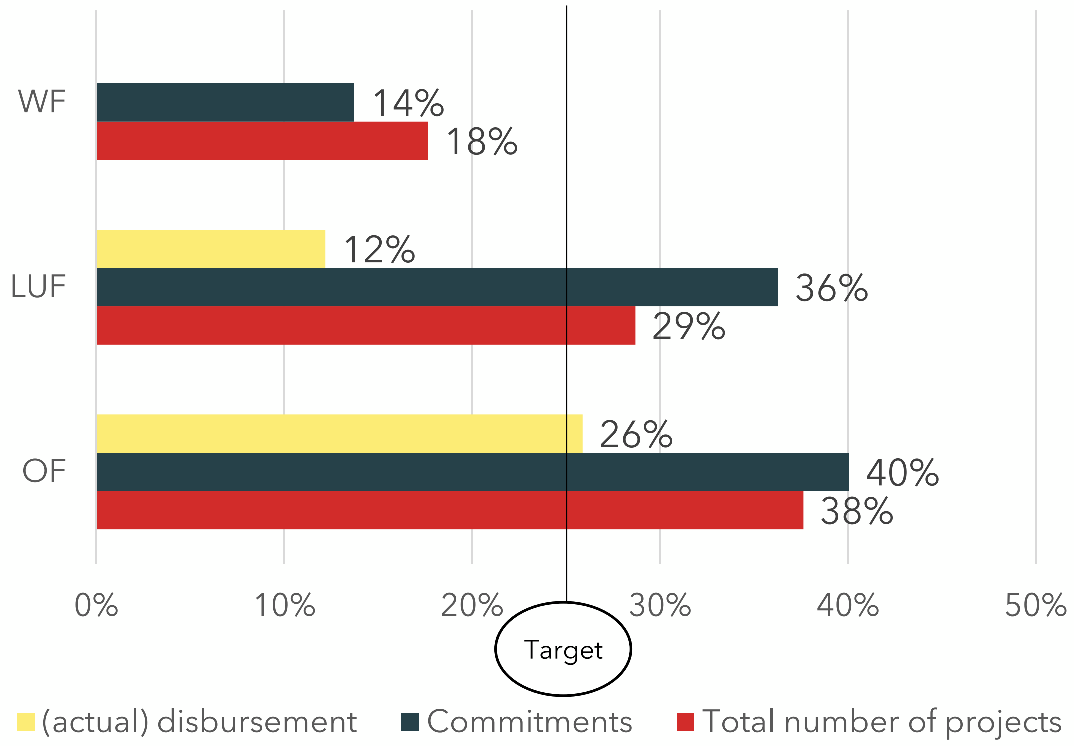
- DFCD has discovery and/or active projects in 15 (out of 48) LDC countries (31% coverage)
- DFCD has discovery and/or active projects in 15 (out of 32) MFA focus countries (50% coverage)
- However, no explicit target was set regarding the number of countries to cover.[1]

Source: Project overviews received from each consortium partner.

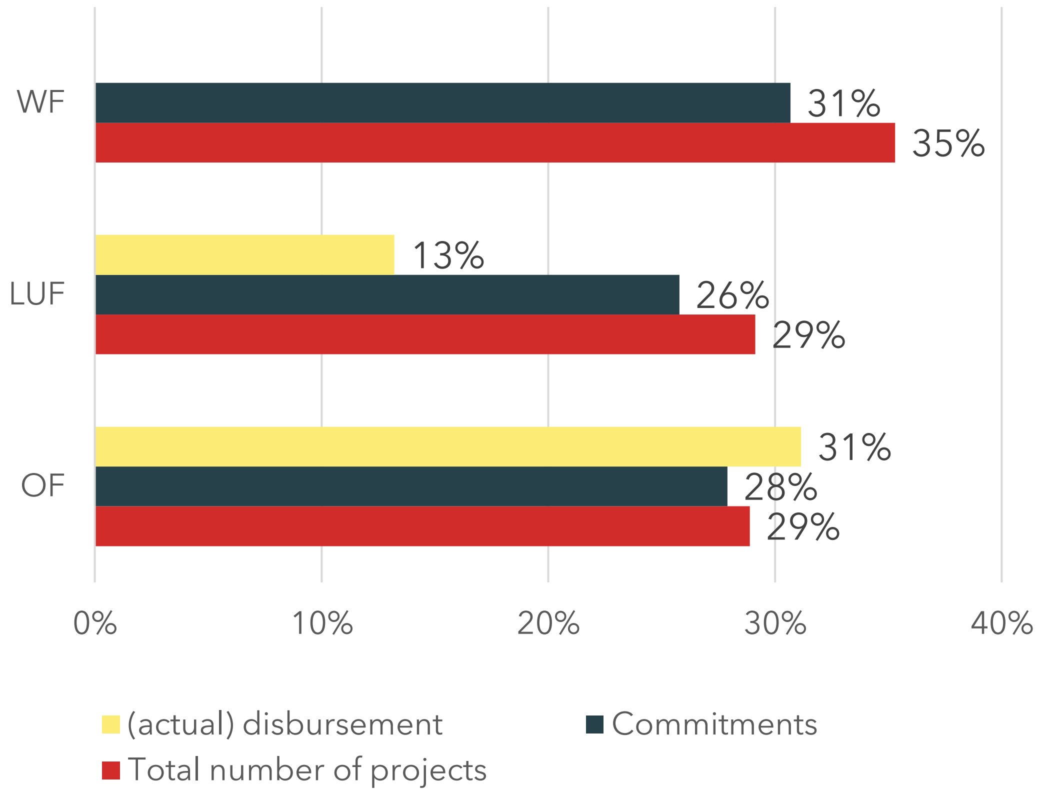
[1] The consortium aims to cover key landscapes (see recommendations regarding concentrating resources).

EQ1B - PORTFOLIO CONFORMITY WITH FUND TARGETS AND DONOR PRIORITIES

The DFCD committed 19% of its capital in LDCs. This percentage is unevenly distributed among the consortium partners, with WF not yet meeting the 25% target of committed investments.



The DFCD facilities committed 26% - 31% of funds to Dutch priority countries. The amount is fairly similar among the three facilities. Only disbursements in the LUF are lower.



Source: DFCD internal progress reports as of 06-10-2023. No data on disbursements were available for the WF (only CI2 as a whole). All OF projects (including discovery) were accounted for.

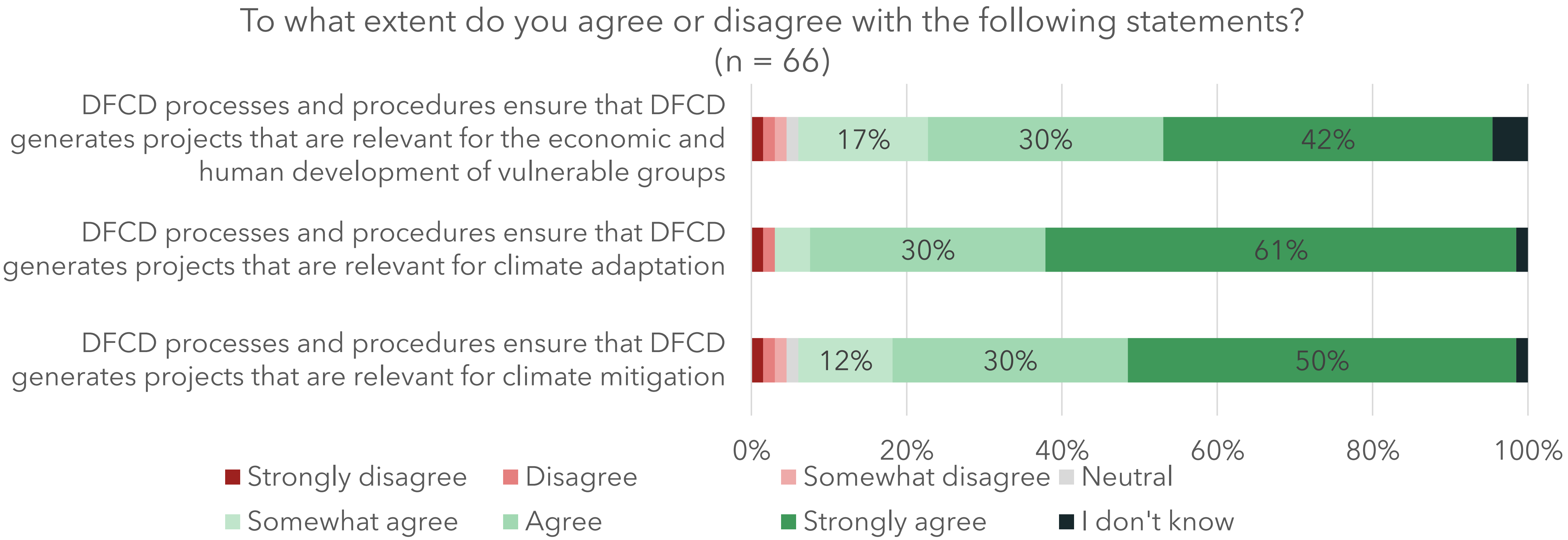
EQ1B - PORTFOLIO CONFORMITY WITH FUND TARGETS AND DONOR PRIORITIES

Most of the (8) project case studies reviewed seemed relevant for climate adaptation or mitigation. The relevance for human and economic development of vulnerable groups and women was not clear (not explicitly specified in project concepts and assessments).

- Projects include an assessment of alignment with national policies.
- All reviewed case studies but one were **relevant for mitigation and or adaptation** (Rio Markers 1 or 2), and only one project had clear objectives and relevance to human and economic development of vulnerable groups.
  - Projects' relevance for vulnerable groups is in all but one case not made explicit and specific, but rather assumed to be inherent due to the general nature of adaptation projects typically enhancing resilience in rural areas.
  - Despite this, an explicit assessment of potential impacts of the project for (climate) vulnerable communities or systems was lacking *for all* cases reviewed.
  - Engagement of vulnerable groups is happening in a few cases, but not in the design phase and not in a systematic or consistent way.
- All case studies reviewed did not show gender specific activities as well as outputs and immediate outcomes in project designs, other project documents (including assessment forms).
- It was too early to assess the relevance of projects within aggregator models through financial intermediaries (FIs, e.g. NMB in Nepal), as potential projects within such models are not yet known.

EQ1B - PORTFOLIO CONFORMITY WITH FUND TARGETS AND DONOR PRIORITIES

The survey highlighted that a large share of consortium members sees DFCD as relevant for climate adaption (91%), followed by climate mitigation (80%) and human development of vulnerable groups (72%). Despite this positive response, this corroborates the finding from the case studies (previous slide), that the relevance for economic and human development of vulnerable groups was less clear compared to climate adaptation..



Note: this question was only asked to consortium members.

EQ1C - DO DFCD PROCESSES ENSURE THE GENERATION OF PROJECTS THAT ARE RELEVANT?

DFCD processes: project selection and assessment procedures: DFCD processes are not yet fully geared towards relevant projects on all objectives of ToC.[1]

- Case studies indicated that the relevance of projects is assessed by mitigation and adaptation Rio Markers to a very general extent. The substantiation for the attributed Rio Markers was often not very specific and measurable or verifiable (evaluators did not find DFCD procedures or DFCD quality checklists on this).

- Important indicators on the ToC outputs and outcomes, such as on the reduction of vulnerability (of vulnerable people, water systems, ha of agricultural land or # crops) to climate hazards, are lacking in project designs, project selection and monitoring systems. Baseline & target values regarding, for example, the number of climate-vulnerable farmers, poor people, women, vulnerable water supply capacity m^3 etc. are not provided.

The relevance of DFCD could be improved by strengthening the project selection criteria and project designs regarding potential outcomes for climate vulnerable groups, systems, crops or species.

[1] In addition, the ToC as reported in the Bid Book is outdated. Additional focus after the second grant by MFA and the EC guarantee is on food security, biodiversity, gender.

4.2 Coherence and Additionality

EQ2A: To what extent does DFCD add value to the international climate finance architecture?
EQ2B: To what extent does the DFCD effectively cooperate with external stakeholders?
EQ2D: To what extent does DFCD add value to other MFA-funded interventions?
EQ2E: To what extent does DFCD add value to other FMO state funds?
EQ2G: To what extent do DFCD processes ensure the funding of projects that are financially additional

THE CONCEPTS OF ADDITIONALITY AND COMPLEMENTARITY

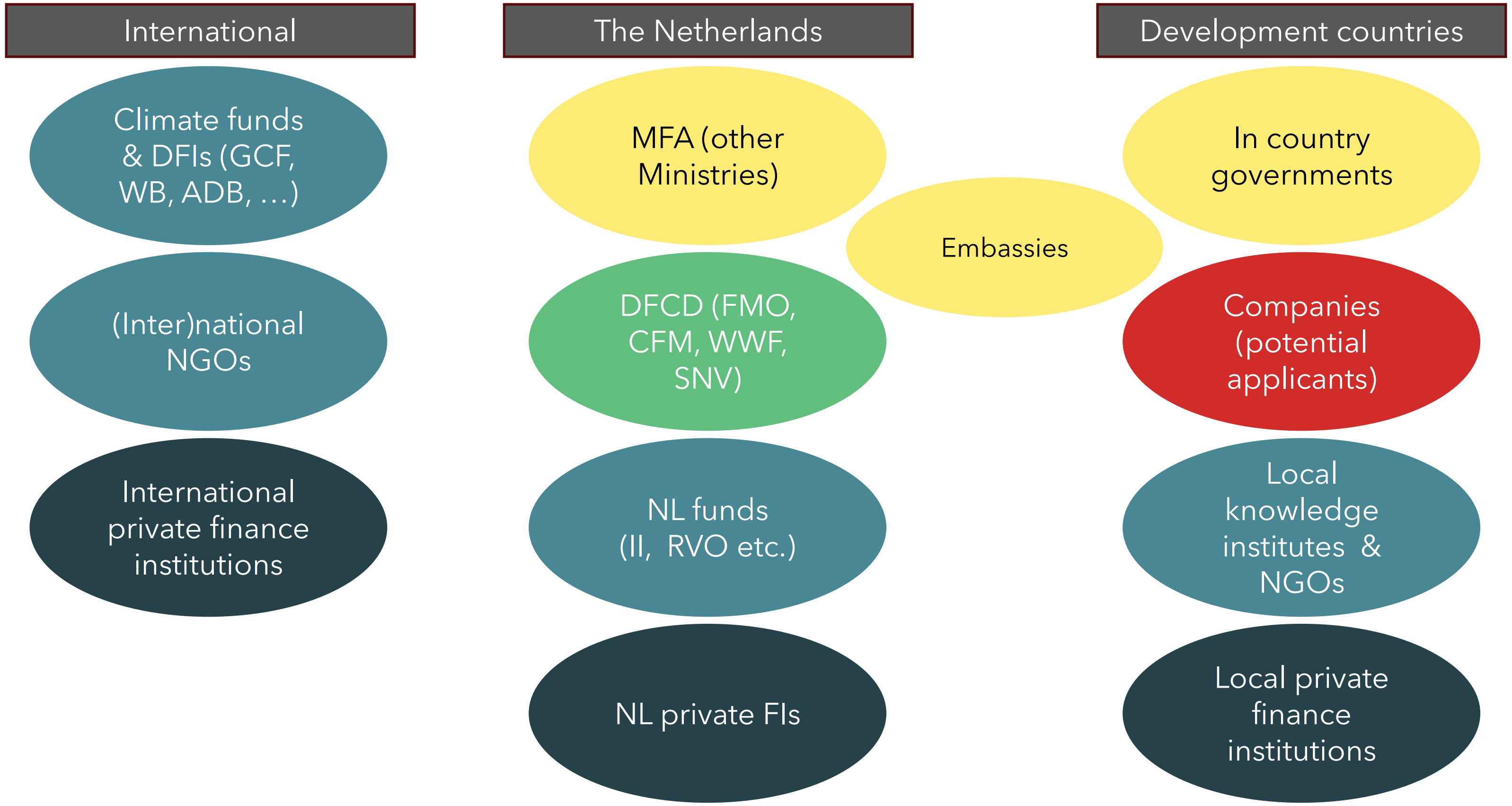
It is important to distinguish between *development additionality*, *financial additionality* and *coherence with other climate funds*. DFCD facilities score differently on these concepts: the LUF had a less positive assessment of coherence within the climate finance architecture, compared to the other DFCD facilities.

- **Financial additionality** of FMO/CFM investments should, strictly speaking, be assessed only relative to the private commercial finance market, as the goal is to avoid crowding out of potential investments by commercial banks/ investors (market distortion). OF activities are almost by definition financially additional, as private players would typically not fund project identification activities of this type.
- **Development additionality** is present when DFCD enhances the impact of projects relative to the impact they would have had without DFCD. This includes climate impact (not only social impact or gender)
- **Coherence** is a different concept and deals with avoiding overlap and maximizing complementarities and synergies with other climate funds. In this evaluation, the focus was on assessing the 'value added' (complementarity) of DFCD relative to other climate funds, including other DFIs (see also Annex B).

Criterion	OF	LUF	WF	Overall DFCD
Development additionality	++	?	+	+
Financial additionality	++	?	+	+
Coherence within climate finance architecture	+	-	+	+

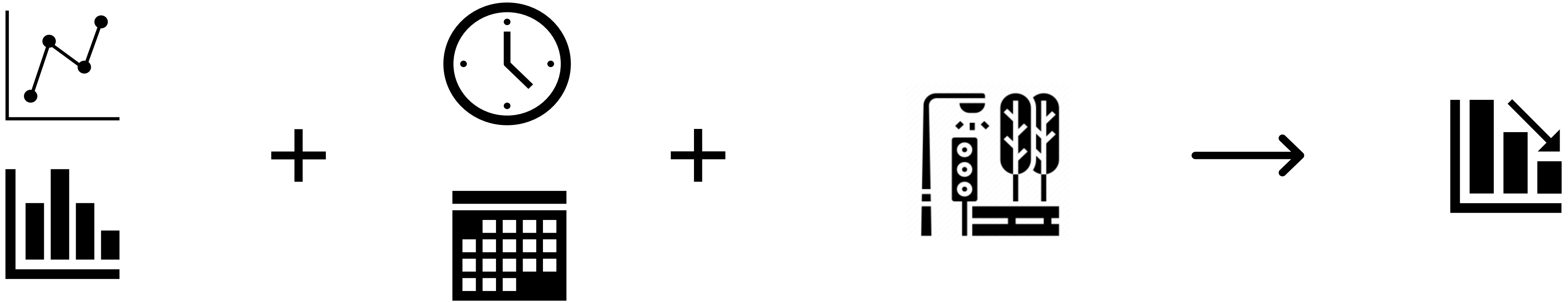
DFCD STAKEHOLDER MAPPING

Important external stakeholders of DFCD are available at three levels (international, in-country and NL) and are shown below. DFCD is currently working on expanding its pool of partners (especially related to basket funding and SME finance). However, the evaluators did not find a strategic mapping of stakeholders and partnership strategy document by DFCD yet.



EQ2A - ADDED VALUE TO THE INTERNATIONAL CLIMATE FINANCE ARCHITECTURE

The market for adaptation finance faces a number of key challenges and market failures. These are:



Insufficient information on hazards (lack of climate data & models)

+

Long time horizons of projects & **limited bankability** WASH in LDCs

+

“**Public good**” nature of adaptation interventions & public utilities WASH

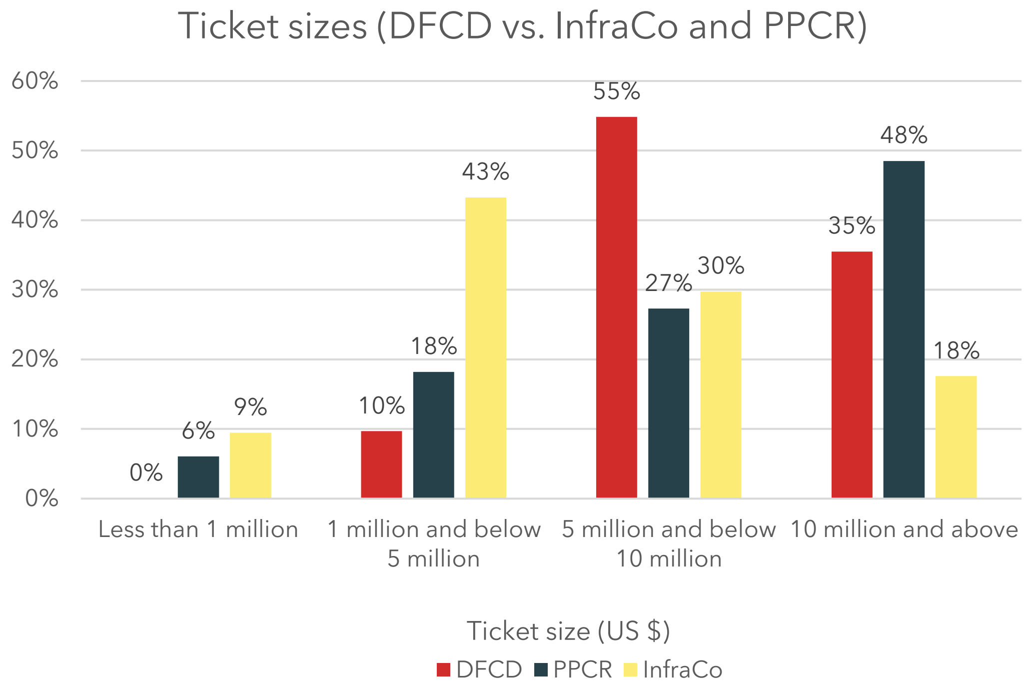
→

Externalities and the free rider problem

- Addressing climate adaptation with repayable finance is complex by nature due to market failures and the characteristics of adaptation projects and limited bankability (low cost-recovery and risks) of utilities or non-existence of private water utilities in the water & sanitation (WASH) sector in LDCs. For this reason, it is very difficult to finance projects with only repayable/ private finance in this sector (especially in LDCs).
- The scope of financial instruments currently committed by LUF and WF is not well aligned with these challenges.
- Further details on challenges in the climate finance and how DFCD is positioned in this context are provided in Annex B.

EQ2A - ADDED VALUE TO THE INTERNATIONAL CLIMATE FINANCE ARCHITECTURE

For this study shortlisted important other climate funding organisations (GCF, CIF, PIDG-InfraCo) focus also on private sector projects with ticket sizes above $3 million. DFCD could increase its complementarity to the climate finance architecture by focusing more on funding projects below $3 million.



- 75% of the projects under the Pilot Programme for Climate Resilient projects (PPCR facility) under the Climate Investment Fund (CIF) exceed $5 million. Nearly half of PPCR projects exceed $10 million;
- Nearly half of InfraCo projects > $5 million;
- Virtually all (98%) Green Climate Fund (GCF) projects (under the GCF Private Sector Facility) have ticket sizes above $5 million.[1] Average ticket size of GCF is higher compared to DFCD (between 20 and 90 mln USD) with quite a bureaucratic process for applicants.

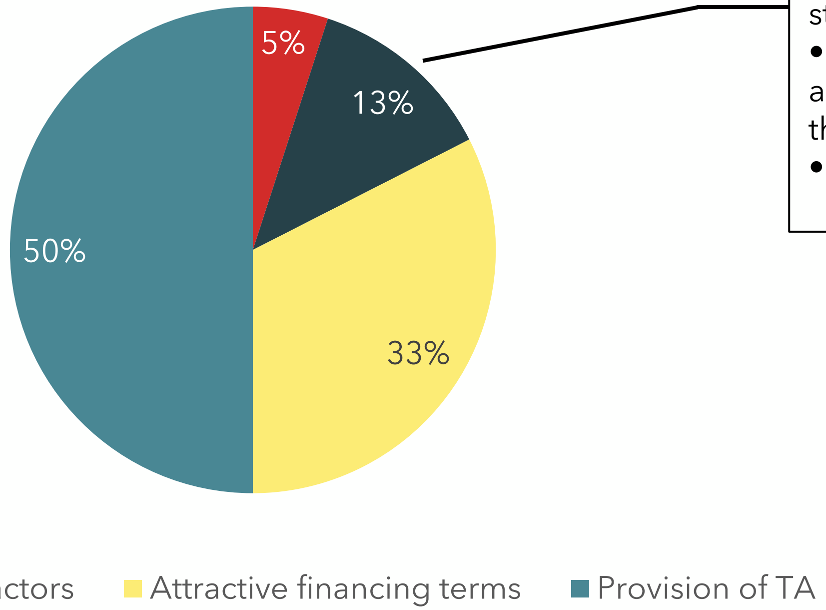
Sources: **InfraCo:** data.pidg.org, **PPCR**: PPCR OPERATIONAL AND RESULTS REPORT, June 2023, SCF/TFC.17/03.2, **GCF:** data.greenclimate.fund

[1] The GCF ticket size is not included in the figure, to make data visualization easier. Including a 98% bar in the fourth column makes it difficult to compare ticket sizes visually.

EQ2A - ADDED VALUE TO THE INTERNATIONAL CLIMATE FINANCE ARCHITECTURE

Survey results indicate that applicants regard the provision of TA as the most attractive factor compared to other funding sources. This was also confirmed in case study interviews, but OF grants were also regarded as attractive and supportive.

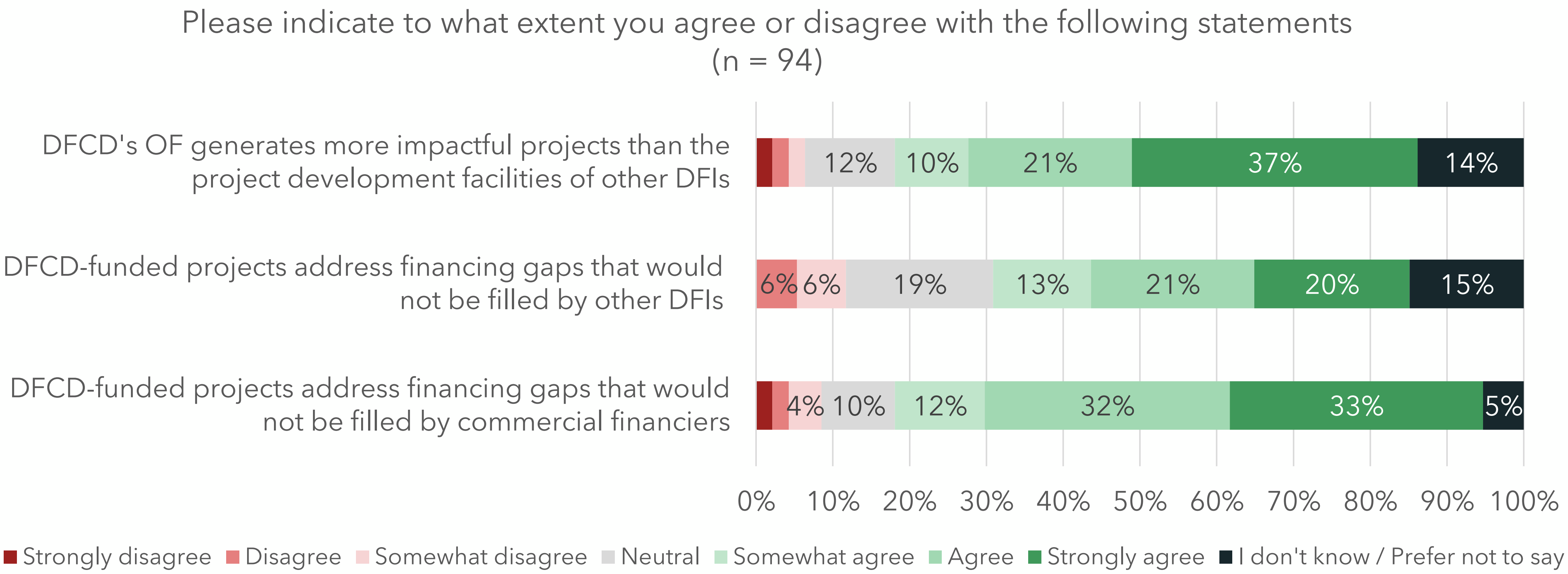
When comparing DFCD to other potential sources of funding for your project, what are some factors that make DFCD attractive for you?
(n = 29)



Other factors include:
- Support from WWF in the initial stages was open and transparent
- Risk tolerant capital
able to fund studies that feeds into the project
- Great team to work with at DFCD

EQ2A - ADDED VALUE TO THE INTERNATIONAL CLIMATE FINANCE ARCHITECTURE

Survey results suggest high development additionality of OF, high financial additionality relative to commercial financiers, but lower financial additionality relative to other DFIs. Applicants were slightly more critical than consortium partners regarding additionality generally (see Survey Annex).



EQ2A - ADDED VALUE TO THE INTERNATIONAL CLIMATE FINANCE ARCHITECTURE

OF and WF score well on additionality and external coherence; but LUF's complementarity to other funds in the climate finance architecture is less clear (see Annex B).

- DFCD adds value to the international climate finance architecture (e.g. InfraCo, GCF) in a number of ways:
  - the OF (through local presence, provision of early TA and de-risking of projects)
  - collaboration with the development fund of CI2 (CFM)
  - focusing on LDCs
  - focusing more on the agriculture and forestry sector
- The complementarity of LUF with other similar funds (e.g. GCF or other FMO state funds) is less clear, given
  - Similar target groups (corporates)
  - Similar ticket sizes ($5 million or above)[1]
  - The trend of greening other funds (although DFCD is more clearly targeting especially climate adaptation).

[1] Only two investments were significantly below USD 5 million. Three other investments were at **EUR** 4.5 million, considered in the range **USD** 5 million and above, with a USD-EUR exchange rate of 1.1, as used by the consortium in the source data file. Source: DFCD progress reporting 06-10-2023

EQ2B - TO WHAT EXTENT DOES THE DFCD EFFECTIVELY COOPERATE WITH EXTERNAL STAKEHOLDERS?

While some collaboration with external stakeholders is taking place, DFCD could be more strategic and pro-active in this area, particularly regarding other DFIs.

- The evaluation team observed instances of good collaboration with EC, WB & IFC and local banks. However, it found limited evidence of collaborative efforts or strategic attempts to seek synergies with other DFIs (for instance with ADB, GIZ, KfW, GCF). This was particularly the case for OF. However, due to the limited number of financed projects financed by LUF (with FMO investments teams) and WF (CFM), this aspect could not be conclusively evaluated.
- At the project level, the DFCD consortium has actively been pursuing project-specific collaborations with other funds such as Invest International, AgriFi and Hivos-Triodos (as well as with local funds/banks) for projects that are considered too small by the LUF and the WF (generally below USD 3 million).
- At the more strategic level, the DFCD consortium has recently also initiated dialogues to establish more strategic partnerships with such partners. It is the aim of the consortium to formalise more of these partnerships in 2024, with the aim of funding smaller ticket sizes by broadening its investor pool. However, the consortium had not yet made a strategic mapping of stakeholders or a formal partnership strategy.

EQ2E - COMPLEMENTARITY TO OTHER FMO STATE FUNDS

- Analysis of documents of other FMO state funds (see Annex B), as well as qualitative remarks by survey respondents indicated an overlap between DFCD and other FMO state funds.[1]
  - While interviewed FMO representatives reported that FMO state funds have different mandates, they acknowledge overlaps, as also shown in the below remarks from the survey.
  - There is no question in the Stage 1 assessment forms on the coherence of the project on the complementarity or overlap with other NL and FMO funds.
- The DFCD LUF could consider learning from selected experiences with other FMO state funds to (see Annex B):
  - Use a wider set of instruments and/or at more concessional terms (e.g. use more de-risking with guarantees, TA, convertible grants, or more (junior) equity);[2]
  - Be more open to making investments to SMEs and below USD 3 million. The work that DFCD started doing with aggregators (financial intermediaries) and with partners that finance deals below USD 3 million is a step in this direction.

Relevant remarks from open survey questions:

- "DFCD faces challenges related to overlap with other FMO-managed programs. Issue with having multiple funds and different application processes is that it generates complexity for beneficiaries, and pooling funds could reduce portfolio risks/enhance project risk-taking
- "Pooling the Dutch Government accounts should be a very strong recommendation to MoFA, since a slight tweak in program mandates is required to enable pooling of the accounts." "There could be more cooperation with the other state funds managed by FMO in the area of impact measurement and reporting."
- "Pooling [FMO state] funds diversifies the risk at a portfolio level, enabling FMO […] to take higher risk at an asset level"

[1] Only about 60% of survey respondents knowlegable about FMO were confident that there is no overlap between DFCD and the other FMO state funds. [2] LUF can currently already offer equity, junior, senior debt, mezzanine and (based on the Bid Book) guarantees, but in practice it uses mostly debt or sub-debt. Guarantees by other funds are provided through separate programmes, eg. NASIRA.

EQ2E - ADDED VALUE TO OTHER FMO STATE FUNDS

Fund	Objective	Sector (and direct beneficiaries)	Financial instruments (actual committed)	Investment size (eur million)[1]	Revolvability
DFCD	Climate adaptation & mitigation, economic development	Agriculture, Forestry, WASH	Debt (91%) and equity (9%) (LUF);[2] mostly equity in WF.	2.7 – 20[3]	Target = 75%-100% Actual: no data[4]
MASSIF	Financial inclusion (SMEs MSMEs, women led businesses)	Financial services (financial institutions and funds)	Equity and fund investments (62%), debt (34%), mezzanine (3%), guarantees (1%), TA.[4]	3.5 – 10 (equity and debt) < 1 (guarantees and TA)	Target = 100% Actual = 146%
Building Prospects	Private sector development (main), climate mitigation, climate resilience, jobs creation	Agribusiness, mixed renewables, non-renewables, infrastructure	Equity and fund investments (44%), Mezzanine (24%), Loans (32%), Guarantees (< 1%), Convertible grants, TA. [4]	0.8 – 7.5 (equity and debt) Lower for TA	Target = 100% Actual = 87%
Access to Energy Fund	Improving the availability and quality of power through renewable energy generation and distribution	energy (solar, wind, mixed, non-renewable)	Equity and fund investments (51%), Mezzanine (9%), Loans (39%), Guarantees (1%), TA. [4]	1.4 – 8 (equity, debt, mezzanine) <1 (guarantees and TA)	Target = 75% Actual = 129%

[1] Data for BP and AEF are for new investments made in 2021 and 2022 in EUR million.
[2] FMO representatives reported that two more equity investments are foreseen for the DFCD phase 2.
[3] Source: DFCD progress reporting 06-10-2023; numbers include also foreseen investments, for which the reported amount is usually an upper limit estimation; [4] No data available, as only a few investments were made as of end 2023.
[4] Guarantees are provided through separate programmes, eg. NASIRA

EQ2G - TO WHAT EXTENT DO DFCD PROCESSES ENSURE THE FUNDING OF PROJECTS THAT ARE FINANCIALLY ADDITIONAL

While the financial additionality of DFCD projects is assessed at the (pre-)investment stage, this additionality assessment could be improved and undertaken at earlier stages in the OF.

- IC assessment criteria (before graduation) and FMO criteria of investment officers do include an assessment of financial additionality. However, the additionality criteria in DFCD assessment forms are not sufficiently clear (e.g. they do not ask about the possibility of attracting potential finance from the market). The financial additionality assessment by FMO is clear, but comes quite late in the process.
- The financial additionality of DFCD investments largely depends on the specific context of each country and its private finance market. DFCD's additionality assessments would therefore benefit from a more detailed analysis of market failures in commercial finance, gaps in private climate funding, or sector-specific financing gaps.
- DFCD could usefully consider conducting such private finance market studies already at the OF stage for selected DFCD target countries. This could offer valuable insights into their unique climate finance needs, necessary financing and de-risking instruments. It is especially recommended for developing countries with more mature commercial finance markets, and for markets with lower risks, lower inflation and lower interest rates, such as Vietnam or India.

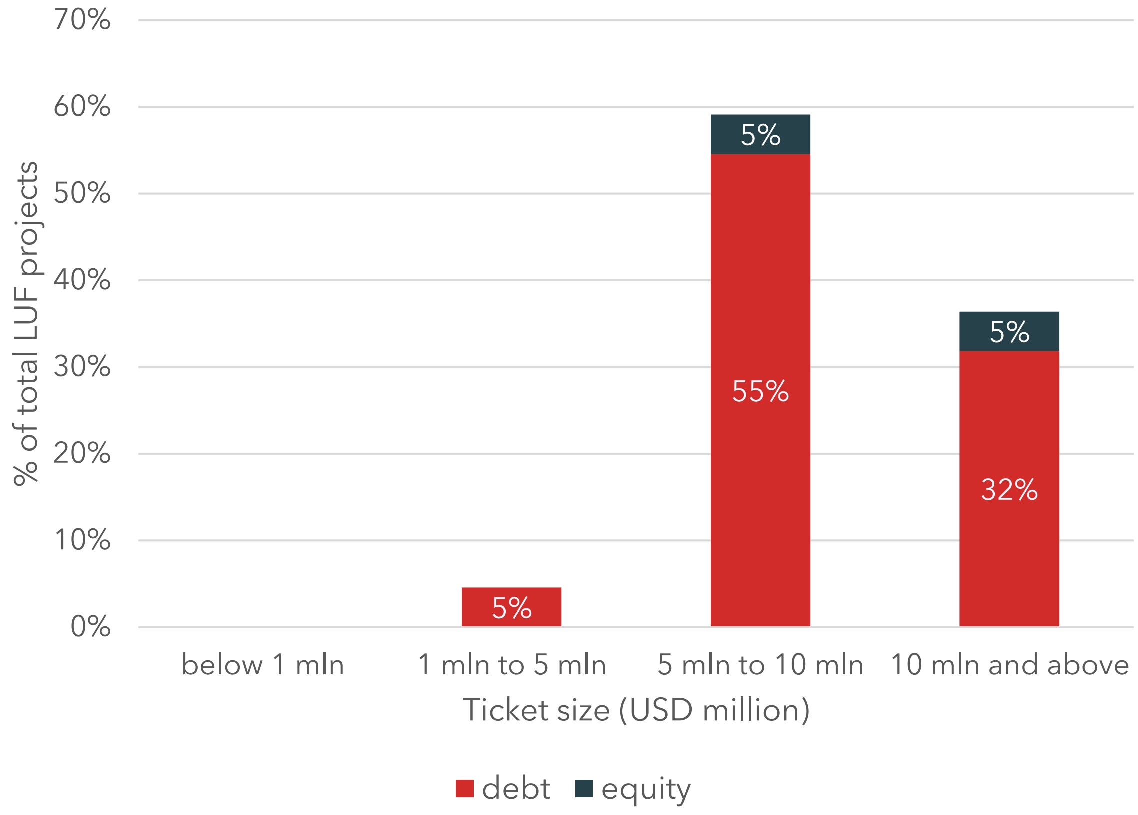
EQ2H - TO WHAT EXTENT ARE DFCD PROJECTS FINANCIALLY ADDITIONAL?

The DFCD structure (grants and TA in the OF) ensures overall financial additionality, however survey and case studies revealed that financial additionality of LUF is moderate.

- The financial additionality is strong for the WF (due to DF2 and CEF2) and moderate for the LUF due to the limited scope of financial instruments in committed investments, and a limited risk appetite of FMO. FMO's risk appetite seems rather limited, as case studies and interviews showed that:
  - LUF mostly focuses on corporates (until end of 2023, a segment which private investors also tend to focus on);
  - FMO sets balance sheets requirements not very different from FMO-A;
  - A high proportion of foreseen debt instruments vs equity instruments (committed projects).
- Although only very few deals were made, case studies highlighted that DFCD FMO terms (e.g. maturity and amount offered) are for some projects not substantially different from FMO-A.
  - In two cases, information provided by FMO did not make a strong case for additionality (see Annex D), although this might be due to the preliminary stage of the deal negotiations. FMO stakeholders reported that they are "always willing to provide longer tenor".

EQ2H - TO WHAT EXTENT ARE DFCD PROCESSES FINANCIALLY ADDITIONAL?

Over time communication between consortium partners has led to de facto rules on ticket size and financing instruments, which hamper financial additionality.



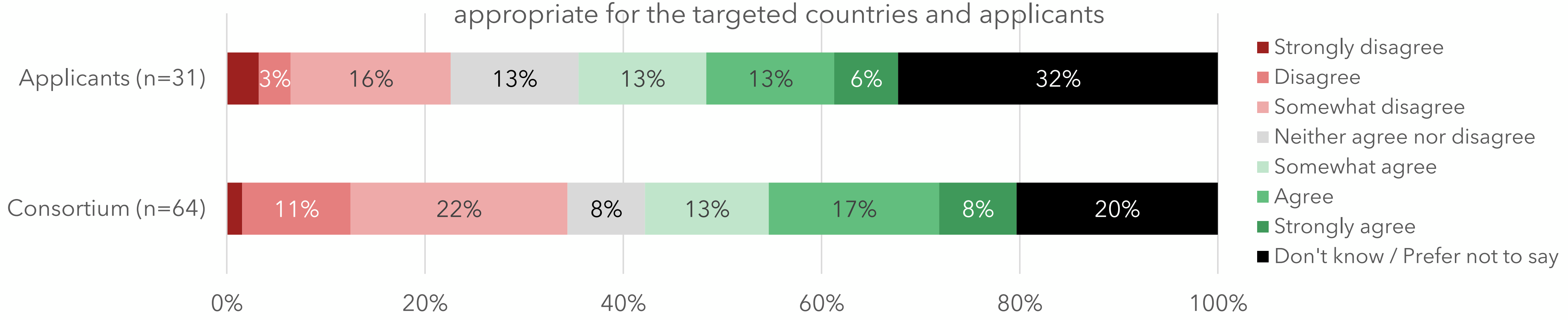
- De facto rules differ from the DFCD Bid Book and hamper DFCD's financial additionality.
- Consequently, most projects are being financed at ticket size close to or above $5 million and mostly financed by debt, and lower ticket sizes or other financial instruments are not foreseen.
- Despite this, DFCD is working with partners to finance deals below US$ 3 million, as well as with aggregators of projects through financial intermediaries.

Source: FMO data from DFCD progress reporting 06-10-2023.

EQ2H - TO WHAT EXTENT ARE DFCD PROJECTS FINANCIALLY ADDITIONAL?

Survey respondents also expressed doubts on the appropriateness of financial instruments offered by FMO. Views did not differ significantly between applicants and consortium members.[1]

The terms of the financial instruments (e.g., tenor, interest rates, fees, equity terms) offered by **FMO** are appropriate for the targeted countries and applicants



Relevant qualitative remarks from respondents in the survey:

- *"Terms and ticket size should be concessional or more competitive than local FI's."*
- *"Financial instruments, terms and conditions of the investment may need to be improved."*
- *"The main reason why we participated in DFCD was because we were looking for long term funds sharing collateral with FMO. However, during the discussions, FMO representative even though he knew that fact, he wanted to share short term credit and not finance long term credit to farmers."*

[1] However, the evaluation team acknowledges that OF consortium members and applicants have an incentive to ask for more concessional instruments, which might be reflected in the survey responses.

4.3 Effectiveness

EQ3A: To what extent does DFCD generate projects that effectively contribute to (a) climate mitigation, (b) climate adaptation, and (c) economic and human development for vulnerable groups?
EQ3B: To what extent and why is the DFCD Origination Facility (OF), and where applicable the LUF and WF, effective in originating and developing bankable projects?
EQ3C: To what extent and why is the DFCD effective in mobilising private finance for climate-relevant projects?
EQ3D: To what extent is DFCD effective in applying the landscape approach?
EQ3E: To what extent do DFCD processes for gender equality help ensure gender sensitive impact?
EQ3F: To what extent is the DFCD able to apply monitoring, evaluation and learning abilities to continuously improve?

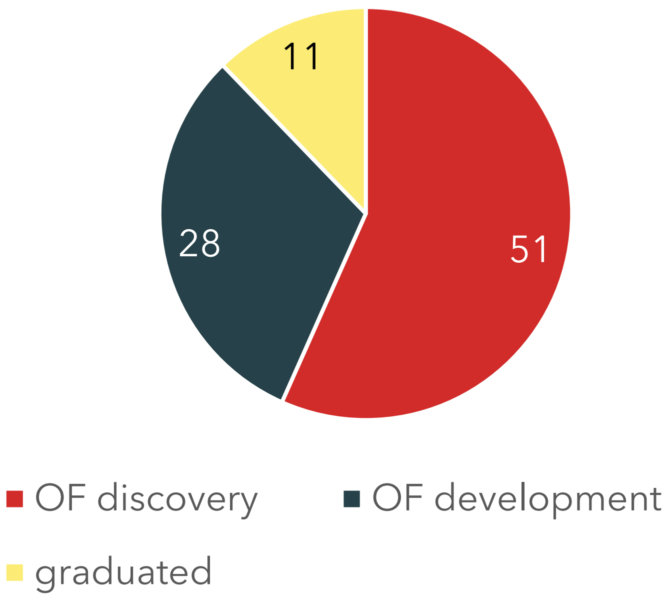
EQ3A – DFCD PROJECT CONTRIBUTION TO CLIMATE MITIGATION & ADAPTATION, AND ECONOMIC & HUMAN DEVELOPMENT FOR VULNERABLE GROUPS

- Although for about half of the case studies, results on climate change adaptation, mitigation and economic and human development are too early to measure at this stage, pilot projects within case studies give an indication of potential effectiveness.

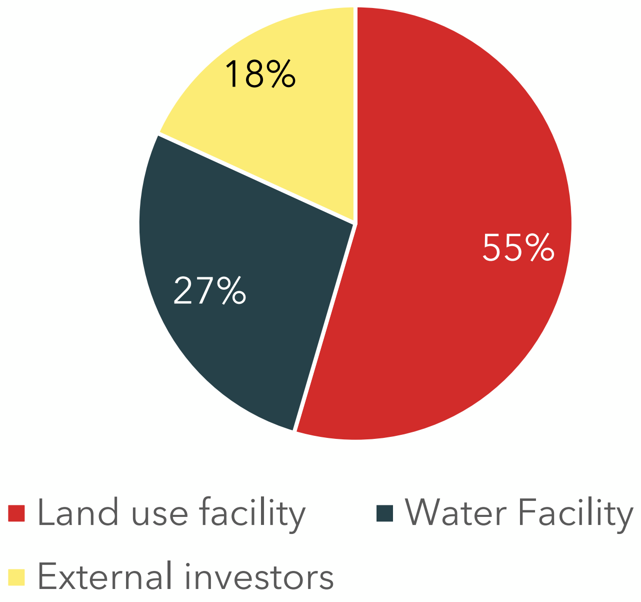
- Review of project proposals (case studies) and the project selection system (DFCD assessment forms and DFCD impact Guide) reveals that *potential* effectiveness of projects might be hampered by:
  - The **incompleteness of the project selection system:** important indicators such as on reduction of vulnerability (of people, crops or water systems) to climate hazards are lacking. The potential gender & community impacts of the projects are not thoroughly assessed in OF and LUF, e.g. the targets for reduced number of climate vulnerable poor, farmers, women or water supply facilities could be added.
  - The **target groups mentioned in policy notes** - women, poor and vulnerable groups, farmers and youth - are **not consistently included in project designs, approvals, and not are not included in the monitoring system** (as also shown in the Action Aid evaluation). This is relevant for all DFCD facilities, but less in sectors where Environmental and Social Impact Assessment (ESIA) is required, e.g. for infrastructure.
  - Both the DFCD Impact Guide and some case study reviews show a **potential for overestimating impacts** on GHG emission reduction and adaptation due to **lack of consideration of the counterfactual (the "without project scenario").** The DFCD impact guide could provide more guidance regarding quantification of these impacts (substantiation of the Rio markers and quantifications for outputs and outcomes related to ToC).

EQ3B - ORIGINATION AND DEVELOPMENT OF BANKABLE PROJECTS

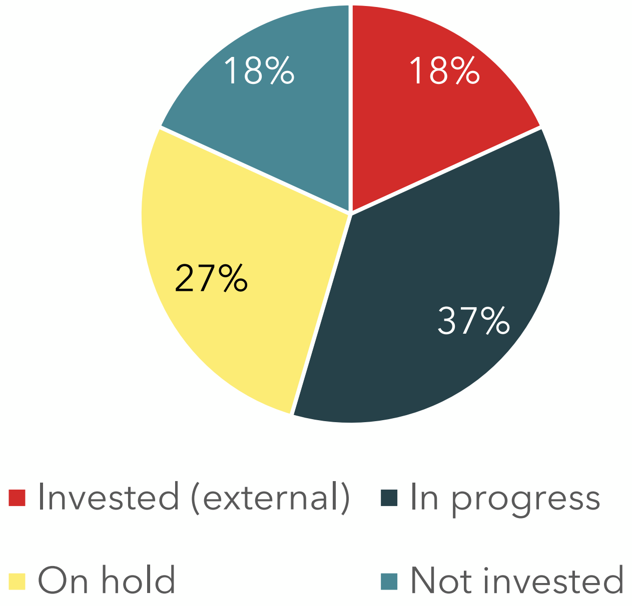
Among OF originated projects, **11 projects graduated out of the 35 projects target** in the Bid Book, 28 projects are in the development phase, while 51 projects are still in the discovery phase. The DFCD OF could thus still formally reach the target of 35 p



Among the 11 graduated projects, **6** projects graduated to the LUF. **3** projects graduated to the WF and **2** projects graduated outside of the DFCD.



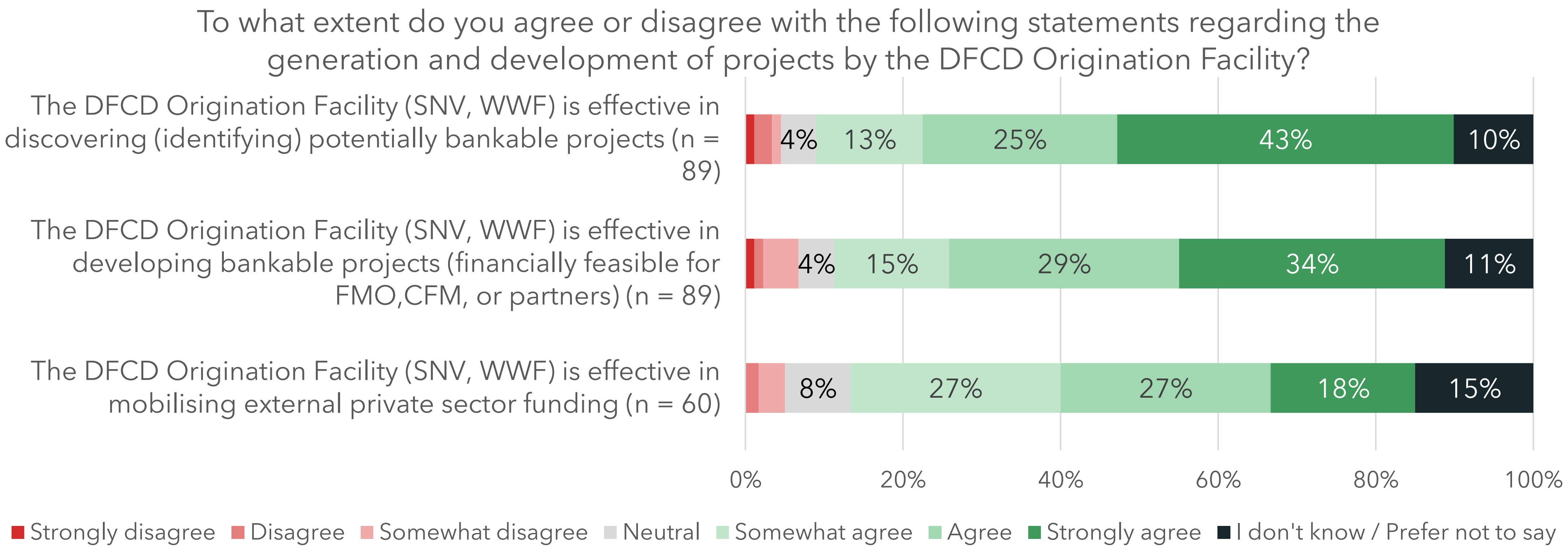
Among the 11 graduated projects, **only the 2 projects graduated outside of the DFCD got financed**. Projects graduated to the DFCD IFs, are still undergoing assessments, on hold, or were refused finance.



[1] However, this does not guarantee that these projects will be financed (see chart on the right).
Source: DFCD progress reports and Monday.com database.

EQ3B - ORIGINATION AND DEVELOPMENT OF BANKABLE PROJECTS

Survey respondents perceive the OF as quite effective in discovering projects, somewhat less effective in developing bankable projects and mobilising external private sector finance. Applicants were generally more negative than consortium partners, especially regarding the OF's effectiveness in developing bankable projects (see Figures 2.12-14 in the survey annex).[1]



[1] Regarding the first two questions 2/3 of respondents were consortium partners, whereas the third question was only asked to consortium partners.

EQ3C - MOBILISING PRIVATE FINANCE FOR CLIMATE-RELEVANT PROJECTS

Private finance mobilisation data by Trinomics and Profundo up to the end of 2022 show that the private sector has invested only half of what the DFCD has invested. The fraction is higher for funds invested by the OF and lower for funds invested by the LUF. It should be noted however that the DFCD has not established a specific target for the mobilisation of private finance.

Private financed mobilised (EUR mln)				
Year	**OF**	**LUF**	**CI2[4]**	**Tot**
2020[1]	0.5	7.2	4.3	12.0
2021[2]	3.1	0.0	5.1	8.2
2022[2]	1.8	2.3	5.1	9.3
Tot	**5.4**	**9.5**	**14.5**	**29.4**
Committed amount (end 2022) [3]	6.7	25.0	28.0	59.7
Leverage ratio				
Tot	**0.80**	**0.38**	**0.52**	**0.49**

[1] Source: "Mobilised private finance" report 2020 by Trinomics.
[2] Source: "Mobilised private finance" reports 2021 and 2022 by Profundo.
[3] Source: DFCD progress report 10-01-2023.
[4] It was not possible to disentangle data for the WF from overall CI2 data, thus this is an overestimation of the leverage ratio for the Water Facility.

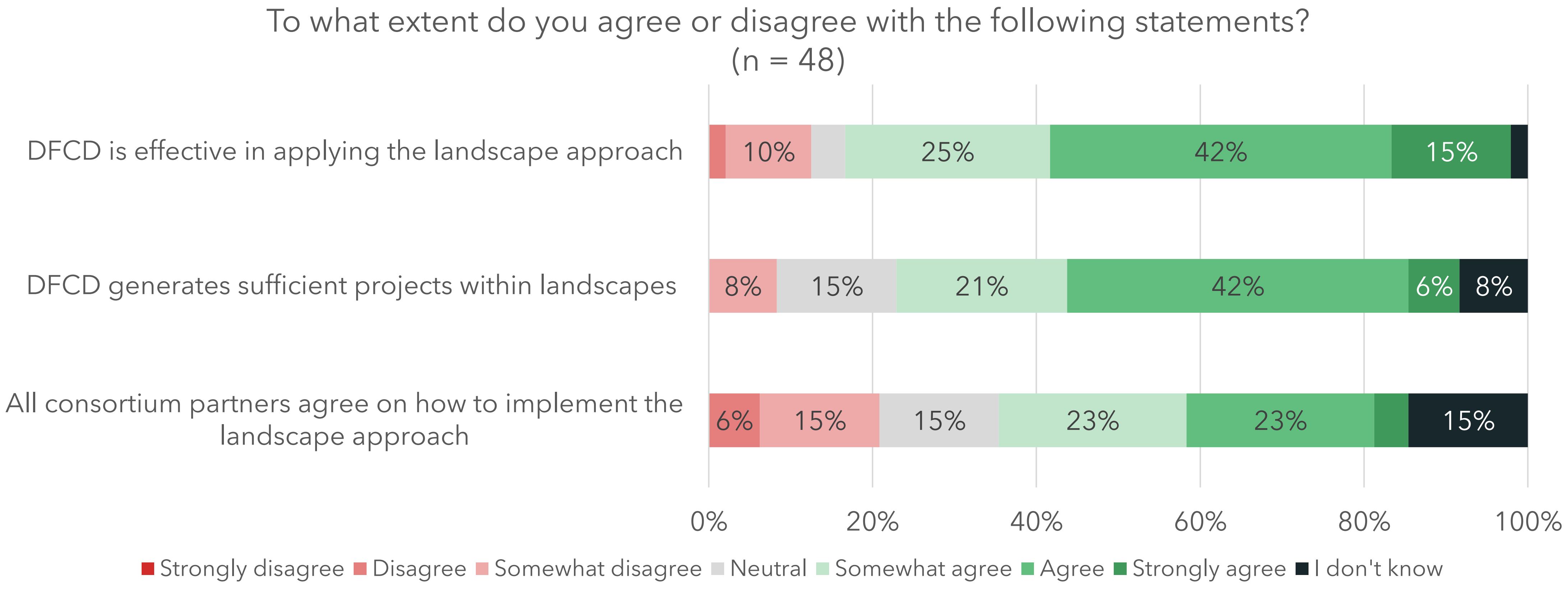
EQ3D - TO WHAT EXTENT IS DFCD EFFECTIVE IN APPLYING THE LANDSCAPE APPROACH?

The landscape approach was not yet systematically applied by all consortium members. Priority landscapes have project-specific elements of it, but not the integrated approach and Multi-Stakeholder Platforms that were envisaged. Full application of a landscape approach (LA) would require a common understanding of the concept, more landscape studies, build on what is there, and a more programmatic approach rather than a project funding approach. Recent progress was made on specifying DFCD's landscape work and updating the landscape narratives.

- The desk review showed that DFCD had formulated different steps and elements of applying LA: scorecards and tools, include MSPs and integrated approach to align multiple projects. Priority landscapes are Mekong and Ganges Delta, and Kafue Flats.
- The quantitative survey results show that some consortium partners express concerns about the implementation of the LA: around 23% of consortium partners do not agree that DFCD generates sufficient projects within landscapes, and 36% does not believe that all consortium partners concur regarding the implementation of the landscape approach (see next page).
- Qualitative data and case studies indicate that besides WWF, very few consortium partners (systematically and in an integrated manner) apply LA. Rather, many are unaware what it entails in practice.
- In the Mekong Delta, there are signs that projects have some degree of multi-stakeholder involvement, but not across projects and potential synergies between the reviewed case projects were not described in project proposals.
- Obstacles to implementation that are mentioned are incompatibility with some contexts, selected landscapes might not have (sufficient) private sector actors with appetite to invest, and different understanding and interpretations of what LA is.
- The project funding approach with bankability as a strong requirement for bankability might not fit well with a LA as important projects or companies for the landscape might ultimately not be bankable. In this sense LA might fit better with a program funding approach as is also being used more and more by World Bank and GIZ in urban climate adaptation programs (in f.i. Tanzania Dar Es Salaam, Ghana greater Accra, Bangladesh etc.).

EQ3D - TO WHAT EXTENT IS DFCD EFFECTIVE IN APPLYING THE LANDSCAPE APPROACH?

Only half of consortium partners agreed that partners are aligned on the landscape approach. Further, a fifth did not agree that DFCD generates sufficient projects within landscapes.



Note: This question was asked only to consortium partners.

EQ3E - TO WHAT EXTENT DO DFCD PROCESSES FOR GENDER EQUALITY HELP ENSURE GENDER SENSITIVE IMPACT?

- Project proposals lack clear activities on women.
- Gender sensitive impact is stimulated, but was often not well articulated in the case study projects. For some projects it resulted in a gender assessment and a consultancy for a gender action plan (Sokofresh).

Remarks by some survey respondents also relate to lack of clarity on *how the fund and projects will support climate vulnerable groups and women:*

- *"DFCD is a climate adaptation fund. It needs to be clearer how the funds support climate vulnerable groups."*
- *"In countries where poverty levels are high and women are the poorest segment of the population, adapting the conditions will enable women's businesses to access financing."*
- *"Support from FMO and CFM, on the ground, can also be improved."*
- *"The link of the businesses selected do not always show strong linkage with the outcome related to economic and human development of the vulnerable groups. (…) Support mechanisms are a stimulus for economic development; however, the populations living in forested areas do not have productive resources."*

EQ3F - TO WHAT EXTENT IS DFCD ABLE TO APPLY 'MEL' ABILITIES TO CONTINUOUSLY IMPROVE?

Despite improvements since the previous evaluation, DFCD does not monitor and report progress in a unified manner relevant for steering and learning. There is no M&E framework with procedures. The overall monitoring system (Monday.com) is not well catered for portfolio management, reporting and forecasting.

- **Annual reports** are very high level and provide mainly financial overviews.
- **Quarterly progress reports** (confidential) lack information on use of resources, potential impact and a mid-term outlook regarding commitments and disbursements.
- **Crucial information for steering DFCD is lacking in the monitoring system Monday.com and the progress reports:**
  - # of projects that have not yet been contracted or were denied assistance (as well as the reason thereof)[1]
  - Information regarding projects in early stages is not collected consistently[2]
  - The private sector funding attracted to the projects and expectation of private sector mobilisation
  - Information on disbursements history and forecasts
  - Information on resources & efficiency and internal resources spent for origination and implementation
  - Information on project risks and portfolio risk rating
- **Consortium partners are (often manually) filling in information in multiple files/databases** (e.g. progress reporting, Monday.com), in addition to their own internal management and monitoring systems. This increases the workload and chances of inconsistencies and misreporting.

[1] Although the "cancelled" option has been added, partners do not add all projects (particularly CFM);
[2] According to consortium partners, this is partly due to high number of potential projects in the pipeline. Another issue is that consortium partners are required to fill in the same information multiple times.

EQ3F - TO WHAT EXTENT IS DFCD ABLE TO APPLY 'MEL' ABILITIES TO CONTINUOUSLY IMPROVE?[1]

Since the ITAD evaluation DFCD has been undertaking a number of actions to improve monitoring, collaboration and the origination process. These are inter alia:

- Improvements in Monday.com (by adding more information in Monday.com);[2]
- Recruiting more financial experts for OF project development;
- Setting up bi-weekly meetings between relevant consortium member staff in order to improve information on project origination & development and to better collaborate;
- Piloting with the aggregator model (Ecuador, Nepal) for reaching out to smaller ticket sizes;
- Very recently, discussions have started about streamlining collaboration with potential strategic partners;
- The consortium has recently started the process of updating several landscape narratives, and developing new documents that outline the application of landscape approach in DFCD.

[1] MEL is Monitoring, Evaluatio and Learning. This question refers to the ability of DFCD to learn from the first years of DFCD. [2] A well-functioning and up to date monitoring system is a tool that helps decision making for continuous improvement.

4.4 Efficiency

EQ4A: To what extent are reporting and monitoring systems (including indicators) sufficient to assess outcomes?

EQ4B: Are the internal processes adequate in assessing and mitigating risks, including financial risks?

EQ4C: To what extent is the governance of the fund structured efficiently in terms of responsibilities and incentives between the different facilities?

EQ4D: To what extent are DFCD processes efficient in terms of (a) timeliness, and (b) cost-effectiveness?

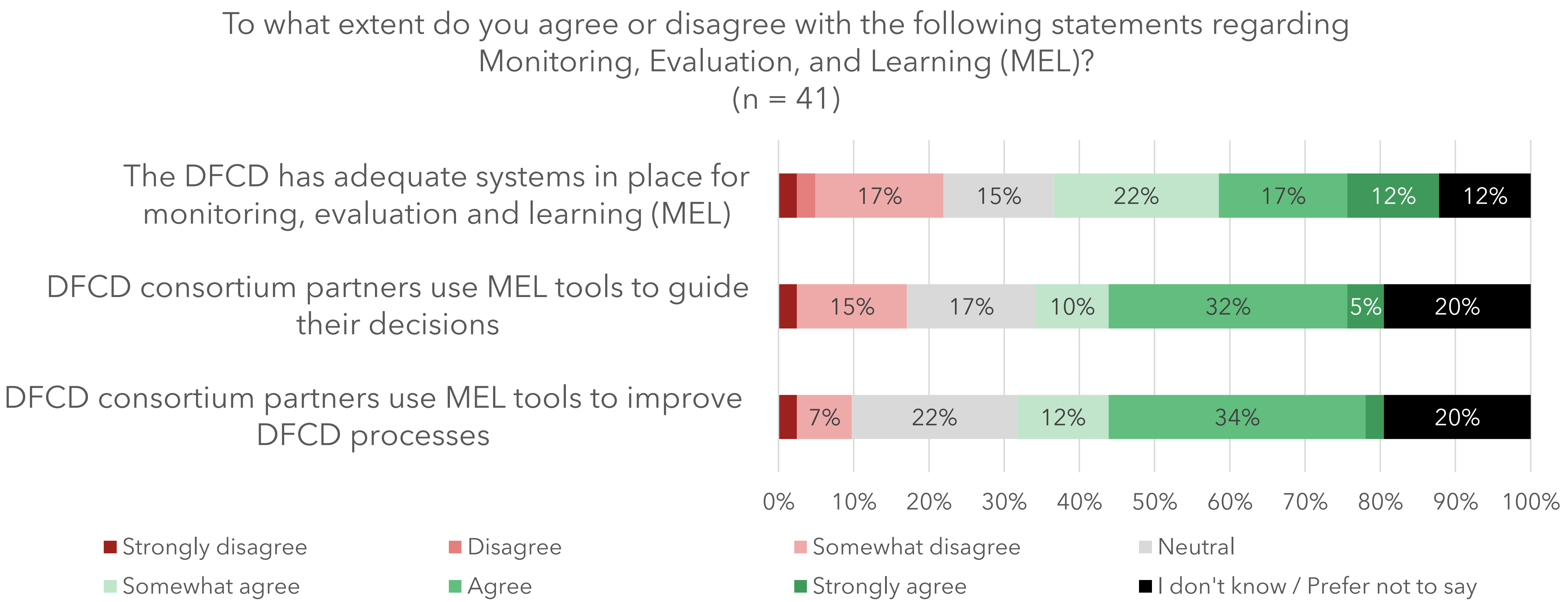
EQ4A - TO WHAT EXTENT ARE REPORTING AND MONITORING SYSTEMS (INCLUDING INDICATORS) SUFFICIENT TO ASSESS OUTCOMES?

Review of documents, interviews and the survey highlighted that the monitoring and reporting systems at overall management level are not well geared for assessing outcomes and learning, while systems of some consortium partners seem better fit for this purpose.

- Progress and annual reports, and related monitoring systems (Monday.com and separate excels) at overall DFCD management level are not sufficiently comprehensive to assess inputs (resources used, time spent) and outcomes (outputs, results and impacts). Some systems of consortium partners seem better catered but are not aligned well with systems of the other partners.
- Efficiency is only assessed at project level related to bankability and the potential for mobilisation of private finance. No cost-effectiveness or cost benefit assessment criteria are used in project assessments.
- The DFCD impact guide is not clearly related to the ToC, and the climate mitigation and adaptation impact literature. Concepts such as climate hazards, climate risk assessment & vulnerability as used by other donors (such as GIZ) are not used in the DFCD assessment and impact reporting framework.
- Consortium partners that responded to the survey were (slightly) negative about MEL systems, processes and use. Around 20% of them consider MEL systems (somewhat) inadequate, and about 18% do not believe consortium partners use them to guide their decisions (see next page).
- In order to learn (improve fund management) one needs to properly monitor both project and portfolio activities, resources, outputs and intermediate outcomes of projects, as well as the overall portfolio performance.

EQ4A - TO WHAT EXTENT ARE REPORTING AND MONITORING SYSTEMS (INCLUDING INDICATORS) SUFFICIENT TO ASSESS OUTCOMES?

Survey respondents gave very mixed answers regarding the adequacy of M&E systems and MEL; About a third of consortium partners did not seem positive about DFCD's MEL systems and use.



Note: This question was asked only to consortium partners.

EQ4B - ARE THE INTERNAL PROCESSES ADEQUATE IN ASSESSING AND MITIGATING RISKS, INCLUDING FINANCIAL RISKS?

- DFCD processes and responsibilities of the Operational Committee (OC) Investment Committee (IC) and Advisory Board (AB) are formalised in several documents (Bidbook, powerpoints and OC, IC and AB Charters, sub-delegation agreements with partners).
- DFCD general structure, ToC, and targets are described in the DFCD Bid Book.
- However, an *overall DFCD Guide* (or comprehensive DFCD procedures manual), including defining responsibilities and tasks of the consortium members, project selection and cancellation procedures, M&E framework procedures, and risk mitigation procedures, was not found. Although there is a document titled "DFCD impact indicators guide", this document lacks procedural (and quality) guidance for post investment outcome and impact assessment, and is not sufficiently related to the climate impact literature.
- A risk assessment in the project selection and assessment documentation (including IC assessment form) is available as part of the origination process. Risk scoring, defining risk mitigating procedures and an (Environmental and Social) risk action plan (if applicable) is available for LUF and WF financed projects. However, the risk assessment in the stage 1 assessment forms is relatively basic and could be improved with a more detailed approach. This could involve using a scoring system (scale 1-10 or 1-5) and defining critical risks along with risk mitigation actions, particularly regarding the project's potential for graduation (to LUF, WF or other financiers).

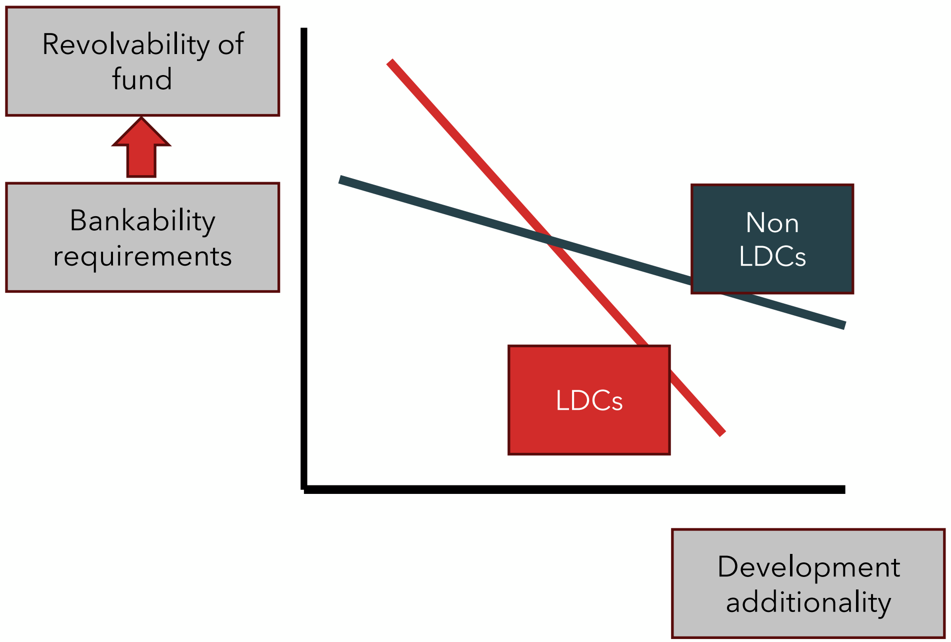
EQ4C – EFFICIENCY OF THE FUND GOVERNANCE IN TERMS OF RESPONSIBILITIES AND INCENTIVES BETWEEN THE DIFFERENT FACILITIES

Incentives are not well aligned between OF, WF and LUF due to different internal incentives per partner and differences in the structure of financial instruments per facility.

- Capacities and mutual understanding of partners have improved, but are still different (NGOs focus more on development additionality while FMO and CFM focus more on bankability). Incentives of partners in each facility are different (projects/development impacts for WWF&SNV and maximizing deals at minimum transaction costs for FMO an CFM).
- In general, there is often a trade-off of between revolvability-bankability and additionality. Optimizing the balance between these aims is a challenge for the partners in the consortium (see also next slide).
- The financial instrument set-up per facility is not well aligned from OF with WF and LUF and is not well geared towards graduation to bankable projects. Introducing repayable finance options (f.i. equity, convertible grants) in OF could create stronger incentives for projects to progress towards graduation. Additionally, the implementation of viability gap grants in LUF and WF may help balance the demands of bankability requirements with the goal of development additionality.
- Although a large majority (71%) of consortium partners agree that the three facilities (origination, land use and water) work efficiently together (see Figure 2.18 in the survey annex), they were more divided regarding the efficiency of its processes in terms of the time and resources spent on them by all parties involved.

This could be improved by aiming for parallel blending (in addition to serial blending) for all facilities (e.g. use of convertible grants and equity in OF, next to grants and TA, use of grants & TA in implementation facilities).

THE RELATION AND TRADE-OFF BETWEEN REVOLVABILITY (BANKABILITY) AND DEVELOPMENT ADDITIONALITY



- Bankability, defined by factors like net revenue potential of projects or companies, strong balance sheets, financial reporting, and limited risk, is crucial for repayable finance to ensure fund revolvability.
- However, mostly in LDCs, sectors such as adaptation, water, and biodiversity often face high risks, and net revenue potential might be limited (or might need time to materialise).
- Consequently, countries or sectors most in need of development impact may also present the highest risks, even during the project implementation phase. Therefore, balancing bankability (and thus revolvability) requirements with development additionality is necessary.
- In sectors or countries with higher risks, limited net revenue potential, and significant need for climate finance and development impact, bankability requirements could be more flexible.
- This approach may necessitate the use of risk mitigation financial instruments, such as viability gap grants and technical assistance, during the implementation phase of projects to address these specific challenges.

EQ4D - TO WHAT EXTENT ARE DFCD PROCESSES EFFICIENT IN TERMS OF TIMELINESS, AND COST-EFFECTIVENESS?

Available data indicate that the origination and graduation process could be faster.

- Since the start of the DFCD, 11 projects graduated from the OF, less then 28% of the 39 active projects (the DFCD Bid Book foresees the graduation of 35 projects). [1]

- Available data, although not reported consistently indicate that the average duration until graduation is 2 to 3,5 years.[2]

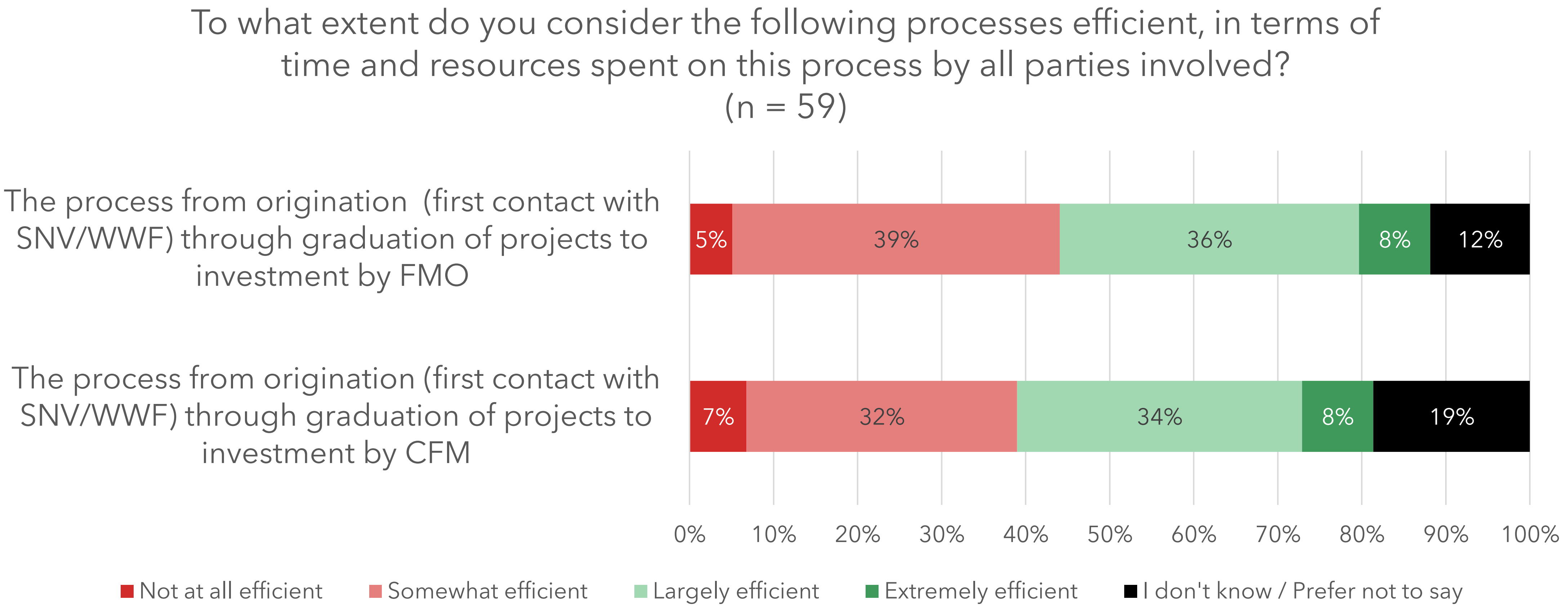
Remarks from survey respondents also indicate that project assessment and feedback time could be improved:

- *"The proposal processing time seems too long, and the communication and feedback time normally takes long."*
- *"The origination facility timelines should reduce to less than 1 year."*
- *"Application processing time needs to improve."*
- *"DFCD must also take into account bureaucracy within the local partner offices, as this discourages developers from proceeding with their projects."*
- *"Despite this dedicated focus, detailed information and progress feedback from the FMO has been frustratingly slow and incomplete."*

[1] Until end 2023, none of the graduated project was financed by either the WF or the LUF; two projects were financed by external parties. [2] Source: Individual project monitoring files shared by SNV and WWF.

EQ4D - TO WHAT EXTENT ARE DFCD PROCESSES EFFICIENT IN TERMS OF (A) TIMELINESS, AND (B) COST-EFFECTIVENESS?

Less than half of consortium partners considered the graduation process as efficient (from OF to FMO or CFM), confirming the findings from the review of available data and the interviews.



Note: This question was asked only to consortium partners.

4.5 Other findings

EQ 5.1: To what extent did the DFCD implement the recommendations of the ITAD evaluation on the Origination Facility in 2021?
EQ5.2: To what extent is (or will) the DFCD have capacity and strategies in place to become financially sustainable in the long term?
EQ 5.3: How can the DFCD further improve to contribute to the policy document BHOS 2022 on Foreign Trade and Development Cooperation of the MFA?

EQ 5.1 - IMPLEMENTATION OF THE RECOMMENDATIONS OF THE ITAD EVALUATION ON THE ORIGINATION FACILITY IN 2021? (1)

The consortium formally acted on almost all the ITAD recommendations, although implementation thereof could improve, as shown by the selected examples in this and the following pages.

The consortium took **significant steps to implement recommendations on DFCD progress, but the way** recommendations were implemented **is suboptimal.**

- **Track forecasts on capital commitments**: forecasts on capital commitments are tracked but doing so separately from the project management/monitoring tool (Monday.com). This adds complexity and increases the burden for the consortium partners. (see SEO&MDF Recommendation 2, Theme 2).
- **Take steps to increase the number of projects with women led-businesses**: consortium reported on consortium conducted events in projects with women-led business, but this did not have yet tangible effects on the pipeline of projects or designs of projects. However, OF representatives indicated this would not be a hard criterion for the selection of projects (and rather a "nice to have"), considering challenges regarding bankability in LDCs.
- **Monitor time taken through each phase of the OF**: the consortium monitors time taken for stage 2 (development), and (at least some) local offices monitor time taken in stage 0 and stage 1. However, no unified monitoring regarding resources and time is yet carried out at the consortium level. (see SEO&MDF Recommendation 2, Theme 2).
- **Monitor and analyse the number and value of cancelled projects**: a "cancelled" option was added in Monday.com. However, not all projects are inserted (especially by CFM). This once again underlines the need for a unified management and monitoring system, which would save consortium partners the burden of filling the same data multiple times.
- **Learn from the successes and failures to secure investment of graduated projects**: the consortium realises that climate adaptation project inherently have more risks (e.g. of failure) than initially expected, however case studies indicated that investment officers of LUF and WF are not always involved early in the process. The low number of financed projects by the Investment Facilities (currently 0 out of the 11 graduated projects), shows that the risk assessment of projects could be improved, especially at an earlier phase[1]

Note: each bullet represent a recommendation from the 2021 ITAD report (in bold), with the explanation of the actions taken by the consortium in response to it (normal). [1] However, there is a time-gap between origination and finance, and some projects originated from the OF are forecast to be financed in 2024.

EQ 5.1 - IMPLEMENTATION OF THE RECOMMENDATIONS OF THE ITAD EVALUATION ON THE ORIGINATION FACILITY IN 2021? (2)

Recommendations on the **landscape approach were mostly usefully implemented**.

- **Expand the scope of landscape approach in the priority landscapes**: The consortium has agreed the priority landscapes for the phase 2 of DFCD, and landscape narratives were updated and improved. However, there are still differences in the way consortium partners interpret (and value) the landscape approach.
- **Pursue opportunities to establish or fund platforms that can finance multiple projects in a landscape**: the DFCD is working with "aggregators" of different projects (e.g. NMB bank), as well as Funds (Mekong Capital), which finance project in a landscape. The evaluation team suggests to further explore and learn from applying different types of aggregator models (SEO&MDF Recommendation 2, Theme 1).

Although recommendations on **environmental and social impact were partly implemented, processes should be further formalised to ensure alignment.**

- **Consortium partners collaborate to align their E&S processes**: The consortium reports that FMO and CFM E&S specialists are now part of the graduation meetings, however no formal common DFCD procedures are in place to ensure all consortium partners are aligned within the Fund.
- **Strengthen the use of identified participatory processes**, including engagement of vulnerable groups in multi-stakeholder platforms: document review and case studies indicated that engagement of vulnerable groups is happening in a few cases, but not in the design phase and not in a systematic or consistent way.

Note: each bullet represent a recommendation from the 2021 ITAD report (in bold), with the explanation of the actions taken by the consortium in response to it (normal).

EQ 5.1 - IMPLEMENTATION OF THE RECOMMENDATIONS OF THE ITAD EVALUATION ON THE ORIGINATION FACILITY IN 2021? (3)

Only one of the two recommendations (below) on the DFCD consortium was implemented, as the second recommendation is deemed by FMO and CFM as conflicting with their internal fund management procedures.

- **The OF formalises process of consultation with the WF and LUF about bankability** of opportunities in the pipeline: the consortium states that it is a formalised process in the OF IC, and there are bi-weekly meetings between FMO and SNV-WWF. However, experience with graduated projects indicated that this is likely not sufficient, as none of the graduated projects to date were invested by the WF and LUF, two were invested by other partners and four were refused investments.[1,2]
- **Representatives of OF are invited to join the ICs for the LUF and the WF**. FMO and CFM see formal problems to implement this recommendation, as a) according to FMO and CFM, it is not common procedure for FMO and CFM managers to have external participants in IC meetings and b) the WF through CI2 has multiple other investors which would not look favourably on having non-investors participating in meetings where the use of their funds is discussed.

Recommendations on the DFCD Investment Facilities were mostly successfully implemented, although funding bankable projects in LDCs remains a challenge.

- **Continue to prioritise work in sectors in which CFM and FMO have substantial expertise and regions where SNV and WWF-NL have a local presence**: the consortium is continuing doing so; however, focusing even more on key countries and landscape could increase impact (see SEO&MDF Recommendation 5, Theme 2)
- **Work with partners that can offer a platform to finance smaller opportunities** originated from the OF: the consortium recently started discussions with (potential) partners such as AgriFi, BIO, Hivos-Triodos, Oiko Credit. Invest International financed one graduated project (USD 1 million).
- **To meet the LDC targets, CI2 might have to over-allocate funding from the DF towards projects in LDCs**: Although the consortium stated that by the end of 2023 the WF would reach the target of 25% of funding to LDC, available data indicate that this is still not the case. Although even only one or two new commitments in LDC from projects in the pipeline could ensure the target is met, funding bankable projects in LDCs remains a challenge.

Note: each bullet represent a recommendation from the 2021 ITAD report (in bold), with the explanation of the actions taken by the consortium in response to it (normal). [1] Some OF representatives also indicated that they would need a (semi) formal commitment by the Investment Facilities in the course of stage 2 (i.e. between the IC and the graduation meeting). [2] Although none of the graduated projects has been financed by WF and LUF yet, some projects originated from the OF are forecast to be financed in 2024.

EQ 5.2 - TO WHAT EXTENT WILL THE DFCD HAVE CAPACITY AND STRATEGIES IN PLACE TO BECOME FINANCIALLY SUSTAINABLE IN THE LONG TERM?

There is currently limited capacity in the DFCD consortium regarding achieving long-term financial sustainability, but first steps have been made in this direction.

- DFCD is currently attracting European Commission (EC) funding (guarantee) for DFCD Phase 2; agreement with EC is soon expected.
- There is currently limited capacity in the DFCD consortium and not yet a strategic document available regarding achieving long term financial sustainability (reaching independence from DGIS funding) and mapping and attracting potential basket funding from DFIs for the OF. In December 2023, WWF and SNV have started recruitment of external expertise for mapping aimed at attracting potential basket funding from DFIs for the OF.
- Due to the set-up of the OF (grants & TA only), lack of incentives in the financial structure of the OF (lack of parallel blending) and low efficiency in relation to MEL, there are currently limited prospects for long-term revolvability in and after phase 2. Lower revolvability targets could also be considered.
- The higher aims for adaptation and biodiversity for DFCD phase 2 could conflict with the long-term revolvability target. The reason is that market failures and bankability issues, such as limited cost recovery and risks, are significant challenges for repayable finance especially in the sectors of biodiversity, adaptation, and WASH in LDCs. Valuable insights can be gained from the European Commission's blending approach, which for instance combines grants from funds like the Cohesion Fund or IPA grants with loans from the EIB for water sector projects.

EQ 5.3 – HOW TO IMPROVE DFCD'S CONTRIBUTION TO THE POLICY DOCUMENT BHOS 2022 ON FOREIGN TRADE & DEVELOPMENT COOPERATION OF MFA?

There is some alignment of DFCD with the latest Foreign Trade Agenda " Do what we do best" , but improvements can be made directed at selected countries.

- The country and LDC targets are not well-aligned with the Trade Top 25 Markets from the latest MFA policy document (MFA, 2022). DFCD could be targeting Dutch top sectors for selected countries from the Top 25 (Brazil, India, Vietnam, Indonesia) and for the Delta countries (from the Partners for Water approach).
- For LDCs and some other countries climate and vulnerable group objectives might not be easy to achieve in combination with foreign trade objectives (hard to align aid with trade due to risks in LDCs).
- New focus themes such as digitalisation can create opportunities for NL business in smart forecasting, measurement and sensors in the agriculture and water sector.
- In almost half of the reviewed cases in the OF, Dutch companies were actively engaged. However, from interviews it appeared that knowledge of the Dutch enterprise potential in key sectors relevant for DFCD (agribusiness - forestry –water) is not always shared with local offices of consortium partners.
- Capacity development of DFCD local consortium staff on Dutch enterprise potential in key sectors could be supportive. Sharing sector agri-food business studies and country market studies for the water sector (e.g. of RVO & NWP) could be a first step to improve insights.
- To generate awareness for foreign trade opportunities, the potential for NL business could be included in the project assessment forms, although not as a strict selection criteria.

OVERARCHING AND OTHER ISSUES

Programmatic approach and financial sustainability of DFCD

- There is currently a mismatch between the need for a programmatic approach with related financing needs (e.g. with a fully fledged landscape approach) in climate finance, and the current project-based DFCD structure. Other DFIs (e.g. World Bank, GIZ) have been recently shifting towards a more programmatic approach for greater urban area climate adaptation (relating to the multi-stakeholder and cross sectoral needs for climate adaptation). This implies that not all projects within a landscape should be individually bankable (a program or group of projects in a landscape should be).

Project selection

- Project screening on bankability and risks is not sufficiently selective in early stages of OF. Project risk scoring (especially related to bankability potential) is lacking in assessment forms.

5.1 CONCLUSIONS

MAIN CONCLUSIONS (1)

The following main conclusions result from the evaluation and were validated in the workshop with DFCD consortium partners:

1. **Within the broader climate finance architecture, DFCD is seen as unique in two ways.** First, because of the collaboration of investors (FMO, CFM) with NGOs (SNV, WWF). Second, because of the local presence of consortium partners in developing countries, which is a key asset for project identification and generation.
2. **DFCD is seen as highly <u>relevant</u> for climate adaptation and climate mitigation**, **and to a lesser extent for human and economic development of vulnerable groups and gender**. This is attributed to the insufficient detailing of activities and outcomes specific to vulnerable groups considerations in the project design and assessment stages.
3. **It is too early to assess the <u>effectiveness</u> of DFCD in terms of outcomes; however, the effectiveness in terms of graduation (funding of OF generated projects by LUF, WF or external financiers) is limited**. DFCD's effectiveness for vulnerable groups and regarding gender issues is also not clear, given the lack of clearly specified actions and outcome indicators (or targets) in the design, assessment, and monitoring phases of projects.
4. **Origination support (offered by OF and CFM's development fund) is regarded as the main source of 'value added' to the climate finance architecture, but <u>coherence</u> can be further improved.** Within the broader climate finance architecture, the OF's role in climate project development is appreciated as unique and valuable by many stakeholders. Funding gaps and risks are often large in project identification and development, and local presence and TA support by consortium partners are appreciated. Apart from the OF, however, DFCD (LUF and WF) overlaps to some extent with other funds regarding ticket sizes and risk profile due to its current focus on large companies. However, there are efforts to explore other solutions (e.g. aggregators and partnerships) to finance smaller companies.

MAIN CONCLUSIONS (2)

The following main conclusions result from the evaluation and were validated in the workshop with DFCD consortium partners:

5. **The coherence of LUF and WF with other national and international funds is suboptimal,** due to:
    - Quite significant minimum ticket sizes and bankability requirements aiming at corporates;
    - The limited scope of blending instruments implemented so far, particularly in the LUF, compared with the financing needs in adaptation. Additionally, there is less parallel blending across all phases when compared to some other funds within the climate finance architecture; (see Annex A)
    - A medium to low-risk appetite in relation to significant market failures and bankability issues (challenges & risks) in LDCs and in the sectors adaptation & water (and biodiversity). There can be a tension between bankability requirements and development additionality, which could be lessened by making more use of hybrid blending – de-risking instruments in the entire project cycle.
6. **Efficiency of DFCD is currently not optimal especially regarding the graduation from OF to LUF/WF**:
    - The use of consortium resources for graduation is suboptimal, due to a sometimes insufficient assessment of project potential for graduation (e.g. investment officers are not involved at early stage);
    - Incentives are not aligned among the three facilities (e.g. WF and LUF have an incentive to close deals with higher ticket sizes)

MAIN CONCLUSIONS (3)

The following main conclusions result from the evaluation and were validated in the workshop with consortium partners:

7. **The DFCD consortium set-up is complex and organised with delegated responsibilities to consortium partners. As a result, there is a lack of central (fund) management information and guidelines, which results in efficiency and potential effectiveness-quality issues.**

   The following issues were highlighted during the evaluation:

   - Insufficient monitoring & reporting, e.g. on information and indicators for project rejections, internal DFCD resources and costs, results (private finance mobilisation) and outcomes (vulnerable groups, gender,..).
   - Lack of comprehensive central fund management guidelines and quality assurance checklists.
   - Insufficient guidance on project assessment selection and rejection (including quality assurance of project assessment and selection); the M&E framework does not include specific guidelines on outputs and outcomes quantification; too little guidance for decision-makers to assess costs, financial additionality and risks of projects against societal benefits (i.e. to enhance financial additionality and development additionality).

5.2 Recommendations

RECOMMENDATIONS

The recommendations below followed from evaluation findings and conclusions:

Relevance and (potential) effectiveness

- **DFCD could improve its relevance and effectiveness related to vulnerable communities and gender issues by setting stricter quality assessment criteria** for project designs regarding the elaboration of activities and outcomes (targets) for vulnerable groups and women.

Efficiency

- **The monitoring and impact assessment system of DFCD could be improved** by adding information to Mondays.com and automatically linking it to partners' systems by means of scripts. Key information on DFCD results (actual private finance mobilisation) and outcomes (for vulnerable groups, women etc.) should be included in the monitoring system.
- **Enhance selectivity in project pipeline development**: screening and scoring of risks could be implemented earlier and be stricter. Involvement of Investment Officers should be done at an earlier stage in the OF aiming to be more selective and more efficient. In countries and sectors with lower risks, target resources to a smaller number, but higher quality projects with clear bankability potential and expected significant impacts for climate affected people or systems, vulnerable communities and women.[1]
- See more under the recommendations' theme 2.

Coherence and additionality

- See more under the recommendations theme 1 and 3.

[1] Focusing on bankability might not always be possible in LDCs, where risks are inherently higher and revenue potential is lower. Instruments such as viability gap grants and technical assistance, during the implementation phase of projects to address these specific challenges might be needed in this case (see slide 53).

RECOMMENDATIONS TO INCREASE FINANCIAL ADDITIONALITY

THEME 1. TARGET THE MISSING MIDDLE AND TAKE MORE RISK

From the evaluation and workshop with consortium partners the following recommendations were prioritized to increase financial additionality, including targeting 'missing middle' companies, SMEs, or smaller ticket sizes:

1. **Establish strategic partnerships with (inter)national partners focused on i) basket funding for the OF and ii) smaller ticket sizes and SME finance.** The consortium already started discussions with some potential interesting partners. Activities needed for pursuing this line are partner mapping, developing a partner strategy and consortium internal agreements regarding the approach and scope.

2. **Enhance application of the fund to fund (aggregator) model via in-country financial intermediaries** (financial institutions such as local banks, local investment funds etc.). Local FIs have often better knowledge of the market and can serve as aggregators. This so-called "aggregator" model is being tested through the ongoing DFCD projects in Ecuador and Nepal (NMB-bank) and could be enhanced in other countries (e.g. West Africa) with suitable commercial bank or local fund candidates. It could be assessed and explored further whether introduction of credit risk mitigation guarantee and TA schemes would add value to this model.

3. **Expand DFCD financial instruments with full serial and parallel blending** across all facilities and for all stages (grants, TA, debt, equity, de-risking instruments such as first loss facility/subordinated equity, guarantees) in order to align incentives and de-risk the implementation stage. For example, a dedicated grant support line for WF and LUF_could help increase the appetite for lower bankability, higher-risk, higher-impact investments (e.g., climate and biodiversity projects with limited bankability, longer time horizons and therefore more need for TA and grants). Although the consortium is open for more blending, internal partner mandates might be hurdles for implementation. CFM's experience regarding the Water Facility (and for example Bio2Watt) with CI2 development fund (TA, equity) and construction fund (equity, loans) could be useful, also for OF and LUF.

RECOMMENDATIONS TO INCREASE EFFICIENCY

THEME 2. **IMPROVE COORDINATION WITHIN CONSORTIUM**

1. **Enhance a shared understanding and language among all consortium partners,** particularly concerning financial analysis, financial instruments, and landscape approaches, through a joint learning trajectory designed and led by task-assigned partners (e.g. as done by WWF for landscape approach). Secondment of FMO and/or CFM staff in OF might be helpful for development of a common language and understanding.
2. **Improve the monitoring and reporting system.** Improve internal reporting, ensuring a uniform and unified results-based monitoring system, including at minimum: duration of project origination (i.e. start date and end date, monitored consistently among partners), status of graduated projects (were they invested in and by whom?), disbursed amount. The evaluation team does not recommend to replace the individual management systems of the individual consortium partners: rather, FMO as consortium manager should use tools such as scripts to automate the merging of the different data provided by the different partners, to lift partners from the burden of filling in data manually (often multiple times, e.g. in Monday.com, and progress reports). Harmonising data by different partners could be done using these scripts.[1] Establish common long-term impact indicators for projects, making leading partners responsible for reporting on them. External reporting remains aligned with MFA requirements.
3. **Involve LUF and WF investment officers earlier into OF project screening and scoring to improve efficiency in decision-making,** e.g. by establishing a decision-making meetings halfway through implementation (stage 2). Establish aim and (balance in) frequency of meetings initiated by OF. Flexibility and need for extra funding amounts by OF consortium partners can also be requested in these meetings.
4. **Establish general portfolio management guidelines and incentives.** Establish guidelines to streamline DFCD processes, while keeping in mind that working in LDCs or fragile environments and project level work requires flexibility to enable impact. Examples could be agreeing on timelines, for example maximum durations for OF phases and for feedback to applicants. Incentives might be better harmonized by consortium setting of targets regarding graduation from OF to WF and LUF and to external financiers. Specific timebound MFA targets for DFCD could also be helpful in this respect.
5. **Concentrate more resources within key countries and landscapes and on projects with assessed potential for graduation.** Keeping in mind FMO's and CFM's limits on country exposure and the already prioritized landscapes, all partners should align and combine their efforts on key countries and landscapes, favoring quality (including graduation and impact potential) of projects over quantity of projects.

[1] This requires that consortium partners a) agree on a common minimum set of monitored indicators, which need to be harmonizable within the consortium; b) regularly provide FMO with such data.

RECOMMENDATIONS TO IMPROVE INTERNAL & EXTERNAL COHERENCE

THEME 3. **MAKE DFCD MORE DIFFERENT FROM OTHER INITIATIVES**

1. **Pursue more strategic partnerships between OF and other potential investors.** DFCD could further increase synergies with the broader climate finance architecture by increasing strategic partnerships with other potential investors (beyond FMO and CFM). Discussions with potential strategic partners in the Netherlands have already started (especially for projects < USD 3 million), but this could be broadened to include also relevant other international DFIs and private investors (impact investors, other). Mapping of key relevant potential DFIs and investors and a partnership strategy would be necessary to bring this further.

2. **Increasing actual blending with a wider range of hybrid financial instruments, so as to increase the complementarity of DFCD relative to other climate initiatives.** In particular, dedicated separated grant lines and TA for post-investment TA and making more use of junior equity (with support of FMO equity department) could help DFCD not only in being more additional to the market (see Theme 1) but also to be more complementary to other climate funds. Further roll-out of the aggregator model (providing TA to financial institutions and their clients) could also increase the value added of DFCD by helping improve FI's capacity to identify eligible climate projects and to improve their climate impact assessment.

3. **Conduct further research into the possibility (including legal feasibility) of merging LUF with other FMO-managed state funds,** potentially with a separate project origination and development facility. FMO stakeholders consulted during the validation workshop were broadly in favour of this recommendation, given the inefficiencies involved with managing multiple different state funds with partially overlapping objectives.

RECOMMENDATIONS ON STEERING DFCD

- **Monitoring and progress reporting of DFCD could be better tailored towards current and expected outputs and outcomes**, as mentioned in the ToC, as well as mid-term foreseen commitments per facility. Outcome indicators from the ToC could play a more central role in progress reporting (DFCD-attributable mobilisation of private finance, as well as affected climate vulnerable people and ecosystems). This suggests that it would be beneficial to enhance the "DFCD Impact Indicators Guide." Enhancements could include the addition of new indicators, drawing from climate adaptation impact literature and those used by other donors like the World Bank (WB), GIZ, and Invest International (including D2B-DRIVE), as well as guidelines on outputs and outcomes quantification.
- **MFA could further steer (provide guidelines) on time-bound project portfolio targets** (ticket size, focus countries) **and graduation targets** (OF commitments and graduation to the other DFCD facilities and other DFIs), with sufficient flexibility.
- **For selected countries, an assessment of the potential for NL businesses could be conducted** in the project origination and assessment process. These could be, for example, Trade top 25 markets from the new MFA agenda on Foreign Trade and Delta countries.
- **Too strict requirements on revolvability might limit the potential for adaptation and biodiversity project generation and impact.** This is due to market failures and bankability challenges in these sectors. Especially for adaptation and biodiversity projects (such as in LDCs) the use of grants and other de-risking instruments could be beneficial. This approach, while potentially reducing revolvability, might also necessitate a more programmatic strategy to effectively address these challenges.

LITERATURE

1. Landscape approach

- DFCD (2020), DFCD landscape Introduction V3/DFCD Landscape Discussion 2020, Powerpoint
- WWF (2020), Bankable Nature Solutions
- DFCD (2020), Landscape Approach 22Apr20, Powerpoint
- DFCD (2020), DFCD Landscapes, Powerpoint
- PBL (2015), The landscape approach: the concept, its potential and policy options for integrated sustainable landscape management
- DFCD (2023a), Landscape Narratives Kafue Flats, SOKNOT, Mekong Delta, and South West Amazonia
- DFCD (2023b), Landscape Approach for DFCD Website

2. Evaluation studies

- Profundo 2023. Learning lessons from the DFCD, Case studies from Bangladesh, Kenya, and Uganda. Consolidated field report (Draft Report November 2023, Commissioned by Action Aid).
- ITAD (2021), Evaluation of the Dutch Fund for Climate and Development's project origination approach
- DFCD (2021), Consortium 2021 ITAD evaluation Actions

LITERATURE

3. Theory of Change and DFCD procedures

- DFCD (2019), Bid Book, February 2019
- DFCD (2023c), DFCD Graduation, power point
- DFCD (2023d), Investment Criteria “Land Use Facility” (or “The Fund”)
- DFCD (2022), Origination Facility Stage 1 Assessment Form
- DFCD (2023e), Origination Facility Investment Committee Assessment Form
- DFCD (2023f), Impact Indicators Guide
- DFCD (2023), Advisory board Charter
- DFCD (2023h), Operational Committee Charter
- DFCD (2023i), Origination Facility Investment Committee Charter
- DFCD (2023j), Right of 1 Refusal Clause, Origination Facility Grants

LITERATURE

4. DFCD Monitoring, annual and progress reports

- DFCD, Monday.com DFCD database
- DFCD (2021, 2022), Annual Reports;
- DFCD (2022, 2023), Progress update 2023 and annual plan 2024 (and previous year)
- DFCD (2023), 231006 progress reporting (excel)
- SNV, (2023) SNV OF development funding tracker (excel)
- WWF, Project overview WWF (excel)
- FMO (2021, 2022, 2023), liquidity overviews 2023-2024, 2022-2023, 2021-2022 (excel)
- CFM (2023), CFM - DFCD Project Level Commitments (excel)
- CFM (2023), Quarterly report DF2 2023Q2
- CFM (2023), Quarterly report CEF2 2023Q2

5. Ministry of Foreign Affairs (MFA) Policy Documents

- MFA (2018), Procesbemo subsidieverstrekking DFCD
- MFA (2022), Do what we do best, a strategy for Foreign Trade and Development Cooperation
- MFA (2023), DFCD Grant Policy Framework

LITERATURE

6. Climate Finance Architecture

- Profundo (2022), Trends in Climate Finance
- Climate Policy Initiative (2023), Global Landscape of private finance
- Climate Investment Funds (2023), PPCR Operational and Results Report
- Convergence Blended Finance (2023), The State of Blended Finance 2023: Climate edition
- IMF Staff Climate Notes (2022), Mobilizing Private Climate Financing in Emerging Market and Developing Economies
- Global Water Partnership (2003), Financing Water for All. Report of the World Panel on Financing Water Infrastructure
- Ecorys (2015), Innovative financing and positioning of the water sector
- BP and AEF (2021, 2022) annual reports
- DFCD (2023) Progress Reports
- DFCD (2019) Bid Book
- AEF (2019) Investment Strategy 2019-2028

ANNEX A. THE CONCEPT OF PARALLEL & SERIAL BLENDING[1]

The concept fits to the risk pattern of projects over time and TA and financial viability gap needs of projects, SMEs, or local financial intermediaries in LDCs (also in relation to project closure and impact evaluation).

	Project origination & development		**Project Implementation**			**Project closure & impact evaluation**
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Origination Facility	Grants & TA	Grants & TA				
		Conv grants, TA & Equity[2]	Conv grants, TA & Equity[2]			
Land Use Facility		Grants & TA	Grants & TA	Equity	Equity	TA
			Guarantees	Guarantees	Guarantees	
		Equity	Equity & convert. grants			
			Debt	Debt	Debt	
Water Facility		Grants & TA	Grants & TA	Equity	Equity	TA
			Guarantees	Guarantees	Guarantees	
		Equity	Equity & convert. grants			
			Debt	Debt	Debt	

Note: the table reports a scheme of blending that the DFCD could use, based on the financial instruments it has available.
[1] Parallel blending refers to the use of more concessional financing and less concessional financing in parallel, whereas serial blending refers to the use of these instruments in sequence. [2]Equity however cannot be done by SNV or WWF, as they are not financial institutions.