Ministry of Foreign Affairs – Department for Green Diplomacy and Climate (GDK)

Meeting in the Council for Development Policy on 26 October 2023
Agenda Item No. 6

1. Overall purpose:	*For discussion and recommendation to the Minister*
2. Title:	Blended Finance for Energy Transition (BFET)
3. Amount:	DKK 100 million
4. Presentation for Programme Committee:	29 August 2023
5. Previous Danish support presented to UPR:	No, this is the first presentation to UPR

Blended Finance for Energy Transition (BFET)

Key results:
- Significant reduction or avoidance of GHG emissions in high-emitting countries through promotion of renewable energy generation
- A "just" job creation with higher standards than IFC minimum performance standards, inspired by ILO.
- In addition to the supply-side focus (renewable power generation), BFET may support innovative climate tech solutions e.g. within e-mobility and waste management

Justification for support:
- Alignment with The World We Share strategy and the Government's long-term strategy for global climate action
- Deepened Danish / US collaboration around climate finance, including working with the Special Presidential Envoy for Climate John Kerry
- Evidence of Danish commitment for Just Energy Transition Partnership countries
-Additional Danish mobilised climate finance as a policy priority
- BFET is aligned to the priorities of the reform of IFU ahead by supporting the scale up of green investments and climate finance mobilisation envisioned through the reform.

Major risks and challenges:
- **Fundraising risk:** even with catalytic capital, the amount of private capital expected for BFET may not be achieved
- **Limited additionality:** that the investments would have been carried out and the fund raised even without the BFET capital

File No.	2023-25395	
Country	51% within India, Indonesia, Vietnam, South Africa. 49% interregional	
Responsible Unit	GDK	
Sector	Energy	
Partners	IFU, USAID, USA SPEC, ILO	
DKK million	**2023**	**Total**
Commitment	100,0	100,0
Projected disbursement	100,0	100,0
Duration	2023-[2025/2028] (TBD)	
Previous grants	0	
Finance Act code	§06.38.01.11. Investeringsfonden for Udviklingslande	
Head of unit	Karin Poulsen	
Desk officer	Jesper Hilsted Andersen	
Reviewed by CFO	YES: Rasmus Ewald	

Relevant SDGs *[Maximum 1 – highlight with grey]*

No Poverty	No Hunger	Good Health, Wellbeing	Quality Education	Gender Equality	Clean Water, Sanitation
Affordable Clean Energy	Decent Jobs, Econ. Growth	Industry, Innovation, Infrastructure	Reduced Inequalities	Sustainable Cities, Communities	Responsible Consumption & Production
Climate Action	Life below Water	Life on Land	Peace & Justice, strong Inst.	Partnerships for Goals	

Objectives

Catalyse mobilisation of up to USD 1bn from private investors by leveraging up to USD 50 (USD 14.7m from Denmark) of catalytic donor capital provided as part of the Blended Finance for Energy Transition (BFET). The capital will work to reduce GHG emissions in high-emitting middle income countries with at least 51% focus on the JETP relevant countries India, Indonesia, Vietnam and South Africa. The mobilised investments will create quality jobs directly in the energy sector and indirectly from increased growth.

Environment and climate targeting - Principal objective (100%); Significant objective (50%)

	Climate adaptation	Climate mitigation	Biodiversity	Other green/environment
Indicate 0, 50% or 100%		100%		100%
Total green budget (DKK)		**100,0**		**100,0**

Justification for choice of partner:

IFU is the Danish Development Finance Institution (DFI). BFET is aligned to the priorities of the reform of IFU by supporting the scale up of climate finance mobilisation envisioned through the reform. IFU has extensive experience both with evaluating and investing with fund managers, as well as with climate investments and has the tools and processes required to assess and manage the investment in BFET funds. IFU also has a long track record of investing in the focus countries.

Summary:

Blended Finance for Energy Transition (BFET) is an initiative between the Danish Ministry of Foreign Affairs, IFU, USAID and the US Special Presidential Envoy for Climate (SPEC). It aims to leverage up to 50 mil. USD of catalytic donor capital towards mobilisation of USD 1bn of private capital into the energy transition in high-emitting emerging markets (focus on JETP countries, i.e. India, Indonesia, South Africa and Vietnam). The catalytic donor capital will reduce the risk for private investors, and will be deployed by fund managers who will integrate it into fund structures and mobilize private capital for climate investments. A competitive process is underway to identify the fund managers.

Budget (engagement as defined in FMI**):**

Use	Amount (DKKm)
Capital contribution to Fund Manager 1	49.5
Capital contribution to Fund Manager 2	49.5
MFA inception review (after completed due diligence)	0.50
MFA review of engagement (after investment period)	0.50
Total contribution	**100.0**

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1. Context, strategic considerations, rationale and justification

1.1. The need for climate finance

In today's global financial and macroeconomic landscape, mobilising finance for development has become increasingly crucial for countries aiming to achieve sustainable economic growth, alleviate poverty and mitigate and adapt to the climate crisis. The SDG financing gap in developing countries is estimated to approx. USD 4 trillion annually according to the OECD[1]. An independent high-level expert group on climate finance commissioned by the chairmanships of COP26/27 concluded that the world needs to mobilise USD 1 trillion annually in external financing by 2025 for emerging markets and developing countries to keep the target of 1.5 degrees within reach[2]. This figure puts the USD 100 billion climate finance target from COP15 into perspective and calls to action on significant upscaling of current efforts by developed as well as developing countries. Developing countries face numerous challenges when it comes to financing their development agendas. These challenges include limited fiscal space, inadequate infrastructure, low levels of private investment, and vulnerability to external shocks. Additionally, the scale and complexity of development projects often require substantial capital injections that cannot be fully met through traditional funding mechanisms alone. Mobilising finance for development through innovative financing instruments, therefore, becomes imperative to bridge the existing financial gap and ensure sustainable progress.

1.2. The government's priority to mobilise private capital for development

The proposed grant contributes to the implementation of several objectives under Denmark's Development Policy Strategy, The World We Share, as well as the Danish government's long term global climate action strategy with a focus in BFET on creating green sustainable investments in developing countries. Further, the grant for BFET delivers on the Government's ambition to use risk willing public funding to mobilise private capital towards climate finance and in support of the international obligations from COP15 and COP26 as stated in the Government's publication on founding ambitions.

1.3. Blended finance as catalyst to scale sustainable investments

The balancing act between limited public external finance being allocated to the objectives of mitigating greenhouse gas emissions vs. building resilience of communities, economies and countries most exposed to climate change requires efficient and effective use of funds, not least official development aid. In line with the World Bank's concept of a cascade model to maximise the development impact of ODA, market-based solutions should be utilised whenever possible to finance development. If market-based solutions are not possible, a mix of public and private funds can be considered in combination as *blended finance* solutions, where public funds de-risk or subsidies private capital deployment and thereby mobilise private investments with a development impact that would not otherwise have taken place. The concept and potential of blended finance have been tested for a number of years and evidence on impact and additionality is available. OECD DAC have developed a series of publications, principles and guiding notes for blended finance[3], and the chair of OECD-DAC have announced the ambition to set mobilisation of private finance via a.o. blended finance on the agenda for the OECD-DAC High-Level Meeting (HLM) in November 2023.

[1] Global Outlook on Financing for Sustainable Development 2023: No Sustainability Without Equity | en | OECD

[2] Finance for climate action: scaling up investment for climate and development - Grantham Research Institute on climate change and the environment (lse.ac.uk)

[3] Blended finance publications - OECD

1.4. Blended Finance for Energy Transition (BFET)

During COP27 the Nordic Countries and USAID hosted a side-event on 'Delivering at scale on climate Investments in Developing Countries'. At the event the 'Action plan for Climate and SDG Investment Mobilization'[4] was launched. The report recommends ways to utilise blended finance for unlocking new climate finance at scale e.g. through increased donor coordination on blended finance scaling, and through creating calls for proposals from asset managers to develop blended finance investments trust funds.

The Special Presidential Envoy for Climate John Kerry announced the intention of mobilizing 1 billion dollars in climate finance through a competitive call for proposals to asset managers in April 2023. The geographic and thematic focus is based on the JETP process, which is aiming to accelerate green energy transition in a list of high-emitting middle-income countries. See box on JETP. Based on the fruitful COP27 collaboration Denmark was invited as the first donor to participate in financing 'Blended Finance for Energy Transition (BFET)'. Thereby BFET forms a direct USA/DK collaboration on leveraging development assistance to mobilise significant climate finance from the private sector.

JETP – Just Energy Transition Partnerships

The Just Energy Transition Partnerships are commitments from the governments of several advanced economies as well as the European Union to support the decarbonisation efforts of high-emitting developing countries. The first partnership with South Africa was announced at COP26 in November 2021. A total of USD 8.5 billion was committed by France, Germany, the UK and the US as well as the European Union using various mechanisms for funding, including mobilising the private sector.

At the G20 meeting in Bali in November 2022, the remaining G7 countries (Canada, Italy and Japan) joined JETP, as did Denmark and Norway. A new partnership was also announced with Indonesia, with a USD 20 billion commitment.

In December 2022, a partnership was announced with Vietnam for USD 15.5 billion. An intention to sign a partnership with India was also made public but as of September 2023 no plan has been agreed on.

In June 2023, a partnership was announced with Senegal worth USD 2.7 billion. As the partnership was announced after the BFET process started, Senegal is currently not included in the BFET scope.

Denmark have contributed politically and financially to the JETPs in South Africa, Vietnam and Indonesia.

1.5. IFU as implementing partner collaborating with USAID, USA SPEC and Chemonics

IFU is the development finance institution (DFI) of the Danish Government. At the strategic level, BFET's thematic and geographical focus is well aligned to the ambitions of the Danish Government and to IFU's investment strategy. IFU is currently undergoing a reform process, as part of which a new Ownership Document has been agreed with the MFA setting the strategic goals for IFU over the coming years.

As described in section 2 below, BFET aims to create additional green investments in middle income countries to mitigate greenhouse gas emissions through mainly energy supply side investments. Since being untied from Danish commercial interests, IFU has achieved promising results in its transition towards becoming a leading development finance institution that mobilise significant private capital and invests for development impact purposes. IFU's impact management system is fully integrated into its investment cycle and involves a number of steps from initial project screening to exit. Through IFU's project screening tool all investment opportunities are checked against IFU's investment strategy, including the impact criteria for green transition and for just and inclusive growth. The ESG and Impact Control Framework is attached in annex 6.

The investment in BFET will further follow the investment policies of IFU, including the Sustainability Policy, that covers the environmental, social and governance as well as impact areas.[5] The policies ensure

[4] The Action Plan for Climate and SDG Investment Mobilization - Convergence Resources | Convergence

[5] See IFU's Sustainability Policy, https://www.ifu.dk/en/impact/

the alignment with the how-to notes on Leave no-one behind and Human Rights Based approach. The policies are built as part of IFUs overall sustainability policy depicted in figure 2 below.

Figure 2.

The process with USAID and SPEC Kerry's office and the consultants in connection to the request for proposals process (ref. below) has already benefitted and will continue to benefit from IFU's experience with fund investments and green energy investments expertise. The funds from MFA to BFET will be given as an earmarked capital contribution to IFU to be invested into BFET as two trust funds under management by two asset managers winning the tendering process on BFET. In case any capital remains at the end of the funds' life time, it will be retained by IFU as per guideline on earmarked capital contributions for investments by IFU. This is elaborated in section 6.

The strategic alignment with IFUs investment priorities and capacities combined with the plug-in to IFU's impact management systems allows IFU to step into the BFET process on a short notice and bring the necessary capacity and qualified inputs. As the development finance institution of the Danish Government, IFU is an appropriate partner for a bilateral blended finance such as BFET. The allocation of the proposed capital contribution to IFU is coherent with the mandate and role of IFU to fully assume the role of development and climate finance tool of the MFA. While IFU is the partner for MFA, the continued process for BFET will be led by USAID and the US SPEC office. It should be noted that as IFU was requested by GDK to step into the programme after it had already been initiated, IFU has not been able to apply its normal policies and procedures from the beginning, including all its typical screening criteria.

Annex 1 on partner assessment describes IFUs strategic framework documents and experience with fund investments and further details on IFU as the Danish Government's development finance institution.

1.6. International Labour Organization

When investing in private sector infrastructure projects in developing countries, a poverty reduction focus must be considered by the investment fund. Investing in infrastructure can impact poverty through ensuring local quality job creation as integral to the investment projects financed by the funds. To strengthen the quality of job creation of BFET, Denmark is working to bring ILO in as partner to the process in setting up the trust funds. A first meeting between USAID, USA SPEC, Chemonics, MFA and

IFU with ILO identified concrete areas of collaboration on BFET e.g. on how to strengthen the target setting and monitoring of the quality of jobs to be created. ILO have since offered their support to BFET though several initiatives. (1) Sharing the Just Transition Finance Tool[6] on concrete governance and impact management procedures to implement by investment managers. (2) Individual direct support to the winning trust fund managers. (3) Explore further possibilities of collaboration e.g. as a knowledge partner in the ILO Just Transition Finance Hub about to be established. IFU and MFA will work to incorporate the knowledge and corporation with ILO as much as possible into BFET and the contracts with the winning trust fund managers.

2. Project objective

The BFET process is managed by the consultancy company Chemonics chosen by USAID under the Climate Finance for Development Accelerator facility[7] (CFDA) funded by USAID. Initiating the BFET process, Chemonics produced a market sounding report on the emerging market blended finance landscape trends and barriers to deployment of private capital to energy transition in developing countries with a focus on emerging markets. The report was based on inputs from investment actors such as asset managers, developers, institutional investors and knowledge actors. Report attached as annex 2.

BFET is set to be launched at COP28 at a high-level side event hosted at the American pavilion with participation by the Danish Government. The proposed Danish grant of USD 14.7m (DKK 100m) as part of the total USD 50m in grant financing for BFET is envisioned to catalyse, together with other public capital, up towards 1 bn. in combined public and private mobilized finance for climate investments. The 1 bn. USD is catalysed by the BFET process and in the final capital combination a leverage factor of around x4-6 is expected from the grant financing from USA and DK according to preliminary estimations based on OECD DAC mobilization rules. This is due to the fact that other donor financing may enter into the fund structures next to the BFET funding. The Danish contribution of USD 14.7 mil. was politically calibrated to match the US contribution whereby IFU was given a seat in the Technical Evaluation Committee (TEC). This allowed for IFU to influence the evaluation criteria for round 2 in the process as described in section 2.3 below.

2.1. Geographical focus

The market sounding report supported a strategic focus on high emission middle income developing countries with at least 51% focus on Indonesia, Vietnam, South Africa and India. The geographic scope is thereby aligned to the Just Energy Transition Partnerships (JETPs) with all except India having announced JETP plans with international bilateral partner countries. Denmark has joined the JETP agreements for Vietnam, Indonesia and South Africa, which is seen as a leading political level initiative driven by G7+ countries to accelerate the green energy transition in high-emitting developing countries. The additional mobilised private capital for energy transition through BFET will supplement the official JETP financing packages with the thematic alignment to JETP's. Beyond the requirement to allocate a majority of investments to the JETP-relevant countries, the country allocation will be within the fund managers' mandates to decide.

The JETP-relevant countries, as major emerging market economies, account for a significant share of global emissions. Despite having excellent renewable energy potential (wind, solar etc.), less than 20% of electricity in India, Indonesia and South Africa is from renewable sources and less than 40% in Vietnam. Instead, a large share of the electricity is from coal leading to significant CO2 emissions.

As three out of the four included JETP-relevant countries are Asian, and BFET has a requirement that a majority of investments should be in the four JETP-relevant countries, the programme is by design directed towards Asia. The JTEP-relevant countries are by definition high-emitting countries. The BFET

[6] Just Transition Finance Tool for banking and investing activities (ilo.org)

[7] USAID Climate Finance for Development Accelerator (CFDA) | Global Climate Change (climatelinks.org)

programme does not target the poorest countries. The impact aim is to have the largest possible effect on reduction of emissions, while ensuring a 'Just' transition entailing local decent job creation.

2.2. Thematic focus

The BFET trust funds will focus on renewable energy generation, energy storage, enabling infrastructure and transmission, smart grid technology, and clean hydrogen technology and infrastructure. BFET is aiming to create (mobilise) 1 bn. dollars in private sector investments within the scope defined above. The market research report estimated a possible leverage factor within the geographic and thematic focus of x10, whereby USD 50m in public grants composing 5% of the trust funds should be able to catalyse up to USD 1bn in capital from institutional investors, pensions funds, bonds, DFI's, etc. towards private sector investments in green energy transitions.

Clean energy investments in developing countries generate direct jobs through construction and operation of renewable projects, involving skilled and unskilled workers. Indirectly, improved energy access stimulates economic growth, creating jobs in various sectors like manufacturing, commercial services, and local businesses, benefiting the broader community. However, with the exception of South Africa where 16% of the population still lacked access to electricity in 2020, electricity penetration is already high in the JETP countries (97% in Indonesia, and 99% in India and Vietnam). Access to electricity is therefore not a main thematic focus of the BFET programme. However, further investments are required to improve the supply quality and reliability of more sustainable electricity in the targeted countries. This need will only grow more pressing as the already large populations in the JETP countries continue to grow.

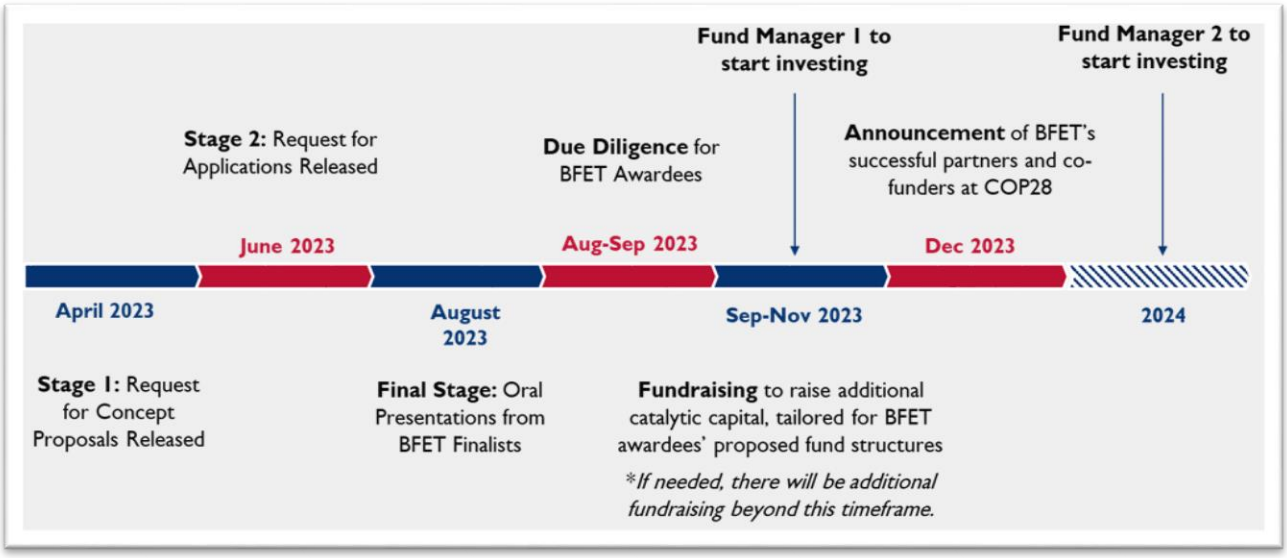
Transitioning to a low-carbon economy needs to go hand in hand with equitably addressing socio-economic risks and opportunities as outlined in the ILO Guidelines for a Just Transition. The investments are expected to have a net positive effect on employment (creating more new jobs than are displaced in e.g. fossil fuel industries). The amount of and permanence of the employment opportunities will be largely dependent on the investments undertaken. The focus will be on supply-side solutions, e.g. renewable energy generation, which will create a significant number of qualified job opportunities during installation phases but with lower labour requirements during the operational phase. On the other hand, e-mobility investments such as transportation services using electric vehicles (e.g. ridesharing), have the opportunity to create a significant number of permanent jobs and opportunities for people to make an income.

The focus of BFET is explicitly defined to be on climate / energy transition investments. Poverty reduction and addressing the needs of the underserved were not included in the requirements for the proposals and were thus not selection criteria. Providing reliable and comparably cheap electricity will however disproportionately benefit people at the bottom of the pyramid, for whom electricity is more likely to be a major cost burden. Other investments, such as e-mobility solutions, may also address the bottom of the pyramid, through e.g. providing new sources of incomes.

2.3. Delivering objectives through a call for proposals

A call for proposals (CfP) was announced by USAID og SPEC Kerry's office in April 2023.[8] Figure 1 below outlines the originally expected timeline for the CfP process[9].

Figure 1.



Danish MFA and Swedish Sida were invited to provide initial comments to the first round of CfP, which was done in collaboration with IFU investment directors giving guidance on IFU investment criteria and exclusion lists[10].

The overall requirements in stage 1 outlined in the call for proposals were:

- A majority of investments focussed on supply-side solutions to the energy transition, with the remainder for other energy-transition relevant sectors. Investments in the fossil fuel sector were strictly excluded.
- A majority of the capital to go to India, Indonesia, South Africa and/or Vietnam.
- A minimum fund size of USD 250m
- Supporting companies or projects from early/development stage to refinancing. Pre-seed and preparation stages were excluded.

The concept paper for stage 1 is attached as annex 3. The first round of CfP produced 36 concept papers from asset managers from around the world. An initial screening reduced the concept papers to 9 continuing to stage 2 where full proposals for trust fund vehicles was requested. The stage 2 screening was conducted on criteria such as need for concessional finance, climate/energy and social benefits, private capital mobilisation, innovation, development stage of target investments etc. The stage two description is attached in annex 4.

Four of the retained proposals in round 1 were for debt funds and five for equity funds. The fund sizes were in the range from USD 500m to USD 1bn, with two exceptions (one fund targeting USD 350m and one fund targeting USD 3-4bn). Four funds had a global investment focus, while the remaining five focussed on either Asia or Africa. In line with the criteria, all funds had a primary focus on supply-side

[8] Blended Finance for the Energy Transition (BFET) | Global Climate Change (climatelinks.org)

[9] This timeline is somewhat delayed as selection of fund managers and due diligence is proving to be more time consuming than originally expected.

[10] Sida had been hoping to utilize a guarantee to participate in BFET, as this proved to be impossible under the timeframe, the opportunity was abandoned.

solutions. Most of the funds also included a smaller allocation to demand-side solutions, and three funds covered other climate or sustainability-related sectors as well.

The subsequent round 2 further reduced the 9 proposals to 5 finalists for oral presentations. A political pledge from the MFA had been given to participate in BFET (subject to the Danish grant approval process). Based on this, IFU was invited to participate in USAID's Technical Evaluation Committee for round 2 on behalf of Denmark.

Selection criteria for the second round included (i) alignment with BFET geographic and thematic priorities, (ii) additionality, (iii) impact, (iv) the ability to implement in timely manner and (v) strategy & management. The MFA and IFU provided inputs to strengthen the impact and additionality e.g. by requesting that job creation was part of the evaluation criteria in round two and by linking the consultancy team up with ILO specialists to strengthen the quality aspects of jobs created, reflecting the "just" element in "just energy transition".

2.4. Final selection of fund managers

The final evaluation of the finalist proposals was completed in the end of August after which due diligence of the preliminary winners was initiated. Two fund managers were initially identified to proceed to due diligence.

Initial due diligence to identify any critical issues (a so called "red flag report") was initiated for the two identified fund managers and carried out by a consultant on behalf of the CFDA and SPEC. The report for one of the fund managers was presented on September 23rd, identifying concerns ("red flags") related to the fund strategy, the investment pipeline and the maturity of the presented concept. Following the identification of the concerns, the Technical Evaluation Committee discussed the findings with the fund manager. A decision was subsequently made on September 29th that the findings were significant and that it would not be prudent to proceed further with the fund manager. The findings of this initial due diligence would in all likelihood also have been identified by the subsequent full IFU due diligence, and the investment proposal would not have been endorsed by IFU's investment committee.

The "red flag report" for the second fund manager has, as of the beginning of October, not yet been completed. However, the consultant has communicated that they have not yet found any significant concerns and that they do not expect to find any significant issues. This is because the second fund manager is an established organisation which has previously managed several similar funds with participation of catalytic donor financing. The first fund manager for which concerns were identified is a first-time fund manager, founded in 2022.

Following the decision to not proceed with one of the fund managers, the Technical Evaluation Committee chose to reconsider the other three finalists to find a substitute. A decision is expected by mid October for a new fund manager to enter into due diligence. As a final decision is pending at the time of submission of the project document for UPR, a more general description of IFU's investment considerations on Theory of Change and results framework for this engagement is presented here as suggested in the appraisal report.

3. Theory of change and key assumptions

The intervention logic of Blended Finance for Energy Transition (BFET) is presented in figure 1 below.

Figure 1.

The Theory of change for Blended Finance for Energy Transition (BFET) is:

If…

- The MFA provides capital to IFU to invest in BFET;
- The MFA connects IFU to USAID and US SPEC collaboration partners;
- IFU utilizes its capacity and know-how on investing in funds with a development purpose to participate and influence a Request for Proposal process on energy transition investments

Then…

- Additional private capital can be mobilised and deployed through the two fund managers.
- Investments in greenhouse gas reduction and avoidance in developing countries will take place with 51% of investments in India, Indonesia, South Africa, and / or Vietnam.
- Jobs will be created in the local energy sector in alignment with a "just" energy transition with a focus to generate decent jobs which will reduce poverty and spur economic growth.
- Access to reliable, green energy increases (incl. for underserved communities and populations)

Because… (assumptions)

- Private investors e.g. pension funds have an increased interest in sustainability-aligned investments and are willing to invest in emerging markets and developing economies given the right risk/return profile and governance structure.
- USD 50m in blended finance from public concessional sources provides sufficient catalytic force to create the right risk/return profile for asset managers to offer asset owners given the sectors and geographical focus of BFET.
- The winning fund managers can develop and deploy their bankable portfolio of investment opportunities into the energy sector and connect sectors in the countries.
- The fund managers have the capacity to deploy investments in a timely manner within the sectorial enabling environment in the countries of choice.
- The fund managers will, to the extent possible, be compensated on a impact performance basis to secure incentives are aligned across partners.

Ultimately…

- Generate reduced or avoided emissions of greenhouse gases contribution to global warming and the climate crisis.
- Increased income and quality of living from jobs created with a focus on decent working conditions and wages etc. as well as from increased access to sustainable energy.

4. Draft results framework

The mandate of the BFET is to support the green energy transition in high-emitting emerging markets. As such, the main outcome of the programme is the reduced or avoided carbon emissions resulting from the investments. In addition, IFU will ensure that there is attention and reporting related to the job creation, and especially on the quality of the jobs created. These metrics encompassing the overall focus of BFET are outlined in the draft results framework below. The exact metrics and targets will be negotiated with the selected fund managers. Targets are not included in the framework below as they will be dependent on the chosen fund managers. However, a 40% emissions savings is still included as this is a target that IFU considers to be ambitious but realistic and will aim to include as the target for the fund managers.

The fund managers will have a large number of investors and the capital provided by Denmark is a small share of the total fund size (1-2%). There is therefore a need to standardise the impact reporting as the fund manager will not be able to provide individual reporting to each investor. As part of IFU's standard requirements, the fund managers will commit to include impact monitoring frameworks and metrics in the standardised reporting, which will also be used to track the results of the BFET commitment.

Programme Title		**Blended Finance Energy Transition (BFET)**
Objective		**Reduced or avoided impact from green house gases on global warming from power generation. Increased income and quality of living through decent job creation.**
Impact indictors		**GHG emissions avoided/reduced**
Baseline and targets		**Baseline is assumed to be zero (impact from BFET assumed additional)**
Target	Year	End of fund lives (earliest 2034, for a 10-year fund)
Outcome indicator 1		GHG emissions reduced
Baseline		0
Target	2033	*For discussion with the fund managers*
Outcome indicator 2		Average portfolio CO2 savings (including renewable energy)
Baseline		0
Target	2033	TBD
Outcome indicator 3		Number of high-quality jobs created (incl. female jobs)
Baseline		0
Target	2033	*For discussion with the fund managers*
Output indicator 3a		Net number of quality jobs created
Baseline		0
Target	2033	*To be agreed with fund managers*
Output indicator 3b		Net number of female quality jobs created
Baseline		0
Target	2033	*To be agreed with fund managers*

5. Inputs/budget

The MFA is planning to contribute DKK 100m (approximately USD 14.7m) to the catalytic capital for BFET, invested and managed by IFU as an earmarked capital contribution to IFU. The contribution will be split between the two chosen fund managers. The fund managers are expected to charge a management fee, as a fixed compensation for managing the committed capital, of 1-2% per year. This would mean that ~10-20% of the capital is allocated to the management of the fund, with the remainder used for investments.

Use	Amount (DKKm)
Capital contribution to Fund Manager 1	**49.5**
Capital contribution to Fund Manager 2	**49.5**
MFA inception review (after completed due diligence)	0.50
MFA review of engagement (after investment period)	0.50
Total contribution	**100.0**

IFU's expected return on the capital invested will be calculated as part of the final negotiations with the winning trust fund managers. IFU may receive 0% return and invested capital back and 0% administrative fee in a base scenario. IFU is expected to commit the full amount in 2023/2024. However, this also depends on the fund managers. Once the capital are successfully invested from the selected investment funds into projects (likely within 2-5 years), the MFA will close this appropriation[11]. Se further reporting under section 6 below. In parallel with the investments, the fund managers will also continue to raise further capital over a period of [1-2 years] on the back of the BFET catalytic commitment. Financial reporting on BFET will thereafter follow IFUs general reporting systems to MFA, which will include reporting on the underlying investments in the fund. The annual financial reporting of the funds will be externally audited. Reflow of funds and returns from the investments to IFU will be an integrated part of IFU's capital and business activities, in line with IFU's investment mandate.

The investment period of the BFET fund managers is expected to be between [2-5] years until full deployment of funds. The underlying investments are expected to have horizons of up to 10 years. An evaluation of the budget of the two fund managers will be included in the scope of the due diligence.

To be able to mobilise additional capital, the commitment and disbursement of the catalytic capital needs to be made upfront so that private investors are sure that there will be sufficient loss coverage in the structure. Making the commitment of all the funds conditioned on e.g. a positive review would counteract the aim of mobilising the maximum amount of private capital. However, and as for most fund investments, the disbursement of the funds will not take place until there are investment opportunities for the funds to be invested in.

[11] Vejledning for håndtering af kapitalindskud fra Udenrigsministeriet til IFU, Udenrigsministeriet, 2022..

6. Institutional and Management arrangement

IFU will invest the allocated capital into the chosen fund structure applying the scrutiny, due diligence and monitoring of the investment cycle and process. IFU applies EDFI's Environmental and Social Standards for Fund Investments for all IFU investments in funds. IFU's requirements also include issues related to corporate governance and business ethics as well as green and/or just and inclusive impacts.[12] IFUs investment process into fund structures is described further in annex 5.

6.1. IFU due diligence

IFU will allocate staff and resources to the two deal teams that will carry out the due diligence of the two fund managers. The deal teams consist of:

- **Senior Vice President:** overall responsible for the deal team and the deliverables
- **Project Manager:** responsible for coordinating the team work, communications with the fund manager and for producing internal decision materials
- **Investment professionals:** Usually 2 to 3 per deal team, will be responsible for individual work streams (e.g. financial analysis), and for producing decision materials
- **Legal:** one member from IFU's Legal team is allocated to each deal team, to support on legal considerations and negotiations of agreements
- **Sustainability:** one member from IFU's Sustainability team is allocated to each deal team and is responsible for the ESG risk assessment as well as co-responsible for assessment of impact and the development of the Impact Creation Plan, including definition of impact targets
- **Business integrity:** one member from IFU's Business Integrity team is allocated to each deal team, is responsible for screening of corruption, bribery and related risks
- **Finance:** IFU's Finance team supports on the financial analysis where needed

Staffing for the deal teams are based on competences and will draw on both IFU professionals with previous experience with fund investments as well as professionals with climate investment experience.

The scope of the due diligence is adapted to each investment opportunity, but some areas will always be covered. For a fund investment, the scope would commonly cover:

- **Fund strategy:** confirming that the fund strategy can achieve the returns and impact envisaged, including an independent assessment of the market fundamentals
- **Fund manager track record:** review of past performance, which can include desk review and interviews with previous investors into the fund and/or with investees to evaluate how the fund manager works with its investments, including on impact matters
- **Team background, skills and experience:** in-depth interviews with the team to assess their experience, potentially also reference checks with e.g. investors in previous funds they have managed
- **E&S:** evaluation of E&S policy and management system, risk processes and assessments conducted by the fund manager, and how they are incorporated into investment decisions
- **Impact:** review of impact hypothesis, tracking, reporting and how impact priorities are balanced with financial returns in investment considerations
- **Business integrity:** review of processes and interviews with fund manager around anti-bribery and corruption and related areas
- **Fundraising:** evaluation of fundraising strategy, processes and traction, often discussions with other prospective investors to understand progress and potential identified concerns
- **Pipeline:** assessment of the progress and realism of the identified pipeline deals, including discussions with the pipeline companies where relevant (potentially also visits to companies)

[12] IFU Sustainability Policy (2022) www.ifu.dk/wp-content/uploads/2022/07/Sustainability-policy-final-20220623-signed.pdf

- **Fund structure, budget and financial modelling:** review of the reasonableness of the proposed structures and budget, including financial scenario modelling to understand if returns are realistic and in line with industry standards, if proposed first-loss is sufficient etc.
- **Risk management:** assessment of (financial) risk management procedures, including how the fund manager works with currency risk
- **Legal & tax:** assessment of the legal framework of the fund, including any relevant tax considerations from the ownership structure and choice of fund jurisdiction
- **Corporate governance:** review both of how the fund works within the governance structure in its investees and the governance structure of the fund itself, including the extent of influence of investors
- **Operational due diligence:** assessment of administrative functions in the fund manager, including around accounting, reporting and HR matters
- **Fund management:** Investment process, processes for active ownership, staffing, budget

The due diligence will usually cover at least one site visit at the fund manager's offices, as well as potential visits with current or previous investees (without the presence of the fund manager) and where relevant and possible also with pipeline opportunities. Where relevant (e.g. for legal due diligence), IFU may engage with an external advisor to support on the due diligence.

The outcomes and materials from CFDA's due diligence process will be leveraged to also inform IFU's due diligence and make the process more efficient. However, IFU still needs to make the final investment decision based on its own analysis and is not relying solely on the due diligence performed by CFDA.
An inception review will be undertaken when the due diligence process in IFU has been finalised (expected in Q1 2024). The main purpose should be to revisit the selection of the Fund Managers, assess the expected development impact of the appropriation, and revisit the risk assessment done by IFU as part of the due diligence before IFU commits capital to Fund Managers.

A review conducted by MFA would focus on IFU's management of the capital investment, rather than the two fund managers, and would take place after the funds have finished investing the committed amounts (after 2-5 years).

6.2. Fund governance

The progress and performance of the funds will during the course of the investment be monitored by IFU, with one of IFU's investment professionals allocated as a Portfolio Manager for the investment. Regular reporting will be done by IFU to the MFA on the performance of the funds, based on the reporting materials from the fund manager. Reporting materials are expected to contain status on capital deployment in the investment portfolio, job creation, GHG reduction/avoidance etc. in accordance with the results matrix. IFU will enter into an individual agreement directly with each of the fund managers and will therefore not be affected by any specific requirements imposed by the US contingent.

The fundraising for the funds as well as investment activities will be the responsibility of the chosen fund managers. IFU will participate in the governance of the funds in an investor role, and the exact governance structures will be determined together with the fund managers as part of contract negotiations. IFU and the MFA will in the negotiations with the fund managers strive to ensure that the compensation to the fund managers is, at least partially, linked to the impact outcomes expected for the programme. IFU has some experience in this. IFU will also ensure that there is a governance forum (either a Board or an Advisory Board) in which it will be represented and that will have customary powers vis-à-vis the fund manager (including the ability to replace the fund manager).

6.3. Financial monitoring and evaluation

The proposed BFET contribution to IFU is a transfer of funds from the Ministry of Foreign Affairs for IFU's equity. This is an earmarked capital contribution registered in IFU's equity, which will be written up with an amount of corresponding size. The funds will be invested one-to-one in accordance with the agreements reached under the BFET partnership.

In this connection, the Ministry of Foreign Affairs and IFU agree on reporting requirements that document that the funds are invested according to the purpose defined for BFET. As in the case of other earmarked capital contributions to IFU, the intended investments will be tied up for up to 10 years, or potentially more. Any returned funds from successful investments will subsequently become part of IFU's equity capital.

6.4. Development additionality governance

As noted, investments under BFET will comply with all procedures, policies and safeguards applicable under IFU policies and guidelines. This also implies that due diligence, screening and subsequent monitoring and reporting on investments and fund managers is performed by IFU. According to "Vejledning for håndtering af kapitalindskud fra Udenrigsministeriet til IFU", the MFA will track results based on reporting from IFU, including special reports and annual reports in accordance with what may be determined in the agreement documents. If the Ministry of Foreign Affairs has special reporting requirements (financial, development results, etc.) in relation to BFET, in addition to what IFU procedures capture, this will be clarified in the agreement document (commitment letter) and associated annexes (project document, and other relevant terms).

For MFA, fiduciary and development accountability concerns mean that focus is on ensuring that the earmarked capital contribution is invested in accordance with what is agreed between MFA, IFU and the other partners of BFET. Accordingly, the impact measures in the results framework that underpin the intention of the earmarked contribution to IFU (the BFET participation) in combination with process indicators which document the investment process are the main elements of fiduciary interest to MFA. Reporting on agreed outcome indicators in the respective results frameworks of the fund managers that are selected under BFET is part of IFU investment procedures.

When funds have been fully deployed by the fund managers into investments, a review will be conducted by MFA to evaluate the expected impact at that point in time and to collect lessons for future blended finance cooperation.

7. Risk Management

The main risk with the BFET funding is related to the fundraising of private capital. There is a risk that with the catalytic, first-loss, capital from BFET, the fund managers are unable to mobilise the expected amount of private capital. This risk can be mitigated by working together with fund managers that already have well-established relationships with private investors, a track record of attracting private capital, and potentially already a pipeline of interested investors. However, this can be at the expense of additionality, as the capital still need to be considered necessary to unlock the private capital for the fund.

Related to the above argument, there is a risk that the BFET capital is not additional to the extent hoped and intended. If the capital is awarded to a fund structure that would have been able to raise impact aligned private capital without it, it would not be sufficiently catalytic. This was a key screening condition when choosing the fund managers to work with.

Execution risk is also relevant to consider. There is a risk that even if the fund manager is able to raise sufficient capital, it may not be able to deploy the capital into relevant investments. This could be due to a lack of deals that meet the likely stricter risk/return expectations of commercial private investors (even

with catalytic capital), due to competition for relevant deals, or due to adverse changes in market conditions. This risk is mitigated by choosing fund managers with good and relevant pipeline and with a good track record.

There is also a risk that the investments are not able to achieve the impact that they were expected to create. This is more relevant for debt funds. as debt providers will have fewer tools at their disposal to influence the operations of their investees. It is however also a risk to consider in relation to equity funds that take minority roles in their investments, especially when there are other strong investors or shareholders. This risk is best mitigated by ensuring that complete due diligence is carried out and that alignment on impact priorities is clear before the investment.

A common risk in fund investment is misalignment in incentives between investors and the fund manager. If the fund underperforms to the extent where the fund manager will not receive any performance above the fixed management fee, there can be an incentive for the fund manager to deprioritise working with the investees and deprioritising exiting the investments and instead extend the time during which they receive the fixed fee. This risk depends to a great extent on the compensation structure agreed with the fund manager and can best be mitigated by ensuring that there are strong investor/LP rights and a well-functioning governance structure and strong incentives to perform and not to expand the timeline of receiving fees.

Finally, the BFET structure and the chosen funds will be exposed to all the "standard" risks of investing in developing markets: negative macroeconomic developments incl. currency depreciation, regulatory issues including with permitting, adverse political interventions or even wars and conflicts. This is partly mitigated by the targeted countries being slightly lower risk and more stable than many other developing economies. The funds are further expected to have an adequate diversification both geographically and sector-wise to spread its risks. Regulatory risk is certainly present, especially for the investments done by the fund managers into infrastructure assets. However, given the main countries' recent commitment to the JETP investment programmes, it is expected that the regulatory environment will increasingly become more beneficial for investments that are aligned with the JETP priorities.

The investment countries also carry specific economic and political risks that should be considered, given the significant exposure to the three JETP-relevant countries that remaining finalist fund managers focus on: India, Vietnam and Indonesia.. The risk analysis below is informed by research from BMI Country Risk, one of the leading providers of macroeconomic analysis for emerging and frontier markets. Further analysis of country-specific and sector-specific risk factors, including on labour issues and political economy issues will be conducted as part of the due diligence. A detailed risk assessment analysis is included in annex 7.

7.1. India[13]

The short-term economic risk is considered moderately low, reflecting the economy's potential for strong growth. Inflation remains high, but the Reserve Bank of India has taken strong action. In the longer run, economic risk is more elevated. This is due to a continuing current account and fiscal deficit and high volatility in GDP growth. The country is also highly reliant on commodity imports, in particular oil, leaving it vulnerable to changes in the oil price.

The short-term political risk is limited, which reflects the incumbent Bharatiya Janata Party's (BJP) strong governmental mandate after the 2019 general elections. Upcoming state elections in 2023 and the 2024 general elections will however be a test of the stability. The growing regional rivalry with China, highlighted by clashes along its border in 2017 and 2020, could lead to risks in the region. In the longer term, there could be a rise in social instability due to a shifting focus towards policies that advance BJP's Hindu nationalist ideals, which could stoke religious tension and worsen relations with Muslim-majority Pakistan.

[13] BMI Country Risk – India Country Risk Report Q4 2023

7.2. Vietnam[14]

The economic risk is in the short-term seen as low but increasing due to a persistent fiscal deficit. The Vietnamese economy, and especially its tourism sector, is expected to be supported by Mainland China's post-COVID rebound. The long-term growth prospects are positive, reflected in forecasted real GDP growth on an average of 7% p.a. until 2032. The economic environment is expected to stabilise with inflation averaging 3.7% and the current account balance recording a modest surplus.

The political risk is also deemed low in the short-term, reflecting a largely stable political system, kept in place by the ruling Communist Party of Vietnam's monopoly on power. However, deteriorating relations with China over recent years present a risk to the stability. In the longer run, one of the biggest challenges for Vietnam will be managing a transformation into a more pluralistic society, presenting risks to the political stability. A growing number of internet users are becoming increasingly critical and vocal of government policy on social media platforms.

7.3. Indonesia[15]

Economic risk remains low but is impacted by weak fiscal policy and high government spending during the pandemic. However, the government has signalled a clear desire to bring the public finances back to more sustainable levels. The expected post-COVID recovery in China will also benefit the Indonesian economy both through higher exports as well as through higher commodity prices, on the back of increased Chinese demand. In the longer term, the economy is expected to continue to grow at a real GDP rate of 4.8% p.a. over the coming decade, supported by its large labour force, which is also one of the world's youngest. Indonesia's ageing oil fields have however caused production to decline, and the country has become a net importer of crude oil, which will remain a source of vulnerability over the coming years.

Political risk is moderate in the short-term, primarily impacted by growing social discontent related to rising inflation. The political outlook is uncertain in advance of February 2024 elections, and perceptions of corruption and concerns about limited social freedom will continue to be the cause of frequent protests. In the longer run, the outlook has improved but concerns remain. Issues with poverty, unemployment, ethnic tensions and high levels of corruption could all lead to political instability flaring up again following the economic devastation of the pandemic.

[14] BMI Country Risk – Vietnam Country Risk Report Q4 2023

[15] BMI Country Risk – Indonesia Country Risk Report Q3 2023

Annex 1: Partner Assessment

IFU was established in 1967. IFU equity stood at DDK 4.6bn by the end of 2022 with total capital under management of DKK 15.6bn. IFU provides financing on a commercial basis through equity, loans and guarantees and advice to climate and SDG impactful project companies in emerging markets and developing economies. IFU can invest in all OECD DAC countries. The aim is to undertake investments with a significant positive climate and development impact, which would not otherwise be undertaken on standard market terms due to high (perceived) risk. IFU undertakes direct investments into companies, investments into other funds managed by IFU and into funds/financial intermediaries managed by third party capital managers.

IFU manages several funds such as the SDG Equity Fund where 60% of the funding are from private investors. In addition, IFU manages part of the Green Future Fund and facilities with contribution from the Ministry of Foreign Affairs such as the India Climate Finance Initiative, the Ukraine Facility, the Project Development Programme, the High Risk, High Impact Facility, and Danish Sustainable Infrastructure Finance. IFU also manages a guarantee with a frame of DKK 2bn.

In 2017, IFU was untied from Danish commercial interests. The untying has provided IFU with more opportunities for impact investments enabling IFU to grow its impact significantly. IFU´s purpose, stated in the law for international development cooperation (§9) is to promote investments that support sustainable development and contribute to the realisation of the SDGs in these countries. The overall strategic framework for IFU is set out in a hierarchy of documents as follows:

- Law for International Development Cooperation (lov om internationalt udviklingssamarbejde)
- Danish development policy strategy (The World We Share and related political agreements)
- The Ownership document, based on Statens Ejerskabspolitik (the Danish State´s policy for ownership of companies) and formulated within the frame of the law and strategy mentioned above (new Ownership document underway (attached as appendix 1)
- IFU´s statutes (approved by the board)
- IFU´s strategies and policies approved by the IFU board

IFU is a self-governed institution. The Minister responsible for development cooperation has the oversight responsibility. The Minister appoints the board members (3-year term), the board chair, vice chair, and IFU´s CEO. The MFA is represented in the board by an observer. The Minister meets annually with the Board's Chair, Deputy Chair, the CEO and the Deputy CEO to take stock of performance, approve the annual report as well as discuss the overall strategic issues related to the ownership document etc. The MFA leadership (State Secretary for Development Policy) meets twice a year with the IFU board chair and vice chair for strategic follow-up. Senior management of Ministry of Foreign Affairs meets quarterly with senior management of IFU for mostly operational follow-up.

The responsible Minister´s supervision of IFU further consists in ensuring that the Danish state´s applicable regulations in the area are complied with by IFU, and that good practice for legal-critical review as well as financial and management audit is observed, including standards for public audit (offentlig revision). Based on recommendation from the board, the Minister appoints an audit company with international experience, which undertakes audit of the annual account in accordance with Danish and international audit standards.

The IFU board is responsible for assuring that the strategic management of IFU are aligned to and within the parameters of the ownership document (and hence the law and development policy etc.). The board

is hence responsible for IFU´s strategies and policies and for ensuring that IFU complies with these. The CEO is responsible to the board for implementing strategies and policies set by the board.

The primary rationale for the state ownership of IFU is to mobilise private capital to promote sustainable and responsible investments in developing countries, where it would otherwise be difficult or impossible to implement investment projects because of too high risks perceived by the private sector. IFU´s participation in such investments can mitigate the risk and thereby mobilise finance and technology to developing countries in line with the countries´ development plans. This mobilisation can be in a concrete investment that IFU take part in or over time as IFU help develop a company to become attractive to more private investors and eventually exit the investment, ideally to a private investor and redeploys the capital.

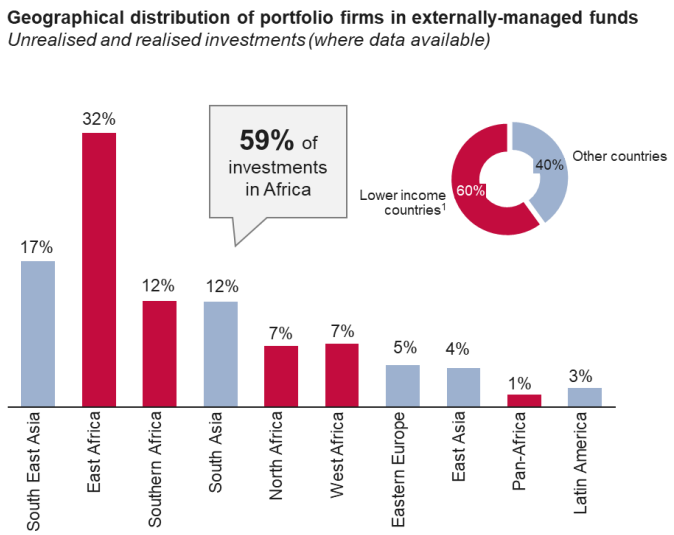
As responsible "owner" of IFU, the Ministry of Foreign Affairs has embarked on a reform process with the aim to strengthen IFU over the period from 2024-2030 to significantly increase IFU´s capabilities to increase its investments and impact in climate and in lower income countries and countries affected by fragility or conflict with a strong focus on Africa.

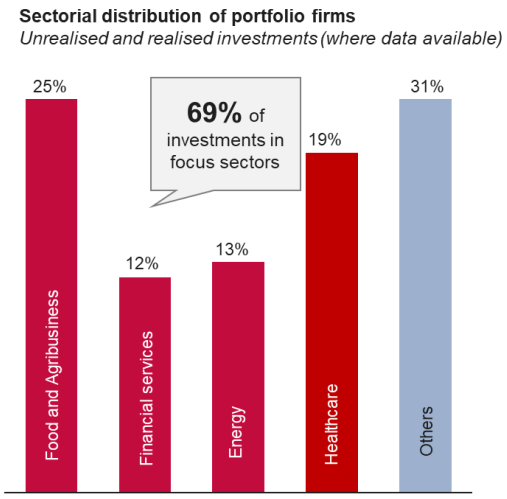
The intention is to strengthen the organisation so that IFU can better support Denmark's global climate commitments and the development policy priorities as an innovative, trend-setting development financing institution.

It will be the responsibility of IFU to ensure that its investments are additional, including financially and developmentally additional, and at the same time ensure high standards regarding environment, social, governance and human rights. IFU will be obliged to document additionality appropriately in all investments in line with relevant OECD standards.

IFU experience with fund investments

IFU allocates 20% of its equity to externally managed fund investments. In addition to participating in funds as an investor, IFU also sometimes invests directly into Danish and Nordic fund managers and supports them on the management of the fund, as is the case with e.g. Nordic financial inclusion manager Abler Nordic and Danish impact fund manager BOPA (Bottom of the Pyramid Asia). Excluding IFU's investment into its own-managed SDG Fund, IFU's total fund portfolio covered 43 funds for a total investment value of DKK 1.9 billion. As of the latest underlying portfolio review in September 2022, 59% of the underlying investments were in Africa and 60% in lower-income countries, with the largest sectors being agribusiness and healthcare.





The investments has created almost 300,000 jobs, of which more than half were for women. [1]

Element	Indicator	2022	2021	Change
Impact outcomes	Taxes paid by portfolio companies (2021) [2]	**2.9bn DKK**	2.9bn DKK	→
	Number of jobs, including in portfolio companies[2]	**293,583**	253,155	↗
	Number of female jobs[3]	**149,990**	98,086	↗
	Number of jobs for youths (<25) [3]	**73,419**	35,997	↗
	Clients served by microfinance institutions	**16.2 million**	17.8 million	↘
	Female share of microfinance clients	**92%**	62%	↗
	Share of investments of the PE funds with focus on Africa	**59%**	**55%**	↗

IFU's full fund portfolio as of September 2023 is presented below (outstanding amounts):

Fund name	Geography	Invested (DKK)
Abler Nordic III	Developing countries	**160,349,531**
Abler Nordic Fund IV K/S	Developing countries	**149,263,317**
Horn of Africa Fund	Somalia	**114,133,145**
EFP VI	Developing countries	**111,545,967**
ADP III	Sub-Saharan Africa	**101,784,451**
BOPA PTE Ltd	Asia	**82,405,054**
ICCF	Developing countries	**74,523,000**
AfricInvest MPEFIV	Sub-Saharan Africa	**74,354,281**
AfricInvest Financial	Sub-Saharan Africa	**74,098,936**
Symbiotics	Sub-Saharan Africa	**68,922,795**
India Agri Business Fund	India	**66,761,053**
ACIF IV	Asia	**59,568,621**
Tropical Asia Forest Fund	Asia	**54,365,158**
AC CAP INFRA FUND II	Latin America	**51,535,487**
Energy and Carbon Fund	Sub-Saharan Africa	**43,440,855**
Silverlands Fund	Sub-Saharan Africa	**40,295,131**
ECP Africa Fund III	Sub-Saharan Africa	**39,223,714**
Africa Food Security	Sub-Saharan Africa	**38,655,929**
Horizon Capital III	Ukraine	**38,325,707**
Sierra Madre Philippines	Philippines	**36,724,012**
Horizon Capital IV	Ukraine	**34,346,467**
FIPA II	Angola	**34,008,008**
MOF II	Myanmar	**32,375,632**
Abler Nordic AS	Developing countries	**27,106,947**
Zoscales Ethiopia	Sub-Saharan Africa	**26,439,691**
Maj Invest Equity Vietnam	Vietnam	**22,085,549**
Neoma Africa Fund III	Sub-Saharan Africa	**21,186,951**
ECP Africa Fund II	Sub-Saharan Africa	**20,702,743**
Abler Nordic GP IV A/S	Developing countries	**18,448,336**
Maj Invest Southeast Asia	Vietnam	**18,440,441**
FIPA Angola	Angola	**17,593,980**
Seedfund 2 International	India	**15,681,370**
EMOF I	Developing countries	**13,542,496**
Asia Business Builders	Vietnam	**10,427,464**
MIFIF II	Developing countries	**9,803,333**
PENM IV	Vietnam	**8,870,381**
Danish Microfin. Partners	Developing countries	**6,936,188**
ACIF III	Asia	**6,897,466**
Kukula Fund 1	Zambia	**2,000,000**
Neoma Africa Fund II	Sub-Saharan Africa	**1,475,452**
Actis Africa 3 LP	Sub-Saharan Africa	**557,540**
EFP II	Sub-Saharan Africa	**44,797**

[1] Increase in job figures from 2021 to 2022 is primarily due to an increased number of funds reporting on job creation, following IFU feedback

USAID
FROM THE AMERICAN PEOPLE

BLENDED FINANCE FOR THE ENERGY TRANSITION (BFET)

Market Sounding Report

19 April 2023

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- **Objective and methodology**
- Emerging Market Energy Transition Investing – Trends and Barriers
- BFET Program Design Considerations
- Appendix:
  - RFCP Design
  - Market Sounding Interview Guide

We undertook a market sounding exercise to inform the design of the BFET program

Mandate: CFDA is supporting the launch and implementation of the BFET (Blender Finance for the Energy Transition) program, a US government initiative, led by SPEC in partnership with USAID, that aims to leverage up to $50 million of catalytic funding (*with $15 million contributed by SPEC and an additional $35 million being mobilized from other catalytic capital providers*) to mobilize $1 billion+ of private capital into the energy transition in high-emitting emerging markets. Priority geographies include India, Indonesia, South Africa, and Vietnam. This catalytic funding will be deployed through a competitive process and potential private sector partners are expected to be LPs, GPs or other capital deployers that are either currently active or plan to be active in priority countries

Market sounding objective: Understanding the barriers to fundraising and/or deploying institutional capital into the priority sector and geography for BFET, in order to inform the design of the program and incorporate market needs

Methodology

1. Identified a list of potential applicants across types, factoring in additionality
2. Engaged with potential applicants to understand the fundraising/capital deployment challenges and opportunities and collect feedback on the program
3. Analyzed interviews to assess the EM investment landscape and recommend updates to the design of the BFET program and the RFCP

We engaged with 20+ private sector partners as part of the market sounding exercise

Pension fund / Limited Partner[1]	Global fund with energy transition mandate	Global investor with EM Energy/ Infrastructure fund	EM-based investor/ developer
PensionDanmark, futurefund (Australia's Sovereign Wealth Fund), GRUPO SURA, NY STRS, CalPERS, Brown ADVISORY Thoughtful Investing.	Blackstone, ifm investors, three cairns group	PENTAGREEN, KKR, Augment INFRASTRUCTURE, mirova Responsible Investing	responsAbility, ClimeCapital, AIIM, TATA CAPITAL Cleantech Finance, FUTUREGROWTH / ASSET MANAGEMENT, GEF CAPITAL PARTNERS, STANLIB, Sanlam Investments
Unlock capital into BFET priority markets by funding a new or existing fund manager	Unlock capital into BFET priority markets by creating an EM sleeve	Mobilize new LPs or co-investors into projects focused on BFET priority markets	Mobilize new LPs into funds, investors into developers, or co-investors into projects in BFET priority markets

(1) Sura, Future Fund, CALPERS, NYSTRS insights shared at GPCA conference

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LPs remain reluctant to invest in EMs due to high risk perception and past under performance of EM investments

High risk perception resulting in high expected returns

Opportunity cost: LPs prefer investing in lower risk assets such as developed markets infrastructure funds and bonds, especially given the current environment of high interest rates

Foreign exchange risk: Foreign exchange risk remains a concern as LP return targets are in hard currency while EM returns are often subject to local currency fluctuations

Priority for capital preservation: Long term institutional capital such as pension funds and insurance funds prioritize stability and capital preservation over higher risk and return

Under performance of some past EM investments has resulted in a reluctance to re-engage

Slow capital deployment: EM funds face challenges in deploying capital timely, due to limited pipeline of bankable deals, regulatory complexities, and bureaucratic processes

Limited exit opportunities: Some LPs are concerned that limited exit opportunities impact funds' potential to generate returns

Lack of liquidity: Many of the investments opportunities are thorough fund structures rather than bond structures, and even when bond issuances are available liquidity remains limited

There are some tailwinds increasing the appetite of global LPs and GPs to invest in EM, particularly around energy transition

- ✓ **Long-term search for high yield:** The current high interest rate environment in developed markets is expected to be temporary with the need to access higher yielding markets expected to drive EM investments in the medium-run
- ✓ **Increased focus on ESG:** Investors are increasingly prioritizing investments with an ESG lens, driving interest in energy transition, and further supporting EM investing, as it often provides social impact as well
- ✓ **Interest in participating in the growth trend of some emerging markets:** More LPs are interested to benefit from the higher growth environment of some emerging markets such as India

There are a few avenues through which LPs and global funds are exploring this entry/expansion of investments in EMs

LPs consider investing in EMs through:

- **Investing in existing global GPs that are starting/growing** investments into EMs
- **Investing in new GPs** that have a track record in EM and are now at a scale that is relevant/appropriate for the respective LPs

Global funds are seeing opportunities to invest in EMs through:

- **Portfolio companies** entering new markets
- **Buyout of assets** that credible investors/conglomerates are looking to sell
- **Co-investment** alongside another fund with existing co-investment scheme and presence in EMs

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However, LPs and global funds continue to face several barriers to deploying capital into EM funds and projects

	Capital deployment barriers for institutional LPs	Capital deployment barriers for global GPs
Allocation caps	LPs often have limits on allocations to private markets (10-15% of AUM) and the recent underperformance of public markets has resulted in private allocations being exceeded	Global funds are required by their LPs, including EM based LPs, to cap their EM investments to 10-20% to diversify geographical risk
Rating requirements	LPs often require debt funds to be rated, but the 3 big rating agencies do not typically rate EM funds, or cap them at sovereign ratings. Self-rating is possible but is costly and typically funded through grants	Global debt investors typically invest in investment grade loans (BBB+ and above), uncommon in BFET priority countries mainly due to low sovereign credit rating
Ticket size mismatch	LPs ideally look to invest $100M+ for a maximum of 10% ownership, so they typically invest in $1B+ funds which are limited in EMs	Pipeline of deals requiring $500M+ investments that are typical of large global energy/infra funds can be limited in EM, making it challenging to justify deal costs
High transaction costs	Evaluating EM based funds requires team capacity building and bears high costs especially for investments in new markets	Without on the ground presence, global GPs face high costs in sourcing and executing deals particularly in complex regulatory environments

BFET cannot resolve market realities, but can help improve the risk-return trade-off and enable capital deployment

Market Barriers

- Allocation caps to private markets and emerging economies
- Rating requirements for debt funds and investment grade loans
- Ticket size mismatch and concentration constraints

While many of these barriers cannot be addressed by BFET the program is **prioritizing support to larger scale** opportunities to address ticket size constraints of large LPs

Transaction barriers ***(Risk-return trade off)***

- Foreign exchange risk in emerging markets
- Opportunity cost relative to investing in developed markets with comparable yield and lower risk
- Priority for capital preservation

BFET primarily targets these barriers by:

- Providing flexible concessional funding that provides downside protection and/or additional return
- Aiming to incentivize DFIs to be subordinate to other commercial investors

Transaction barriers ***(Capital Deployment & Deal Structuring)***

- Poor performance of some EM funds due to lack of bankable projects and limited exit opportunities
- High transaction costs when investing in new assets classes and regions especially in complex regulatory environments

Not core focus of BFET, but could address additional barriers:

- Support development of bankable projects
- Buy-side and sell-side advisory to address capital deployment challenges and help ensure the sustainability of the program

Table of contents

- Objective and methodology
- Emerging Market Energy Transition Investing – Trends and Barriers
- **BFET Program Design Considerations**
- Appendix:
  - RFCP Design
  - Market Sounding Interview Guide

BFET began with an initial hypothesis on structure and key priorities, and undertook a market sounding exercise to inform the final program design

Consideration 1:

Size of Catalytic Capital and Target Private Capital Multiplier

Consideration 2:

Sector focus

Consideration 3:

Geographic focus

Consideration 1.1: Catalytic capital size: A minimum of $50M (5%) would be required for relevance for a $1B fund

Catalytic funding sizing

- EM premium over DM, particularly for renewable energy primarily driven by **FX risk and regulatory risk** and typically ranges from 2% - 5%+
- Current spread between EM vs. DM bonds yields ranges from 100bps to 200bps thus representing a **1-3% gap in return expectations vs. realities.**
- For a 5-year holding period this represents a **catalytic capital sizing of 5%-15%**. At a 10 year holding period, this represents a need for 10% - 25% catalytic capital
- There are many disparate pools of catalytic capital that private sector partners need to independently engage with. There is **value in donor leadership to consolidate these pools** and align priorities to more efficiently allocate concessional capital across priorities

Other considerations

Type & use of catalytic funding

- **Flexible catalytic capital** will attract interest from debt and equity capital providers, allowing partners to define the best use of capital
- There is an ask, particularly from fund managers or LPs venturing into new geographies for the first time, for **technical assistance** to identify pipeline/partners that will enable successful deployment of capital

Additionality

- **Proportionality** of catalytic funding to commercial capital **will impact additionality**
- Catalytic funding would be most additional to:
  - **First time fund managers**
  - Funds investing in **less mature markets**
  - Funds investing in **less mature sub-sectors** (e.g., e-mobility) or **project stages**

Consideration 1.1: Catalytic capital size: Capital Structure Scenario Analysis

Scenario 1: - 95% Commercial; - 5% Grant; - 5yr holding period		Allocation	return
Fund	1,000,000,000		15%
Mezzanine (DFI)	0	0%	13%
Grant	50,000,000	5%	
Commercial capital	950,000,000		
Average holding period	5.00		
Fund (capital + return)	2,011,357,188		
DFI (capital + return)	0		
Return on Commercial Capital	**16.19%**		
Additional spread due to catalytic capital	**1.19%**		

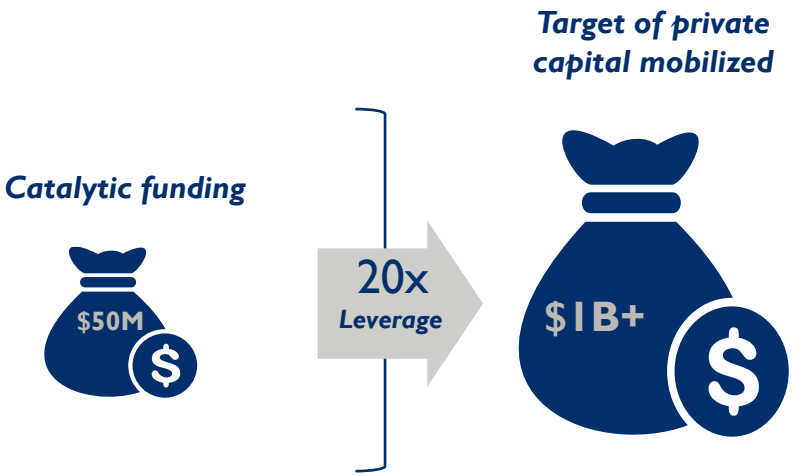
Scenario 2: - 75% Commercial; - 25% Grant; - 10yr holding period		Allocation	return
Fund	1,000,000,000		15%
Mezzanine (DFI)	0	0%	13%
Grant	250,000,000	25%	
Commercial capital	750,000,000		
Average holding period	10.00		
Fund (capital + return)	4,045,557,736		
DFI (capital + return)	0		
Return on Commercial Capital	**18.36%**		
Additional spread due to catalytic capital	**3.36%**		

Scenario 3: - 70% Commercial; - 25% DFI; - 5% Grant; - 10yr holding period		Allocation	return
Fund	1,000,000,000		15%
Mezzanine (DFI)	250,000,000	25%	13%
Grant	50,000,000	5%	
Commercial capital	700,000,000		
Total capital deployed	1,050,000,000		
Average holding period	10.00		
Fund (capital + return)	4,045,557,736		
DFI (capital + return)	848,641,847		
Return on Commercial Capital	**16.40%**		
Additional spread due to catalytic capital	**1.40%**		

Scenario 4: - 50% Commercial; - 40% DFI; - 10% Grant; - 10yr holding period		Allocation	return
Fund	1,000,000,000		15%
Mezzanine (DFI)	400,000,000	40%	13%
Grant	100,000,000	10%	
Commercial capital	500,000,000		
Total capital deployed	1,100,000,000		
Average holding period	10.00		
Fund (capital + return)	4,045,557,736		
DFI (capital + return)	1,357,826,956		
Return on Commercial Capital	**18.32%**		
Additional spread due to catalytic capital	**3.32%**		

Consideration 1.2: Target Multiplier: Cumulative private capital unlocked through concessional catalytic capital often goes beyond the direct capital mobilized

While it is important for programs to have clear objectives and provide clear guidance to potential partners…



…A broader lens on capital mobilized could enable more innovative solutions to come to the forefront

Equity investments allow projects/platforms to develop further, typically unlocking **additional capital in the form of debt**

Debt funds can be recycled, depending on the average loan tenor relative to the fund life, thus typically resulting in 2-3x lending relative to the size of the fund

Earlier stage investments allow the development of a bankable pipeline that, upon **scaling**, can be exited to large institutional investors, bringing more commercial capital to emerging markets

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Consideration 2: Sector focus: Ability to absorb capital at the right scale and price are the key drivers of investment decisions, and funds increasingly have a broader climate and/or carbon mandate

Supply side sub-sectors Key Insights

Solar & wind energy generation

Green hydrogen

Energy efficiency and storage

- **Supply side solutions** such as solar and wind energy generation have generally demonstrated proof of concept and are **bankable in some markets**
- **Regulations** such as the open access system in India and the REIPPP Program in South Africa have boosted the development of **utility scale renewable energy production**
- **Green hydrogen** has **high potential**, but **commercially viable deals** that can absorb significant capital **remain limited** in BFET priority countries

Demand side sub-sectors Key Insights

E-mobility

Waste and water treatment

- Sector choice is dependent on **the level of technological risk** investors are willing to take
- **E-mobility sector is growing** in India and Southeast Asia but **struggles to attract growth capital** to scale up. E-mobility opportunities in Africa remain limited
- Increasing appetite to invest in **waste management, water, and circular economy**
- Funds increasingly support their portfolio companies **to improve their climate practices** and reporting

Consideration 3: Geographic focus: While high emission emerging markets Provide the scale needed to unlock institutional LPs, funds' mandates are unlikely to perfectly match BFET geographic priorities

Targeting high emitting EMs provides the opportunity for institutional investors to deploy capital into energy transition in EMs

- **India:**
  - 3rd biggest emitter accounting for 7% of global emissions
  - 2nd largest green bond market with $28Bn issued
  - Large investment opportunities and stable reg environment
- **South Africa's:** ($8.5B JETP)
  - Largest emitter in Africa – 1.3% of global emissions
  - Large scale utility (under REIPPP) well-served by domestic institutional capital; Less mature sub-sectors such as C&I and transmission still underserved
- **Vietnam:** ($15.5B JETP). Large scale opportunity but regulatory landscape remains challenging
- **Indonesia's:** ($20B JETP) – 9th highest emitter and 4th largest population; Large scale opportunity but regulatory landscape remains challenging

However, funds do not typically group these high-emitting countries in their mandates. Potential GPs will likely be:

1. **Funds with broad EM focus** that will likely target both BFET priority and non-priority countries
2. **Regional funds** that will only target a subset of BFET priority countries (e.g., Southeast Asia, Asia Pacific, Southern Africa)
3. **Single-country funds**, particularly out of India and South Africa, which might struggle to meet the target scale

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EM funds are expected to be a strong fit for BFET, while LPs are likely to require more extensive engagement efforts by SPEC

Global, regional, and country-specific EM funds would be strong fit for BFET

Mirova is raising a **$500M debt fund** (aiming to deploy $1.2B in funds over the next 7 years) targeting Africa and Southeast Asia (SEA) and aiming to secure second close commitments by end of 2023

responsAbility is raising a **$500M fund** focused on Asia and aiming to reach final close by end of Q2 2024

Augment Infrastructure is targeting a **$1Bn global EM infrastructure fund** with a significant focus on energy transition and is currently raising and deploying capital on a deal by deal basis

Most fund managers face challenges in engaging with institutional LPs

We recommend that SPEC consider **organizing a roundtable for US-based LPs and pension funds** to align on how BFET could move the needle in mobilizing their funds into clean energy investments in emerging markets, particularly BFET priority countries

Large global funds will be unlikely to create a BFET relevant sleeve due to size mismatch and EM allocation restrictions

We recommend that BFET include large global funds during the RFCP process, but with **minimal outreach efforts**

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  - Market Sounding Interview Guide

Recommended updates to the RFCP design based on input from market sounding interviews (1/4)

Theme	Market sounding takeaway	RFCP design update
Target fund size	There are several emerging market focused fund managers who are actively raising energy transition focused funds that are **smaller than BFET's minimum target size of $500M**	Applicants should mobilize **a minimum of $250M** in cumulative capital, with a **preference for $500M - $1B+**
Geographies of focus	Funds are either **country specific, region specific or EM global**, and are often not segmented along the same lines as BFET's priority geographies	Applicants' mandate could **include emerging markets broadly** (excluding China), but majority investments should go to **priority high emission markets** including India, Indonesia, South Africa, and Vietnam

Recommended updates to the RFCP design based on input from market sounding interviews (2/4)

Theme	Market sounding takeaway	RFCP design update
Size of Catalytic funding	• **A minimum of $50M** in concessional funding would be required to be of interest to $500M+ funds • Specifying **the size and type of catalytic capital available** when issuing the RFCP/RFP would be important for GPs and/or LPs to be able to formulate their concept notes	• Although SPEC has independently allocated $15M for BFET, the program is requesting applicants **to submit a concept note assuming $50M** in catalytic capital • CFDA notes that SPEC has **contributed $15M** in non-repayable catalytic capital and that SPEC and USAID intend to **engage other partners to secure an additional $35M** in catalytic capital • BFET applicants are requested to specify their assumptions in their concepts

Recommended updates to the RFCP design based on input from market sounding interviews (3/4)

Theme	Market sounding takeaway	RFCP design update
Sub-sectors of focus	• Funds **do not typically segment their sectors of focus into demand and supply side**; instead, they target projects that have a financing need and are large enough to absorb the scale of capital that these funds are looking to deploy • Sub-sectors of focus vary by market and include **e-mobility, waste management, and green logistics**	• Strong preference for majority of the capital to go **towards supply side solutions**, but the **rest of the capital could support demand side solutions** (e.g., e-mobility) • **Supply side solutions include** but are not limited to renewable energy generation, smart grid, transmission and distribution technology and infrastructure, energy storage and efficiency solutions, clean hydrogen

Recommended updates to the RFCP design based on input from market sounding interviews (4/4)

Theme	Market sounding takeaway	RFCP design update
10x multiplier	• Institutional investors seem to **require 20-30%+ in catalytic funding** especially when investing in less known markets, less mature sub-sectors, and newer fund managers • A **10x multiple could be achieved** when considering **DFI** mobilized capital, **co-investment** private capital, debt fund recycling, and **subsequent private transactions** (i.e., exit to commercial investors)	CFDA **will seek a 1:10 leverage ratio**, with a preference for capital outside catalytic funding to be from non-DFIs. These are not minimum requirements/eligibility criteria, but **will be considered in the evaluation process**

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Market sounding interview guide

Section II - Fund Managers (Global)

- What is your overall AUM and average (or range) fund size?
- Have you explored investing in Emerging Markets (EM)?
    - What are investment opportunities you see for energy transition investments in AIJET priority countries?
    - What are some challenges in deploying/attracting capital in energy transition in AIJET priority countries?
    - If you have explored but not deployed capital into EM, what has been the barrier?
    - Are there specific geographies within EM that you are more comfortable with?
    - If you have deployed capital into EM, what has your experience been? *(unless covered above)*
- What is the subset of your broader LP base that would be open to Emerging Markets?
    - Have any LPs proactively asked about EM investing? If yes, what has been the main driver to their interest (impact?)
    - For those not open to EM, what are their concerns? What would move the needle?
- What is your current pipeline in AIJET priority countries, if any?
- Are you actively fundraising for an energy fund?
    - What is your fundraising size?
    - What will the geographic focus be?
    - What is your fundraising timeline?
    - Have you gotten any commitments?
- Would you consider an EM focused fund or a JETP sleeve withing a global fund?

Market sounding interview guide

Section II - Fund Managers (active in EM)

- What is your overall AUM and average (or range) fund size?
- What is the size and mandate (sub-sector, geography) of your active energy fund(s)?
    - What are investment opportunities you see for energy transition investments in AIJET priority countries?
    - What are some challenges in deploying/attracting capital in energy transition in AIJET priority countries?
- Who have been your LPs to date?
- Who are some target LPs that have not yet committed capital – what are their main concerns? Are there specific geographies within EM that they are more comfortable with?
- Are there specific geographies within EM that you are more comfortable with?
- Are there constraints that your existing LPs have placed on your investment mandate (perhaps sub-sectors considered too risky?)
- Are you actively fundraising?
    - What is your fundraising size?
    - What will the geographic focus be?
    - What is your fundraising timeline?
    - Have you gotten any commitments?

Market sounding interview guide

Section II – Limited Partners

- What are your investment criteria based on your mandate?
    - Sectors / sub-sectors
    - Geographic constraints
    - Return requirements
    - Minimum ticket sizes
    - Maximum exposures
- Do you have an impact mandate?
- What are the key diligence items when you are considering new fund managers?
- Do you have a preference or constraint around investing in 1) funds, 2) projects, and 3) financial instruments (e.g., green bonds)
- Have you explored investing in Emerging Markets (EM)?
    - Do you see investing opportunities in EM?
    - If you have deployed capital into EM, what has your experience been? (unless covered above)
    - If not, what are your main concerns and constraints?
    - Are there specific geographies within EM that you are more comfortable with?
    - In terms of expanding into EM - What would you feel more comfortable with?
        - An existing global fund manager that you have previously invested in and who is moving into EM; or
        - An existing fund manager with a track record in EM but that would be new for you

Market sounding interview guide

Section II - Developers

- What are your priority sub-sectors and geographies?
- Who are your primary funders at the moment? (equity as well as debt/project financing)
- What is your capital structure?
- What is your main funding challenge?
    - Cost? What is your current cost of capital?
    - Time? What is your current time to access capital?
    - Amount? Do your funding rounds typically involve single or multiple investors? Are you usually able to raise the amount you target/need? How often do you need to fundraise?
    - Type of funding? (e.g., tenor, currency, etc.)
- What is the biggest challenge/constraint investors have cited in not being able to invest in you/your projects?
- Are you fundraising?
    - What is the amount and timeline?
    - If at project level, what is the project?

Market sounding interview guide

Section II – General investment strategy for fund managers *(nice to have but not necessary)*

- Ticket size
- Investment instruments
- Geographies
- Leading/co-investing strategy
- How common is it for you to have co-investors in projects, (and if you do who are they?)
- Target profiles
    - Investments into renewable developers, vs. project-level investments
    - Maturity/stage of project development
    - Sub-sector focus (e.g., Solar PV, hydropower, etc.)
    - Impact requirements (gender, ESG, etc.)
- Target returns

Market sounding interview guide

Section III – Feedback on catalytic funding

- What instruments/structure/size would make USG catalytic funding most effective in attracting new LPs/ attracting new co-investors/ driving some of your investments to energy transition in JETP countries?
- Would you be interested in partaking in this program when the call for applications is launched? If not, what would make this program more appealing?
- Any other considerations/feedback?

Climate Finance for Development Accelerator (CFDA)
Request for Concept Proposals (RFCP) No. 1
for Potential Grant and Subcontract Awards

Original Issuance Date: April 13, 2023
Amendment Date: May 4, 2023

Dear Applicant:

The Climate Finance for Development Accelerator (referred to herein as CFDA) project implemented by Chemonics International, is seeking concept proposals from potential investment partners to support the Blended Finance for the Energy Transition (BFET) platform. BFET is an innovative new initiative jointly spearheaded by USAID and the Department of State, in collaboration with the Office of the U.S. Special Presidential Envoy for Climate (SPEC), to help mobilize $1 billion or more of capital to accelerate emerging markets' energy transition efforts.

Chemonics seeks concept proposals that include activities designed to increase the supply of finance and access to institutional capital and help lower the cost of capital for the energy transition in high-emitting emerging markets, with the intention of accelerating the deployment of equitable, affordable, and reliable clean energy.

Chemonics may award in accordance with the terms of this RFCP one or two grants under contract (GUC) or subcontracts, depending on the nature of the work proposed by applicants, the overarching goals of their concepts, and other factors. Any grants or subcontracts will be awarded and implemented in accordance with USAID and U.S. Government regulations governing grants under contracts or subcontracts and Chemonics' internal grants or subcontract management policies.

The intent of the request is to solicit innovative concepts in a manner that allows greater efficiency in time and resources for new and underutilized partners that may have limited or no experience working with USAID. Interested Parties are invited to submit their concept proposal in accordance with **Section IVB** (Application and Submission Information). A submittal of a concept proposal serves as notice to Chemonics International of the Party's general interest in a potential partnership with CFDA. Concept proposals will be used to confirm eligibility for next steps including published Request for Proposals or Request for Applications. However, a submittal of a concept proposal does not guarantee that the Interested Party will be contacted to submit additional information or perform any services. All funding associated with this opportunity is contingent on internal US government clearance and approval processes.

The project held a virtual bidders conference on **Thursday April 20, 2023** from **8 – 9 am EDT**. This event covered questions about the RFCP and guidance on how to submit a concept proposal. Access the recording here: https://drive.google.com/file/d/1xoqC_gliId56KKJcikfJaciUoj0KT0Ih/view

Timeline for Actions

Stage 1

April 13	*Stage 1: Request for Concept Proposal release*
April 20	*Bidders Conference*
April 26	*Deadline for written questions to be submitted*
May 4	*Answers to Questions and any updates to RFCP provided*
May 24	*Stage 1: Concept Proposals* ***due***

O/A June 12 *Review of Concept Proposals and determination of agreement type*

Stage 2

O/A June 12 *Notification to successful Parties for Stage 2*
O/A June 15 *Stage 2: Request for Applications (GUC) or Proposals (Subcontracts)*
O/A July 6 *Stage 2: Applications or Proposals* ***due***
O/A Sept 1 *Award of GUC and Subcontracts*

The following Annexes are included with this RFCP:

- **Annex A** Cover Letter Template
- **Annex B** Concept Proposal Instructions

******* ETHICAL AND BUSINESS CONDUCT REQUIREMENTS *******

Chemonics is committed to integrity in procurement, and only selects suppliers based on objective business criteria such as price and technical merit. Chemonics expects suppliers to comply with our Standards of Business Conduct, available at https://www.chemonics.com/our-approach/standards-business-conduct/.

Chemonics does not tolerate fraud, collusion among Parties, falsified proposals/bids, bribery, or kickbacks. Any firm or individual violating these standards will be disqualified from this procurement, barred from future procurement opportunities, and may be reported to both USAID and the Office of the Inspector General.

Employees and agents of Chemonics are strictly prohibited from asking for or accepting any money, fee, commission, credit, gift, gratuity, object of value or compensation from current or potential vendors or suppliers in exchange for or as a reward for business. Employees and agents engaging in this conduct are subject to termination and will be reported to USAID and the Office of the Inspector General. In addition, Chemonics will inform USAID and the Office of the Inspector General of any supplier offers of money, fee, commission, credit, gift, gratuity, object of value or compensation to obtain business.

Parties responding to this RFCP must include the following as part of the proposal submission:

- Disclose any close, familial, or financial relationships with Chemonics or project staff. For example, if a Party's cousin is employed by the project, the Party must state this.
- Disclose any family or financial relationship with other Parties submitting proposals. For example, if the Party's father owns a company that is submitting another proposal, the Party must state this.
- Disclose any close, familial or financial relationships with any organizations sitting on the Technical Evaluation Committee either as voting or non-voting members (i.e., USAID, Department of State, and U.S. International Development Finance Corporation).
- Certify that the prices in the offer have been arrived at independently, without any consultation, communication, or agreement with any other Party or competitor for the purpose of restricting competition.
- Certify that all information in the proposal and all supporting documentation are authentic and accurate.
- Certify understanding and agreement to Chemonics' prohibitions against fraud, bribery and kickbacks.

Please contact info@CFDAccelerator.com with any questions or concerns regarding the above information or to report any potential violations. Potential violations may also be reported directly to Chemonics at to BusinessConduct@chemonics.com or by phone/Skype at 888.955.6881.

SECTION I. PROGRAM DESCRIPTION

IA. OVERVIEW OF THE CLIMATE FINANCE FOR DEVELOPMENT ACCELERATOR

The United States Agency for International Development (USAID) Climate Finance for Development Accelerator (CFDA), also known as "the Accelerator," is a $250 million initiative designed to mobilize $2.5 billion in public and private climate investments by 2030. These investments will fund a range of climate change mitigation and adaptation activities focused on scaling up the transition to an equitable and resilient net-zero economy. The Accelerator is a platform designed to help countries meet their national

commitments in alignment with the Paris Agreement through evidence-based solutions that respond to national contexts and address gaps in global, regional, and national climate finance ecosystems.

IB. PROGRAM DESCRIPTION

Background

Emerging market and developing economies account for over 95% of the increase in greenhouse gas (GHG) emissions during the past decade, a figure only expected to rise with their growing population share and mounting energy demand. Reducing carbon emissions while addressing greater energy needs will require massive investment (the International Energy Agency estimates over $2 trillion annually by 2030). Accordingly, scaling private investment is a crucial component for leading the energy transition in emerging and developing economies, but one that is currently lagging in both speed and volume. In this context, the Just Energy Transition Partnerships (JETPs) were conceived as country-led long-term partnerships to help countries pursue an accelerated and ambitious just energy transition through investments, financing, and technical assistance. In recent years, the energy transition in emerging markets has succeeded in attracting private investment, but such investments have not reached all market segments and at the necessary scale. Constraints include high transaction costs and a limited pipeline of bankable investment opportunities. The Glasgow Financial Alliance for Net Zero (GFANZ – a coalition of financial institutions committed to a net-zero economy) has stressed that to increase private sector investment in renewable energy and other climate change initiatives at scale, we need to strengthen global efforts, build stronger partnerships, and support the development of public sector risk-sharing mechanisms for blended finance. A coordinated, programmatic approach is thus critical to effectively pool upfront catalytic funding from different donors, philanthropies, and other concessional finance providers to de-risk and unleash private capital towards high-impact projects which in turn will contribute to just and resilient energy transition in the targeted countries and other emerging economies.

Implementation Objective

With catalytic co-funding from the U.S. government and other donors, the goal of BFET is to mobilize $1 billion or more of capital to accelerate emerging markets' energy transition efforts and limit global average temperature rise to 1.5°C. BFET is specifically looking to unlock new and deep pockets of institutional capital, including but not limited to pension funds and insurance companies that have typically been too risk averse to deploy capital into the energy transition in these geographies. BFET thereby aims to increase the supply of institutional capital and lower the cost of capital and seeks to partner with one or two fund managers or other capital deployers that are either currently active or plan to be active in this space. While the ultimate objective of BFET is to mobilize at least $1 billion of capital into the energy transition, CFDA seeks to do so in a manner that maximizes the impact and additionality of awarded BFET funding by seeking partners with concepts that align with the parameters outlined below to the maximum extent possible:

- **Financing for supply side solutions to the energy transition.** CFDA seeks investment partners with concepts for deploying catalytic funding into a portfolio of emerging market-based companies and/or real assets that advance the energy transition in this decade by developing or expanding supply side solutions. This includes renewable energy generation, smart grid, transmission and distribution technology and infrastructure; energy storage and efficiency solutions; clean hydrogen technology and infrastructure, among others. A **majority** (at least 51 percent) of investment will be focused on supply-side solutions, with the remaining capital mobilized focusing on other energy transition-relevant sectors, such as demand-side technology and infrastructure (e.g., industry decarbonization and e-mobility).

- **Maximize private sector capital mobilization.** CFDA seeks investment concepts that maximize private sector capital, ideally meeting or exceeding a 1 to 10 leverage ratio, where awardees would raise at least $10 of additional private capital for every non-repayable catalytic dollar awarded through BFET.
- **Minimum fund size:** CFDA seeks investment funds achieving a target of $500 million to $1 billion or more. The minimum eligible fund size will be $250M.
- **Development stage of target investments.** CFDA seeks investments to be focused on companies or projects spanning from early or development stage to refinancing. Investments must **not** be focused on companies and projects at the pre-seed and early project preparation stages.
- **Innovative approaches.** CFDA seeks funds, instruments, or other investment concepts that demonstrate innovation in the vehicle structure, capital raising approach, and/or capital deployment mechanisms. Investment models with the potential for replication are preferred.
- **Crowding in institutional capital.** CFDA seeks to use its catalytic funding to crowd in outside investment, particularly investors that are new to investing in the target sectors and geographies outlined. Participation of institutional investors such as pension funds and other potential limited partners (LPs) with access to large pools of private capital is preferred.
- **Strong additionality.** CFDA seeks concepts that have a clear rationale for the contribution of US government catalytic financing and clear elaboration of the impact / additionality that the catalytic financing will have.
- **Climate and social benefits.** CFDA seeks partners that can clearly demonstrate climate benefits, energy system benefits, and social benefits and impacts stemming from investment mobilized with US government support.
- **Personnel capacity**. CFDA seeks investment partners with a qualified professional investment team with a strong track record in place, to implement the strategy immediately upon proposal selection.

Concept proposals must respond to the detailed information set out in **Section V** of this RFCP, which provides the **evaluation criteria**. Any award resulting from the two-stage Application process (per **Sections IVB** and **V** below) will be held to and governed by the following regulations, as applicable.

Period of Performance

The anticipated period of performance for the activities outlined above is **three years** from the date of grant/subcontract award. The estimated start date of grants and subcontracts awarded under this solicitation is September 1, 2023. While offerors should propose a timeline commensurate with their technical approach, the goal is to publicly announce the partnership by COP 28 in December. First close will be required one year from the date of award (on/around September 2024). Final close will be required by the end of the award's period of performance (on/around September 2026).

Geographic Focus

Successful offerors will propose concepts that must mobilize a **majority** (at least 51 percent) of capital towards **India, Indonesia, South Africa** and/or **Vietnam**, with the remaining directed towards other emerging markets. Investments into developed countries and People's Republic of China (PRC)-based or -backed projects and/or companies are not allowed under this opportunity.

Role of the Climate Finance for Development Accelerator (CFDA)

Upon selection and award, Chemonics will work closely with the awardee(s) to determine the grant/subcontract structure including final timelines, deliverables, deal structure, and the terms of catalytic

capital. Additionally, Chemonics will work closely with the awardee(s) to understand how to comply with USAID regulations and fulfill requirements in terms of reporting, communications, and other general project management activities. The awardee(s) will be expected to provide inputs to the CFDA Learning Agenda with the goal of helping USAID and others actors in the climate finance ecosystem more effectively deploy capital at scale for climate mitigation and adaptation.

IC. AUTHORITY/GOVERNING REGULATIONS

Grants

CFDA grant awards are made under the authority of the U.S. Foreign Affairs Act and USAID's Automated Directive System (ADS) 302.3.5.6, "Grants Under Contracts." Awards will adhere to guidance provided under ADS Chapter 303, "Grants and Cooperative Agreements to Non-Governmental Organizations" and will be within the terms of the USAID Standard Provisions as linked in the annexes, as well as CFDA's grants procedures.

ADS 303 references two additional regulatory documents issued by the U.S. Government's Office of Management and Budget (OMB) and the U.S. Agency for International Development:

- 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart E (U.S. applicants are subject to 2 CFR 200 in its entirety)
- 2 CFR 700, USAID's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (only applicable to U.S. Applicants)

Full text of 2 CFR 200 can be found at http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl and 2 CFR 700 at http://www.ecfr.gov/cgi-bin/text-idx?SID=531ffcc47b660d86ca8bbc5a64eed128&mc=true&node=pt2.1.700&rgn=div5. CFDA is required to ensure that all organizations receiving USAID grant funds comply with the guidance found in these circulars, as applicable to the respective terms and conditions of their grant awards.

Subcontracts

CFDA subcontract awards are made under the authority of the Federal Acquisition Regulation. Subcontracts will adhere to guidance provided under FAR **52.244-2 Subcontracts** as well as CFDA subcontract procedures. Any subcontract resulting from this RFCP will be financed by USAID funding and will be subject to U.S. Government and USAID regulations, including the Federal Acquisition Regulations and the United States Agency for International Development Acquisition Regulations, among others. All goods and services offered in response to this RFCP or supplied under any resulting award must meet USAID Geographic Code 935 in accordance with the United States Code of Federal Regulations (CFR), 22 CFR §228, available at: http://www.gpo.gov/fdsys/pkg/CFR-2012-title22-vol1/pdf/CFR-2012-title22-vol1-part228.pdf.

USAID retains the right at all times to terminate, in whole or in part, CFDA grant-making and subcontracting authorities. This RFCP does not obligate Chemonics to execute a subcontract or grant nor does it commit Chemonics to pay any costs incurred in the preparation and submission of the proposals. Furthermore, Chemonics reserves the right to reject any and all offers, if such action is considered to be in the best interest of Chemonics.

SECTION II. AWARD INFORMATION

Chemonics anticipates issuing **one or two award(s)** totaling **up to $15 million USD**, with individual award values based on the level of investment mobilized and the additionality of U.S. government support, such as by crowding in new investors or mobilizing capital into underserved market segments. This award(s) of up to $15 million shall be for **non-repayable catalytic capital,** subject to the availability of funds and the completion of domestic U.S. government procedures. The number of awards and the final amount for each will be dependent upon the total catalytic funding secured, the activities proposed and final negotiation. The duration of any award under this solicitation is expected to be no more than ***three years***. The estimated start date of grants and subcontracts awarded under this solicitation is on or around ***September 1, 2023.*** First close will be required one year from the date of award (on/around September 2024). Final close will be required by the end of the award's period of performance (on/around September 2026).

State and USAID will engage and negotiate with other donors, government agencies, and philanthropic organizations to secure additional non-repayable catalytic capital. In response to this RFCP, applicants should develop concept proposals based on a scenario where the total non-repayable catalytic capital available to the investment partner equals 5 percent of the total fund size (e.g., $50 million for a $1 billion fund, $15 million from Chemonics and an additional $35 million from other catalytic capital providers).

Additionally, State and USAID will engage development finance institutions (DFIs) and multilateral development banks (MDBs) to contribute additional *repayable* catalytic capital (e.g., junior debt or equity in a mezzanine tranche). The program will favor concepts where development finance institution (DFI) and/or multilateral development bank (MDB) capital is subordinated to other commercial capital to further mobilize private financing for the energy transition in the target geographies.

SECTION III. ELIGIBLE RECIPIENTS

- Applicants must be a registered in their respective country and be formally constituted, recognized by and in good standing with appropriate relevant government authorities, and compliant with all applicable civil and fiscal regulations.
- Applicants operated as commercial companies or other organizations or enterprises (including nonprofit organizations) in which foreign governments or their agents or agencies have a controlling interest are not eligible as suppliers of commodities and services.
- Applicants may only submit one application per prime organization under this RFCP.
- Applicants must be able to demonstrate successful past performance in implementation of integrated development programs related to CFDA's priority areas.
- Applicants must have established outreach capabilities with linkages to the beneficiary group(s) identified in the program description. This should be reflected by the incorporation of the beneficiary perspective in the application.
- Applicants must display sound management in the form of financial, administrative, and technical policies and procedures and present a system of internal controls that safeguard assets; protect against fraud, waste, and abuse; and support the achievement of program goals and objectives. CFDA will assess this capability prior to awarding a grant.
- Applicants must sign certain required certifications prior to receiving a grant or subcontract. The certifications are from ADS 303.3.8 (grants) and FAR 52.244-2 (subcontracts).
- For any grant resulting from this solicitation, organizations will be required to provide a Unique Entity Identifier (UEI) at the time of award. If the applicant already has a UEI number, it should be included in their application. Otherwise, applicants will be expected to get a UEI number before an award is made. CFDA will assist successful applicants with this process. More information on UEIs can be found here.

- For subcontract valued at USD $30,000 or more, companies or organizations, whether for-profit or non-profit, shall be requested to provide a UEI number unless exempted in accordance with information certified in the Evidence of Responsibility form as part of Stage 2. More information on UEIs can be found here.
- CFDA will work with the successful grantee or subcontractor to draft a marking and branding plan which will be annexed to the agreement.
- Faith-based and community groups will receive equal opportunity for funding in accordance with the mandated guidelines laid out in ADS 303.3.28 except for faith-based organizations whose objectives are for discriminatory and religious purposes, and whose main objective of the grant is of a religious nature.
- Grant support may not be extended to partner government implementing entities. ADS 220 defines a partner government implementing entity as follows: "an office, organization, or body at any level of a public administration system (ministry, department, agency, service, district, or municipality) Examples include parastatals and quasi-governmental entities, including universities.
- Grant support may not be extended to public international organizations (PIOs)

CFDA encourages applications from organizations new to USAID who meet the above eligibility criteria.

SECTION IV. APPLICATION AND SUBMISSION INFORMATION

IVA. INSTRUCTIONS TO APPLICANTS

Applicants must propose strategies for the implementation of the program description described above, introducing innovations that are appropriate to their organizational strengths.

IVB. APPLICATION

This is a **two-stage** application process. The first stage is for the applicant to submit a concept proposal. Concept proposal instructions (**Annex B**) will be evaluated against the criteria listed in **Section V** below. If the applicant successfully meets or exceeds the criteria, they will be invited to submit a full application or proposal for a potential grant or subcontract. Only those applicants who meet or exceed criteria at the concept stage, will be invited to submit a full application or proposal.

Instructions and a template to be utilized when developing the concept proposal are provided in **Annex B.**

The concept proposal must be signed by an authorized agent of the Applicant.

At the time of developing an application, all activity costs must be within the normal operating practices of the Applicant and in accordance with its written policies and procedures.

IVC. ENVIRONMENTAL SOUNDNESS

The impact of proposed activities on the environment will be considered as environmental sustainability is central consideration in designing and carrying out CFDA projects in accordance with Federal Regulations (22 CFR 216).

IVD. INELIGIBLE EXPENSES

CFDA **grants** and **subcontract** funds may not be utilized for the following:

- Ceremonies, parties, celebrations, or "representation" expenses
- Purchases of restricted goods, such as: restricted agricultural commodities; motor vehicles including motorcycles; pharmaceuticals; medical equipment; contraceptive products; used equipment, without the previous approval of CFDA; or prohibited goods under USAID regulations, including but not limited to the following: abortion equipment and services, luxury goods, etc.
- Covered telecommunication and video surveillance equipment or services – per the standard provision entitled "Prohibition on Certain Telecommunication and Video Surveillance Services or Equipment," grant funds including direct and indirect costs, cost share and program income may not be used to (1) procure or obtain; (2) extend or renew a contract to procure or obtain; or (3) enter into a contract (or extend or renew a contract) to procure or obtain equipment, services, or systems that use covered telecommunications equipment or services ("CTES") as a substantial or essential component of any system, or as critical technology as part of any system. This prohibition covers certain telecommunications equipment and services, including, but not limited to, phones, internet, video surveillance, and cloud servers, produced or provided by Huawei Technologies Company, ZTE Corporation, Hytera Communications Corporation, Hangzhou Hikvision Digital Technology Company, or Dahua Technology Company (or any subsidiary or affiliate of such entities) unless CFDA has determined that there is no available alternate eligible source for the CTES. For fixed amount awards, this restriction is only applicable if any of the milestones are for telecommunication or video surveillance services or equipment.
- Alcoholic beverages
- Any purchase or activity, which has already been made
- Purchases or activities unnecessary to accomplish the purpose of the award as determined by CFDA
- Prior obligations of and/or, debts, fines, and penalties imposed on the Awardee
- Military equipment
- Commodities and services for support of police and other law enforcement activities
- Luxury goods and gambling equipment
- Weather modification equipment
- Creation of endowments
- Grant award funding may not be utilized to directly finance construction or infrastructure activities of any kind (i.e., the recipient cannot use grant money received from CFDA to finance direct purchase of construction materials or services). CFDA funding may cover the costs of investment in construction of facilities, but the actual cost of construction can NOT be covered by CFDA funds
- Applicants may not offer or supply any products, commodities or related services that are manufactured or assembled in, shipped from, transported through, or otherwise involving any of the following countries: Cuba, Iran, North Korea, Syria. Related services include incidental services pertaining to any/all aspects of this work to be performed under a resulting contract (including transportation, fuel, lodging, meals, and communications expenses).

IVE. SUBMISSION INFORMATION

Concept proposals shall be submitted in **English** with more details on the format provided in **Annex B**. The template for the applicant's response is designed to gather basic information about the applicant, and what it is proposing to do, and evaluate it against the objectives of the program. All applicants must use the format provided and must adhere to the space limits contained within the format. Concept proposals that exceed the limitations provided may be considered unresponsive.

Concept proposals (including the cover letter) should be submitted in electronic form via the CFDA web portal: https://airtable.com/shrBLUGR8Xx6pU002, and should reference RFCP No. 1 BFET. All concept proposals must be submitted no later than ***11:59 pm EDT***, on ***Wednesday May 24, 2023***. Late or unresponsive applications will only be considered at the discretion of CFDA.

In addition to the concept proposal, applicants should submit the following to CFDA:

- A copy of the Applicant's valid legal registration. **The legal registration details of the applicant (rather than the fund or investment vehicle) can be shared if a fund has yet to be legally registered.*
- A cover letter (Annex A)

Please submit all questions concerning this solicitation by ***11:59 pm EDT*** on ***Wednesday, April 26, 2023*** via this link: https://airtable.com/shrY5l0ouhTIGPkAH.

SECTION V. EVALUATION CRITERIA

As described above, applications will be evaluated in a two-step evaluation process:

Step 1

- Applicants submit a concept proposal based on instructions in **Annex B.**
- Chemonics will assemble a technical review committee to evaluate the concept and its feasibility in the context of CFDA objectives, and further determine whether grant or subcontract funding is appropriate for the concept.
- If the technical review committee judges the concept to be feasible and suitably aligned with the CFDA activity detailed in **Section IC** based on an initial evaluation, it will inform the applicant in writing. It will further inform in writing those applicants who do not get past Step 1.

Step 2

- Provided the concept is accepted under Step 1, Chemonics will request those successful Step 1 applicants to submit an application (for a grant award) or a proposal (for a subcontract award).
- Chemonics will complete a second evaluation of the applications and proposals to determine if an award can be made and inform the applicants of the results thereafter in writing.

An invitation to participate in Step 2 does not guarantee that the applicant will receive an award. It is a sign that the applicant is a prospective candidate for an award provided their application/proposal is successful in Step 2.

All concept proposals and applications/proposals will be reviewed by a technical review committee comprised of technical and compliance experts. Recommendations may be vetted by a larger group. Concept proposals that meet the minimum eligibility requirements in **Section III** will be evaluated against the criteria below.

Application Criterion	Description
Geographic Scope	Does the proposed concept clearly define the scope of the capital mobilized with the majority of investment (51% or more) into one or more priority countries, with other emerging countries accounting for the rest? Priority countries are India, Indonesia, South Africa, and Vietnam. Investments into developed countries and PRC-based or -backed projects and/or companies are not allowed under this opportunity.

Sector Scope	Does the proposed concept clearly define the scope of the capital mobilized with a majority of investment (51% or more) focused on supply-side solutions? Supply side solutions support the deployment of renewable energy and could include (a) renewable energy technology and infrastructure, (b) smart grid technology and infrastructure, (c) transmission and distribution technology and infrastructure, (d) energy storage technology and infrastructure, and/or (e) clean hydrogen technology and infrastructure. The remaining capital mobilized should focus on other energy transition relevant sectors, such as demand-side technology and infrastructure (e.g., industry decarbonization, energy efficiency, and e-mobility). In target countries that have a JETP, investments should align with JETP efforts and targets to accelerate the deployment of renewable energy.
Private capital mobilization	Does the proposed concept clearly demonstrate the ability to maximize private sector capital mobilized per dollar of catalytic capital, to meet or exceed a 10 to 1 mobilization target? This means that for every $1 USD of non-repayable catalytic capital provided through the subcontract or grant, the applicant should ideally demonstrate the ability to mobilize $10 USD from private sector sources. There are no requirements in terms of how private capital is mobilized and, therefore, there is no preference in terms of the composition of debt and/or equity.
Minimum fund size	Does the proposed concept clearly demonstrate an investment concept that seeks to mobilize between $500 million and $1 billion+ in cumulative capital (catalytic capital from BFET + outside capital, with a strong preference for non-DFI outside capital)? The minimum eligible fund size will be $250M. In a situation where the program receives proposals for concepts of comparable size, the program will favor concepts that mobilize additional capital beyond the proposed fund structure (e.g., co-investment, fund recycling, or debt unlocked at the asset level).
Development stage of target investments	Does the proposed concept focus on financing companies or projects spanning from early or development stage through refinancing? Concepts may not include investments at the pre-seed and early project preparation stages.
Innovation	Does the proposed concept present an innovative approach for achieving US government objectives? The program will favor concepts where development finance institution (DFI) and/or multilateral development bank (MDB) capital is subordinated to other commercial capital to further mobilize private capital for the energy transition in the target geographies. Applicants are encouraged to develop proposals with tiered structures. Additional areas of innovation could include (1) other innovations in the vehicle structure, e.g., using a securitization/bond structure, (2) capital raising approach, e.g., attracting first-time investors to a country or climate solution, (3) capital deployment mechanism, e.g., tailoring the provision of debt/equity to specific circumstances, based on the vehicle focus, or (4) technology focus, e.g., focusing on less commercial energy supply-side solutions (e.g., offshore wind, battery storage).

Need for concessional finance	Does the proposed concept demonstrate a clear need for catalytic concessional funding? Is it clear that the use of concessional catalytic funding will attract new investors, allow investment to reach underserved market segments, or accrue benefits (e.g., lower consumer energy prices) that support USAID priorities?
Climate, energy, and social benefits	Does the proposed concept demonstrate clear and significant climate-related, energy, and social benefits and impacts? The primary objective of CFDA is to mobilize private and public finance to increase climate change adaptation and mitigation. It is expected that activities resulting from CFDA solicitations will promote environmental, social, and governance (ESG) best practices.
Personnel capacity	Does the applicant have a highly qualified professional investment team in place to implement the strategy immediately upon proposal selection?

More specific criteria will be used for evaluating full applications/proposals for those whose concept proposals have been selected in Step 2.

Inclusive Development is a critical guiding principle for CFDA. Priority will be given to proposals that integrate a gender equality and social inclusion lens to fund management, investment thesis, and/or strategy. This could include describing diversity in fund leadership, as well as a strategy for investing in underrepresented and marginalized populations, to include but not limited to women, youth, and Indigenous Populations. This may also include highlighting how investments made will scale solutions led by and benefiting these populations.

SECTION VI. AWARD AND ADMINISTRATION INFORMATION

All grants and/or subcontracts will be negotiated, denominated, and funded in **$USD** unless otherwise noted. All costs funded by the grant or subcontract must be allowable, allocable, and reasonable.

Issuance of this RFCP does not constitute an award or commitment on the part of Chemonics, nor does it commit Chemonics to pay for costs incurred in the preparation and submission of a concept, application, or proposal. Further, Chemonics reserves the right to accept or reject any or all concepts, applications, or proposals received and reserves the right to ask further clarifications from the Party. Applicants will be informed in writing of the decision made regarding their concept, application, or proposal.

Annex A Cover Letter Template

[Party: Insert date]

[Insert name of point of contact for RFCP]
[Insert designation of point of contact for RFCP]
[Insert project name]
[Insert "Chemonics International Inc."]
[Insert project office address]

Reference: Request for Concept Proposals No. 1
Subject: [Party: Insert name of your organization]'s concept proposal

To cfda_procurement@chemonics.com:

[Party: Insert name of your organization] is pleased to submit its concept proposal in regard to the above-referenced request for concept proposal. For this purpose, we are pleased to provide the information furnished below:

Name of Organization's Representative _____
Name of Party _____
Type of Organization _____
Taxpayer Identification or
Registration Number _____
UEI Number *(if available)* _____
Address _____
Telephone _____
E-mail _____

We are further pleased to provide the following annexes containing the information requested in the RFCP (*list title of all submitted annexes*).

1. Copy of registration or incorporation in the public registry, or equivalent document from the government office where the Party is registered.

Name of Submitted Documentation
Name of Submitted Documentation

Sincerely,

_____
Signature
[Party: Insert name of your organization's representative]
[Party: Insert name of your organization]

Annex B Concept Proposal Instructions

The corresponding instructions for the Applicant's response is designed to gather basic information about the Applicant, and what it is proposing to do, and evaluate it against the objects of the program.

1) **Technical Approach**: This should be in the form of a **PowerPoint slide deck**, which should be a **maximum of 10 slides**. Guidance on key information to be included in the deck is provided in Part 1 below. Please design the proposal in close alignment with the evaluation criteria listed under **Section V**.
2) **Management, Key Personnel, and Certification**: This should be in the form of a **PDF document,** without a maximum page length, and will be used to get further details on the ability of the proposed team to successfully execute on the proposed Fund. A required certification is also included here. Information required is further detailed in Part 2 below.
3) **Key Questions**: Applicants must provide answers that answer all of the key questions in Part 3 below. These responses will be collected in the **Airtable proposal portal**, linked here: https://airtable.com/shrBLUGR8Xx6pU002

Part 1: Technical Approach (Max. 10 PowerPoint Slides)

1. **Opportunity.** What is the investment opportunity that you see as a fund manager or other capital deployer in energy transition in high emission emerging markets? Describe the thesis of your fund or other investment vehicle (including fund size, sub-sectors, ticket sizes, instruments)

2. **Problem Statement.** Identify the problem that the activities propose to address – why are you applying for this catalytic capital?

3. **Solution.** Describe the uses of the catalytic capital and how it would fit into the fund structure. Define the private capital multiple that the fund would achieve and clearly describe the additionality of the catalytic capital. Assume a scenario where the total non-repayable catalytic capital available to the investment partner equals 5 percent of the total fund size (e.g., $50 million for a $1 billion fund, $15 million from CFDA and an additional $35 million from other catalytic capital providers). The program will favor concepts where development finance institution (DFI) and/or multilateral development bank (MDB) capital is subordinated to other commercial capital to further mobilize private financing for the energy transition in the target geographies.

4. **Status of Fund Development.** Describe the traction you have gotten to date for this fund – e.g., for GPs: potential LP's identified / engaged / committed / first close – with a clear distinction between DFI/MDB and pure institutional capital.

5. **Pipeline.** Provide details on the investment pipeline for the fund.

6. **Timeline.** Provide details on the timeline and next steps to fully closing the fund as well as the timeline to deploying funds into projects or companies.

Part II: Management, Key Personnel, and Certification (PDF Document)

1. **Management and Key Personnel.** Please highlight the key investment officers of the fund and their track record relevant for successful execution of the fund being proposed. There should **not be more than 5 professionals** highlighted:

Team Member Name	Past Fund management experience: Name and AUM for each fund, and role in the fund	Total previous funding raised for climate and renewable energy sector funds or projects (strong preference for funds with an energy transition focus in emerging markets) – up to 10, include $ and investor names	Past investments and exits in climate funds and renewable energy sector (strong preference for financing the energy transition in emerging markets) – up to 10

2. **Certification**. Please complete and sign the below certification, including it in the submitted PDF document.

   By affixing my signature below, I certify that to the best of my knowledge, the information provided in this proposal is accurate and correct:

   Submitted by (name and title): _____

   Signature: _____

   Date: _____

Part III. Key Questions (Answered Through Proposal Portal Form: https://airtable.com/shrBLUGR8Xx6pU002***)***

1. What is the target size of the fund?

2. What percentage of the fund will be deployed into the priority geographies? (India, Indonesia, South Africa, and Vietnam)

3. If the previous answer is less than 100 percent, where else will the fund be deployed? Please list specific countries and target investment allocations.

4. How much total catalytic non-repayable (e.g., grant) capital would you need to raise to implement your concept? Please answer as a percentage of total target fund size.

5. For the proposed scenario, how many dollars of private capital do you expect to mobilize for each dollar of non-repayable catalytic capital?

6. How much Development Finance Institution (DFI) / Multilateral Development Bank (MDB) funding do you expect to be included in the capital structure of the fund?

7. In which country would the fund be domiciled? If you indicated the United States, please confirm whether there is any flexibility on location to suit USG/other investor requirements.

8. Do you have suggested changes to this RFCP and/or alternative approaches that you believe would be more effective in achieving the objectives outlined in the RFCP?

Climate Finance for Development Accelerator (CFDA)
Request for Applications (Stage 2)
Blended Finance for the Energy Transition (BFET)

Issuance Date: June 30, 2023
Dear [*Name of Organization*],

Congratulations! After reviewing your concept proposal submitted on [*Date of Submission*], we invite you to submit your full application via the following Request for Applications (RFA) for a grant under contract to participate with the USAID CFDA/Blended Finance for the Energy Transition (BFET). All grants will be awarded and implemented in accordance with USAID and US Government regulations governing grants under contracts and CFDA's internal grant management policies.

Please note that all of the applicable clauses, including but not limited to those regarding ethical and business conduct requirements, eligible and ineligible recipients, eligible and ineligible costs, authority and governing regulations, and environmental soundness that were included in the original Request for Concept Proposals (RFCP) Stage 1 still apply to this second stage of the process.

CFDA and Chemonics employees may not ask for, and applicants are prohibited from offering, any money, fee, commission, credit, gift, gratuity, thing of value, or compensation to obtain or reward improper favorable treatment regarding this solicitation. Any improper request from a project employee should be reported to the **CFDA Chief of Party** or BusinessConduct@chemonics.com.

Please refer to **Annex A** for the Technical Application Template and **Annex B** for a Pipeline Progress and Staffing Matrix Templates.

Timeline for Actions

O/A June 13	*Notification to successful Parties for Stage 2*
O/A June 13 - 23	*CFDA Advisory Support for successful parties*
June 30	*Request for Applications (RFA) Release*
July 7	*Written Questions Due*
O/A July 12	*Written Answers Provided*
July 21	*Applications due*
O/A July 28	*Finalists notified*
O/A August 2 - 4	*Oral presentations for finalists*
O/A Aug 14	*Communication with winner/winners*
O/A Sept 15	*Award of Grant Under Contract*

Written Questions and Clarifications. All questions or clarifications regarding this RFA must be in writing and submitted through the **CFDA Proposal Portal**

(https://airtable.com/shrY5I0ouhTIGPkAH) no later than **11:59pm EST** on July 7 Questions and requests for clarification, and the responses thereto, will be circulated to all applicants invited to BFET Stage 2.

Only written answers from Chemonics will be considered official and carry weight in the RFA process and subsequent evaluation. Any answers received outside the official channel, whether received verbally or in writing, from employees or representatives of Chemonics International, CFDA staff, or any other party, will not be considered official responses regarding this RFA.

Oral Presentations. Chemonics anticipates inviting **select three offerors** to participate in virtual oral presentations and an interview with the technical evaluation committee. Only finalists will be invited to the oral presentation stage. Oral presentations will focus on offerors' proposed activities and approaches in line with the program description and evaluation criteria outlined in this RFA. We anticipate the oral presentation to be a 20-minute presentation that summarizes the key points of the application. We will reserve an additional 40 minutes for follow-up questions. Please note that the **two top key personnel** must be present for the oral presentation.

Offerors should be prepared to give presentations and answer questions from the technical evaluation committee **virtually within 5 business days** of receiving notification. All presentations will need to take place between 8:00 a.m. and 10:00 p.m. EST.

SECTION I. PROGRAM DESCRIPTION

IA. OVERVIEW OF THE CLIMATE FINANCE FOR DEVELOPMENT ACCELERATOR

The United States Agency for International Development (USAID) Climate Finance for Development Accelerator (CFDA), also known as "the Accelerator," is a $250 million initiative designed to mobilize $2.5 billion in public and private climate investments by 2030. These investments will fund a range of climate change mitigation and adaptation activities focused on scaling up the transition to an equitable and resilient net-zero economy. The Accelerator is a platform designed to help countries meet their national commitments in alignment with the Paris Agreement through evidence-based solutions that respond to national contexts and address gaps in global, regional, and national climate finance ecosystems.

IB. DETAILED PROGRAM DESCRIPTION

Background

Emerging market and developing economies account for over 95% of the increase in greenhouse gas (GHG) emissions during the past decade, a figure only expected to rise with their growing population share and mounting energy demand. Reducing carbon emissions while addressing greater energy needs will require massive investment (the International Energy Agency estimates over $2 trillion annually by 2030). Accordingly, scaling private investment is a crucial component for leading the energy transition in emerging and developing economies but one that is currently lagging in both speed and volume. In this context, the Just Energy Transition Partnerships (JETPs)

were conceived as country-led long-term partnerships to help countries pursue an accelerated and ambitious just energy transition through investments, financing, and technical assistance. In recent years, the energy transition in emerging markets has succeeded in attracting private investment, but such investments have not reached all market segments or the necessary scale. Constraints include high transaction costs and a limited pipeline of bankable investment opportunities. The Glasgow Financial Alliance for Net Zero (GFANZ – a coalition of financial institutions committed to a net-zero economy) has stressed that to increase private sector investment in renewable energy and other climate change initiatives at scale, we need to strengthen global efforts, build stronger partnerships, and support the development of public sector risk-sharing mechanisms for blended finance. A coordinated, programmatic approach is thus critical to effectively pool upfront catalytic funding from different donors, philanthropies, and other concessional finance providers to de-risk and unleash private capital towards high-impact projects which in turn will contribute to just and resilient energy transition in the targeted countries and other emerging economies.

Implementation Objective

With catalytic co-funding from the U.S. government and other donors, the goal of BFET is to mobilize $1 billion or more of capital to accelerate emerging markets' energy transition efforts and limit global average temperature rise to 1.5°C. BFET specifically aims to unlock new and deep pockets of institutional capital, including but not limited to pension funds and insurance companies that have typically been too risk averse to deploy capital into the energy transition in these geographies. BFET thereby aims to increase the supply of institutional capital and lower the cost of capital and seeks to partner with one or two fund managers or other capital deployers that are either currently active or plan to be active in this space. While the ultimate objective of BFET is to mobilize at least $1 billion of capital into the energy transition, CFDA seeks to do so in a manner that maximizes the impact and additionality of awarded BFET funding by seeking partners with applications that align with the parameters outlined below to the maximum extent possible:

- **Financing for supply side solutions to the energy transition.** CFDA seeks investment partners with applications for deploying catalytic funding into a portfolio of emerging market-based companies and/or real assets that advance the energy transition in this decade by developing or expanding supply side solutions. This includes renewable energy generation, smart grid, transmission and distribution technology and infrastructure; energy storage technology and infrastructure; clean hydrogen technology and infrastructure, among others. A **majority** (at least 51 percent) of investment will be focused on supply-side solutions, with the remaining capital mobilized focusing on other energy transition-relevant sectors, such as demand-side technology and infrastructure (e.g., industry decarbonization, energy efficiency, e-mobility). A clear demonstration of these priority sectors by investment partners through their investment mandates or pipeline opportunities would be preferred. Investments in the fossil fuel and mining sectors are **strictly excluded.**
- **Maximize private sector capital mobilization.** CFDA seeks investment applications that maximize private sector capital, ideally meeting or exceeding a 1 to 10 leverage ratio, where awardees would directly raise at least $10 of additional private capital (excluding DFIs and MDBs) for every non-repayable catalytic dollar awarded through BFET. To the

extent applicable, the value of any non-repayable catalytic capital from other sources apart from BFET should be clearly stated. The application should delineate any expected additional indirect capital mobilization (e.g., debt recycling, expected debt/equity co-investment, expected follow-on investment from other private capital providers, expected exits to institutional investor). Expectations for indirect capital mobilized should be reasonably supported through past track record and/or external benchmarks.

- **Minimum fund size:** CFDA seeks investment funds achieving a target of $500 million to $1 billion or more. The minimum eligible fund size will be $250M.
- **Development stage of target investments.** CFDA seeks investments to be focused on companies or projects spanning from early or development stage to refinancing. Investments must **not** be focused on companies and projects at the pre-seed and early project preparation stages. To the extent applicable, the allocation of capital to early-stage investments should be explicitly stated.
- **Innovative approaches.** CFDA seeks funds, instruments, or other investment applications that demonstrate innovation in the vehicle structure, capital raising approach, and/or capital deployment mechanisms. Investment models demonstrating strong potential for commercial replicability (with minimum use of concessional financing), are preferred. The program will favor concepts where development finance institution (DFI) and/or multilateral development bank (MDB) capital is subordinated to other commercial capital to further mobilize private capital for the energy transition in the target geographies.
- **Crowding in institutional capital.** CFDA seeks to use its catalytic funding to crowd in outside investment, particularly investors that are new to investing in the target sectors and geographies outlined. Participation of institutional investors such as pension funds and other potential limited partners (LPs) with access to large pools of private capital is preferred. Target institutional investors who are new to the target sectors and geographies should be clearly mentioned.
- **Strong additionality.** CFDA seeks applications that have a clear rationale for the contribution of catalytic financing and a clear elaboration of how the catalytic financing will be utilized. Priorities will be given towards additionality that focuses on crowding in the private capital that is new to the target sectors and geographies. Other forms of additionality – e.g., investing in underserved market segments or geographies – are also important for considerations for the BFET application.
- **Climate and social benefits.** CFDA seeks partners that can clearly demonstrate climate benefits, energy system benefits, and social benefits and impacts stemming from investment mobilized with US government support. Clarity should be provided on what the impact targets are for the proposed funds and their alignments with the funds' mandates, as well as impact measurement methodology that is being adopted in the investment process, considering expected climate, energy and social benefits and impacts. Successful applicants will be expected to adhere to IFC Environmental and Social Performance Standards.
- **Personnel capacity**. CFDA seeks investment partners with a qualified professional investment team with a strong track record in both fundraising and capital deployment of investment vehicles with comparable focus to the BFET concept (emerging markets,

renewable energy, ticket sizes) to implement the strategy immediately upon application selection.

Period of Performance

The anticipated period of performance for the activities outlined above is three (3) years from the date of grant award. The estimated start date of the grant(s) awarded under this solicitation is **September 15, 2023**. While offerors should propose a timeline commensurate with their technical approach, the goal is to publicly announce the partnership by COP 28 in December. First close will be required one (1) year from the date of award (on/around September 2024). Final close will be required by the end of the award's period of performance (on/around September 2026).

Geographic Focus

Successful applications must mobilize a majority (at least 51 percent) of capital towards India, Indonesia, South Africa, and/or Vietnam, with the remaining directed towards other emerging markets. Investments into developed countries (i.e., those not included in the most recent OECD DAC List of ODA Recipients) and People's Republic of China (PRC)-based or -backed projects (e.g. co-investment from PRC pension funds, sovereign wealth funds) and/or companies are not allowed under this opportunity. Applications that include a dedicated "sleeve" that is in scope will be considered on a case-by-case basis.

Role of the Climate Finance for Development Accelerator (CFDA)

Upon selection for award, Chemonics will work closely with the awardee(s) to determine the grant structure including final timelines, deliverables, deal structure, and the terms of catalytic capital. Additionally, Chemonics will work closely with the awardee(s) to understand how to comply with USAID regulations and fulfill requirements in terms of reporting, communications, and other general project management activities. The awardee(s) will be expected to provide inputs to the CFDA Learning Agenda, which has the goal of sharing knowledge to help USAID and other actors in the climate finance ecosystem more effectively deploy capital at scale for climate mitigation and adaptation.

IC. ACTIVITY INDICATORS

Applications submitted must include proposed targets for **projected GHG emissions reduced or avoided**, along with methodologies for reaching that target, data sources (i.e., specific transaction level data) and method for disaggregation described. Reporting will be required on a semi-annual basis, at a minimum, with exact reporting periods and deadlines determined during the negotiation and award stage. As a condition for the participation of other donors, CFDA may opt to monitor additional standard indicators for their activities during negotiation and prior to making the award to the selected offeror. At a minimum, these supplemental indicators will include adherence to IFC's Environmental and Social Performance Standards.

SECTION II. AWARD INFORMATION

Chemonics anticipates issuing one or two award(s) totaling up to $15 million USD, with individual award values based on the level of investment mobilized and the additionality of U.S. government support, such as by crowding in new investors or mobilizing capital into underserved market segments. This award(s) of up to $15 million shall be for non-repayable catalytic capital, subject to the availability of funds and the completion of U.S. government procedures. The number of awards and the final amount for each will be dependent upon the total catalytic funding secured, the activities proposed and final negotiation.

The duration of any award under this solicitation is expected to be no more than **three years**. The estimated start date of grants and subcontracts awarded under this solicitation is on or around **September 15, 2023.** First close will be required one year from the date of award (on/around September 2024). Final close will be required by the end of the award's period of performance (on/around September 2026).

State and USAID will engage and negotiate with other donors, government agencies, and philanthropic organizations to secure additional non-repayable catalytic capital. In response to this RFA, applicants should develop applications based on a scenario where the total non-repayable catalytic capital available to the investment partner equals up to 5 percent of the total fund size, with a **maximum cap of $50M** in total non-repayable catalytic capital (e.g., $50 million for a $1 billion fund, $15 million from Chemonics and an additional $35 million from other catalytic capital providers).

Additionally, State and USAID will engage development finance institutions (DFIs) and multilateral development banks (MDBs) to contribute additional repayable catalytic capital (e.g., junior debt or equity in a mezzanine tranche). The program will favor applications where development finance institution (DFI) and/or multilateral development bank (MDB) capital is subordinated to other commercial capital to further mobilize private financing for the energy transition in the target geographies. Other contributing donor partners and/or DFI partners may be invited to review applications as part of the Stage 2 evaluation process.

SECTION III. APPLICATION AND SUBMISSION INFORMATION

IIIA. INSTRUCTIONS TO APPLICANTS

Applicants must propose strategies for the implementation of the program description described above, introducing innovations that are appropriate to their organizational strengths.

Pre-Award Risk Assessment and Certifications

All organizations selected for award are subject to a pre-award risk assessment conducted by CFDA, to ascertain whether the organization has the minimum management capabilities required to handle US government funds. In addition, all organizations selected for award will be required to sign a set of USAID-required certifications.

Grant Application

The grant application template is provided in Annex A. Applicants are required to use the templates provided, and shall follow the instructions and guidelines listed. The application submitted must be in line with the concept proposal submitted during Stage 1, and include additional information, descriptions and incorporate the feedback provided by CFDA.

The application must be signed by an authorized agent of the Applicant.

IIIB. APPLICATION AND SUBMISSION INFORMATION

Applications, should be submitted in English and in electronic form only via the following link: https://airtable.com/shrNHlqO0ghR1xXyP. Applications must be submitted no later than **11:59 pm EDT**, on **July 21**. Late or unresponsive applications will only be considered at the discretion of CFDA.

Please submit all questions concerning this solicitation through the **CFDA Proposal Portal** (https://airtable.com/shrY5l0ouhTIGPkAH) no later than **11:59pm EST** on **July 7**.

IIIC. PRIVACY AND CONFIDENTIALITY

We take confidentiality very seriously for all CFDA proposals and have policies/systems in place to ensure sensitive information is treated appropriately. As a Chemonics-implemented project, CFDA staff abide by Chemonics' policies and standards of business conduct; we are bound by high standards of professionalism and integrity. We are committed to being a good business partner by upholding confidentiality standards including aspects related to non-disclosure of information, upholding the integrity of the procurement process, protecting client and partner assets, and promoting fair and healthy competition.

Partners who wish to enter into a non-disclosure agreement (NDA) prior to submitting a proposal can contact Daniel Kim, CFDA Partnership Manager, at dkim@CFDAcclerator.com. Given the number of applicants invited to Stage 2, partners will be required to sign Chemonics' standard NDA form. CFDA is unable to consider other NDAs or any adjustments to the Chemonics' standard NDA form at this stage of BFET.

SECTION IV. EVALUATION CRITERIA

Full applications will be evaluated against the evaluation criteria in the table below.

Evaluation Category	Rating (Points)
Alignment with BFET Priorities	30
Ability to Achieve Mandate in a Timely Manner	25
Impact	25
Strategy and Management	20
Overall Rating (out of 100 points)	**100**

These evaluation criteria elements are described more fully below.

<u>Evaluation Categories</u>

1. **Alignment with BFET Priorities**. Does the application present a feasible, ambitious, and innovative approach that is aligned with US government objectives described in Section 1B?
    - *Private Capital Mobilization.* Does the application clearly demonstrate the ability to maximize private sector capital mobilized per dollar of catalytic capital, to meet or exceed a 10 to 1 mobilization target, directly in the proposed fund structure? The application should delineate any expected additional indirect capital mobilization (e.g., debt recycling, expected debt/equity co-investment, expected follow-on investment from other private capital providers, expected exits to institutional investor). Expectations for indirect capital mobilized should be reasonably supported through past track record and/or external benchmarks. The program will favor concepts that demonstrate strong likelihood of securing additional private capital, particularly institutional investors with no or limited experience investing in clean energy technologies in emerging markets.
    - *Scale.* How much does the target fund size exceed BFET's minimum fund size of $250M?
    - *Geographic reach.* Does the application feature a multi-country or a single-country fund approach? BFET prefers a multi-country fund approach targeting greater financing towards the project's priority geographies.
    - *DFI Subordination and other innovation.* If DFI/MDB capital is considered in the application (not required), the program will favor concepts that demonstrates strong likelihood of development finance institution (DFI) and/or multilateral development bank (MDB) capital subordination to other commercial capital to further mobilize private capital for the energy transition in the target geographies. (Other potential contributing DFI investors may participate in the Stage 2 application review process.) Investment models demonstrating strong potential for commercial replicability (with limited use of concessional financing), are preferred.

2. **Ability to Achieve Mandate in a Timely Manner.** Does the application clearly demonstrate an ability to achieve BFET's mandate in a timely manner and within the project's timeline?
    - *Ability to meet fundraising targets on schedule.* Has the proposed fund demonstrated traction for the overall fundraising strategy to date? Does the application demonstrate a strong likelihood of securing the private and DFI/MDB investment targets outlined in the application? (Potential contributing DFI investors are expected to participate in the Stage 2 application review process.)
    - *Ability to deploy capital in a timely manner.* Does the application present a tangible capital deployment pipeline of opportunities that are aligned with BFET's priority sector and geographic scope?

3. **Impact**
    - *Climate, energy, and social benefits*. How ambitious, realistic, and clearly articulated are the applicant's climate, energy, and social impact targets, methodologies, and expected benefits? BFET will favor applications that incorporate just energy transition considerations in these targets and expected benefits that go beyond renewable energy capacity installed.
    - *Additionality*. Does the proposed concept demonstrate a clear need for catalytic concessional funding? Is it clear that the concessional catalytic funding will attract new investors, allow investment to reach underserved market segments, or accrue benefits (e.g., lower consumer energy prices) that support USG priorities? Concessional catalytic funding in this context includes both non-repayable and repayable catalytic funding facilitated with the support of State and USAID. Priority will be given towards additionality that focuses on crowding in the private capital that is new to the target sectors and geographies.

4. **Strategy and Management.** Does the application present a highly qualified professional investment team in place to implement the strategy immediately upon application selection?
    - *Fundraising and Deployment Capacity*. Does the team demonstrate strong capacity to successfully raise and deploy the target fund based on previous or ongoing experience in investment roles similar in nature to those proposed in the application? Key considerations will include: current fund/investment size of the team relative to the target fund/investment size; current total assets under management (AUM) of the team relative to the target fund/investment size; and fundraising track record of senior management across various previous roles.
    - *Fund Management*. Does the application articulate a clear, compelling management approach for the team to successfully raise and deploy the target fund? Does the organizational chart for the fund management clearly delineate roles, responsibilities, reporting lines, and accountability for fund performance? Are the proposed key personnel expected to dedicate the time required to ensure the fund's success?

ANNEX A - TECHNICAL APPLICATION TEMPLATE

A.1. General Instructions

Templates for presentation of the technical application is provided in Annex A. Applicants shall present their applications in the formats provided. Those applications that are not submitted in accordance with the instruction in this RFA may be disqualified. The application submitted must be in line with the concept proposal submitted during Stage 1, and include additional information, descriptions and incorporate the feedback provided by CFDA.

1. **Technical Approach**: This should be in the form of a **PowerPoint slide deck**, which should be a **maximum of 15 slides**. Proposals exceeding 15 slides will not be reviewed. Guidance on key information to be included in the deck is provided in Part 1 below. Please design the application in close alignment with the evaluation criteria listed under **Section IV**.

2. **Management, Key Personnel, and Certification**: This should be in the form of a **PDF document,** without a maximum page length, and will be used to get further details on the ability of the proposed team to successfully execute on the proposed Fund. A required certification is also included here. Information required is further detailed in Part II below.

3. **Responses to RFCP (Stage 1) Feedback:** This should be in the form of a **PDF document,** without a maximum page length. Information required is further detailed in Part III below.

4. **Key Questions**: Applicants must provide answers that answer all of the key questions in Part IV below. These responses will be collected in the **Airtable proposal portal**, linked here: https://airtable.com/shrNHlqO0ghR1xXyP

A.1I. Technical Application Instructions

Offerors must prepare and submit a technical proposal which shall respond to and include the following parts:

Part 1: Technical Approach (Max. 15 PowerPoint slides). There is no template for Part 1 of the application. Part 1 of the technical application should be submitted as a PDF slide deck (developed using Microsoft PowerPoint, Google Slides, or similar software) with a maximum of 15 slides. Slides over the maximum will not be evaluated. Part I must include the following information:

1. **Executive Summary**

2. **Problem Statement.** Identify the problem that the activities propose to address – why are you applying for this catalytic capital? Please focus on the specific problem

addressed by the fund under consideration. Higher level challenges around climate change, etc. can be assumed to be understood.

3. **Opportunity and Investment Thesis.** What is the investment opportunity that you see as a fund manager in energy transition in high emission emerging markets? Describe the thesis of your fund (including fund size[1], capital stack of the fund, ticket sizes, instruments for investing fund capital, and fund mandate (sub-sectors, stages, geographies), with as much detail about the breakdown as possible.

4. **Solution.** Describe the uses of the catalytic capital and how it would fit into the fund structure:

    a. **Define and provide a calculation for the private capital multiple** that the fund would achieve based on the private capital being mobilized (excluding DFI / MDB capital) over BFET funding, plus any additional indirect capital that the fund expects to mobilize / unlock through potential co-investment (debt or equity) and / or exits. Assume a scenario where the total non-repayable catalytic capital available to the investment partner through BFET equals up to 5 percent of the total fund size, with a **maximum cap of $50M** (e.g., $50 million for a $1 billion fund, $15 million non-refundable from CFDA and an additional $35 million from other catalytic capital providers). If capital above the 5% is needed for the strategy, please state how you will successfully mobilize this capital and any traction achieved on this front. Applications that *do not* provide this information will be deemed ineligible.
    b. Clearly describe the **additionality** of the catalytic capital and elaborate on how BFET funding would help achieve financial close based on capital structure and/or investor feedback. Applicants that are able to clearly quantify or otherwise demonstrate a clear connection between BFET funding and unlocking additional investment will be scored higher.
    c. The program will favor applications where, if included in the application, development finance institution (DFI) and/or multilateral development bank (MDB) capital, in addition to BFET funding, is **subordinated** to other commercial capital to further mobilize private financing for the energy transition in the target geographies.

5. **Strategies & Status of Fund Development**. Describe the strategy for fundraising and traction you have gotten to date for this fund - specifically highlighting LPs identified / engaged / committed / first close – with a clear distinction between DFI/MDB and pure institutional capital. A **template** can be found in **Annex B.**

[1] Fund size should include only direct capital mobilization through the fund and exclude potential co-investment and exits.

6. **Pipeline.** Provide details on the investment pipeline for the fund. The pipeline should at least include sub-sector, geography, stage, and ticket size. A **template** can be found in **Annex B.**

7. **Timeline.** Provide details on the timeline and next steps to fully closing the fund as well as the timeline to deploying funds into projects or companies.

8. **Monitoring and Evaluation:** Provide details on select climate, energy, and social benefits indicators, data collection methodology and targets, and elaborate on how you plan to incorporate them in your investment process and/or monitor them post-investment.

Part II: Management, Key Personnel, and Certification (PDF Document). There is no template for Part 2 of the application. Part 2 of the technical application should be submitted as a PDF document. There is no page limit for Part 2.

1. **Management Plan:** Offeror's strategy for managing the implementation of the proposed technical approach, including staffing and partners/subcontractors, as needed.

2. **Staffing Matrix:** Detail the roles and experience of team members' positions necessary for the implementation of offeror's strategy. A **template** can be found in **Annex B**. Applications that *do not* follow the template format may be deemed **ineligible**.

3. **CVs**: In PDF detailing the qualifications for the top two key personnel, not to exceed 2 pages for each candidate. Please include ticket sizes for previous deals done in the energy sector.

4. **References:** List three professional references for the top two key personnel.

5. **Certification**. Please complete and sign the below certification, including it in the submitted PDF document.

By affixing my signature below, I certify that to the best of my knowledge, the information provided in this application is accurate and correct:

Submitted by (name and title): _____

Signature: _____

Date: _____

Part III: Responses to RFCP (Stage 1) Feedback (PDF Document)

Provide individual responses to the specific technical revisions and clarification requests included in the RFCP feedback letter released on June 13, 2023. There is no page limit for Part III.

Part IV: Key Questions (Answered Through Application Portal Form)

1. **Fund size.** What is the target size of the fund?

2. **Geographic focus question 1.** What percentage of the fund will be deployed into the priority geographies? (India, Indonesia, South Africa, and Vietnam)

3. **Geographic focus question 2.** If the previous answer is less than 100 percent, where else will the fund be deployed? Please list specific countries and target investment allocations.

4. **Sector Focus question 1.** Provide a percentage breakdown of your fund's target investment portfolio by 1) energy supply-side, 2) energy demand-side and 3) other sectors. Please refer to *Section 1B. Implementation Objective* for sub-sectors that meet BFET's criteria.

5. **Sector Focus question 2.** If your fund's target for energy supply-side investments is 66% or lower, explain how what measures the fund manager will put in place to ensure at least 51% of capital deployed aligns with the sector focus of BFET.

6. **Sector Focus question 3.** Please clarify whether your target for energy supply-side investments is limited to the following sectors: renewable energy generation, smart grid, transmission and distribution technology and infrastructure; energy storage technology and infrastructure; clean hydrogen technology and infrastructure.

7. **Minimum level of catalytic capital.** How much total catalytic repayable and/or non-repayable (e.g., grants, concessional finance, or guarantees) capital would you need to raise to implement your concept? Please answer as a percentage of total target fund size.

8. **Private capital mobilization.** For the proposed scenario, how many dollars of private capital do you expect to mobilize for each dollar of non-repayable catalytic capital? Please note that (1) DFI and MDB capital and (2) private financing outside the fund structure (e.g., co-investment) should not be included in this calculation.

9. **DFI/MDB investment.** How much Development Finance Institution (DFI) / Multilateral Development Bank (MDB) funding do you expect to be included in the capital structure of the fund?

10. **Domicile.** In which country would the fund be domiciled? If you indicated the United States, please confirm whether there is any flexibility on location to suit USG/other investor requirements.

11. **Status of DFI / MDB capital mobilization**.
    a. At what stage is the fund in securing DFI / MDB financing? Stages of discussion include: investor identified; initial discussion held; due diligence commenced; documentation in process; documents signed / capital disbursed into fund.
    b. **OPTIONAL:** In PDF, attach letter(s) from each proposed DFI/MDB capital provider referenced in your application confirming the current stage of engagement with the fund. This is optional for the initial Stage 2 application but highly encouraged for investors that are critical to the success of the fund. Letters will be required for finalist applicants invited to the presentation stage. CFDA may reach out to individuals identified in the letter as part of due diligence.

12. **Status of private capital mobilization.**
    a. At what stage is the fund in securing private capital? Stages of discussion include: investor identified; initial discussion held; due diligence commenced; documentation in process; documents signed / capital disbursed into fund.
    b. Describe your efforts to engage and any traction to-date with private capital investors from North America.
    c. Describe the fund's pathway to reduce or eliminate the need for catalytic capital during or beyond BFET's period of performance.
    d. **OPTIONAL:** In PDF, attach letter(s) of reference from each private capital provider referenced in your application confirming the current stage of engagement with the fund. This is optional for the initial Stage 2 application but highly encouraged for investors that are critical to the success of the fund. Letters will be required for finalist applicants invited to the presentation stage. CFDA may reach out to individuals identified in the letter as part of due diligence.

13. **Construction**. Please confirm that the applicant or the proposed fund will **not** be directly responsible for procurement of construction materials or services, or the direct management of construction activities. If the applicant is an investor-developer, please explain the legal and organizational structure between fund management and development/construction activities.

14. **Expected returns**. What are the target returns being communicated to the fund's investors? Provide return targets for the full capital stack (e.g., senior debt, mezzanine debt, equity, etc.).

15. **Capital deployment.** Will the fund's capital be deployed as debt, equity, or both? If both, provide a breakdown of the two instruments as a percentage of the fund.

16. **Additionality.** Describe in detail the additionality of BFET funding. This can include direct calculation/demonstration of credit enhancement, indications from other investors that BFET funding is a condition of their investment, or other clear demonstration that BFET funding is critical to unlock capital that would not have been invested otherwise.

17. **Performance Standards.** Please confirm that all investments made under the fund will comply with IFC Performance Standards. And the process by which the fund will ensure compliance.

18. **Pipeline.** Provide a breakdown of your current and prospective pipeline by geography and sector by estimated dollar value and number of opportunities.

ANNEX B – PIPELINE PROGRESS AND STAFFING MATRIX TEMPLATES

A. Overall fundraising traction

Capital structure	Amount (USD M)	Name of target investor[1]	Stage of the discussion[2]
Private institutional capital			
MDB/DFI capital			
Concessional/catalytic capital (non-BFET)			
Non-repayable catalytic capital (BFET)			
Total			

Remarks:

1. *Given confidentiality, a brief description of the capital provider is acceptable*
2. *Stages of discussion include 1 - investor identified, 2 - initial discussion held, 3 - due diligence commenced, 4 - documentation in process, 5 – documents signed / capital disbursed into fund.*

B. Deployment pipeline – please provide the followings:

- Cumulate number of and dollar (USD) value of the pipeline opportunities identified, with a breakdown by the supply-side energy sub-sectors[1]
- For the top five pipeline opportunities, please provide the following deal information

#	Name of project[2]/Project description	Country	Sector classification	Investment size	Status	[Target] closing timeline[3]	Key due diligence items
1							
2							
3							
4							
5							

Remarks:

1. *Supply-side energy sub-sectors include: renewable energy generation, smart grid, transmission and distribution technology and infrastructure; energy storage technology and infrastructure; clean hydrogen technology and infrastructure, etc.*
2. *Given confidentiality, a brief description of the project/ deal is acceptable*
3. *Where applicable*

C. Staffing Matrix

Team member name	Role and Responsibility on Proposed Fund: Specify the amount of member's time that will be devoted to the fund	Past fund management experience: Name and AUM for each fund, and role in the fund	Total previous funding raised for climate and renewable energy sector funds or projects (strong preference for funds with an energy transition focus in emerging markets) – up to 10, including $ and investor names	Past investments and exits (incl. ticket size for each past deal) in climate funds and renewable energy sector (strong preference for financing the energy transition in emerging markets) – up to 10

Annex 5: Steps in IFU investment process

FC to G1P ("Gate 1 Paper"): A 3-4-page document is drafted outlining the investment opportunity and presented to IFU's VP meeting[1]. The VP meeting discusses, provides advice, and approves or rejects the proposal for possible resubmission for renewed consideration.

G1P to CIP ("Clearance in Principle"): After the approval from the VP meeting, a project "deal team" is established consisting of a project manager from IFU and other relevant investment professionals as well as professionals from IFU´s sustainability team and legal team. The deal team conducts more thorough desk research on the fund manager and the structures, as well as negotiates on the main terms if required. Compared to investments into companies, fund investments put greater emphasis on assessing the team, their skills and experiences as well as track record together or in previous roles. A longer presentation is prepared and presented to IFU's Investment Committee and Board for approval. The Investment Committee also approves a budget for due diligence (further and more thorough assessment of the opportunity).

CIP to BC ("Binding Commitment"): After the CIP is approved, a formal due diligence process is started using both external advisors and internal resources. Commercial, legal, impact and sustainability (including gender and climate), financial, technical and tax matters are, among others, thoroughly investigated. The due diligence also includes at least one trip to the fund manager for the deal team to meet with the fund management team in person. Usually, a trip would also be completed to at least one previous investee of the fund manager to get better insight into how the fund works with their investments. A longer presentation is again prepared summarising the findings of the due diligence and presented to IFU's Investment Committee and Board for a binding approval.

BC to P ("Project"): The transaction documentation is negotiated together with the fund manager and the other prospective investor (a Prospectus or a Limited Partner Agreement for funds), ensuring that all IFU's standard requirements are implemented. Typically, IFU would also establish a side letter, which only applies to IFU's investment, and governs any requirements that do not necessarily have to apply to the whole fund and all investors. External legal counsel is usually engaged to support on the drafting and negotiation of the documentation and to arrange for the closing of the transaction.

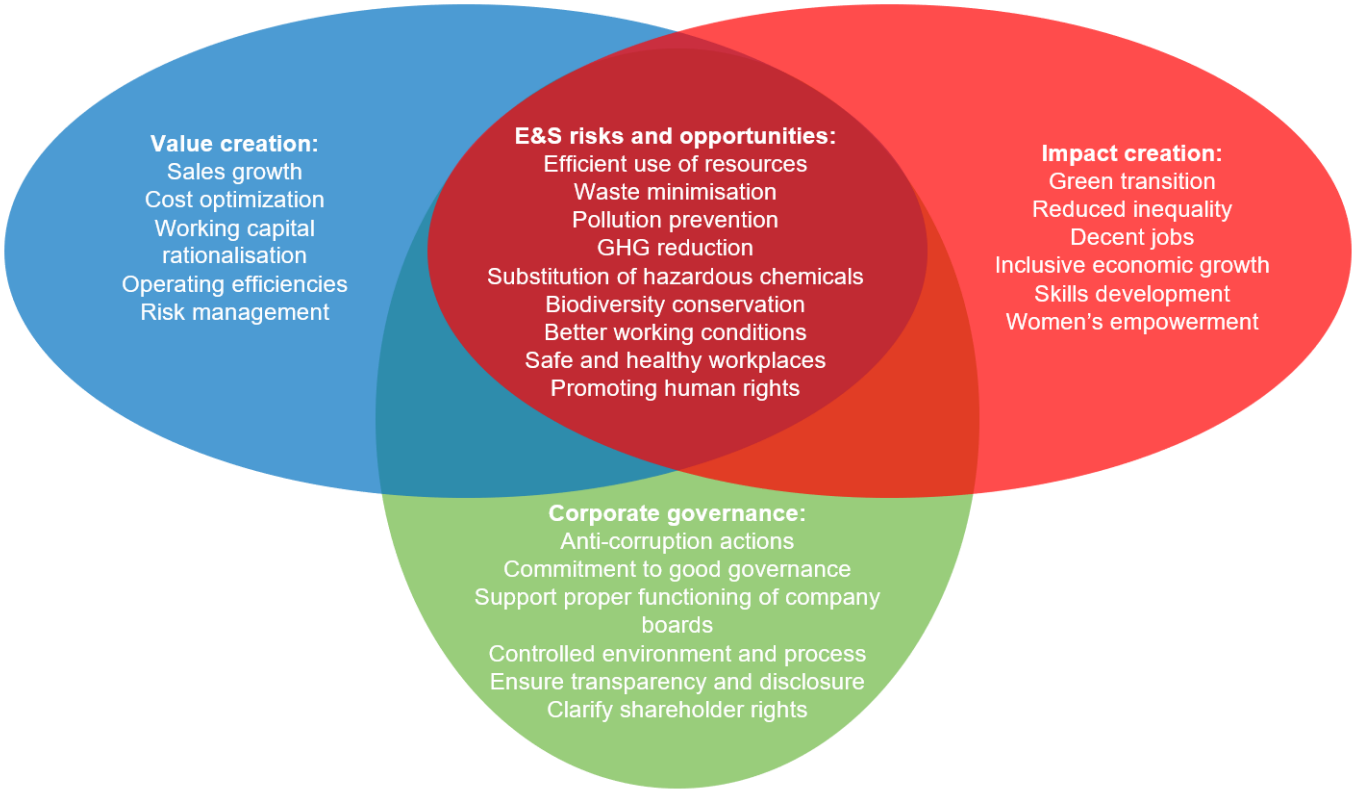
P to Exit (Active Ownership phase): IFU would normally require to be presented on an advisory committee or other relevant governance forum of the fund. Investors in funds have by definition less influence on the running of the fund, as the management of the investments is outsourced to the manager. However, investors still have a say on e.g. investments that are outside of the initially agreed strategy of the fund or investments that could constitute conflicts of interest. Such investments, and other related matters, would usually require approval by the investors.

[1] The VP Meeting consists of IFU´s investment related heads of teams/units: senior vice presidents for IFU´s sector teams (Green Energy and Infrastructure, Sustainable Agriculture, Health Services, and Financial Services), for Legal Affairs, for Sustainability as well as IFUs Chief Investment Officer.

Environmental, Social & Governance (ESG) and Impact Control Framework

Version 1.1, July 2022

CREATING VALUE AND IMPACT WITH PROJECTS



Best-in-class Impact Investor

We have an exciting opportunity to sharpen our reason to be and define cross-cutting impact priorities to set a clearer direction for IFU.

IFU Investment Strategy 2021 - 2024

IFU

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1. Introduction

IFU's investment strategy drives the sustainability policy, providing an **environmental, social & governance (ESG) and impact** framework for all investments. Identifying and managing ESG risks and impacts are thus integral to IFU's investment process.

The Project Manager (PM) has the overall responsibility for ensuring that ESG and impact requirements are addressed through making use of this document, the ESG and impact control framework. For the purpose of this document, PM also implies the role of investment professionals (IPs) within deal teams.

Purpose

This document describes how IFU manages ESG risks and impacts during the investment process, through **defining ESG and impact tasks and responsibilities**.

This guide will assist the PM with managing ESG and impact tasks within the deal team. Sections 4 and 5 detail tasks, tools and guidelines for each phase of the investment process, clarifying the responsibilities of PM and the Sustainability and Impact (SI) team.

The tasks, tools and guidelines are arranged from first contact to final evaluation report (FER). These are applicable to Direct Investments, Fund Investments (including Platforms) and Financial Institutions investments (also referred to as Banks & Microfinance Institutions); specific requirements are highlighted for each, as applicable.

Tools and guidelines

The ESG and impact tools and guidelines available to the PM/IP, are arranged on IFU Connect as follows:

- **PM tools** on IFU Connect/Investments/Investment process/E&S and impact toolbox
- **Tools for SI-team** on IFU Connect/Investments/Sustainability/Tools for SI-team
- **ESG and impact guidelines** on IFU Connect/Investments/Sustainability
- **Corporate governance tools and guidelines** on IFU Connect/Investments/Other/Corporate governance

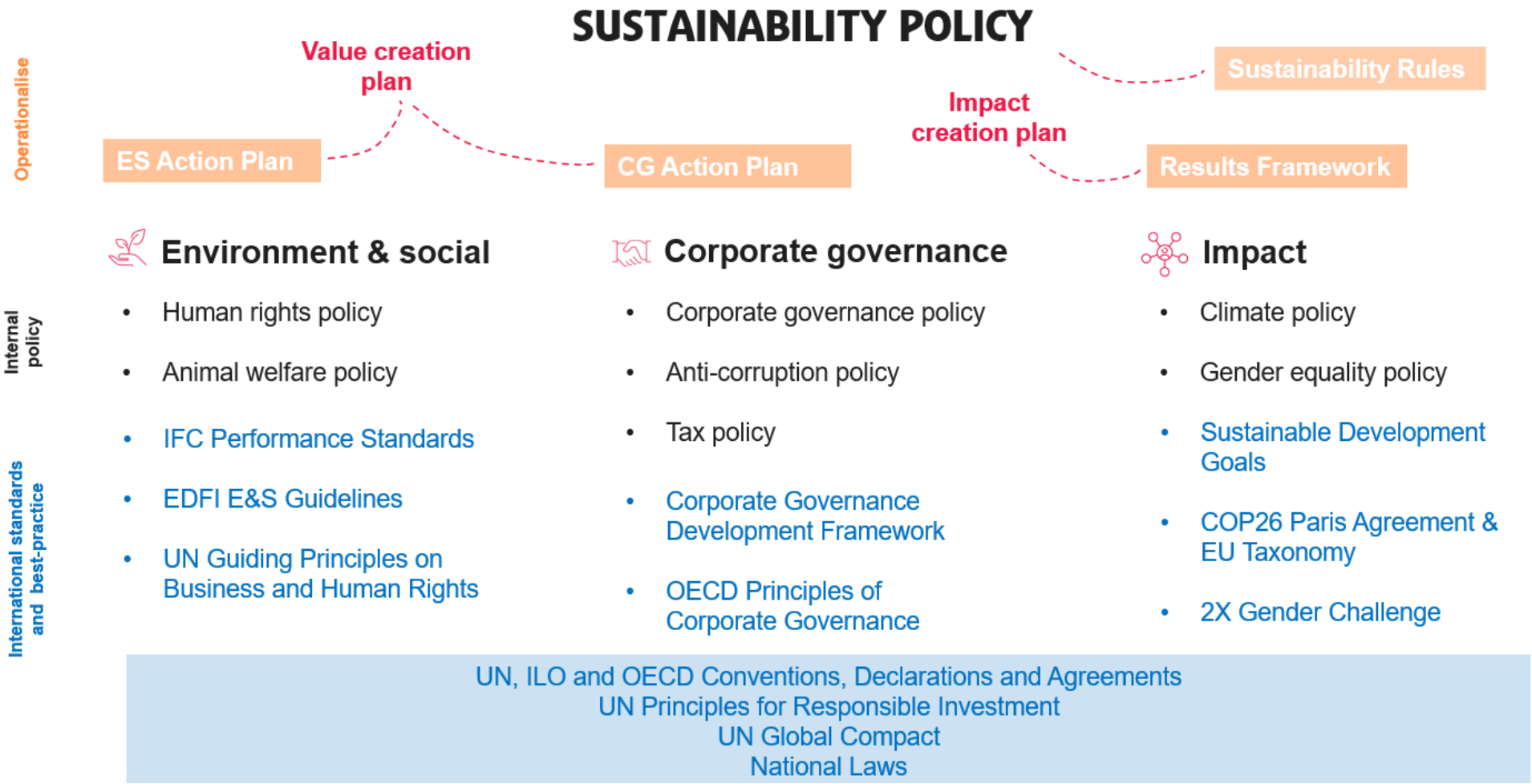
Section 4 provides quick links to the PM tools.

The PM/IP may contact the SI-team for assistance and/or training.

Sustainability and Impact Team
November 2021

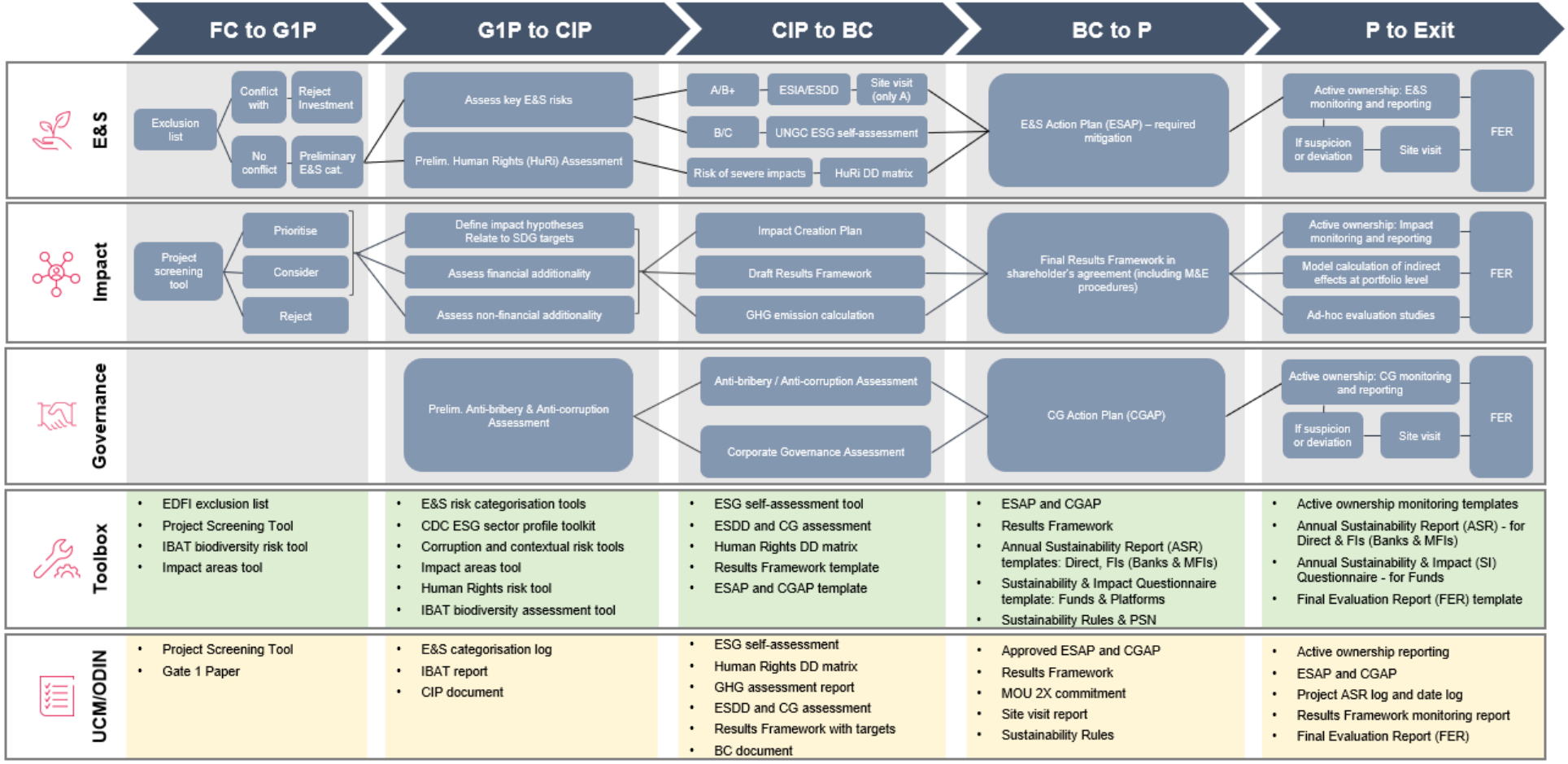
2. Operationalising the IFU Sustainability Policy

Sustainability policy at IFU is based on the European Union Development Finance Institutions' (EDFI) common approach, international standards and agreements, as well as national legislation in the relevant countries. The portfolio company requirements are published in IFUs Sustainability Rules (as attached to the Term Sheet) together with requirements for ESG (in the form of the ESG action plans) and impact (in the form of the Results Framework).



3. ESG and Impact Overview

The ESG and impact process is summarised below, with further details provided in section 5 of this document.



Refer to the Appendices for process diagrams for Direct, Fund and Financial Institution (Banks and Microfinance) investments.

4. PM Tools - Quick Links

The following quick links include tools available to the PM/IP.

FC to G1P	G1P to CIP	CIP to BC	BC to P	P to Exit
• IFU exclusion list • Screening Tool • IBAT biodiversity risk screening tool • Impact areas by sector • Guidance on Gender lens & 2X Challenge	• Direct: Guideline for E&S risk categorisation of projects • Funds: highest E&S risks category in pipeline, using Guideline for E&S risk categorisation of projects • FIs: EDFI Harmonised E&S Standards for FIs • CDC ESG sector toolkit • Transparency International corruption risk tool • **Google word search (broader):** "Company name" (Corruption OR Bribery OR Conviction OR Investigation OR Allegations OR Indictment OR Fraud OR Money Laundering) • **Google word search (narrower) - Corruption:**" Company name" (Crime OR criminal OR siphon OR evade OR evasion OR evading OR violation OR Defraud OR defrauded OR defrauding OR fraud OR fraudulent OR misappropriation OR misappropriated OR embezzlement OR embezzled OR default OR defaulted OR abuse OR abusive OR abused OR subprime OR Bribed OR bribery OR kickbacks OR graft OR corrupt OR corruption OR cheating) • **Google word search (narrower) - Financial crime and fraud:** "Company name" (Insolvent OR insolvency OR dispute OR ban OR banned OR impounded OR lockouts OR breach OR misled OR misleading OR nondisclosure OR "non-disclosure" OR falsify OR mismanagement OR mismanaged OR malpractices OR sacked OR sacking OR fired OR narcotics OR trafficking OR contraband OR smuggling OR bombing OR suit OR offence OR offences) • Dow Jones risk screening report for both project company and sponsors (request from Legal[1]) • IBAT biodiversity risk screening tool • Climate risk assessment tool • SDG indicators and targets • Impact areas by sector • IFU Standard Indicators for IPs • Results Framework template	• ESG self-assessment • IFC Performance Indicators for Corporates • IFC Performance Indicators for FIs • Corporate governance tools and guidelines	• ESAP template • Results Framework template • ASR (Direct) template • ASR (Banks & MFIs) template • SI Questionnaire (Funds) (Microfinance Funds) templates • Sustainability Rules	Active ownership templates

[1] Currently via Tania Larson or Olivia Dedopoulos.

5. ESG and Impact Tasks

The investment process and tasks are defined by the following control gates:

A. 1st Contact (FC) to Gate 1 Paper (G1P)
B. Clearance in principle (CIP) approval
C. Binding commitment (BC) approval
D. Project (P) - Signing of agreement
E. P to Exit - Active ownership & monitoring
F. Exit

FC to G1P → **G1P to CIP** → **CIP to BC** → **BC to P** → **P to Exit**

A. Control Gates: 1st Contact (FC) to Gate 1 Paper (G1P)

Tasks	Who to execute?	Archive in UCM	Log in ODIN
FC		-	-
1. Check project opportunity against IFU exclusion list	**PM**		
2. Check if project opportunity fits with IFU Investment Strategy - Focus Areas	**PM**		
G1P			
3. Complete Project Screening Tool and file in UCM	**PM**	Screening Tool	-
4. Conduct biodiversity screening, using IBAT to identify biodiversity risks	**PM**, SI-team support	-	
5. Create impact hypotheses, including Gender lens (Impact areas by sector)	**PM**, SI-team support	-	-
6. Generate G1P and file in UCM	**PM**	Gate 1 Paper	-

PM tools: E&S and impact toolbox

- IFU exclusion list (IFU Connect/Investments/Investment process/E&S and impact toolbox)
- Project Screening Tool
- IBAT 'how to use' videos: introduction https://www.youtube.com/watch?app=desktop&v=YnpngcuoUDk & create a new project https://www.youtube.com/watch?app=desktop&v=34QvGlTLZhU to view potential biodiversity risks. IBAT tool for biodiversity sensitivity (https://www.ibat-alliance.org/) and create personal profile to view biodiversity sensitivities
- Impact areas by sector (IFU Connect/Investments/Investment process/E&S and impact toolbox/Impact areas by sector)
- Guidance on Gender lens & 2X Challenge (IFU Connect/Investments/Sustainability/Gender lens)

B. Control Gate: CIP Approval

Tasks	Who to execute?	Archive in UCM	Log in ODIN
7. Ensure project is aware of Sustainability Rules, as attached to Term sheet	**PM**	-	-
8. Indicate E&S categorisation (A, B+, B, C): direct investments (construction phase and operational phase), fund investments using direct categories for fund pipeline, financial institution investments	**PM**, SI-team approve	-	• E&S categorisation log
9. E&S materiality assessment List project significant E&S issues in DD document, based on sector and location (Use CDC ESG sector profile toolkit , including IFC Performance Standards (PS) & IFC EHS Guidelines)	**PM (cat. B & C)** or SI-team (cat. A & B+)	-	-
10. Initial and specific E&S risk assessment a. Apply Human Rights contextual risk assessment for severe human right impacts, (based on Voluntary EDFI Guidance Note) b. Apply IBAT to identify biodiversity risks, and archive IBAT Report on UCM	**PM (cat. B & C)** or SI-team (cat. A & B+)	IBAT Report	-
11. Initial anti-corruption screening: check index (Transparency International Corruption Perception Index) to contextualise corruption risk; also use Google word search (use word string under PM tools below). Request Dow Jones screening report for both project company and sponsors, from Legal. Conclude if site inspection is needed, or if desktop screening is sufficient	**PM**	-	-
12. Assess climate vulnerability assessment (assess the level of river flood, earthquake, drought, cyclone, coastal flood, tsunami, volcano, and landslide hazard within the project area)	**PM (cat. B & C)** or SI-team (cat. A & B+)	-	-
13. Assess financial additionality and non-financial additionality	**PM**	-	-
14. Identify impact areas, relate to SDG targets, review initial impact hypothesis for validity and propose indicators and targets in Results Framework template. Refer to IFU Standard Indicators for IPs, as guidance.	**PM**	-	-
15. Review impact scoring in Project Screening Tool before inserting summary into CIP presentation template	**PM**	-	-
16. Complete E&S and impact slides in CIP template: explain proposed E&S and impact DD, specify budget for technical assistance during DD	**PM (cat. B & C)** or SI-team (cat. A & B+)	-	-
17. Complete CIP template and archive on UCM	**PM**	CIP document	-

PM tools: E&S and impact toolbox

- Direct: Guideline for E&S risk categorisation of projects (IFU Connect/Investments/Investment process/E&S and impact toolbox)
- Funds: highest E&S risks category in pipeline, using Guideline for E&S risk categorisation of projects (IFU Connect/Investments/Investment process/E&S and impact toolbox)
- FIs: EDFI Harmonised E&S Standards for FIs (IFU Connect/Investments/Investment process/E&S and impact toolbox)
- CDC ESG sector profile toolkit (https://toolkit.cdcgroup.com/sector-profiles/)
- Corruption risk, using Transparency International Corruption Perception Index (https://www.transparency.org/en/cpi/2020/index/nzl)
- **Google word search (broader):** "Company name" (Corruption OR Bribery OR Conviction OR Investigation OR Allegations OR Indictment OR Fraud OR Money Laundering)
- **Google word search (narrower) - Corruption:**" Company name" (Crime OR criminal OR siphon OR evade OR evasion OR evading OR violation OR Defraud OR defrauded OR defrauding OR fraud OR fraudulent OR misappropriation OR misappropriated OR embezzlement OR embezzled OR default OR defaulted OR abuse OR abusive OR abused OR subprime OR Bribed OR bribery OR kickbacks OR graft OR corrupt OR corruption OR cheating)
- **Google word search (narrower) - Financial crime and fraud:** " Company name" (Insolvent OR insolvency OR dispute OR ban OR banned OR impounded OR lockouts OR breach OR Misled OR misleading OR nondisclosure OR "non-disclosure" OR falsify OR mismanagement OR mismanaged OR malpractices OR sacked OR sacking OR fired OR narcotics OR trafficking OR contraband OR smuggling OR bombing OR suit OR offence OR offences)
- Dow Jones risk screening report for both project company and sponsors (request from Legal[2])
- IBAT for biodiversity sensitivity (https://www.ibat-alliance.org/) and create personal profile to view biodiversity sensitivities
- Climate vulnerability assessment tool (https://thinkhazard.org/en/)
- SDG indicators and targets (IFU Connect/Investments/Investment process/E&S and impact toolbox/SDG indicators and targets)
- Impact areas by sector (IFU Connect/Investments/Investment process/E&S and impact toolbox/Impact areas by sector)
- Results Framework template (IFU Connect/Investments/Investment process/E&S and impact toolbox)
- IFU Standard Indicators for IPs (IFU Connect/Investments/Investment process/E&S and impact toolbox)

Tools for SI-team:

- Direct: Guideline for E&S risk categorisation of projects (IFU Connect/Investments/Investment process/E&S and impact toolbox)
- Indirect: EDFI guidelines for Funds, EDFI Harmonised E&S Standards for FIs (IFU Connect/Investments/Sustainability/EDFI guidelines)

ESG and Impact Guidelines

- IFC Performance Standards – overview webinar training
- Guideline on international standards for sustainability (IFU Connect/Investments/Sustainability/Other IFU guidelines)
- IFC Performance Standards https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards
- IFC EHS Guidelines https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/EHS-Guidelines/
- EDFI Voluntary Guidance Note on Human Rights (under development)
- Internal guideline for IFU human rights DD process (IFU Connect/Investments/Sustainability/Other IFU guidelines)

[2] Currently via Tania Larson or Olivia Dedopoulos.

C. Control Gate: BC Approval

Tasks	Who to execute?	Archive in UCM	Log in ODIN
18. **Cat. B & C:** Check that greenfield/brownfield is correctly filled in ODIN registration and initiate ESG self-assessment on ODIN, in dialogue with project to identify gaps according to IFU Sustainability Policy - archive in UCM.	**PM**	ESG self-assessment	ESG self-assessment date, score
19. **Cat. B & C:** Check the answers in the ESG self-assessment against the IFC Performance Indicators for Corporates and IFC Performance Indicators for FIs	**PM**	-	-
20. **Cat. B & C:** Identify and negotiate with sponsor on international sustainability standards to be complied with and include into Sustainability Rules	**PM**	-	-
21. Cat. A & B+: Initiate ESDD using Environmental and Social Review Summary (ESRS) template	SI-team	-	
22. For Direct Investment: incl. Human Rights (HuRi) risk assessment in ESDD using CPHSocial and archive in UCM	SI-team	Human Rights DD matrix	-
23. GHG assessment with UNEP-DTU; request and archive on UCM	SI-team	GHG report	-
24. Assess climate vulnerability and identify mitigation measures	SI-team	-	-
25. Assess project company's awareness and capability in anti-corruption	SI-team	-	-
26. Conduct corporate governance (CG) assessment, using IFU toolkit	**PM**	-	CG assessment
27. **Validate E&S category** (direct investments, fund investments using direct categories for fund pipeline, financial institution investments) to finalise DD requirements, liaise with SI-team to approve	**PM**	-	-
28. **Conduct E&S site and community visit** and compile report	**PM**, or cat. A, SI-team	Site visit report	-
29. Cat. A & B+: complete ESDD review using ESRS template	SI-team	ESRS & ESDD	-
30. **Cat. B & C:** conclude E&S risk and context assessment, DD result into ES slide BC template (incl. IBAT, Think Hazard and for Direct, also HuRI contextual risks analysis tool), prepare ESAP using ESAP template	**PM**	-	-
31. **Assess and validate the impact hypotheses** during DD	**PM** / SI-team	-	-
32. **Define Impact Creation Plan**, as per BC template	**PM** / SI-team	-	-
33. Prepare Results Framework, by obtaining data from company and validate	SI-team	Results Framework	-
34. Complete E&S and impact slides in BC template	**PM (cat. B & C)** or SI-team (cat. A & B+)	-	-
35. Complete BC template and archive on UCM	**PM**	BC document	-

PM tools: E&S and impact toolbox

- ESG self-assessment (ODIN/registration/ESG self-assessment)
- IFC E&S Performance Indicators for Corporates & FIs
- Corporate governance tools and guidelines (IFU Connect/Other/Corporate governance)

Tools for SI-team:

- Environmental Social Review Summary (ESRS) template – Fund Investments (IFU Connect/Investments/Sustainability/Tools for SI-team)
- Environmental Social Review Summary (ESRS) template – FI Investments (IFU Connect/Investments/Sustainability/Tools for SI-team)
- Environmental Social Review Summary (ESRS) template – Direct Investments (IFU Connect/Investments/Sustainability/Tools for SI-team)
- IFC E&S Performance Indicators for Corporates & IFC Performance Indicators for FIs with guidance provided on below link: https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Company-Resources/ESG+Performance+Indicators_SA/
- Results Framework template (IFU Connect/Investments/Investment process/E&S and impact toolbox)

ESG and Impact Guidelines

- IFU Sustainability Policy (IFU Connect/Investments/Sustainability/ESG policies)
- CDC ESG toolkit sector profile (https://toolkit.cdcgroup.com/sector-profiles/)
- Guideline on international standards for sustainability (IFU Connect/Investments/Sustainability/Other IFU guidelines)
- EDFI Guidelines for IFU Investment in Funds (IFU Connect/Investments/Sustainability/EDFI guidelines)
- EDFI Harmonized E&S Standards for Financial Institutions (IFU Connect/Investments/Sustainability/EDFI guidelines)
- IFC Performance Standards https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards
- IFC EHS guidelines https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/EHS-Guidelines/
- IFC E&S Performance Indicators for Corporates & IFC Performance Indicators for FIs with guidance provided on below link: https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Company-Resources/ESG+Performance+Indicators_SA/
- Internal guideline for IFU human rights DD process (IFU Connect/Investments/Sustainability/Tools for SI-team)
- Methodology for the analysis of IFU's climate footprint 2020 (IFU Connect/Investments/Sustainability/Other IFU guidelines)

D. Control Gate: Project (P) - Signing of Agreement

Tasks	Who to execute?	Archive in UCM	Log in ODIN
36. Finally negotiate and finalise ESAP	**PM (cat. B & C)** or SI-team (cat. A & B+)	-	ESAP deadline date
37. Finally negotiate and finalise Results Framework	**PM**	Results Framework	Results Framework targets and dates
38. Ensure the project company understands IFU's requirements for the Annual Sustainability and Impact Reporting	**PM**	-	-
39. Ensure ASR template is part of agreement	**PM**	-	-
40. Ensure Sustainability Rules are part of SHA, or provisions included into SHA	**PM (cat. B & C)** or SI-team (cat. A & B+)	SHA incl. Sustainability Rules	-
41. Ensure PSN has SI-team signing	**PM**	PSN with SI-signature	-
42. Cat. A & B+: finalise and archive ESRS	SI-team	ESRS	-

PM tools: E&S and impact toolbox

- ESAP template (IFU Connect/Investments/Investment process/E&S and impact toolbox)
- Results Framework template (IFU Connect/Investments/Investment process/E&S and impact toolbox)
- ASR (Direct) template (IFU Connect/Investments/Investment process/E&S and impact toolbox)
- ASR (Banks & MFIs) template (IFU Connect/Investments/Sustainability/Project reporting tools)
- SI Questionnaire (Funds) (Microfinance Funds) templates (IFU Connect/Investments/Sustainability/Project reporting tools)
- Sustainability Rules (IFU Connect/Legal/Term sheets)
- Project Signing Note (PSN)

E. Control Gates: P to Exit - Active Ownership & Monitoring

Tasks	Who to execute?	Archive in UCM	Log in ODIN
43. Ensure ESG and impact issues are discussed regularly at board meetings (Investment committees/advisory boards for Funds)	**PM** / IFU Board member	-	-
44. Conduct ESG site visit, as applicable, and compile a site visit report	**PM** / SI-team	Site report (inhouse or by consultant)	-
45. Fund investment (special): Review the E&S due diligence documents of the first three investments	SI-team	-	-
46. Conduct active ownership review of ESAP and Results Framework	**PM**	Updated ESAP, if required	-
47. Initiate ASR (Direct or Banks) distribution to PMs	SI-team	-	-
48. Send ASR request to projects	**PM**	-	-
49. Review ASR received and approve	**PM**	ASR PDF	ASR
50. Fund investment: Review annual ESG report and extract relevant E&S and impact data	SI-team	Fund Annual Report	-
51. Fund investment: distribute, collect and review SI Questionnaire for Funds	SI-team	SI Quest. for Funds	-
52. Review ad-hoc reporting in case of significant incidents	**PM**	Incident Report	-
53. Monitor Results Framework annually, report and communicate performance to board member	**PM**	Results Framework monitoring report	-
54. Participate in ESG committees, as applicable	SI-team	-	-
55. Consider/apply a grant from Sustainability Facility	SI-team	-	-
56. Consider initiating a Gender lens project	**PM**	-	-

PM tools: E&S and impact toolbox

- Active ownership templates (IFU Connect/Investments/Investment process/Active ownership)
- ASR (Direct) template (IFU Connect/Investments/Investment process/E&S and impact toolbox)
- ASR (Banks & MFIs) template (IFU Connect/Investments/Sustainability/Project reporting tools)
- Gender Equality Scorecard, with introduction and calculation sheet (IFU Connect/Investments/Sustainability/Gender lens/Gender Equality Scorecard)

Tools for SI-team:

- ASR Direct (IFU Connect/Investments/Investment process/E&S and impact toolbox)
- ASR (Banks & MFIs) template (IFU Connect/Investments/Sustainability/Project reporting tools)
- SI Questionnaire (Funds) (Microfinance Funds) templates (IFU Connect/Investments/Sustainability/Project reporting tools)

ESG and Impact Guidelines

- Guide to Sustainability Facility (IFU Connect/Investments/Funds and facilities/Sustainability facility)

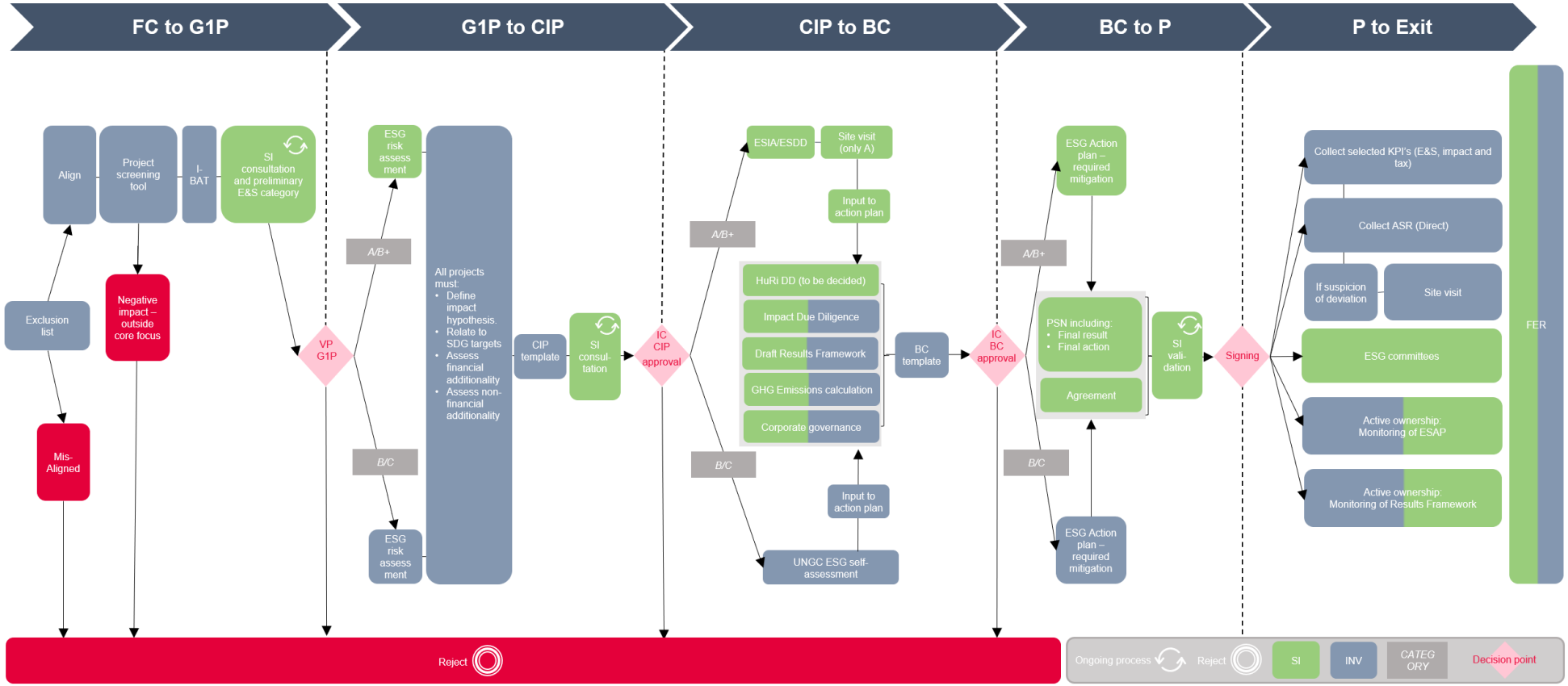
FC to G1P | G1P to CIP | CIP to BC | BC to P | **P to Exit**

F. Control Gate: Exit

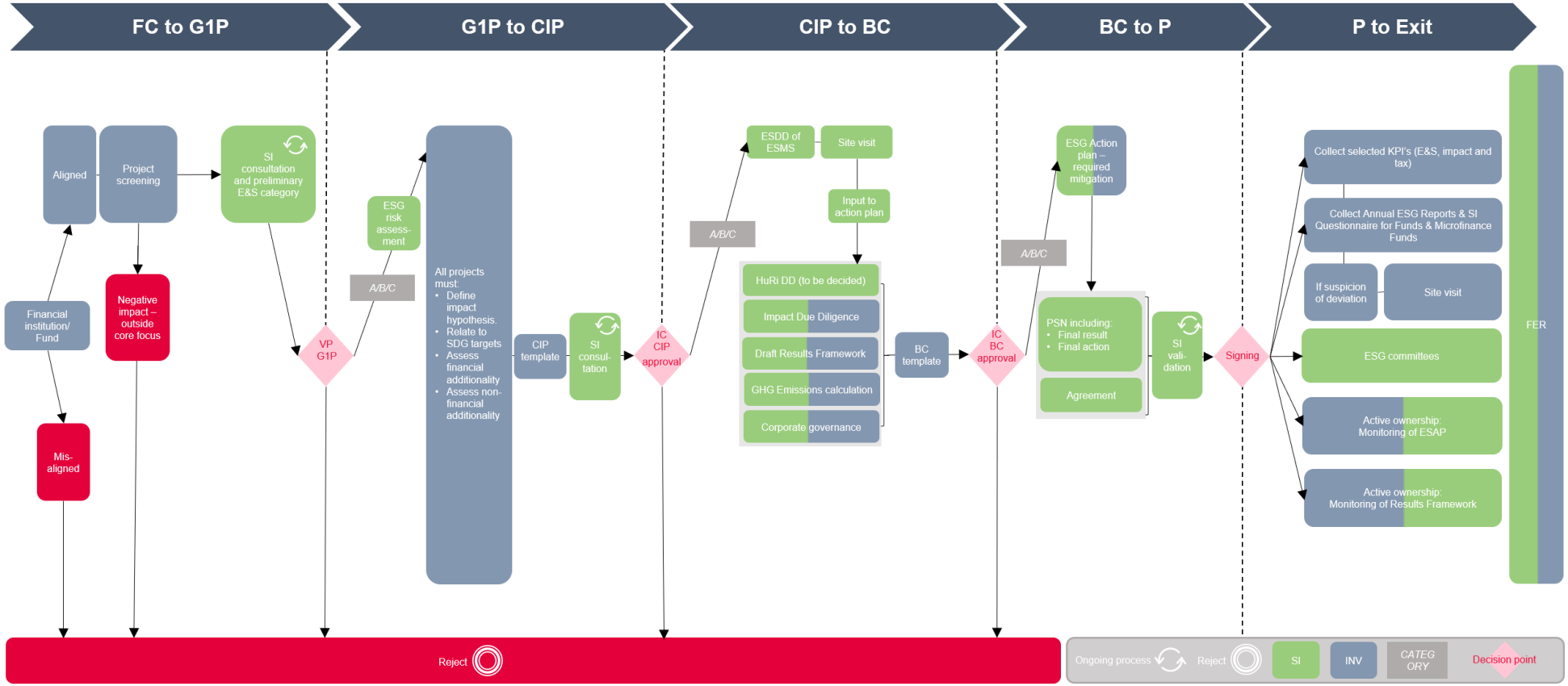
Tasks	Who to execute?	Archive in UCM	Log in ODIN
57. Assess if Results Framework targets have been achieved	**PM**	-	-
58. Check whether ESAP is completed	**PM**	-	-
59. Check whether ASR has been completed on a regular basis	**PM**	-	-
60. E&S and impact assessment, if required where significant E&S risks prevail (potential liability risks)	SI-team	-	-
61. Complete Final Evaluation Report	**PM**	-	-
PM tools: E&S and impact toolbox • Final Evaluation Report			

6. Appendices

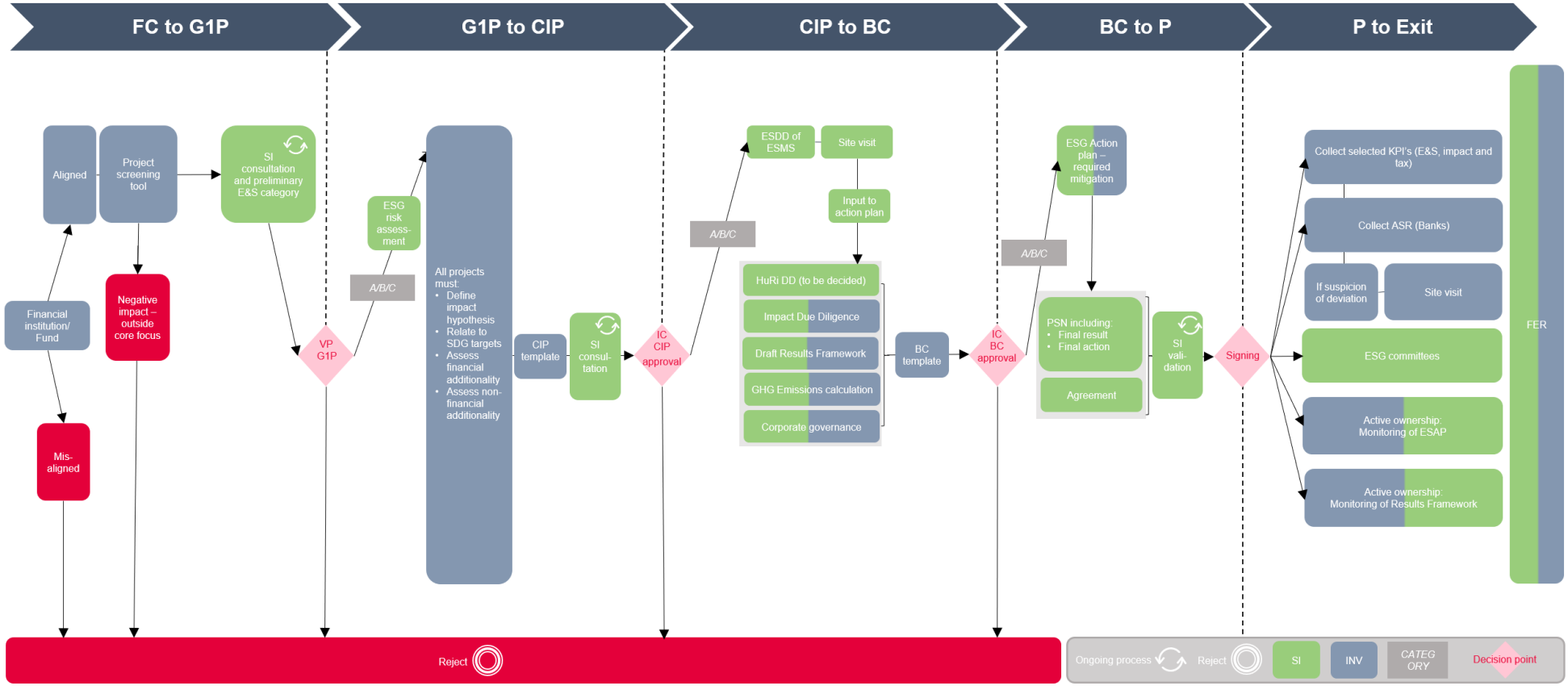
Appendix A: ESG and Impact Process for Direct Investments



Appendix B: ESG and Impact Process for Fund & Platform Investments



Appendix C: ESG and Impact Process for Financial Institution (Banks & Microfinance) Investments



Annex 7: Risk Management matrix

Contextual risks					
Risk Factor	**Likelihood**	**Impact**	**Risk response if applicable**	**Residual risk**	**Background to assessment**
Economic risks	Medium	Medium	JETP countries (potentially with the exception of South Africa) are large with relatively robust economies. Climate investments are expected to increase and be more resilient even in an economic downturn.	Medium	Overall economic climate has deteriorated in the wake of the Russia-Ukraine war and the rising interest rate environment.
Currency fluctuations	High	Medium	A significant share of lending will likely be in USD, especially in countries with volatile currencies.	Medium	Target countries have currencies that are more similar to "hard currencies" than most developing market currencies and presents a lower risk.
Political risk	Low	Large	The JETP countries are established democracies and have lower political risk than many other developing countries. It is nevertheless a substantial risk, given the concentration to the four countries.	Medium	The risk of unrest, or full blown conflicts, increase as economic conditions worsen, also in the large JETP economies.
Climate shocks	High	Large	The focus will be on climate change mitigation and adaptation investments. But significant climate shocks may still adversely impact the investment environment	Medium	Climate shocks may have devastating impact on developing countries, but will also increase the attention for green finance, including investments from IFU.

Programmatic Risks					
Risk Factor	**Likelihood**	**Impact**	**Risk response**	**Residual risks**	**Background to assessment**

Insufficient demand for investment finance	Low	Large	There is clear support for climate investments in the JETP countries and significant demand given need to ensure an increase in use of renewable energy.	Small	
Insufficient interest from private investors	Medium	Large	The catalytic effect of the BFET capital will support to reduce the risk level to a level where private investors are able to invest.	Medium	Deteriorating economic conditions may make private investors more wary, even with catalytic capital
Limited additionality in choice of fund managers	Medium	Medium	Additionality has been confirmed – as further catalytic capital needed to raise the private capital.	Low	While fund managers may raise catalytic capital from other sources, the capital contributed here is still needed. If it would have been raised from another concessional source, it would have been removed from another purpose
Concentration to a small number of markets	Medium	Medium	The concentration is an effect of how BFET is defined. The targeted economies are large and lower risk, and there is still a degree of diversification on sector level.	Medium	The focus on the JETP countries means fairly high geographical concentration. ,
Inability to achieve the intended impact	Low	Large	Funds will have a clear impact intent, and their future fundraising will be negatively affected if impact is not achieved. One fund manager has proposed to link its full compensation with achieving impact (emissions reduction); a similar set-up will be sought with the other manager.	Low	

Institutional Risks

Risk Factor	**Likelihood**	**Impact**	**Risk response**	**Residual risk**	**Background to assessment**
IFU due diligence does not capture important risks	Medium	Large	IFU has long experience of investing in funds, and a clear investment process for evaluating opportunities.	Small	
Misalignment with fund manager	Low	Large	Alignment both on deployment (as fees are only on invested capital), returns and impact due to agreed structure will be pursued during negotiations to the extent possible.	Small	

Annex 8: Process Action Plan

PROCESS ACTION PLAN		
Activity	**Timing/deadline** *[month or quarter]*	**Responsible**
Finalisation of project/programme document following PC meeting	30. aug. – 6. Sep.	GDK
Appraisal	6. sep. – 20. Sep.	ELK/GDK
Follow up on appraisal recommendations	20. sep. – 9. Oct.	GDK
Presentation for the Council for Development Policy (UPR)	26 Oct.	GDK
Finalisation of project/programme documentation	26. oct. – 30. Oct.	GDK
Approval by the Minister	30. oct.	GDK
Expected timing of commitment	30. oct.	GDK