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Order of the Minister for Foreign Trade and Development Cooperation of 9 November 2018, number MINBUZA-2018.1183482, laying down administrative rules and a ceiling for grants awarded under the Ministry of Foreign Affairs Grant Regulations 2006 (Dutch Fund for Climate and Development).

The Minister for Foreign Trade and Development Cooperation;  
Having regard to articles 6 and 7 of the Ministry of Foreign Affairs Grants Decree;  
Having regard to article 5.1 of the Ministry of Foreign Affairs Grant Regulations 2006;

Orders:

Article 1

1. The administrative rules appended as an annexe to this Order apply to grants awarded on the basis of article 5.1 of the Ministry of Foreign Affairs Grant Regulations 2006 within the framework of the Dutch Fund for Climate and Development, from the date on which this Order enters into force up to and including 31 December 2022.
2. A grant ceiling of €160 million applies during the period referred to in paragraph 1, on condition that sufficient funds are made available by the budget legislator.

Article 2

For efficiency reasons, a grant will only be awarded to one applicant. Of all applications that meet the criteria set out in the administrative rules referred to in article 1 (a), only the application that best meets these criteria will be eligible for a grant.

Article 3

Applications for a DFCD grant may be submitted from the date on which this Order enters into force until 17:00 on 22 February 2019, using the application form stipulated by the Minister and accompanied by the documents stipulated in the form.<sup>1</sup>

Article 4

This Order enters into force on the day after the date of the Government Gazette in which it appears and lapses with effect from 1 January 2023, with the proviso that it continues to apply to the grant awarded prior to that date.

This Order and its accompanying annexe, excluding the appendices to the annexe, will be published in the Government Gazette. The appendices to the annexe will be published on the internet.<sup>2</sup>

R.M. Buijs

Director-General for International Cooperation

For the Minister for Foreign Trade and Development Cooperation

<sup>1</sup> The application form with the accompanying annexes can be found at (Dutch) <https://rijksoverheid.nl/subsidiетender-dutch-fund-for-climate-and-development> and (English) <https://www.government.nl/documents/publications/2018/11/19/grant-application-dfcd>

<sup>2</sup> <https://rijksoverheid.nl/subsidiетender-dutch-fund-for-climate-and-development>  
<https://www.government.nl/documents/publications/2018/11/19/grant-application-dfcd>

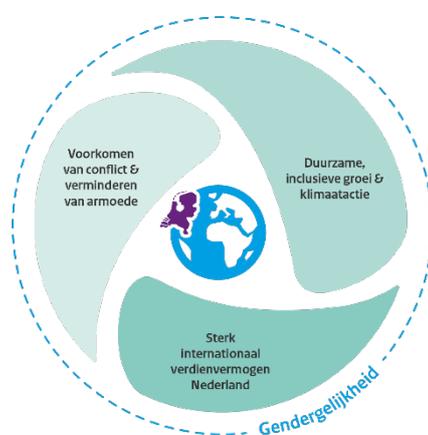
## **Grant policy framework for the Dutch Fund for Climate and Development (DFCD)**

### **1. Background**

This grant policy framework provides guidance for the assessment of grant applications under the Dutch Fund for Climate and Development (DFCD). In its coalition agreement entitled ‘Confidence in the Future’, the government announced its decision to establish a national climate fund within the development cooperation budget. The fund’s size has been set out in ‘Investing in Global Prospects’, the new policy document on foreign trade and development cooperation. To ensure the greatest effectiveness of the available public resources, there will be a call for grant proposals to select an applicant to whom a grant will be awarded, to be used for financially supporting investment in climate action. The present grant policy framework presents the specific conditions for these investments, in the light of the Dutch political ambitions and the commitment to international climate finance in the context of the UNFCCC.

### **2. Climate change and Dutch policy on foreign trade and development cooperation**

Sustainability and inclusive growth worldwide are in the common interest of the Netherlands and developing countries. The Foreign Trade and Development Cooperation agenda addresses these aspects in accordance with the Paris Climate Agreement and the Sustainable Development Goals (SDGs) via three closely connected objectives, as depicted below.



[Text]

Conflict prevention and poverty reduction Sustainable, inclusive growth and climate action

Enhancing the Netherlands’ international earning capacity

Gender equality

[End text]

The challenges posed by climate change, poverty and the SDGs cannot be viewed in isolation. In fact, most of the SDGs cannot be achieved without climate action, as climate change poses a major threat to global sustainable development and disproportionately affects the poorest countries and populations. Not only do these people often live in areas that are vulnerable to flooding, extreme drought, sea level rise and storms, they also have fewer

resources to adapt to the effects of climate change and recover from disasters. In addition, their livelihoods tend to be more dependent on natural resources that are under pressure from climate change.

Most developing countries recognise the urgency of climate action and are starting to feel the consequences of climate change in sectors like trade, agriculture and fisheries. There is great demand for investment, infrastructure, capacity building and technology transfer. Adequate results can only be achieved if the private sector is prepared to contribute alongside the public sector. The challenge posed by climate change cannot be dealt with without a significant contribution or action by the private sector. The Minister for Foreign Trade and Development Cooperation ('the Minister') thus focuses strongly on getting the private sector involved in climate action, for example by supporting the development of innovative instruments. Companies can offer solutions to challenges concerning, for instance, water, energy and food security. The public purse is a key enabler of innovative projects, for instance by means of providing technical assistance or mitigating (perceived) investment risks, while private financiers can ensure economic sustainability and economies of scale. This can lead to a more effective implementation of the Paris Climate Agreement, boost inclusive green growth in developing countries and increase the turnover of Dutch and multinational companies, while at the same time increasing the return on public investment in climate action.

### **3. Key terms**

This framework uses a number of key terms which are explained briefly below to facilitate a better understanding of this document.

*Applicant*: the organisation applying for a grant. In the case of a consortium, the lead party applies for the grant on behalf of the consortium.

*Adaptation*: adjusting to the effects of climate change in order to reduce the vulnerability of humans, communities or ecosystems.

*The Fund – DFCD*: the total resources made available by the Minister (€160m), including any income or losses accrued over time.

*Fund manager*: the grant recipient, the organisation that has received the DFCD grant and disburses these resources in accordance with the objectives and conditions set out in this grant policy framework.

*Gender equality*: equal access for women and men to social goods, opportunities, tools and remuneration.

*Climate change*: a long-term change in the usual weather patterns or climate. The most apparent signs of climate change are a rise or fall in average temperature, and changes in atmospheric circulation and in the water cycle, which in turn affect cloud formation and precipitation rates. Climate change also exacerbates desertification and river flooding. It threatens wetlands and leads to melting polar ice caps and glaciers. Finally, climate change affects ocean currents, sea level and the salinity of seawater.

*Leveraging/mobilising private finance*: use of public funds, in accordance with the OECD/DAC guidelines, to encourage private sector co-financing or investment.

*Mitigation*: activities that result in lower greenhouse gas emissions or stabilise atmospheric concentrations of greenhouse gases.

*Private capital / Commercial financier*: an institutional investor (e.g. a pension fund), a commercial bank (local or otherwise), a lease company or other private financier.

*Project*: a climate-relevant investment by an organisation that has applied for finance to the DFCD fund manager.

*Grant recipient*: the organisation to which the grant is awarded. In the case of a consortium, the lead party is the grant recipient. The grant recipient is responsible for implementation of the proposed activities and for fulfilling the obligations linked to the grant.

*Theory of change*: a theory of change defines all the building blocks that, taken together, are required to reach a given long-term goal. It presents the underlying analysis, assumptions, preconditions and intended results – outputs, outcomes and impact – in a logical manner. The theory of change serves as a basis for defining interventions at each step of the process, and makes clear what role each of the stakeholders plays. The change process is based on assumptions. The theory of change indicates what outcome the chosen strategy leads to and how this contributes to the climate strategy in question.

*Assessment framework*: the body of policy, processes and procedures used by the fund manager (or: that the applicant will use) to decide on project financing applications in the context of the DFCD.

#### **4. Scope of the Dutch Fund for Climate and Development and the theory of change**

The overarching goal (impact) pursued by the Minister through the DFCD is climate-resilient economic growth. Efforts in developing countries (outcome) should be aimed at (a) combating climate change (mitigation) and (b) enabling people to adapt to climate change (adaptation). The Minister also wants to support the most vulnerable countries and groups.

Climate change mitigation and adaptation affect nearly every sector in society. Dutch climate finance focuses primarily on the following sectors:

- *Access to renewable, non-fossil energy for households, transport and businesses (SDGs 7 and 13)*
- *Sustainable land use and resilient ecosystems (SDGs 12, 13, 14 and 15)*
- *Water security (SDG 6)*
- *Food security (SDGs 2, 12, 13 and 15)*

All activities should seek to maximise impact on gender equality (SDG 5). The DFCD is open to projects from all sectors provided they are relevant to climate action and are aligned with the theory of change set out below.

THEORY OF CHANGE Dutch Fund for Climate and Development (DFCD)				
Impact	Climate-resilient economic growth in developing countries			
Political context	Paris Climate Agreement and the 2030 Agenda for the SDGs: international climate finance			
	Coalition agreement: the greatest possible return on public and private climate finance			
	Sufficient level of financing of adaptation <sup>3</sup>			
	Gender roles, women as agents of change, equal participation			
Outcome	Climate change mitigation		Climate change adaptation	
	Lower greenhouse gas emissions	Climate-resilient land use and ecosystems	Climate-resilient water supply and sanitation	Climate-resilient food security
Output	-Investment in use of and access to renewable energy; -Investment in the context of the transition to a circular economy, notably waste processing and re-use of materials which demonstrably contributes to mitigation; -Development of fossil-free transport; -Sustainable carbon storage in and restoration of carbon sinks such as forests, peatlands and tropical rainforests;	Restoration and sustainable management of regions that boost humanity's resilience to the effects of climate change, such as forests, peatlands, tropical rainforests, oceans and wetlands.	-Climate-resilient drinking water and sanitation systems; -Climate-resilient water management, and protection against floods and drought.	Climate-smart agricultural land use.
Indicators (based on SDG indicators) <sup>4</sup>	<ul style="list-style-type: none"> <li>• Reduced or avoided greenhouse gas emissions (in tonnes);</li> <li>• Increased proportion of population with primary reliance on clean fuels and technology (sex disaggregated);</li> <li>• Increased proportion of population with access to electricity;</li> </ul>	<ul style="list-style-type: none"> <li>• Hectares of forest and wetland under sustainable management or other improved practices, contributing to increased adaptive capacity of ecosystems and livelihoods against climate change and shocks;</li> <li>• Proportion of population (women and men) with improved access to climate-resilient services for drinking water and sanitation;</li> <li>• Number of people protected against climate-change-related flooding;</li> <li>• Number of people protected against the adverse impact of climate-change-related drought;</li> <li>• Hectares of farmland under sustainable management, improving resilience to climate change and shocks;</li> </ul>		

<sup>3</sup> The ministry thus implements the motion tabled by Joël Voordewind MP et al. on a combined approach to climate and development, Parliamentary Papers 34 775 XVII <https://www.parlementairemonitor.nl/9353000/1/f9vwi5epmji1ey0/vkjkpofm0huq#p1>.

*THEORY OF CHANGE Dutch Fund for Climate and Development (DFCD)*

	<ul style="list-style-type: none"> <li>• Share of renewable energy in total final energy consumption;</li> <li>• Hectares of forest and wetland under sustainable management or other improved practices, contributing to enhanced carbon sequestration;</li> <li>• Improved wellbeing/economic prospects/livelihoods (sex disaggregated).</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced exposure and vulnerability of population (women and men) to climate-related extreme events, shocks and disasters;</li> <li>• Number of family farms (run by women and men) that have become more resilient to climate change and shocks;</li> <li>• Efficient and climate-resilient water use per kg of crop produced;</li> <li>• Improved wellbeing/economic prospects/livelihoods (sex disaggregated).</li> </ul>
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*Increased access to renewable, non-fossil energy*

Worldwide, major steps are being taken to make the energy supply more sustainable. Currently, energy production accounts for around 70% of greenhouse gas emissions. The electricity sector worldwide is now investing more money in renewable energy (primarily wind and solar) than in fossil-fuel energy. While renewable energy is becoming the economically most attractive option for electricity generation in more and more countries, many poorer countries are unable to take full advantage of the opportunities renewable energy offers because they lack the policy and market models to attract the necessary investment. More than one billion people have no access to electricity at all, which severely limits their wellbeing and economic prospects. A considerable number of people still cook with firewood. SDG 7 thus aims to ensure universal access to affordable, and sustainable energy for all. The targets are: universal access to electricity and clean cooking, substantial growth in the share of renewable energy in the total energy mix and a double rate of improvement in energy efficiency. The 2018 review of progress on SDG 7 called for making clean cooking a top priority, accelerating the adoption of decentralised renewable energy solutions, and accelerating the transition to renewable energy, especially in transport, buildings, agriculture and industry.

*Sustainable land use*

Forests, oceans, marshes and other carbon-rich ecosystems are natural sinks for carbon sequestration. However, the pollution and degradation of these areas – combined with emissions from agriculture, forestry and other land use – is a major source of greenhouse gas worldwide, and in developing countries in particular.

Putting a halt to deforestation and restoring and maintaining the world’s forests and other carbon-rich natural ecosystems are therefore considered to be crucial for climate change mitigation. The management of natural areas (e.g. coastal management, biodiversity conservation, maintaining soil fertility and water storage) also plays a key role in strengthening the resilience of communities and countries to the impacts of climate change. Sustainable land use is therefore a key aspect of climate change adaptation.

SDGs 12 and 15 call for responsible production and consumption and the protection and restoration of forests and other terrestrial ecosystems. This also requires us to subject international production and supply chains (e.g.

meat and palm oil) that stimulate deforestation to closer scrutiny. Local degradation of ecosystems exacerbates the problem.

#### *Water security and sanitation*

Sufficient, clean and accessible water and sanitation (SDG 6) are conditions for sustainable development. However the capacity of natural systems to provide sufficient amounts of clean water is threatened by population growth, changing land use, urbanisation, industry and pollution. According to the UN, if water-related ecosystems do not recover, 45% of global GDP, 52% of the world's population and 40% of grain production could be at risk due to water stress by 2050.<sup>5</sup> The world's poorest populations will feel these impacts most, thus increasing global inequality. Climate change leads to droughts, flooding and extreme weather events, which negatively affects the availability and quality of fresh water. Many climate adaptation measures therefore address water consumption, flood prevention and water management. More efficient water use also results in lower greenhouse gas emissions and lower energy use, thus contributing to mitigation.

#### *Food security*

Global hunger has declined gradually over the last decade, but has started increasing again recently due to conflicts and climate change. According to the UN, 821 million people – around 1 in 9 people worldwide – do not currently have enough food to lead healthy and active lives. The problem is most prevalent in sub-Saharan Africa, where one in four people is undernourished. With the world population set to grow to at least nine billion people by 2050, food production will need to be stepped up, without causing further damage to ecosystems. SDG 2 therefore addresses both undernourishment and agricultural productivity and income. In developing countries most farms are small and medium-sized enterprises. Special attention is also given to vulnerable groups, which includes women, indigenous peoples, farming families, fishers and pastoralists.

## **5. Grant amount and allocation of resources**

The minister is providing €160,000,000 in grant funding under the DFCD for the four years from 2019 to 2022. These resources count as ODA.<sup>6</sup> For efficiency reasons, only one applicant will be eligible for a grant under this grant policy framework. Applicants must apply for the entire amount available.

All applications will be assessed according to the criteria laid down in this grant policy framework. All criteria must in any case be met or sufficiently met in order to be eligible for the grant. The grant will be awarded to the application that best meets the criteria.

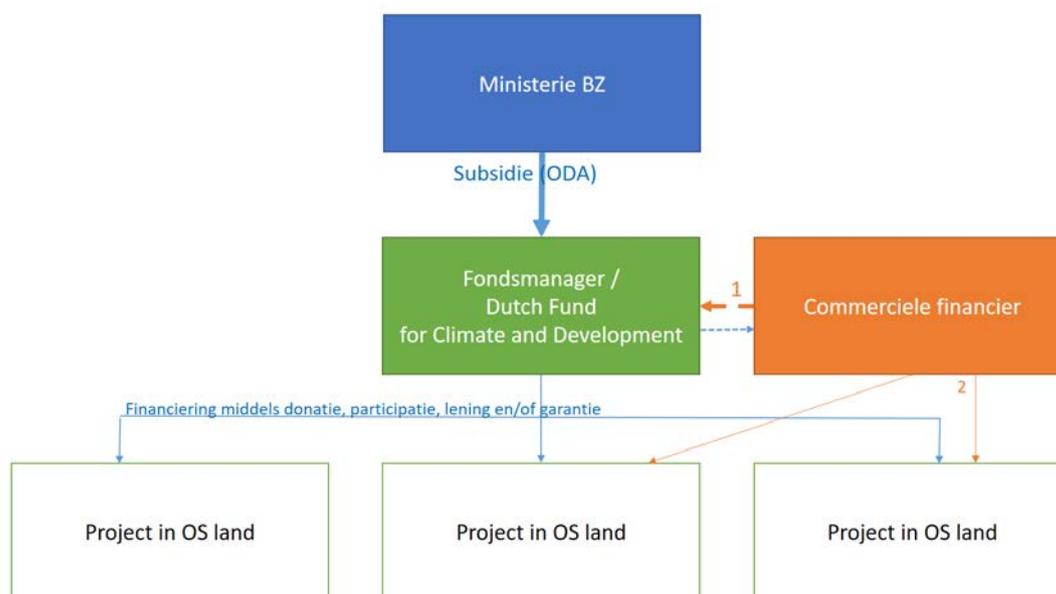
The grant must be used to finance projects that are relevant to climate action and contribute to the objectives laid down in this grant policy framework. DFCD financing can be provided through various financial instruments, including donations, equity investment, loans, guarantees or hybrid instruments. The fund manager must not commit more public resources than are actually available in the fund.

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<sup>5</sup> <http://unesdoc.unesco.org/images/0024/002440/244041e.pdf>

<sup>6</sup> <http://www.oecd.org/dac/stats/officialdevelopmentassistance/definitionandcoverage.htm>

Example:



[Text]:

Ministry of Foreign Affairs

Grant (ODA)

Fund Manager / Dutch Fund for Climate and Development

Commercial financier

Financing by means of a donation, equity investment, loan and/or guarantee

Project in developing country

[end text]

The Ministry of Foreign Affairs awards a grant to the fund manager.

Every year the fund manager gives a number of donations, purchases shares, provides (subordinated or local currency) loans and/or provides guarantees. These financial instruments are additional to what is provided on the commercial market. Except for donations, which are not repaid, the resources will – in principle – flow back to the fund in due course.

Mobilising private capital:

- (1) Commercial parties can participate in the fund (mobilising at fund level); there may be scope for the fund to offer a full or partial guarantee;
- (2) Commercial parties can provide financing (a loan) for a project (mobilising at project level).

*Duration*

The grant period will begin on a date in 2019 to be determined and run up to and including 31 December 2037.

Up to 95% of the grant amount (€160m) will be prepaid in instalments in the years 2019, 2020, 2021 and 2022

based on demonstrated liquidity need. In principle the annual instalments during this period should not exceed €40 million per year.

Reports to the minister on the implementation of the activities for which the grant was awarded and the results thus achieved will be required up to and including 2037. The fund manager must comply with the grant requirements and objectives for the entire grant period (2019-2037). The rules laid down in this grant policy framework will apply throughout this period.

#### *Requirements at the end of the grant period*

The overarching goal of this grant instrument is climate-resilient economic growth. Grant funding is made available for climate-relevant financing of activities that would not otherwise be possible. The fund may be a revolving fund or may diminish in size over time, depending on the financial instruments chosen by the fund manager. The fund is a not-for-profit fund. Unless the grant period is extended, any resources left in the fund at the end of the grant period will flow back to the Ministry of Foreign Affairs. This will be laid down in the grant decision. At least two years before the end of the grant period, the Ministry and the fund manager will confer on whether, and if so, how and within what time limit, the resources will flow back.

#### *Minimum values and target percentages*

Under this grant instrument resources are made available for financing projects that are relevant to climate action. A lower threshold value and a target percentage have been set for the proportion of funds that should go towards adaptation. Lower threshold values have also been set for the proportion to be invested in specific countries as defined in this grant policy framework. The lower threshold values and target percentage apply from the end of 2020 until the end of the grant period (projects financed in 2019 and 2020 are counted in the reports in later years).

## **6. Principles and preconditions for the DFCD**

### *Climate relevance*

The grant is intended for financing projects that are fully relevant to climate action and fully count as Dutch climate finance as reported to the UN Framework Convention on Climate Change (UNFCCC). This means the projects must have Rio Marker 2 status.<sup>7</sup>

### *Climate return*

The greatest possible return on climate finance will be pursued, in accordance with the coalition agreement 'Confidence in the Future'. This means projects must result directly in lower or avoided greenhouse gas emissions and/or increased resilience of communities to climate change. While local capacity development in the context of these mitigation and adaptation projects is certainly a possibility, projects focusing strictly on an enabling environment and institutional strengthening are not eligible for financing.

### *Thematic distribution*

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<sup>7</sup> [Rio Marker Handbook](#)

To ensure that climate change adaptation is sufficiently addressed, a minimum of 50% of the fund's resources – but preferably 65% – must go towards adaptation projects.

#### *Relevance to development and reaching the most vulnerable groups*

The projects to which the fund contributes must be relevant to development. This can be apparent in various ways. For instance, a project may improve access to services (water/energy/food), improve safety (resilience), improve economic prospects (jobs, land ownership, higher yields, etc.) or increase knowledge and capacities. Irrespective of the way in which the project is relevant to development, this aspect should always be taken into account when selecting projects for financing and in project monitoring and evaluation. To this end, relevance to development and the extent to which the most vulnerable groups are reached successfully should be assessed using measurable quantitative or qualitative indicators. During project selection the fund manager will focus also on proposals that benefit the poorest populations and have a positive impact on women.

#### *Social or environmental impact, human rights and gender*

Financed projects must not lead to undesirable social or environmental effects and must respect gender equality and other human rights. One of the ways in which the fund manager achieves this is by means of a contextual analysis describing the effects for society, the environment, gender and human rights. The fund manager must respect international treaties on the environment and human rights endorsed by the Netherlands, including the OECD Guidelines for Multinational Enterprises, and the monitoring and evaluation framework must contain relevant indicators for evaluating, monitoring and reporting on possible effects.

#### *Nationally Determined Contributions*

The fund manager should ensure that any projects to which the fund contributes are aligned with the national climate plans as set out in the Nationally Determined Contributions (NDCs). Where no NDC is available, national ownership should be demonstrated in another way before finance can be provided.

#### *Country selection*

The grant can be used to finance projects in any of the developing countries on the OECD DAC country list. The fund manager should ensure that financing is distributed over the various target country categories such that

- at least 25% of the fund's resources go towards financing projects in the poorest countries (Least Developed Countries) according to the OECD DAC country list<sup>8</sup>
- and at least 25% of the fund's resources go towards financing projects in the Netherlands' development cooperation priority countries (see the letter to the House of Representatives).<sup>9</sup>

#### *Relationship with the local market*

In providing finance the fund manager must in all cases ensure that the finance is additional to the market and does not distort (local) markets.

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<sup>8</sup> [http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC\\_List\\_ODA\\_Recipients2018to2020\\_flows\\_En.pdf](http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC_List_ODA_Recipients2018to2020_flows_En.pdf)

<sup>9</sup> 'Investing in Global Prospects' <https://www.government.nl/binaries/government/documents/policy-notes/2018/05/18/investing-in-global-prospects/Investing+in+Global+Prospects.pdf> and Letter to the House of Representatives on the development policy focus regions Official letter in Dutch on <https://www.rijksoverheid.nl/binaries/rijksoverheid/documenten/kamerstukken/2018/11/13/kamerbrief-focusregios-en-andere-nota-onderwerpen/kamerbrief-focusregios-en-andere-nota-onderwerpen.pdf>

#### *Mobilising private finance and cofinancing*

The DFCD aims to leverage private finance from, for instance, commercial financiers or crowdfunding platforms. To this end, the fund manager may use various forms of finance, including donations, guarantees, loans (including subordinated loans) and equity investment. Complex funding structures involving cooperation with several donors and/or commercial parties, for instance, are encouraged provided they increase the effectiveness of public funding.

#### *Distribution of resources*

There should be a certain distribution of available funds across projects. As a guide, DFCD financing should be in the range of €1 million to €10 million per selected project.

#### *Projects excluded from DFCD financing*

DFCD funds cannot be used to finance activities that, directly or indirectly,

- concern investment in fossil fuels;
- concern investment in nuclear energy;
- lead to deforestation.

## **7. Who is eligible for a grant?**

#### *Type of organisation*

- Dutch<sup>10</sup> and non-Dutch organisations with legal personality (including NGOs,<sup>11</sup> financial institutions, knowledge institutions, companies and service providers) and a good track record in the area of climate change and international finance.
- Organisations can apply independently or join a consortium of organisations, on behalf of whom one of them makes the application as lead party. A consortium is a framework for cooperation between two or more organisations, as defined above, that have concluded a partnership agreement. All parties in the consortium contribute to the project's final objectives and deliver demonstrable added value, both individually and collectively, with regard to the selected themes, for instance. If the application is approved, the lead party is the grant recipient and, as such, bears full responsibility towards the Minister for implementation of the proposed activities and compliance with the obligations in respect of the grant.
- An organisation may submit only one grant application or participate in only one consortium, either as lead party or co-applicant. If an organisation is involved in more than one application, all these applications will be rejected.
- Local governments, intergovernmental organisations and organisations in which the government is the sole shareholder are not eligible for a grant, and cannot therefore be an applicant, lead party or co-applicant.

#### *Organisational management*

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<sup>10</sup> 'Dutch' means: an organisation established in the Netherlands, subject to Dutch law and having its registered office in the Netherlands.

<sup>11</sup> 'NGO' means: a not-for-profit organisation neither established by a public authority nor connected to a public authority either de facto or under its constitution, which possesses legal personality under civil law in the country where it has its registered office.

The applicant's organisation is capable of managing the fund and has a sufficient number of qualified staff. The organisation has relevant policies, processes and procedures (jointly the assessment framework) in place for making a considered appraisal of which projects should be financed, using which instruments. The applicant is also capable of monitoring the portfolio of financings. The applicant must disclose the proposals for financing from the DFCD before concluding contracts.

## **8. Selection procedure**

### *Assessment criteria*

The provisions of the General Administrative Law Act, the Ministry of Foreign Affairs Grants Decree and the Ministry of Foreign Affairs Grant Regulations 2006 are fully applicable to the assessment of DFCD applications and the ultimate award of the grant. Applications will be assessed in accordance with the above legislation and pursuant to the criteria set out in this grant policy framework.

There are two sets of criteria: the threshold criteria, assessed in the first stage, and the qualitative criteria, assessed in the second stage. Only applications that satisfy the threshold criteria go on the second stage of assessment, where the quality of the organisation and the applicant's or consortium's track record are checked and the quality of the proposal,.

In order to be eligible for a grant, an application must (1) satisfy all the threshold criteria and (2) score sufficiently on each of the components of the qualitative check (organisational check and proposal check). Of all the applicants that pass these checks, only the application that best meets the qualitative criteria will be awarded a DFCD grant.

## **9. Timetable**

Applications for DFCD grants may be submitted from the date on which this Order enters into force (the day after its publication in the Government Gazette) until 17:00 CET on 22 February 2019. Applications submitted after the date and time stated above will be rejected. The first stage of assessment, comprising a check of the threshold criteria, will begin after 22 February 2019 and be concluded by 22 March 2019 at the latest. If an application fails to meet one or more of the threshold criteria, it will be rejected and will not be processed further.

Applications that satisfy all of the threshold criteria go on to the next stage of assessment comprising a qualitative check of the organisation and the applicant's or consortium's track record (organisational check) and of the proposal (proposal check). After conclusion of the second stage of assessment, a decision on the applications in the second phase and on the award of the grant will be made by 24 May 2019 at the latest.

## **10. Threshold check**

Applications that fail to meet all the threshold criteria will be rejected and will not be assessed further.

1. The applicant is an organisation which possesses legal personality. For applications on behalf of a consortium submitted by a lead party, both the lead party and all co-applicants must have legal personality.

2. An application on behalf of a consortium must include a consortium agreement, signed by all the consortium members, laying down:
  - how each of the parties will contribute to the consortium's activities;
  - how decisions are made within the consortium;
  - how costs and risks are shared among the partners;
  - how the partners will ensure that the lead party fulfils the obligations towards the Minister in respect of the grant, including responsibility for the joint aggregated reports (including IATI-compliant reports);
  - how the partners will keep each other informed, in particular about their financial health;
  - how the partnership can be adapted;
  - each consortium member's role in monitoring and evaluating progress in the activities for which a grant has been received and in the projects financed from the fund.
3. In the 2015-2017 period at least 25% of the applicant's total annual income came from sources other than grants and/or contributions from the Ministry of Foreign Affairs (including missions). If the applicant is the lead party of a consortium, this criterion applies to the whole consortium. Consequently, if one organisation derives less than 25% of its total annual income from sources other than Ministry of Foreign Affairs grants or contributions, this may be offset by another party in the consortium.
4. The applicant must demonstrate that it has and, in the case of a consortium, all co-applicants have adopted an integrity policy and introduced procedures to apply that policy so as to prevent as much as possible any sexual misconduct and other serious forms of inappropriate behaviour towards employees and other individuals during the implementation of the proposed activities by the lead party, its partners and other parties they involve in the activities, and in the event of such incidents, to investigate and take appropriate measures to put an end as promptly as possible to the misconduct or inappropriate behaviour and mitigate the consequences. These procedures must be structured in a way that guarantees prompt reporting of any such incidents to the Minister.
5. The applicant and, in the case of a consortium, all co-applicants is in a position to ensure adequate financial management and guarantee effective and efficient implementation of the activities through experience in relation to activities of the kind for which a grant is being sought.
6. In the 2015-2017 financial years, expenditure by the applicant or, in the case of a consortium, all the consortium members together must have been at least €80 million per year. 'Expenditure' means: operational costs, cash expended on shares, loans and donations (or a combination of these) and/or commitments made in the form of guarantees.
7. The applicant or, in the case of a consortium, the consortium members together gained experience over several years in the 2010-2017 period in financing at least 10 projects aimed at climate adaptation and mitigation in developing countries as defined by the OECD DAC. At least five of these projects should have been focused on climate adaptation.
8. The applicant or, in the case of a consortium, the consortium members together gained experience over several years in the 2010-2017 period in financing at least five projects in least developed countries (LDCs) as defined by the OECD DAC.
9. The applicant or, in case of a consortium, the consortium members together gained experience over several years in the 2015-2017 period with at least two of the following financial instruments: donation, loan, equity investment, guarantee.

10. The application is aimed at efficient fund management – financially supporting projects in an efficient manner which contribute to the objective set out in this grant policy framework, namely climate-resilient economic growth. The fund’s management is a not-for-profit activity.<sup>12</sup>
11. The applicant must demonstrate by means of an assessment framework that financing applications will be assessed on the following points:
  - Financing will be fully climate relevant according to the Rio Marker 2 system;
  - The projects have a direct effect on climate change indicators (‘direct climate return’);
  - The projects are relevant to development and actively strive to benefit the poorest populations and have a positive impact on women;
  - Projects to be financed must provide assurance of national ownership;
  - Projects to be financed must prevent or mitigate any undesirable effects for the environment, society, human rights and gender;
  - The finance is additional to the market and does not distort local markets;
  - Financing is not provided to projects involving fossil fuels, nuclear energy and/or deforestation, nor to projects aimed solely at an enabling environment and institutional strengthening.
12. The applicant must demonstrate that it sets or will set criteria relating to:
  - the size of financial contributions;
  - thematic distribution, with at least 50% but preferably 65% of funding going towards adaptation projects;
  - geographic distribution, with at least 25% of the fund’s resources going to focus regions and at least 25% to LDCs;
  - the mobilisation of private capital.
13. The following activities are not eligible for a grant:
  - activities which already receive grant funding or a contribution directly from the Ministry of Foreign Affairs budget;
  - initiatives aimed entirely or partly at proselytism;
  - activities of organisations already receiving core funding from the Ministry of Foreign Affairs budget during the DFCD grant period;
  - activities implemented by the applicant as part of the fund management to make profit from the DFCD.
14. The activities must start no earlier than the date on which the grant decision (by which the grant is awarded) is published and no later than 1 November 2019, and end no later than 31 December 2037.
15. The applicant must apply for the full amount of the grant, i.e. €160 million.
16. The application must not involve any organisations that are also involved in another application for the DFCD grant, either as applicant, lead party or co-applicant.

## 10. Qualitative check

The qualitative check comprises a check of the quality of an application by a check of the organisational quality (organisational check) and a check of the quality of the proposal (proposal check). To be eligible for a grant,

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<sup>12</sup> See also article 14, paragraph 1 of the Ministry of Foreign Affairs Grants Decree: Grants are awarded solely to cover costs of the planned activities that are necessary in the light of the objectives and results envisaged, in so far as it cannot reasonably be expected that such costs can be funded from the applicant’s own resources or other sources.

applications must in any case obtain satisfactory scores on both parts of the qualitative check. Of the applications that pass the qualitative check, only the application that best meets the criteria is awarded the DFCD grant.

*Organisational check: qualitative criteria concerning the organisation and the applicant's or, in case of a consortium, the consortium's track record*

The criteria below are used to assess the quality of the applicant organisation and track record. In the case of an application submitted by a lead party on behalf of a consortium, the word 'applicant' below should be read as 'the consortium as a whole'.

1. The extent to which the applicant's experience in financing climate projects in developing countries<sup>13</sup> is relevant to the DFCD's theory of change.
2. The extent to which the applicant has experience in financing in least developed countries.
3. The extent to which the applicant has relevant experience in reaching vulnerable groups (like women and poorest groups).
4. The extent to which the applicant knows how to conduct analyses of
  - environmental and social aspects
  - human rights
  - gender roles
  - good governance.
5. The extent to which the applicant integrates the fund into its internal organisation with regard to:
  - processes and procedures (credit processes including 'knowing your customer', governance and combating money laundering, corruption and the financing of terrorism);
  - the knowledge, staff and resources required for fund management;
  - the network of contacts in countries where projects are to be financed;
  - its risk management: asset and liability management (ALM), non performing loans, country-specific risks.
6. The extent to which the applicant has knowledge of and experience with financial instruments, including complex instruments.
7. The extent to which the applicant has knowledge of and experience with mobilising private capital.
8. The extent to which the applicant shows that it can enter into a sufficient number of relevant commitments in 2019 and 2020 in terms of projects to be financed (in line with the objectives of this grant policy framework).
9. The extent to which the applicant has experience with reporting requirements:
  - disclosure of financing proposals prior to contracting;
  - IATI;
  - financial annual reports;
  - the OECD DAC method to measure and report on mobilised private finance;
  - narrative reports (indicators, human rights);
  - multiyear evaluations.
10. In the case of a consortium, the extent to which the partnership is convincing, effective and efficient:
  - the extent to which a consortium is a suitable vehicle to manage the fund;
  - the extent to which the selection of consortium partners will result in efficient and effective implementation of the activities for which grant funding is sought;

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<sup>13</sup> According to the OECD DAC country list.

- the extent to which the consortium partners, in particular the lead party, have the necessary expertise and influence on decision-making, as well as the organisational capacity to achieve the DFCD objectives.

*Proposal check: qualitative criteria concerning the proposal*

11. The extent to which the applicant can ensure that projects to be financed from the DFCD fall under the theory of change of this grant policy framework. The proposal should also explain how the projects to be financed will result in the intended outputs, outcomes and impact.
12. The extent to which the applicant can ensure that projects to be financed from the DFCD will satisfy the principles and preconditions below, according to an assessment framework – possibly supported by information about the project pipeline:
  - fully climate relevant according to the Rio Marker 2 system
  - direct climate return
  - relevant to development and actively strives to benefit the poorest populations and have a positive impact on women
  - national ownership guaranteed
  - prevents or mitigates any undesirable effects for the environment, society, human rights and gender
  - additionality of financing, avoiding market distortion
  - projects do not involve fossil fuels, nuclear power plants and deforestation.
13. The extent to which the applicant can ensure that financing will result in:
  - thematic distribution of the resources, with at least 50% but preferably 65% of funding going towards climate adaptation projects;
  - geographic distribution of the resources, with at least 25% going to focus regions and at least 25% to LDCs;
  - distribution of fund's resources.
14. The extent to which private capital is mobilised in such a way that promotes the effectiveness of public financing.
15. The extent to which the proposal aims for the financing to achieve a lasting, sustainable effect on the intended target groups.
16. The extent to which the applicant will report on the DFCD using quantitative and qualitative data and indicators, in any case with regard to the ToC indicators and the amount of mobilised private capital, measured using international standards.
17. The extent to which the applicant has or will establish a satisfactory system for planning, monitoring and evaluation of DFCD results.
18. The extent to which the applicant has or will establish a satisfactory system for risk management for the fund.
19. The extent to which the applicant can demonstrate that the operational costs of fund management are in reasonable proportion to the requested grant amount.
20. The way in which the applicant will communicate about the fund and the results.

*Obligations tied to the grant*

The grant decision will lay down the obligations tied to the grant, which in any case will concern reporting requirements. Among other things, reporting must be based on open data in accordance with the IATI standards that entered into force in 2016. The applicant will be expected to follow IATI developments and adapt

accountability procedures accordingly. For more information, please refer to the Ministry of Foreign Affairs publication 'How to use the IATI standard'.<sup>14</sup> Organisations whose reporting is not yet IATI-compliant will be given the opportunity to remedy this. A deadline for compliance will be included in the grant decision.

The fund manager shall be transparent about the projects being financed from the DFCD, by disclosing intended financings, on its website before entering into contracts.

Annual financial reporting should comprise:

- an annual financial report with an audit statement;
- information about geographic distribution;
- Information about the amount of mobilised private climate finance (using the OECD DAC method);
- information on projects in the pipeline.

The audit opinion should be drawn up in accordance with an audit protocol laid down by the Minister.

Every year, the fund manager will have to submit an annual plan and accompanying budget for the forthcoming year.

Narrative reporting on non-financial indicators is also required.

The fund manager should publish a human rights report (UNGP) at regular intervals. If the applicant does not yet publish a human rights report, the fund manager should ensure to start publishing such by year end 2020.

## **11. Application procedure**

1. Grant applications must be drawn up using the form stipulated by the Minister.<sup>15</sup>
2. The following appendices should in any case be included with the grant application:
  - A Theory of Change;
  - track record (of the applicant or, in the case of a consortium, of all the consortium members);
  - an assessment framework;
  - an activity plan
  - a budget, including:
    - Forecasts of income and expenditure (income and expenditure account) and assets and liabilities (balance sheet) for a period of at least five years, subdivided into types of project (sectors), country groups (LDCs, focus and other) and types of financial instrument;
    - Liquidity forecast for the first 12 months;
    - Forecast of estimated co-financing/private finance to be mobilised;
  - If relevant, an indication of the fund's revolvability.

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<sup>14</sup> [www.government.nl/documents/publications/2015/12/01/open-data-and-development-cooperation](https://www.government.nl/documents/publications/2015/12/01/open-data-and-development-cooperation)

<sup>15</sup> The application form can be downloaded from (Dutch) <https://rijksoverheid.nl/subsidietender-dutch-fund-for-climate-and-development> or (English) <https://www.government.nl/documents/publications/2018/11/19/grant-application-dfcd>

Applications can be submitted from the date on which this Order enters into force (the day after its publication in the Government Gazette) until 17:00 CET on 22 February 2019. Applications submitted after the date and time stated above will be rejected. The applicant bears sole responsibility for ensuring that the application is complete and submitted on time. Applications should be complete and without reservations, signed by an officially authorised signatory (state name and position) on behalf of the applicant. It is not possible to submit a provisional application.

Applications must be submitted in Dutch or English. A Dutch or English translation should be added to appendices written in a language other than Dutch or English.

Applications should preferably be submitted by email in PDF format and sent to the email address IGG@minbuza.nl, with 'DFCD grant application' in the subject line.

The time when the email is received on the servers of the Ministry of Foreign Affairs will be considered the time of submission. Please note that the email server will reject files larger than 14MB. Larger files should be split up into smaller files sent in separate emails. - In this case, the time at which the last email is received will be considered the time the application is submitted. If an application is split into several files which are each sent separately by email, the emails must be numbered, with both the email number and the total number of emails clearly indicated in the subject line.<sup>16</sup>

Any technical issues relating to electronic submission are at the applicant's own cost and risk.

Postal applications should be sent to  
Ministry of Foreign Affairs  
IGG – Climate Division  
Postbus 20061  
2500 EB 's Gravenhage

If you wish to deliver your application personally or by courier, it may be handed in at the Ministry's mail desk (deliveries), Rijnstraat 8, 2515 XP The Hague.

The time at which the application is received at the Ministry of Foreign Affairs will be considered the time of submission.

If an application is sent by standard post instead of registered post, the sender bears the risk of it being received late by the Ministry or not at all. Applications sent by post (apart from those using a 'postage paid' envelope) and postmarked on a date before the application deadline are considered to have been submitted on time, provided they are received no later than one week after the deadline for applications has passed.

Applications sent by mail using a 'postage paid' envelope are considered to be submitted on time if they are delivered to the Ministry before 17:00 CET on 22 February 2019. An item is not considered received until it has been recorded by the Ministry's mail department. Incoming mail is not recorded in the evenings or at weekends.

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<sup>16</sup> E.g. 'email 1 of 5', 'email 2 of 5', etc.

Applicants should not include additional information, such as like illustrative books, CD-ROMs, USB sticks or DVDs about their organisation with their application; these will not be considered with the application.

With regard to the application procedure, particular attention is drawn to article 7, paragraph 3 of the Ministry of Foreign Affairs Grants Decree. If an incomplete application is submitted, the Minister may request a supplement. In this case, the date and time of receipt of the application will be the date and time on which the supplemented application was received. If the application is submitted less than two weeks before the deadline, the lead party runs the risk that, if it is incomplete, the Minister will not use her discretionary powers to request a supplement; this in connection with the time required to check all applications are complete. In this case, no supplement will be requested and the application will be assessed as it stands.

Incomplete or insufficiently reasoned applications may be rejected on the basis of the threshold or qualitative criteria.

When filling in the form, it is not sufficient to refer for the sake of brevity to other parts of the application, websites or annexes, unless the application form states that this is wholly or partly acceptable. Incomplete applications may be rejected.

Particular attention is drawn to article 9 of the Ministry of Foreign Affairs Grants Decree. Applications concerning activities that have already been started at the time that the grant application is submitted will be rejected. Questions concerning this document or any other matters will only be accepted if they are sent to the email address given above no later than 1 February 2019. If necessary, questions will be aggregated and anonymised and published once a week, with answers, on the Q&A section on <https://rijksoverheid.nl/subsidietender-dutch-fund-for-climate-and-development>.

### **Administrative burden**

A test based on a standard cost model has been carried out in the interests of accountability for the administrative burden that the applicant will face, from drafting and submitting the grant application, to the management phase (i.e. complying with the obligations tied to the grant, such as reporting to the Minister) and the determining of the definitive grant amount. The calculation shows that the administrative burden of submitting the grant application and regular financial and narrative reports in the first four years, expressed as a percentage of the total available grant budget, is 0.2%.

**Annexe:**

Application form – see page on [www.gouvernement.nl](http://www.gouvernement.nl) and or <https://rijksoverheid.nl/subsidietender-dutch-fund-for-climate-and-development>.