Report 12/16 from Vista Analysis AS

Evaluation of NDF's progress under the climate mandate

John Magne Skjelvik & Philip Swanson

Vista Analysis 2 May, 2012

VISTA ANALYSE

Document Details

Vista Analysis AS	Report number 2012/16
Title	Evaluation of NDF's progress under the climate mandate
ISBN	978-82-8126-065-8
Author	John Magne Skjelvik & Phil Swanson
Finished date	2 May, 2012
Project Manager	John Magne Skjelvik
Quality Control	Karin Ibenholt
Client	Nordic Development Fund
Access	Public
Published	28 August, 2012
Key words	Evaluation, climate change financing, multilateral development banks

Preface

The Board of the Nordic Development Fund (NDF) has commissioned an evaluation from Vista Analysis AS of NDFs performance during the first two years of operation under the new climate and development mandate. The results of the evaluation are presented in this report.

The evaluation has been carried out during the 3-month period December 2011–February 2012. Main findings and conclusions were presented to the Board at its meeting in Helsinki 12. March 2012.

The evaluation team has consisted of John M. Skjelvik (Vista Analysis) and Philip Swanson (independent consultant), with Karin Ibenholt (Vista Analysis) as quality controller.

The Team would like to thank everyone who has contributed to the evaluation.

Oslo, 2 may 2012

John M. Skjelvik

Project Manager

Vista Analysis AS

Content

Executive Summary

Background

In 2009 the Nordic Development Fund (NDF) was given a new mandate to provide financing to projects addressing the challenges posed by climate change. At the same time, NDF was given grants as a new financing instrument. Based on an assessment carried out by the NDF staff in early 2011, NDF's Board decided to undertake an independent evaluation of NDF's work under the climate mandate. The main objective for this evaluation should be to provide NDF with an independent assessment of the Fund's activities during the first two years of operation under the climate and development mandate. The evaluation should focus on reviewing, assessing and validating the progress so far in achieving the objectives set out in the May 2009 Board paper *"Future NDF Operations: An Outline for 2009-2011"*, and identifying any other strategic choices that NDF should address in view of the changes in the international development co-operation and climate change agenda.

Main findings

NDF's instruments and work fits well into the international climate financing agenda

NDF's system of grants fits well into the international demand for climate finance. Not many institutions offer grants, and grants could be important for attracting other financing. Moreover, NDF's focus on adaptation projects addresses what is seen as an important area in the years to come. Furthermore, targeting the activities towards the poorest states means that funding is channeled to the countries that need it most. Finally, offering risk sharing to promote private sector investments seems to have been a relevant approach towards this sector, even if initial attempts have not been successful.

NDF has achieved nearly all objectives and outputs set out in the 2009 Board paper

NDF is fulfilling its objectives by facilitating greater investments to address climate change in developing countries, increasing additionality and complementarity in relation to other available financing, and promoting Nordic priorities. At least half of the amount that achieved final Board approval between mid-2009 and 30 June 2011 probably could be considered additional money that otherwise would not have gone to address climate change in the absence of NDF activities. Grants provided by NDF in a number of cases contributed to making a loan possible or to help the recipient government accept a larger loan from a multilateral development bank (MDB) than otherwise would have been the case. In such cases, the MDBs considered NDF grants to be highly complementary to their own funds.

NDF has fulfilled all of the main goals set in the 2009 Board Paper, including those regarding numbers of projects. The goal regarding exploration of how to obtain information and ideas for projects through Nordic firms and organisations was not on the main list of activities and outputs, but has been partly fulfilled.

Project approval time is relatively short, but it is difficult to draw conclusions regarding administrative expenses compared to approved funding

The current overall project approval cycle (first submission to final approval) is apparently considerably shorter for NDF (about 8 months) than for GEF (about 15-17 months in 2009 and 21-23 months in 2010 for GEF-4 projects above $1 million). This is also confirmed by the comments of most MDB interviewees who had worked with both and found that NDF was much quicker. Although administrative expenses to approved financing appear somewhat high compared to those of GEF, it is difficult to compare, since NDF activities during the evaluation period included many transitional items, such as managing the credit portfolio and establishing new policies, guidelines and tools. In addition, NDF has taken a more active role than GEF in implementing some of its grant projects, i.e., those involving parallel co-financing.

Development effectiveness is good

NDF adheres well to good practice in development assistance, notably the principles elaborated in the Paris Declaration for Aid Effectiveness. For the most part NDF relies on its partner agencies for planning, funding (e.g., joint financial arrangements), disbursements, monitoring, evaluating and reporting to government on donor activities, achieving a very high level of harmonization. NDF has made remarkable achievements in untying aid, considering the origins of NDF as an agency to promote the interests of Nordic countries and companies. The only current incidence of tied aid is the NCF program, which is only open to Nordic companies in partnership with a local organization.

NDF compares favourably when ranking aid agencies by development effectiveness practices. In a recent study that looks at how a number of aid agencies score on practices that it claims are generally accepted to lead to more effective and efficient aid, NDF was the highest ranked donor agency overall in a list that included both multilateral and bilateral donors.

NDF is a results-oriented and learning organization

NDF is a results-oriented organization because it is concerned about quick and smooth decision processes and ensuring the quality of the decisions made. The staff has also to a considerable degree been able to learn from project work, contributing to the overall efficiency and results-orientation. According to informants, NDF is smooth, flexible and moves quickly with little bureaucracy in all its operations, which makes it easy to work with and to achieve good results. NDF is "adding value without adding costs" to the project cycle, as one informant put it.

Recommendations

Even if the main conclusion from the evaluation is that NDF has achieved or is achieving most of the objectives set out in the 2009 Board Paper and is generally performing well, there are some adjustments that could be made to improve NDFs performance:

Consider financing more adaptation projects

It now seems more probable that some damage from climate change will occur in the future, increasing the need for adaptation to climate change. Relatively little money from the international community has been channeled to adaptation projects, while there is a need for both good ideas and co-funding in this area. Adaptation appears to be an arena where NDF could play an innovative role based on Nordic competences and experiences.

Pursue private sector engagement primarily through "indirect" channels

More than 30 per cent of the approved volume of NDF's funds under the climate mandate has gone to private sector engagement through the Nordic Climate Facility (NCF) and cooperation with MDBs. While engagement of the private sector is important, it is likely to be more efficient for NDF to engage the private sector "indirectly" through projects implemented by the MDBs. Similarly, it should be possible for NDF to promote innovation – including financial innovation – primarily through "traditional" co-financing projects.

Consider reserving a certain portion of NDF's yearly approval budget for projects which the NDF brings to its co-financing partners, including projects NDF identifies in partners' pipelines but which do not initially have significant climate-relevant content (with the goal of increasing such content)

Increased familiarity with NDF's Screening criteria seems to be increasing the number of projects the MDBs propose to NDF for co-financing that already meet the criteria. This indicates that NDF has had significant influence, but also that NDF's influence may be becoming less direct. In order to continue to have direct influence, NDF may wish to focus at least a portion of its funding on projects not initially presented to it by the MDBs.

Participating in multi-donor trust funds would likely not add value

NDF has so far rightly not participated in multi-donor trust funds because of expected lack of influence in project design and selection, and because Nordic bilateral donor organisations could contribute to such funds themselves. An exception could perhaps be made for the ADB's multi-donor Climate Change Fund, though only if NDF is able to exert substantial influence on project selection criteria as the first member besides ADB itself.

Consider more joint rather than parallel co-financing projects

Joint projects would put less strain on NDF staff than co-financing projects because of less administrative work for the NDF. The staff could thus concentrate on exerting influence in the project development stage rather than on the implementation stage where NDF probably has little comparative advantage.

Continue developing a partnership with the African Development Bank (AfDB)

NDF has so far channeled it's engagements in Africa through the World Bank, though it is exploring cooperation with the AfDB. This should continue. Eventual cooperation should focus on helping the AfDB mainstream climate into its projects through finding a potential project to start elaborating the cooperation. NDF should seek coordination with Nordic bilateral capacity-building activities and could also consider short-term secondments.

Evaluate the Nordic Climate Facility (NCF) and the cooperation with the Nordic Environment Finance Corporation (NEFCO)

NCF has been very popular among Nordic applicants through its three calls for proposals and seems to have given NDF good visibility in the Nordic and recipient countries. On the other hand, some Nordic government respondents told us they considered NCF as tied aid and essentially a showcase for NDF in the Nordic countries, with possibly little climate impact compared to administrative costs. NCF should be evaluated for project impacts and NEFCO's comparative advantage in administering the facility before continuing with further calls for proposals.

NDF should reconsider co-financing Nordic bilateral projects

NDF is so far involved in only one project with a bilateral Nordic partner: The Mekong Energy and Environment Partnership (Mekong EEP). At least from a medium-to-long-term perspective, the money cannot really be considered additional, since it originally came from Nordic governments. Moreover, it is unlikely that NDF should have much influence on Nordic development agencies regarding increased climate change-related content, since NDF is supposed to reflect the values of those agencies already.

Engage the Nordic governments in a discussion of geographical and other division of labor

Geographical and other division of labor could enhance both the complementarity and additionality of NDF. Such a discussion could take place within the NDF Board, since it is composed of Nordic government representatives.

Consider informing potential Nordic bidders in a more systematic way about tenders

This could be done for instance by finalizing a more complete and comprehensive mailing list to companies. In addition, one way to give NDF staff an incentive to ensure that the right Nordic firms are sufficiently aware of all relevant bidding opportunities could be to monitor the number of Nordic firms bidding in each tender above a certain threshold, including those under joint co-financing projects.

Amend procurement rules to better reflect the principle of alignment with country systems

In order to fulfill the requirement of the Paris Declaration that donors should strive to "*Progressively rely on partner country systems for procurement when the country has implemented mutually agreed standards and processes",* the procurement rules should be amended*.*

Consider increased use of e-mail for final project approvals on a rolling basis

In response to the difficulties some ADB mission leaders have had in coordinating with NDF's two-step project approval process, the NDF Board should consider greater use of e-mail approvals (approval per capsulam). In the longer term, especially in the eventual case of fewer annual Board meetings, the Board may wish to consider delegating final project approval to the Administration.

1 Introduction

1.1 *Purpose and scope of the evaluation*

The Nordic Development Fund (NDF) is an international financing institution established in 1989 by the governments of Denmark, Finland, Iceland, Norway and Sweden as part of the Nordic countries' co-operation on development assistance. The purpose of NDF is to promote economic and social development in developing countries through participation in financing on concessional terms of projects of interest to the Nordic countries. NDF mainly offers financing in co-financing with other sources of funding, primarily other multilateral finance institutions such as the World Bank Group (WB) and the major regional development banks (MDBs). In 2009 NDF was given a new mandate to provide financing to projects addressing the challenges posed by climate change. At the same time, NDF was given grants as a new financing instrument.. Based on an assessment carried out by the NDF staff in early 2011 NDF's Board decided to undertake an independent evaluation of NDF's work under the climate mandate.

The main objective of the evaluation is to provide NDF with an independent assessment of the Fund's activities during the first two years of operation under the climate and development mandate. The evaluation should focus on reviewing, assessing and validating the progress so far in achieving the objectives set out in the May 2009 Board paper *"Future NDF Operations: An Outline for 2009-2011"*, and identifying any other strategic choices that NDF should address in view of the changes in the international development co-operation and climate change agenda.

According to the Terms of Reference (ToR) the evaluation report shall include but not necessarily be limited to:

- An assessment of the Fund's activities in terms of orientation and modalities of operation in relation to the Fund's mandate;
- An analysis of strategic issues, including an analysis of NDF's value added and a general assessment of the Fund's development effectiveness and cost efficiency;
- A general assessment of the results orientation of the Fund;
- Recommendations for strategic choices for future operations as well as suggestions for improvements related to the above mentioned issues.

The full ToR for the evaluation may be found in Annex 3.

1.2 *The evaluation team's approach*

The evaluation has been based on available written documentation in the NDF archives and other material requested from and prepared by NDF. The key documents studied have been:

- *Future NDF Operations: An Outline for 2009-2011, hereafter referred to as the 2009 Board paper*
- *Progress Report: NDF's Climate Mandate - May 2009-April 2011*

- *Business Plans 2010, 2011 and 2012*
- *NDF Strategy 2012-2013*

The NDF administration has also prepared several other documents since the adoption of the climate mandate focussing on several strategic issues like NDF private sector engagements, country profiles, documents on project identification and screening, which have been studied by the evaluation team (see attached Reference list). Generally the strategic thinking and other issues related to the operation of the new mandate have been well documented.

Another important information source has been interviews with stakeholders. Separate interviews have been carried out with all NDF Board members, most NDF staff members, representatives for the Nordic ministries of Foreign Affairs and selected Nordic cooperating partners, representatives among multi- and bilateral organisations and finally some consultants that have had relations with NDF over the years. The evaluation team has not met with any recipients in developing countries. A full list of persons interviewed may be found in Annex 2.

The evaluation follows standard OECD-DAC Evaluation Criteria, focusing on Relevance, Effectiveness and Efficiency. Given the early stages of NDF's new climate mandate and of most projects, the evaluation does not address Impact and Sustainability.

1.3 Background: NDF's climate mandate

In 2005 NDF's owners decided not to replenish the Fund. In late 2008, following a period of studies and reflection, NDF's board recommended that the Fund be given a new mandate to provide financing to projects addressing the challenges posed by climate change. At the same time, NDF was given grants as a new financing instrument. In May 2009, the Nordic Council of Ministers agreed to the Board's proposal and an amendment to NDF's statutes to this effect was passed.

In the 2009 Board Paper the administration proposes to the Board how the new mandate should be operationalized during the two-year transitional period from mid-2009 to mid-2011. This was endorsed by the Board at their meeting in June 2009. The mandate was interpreted to cover both adaptation and mitigation measures.

According to the 2009 Board Paper, the objectives of the NDF grant operations should be:

- "to facilitate greater investments in developing countries in order to address the causes and consequences of climate change alongside and in cooperation with other multilateral and bilateral financiers. Along with this, NDF would start the identification and preparation of various new modes of cooperation and more innovative ways of channelling financing to climate related interventions in developing countries;
- to promote the Nordic countries' priorities in the area of climate change and poverty reduction focused development;

- to maximize additionality and complementarity in relation to other available financing."

The 2009 Board Paper states that NDF grants can be provided for technical assistance (mainly consulting services), investments and other applicable services in climate adaptation and mitigation projects identified by NDF's cooperation countries, NDF's Lead Agencies, Nordic bilateral donors, NDF itself or other stakeholders. It calls for NDF's internal project proposal screening procedures to be developed further to enhance the quality of the projects as well as to secure that the suggested projects comply with all criteria as outlined. The size of grants may vary depending on the scope of the project/program, though the 2009 Board Paper suggests that a grant only in exceptional cases would be less than EUR 500,000 or more than EUR 4 million.

Regarding sector coverage, the 2009 Board Paper specifies that, based on the criteria and NDF's experiences from the old mandate, projects under the labels of infrastructure, natural resources and climate change-related capacity building should be relevant for NDF's support (see section 2.2 below for a discussion of this.)

The 2009 Board Paper defines NDF-eligible countries as those eligible for support from IDA and which have been borrowers of NDF credits under its previous mandate. There are 27 countries that comply with these criteria (See below for country overview). The same document also called for country profiles to be developed to identify key sectors for assistance in the partner countries.

The 2009 Board Paper envisages that NDF continues to build on the existing partnerships with the MDBs and continue to co-finance activities with its multilateral and bilateral lead agencies in order to better leverage its operations. Parallel to this, NDF is expected to actively identify and develop new channels and operative partnerships

1.4 The Administration's Progress Report

In May 2011 the Administration presented a Progress Report[1] on the main activities and outputs set forth in the 2009 Board Paper. In general, the review team found the report to be a well written and accurate assessment of progress. For the main outputs, notably country profiles and projects, the Progress Report's conclusions were that the NDF had more than met its targets and that it was well on its way in most other areas. The Vista Analysis evaluation team generally confirms these conclusions.

In summary, we found the Progress Report a useful and accurate starting point for this evaluation.

[1] NDF (2011) "Progress Report: NDF's Climate Mandate May 2009 – April 2011".

2 Relevance

This chapter examines the relevance of NDF's mandate in the context of the international climate-change agenda and Nordic development priorities. It also looks at the relevance of NDF's operations to its mandate.

2.1 Relevance of NDF's climate mandate

2.1.1 NDF's instruments and work fits well into the international climate financing agenda

The need for climate change funding is larger than ever. The UN Secretary General's high-level Advisory Group on climate change financing had as its terms of reference the need to identify practical proposals to significantly scale up long-term financing for mitigation and adaptation strategies in developing countries from various public and private sources, and how best to deliver it (UN, 2010).

One of the main conclusions from the Group is that grants and highly concessional loans are crucial for adaptation in the most vulnerable developing countries, such as the least developed countries, small-island developing States and Africa. The Group recognizes that key elements of financial flows are mutually reinforcing and notes that careful and wise use of public funds in combination with private funds can generate transformational investments. It also notes that the multilateral development banks, in close collaboration with the United Nations system, can play a significant multiplier role and leverage additional green investments sources. As for private finance, flows of investments will depend on a mix of Government policies and on the availability of risk sharing instruments.

According to the Advisory Group, funding for adaptation should be prioritized for the most vulnerable developing countries. The regional development banks, the World Bank, the United Nations system, other multilateral institutions and coordinated bilateral programmes will be crucial in scaling up appropriate national climate actions, for example, via regional and thematic windows in the context of the Copenhagen Green Climate Fund, such as a possible Africa Green Fund.

This shows in our view that NDF's system of grants fits well into the international demand for climate finance. Not many institutions offer grants, and, as shown below, grants can be important for attracting other financing. Moreover, NDF's focus on adaptation projects targets what the Advisory Group sees as an important area in the years to come. Furthermore, targeting the activities towards the poorest African states means that funding is channeled to the countries that need it most. Finally, offering risk sharing to promote private sector investments has been a relevant approach towards this sector, even if NDF's efforts in this have not so far succeeded.

2.1.2 NDF's operations are in line with Nordic development priorities

Climate change prevention policy has been high on the agenda in all Nordic countries since it became an issue on the international scene during the 1980s. It might even be argued that the Nordic countries significantly contributed to bringing climate change onto the international agenda. Having a common Nordic facility to finance climate projects seems to be well in line with these priorities.

2.2 Changes in the international agenda

2.2.1 Time for more emphasis on adaptation?

The negotiations for a binding international agreement to curb greenhouse gas emissions have stalled. The prospects for large, global emission cuts seems less certain than ever, and in practice it seems impossible to reach the goal to limit global warming to 2 degrees C. Thus, it now seems to be more probable that some damages from climate change will occur in the future.

This could imply that more emphasis should be put on measures to adapt to climate change. Adaptation to climate change has so far been relatively low on the international agenda, mainly because focus has been put on actions to limit emissions of GHG to be able to prevent climate change from taking place. Thus, adaptation is a less developed area than mitigation, which has been a focus since the 1980s, with a relatively broad consensus on what good mitigation projects are.

There is still no common consensus on what makes a good adaptation project. Poverty, more than any other factor, determines vulnerability to climate change and limits adaptive capacity. Adaptation is much more dependent on local conditions than is mitigation. Not as much money has been channeled to adaptation projects, implying that there is a need for both good ideas and funding in this area.

Our interviews with various stakeholders reveal that there is a large demand for co-financing for adaptation projects. This is also emphasized by the UN Advisory Group (UN, 2010). Thus adaptation is an arena where NDF could play an innovative role in the years to come. Moreover, as pointed out by one NDF consultant, adaptation could involve rather sensitive social issues such as relocation of populations, reallocation of land, conflict management etc., which are areas on which some Nordic institutions may have special competence. By influencing MDBs and other partners on how to design good adaptation projects through financing technical studies and pilot projects, NDF could have replicating influence on how to approach adaptation challenges in various countries and sectors.

2.2.2 Mitigation projects should still be financed, but local benefits should be ensured

One might argue that since there will likely be fewer mitigation activities compared to a situation where a binding, international agreement is in place, it is important that NDF increase its support to mitigation projects to ensure that more projects are implemented. But this will in itself have no impacts on climate change if large global emission cuts are not achieved. Thus, if these projects do not have considerable local benefits like cost savings from more efficient energy use etc., they would yield few other benefits if a global agreement on substantial greenhouse gas emission cuts is not achieved in the coming years.

NDF should still finance mitigation projects. But they should also have large enough local benefits to justify the investment. These so called "no regrets" projects would yield benefits regardless of the climate change scenario. Furthermore, there are several projects that both have good mitigation and adaptation properties, for instance in the forestry sector, that could be pursued.

2.3 Relevance of NDF's orientation to its mandate

This section briefly reviews whether NDF's focus in terms of countries, sectors and aid modalities are relevant to its climate mandate.

2.3.1 NDF is present in a sufficient number of sectors

The 2009 document envisages the following sectors to be covered by the climate mandate:

- *Infrastructure*: energy (clean energy, energy efficiency, renewable energy, access to modern energy forms), transport sector related mitigation activities, urban development, water supply, and flood and drainage management, reduction of climate vulnerability and climate change risks related to infrastructure through capacity building and investment.

- *Natural resources*: water resources management, sustainable land use and forestry, agriculture.

- *Climate change related capacity building:* activities targeted for enhancing awareness of climate change related issues and policy development within the area of climate change, development and strengthening of the knowledge base related to climate, climate change, vulnerability and risks, investment in research, early warning systems, preparedness plans and disaster preparedness.

This list covers the most important sectors from a climate mitigation and adaptation point of view. So far NDF is not engaged in all of these sectors. The engagement seems largely to be decided by the competence of the staff and contacts in recipient countries. This approach is in our view the right one. NDF should not necessarily try to cover all eligible sectors, even if some of them (e.g. forestry) could be very important from a climate point of view. To be able to influence project design and implementation sector knowledge is crucial, and NDF should not enter into new sectors before they eventually have the relevant sector competence.

2.3.2 NDF's Partner Countries

In our view NDF has obtained good country coverage of its operations. It should not be a goal in itself to have engagements in all countries, not even to ensure the inflow of payments from outstanding credits. NDF should stick to operating in the poorest countries, even if these countries are not necessary where the most cost effective climate projects are found. As the UN Advisory Group (UN, 2010) envisages, African countries and small island states are the ones in most need for climate funding. Also for capacity reasons, NDF should avoid spreading its activities across too many countries.

It could be important for NDF to be present in countries where Nordic countries are pulling out, e.g. Senegal and Nicaragua, to ensure a Nordic presence. Several of the Nordic representatives we have interviewed think this could add some extra value to NDFs operations by simply maintaining activities in these countries (also see section below on division of labour between NDF and Nordic bilaterals).

Through regional funds like the Inter-American Investment Corporation (IIC) and others, NDF has also financed regional climate projects that cover some countries not among the 27 eligible ones. This seems to be a reasonably flexible approach.

3 Effectiveness

This chapter reviews achievement of objectives set in the 2009 Board Paper. We have grouped the objectives under three headings.

1. The "higher-level objectives" are those found on p. 2 of the 2009 Board Paper.
2. The "Main activities and outputs set for mid-2009 and 2010" are from the summary list on p. 6 of the 2009 Board Paper (these constitute the main outputs addressed in the Administration's Progress Report).
3. "Other activities and outputs" are additional goals that were not included in the summary list but were clearly mentioned within the text of the 2009 Board Paper.

Except for cases where targets for specific years were provided, we have tried to indicate progress as of mid-2011. In cases where it has not been possible to make such a cutoff, progress is shown as of the end of 2011.

Table 3.1 Summary of achievement of objectives and outputs

OBJECTIVE/OUTPUT	**DEGREE OF ACHIEVEMENT**
Higher-level objectives (p. 2 of 2009 Board Paper)	
Facilitate greater investments to address climate change in developing countries	Achieving
Maximise additionality and complementarity	Achieving
Promote Nordic countries' priorities	Achieving
Main activities and outputs set for 2009 & 2010 (list on p. 6)	
Prepare country profiles (2-4 in 2009; 4-5 in 2010)	Essentially achieved
Prepare projects (7-8 in 2009; 5-10 in 2010)	Achieved
Learn from projects	Achieving
Enhance monitoring and evaluation (M&E)	Achieving
Increase staff knowledge of climate issues and financing mechanisms	Achieving
Other activities and outputs	
Further develop screening procedures (p. 4)	Achieving
Explore how to obtain information and ideas through Nordic firms and organisations (p. 4)	Somewhat achieved
Develop procurement guidelines (p. 5)	Achieved

Source: Vista Analysis

3.1 Achievement of higher-level objectives

3.1.1 Greater investments to address climate change in developing countries has been facilitated

"Facilitate greater investments in developing countries in order to address the causes and consequences of climate change alongside and in cooperation with other multilateral and bilateral financiers" (p. 2): ***Achieving***

Between mid-2009 and 30 June 2011, NDF had achieved final Board approval for 30 projects totalling commitments of EUR 85.03 million. (The Board approved an additional nine projects for a further EUR 21.6 million during the second half of 2011).

At least half of this amount probably could be considered additional money that otherwise would not have gone to address climate change in the absence of NDF activities. A little over one quarter (EUR 22 million) of total NDF grants approved by mid-2011 was for "Global" projects that NDF developed on its own or with NEFCO and to which NDF was the sole contributor.[2] In addition, NDF has financed EUR 3 million of the Energy and Environment Partnership (EEP), which NDF has undertaken together with the Foreign Ministry of Finland. The rest (EUR 60.03 million) was for projects co-financed with one of the multilateral development Banks (MDBs). Discussions with NDF's co-financing partners lead us to believe that at least half of the NDF grant money provided to the MDBs, whether as sole contributor (25 percent) or one of several contributors to a project, probably would not have been provided by other donors in the absence of NDF funding. MDB informants specifically mentioned at least five projects that would not have gone ahead or would have been significantly reduced without NDF support.

Around 75 percent (EUR 45 million) of the money with final Board approval by mid-2011 to be provided to MDBs was for projects to which other donors were expected to contribute an additional EUR 900.48 million. While we did hear a few cases where NDF money may have led to other donors to contribute to a project or to increase their contribution (e.g., South Korea appears to have increased its contribution to the GreenPYME programme in Central America because of NDF support), most interviewees stressed that it would be difficult in most cases to identify whether NDF was a reason for others' contributions or even who could be considered to leverage whom.

3.1.2 Additionality and complementarity has been achieved

"maximise additionality and complementarity in relation to other available financing" (p. 2): ***Achieving***

NDF appears to be achieving its aim of maximising additionality and complementarity in relation to other available financing.

Additionality and complementarity with MDBs is good

Many NDF grants are for project preparation studies or capacity building technical assistance connected with loans or future loans by a MDB. According to several project leaders at the ADB, loan-related grants provided by NDF in a number of cases

[2] This includes EUR 10 million for the ProClimate Facility, currently being redesigned.

contributed to making a loan possible or to helping the government accept a larger loan than otherwise would have been the case without a grant component to "sweeten the deal". In such cases, the MDBs considered NDF grants to be highly complementary to their own funds.

IDB has fewer in-house grant resources for technical assistance than does ADB or World Bank, but even ADB noted that most donors are cutting back on available funds for this in the face of the world economic crisis. Both IDB and ADB thus saw the additionality of NDF grant aid enhanced by its counter-cyclicality: NDF funds are coming on-stream at a time when they are likely to fill an increasing gap. Not only did MDB respondents feel that NDF funds help move forward the development of new ideas for addressing climate change, but they can help maintain some of the momentum and capacity that has been built up but now seems in danger of being lost.

Size and focus of grants seems satisfactory

The size of NDF grants was seen in most cases as an advantage, since there is a niche need for small grants on the order of EUR 1-4 million. Several MDB project leaders noted that most other donors prefer to provide larger amounts or that their transaction costs are so high that it is hardly worthwhile to apply for small amounts. NDF was highly praised by most respondents for its low transaction costs, contributing factors to which included lack of specific submission format and close contact maintained by NDF personnel so that it was relatively easy to solve problems when they occurred. Only a few respondents felt that grant amounts were not high enough. One was a pilot project covering three countries, and another was a project involving substantial civil works.

Many MDB project leaders said that the clear focus of NDF on climate change also made it relatively easy for them to identify ways to use NDF funds, further reducing transaction costs. In contrast, they noted that it is often more difficult to work with larger donors that cover many subjects because climate-change projects must compete for the same funds with projects in other areas. Most felt that there probably was not as much need for further sector specialization, at least at the moment, because climate change was already a fairly narrow focus.

While some MDB interviewees complained about the NDF' focus on a limited number of countries, most felt that some country specialization was justified and that the focus on least developed countries (LDCs) particularly increased the additionality of NDF funds, since much climate-change assistance from other donors was currently going to medium-income countries (particularly with regard to mitigation). However, several at IDB pointed out that focus on LDCs severely restricted the number of eligible countries in the Latin America-Caribbean region in practice.

While most understood the reason for further focus on countries where NDF had previous experience, ADB pointed out that in some cases this led to prioritizing countries that already were well covered by other donors, while ignoring those that may need more assistance. In particular, several cited Laos, Cambodia and Vietnam as countries that were already high priorities for other donors, whereas more assistance could be useful for many of the Pacific islands, as well as Sri Lanka and Bangladesh. Myanmar (not currently an NDF-eligible country) was also flagged by some ADB interviewees as a country that is likely to need assistance in the near future. (See section below regarding country division of labour between NDF and Nordic bilaterals.)

NDF has been able to influence the MDBs
An important aspect of complementarity vis-à-vis MDB co-financing partners is the possibility for NDF to influence the climate change-related content of projects. As noted in the Progress Report, the NDF Board has encouraged the Administration to "go beyond the minimum requirements implied in its formal mandate, by using its financial resources to influence the design of projects…to promote climate relevance" (p. 4).

The Progress Report provides a good overview of influence on design for the 30 projects (including 8 pipeline projects) that had been developed by early 2011; 27 of these were projects with the MDBs. The Progress Report appears to give a frank assessment of whether NDF was able to influence the climate-related content of a particular project or whether it had not been necessary to do so. It would appear that in most cases (18 out of 27) NDF felt the projects had sufficient climate-related content so that no further major influence was necessary in this regard.

From our reading of the Administration's assessment, there were at least seven projects where NDF apparently had a significant role in improving climate-relevance:

- Tanzania: Impacts of Climate Change in Coastal Areas (C29)
- Cambodia: Water Resource Management project (C19)
- Cambodia: Adaptation Approaches for the Transport Sector (C15)
- Honduras: Indigenous Peoples, Energy and Climate Change (C20)*
- Nicaragua: Disaster Management and Climate Change (C17)
- Central America regional: Regional Centre for Geothermal Energy (C16)*
- Central America regional: GreenPyme (C13)*

In addition, NDF apparently had a minor role in improving climate-relevance or in expanding the scope of the climate-relevant components in a further eight projects:

- Benin: Modernizing Biomass Energy Services (C7)
- Rwanda: Promotion of Solar Water Heaters (C4)
- Lao PDR: Capacity Enhancement for Coping with Climate Change (C8)
- Asia regional: Climate Friendly Bioenergy in the Greater Mekong Subregion (C21)
- Central America regional: Economics of Climate Change (C23)
- Honduras & Nicaragua: Adaptation to Climate Change (C30)
- Asia regional: Energy and Environment Partnership with Mekong (EEP) (C1)

We were able to verify three cases of NDF substantive influence with MDB project leaders (those with asterisks in the list above: C20, C16, C13). In addition, we identified two other projects where IDB noted substantial NDF influence:

- Nicaragua: Biogas market facilitation program (C38)
- LA Regional: Microfinance and Climate Change ("Eco-Micro") (C35)

In some cases, project leaders may have been reluctant to acknowledge other agencies' impact on design, and in a number of cases the project leader had changed and the new project leaders were not aware of the extent of NDF's role in the early phases.

We were not able to verify or identify any cases of substantial NDF influence on World Bank projects. This is partly because we were only able to obtain interviews with relatively few World Bank project leaders. However, it was suggested to us by many interviewees, including in Nordic governments and the regional MDBs, that, given the World Bank's large size and access to alternative funding sources, there was relatively less scope for NDF influence of the World Bank compared to the regional MDBs.

One related point made by several Nordic and MDB interviewees was that, as potential project developers become more aware of NDF's screening procedures, e.g., through NDF presentations within the banks, they are likely to bring in more projects that already contain sufficient climate content, reducing the need for NDF to directly influence content. In other words, NDF soon may be able to allocate most of its limited funding to projects that already meet its requirements. This arguably would be a credit to NDF's indirect influence on projects through its screening criteria (although some of the credit should also be given to pressure from many of the MDBs' European donors who are also pushing more climate awareness at the regional development banks). On the other hand, using all NDF funding for a particular year on projects that already meet its criteria may be missing opportunities for further influence, since there are always likely to be projects to which climate elements could be added. The NDF document on screening procedures mentions the possibility of raising criteria thresholds as a way to ration funds. However, another way to maintain dynamic influence could be to set a yearly target for a share of funds (or number of projects) to go to interventions that have not initially been presented by NDF's partners, e.g., which the NDF has either designed or identified itself and brought to a partner for co-financing, or which the NDF has found in a partner's project pipeline. The latter types of project would be those that do not initially have significant climate content, but whose climate content has a high potential to be increased. Such a program could focus on mainstreaming climate in one or a few sectors initially, switching focus to other sectors as mainstreaming in the initial sectors becomes more routine. We have found the NDF staff keen on taking an active role in project development, so assume that the following recommendation essentially fits what they would plan to do anyhow.

> ***Recommendation**: In order to maintain direct influence on the climate content of projects implemented via co-financiers, NDF should consider reserving a certain portion of its yearly approval budget for projects which NDF brings to its financing partners. Such projects may include those that NDF identifies in a partner's pipeline and which do not initially have significant climate-relevant content - with the aim of increasing such content.*

The IDB recently instituted a target requiring 25 percent of its projects by value to be "climate" projects. The Climate Change Division within the IDB now must "certify" a project before it can be considered to fulfill this mandate. We were told at IDB that NDF screening criteria had significantly influenced the criteria used in IDB's certification. This would seem to present two important opportunities for NDF. First, it may mean that, as stated above, more projects are likely to fulfill the NDF's Screening criteria, to the extent they resemble the IDB's criteria. Secondly, the projects rejected by IDB's Climate Change Division may represent an interesting pool of projects for NDF to examine in order to increase climate-relevance.

Another important potential way to have influence on project content is for NDF to continue its trend toward becoming involved further upstream in the project cycle, e.g., by participating in missions where the content is being negotiated with recipients. Also, to focus on strategic projects that are likely to have an impact on future ones, e.g., pre-project studies, pilot studies and policy studies.

More joint co-financing projects should be considered

NDF uses both parallel and joint co-financing in its projects with MDBs. Parallel co-financing refers to cases where a donor funds a distinct component of a larger project and where the contribution is administered by the donor itself through an agreement with the recipient country. Joint co-financing refers to cases where donor contributions are administered by another organization, for example an MDB. The donor in a parallel project therefore has more responsibility for project implementation than in a joint project, where implementation is left to a partner agency.

Of the 35 approved projects that NDF had with MDBs by the end of 2011, 20 were joint co-financing projects and 15 were parallel. Most NDF projects with ADB and IDB are joint co-financing projects, while most projects with World Bank are parallel. NDF reports that the main reason for this is that a new agreement between NDF and the World Bank that would facilitate joint co-financing has yet to be signed.

Most NDF staff state a preference for parallel co-financing. While some acknowledge it can practically double the work required compared to joint co-financing, they feel it is worth it in terms of influence gained. Others felt that the amount of extra work was not that large, since the framework contracts with the MDBs still require the job of monitoring and evaluation (a significant part of project management) to be carried out by the MDB partner even in the case of parallel co-financing. There seemed to be a feeling among NDF staff that parallel co-financing involved more substantial work for NDF. The trend in NDF appears to be toward more parallel co-financing.

Interviewees at ADB and IDB, in contrast, universally had a preference for projects with NDF to be on a joint co-financing basis. They noted that it was easier for them if one MDB project leader administered the whole project. For example, they claimed this made it easier to resolve eventual disputes with recipients or with contractors.

We feel that the choice between parallel or joint co-financing will probably depend on the circumstances and should be left to NDF staff. However, we would urge NDF to consider more joint co-financing. First, given the limited staff resources at NDF, it seems to make sense to limit its implementation burdens. One of the strengths of NDF has been its ability to leverage MDB processes, and the MDBs are well equipped to manage co-financed projects. Second, it is possible to have influence on joint co-financed projects, but rather than focus on influence during implementation, where NDF does not seem to have any comparative advantage, NDF should concentrate on exerting its influence in the project development stage. Finally, it should be pointed out that joint co-financing is generally considered to be more in line with the 2005 Paris Declaration on Aid Effectiveness, since it involves more harmonization and delegation (see section on Development Effectiveness). Given that some components of administrative costs are likely to be similar in size for the implementation of both large and small projects, parallel co-financing should be reserved for the largest projects.

> ***Recommendation**: As NDF becomes more involved in influencing project design, it should increasingly rely on co-financing partners for implementation. This implies a greater emphasis on joint co-financing projects in practice.*

Participating in multi-donor trust funds would likely not add value

Both IDB and ADB prefer to work with donor trust funds as a modality as opposed to working on a project basis. IDB has invited NDF to participate in the multi-donor Sustainable Energy and Climate Change Initiative "thematic fund", in which IDB matches dollar-for-dollar each donor's contribution. ADB's Regional and Sustainable Development Department has similarly set up a number of facilities to fund pilots of new approaches and studies to develop such approaches, for example the facility for innovation in energy efficiency. It has also developed a multi-donor Climate Change Fund, although so far ADB is its only contributor. Alternatively, ADB also wishes NDF to consider a single-donor trust fund, which would require a threshold of about $20 million, although this could be built up over several years. In all trust funds, a set of criteria are developed in consultation with the donors and money is allocated by a committee according to the criteria.

So far NDF has not joined any trust funds, mainly because it has been concerned about its ability to influence individual projects. Many we talked to at the MDBs acknowledged that NDF would not have as much influence on individual projects in a trust fund, including a bilateral fund, since it would not have as much contact with the project leaders or direct influence over which projects received funding. Several Nordic government interviewees pointed out that they saw no particular added value to NDF contributing to funds that Nordic bilaterals could contribute to themselves. On balance, we feel that participation in multi-donor trust funds would provide little added value and reduced opportunities for influence. A possible exception could be the ADB's multi-donor Climate Change Fund, though only if NDF is able to exert substantial influence on project selection criteria as the first outside member, allowing it to leverage the contributions of eventual future members.

NDF should continue exploring cooperation with AfDB

NDF used to work with the AfDB under the old mandate, and there are said to be some good examples of project cooperation from that time. Under the climate mandate NDF so far has not co-financed a project with AfDB, and all NDF's projects in Africa are with the World Bank Group. However, NDF has been actively pursuing a relationship with AfDB. NDF met with AfDB in Tunis in January 2012 to discuss potential future cooperation, and has also met with AfDB field-level representatives on several occasions in 2009, 2010 and 2011. AfDB has already informally submitted some project ideas, although

NDF reportedly did not find any of these to be suitable for co-financing. Most Nordic countries cooperate with AfDB and some are considering expanding their cooperation.

The most practical way to start cooperation may be to find a suitable project within AfDB's pipeline and help it add climate-relevant content. NDF could also eventually consider seconding a person to AfDB for a period to help identify potential joint projects and how the two organizations could work together in practice, develop contacts, and hold seminars about incorporating climate considerations into projects. NDF may also wish to explore how to coordinate with and leverage Nordic bilateral capacity building activities with the AfDB, especially since institutional capacity building may not be currently considered a task for NDF.

> ***Recommendation**: NDF should continue exploring the potential of working with AfDB*

Additionality and complementarity with NEFCO should be evaluated

NDF has two projects with NEFCO. The Nordic Climate Facility (NCF) combines NDF funding and project screening experience with NEFCO's implementing experience. NCF has been very popular among Nordic applicants through its three calls for proposals (the third call will be completed during spring 2012). NCF has received many proposals for innovative projects, and has had to reject proposals that would have received support if more funding had been available. Firms that have been rejected, some twice, are frustrated about this, which might result in reduced number of applications in later calls. NCF seems to have given NDF good visibility in the Nordic and recipient countries, and the program has helped NDF staff learn much about climate change in general and how to assess such projects in particular.

The fact that both NDF and NEFCO are small Nordic financing organisations housed in the same building appears to facilitate the coordination. Since NDF is the sole funder of the NCF, and NEFCO generally does not otherwise work in the countries covered by the NCF, the NCF project could be considered additional. However, NEFCO's lack of past experience in developing countries does raise questions about whether NEFCO provides sufficient complementarity to NDF on this project. Having said that, we have not heard any complaints about the way NCF is run, and it would appear that the project has been a success. (It has not been within the scope of this evaluation to examine individual projects and programs.)

However, some Nordic government respondents claim NCF seems to be merely a showcase for NDF in the Nordic countries with possibly little climate impact compared to administrative costs and that it may put a large burden on NDF staff. Another comment was that the money is spread too thinly among many applicants (14 and 12 projects in the first and second calls, respectively). Some have also questioned to what extent the applicants are the right ones to work with in the climate change area. Some felt that application should be open for all, not only Nordic institutions, to avoid the perception of NCF as a tied-aid program. These and other questions should be answered through an evaluation as soon as projects from the first and second calls are completed.

> ***Recommendation**: NDF should evaluate NCF results and NEFCO's comparative advantage in administering it before continuing with further calls for proposals.*

NEFCO and NDF were also partners in the ProClimate Facility, which seeks to provide guarantees to enterprises engaged in projects addressing climate change. Although this project received final Board approval in June 2010, it is not yet active. ProCF is being redesigned and the agreement with NEFCO terminated. We were not able to receive a full explanation for the lack of progress in this project, but on the face of it, it would appear that one important reason is that neither partner has the requisite experience leading this type of guarantee project, which can be a complicated undertaking according to other Nordic donors who have conducted such projects. The complementarity in this project would thus appear to be low.

The additionality of joint projects with Nordic bilateral partners generally is hard to see

NDF is so far involved in only one project with a bilateral Nordic partner: The Mekong Energy and Environment Partnership (Mekong EEP). This joint co-financing project, which received final Board approval in September 2009, is implemented by the Finnish Ministry of Foreign Affairs and is related to similar projects in other regions that the Finnish MFA sponsors. (NDF is not involved in the other EEPs in Central America, the Andes region, Indonesia and Southern Africa). A recent freeze in the Finnish foreign aid budget also suggests that NDF money is likely to be additional (although the freeze apparently took place after the project was approved). The main question some interviewees raised about this project was the more general point of whether co-financing Nordic bilateral projects provides added value. At least from a medium-to-long-term perspective, the money cannot really be considered additional (except for the generated income in service fees, etc.), since it originally came from Nordic governments and was presumably meant to finance the type of projects that Nordic governments would not normally finance on their own. It would seem to make more sense for Nordic governments to jointly co-finance each other's bilateral projects than to do so via NDF. Moreover, it is unlikely that NDF would be able to (or need to) have much influence on Nordic development agencies regarding increased climate change-related content, since NDF is supposed to reflect the values of those agencies already.

> ***Recommendation**: Do not use NDF funds to co-finance Nordic bilateral projects.*

Country division of labour with Nordic bilaterals should be explored

A number of MDB and Nordic interviewees raised the question of country division of labour between NDF and Nordic governments. If NDF is supposed to mirror Nordic priorities, it makes sense for it to be present in countries that are priorities for Nordic governments. In practice, this may mean involvement in many of the same countries in which the Nordics already are active bilaterally. Activities in such countries potentially allow NDF to coordinate with and perhaps leverage bilateral programs and benefit from Nordic embassy support. On the other hand, some MDB and Nordic interviewees saw NDF activity in countries where most Nordic governments did not have embassies, such as Nicaragua and Senegal, as highly complementary to Nordic bilateral assistance, effectively providing the Nordics with an "outpost" in those countries.

Table 3.2 provides a list of NDF-eligible countries and the number of NDF projects in each country as of mid-2011 (regional projects are not listed.) It also shows the number of ongoing Nordic bilateral climate change-related projects in those countries at about the time NDF began operations under its climate mandate. The bilateral projects are those listed in NDF's internal study, "The Nordic Countries' Bilateral Climate Change

Activities in NDF's Partner Countries", August 2009.[3] As shown by this table, over the first two years under the climate mandate, NDF operated in:

- Four countries in which there were five or more Nordic bilateral projects on climate-change (Kenya, Tanzania, Uganda, Vietnam);
- Three countries in which there were only one to three Nordic bilateral projects (Ghana, Cambodia, Nicaragua); and
- Five countries in which there were no Nordic bilateral projects (Benin, Rwanda, Senegal, Lao PDR, Honduras).

The mix of activities between countries where several Nordic bilateral projects are present and countries where there are only a few or none makes it difficult to suggest that there is either a major duplication with the Nordic bilaterals or too few opportunities for leveraging Nordic collaboration. Of course, the determination of an optimum activity level for NDF in a particular country will also depend on the actual climate change-related needs of that country, as well as the activity level of other, non-Nordic donors, neither of which is fully taken into account here. It may also need to take into account the existence of large outstanding credit portfolios in some countries.

> ***Recommendation**: NDF should engage the Nordic governments in a discussion of geographical and other division of labour in order to enhance complementarity and additionality. Such discussion could take place within the NDF Board, since it is composed of Nordic government representatives.*

[3] We have used NDF's own assessment of Nordic bilateral country coverage (which dates from the beginning of the evaluation period) because subsequent NDF engagement during the period presumably was based on this assessment, among other factors.

Table 3.2 NDF-eligible countries and numbers of NDF and Nordic bilateral projects in countries.

NDF-eligible	NDF (mid-2011)	Total Nordic bilateral (mid-2009)	Denmark	Finland	Norway	Sweden
Africa						
Benin	1	0				
Burkina Faso		4	3			1
Cape Verde		0				
Ethiopia		3		3		
Ghana	2	1	1			
Malawi		3			3	
Mozambique		4	3	1		
Rwanda	1	0				
Senegal	3	0				
Tanzania	1	7	1	2	4	
Uganda	1	7	3		3	1
Zambia		9	2	1	6	
Zimbabwe		0				
Asia						
Bangladesh		5	5			
Cambodia	2	3	2			1
Kyrgyz Rep.		0				
Lao PDR	2	0				
Maldives		0				
Mongolia		0				
Nepal		9		3	6	
Pakistan		0				
Sri Lanka		0				
Vietnam	2	14	8			6
Latin America						
Bolivia		6	4			2
Honduras	1	0				
Nicaragua	2	2	2			

Source for Nordic bilaterals: "The Nordic Countries' Bilateral Climate Change Activities in NDF's Partner Countries", NDF, August 2009.

Private sector contribution to climate-change financing is important – but how should NDF promote it?

Under the old credit mandate NDF was engaged in private sector investments, initially on a trial basis from 1994. A report evaluating the private sector engagements was produced in 1998, finding high administrative costs, high risk of loss and high investment costs compared to the benefits achieved. According to the report, "NDF in Private Sector Projects: Past and Future", written by a consultant for NDF in November 2011, this led to a reorientation of the private sector investments away from direct investments in small projects towards larger projects, particularly in infrastructure, and through investment funds.

NDF has also developed a substantial private sector engagement under its climate mandate, accounting for roughly 37 percent of the approved volume of all board approvals. This is already larger than the combined private sector approvals under the credit mandate.

Table 3.3 NDFs private sector climate projects as of 31. December 2011. Million EUR.

Project name	Region	Partner Agency	NDF's contribution
Nordic Climate Facility (NCF)	Global	NEFCO	18
Pro-climate Facility (ProCF)	Global	TBD	10
Energy and Environment Partnership (EEP)	Mekong countries	Finnish Ministry of Foreign Affairs	3
GREENPYME I and II	Latin America	IDB/IIC	5.2
EcoMicro	Latin America	MIF/IDB	1.5
Climate Proofing and Review of Infrastructure Investment	Central America	IDB	1.5
Total			39.2

Source: NDF

If the amount allocated to ProCF is taken out, private sector share of total NDF allocations drops to some 31 percent. Private sector allocation in table 3.3 covers both commercial firms and non-profit NGOs, research institutes and similar.

Private sector contribution is crucial to respond sufficiently to climate change. The UN Advisory Group (UN, 2010) emphasize that attracting private sector financing depends among other things on the availability of risk sharing instruments. However, for various reasons the guarantee facility ProCF has not worked as expected. It is complicated and time-consuming to establish a guarantee facility that answers to private firm's needs and it is not clear that NDF is best placed to do this. NDF would need a very experienced partner to achieve this, as well as contribute substantially with own man-resources. Also for capacity reasons NDF should avoid this.

> ***Recommendation**: NDF should build on the considerable existing private sector engagements through IIC and similar, and gradually develop these. NDF should bring*

climate expertise to these partners, not private-sector or financing expertise, which the partners should already possess themselves.

3.1.3 NDF is promoting Nordic Priorities

The Nordic priorities are a mix of various issues that are taken into consideration

According to the 2009 document, NDF should promote the Nordic countries' priorities in the area of climate change and poverty reduction focused development. What does this mean in practice? Though they might be implicitly understood and difficult to list in a formal way, the results from our document review and interviews with stakeholders lead to the following conclusions:

- Nordic interests have changed from a business interest and so-called "tied aid" comprising only bidding among Nordic companies to a development interest as expressed by Nordic governments. But the possibility for Nordic company involvement still might play a role in some countries and sectors.

- Policy interests are rather similar among Nordic countries, but the specifics often change with changes in government.

- There seems to be a general consensus that core "Nordic" issues to take into account in development assistance projects include gender, equality in general, poverty, environmental impacts, development impacts, good governance, and proper safeguards.

- Nordic interests are also perceived to be implementation of practical projects and teaching others. This also includes good development assistance practices, focus on results, sustainability of projects etc.

- Energy supply, energy efficiency, renewable energy, and energy and environmental technology transfer are also important priority areas for most Nordic countries.

Many of these priorities are also priorities for other donors like the MDBs. Thus, they will often already be taken care of in projects that NDF co-finances. Still, NDF has a responsibility to ensure that these issues are considered in all activities they engage in. It is our impression that this is done through the screening process and the other project preparation work. Board members also provide important inputs in this process. Not all issues may be equally important for all kinds of projects.

Procurement no longer a Nordic priority

As mentioned, procurement is no longer a Nordic priority. Under the climate mandate NDF has gone from tied to untied aid: all major contracts must be procured using competitive methods open to firms from any country, i.e., eligibility to be awarded NDF-financed contracts has been extended to firms and individuals from any country and there are no country-of-origin restrictions for goods and services. There is strong Nordic support for untied aid, while tied aid is not consistent with current best practice for development assistance. An exception from this general trend is NCF, where applicants must be a Nordic entity.

NDF can still to some extent promote Nordic industry interests in several ways even if aid is untied. NDF publish procurements on its webpage, and usually informs Nordic bilateral development organizations. It also informs consulting companies about tenders that may be of interest to them, but this appears to be done on an ad hoc basis, left to each staff member. We have been told that NDF has tried to establish a more formal system for tender alert, but this is not (yet) complete and working.

NDF cannot tell any partner to put Nordic consulting firms on a short list, but they can inform partners about qualified Nordic firms that could be invited to submit a tender. These approaches are used regularly on a case-by-case basis for consultancy work. But as far as we know, this has yielded very few contracts (only 1 or 2). A possible challenge is that tender sizes are relatively small, thus making it difficult to attract "solid enough" Nordic firms. When buying goods it is not possible to promote Nordic companies in the same way.

Our general impression is that there is little attention and interest from Nordic consultancies and industry in general for the procurements. This could be because there is little knowledge about it, because the contracts are small or other reasons. NDF should consider informing potential Nordic bidders in a more systematic way about potential interesting contracts, by finalizing a more complete and comprehensive mailing list to companies. But maintaining and updating such a list could be time-consuming, so it should be carefully considered whether this should be a priority activity for NDF. As noted in later sections, we also feel that monitoring the number of Nordic firms bidding for each tender could provide an important incentive for staff to ensure that Nordic firms are well informed of tenders, while not discriminating against potential bidders from other countries.

> ***Recommendation**: NDF should consider informing potential Nordic bidders in a more systematic way about potential interesting contracts.*

In geothermal, NDF is promoting a sector with high Nordic competence and high demand

NDF has financed a geothermal training programme in Latin America and is considering financing more projects in this sector. This is largely based on the unique competence in Iceland. There is a large potential for geothermal energy in many other poor countries, notably Eastern Africa. The first stages when drilling for heat is very risky and costly and it is hard to find risk capital for this. Iceland wants to develop the geothermal potential in 10 countries in the Rift Valley and would like NDF to help arrange relevant financing together with the multilateral banks.

This could be an example of a sector where Nordic competence could be utilized to create climate-friendly solutions. NDF would not be able to have any real role in providing or mobilizing risk capital for drilling, as the cost of one missed hole can be equal to the ceiling set for NDF grant (euro 4 million). NDF's role would be more in capacity-building and in financing exploration services (other than exploration drilling) which would hopefully contribute to reduction and management of the drilling risks.

There may also be other sectors where similar potential exist. But needs and demand in recipient countries should always come first, not the needs and interests of the Nordic stakeholders.

3.2 *Achievement of main activities and outputs*

This section reviews the achievement of the main activities and outputs listed on p. 6 of the 2009 Paper.

3.2.1 Country profiles

> *"i) Preparation of country specific profiles, parallel to the project operations…" (p. 6) Goals: 2-4 country profiles in 2009; 4-5 country profiles in 2010:* ***Essentially achieved***

The Country Profiles are documents compiled by the Administration to guide project selection by summarizing countries' climate change-related needs and priorities. Although the Administration did not meet its goal of 2-4 country profiles in 2009, it more than met its maximum goal for 2010 and its overall goal for the 2-year period. According to the Administration, 14 Country Profiles were prepared between February and August 2010. This is more than the maximum number (9) that was to have been achieved by the end of 2010. It is also in line with the Progress Report (p. 2), which states that the Administration had prepared 14 Country Profiles by April 2011, as well as one regional profile for Central America.

A list of profiles supplied to the review team by the Administration notes when certain Profiles were presented to the Board for information: none were presented in 2009, six were presented in 2010 and 2 were presented during the first part of 2011. The list also indicates that six Country Profiles are still "under preparation", although the Administration notes that this refers to revision work before future presentation to the Board.

The Administration notes that additional profiles will only be prepared "according to need" (Business Plan 2012, p. 12).

The Profiles are internal documents. According to interviews with NDF staff, they are useful and widely used, although most of the learning from them takes place during the writing process.

3.2.2 The number of projects prepared has surpassed the goals

> *"i) (…) preparation of additional interventions in line with [country Profiles]." Goals: 7-8 projects in 2009; 5-10 projects in 2010:* ***Achieved***

The numbers of projects receiving final approval from the NDF Board in 2009 was the minimum number set for that year in the 2009 Paper, while the number of projects approved in 2010 exceeded the maximum goal set for that year. The Administration's Progress Report notes that seven projects were approved in 2009 for EUR 19.9 million in new commitments, and 14 projects in 2010 for EUR 54.2 million in new commitments. Our reading of the most recent project list prepared by the Administration confirms these numbers. (We have assumed that "preparation" in this case means final Board approval.)

A total of 9 additional projects achieved Board approval during the first half of 2011, and a further 9 projects by the end of 2011, for total new commitments of EUR 32.5 million in 2011.

While the total number of approved projects by the end of 2011 was 39, grant agreements had been signed for only 24 of these. MDB project leaders noted that most projects had not actually started yet, although this was considered to be normal, given typical project time cycles, and no one at the MDBs noted delays on the part of NDF.

Geographical distribution of projects (which corresponds with co-financing partner distribution) was as follows: 30.5 percent of all commitments approved by mid-2011 were directed to Africa via World Bank, 25.8 percent to Asia via ADB, and 17.9 percent to Latin America via IDB.

We have not reviewed whether interventions were in line with Country Profiles, but did not hear of any projects where this was not the case.

Table 3.4 Geographical / co-financing partner distribution of projects

	Numbers of projects receiving final approval				Approvals (EUR million)	
	2009	2010	first half-2011	second half-2011	Total by mid-2011	Total by end-2011
Global	1	2	0	1	22.00	28.00
Africa (WB)	3	4	4	2	25.90	30.40
Asia (ADB)	3	4	2	1	21.93	23.43
LAC (IDB)	0	4	3	5	15.2	24.80
TOTAL	7	14	9	9	85.03	106.63

Source: NDF

3.2.3 NDF appears to be learning from projects – though most projects are at an early stage

"ii) Learning from the projects, which are expected to provide NDF with information and experience on functional practices and best practices for project structures." (p. 6): ***Achieving***

NDF held several staff training sessions during 2010 to "review project case studies in order to check the applicability of the suggested [screening] criteria" (Business Plan 2011, p. 12). In addition to formal training sessions (see training section), there has been considerable on-the-job training.

The work with NCF in particular has proven an excellent opportunity for learning, according to the staff. A lot of applications have come up with innovative ideas which reportedly have given the NDF staff good knowledge of what to look for in a good climate project.

3.2.4 Monitoring and Evaluation (M&E) is being enhanced

"iii) Enhancing monitoring and evaluation through further development and adjustment of the Project Performance Rating System" (p. 6): ***Achieving***

NDF generally relies on its partners for most of its monitoring and evaluation needs. It also regularly participates in monitoring missions conducted by partners. These practices have the advantage of keeping M&E costs low and promoting good practice in donor harmonisation. Most MDB partners commented that NDF was one of the most harmonised donors they had worked with in this regard, and NDF's restraint in making special M&E requests helped keep transaction costs low for projects that they co-financed with NDF.

NDF supplements the monitoring from MDB partners with its own Project Performance Rating (PPR) System, an internal "early warning" device to ensure projects are on track. The PPR also measures some aspects of projects that are not likely to be covered by partners' monitoring, such as commitment of partners and NDF's impact on project design. NDF updated its PPR system during 2011 to better reflect its new climate mandate (NDF had used a similar system under the credit mandate.) NDF used the PPR to rate all ongoing projects in 2011 and held a workshop to discuss results. It plans to rate all projects again in 2012. Projects are rated by NDF project managers and do not rely on MDB partners to supply additional information.

Other M&E activities include further development of the screening criteria (see below) and the 2010 evaluation of two credit projects dealing with solar PV – purposely chosen due to relevance for NDF's climate mandate. There are currently no plans to evaluate additional credit projects, all of which are likely to have been completed by 2015. It is currently too early to conduct ex-post evaluations of any grant projects – although mid-term evaluations could be considered in some cases in order to have some early feedback on results. NDF is currently revising its evaluation guidelines for grant projects.

In order to ensure that NDF is receiving the right monitoring information, and as part of a general policy of getting involved early in the project cycle, NDF may wish to take a more active role in helping its MDB partners determine appropriate monitoring indicators, with an emphasis on climate-relevant ones. Although we generally would not advocate making special monitoring requests to MDB partners, one relatively simple request could be to ask MDBs to supply the names of firms bidding on contracts in joint co-financing projects. Currently the MDBs reportedly only provide the number of firms bidding, which does not allow NDF to monitor the number of Nordic firms participating, a potentially important metric related to NDF's mandate to promote Nordic interest (see recommendation below under Procurement guidelines.)

3.2.5 Different channels to maximize complementarity have been explored

"iv) Exploring different modes of operations for channelling NDF's grant assistance in order to achieve greatest possible complementarity." (p. 6): ***Achieving***

In addition to co-financing via MDBs, NDF has explored a number of other channels for its grant assistance, notably:

- Working with another Nordic financing institution, NEFCO, to offer small grants to the private sector on the basis of calls for proposals (Nordic Climate Facility, NCF);

- Working with a Nordic bilateral (Finnish MFA) in a similar small grants program (Energy and Environment Partnership in Mekong);
- Attempting (ultimately unsuccessfully) to develop a guarantee program for the private sector, also with NEFCO (ProClimate Facility);
- Within the MDBs, working with different organizations, e.g., the Multilateral Investment Fund and the Inter-American Investment Corporation;
- Instituting a trilateral partnership between NDF, the Nordic Investment Bank and the IDB.

It was pointed out, however, by some interviewees that there may be some tension between exploring innovative financing and efficiency. Some felt that NDF should rather place emphasis on innovative ideas (including financing), but that it might be able to pursue these more efficiently within "traditional" co-financing projects with the MDBs. One successful example of this is the GreenPYME[4] program: Although this project is conducted under the auspices of traditional co-financing arrangements with the IIC/IDB, it focuses on innovative ways to promote financing for the private sector to invest in energy efficiency.

> ***Recommendation****: NDF should pursue innovative ideas through traditional co-financing projects with the MDBs.*

3.2.6 Staff knowledge of climate issues and financing mechanisms has improved

> *Increasing knowledge about climate issues and innovative financing mechanisms among NDF staff". (p. 6):* ***Achieving***

There is apparently no explicit capacity building strategy at NDF. However, the administration has conducted a number of training courses for staff each year, particularly on climate issues, but also on financing and other issues. Annex 4 provides a list, compiled by the administration, of training sessions conducted over the past few years. Not shown are individualized training programs, some of which reportedly involved climate and financing issues.

In addition to staff training, NDF has taken advantage of vacancies to hire people with backgrounds in climate change. NDF also works regularly with a number of very competent consultants who possess climate and finance-related skills.

In terms of results, MDB project leaders universally felt that NDF staff was knowledgeable about climate issues. (They also received high praise for regional knowledge.) NDF Board members similarly have commented that documents for the Board are always well informed in terms of climate and financing content and of high professional quality generally.

---

[4] GREENPYME is the IIC's innovative energy efficiency program for small and medium-size enterprises (SMEs) that provides the expertise, tools, and technological and financial support to implement energy efficiency measures

In general, according to informants, NDF is smooth, flexible and moves quickly with little bureaucracy in all its operations, which makes it easy to work with and to achieve good results. NDF is "adding value without adding costs" to the project cycle, as one informant put it.

3.3 Achievement of other stated activities

This section reviews achievement of other goals stated in the 2009 Board paper but not included in the summary of goals.

3.3.1 The Screening procedures are being further developed

> *"During the initial phase of the new mandate, NDF intends to further develop its internal project proposal screening procedures in order to enhance the quality of the projects, as well as to secure that the suggested projects comply with all criteria as outlined in section 2" (p. 4):* ***Achieving***

NDF first developed a document describing its screening procedures ("Climate Change Screening") in February 2010. After initial experience with the procedures and consultations with its MDB partners, it developed a revised version in November 2010 ("Project Identification and Screening"), along with a three-page summary version that is available on the website.

The procedures currently concentrate on quantification of climate-related investment in the case of adaptation projects (at least 50 percent of costs should be on adaptation), and on quantification of emissions reductions in the case of mitigation projects (the total value of avoided CO2 emissions should be at least 10 percent of project costs valued at $10 per tonne of CO2). The NDF has spent much of 2010 and 2011 educating potential project developers about the criteria, and has generally relied on such developers to provide proof that their projects meet the criteria. Use of the screening criteria reportedly has been flexible in practice, however, particularly for capacity-building projects where no obvious quantification of adaptation investments or emissions reductions may be possible.

In general, the response to NDF's screening criteria has been positive. Many MDB interviewees commented that the criteria are unique, particularly regarding the focus on quantification of climate-related investments or benefits. In part this may be because most other donors who contribute to climate change projects must cover many other priorities in addition, so there has been less need to develop very specific criteria for climate-relevance.

The criteria for mitigation were generally considered more objective than the criteria for adaptation in practice. While most did not seem to find the adaptation criteria overly difficult, it was noted that they were easier to use in infrastructure projects than in natural resource-related projects, e.g., agriculture.

Some MDB managers of NDF co-financed projects (particularly at the ADB) did not seem aware of NDF's Screening criteria, although in some cases this appeared to be due to their project having been approved before the criteria had been in place. The ADB's Office of Co-Financing Operations felt that it would be useful for potential project developers if NDF could develop a one-pager of the criteria in bullet point form, perhaps with a link to the full criteria on the website.

Currently, NDF also considers other issues when the Project Committee prepares projects for submission to the Board. These include such "Nordic" issues as gender, poverty, and other environmental benefits. However, NDF reportedly does not include these issues in a systematic way. In any case including them immediately prior to Board submission is probably too late in the project cycle to have much impact on how these issues are addressed in practice. NDF is now considering ways to introduce considerations of other issues earlier, either informally as it engages MDB partners earlier in the project cycle, or more formally as part of the Screening criteria. While we feel that consideration of other issues is important, we would caution that inclusion of additional issues as formal screening criteria may dilute the climate focus while making the criteria more complicated for project developers to use in practice. Rather, NDF may wish to focus on ensuring that it addresses additional issues informally at an early stage in the project cycle.

3.3.2 New procurement guidelines have been developed

*"The administration will develop and give precision for the procurement guidelines over the next two years" (5): **Achieved***

NDF produced a four-page document entitled, "General Procurement Guidelines for Grant-financed Projects" in December 2009, so it could be considered to have fulfilled this goal.

The essential messages of the guidelines are that NDF will rely as much as possible on the procurement policies of its co-financing partners, and that procurement of goods, works and services (other than consultants' services) shall mainly be based on international competitive bidding.

Although there are no longer competitions limited to Nordic firms, the guidelines call on Recipient/Implementing Agencies to ensure that "eligible bidders from Nordic, other developed and developing countries are given a fair opportunity to compete in providing goods, works and services for projects". Invitations to bid shall not only be published in "media with wide distribution such as Development Business On-line and dgMarket", but also distributed to "all Nordic Embassies or Consulates in the Recipient country" (Section 4). We understand that, apart from dissemination via NDF's website, distribution of information on tenders to potentially interested Nordic companies is done on a somewhat ad hoc basis, and bidding information is not always distributed to Nordic embassies in the project countries.

We understand that co-financing partners in joint projects currently only report to NDF the number of total bids for a tender, making it difficult to determine how many of these are Nordic. A relatively simple solution could be to ask joint co-financing partners to supply the names (and perhaps addresses) of the companies bidding on tenders; the NDF could determine itself which bidders were "Nordic". To keep it simple and avoid burdening NDF staff and co-financing partners, monitoring could be limited to this single metric, i.e., number of Nordic firms bidding. (Little added value is likely to be obtained from monitoring related indicators such as number of Nordic firms expressing interest or being short-listed.) Moreover, monitoring should be limited to those tenders above a certain monetary threshold that has a realistic chance of attracting international firms. A prize even could be given to the NDF staff member who managed to attract the most Nordic bids during the year.

> ***Recommendation**: One way to give NDF staff an incentive to ensure that the right Nordic firms are sufficiently aware of all relevant bidding opportunities could be to monitor the number of Nordic firms bidding in each tender above a certain threshold.*

NDF encourages Recipients/Implementing Agencies to use "as far as possible, the relevant Standard Bidding Documents prepared by the Lead Agency…" This policy helps harmonize donor procedures, but it seems to neglect the requirement of the Paris Declaration that donors strive to "*Progressively rely on partner country systems for procurement when the country has implemented mutually agreed standards and processes."*

> ***Recommendation**: Amend procurement rules to better reflect the principle of alignment with country systems.*

3.3.3 NDF has done some exploration of how to obtain project information and ideas through Nordic firms and organisations

> *"Obtaining project information and ideas through Nordic firms and organisations should also be explored as this may provide information about which of the project initiatives prepared by the MDBs in the priority sectors identified by NDF are of particular Nordic interest" (p. 6):* ***Partly Achieved***

Although the goal regarding exploration of how to obtain information and ideas for projects from Nordic firms and organisations was not one of the main activities and outputs, it has been partly fulfilled, particularly through staff work on NCF calls for proposals. NDF reportedly also has participated in events with private companies and organizations to exchange information and obtain ideas, including as part of several information sessions for private-sector and civil society actors in Iceland, Norway, Finland and Denmark. However, some NDF staff noted that NDF had not worked systematically on this issue over the period and that this issue had even been dropped in the new Strategy for 2012-2013, apparently because it was thought impractical. Our view is that obtaining ideas through Nordic firms and organisations may or not be a practical action in itself, but the goal at which it presumably was aimed still seems valid: to find ways to harness the useful climate change-related capabilities thought to exist among Nordic firms for the benefit of developing countries. Our earlier recommendation to give NDF staff an incentive to ensure maximum participation by Nordic firms in competitive bidding opportunities (by monitoring the number of Nordic firms bidding) may eventually help lead to creative solutions in this regard. Also exploring cooperation similar to the one with the United Nations University Geothermal Training Programme in Iceland could be considered.

4 Efficiency

4.1 Efficiency indicators

This section compares NDF to the Global Environmental Facility (GEF) in terms of administration expenses, approved funding and project preparation time. GEF was mentioned by most interviewees as the most comparable to NDF in terms of mandate, such as grant focus and work via other partners for project implementation. However, there is a difference in size/volume which may affect comparisons between NDF and GEF.

4.1.1 Administrative expenses compared to approved funding

Table 4.1 compares administrative expenses to financing approved for particular years. Taken at face value, NDF appears to under-perform compared to GEF. A number of factors may account for this, some of which could involve strategic tradeoffs.

An important factor in the difference between NDF and GEF may be project volume. Since a certain amount of administrative expenses is likely to be fixed regardless of the number of projects, a higher number of projects would bring down the average. Number of projects is not likely to have been a factor in the rise of NDF's own ratio between those two years, however, since the number of NDF projects was higher in 2011 than in 2010, although the volume of total approved funding obviously was a factor.

In principle, project size can affect the ratio of administrative expenses to approved funding, since staff time used for preparing projects is likely to be roughly the same regardless of project size. However, GEF's average project size in 2010 was actually smaller than that for NDF in 2009 and 2010, though somewhat larger than NDF's average project size in 2011. Related to this, GEF had a larger share of "small" (under $ 1 million) projects in 2010 than did NDF in any of the three years examined. Thus project size does not seem to be a key factor accounting for the difference between GEF and NDF. However, a smaller average project size in 2011 could account for part of the rise in NDF's own ratio between 2010 and 2011.

NDF appears to spend more time in project definition and in some cases in implementation (e.g., in the case of parallel co-financing) than GEF. This could lead to greater administrative expenses per project.

The period covered is a transition period for NDF during which much of NDF staff resources were used for administering the credit portfolio. On the other hand, the administration of credits reportedly required less demand on staff in 2011 than in 2010.

Other potentially resource-consuming activities during this transition period include establishment of new policies, guidelines and tools. In addition, NDF has taken a more active role than GEF in implementing some of its grant projects, i.e., those involving parallel financing.

Given the short and transitional nature of the period covered, and the large difference in project volume between GEF and NDF, it is difficult to draw any strong conclusions regarding the appropriateness of NDF's administrative expenses compared to approved funding. Four factors – some related to strategic choices – are likely to have an important impact on this ratio in the future: project size, project volume, the amount of work on project definition and implementation, and staff expenses.

Project size is arguably a strategic issue for NDF. One way to cut expenses per approved funding would be to raise the suggested project size range.[5] On the other hand, a number of MDB mission leaders told us that they appreciated the fact that NDF offered relatively small grants, since sometimes this is what is needed and few other donors offer small amounts, presumably due to high overheads for the donor. While GEF does offer small grants, we were told that high administrative costs for the MDBs involved in applying for GEF grants tended to make it less worthwhile to apply for GEF grants under $5 million. In other words, higher administrative costs on the part of NDF may bring down the administrative costs of its MDB co-financing partners in applying for and using NDF funds. NDF may wish to preserve its apparent niche for grants under this amount, despite the larger apparent administrative costs per project this might imply for NDF.

As long as the total budget remains fixed, project volume is not likely to change much except as a result of project size: While administrative expenses per project might fall in the case of larger projects, this would also tend to decrease the volume of projects.

As discussed already, we believe it could be strategically important for NDF to continue focusing more efforts on identifying and increasing the climate content of projects. This is likely to require more time per project. On the other hand, NDF may wish to consider putting less emphasis on project implementation and leaving this to its co-financing partners where possible.

Given the relatively small staff of NDF, any increase in personnel would tend to lead to an increase in administration expenses relative to approved funding. However, eventual staffing increases must take into account objective factors related to the work load and not just its impact on a ratio. Staffing is discussed further at the end of this chapter.

It is difficult to factor in approved credits, since no new credits were approved during the period, but the ratio of expenses to total *dispersed* grants + credits in 2010 (EUR 8.2 million + EUR 37.3 million)[6] would be 6.3 percent. It should be noted, however, that GEF prefers not to use such a ratio involving disbursements, since disbursements depend in large part on co-financing partners.

[5] For 2009-2011 the suggested project size set by NDF was EUR 0.5–4 million. For 2012-2013 it is EUR 2-5 million.

[6] NDF Annual Report 2010, p. 3

Table 4.1 Administrative Expenses compared to approved financing

A	B	C	D	E	F	G	H	J	K
Agency	Year	Currency	Admin. Expenses	Approved Financing	D/E	Number of projects	Av. Project size (EUR)	No. of projects under USD 1 million / EUR 0.77 million	% of projects under USD 1 million / EUR 0.77 million
NDF	2009	EUR million	2.54	19.92	12.8%	7	2.85	1	14.3%
NDF	2010	EUR million	2.87	54.21	5.3%	14	3.87	0	0.0%
NDF	2011	EUR million	2.89	32.50	8.9%	18	1.81	5	27.8%
GEF	2010	USD million	24.9	552	4.5%	202	2.10	72	35.6%

Sources: NDF annual reports, GEF Business Plan[7] and GEF 2010 Monitoring Report

In 2010 the European Capacity Building Initiative published a report entitled "How many people does it take…to administer long-term climate finance?" (Ciplet et al, 2010). The study found that, on average, the 11 funding agencies examined employed 25.6 full-time staff per $100 million in disbursements (approvals were not covered). Based on grant + credit disbursements by NDF in 2010, an assumption of 12 full-time staff and an exchange rate of $1.3/EUR, this implies that NDF would require just 20.3 persons to disburse $100 million, which appears to be more efficient than the average, though less efficient than NDF's main co-financing partners, IDB (16.9) and ADB (16.2). As noted already, however, comparison of disbursements may not be appropriate for agencies which mainly rely on others for project implementation. Moreover, the study explicitly excludes funding that is channeled through other national and international funding entities. Finally, the report notes that shortcomings in methodology "lead us to recommend that this policy brief not be used for comparing the staff intensity of different development agencies" (p. 7).

4.1.2 Ratio of co-financing to agency resources

Ratio of co-financing to agency resources is an indicator used by some agencies, including GEF. Table 4.2 shows NDF approved financing for the period mid-2009 to mid-2011 compared to planned co-financing for the same projects by its MDB partners and other co-financers. It shows the same figures for GEF for selected years.

The average ratio of planned co-financing by others to NDF's contribution has been 1:11.14 for the two-year period up to mid-2011. This is substantially greater than the ratio for GEF. Within the NDF figure there is considerable variation by region / MDB partner. For example, the figures for Africa and Latin America are nearly double the NDF average, while the figure for Asia is less than half the NDF average and comparable to that of GEF, whose target is 1:4. However, four projects appear to have contributed significantly to the large overall NDF ratio, accounting for a total of EUR 740.1 million in

[7] GEF Business Plan: http://www.thegef.org/gef/sites/thegef.org/files/documents/C.40.05.Rev_1_FY12-14_GEF percent20Business_Plan_and_FY12_Budget.042711_0.pdf

co-financing.[8] Excluding these four projects would bring the ratio of co-financing to NDF resources down to 1:2.4, which is slightly less than half the ratio for GEF in 2010.

In any case, this ratio is arguably of questionable relevance for NDF, since the amount of co-financing it leverages is not one of its goals. Moreover, the amount of co-financing provided by others in projects NDF conducts via the MDBs is probably largely outside NDF's control, unless NDF deliberately chooses projects in which the NDF financial contribution is likely to be small. However, such choices unlikely would lead to actual leveraging, and moreover probably undermine NDF's goal of influencing project design, which is more likely to happen when NDF provides a substantial amount of the overall project budget.

Table 4.2 Agency resources compared to planned co-financing

	Agency's portion	Planned co-financing	Ratio of agency planned co-financing to agency resources
NDF TOTAL	85.0	900.5	10.6
NDF – global	22.0	0.0	0.0
NDF – Africa	25.9	493.5	19.1
NDF – Asia	21.9	97.2	4.4
NDF – LAC	15.2	309.9	20.4
NDF total w/out top 4	72.0	173.4	2.4
GEF (2009)			4.3
GEF (2010)			6.0

Sources: NDF, GEF Annual Monitoring Report 2010

4.1.3 Approval times are satisfactory

Time between first submission of a project idea and pipeline approval is roughly even for NDF and GEF, while time between pipeline and final approval is significantly longer for GEF. This confirms the comments of MDB interviewees who said they had worked with both that NDF was generally much quicker. The overall project approval cycle (first submission to final approval) was about 8-9 months for NDF over the two-year evaluation period, while for GEF it was about 15-17 months in 2009 and about 21-23 months in 2010.

Time between first submission of project idea and pipeline approval

NDF has not supplied figures for time between first submission and pipeline approval for projects, but has estimated that the average is about 4-5 months. This typically includes significant back-and-forth project elaboration work between NDF and its co-financing partners.

[8] Increasing Access to Modern Energy Packages in Rural Areas in Uganda, Promotion of solar water heaters in Rwanda, Increased Access to Modern Energy in Benin, and Sustainable electrification and renewable energy program in Nicaragua.

The GEF equivalent of NDF's pipeline approval has several steps. The Secretariat first reviews the first-time submission as a Project Information Form (PIF); this should take place within 10 business days after PIF reception. The Secretariat also circulates the PIF to all GEF agencies and relevant Convention secretariats, which must provide any comments within five business days. The GEF CEO then clears the PIF. GEF has set a benchmark to bring all first-time project submissions of Project Information Forms (PIFs) to CEO clearance within 40 days. Recent average time between first submission of a PIF to CEO clearance was 43 days for FY2009 and 48 days for FY2010.[9]

After CEO clearance, the Secretariat sends the PIF for screening by the Scientific and Technical Advisory Panel (STAP). After this, the PIF becomes part of a work program. (A "work program" consists of all PIFs cleared by the GEF Secretariat since the last group of PIFs was sent to the Council.) Work programs must be circulated to the GEF Council 4-weeks prior to a decision of approval. The GEF Council meets only twice per year, although it also handles approvals inter-sessionally by mail. The GEF does not have a target for the time between CEO clearance and Council approval, but estimates this is around 3-5 months.[10]

Time between pipeline approval and final Board approval

We have calculated the average time between pipeline approval and final approval by the NDF Board to be around 3 ½ months for projects that received final approval through mid-2011. The average was just under 4 months for projects that received final approval in 2009 and 2010, and just above 3 months for those that received final approval during the first half of 2011. (These figures include 6 projects in 2010 that received both pipeline and final approval at the same meeting; not including these would bring the 2010 average to just over 5 ½ months and the overall average to just above 4 months.)

The GEF has a target of under 22 months for projects to pass through the equivalent approval process, i.e., between Council approval and CEO endorsement for Full-Sized Projects (those above $1 million).[11] In FY2009 the time taken was 10.5 months for all GEF-4 Full Sized Projects that had been endorsed, while in FY2010 it was 16 months.

Two-step approval process has been a problem for ADB

One issue raised by a number of persons at ADB was that NDF's two-step approval process has lengthened ADB's internal approval process in a number of cases. The issue seems to be that, due to recent changes in ADB policy, a mission leader now must have final approval by all co-financiers before he can obtain final ADB approval. This problem seems unique to ADB and was not mentioned by IDB or World Bank.

Several people at ADB pointed out that most other donors did not have multi-step approval process, although they acknowledged that major donors such as GEF, Japan and Australia, did have multiple steps. What appears to make NDF unusual is the fixed-time approval points, while AusAID, for example, conducts its approvals on a rolling

---

[9] GEF Annual Monitoring Report FY10, p. 42.

[10] E-mail message of 20/04/2012 from Ms Dima Reda, GEF.

[11] An overview of the GEF project approval process may be found at: http://www.gefcountrysupport.org/docs/922.pdf

basis. We note that the problem in synchronizing with the ADB project cycle (and possibly others' cycles) could increase if the number of Board meetings is reduced, as reportedly has been discussed.

It was suggested by some Nordic bilateral interviewees that the pipeline approval point may be the most important one for them, and that either more use could be made of e-mail for final approvals, or that final approval could even be delegated to the Administration at some point.

> ***Recommendation**: The Board should consider increased use of e-mail for final project approvals on a rolling basis. In the longer term, the Board may wish to consider delegating final project approval to the Administration.*

4.2 Development effectiveness: NDF is fulfilling the Paris Declaration

This section looks at how the NDF adheres to good practice in development assistance, notably the principles elaborated in the Paris Declaration for Aid Effectiveness.

The Paris Declaration on Aid Effectiveness, an outcome of the 2005 High-Level Forum on Aid Effectiveness, builds on work by earlier high-level forums held in Rome (2003) and Marakkech (2004). Although there is no guarantee that the principles in the Paris Declaration will lead to more effective aid in all cases, they are widely accepted as the standard conditions that both donors and recipient countries should strive for in order to improve the likelihood of more effective outcomes.

We took what we felt to be the most relevant Principles to NDF as a small donor agency and briefly evaluated whether NDF adheres to them. (Numbers in parentheses refer to the number of the commitment within the Paris Declaration.)

> *Base overall support on partners' national development strategies (16): **Achieving***

Choice of support is based in large part on Country Profiles, which are in turn based on partners' relevant national strategies.

> *Use country systems and procedures to the maximum extent possible (21): **Achieving***

For most projects, this largely depends on the co-financing partner. We understand that NDF tries to use country systems and procedures for parallel projects to the extent possible. However, procurement may be an exception, as noted below.

> *Progressively rely on partner country systems for procurement when the country has implemented mutually agreed standards and processes (30): **Partially achieving***

As noted earlier, NDF's procurement policy states that it "encourages Recipients/Implementing Agencies to use, as far as possible, the relevant Standard Bidding Documents prepared by the lead Agency…" While this promotes harmonization across donors, it does not promote eventual alignment with country systems. (See earlier recommendation for procurement rules to better reflect the principle of alignment with country systems.)

> *Untie aid (31): **Mostly achieving***

NDF has made remarkable achievements in untying aid, considering the origins of NDF as an agency to promote the interests of Nordic companies. The only current incidence of tied aid is the NCF program, which is only open to Nordic companies in partnership with a local organsiation.

> *Implement, where feasible, common arrangements at country level for planning, funding (e.g., joint financial arrangements), disbursements, monitoring, evaluating and reporting to government on donor activities ad aid flows (32):* ***Achieving***

Our understanding is that NDF relies for the most part on its partner agencies for such activities, achieving a very high level of harmonization.

> *Work together to reduce the number of separate, duplicative missions to the field and diagnostic reviews (32):* ***Achieving***

We heard from MDB partners that, as a rule, NDF tries to coordinate its field missions and monitoring activities with those of its partners, avoiding duplicative missions that could place extra burdens on recipients. They report that it is far superior to most other agencies in this regard.

> *Make full use of respective comparative advantage at sector or country level by delegating, where appropriate, authority to lead donors for the execution of programmes, activities and tasks (35):* ***Achieving***

NDF delegates authority to partner agencies for the execution of many of its projects, i.e., those that are jointly co-financed. NDF also delegates most monitoring and evaluation activities to its partner agencies even in parallel co-financed projects.

NDF compares favorably when ranking aid agencies by development effectiveness practices

A recent article by William Easterly and Claudia R. Williamson entitled "Rhetoric versus Reality: The Best and Worst of Aid Agency Practices" (Easterly and Williamson, 2010) looks at how a number of aid agencies score on practices that it claims are generally accepted to lead to more effective and efficient aid.[12] The five best practices it looks at are:

- Transparency ("based on the ability to gather information such as employment numbers, budgetary data, and overhead costs";
- Overhead costs;
- Specialization ("extent to which aid is divided among many donors, many countries, and many sectors");

[12] The authors acknowledge that the Paris Declaration is "the current major international effort for reform in aid practices. Nonetheless our paper chooses not to follow the Paris Declaration so closely […] Since the Paris Declaration process itself is an institutional and political process and not an academic exercise, we believe it is also valuable to provide an aid monitoring exercise based on our own choices on the best methods for monitoring on academic grounds alone." (p. 9)

- Less delivery to ineffective channels ("measures the share of aid that is tied, given as food aid or as technical assistance"); and
- Selectivity: ("aid delivery to the poorest countries while avoiding corrupt dictators");

The NDF was the highest ranked donor agency overall in a list that included both multilateral and bilateral donors, with a combined average of percentile ranks of 79 percent. The next highest ranked donor was the Global Fund with 77 percent, followed by the Asian Development Bank with 74 percent, and (somewhat surprisingly) the African Development Bank with 71 percent. The highest-ranked bilateral agency was the UK, with a combined percentile rank of 70 percent. One finding of the study was that the Nordic bilaterals generally scored "surprisingly poorly", leading the authors to remark, "apparently the reputation of Scandinavia as altruistic is based on the volume of its aid and not on following best practices in aid giving" (p. 45).

Given that the ranking was made as of 2008, however, it seems to be based more on achievements under the old NDF mandate. Nevertheless, there seems no reason to doubt a similarly high score in these areas in an eventual updated ranking. In fact, given the lack of score for most multilaterals (including NDF) on the dimension of "Ineffective aid", it is possible that NDF's score could even increase.

4.3 Staff work load will be increasing

According to the Business Plan 2012, NDF will have 13 staff members, including an in-house consultant working half time, delivering a total of 12 ¼ staff years for 2012. This is lower than the number of staff years in 2009, and the administration suggests adding one new Country Program Manager from early 2013 in light of the increased demand of the climate portfolio implementation. Short term consultants have over the last years been engaged for project specific tasks, and the need is expected to grow modestly during 2012 according to the Business Plan.

The work load for the NDF staff is large and increasing, but there are few signs of work overload so far. Even if work related to the old credit mandate is decreasing, there will be increased work load in the follow-up of the climate projects, especially related to the parallel financed ones. Work on identifying new projects should take more time, especially if NDF is more involved earlier in the project cycle. On this background it should be carefully considered in the coming years if the size of the staff is sufficient to carry out the tasks.

5 Recommendations

A main conclusion from the evaluation is that NDF has achieved or is achieving most of the objectives set out in the 2009 Board Paper and is generally performing well. However, there are in our views some adjustments that could be made to improve NDFs performance. These are the following:

- **Consider financing more adaptation projects.** There is a need for both good ideas and funding in this area, and NDF could play a crucial role here based on Nordic competences and experiences.

- **Pursue private sector engagement primarily through "indirect" channels**. While engagement of the private sector is important, it is likely to be more efficient for NDF to engage the private sector "indirectly" through projects implemented by the MDBs than to establish programs for guarantees or similar directly targeting firms.

- **Consider reserving a certain portion of NDF's yearly approval budget for projects which the NDF brings to its co-financing partners.** This could include projects that NDF identifies within partners' pipelines and which do not initially have significant climate-relevant content, with the aim being to increase such content.

- **Participating in multi-donor trust funds would not add value.** An exception could perhaps be the ADB's multi-donor Climate Change Fund, though only if NDF is able to exert substantial influence on project selection criteria as the first outside member.

- **Consider more joint rather than parallel co-financing projects**: This would put less strain on NDF staff, and concentrate on exerting influence in the project development stage rather than on the implementation stage where NDF has little comparative advantage.

- **Continue developing a partnership with the African Development Bank (AfDB).** This should focus on helping the AfDB mainstream climate into its projects through finding a potential project to start elaborating the cooperation.

- **Evaluate NCF and cooperation with NEFCO**. The NCF results and NEFCO's comparative advantage in administering the facility should be evaluated before continuing with further calls for proposals.

- **Reconsider using NDF funds to co-finance Nordic bilateral projects.** This is unlikely to add value and money.

- **Engage the Nordic governments in a discussion of geographical and other division of labour**. This could enhance complementarity and additionality. Such discussion could take place within the NDF Board, since it is composed of Nordic government representatives.

- **Inform potential Nordic bidders in a more systematic way about potential bidding opportunities**. This could be done by finalizing a more complete and comprehensive mailing list to companies.

- **Monitor the number of Nordic firms bidding in each tender**.

- **Support of innovative ideas could be pursued largely through "traditional" co-financing projects with the MDBs**. This includes the development of innovative financing mechanisms.

- **Amend procurement rules to better reflect the principle of alignment with country systems.** This would fulfill the requirement of the Paris Declaration that donors strive to "*Progressively rely on partner country systems for procurement when the country has implemented mutually agreed standards and processes".*

- **Consider increased use of e-mail for final project approvals on a rolling basis.** In the longer term, the Board may wish to consider delegating final project approval to the Administration.

Documents studied

References in the Report

Busan (2011): Busan Partnership For Effective Development Co-Operation. Fourth High Level Forum On Aid Effectiveness, Busan, Republic Of Korea, 29 November - 1 December 2011.

Easterly, William and Claudia R. Williamson (2010): "Rhetoric versus Reality: The Best and Worst of Aid Agency Practices", World Development, forthcoming (online: http://williameasterly.files.wordpress.com/2010/08/61_easterly_williamson_rhetoricvsreality_prp.pdf)

UN (2010): Report of the Secretary General's high-level advisory group on climate change financing. 5. November 2010.

Ciplet, David, et al (2010) "How many people does it take…to administer long-term climate finance?", ECBI Policy report, European Capacity Building Initiative, Oxford (http://www.eurocapacity.org/downloads/StaffingIntensityOctober2010.pdf)

NDF-documents

Annual Reports 2008, 2009 and 2010.

Business Plan 2010, 2011 and 2012.

Country Profiles for Vietnam, Uganda and Kenya.

Climate Change Screening. Selection of projects eligible for NDF support. February 2010.

Climate Change Strategy 2012-2013, January 2012.

Climate Change Strategy 2010-2011, December 2009.

EEP Energy and Environment Partnership – Mekong. EEP Newsletter 1.

Future NDF operations, an outline for 2009-2011. 19 May 2009. Board of Directors Meeting II/2009, June 3, 2009 in Sweden. Agenda 4.1.

General Procurement Guidelines. June 2000.

General Procurement Guidelines for Grant-financed Projects. December 2009.

Guidelines for anticorruption measures. September 2004.

Identification and Screening of Climate Projects. Summary, January 2011.

NDF's Partner Countries' Climate Change Vulnerability Assessment & Priority Sectors. Emeli Møller , August 2009.

NDF in Private Sector Projects: Past and Future. Nordic Development Fund, November 2011.

NDF's Performance Management System. AS Note to the Board. Kim Forss, Andante – tools for thinking AB 21/11 2011.

Newsletter 1-4/2010, 1-4/2011 and 1/2012.

Nordic Climate Facility – A Nordic climate initiative for developing countries.

Nordic Climate Facility – Fourteen contracts awarded under the Nordic Climate Facility's first call for proposals (2011).

NORDIC DEVELOPMENT FUND POLICY ON ACCESS TO INFORMATION. Adopted by the Board of Directors on 31 May 2011. In force as of 1 July 2011.

Nordic Development Fund Wind Up: Managing Reflows, by Stein Hansen, Erlend Sigvaldsen and Ingjald Ørbeck Sørheim, Nordic Consulting Group AS, 25th June 2008.

Nordic Development Fund – Evaluation 2004. Final Report – 1/8 2004. Nordic Consulting Group AS.

Position Paper on Biofuels. 14.12.2010.

ProClimate Facility (Brochure)

Progress Report: NDF's Climate Mandate May 2009 – April 2011, May 2011.

Project Identification and Screening, December 2010.

The Nordic Countries‟ Bilateral Climate Change Activities in NDF's Partner Countries. Emeli Møller, August 2009.

Various Board documents: Pipeline Proposal documents; Final Consideration Proposal documents; co-financing agreement between NDF and ADB; Administration Agreement between NDF and IDB; MOU between NIB, NDF and IIC of September 23, 2011; Grant Agreement Adaptation Approaches for the Transport Sector under Rural Roads Improvement Project (ADB Project Nr. 42334) between Kingdom of Cambodia and NDF;

Working Paper: Nordic Benefit in the new NDF

MDB documents

Asian Development Bank (2008) "Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008-2020", Manila

Asian Development Bank (2010) "Addressing Climate Change in Asia and the Pacific: Priorities for Action", Manila

Inter-American Development Bank (2011) "IDB Integrated Strategy for Climate Change Adaptation and Mitigation, and Sustainable and Renewable Energy", Washington, D.C.

World Bank (2009) "Making Development Climate Resilient: A World Bank Strategy for Sub-Saharan Africa, Washington, D.C.

Annex 1: Project list as of 31 December 2011

Highlighted projects (in yellow) are those that received Board approval by mid-2011

Number	Country/region	Project name	NDF grant (EUR million)	Board approval	Grant agreement signed	Partner agency	Joint (J)/parallel (P)	Disbursed (EUR million)
GLOBAL								
C3I	Global	Nordic Climate Facility	6,00	09.08.2009	23.02.2010	Nordics		6,00
C3II	Global	Nordic Climate Facility 2	6,00	09.10.2010	26.01.2011	Nordics		6,00
C3III	Global	Nordic Climate Facility 3	6,00	09.05.2011	27.10.2011	Nordics		
C9	Global	ProClimate Facility	10,00	06.08.2010	27.06.2011	Nordics		0,25
AFRICA								
C28	Africa regional	Addressing the vulnerability of Africa's infrastructure	0,60	18.04.2011		WB	J	
C31	Africa regional	SGF-Insurance Instruments for Africa Climate Adapatation	0,50	16.06.2011		WB	J	
C37	Africa regional	SGF - Technologies for Low Carbon Development	0,50	08.11.2011		WB	J	
C2	Uganda	Increasing Access to Modern Energy Packages in Rural Areas	3,00	08.09.2009	10.02.2010	WB	P	
C4	Rwanda	Promotion of Solar Water Heaters	4,00	08.09.2009	01.04.2011	WB	P	0,56
C6	Ghana	Studies on Landfill Gas Capture and Utilization	2,00	08.06.2010	24.06.2011	WB	P	
C22	Ghana	Greater Accra Septage Digesters Project	2,50	31.05.2011		WB	P	
C10	Senegal	Transport and Urban Mobility Project	4,00	14.12.2010	21.03.2011	WB	P	
C11	Senegal	Water and Sanitation Millenium Project	4,00	09.03.2010	09.02.2011	WB	P	
C14	Senegal	Senegal Biomass	3,00	08.06.2010	09.02.2011	WB	P	
C24	Kenya	Electrical Expansion Project	4,00	05.09.2011		WB	P	
C7	Benin	Increased Access to Modern Energy Project	1,50	09.12.2009	02.12.2010	WB	P	
C29	Tanzania	Impacts of Climate Change in Coastal Areas	0,80	31.05.2011		WB	P	
ASIA								
C1	Asia regional	Mekong Energy and Environment Partnership	3,00	08.09.2009	22.03.2010	Nordics	J	1,02
C21	Asia regional	Climate-Friendly Bioenergy in the Greater Mekong Subregion	3,10	14.12.2010	05.03.2011	ADB	J	3,10
C26	Asia regional	Mekong Regional Gender and Climate Change	2,00	31.05.2011	25.10.2011	ADB	J	2,00

Number	Country/region	Project name	NDF grant (EUR million)	Board approval	Grant agreement signed	Partner agency	Joint (J)/parallel (P)	Disbursed (EUR million)
C34	Vietnam	Pilot Programme for Mitigation Action in the Cement Sector	1,50	24.11.2011		NOAK/ Nefco	P	
C5	Lao PDR	Pakse Urban Envioronmental Improvement Project	0,42	08.09.2009	01.10.2009	ADB	J	0,42
C8	Lao PDR	Capacity Enhancement for Coping with Climate Change	2,00	08.12.2009	25.01.2010	ADB	J	2,00
C15	Cambodia	Adaptation Approaches for the Transport Sector	4,20	08.06.2010	03.05.2011	ADB	P	
C19	Cambodia	Water Resources Management	3,00	14.12.2010	19.01.2011	ADB	J	3,00
C18	Vietnam	Support for the National Target Program on Climate Change	2,21	08.06.2010	19.01.2011	ADB	J	2,21
C25	Vietnam	Integrating Climate Change Adaptation to Transport	2,00	31.05.2011		ADB	P	
LATIN AMERICA								
C13	LAC regional	GreenPYME: Energy Efficiency for SMEs	2,20	09.03.2010	21.03.2010	IDB	J	2,20
C39	LAC regional	GreenPYME: Energy Efficiency for SMEs 2nd Phase	3,00	13.12.2011		IDB	J	
C16	LAC regional	Regional Centre for Geothermal Energy	1,50	13.12.2011		IDB	J	
C23	LAC regional	Economics of Climate Change	0,50	03.03.2011		IDB	J	
C27	LAC regional	Climate Proofing and Review of Infrastructure Investments	1,50	31.05.2011	20.12.2011	IDB	J	1,50
C30	LAC regional	Adaptation to Climate Change in Honduras and Nicaragua	0,50	31.05.2011	15.09.2011	IDB	J	0,50
C35	LAC regional	Regional Microfinance and Climate Change Program	1,50	06.10.2011	20.12.2011	IDB	J	1,50
C40	LAC regional	Climate Change and Sustainable Cities	2,10	13.12.2011		IDB	J	
C12	Nicaragua	Sustainable Electrification and Renewable Energy Program	4,50	08.06.2010	07.04.2011	IDB	P	
C17	Nicaragua	Program for Disaster Management and Climate Change	2,50	08.06.2010	21.03.2011	IDB	P	0,02
C20	Honduras	Indigenous Peoples and Climate Change	3,50	10.09.2010		IDB	J	
C38	Nicaragua	Biogas Market Facilitation Program	1,50	13.12.2011	20.12.2011	IDB	J	1,50

Annex 2: List of people interviewed

NDF

Juhani Annanpalo, Country Program Manager

Hannu Eerola, Country Program Manager

Martina Jägerhorn, Country Program Manager

Aage Jørgensen, Country Program Manager

Leena Klossner, Deputy Director

Linda Lundvist, Legal Counsel and Country Program Manager

Emeli Möller, Program Officer

Helge Semb, Managing Director

Maria Talari, Administration and Information Officer

Knud Ross, Consultant (interviewed in Washington, D.C.)

Jeremy J. Warford, Consultant (interviewed in Helsinki and in Washington, D.C.)

Nefco

Kari Hämekoski, Manager, Carbon Finance and Funds

Magnus Rystedt, Managing Director

Ash Sharma, Vice President, Head of Department, Carbon Finance and Funds

Nordic Investment Bank

Tarja Kylänpää, Senior Director, Deputy Head of International Lending

Johan Ljungberg, Senior Director, Head of Environmental Unit

Harro Pitkänen, Acting Head of Lending

Johnny Åkerholm, President and CEO

Denmark

Jesper Andersen, Senior Adviser, Technical Advisory Services, MFA

Christoffer Bertelsen, Senior Adviser, MFA, NDF Board Member

Marie Gad, Senior Adviser, Confederation of Danish Industry

Finland

Pasi Hellman, Deputy Director General, Department for Development Policy, MFA

Satu Santala, Director, Unit for Development Financing Institutions, MFA, NDF Board Member

Iceland

Egill Heidar Gislason, Advisor, NDF Board Member

Engilbert Gudmundsson, Director General, ICEIDA

Herman Ingolfsson, Director General for International and Security Affairs, MFA

Ingvar Fridleifsson, Director, United Nations University Geothermal Training Programme

Norway

Harald Tollan, Senior Adviser, Section for Multilateral Development Finance and Global Economic Issues, MFA, NDF Board Member

Torbjørn Damhaug, Consultant

Sweden

Karin Kronlid, Deputy Director, Department for Multilateral Development Cooperation, MFA

Lena Kövamees, Program Manager/Policy Adviser, Loans and Guarantees Unit, Sida

Göran Haag, Program Manager Energy, Department for Programme Cooperation, Sida

Global Environmental Facility

Dima Shocair Reda, Senior Results Management Coordinator, Operations and Business Strategy

World Bank

Raffaello Cervigni, Lead Environmental Economist, Regional Coordinator, Climate Change, Sustainable Development Sector Department, Environment and Natural Resources (by phone)

Franklin Koffi Gbedey (by e-mail)

Somin Mukherji (by phone)

Idah Pswarayi-Riddihough, Africa Region - The World Bank, Environment & NRM (by phone)

Inter-American Development Bank

Michael Apel, Senior Trust Fund and Technical Assistance Officer, IIC

Rodrigo Aragon, GREENPYME Team, IIC

Orla Bakdal, Alternate Executive Director for Austria, Denmark, Finland, France, Norway, Spain and Sweden, IDB

Javier H. Cuervo, Energy Economist, Senior Specialist, Energy Division, Infrastructure and Environment Department, IDB

Bernardo E. Guillamon, Manager, Office of Outreach and Partnerships

Zachary Levey, Climate Change Team, MIF

Carrie L. McKellogg, Chief, Access to Basic Services Unit, MIF

Fernando Miralles-Wilhelm, and Silvia Ortiz, Sanitation team, IDB (by e-mail)

Keisuke Nakamura, Deputy Manager for Knowledge, Communications & Evaluation, Multilateral Investment Fund (MIF, Member of the IDB Group)

Carlos de Paco, Office of Outreach and Partnerships, IDB

Steven Reed, Deputy General Manager, IIC

Jorge Roldan, Division Chief, Technical Assistance and Strategic Partnerships, Inter-American Investment Corporation (IIC)

Toshitaka Takeuchi, Energy Specialist, Energy Division, Infrastructure and Environment Department, IDB

Leena Viljanen, Consultant, FINPYME Program

Asian Development Bank

Linda Adams, Social Development Specialist, Urban Development and Water Division, Southeast Asia Department

Shihiru Date, Senior Transport Specialist, Transport and Communications Division, Southeast Asia Department

Karen Decker, Principal Financing Partnerships Specialist

Angel Diez Fraile, Financing Partnerships Specialist

Cecile L. H. F. Gregory, Head, Office of Cofinancing Operations

Bjorn Gustavsson, Director's Advisor for Canada, Denmark, Finland, Ireland, the Netherlands, Norway, Sweden

Gia Heeyoung Hong, Financing Partnerships Specialist

Rehan Kausar, Unit Head, Project Administration, Energy Division, Southeast Asia Department

Gil-Hong Kim, Director, Sustainable Infrastructure Division, Regional and Sustainable Development Department (RSDD)

Riccardo Loi, Director, Office of Cofinancing Operations

Heikki Noro, Senior Financing Partnerships Specialist, Office of Cofinancing Operations

Masahiro Nishimura, Transport Specialist, Transport and Communications Division, Southeast Asia Department

Sununtar Setboonsarng, Principal Natural Resources and Agricultural Economist, Environment, Natural Resources and Agriculture Division, Southeast Asia Department

Ancha Srinivasan, Principal Climate Change Specialist, Environment, Natural Resources and Agriculture Division, Southeast Asia Department

Florian Steinberg, Senior Urban Development Specialist, Urban Development and Water Division, Southeast Asia Department

Isaac Sungbeom Park, Financing Partnerships Specialist

Christopher J. Wensley, Lead Water Resources Specialist, Environment, Natural Resources and Agriculture Division, Southeast Asia Department

WooChong Um, Deputy Director General, Regional and Sustainable Development Department

Annex 3: Terms of Reference for the Evaluation

Background

The Nordic Development Fund (NDF, the Fund) is an international financing institution established in 1989 by the governments of Denmark, Finland, Iceland, Norway and Sweden as part of the Nordic countries' co-operation on development assistance. The purpose of the Fund is to promote economic and social development in developing countries through participation in financing on concessional terms of projects of interest to the Nordic countries.

The Fund is located in Helsinki. It has a Board of Directors that consists of five members of whom each Nordic country has appointed one. Each country also appoints one alternate member. All powers of the Fund are vested in the Board. The Managing Director is in charge of the daily activities of the Fund.

A Control Committee, appointed by the Nordic Council of Ministers and the Nordic Council, ensures that the operations of the Fund are conducted in accordance with the Fund's statutes. The Control Committee is also responsible for the audit of the Fund.

The basic legal documents governing the fund are the Agreement on NDF and the Fund's statutes. The documents include a general description of the Fund's mandate and mode of operation. Furthermore, the documents regulate modalities for dismantling of the Fund which include certain steps involving the Nordic Council of Ministers.

NDF mainly offers financing in co-financing with other sources of funding, primarily other multilateral finance institutions (MFIs) such as the World Bank Group and the major regional development banks. These MFIs act as lead or partner agencies for NDF in the development and implementation of projects supported by the Fund.

The Fund has a capital of 515 million SDR and 330 million EUR. The national contributions by member countries are placed at the Fund's disposal on a grant basis. Replenishments have followed independent evaluations of the Fund carried out on behalf of the Nordic Council of Ministers in 1991, 1995, 1999 and 2004. The Fund's capital was fully committed in terms of project financing at the end of 2005.

In 2005 NDF's owners decided not to replenish the Fund. In late 2008, following a period of studies and reflection, NDF's board recommended that the Fund be given a new mandate to provide grants to projects addressing the challenges posed by climate change. In May 2009, the Nordic Council of Ministers agreed to the Board's proposal and an amendment to NDF's statutes to this effect was passed.

The strategic guidelines and objectives for the first two years of the new NDF mandate were presented in the document *Future NDF Operations: An Outline for 2009-2011*. The document was discussed and endorsed by the Board in June 2009.

In early 2011 NDF staff carried out an assessment of the institution's progress under the climate mandate. The report of this assessment, *Progress Report: NDF's Climate Mandate - May 2009-April 2011,* was presented to the Board at its meeting on 31 May 2011. On this occasion the Board took note of the report and decided to undertake an independent evaluation of NDF's work under the climate mandate; the progress report would be an important input to that process.

Objective

The main objective of the evaluation is to provide NDF with an independent assessment of the Fund's activities during the first two years of operation under the climate and development mandate.

The evaluation should focus on

1. reviewing, assessing and validating the progress so far in achieving the objectives set out in the May 2009 Board paper *"Future NDF Operations: An Outline for 2009-2011"*, and as documented in the Progress Report referred to above; and
2. identifying any other strategic choices that NDF should address in view of the changes in the international development co-operation and climate change agenda.

The evaluation report will serve as a reference and a basis for decisions and recommendations regarding the Fund's orientation, priorities and modalities of operation.

Scope of the Assignment

In order to meet the above stated objective, the evaluation report shall include but not necessarily be limited to:

1. An assessment of the Fund's activities in terms of orientation and modalities of operation in relation to the Fund's mandate;
2. An analysis of strategic issues, including an analysis of NDF's value added and a general assessment of the Fund's development effectiveness and cost efficiency;
3. A general assessment of the results orientation of the Fund;
4. Recommendations for strategic choices for future operations as well as suggestions for improvements related to the above mentioned issues.

Methodology

The evaluation shall be based on available written documentation in the NDF archives and other material requested from and prepared by NDF. The key documents to be studied are:

- *Future NDF Operations: An Outline for 2009-2011.*
- *Progress Report: NDF's Climate Mandate - May 2009-April 2011*
- *Business Plans 2010, 2011 and 2012*
- *NDF Strategy 2012-2013*

The evaluation team shall conduct interviews with individuals and organisations deemed appropriate for the purpose of obtaining necessary information and views. These would include selected cooperating partners among borrowers, multi- and bilateral organisations, Nordic firms, the Fund's management, staff and Board members. The assignment is mainly intended to be performed as a desk study.

Annex 4: List of staff training activities

Event	Description	Date and location
Climate Change Specific Issues		
Climate Change Seminar Renewable Energy Field Trip	1 and a half day seminar with external trainers	Sept. 2009, Samsø
Clean Development Mechanism	Half day seminar at the UNEP Risø Centre	Sept. 2009, Roskilde
Selection of Climate Change Projects	1 day seminar with external trainer	Jan. 2009, Helsinki
Project Identification and Screening Workshop	1 and a half day seminar with external trainer	Sept. 2010, Reykjavik
Geothermal Energy	1 day visit to the UN University Geothermal Training Programme and excursion to Hellisheidi geothermal power plant	Sept. 2010, Reykjavik
Technical Training Session on Renewable Energy Technologies	2 day seminar organised by NEFCO	Aug. 2010, Helsinki
Climate Technology Seminar	1 day seminar organised by SINTEF & NTNU	Nov. 2011, Trondheim
Policy and Operational Issues		
New Mandate, operational challenges	1 day seminar	Jan. 2009, Borgå
Procurement for the new mandate	Half day seminar	Aug. 2009, Helsinki
Procurement Seminar	2 day seminar with trainers from ADB	Jan. 2010, Helsinki
Performance Monitoring Workshop	2 day workshop with external trainers	Sept. 2011, Borgå
Revolving Accounts Workshop	2 x half day workshops	Mar. 2011 & Dec. 2011, Helsinki
State Aid Workshop	1 day workshop together with Nordic bilaterals.	Nov. 2011, Helsinki
Seminar on Integrity Risk Management	2 day seminar with trainer from the World Bank	Jan. 2012, Helsinki

*) The majority of the training events listed in this table involved all NDF staff. In addition to these collective events most staff members have also taken individual courses on climate change and other relevant issues.