

# 1. Context, strategic considerations, rational and justification

## *Context*

The present document outlines the background, rationale and justification, objectives and management arrangements for the proposed Danish support to Danida Sustainable Infrastructure Finance (DSIF) Project Development Facility (PDF). The project covers the period 2022-2025 and had a budget of DKK 50 million.

The investments required to achieve the SDGs are enormous. The UN Conference on Trade and Development (UNCTAD) estimates that the total SDG investment need in developing countries is approximately USD 4.1 trillion per year. However, projections based on the current public and private investment levels indicate an annual financing gap of USD 3.3 trillion. The main financing gaps are within infrastructure (energy, transport, telecommunication, water and sanitation), climate, agribusiness and food security, health and education.<sup>1</sup> Though the annual amount of Official Development Assistance (ODA) is rising, and is currently estimated at USD 179 billion, it will only be able to cover a small part of this financing gap.<sup>2</sup>

The infrastructure investment deficit in developing countries is often caused by the lack of bankable project proposals. This is due to a range of obstacles such as underdeveloped long-term infrastructure project pipelines, as well as high development and transaction costs. This, together with the real and perceived risks of doing business in developing countries, is a constraint to the development of sustainable infrastructure project proposals. Danida Sustainable Infrastructure Finance (DSIF) offers subsidised loans to infrastructure projects in developing countries with a Danish representation (see Annex B) and an income per capita below USD 3,995. The annual allocation on the Finance Act for DSIF is DKK 400 million. The Guiding Principles for DSIF are available on this [link](#).

A typical loan has 10 years' maturity and is issued in USD or EUR. The DSIF-subsidy covers:

- Interest in the whole duration of the loan
- Export Credit premium and other financial costs
- Cash grant to reduce the principal of the loan (in case interest, premium and financial costs do not constitute 35% or 50% subsidy level, a cash grant is included in the subsidy to reach the minimum levels required by the OECD)

The buyer/borrower repays the loan in equal, semi-annual instalments, normally starting six months after the commissioning of the project. The borrower will pay only a commitment and a management fee. Only projects that are commercially non-viable can be financed; i.e. projects that do not generate enough profit to service a loan on commercial terms. There are two main approaches under DSIF:

- DSIF Classic: Tender limited to Danish companies where DSIF support has been approved prior to tender

---

<sup>1</sup> [https://unctad.org/system/files/official-document/ldcr2021\\_ch4\\_en.pdf](https://unctad.org/system/files/official-document/ldcr2021_ch4_en.pdf)

<sup>2</sup> [Official Development Assistance \(ODA\) - OECD](#)

- **DSIF Fast Track:** International tender where DSIF can provide support in case a Danish company is best evaluated bidder (DSIF support approved after tender evaluation)

In 2021, DSIF launched its strategy for 2021-2024. The strategy focuses DSIF on water and energy sector projects, and transformational projects<sup>3</sup>. Through the latter, DSIF will explore innovative smaller pilot projects, within innovative technologies, partnerships, and financing modalities.

DSIF's project development facility (PDF) covers part of the costs associated with the development of major public infrastructure projects, which includes: feasibility studies; fact-finding, screening and pre-feasibility studies; technical assistance to local authorities and partners; appraisals; and the preparation of programme documents and concept notes. It was launched in 2017 and replaced the MFA's former Feasibility Study support. Through the PDF, DSIF pays 75% of the expenses incurred when developing a project, with the local partner paying the remaining 25%. The Danish Government has allocated DKK 25 million in the 2022 Finance Act and will allocate another 25 million in the 2023 Finance Act to continue this facility.

### ***Lessons learnt***

#### **DSIF Evaluation**

In 2022, the evaluation of DSIF in the period of 2001-2019 was completed. The evaluation concludes that DSIF has been closely aligned with the MFA's strategies and national development policies and achieves highly relevant projects in the countries it operates in, and that DSIF – as a tied aid facility – is fit for purpose and that it has fulfilled its mandate. DSIF's projects have mostly generated significant development outcomes. However, the evaluation found that DSIF made inadequate efforts to define and quantify development outcome objectives and, more importantly, track their achievements. In addition, DSIF was generally criticised for ineffectually capturing the outcomes and impacts of its infrastructure investments: “Insufficient attention was given to outcomes (baselines, targets and indicators to measure outcome achievement), although there has been an improvement in recent years”. DSIF has responded that they are working on addressing this, but due to the long DSIF project cycles, it will take time to see the changes reflected in its portfolio. Another aspect of project development is that MFA assistance in the early stages of a project could be strengthened, including with further “relevant political economy analysis, local contextualisation, and alignment to priority areas”, as outlined in the management response soon to be published. There is a new process being developed to address this in collaboration with the Department of Evaluation, Learning and Quality (ELQ) and DSIF. Generally, the evaluation states that the PDF “plays an important role in bringing project ideas to a stage where DSIF can support them”. Similarly, the MFA's management response to the evaluation posits that one of DSIF's value propositions is “in its project development capacity”.

#### **PDF Review**

The PDF is currently under an external review, which will conclude in September 2022. The initial findings are overall positive:

---

<sup>3</sup> Transformational projects are defined as: Leveraging Danish strengths within other sectors based on a strategic approach and focus on climate impact

- 1) The PDF has changed the way DSIF operates: Before the PDF, DSIF often had to react to incoming project proposals. With the PDF, DSIF is now much more proactive in the identification and maturing of projects from a very early stage, while working along-side local authorities jointly scoping the project. This leads to an inclusion of sustainability principles and life-cycle considerations.
- 2) DSIF has used the PDF to “ensure thorough screening of potential projects, including in the alignment with DSIF overall objectives and Danish development priorities”. The PDF has made it possible for DSIF to screen more projects, and DSIF has used fewer resources to test more projects’ viability. This has eliminated poor projects at an early stage, saving time and resources.
- 3) The PDF has led to earlier consultations with the Danish companies and stakeholders, allowing DSIF to identify projects that are more relevant for them. Of the PDF budget, 72% was used on funding feasibility studies, which is also the most complex and time-consuming activity. The review points to the flexible application of the PDF funds towards numerous activities as a notable strength of the facility as it “responds to the gaps and needs of project partners”.
- 4) The PDF is key to maintaining a good pipeline of quality projects, especially as DSIF projects have a long project cycle. One of the challenges that DSIF struggles with is that the pipeline consists of a few very large projects.
- 5) The review notes that currently 45% of PDF financed projects are in Africa. As part of DSIF’s new strategy, DSIF has a geographical focus aiming to have 2/3 of the projects in Africa, and 1/3 in the remainder of the developing world. Therefore, henceforth there must be a stronger focus on building up the project pipeline in Africa.
- 6) The review also develops a number of key recommendations, most importantly that the MFA should continue funding the PDF, and that the flexibility in the use of the PDF funds should go on. In addition, building on the DSIF evaluation, the PDF review suggests that the theory of change and results frameworks applied in the sampled feasibility studies do not live up to the requirements of the MFA. The review team finds that results measurements e.g. feasibility studies need strengthening and recommends that is a central focus point going forward. DSIF and the MFA (ELQ) should “invest time and energy in building a joint understanding of the key requirements for a good DSIF project from the perspective of an MFA appraisal and agree ... [when in the] DSIF project development process these will be addressed”. Proposed action points includes creating a template for terms of reference (TOR) for DSIF project appraisals, based on MFA and IFU approval policies. Similarly, DSIF could consider making it a standard requirement to include a monitoring and evaluation consultant profile in the feasibility study, tasked with developing project documents. This would improve the understanding of the local developmental, socio-economic, and political risk context in early project development and result frameworks. As mentioned previously, DSIF, GDC, and ELQ are in the midst of finalising a new process for quality control, which will be outlined in the final programme document.

However, overall the review team concluded: “the PDF has been essential for DSIF to develop a portfolio of good quality infrastructure projects”. These findings also mirror the conclusions of the 2022 evaluation of DSIF.

### ***Policy framework and strategic considerations***

Denmark’s Strategy for Development Cooperation “The World we Share”, was launched in 2021, and is the framework for Denmark’s development policy vision. It focuses on two central themes: Preventing

and fighting poverty and inequality, conflict and displacement, irregular migration and fragility; and leading the fight to stop climate change. Likewise, the Danish Government's long-term strategy for global climate action outlined in “A Green and Sustainable World” emphasises that Denmark must support green infrastructure that aids the SDGs and achieving the Paris Agreement.

Accordingly, Denmark will invest in inclusive, sustainable growth and development in the developing countries, including in places where it is hard to operate. Denmark will strengthen and focus on government-to-government strategic sector cooperation within clean energy access, water, agriculture, food and other areas where Denmark has special knowledge, resources and interests. Both strategies also specifically highlight the need to contribute to ensuring climate-smart infrastructure, with a focus on water supply and sanitation in rapidly growing urban centres affected by climate change. This will all contribute to creating sustainable communities with economic freedom, opportunities and jobs – especially for young people.

DSIF’s mandate is to deliver on the Denmark’s strategy for development cooperation, which it lays out in its new strategy. This strategy prioritises thematic projects within the water and energy sector and transformational projects, where Danish business expertise and solutions can be offered. It has a geographical focus where 2/3 of the projects will be implemented in Africa and 1/3 in the remainder of the developing world. Both the sectoral and the geographic focus align well with the Danish development priorities. DSIF is also focused on “greening” its portfolio. This aligns with the Danish development policy agenda and the overall requirement that 80% of Danida business instruments’ spending should be green.

The demand for concessional loans to finance infrastructure projects in developing countries generally far exceeds the number of sufficiently prepared project proposals. This is mainly due to limited resources at sector authority level in some developing countries. The PDF provides financial assistance to the sector authorities, enabling them to prepare, design and present complete sustainable project proposals. Financing the feasibility studies through the PDF increases the likelihood that sustainable infrastructure projects will be approved and subsequently constructed. This therefore also makes it more credible that DSIF can reach its annual budget target spending of DKK 400 million.

It is envisaged that the PDF funding, plus contributions from recipient countries, will result in 8 to 12 proposals eligible for financing under DSIF. These in turn, will ultimately qualify for presentation to the Council for Development Policy, and subsequently approved by the Minister for Development Cooperation.

### ***DSIF as implementing partner***

DSIF has been operating since 1993. Between 2001 and 2019, it has provided financing via concessional loans to projects totalling almost 14 billion DKK in 24 countries across Africa, Asia and Latin America. Many Danish companies have gained access to developing markets with perceived high risk or entry barriers by engaging in DSIF projects. Some of these companies, including Danish consultancy firms, are now working on commercial terms in countries such as China, Vietnam, and Egypt within the energy, water, and agribusiness sectors previously supported by DSIF. In February 2017, the Minister for Development Cooperation resolved that part of the operational administration of DSIF moved to the Investment Fund for Developing Countries (IFU), while the strategic control and grant authority

remained in the MFA. This was to enable DSIF's further development, deepen synergy between IFU, DSIF, and the MFA, and lead to an increased volume of projects, to the benefit of both developing countries and Danish business. Going forward, to make the full use of the PDF, and building on the DSIF evaluation and the PDF review, it is necessary to improve the collaboration between the MFA and DSIF to ensure a fuller understanding of the local developmental, socio-economic, and political risk context. GDC, ELQ, and DSIF are therefore jointly preparing a new process for project implementation, which will be described in the PDF programme document.

DSIF's strategy for 2021-2024 focuses on three sectors: clean drinking water and wastewater projects; energy projects such as wind generation, district heating and power transmission; and transformational projects across the three sectors with the aim to leverage Danish strengths within other strategic sectors with a focus on a positive climate impact.

The DSIF program has strong support from organisations such as The Confederation of Danish Industries and the Danish Construction Association, as their members are actively engaged in DSIF projects. The current active project portfolio and the project pipeline amounts to approximately DKK 17 billion, and includes projects within water, sanitation, wind, and transportation.

Whole-life cost<sup>4</sup> is a fundamental principle when DSIF considers supporting infrastructure investment projects. Costs of operation during lifetime of a project are crucial for the sustainability of the investment, and is a tender criterion as important as quality and price of equipment. Low costs of operation require smart and innovative technical solutions, and Danish companies are strong competitors when the whole-life cost is included in the project design and tender criteria.

Furthermore, DSIF promotes social and environmental sustainability. Danish companies generally have high sustainability standards. Promoting international principles for corporate sustainability, and whole-life cost, enhances business opportunities for Danish companies and profitable private sector growth opportunities in developing countries.

## **2. Programme objective**

The overall objective of the DSIF PDF is to contribute to socially, economically and environmentally sustainable infrastructure in developing countries. The PDF will contribute to fulfilling the SDGs, and in particular Goal No. 9 Industry, innovation and infrastructure; Goal No. 6 Clean water and sanitation; Goal No. 7 Affordable and clean energy; and Goal No. 13 Climate action.

The objective of the PDF is to enable authorities in developing countries to present project proposals for financing under DSIF, thereby also increasing DSIF's pipeline, with the following two outcomes: 1) applications for DSIF support and 2) capacity building of local authorities. The facility provides access to financing in developing countries in connection with the development of projects that DSIF will finance. Such projects may have difficulties in finding financing during the development phase due to

---

<sup>4</sup> Wikipedia: Whole-life cost, or life-cycle cost (LCC), refers to the total cost of ownership over the life of an asset. Also commonly referred to as "cradle to grave" or "womb to tomb" costs. Costs considered include the financial cost, which is relatively simple to calculate, and the environmental and social costs, which are more difficult to quantify and assign numerical values. Typical areas of expenditure which are included in calculating the whole-life cost include, planning, design, construction and acquisition, operations, maintenance, renewal and rehabilitation, depreciation and cost of finance and replacement or disposal.

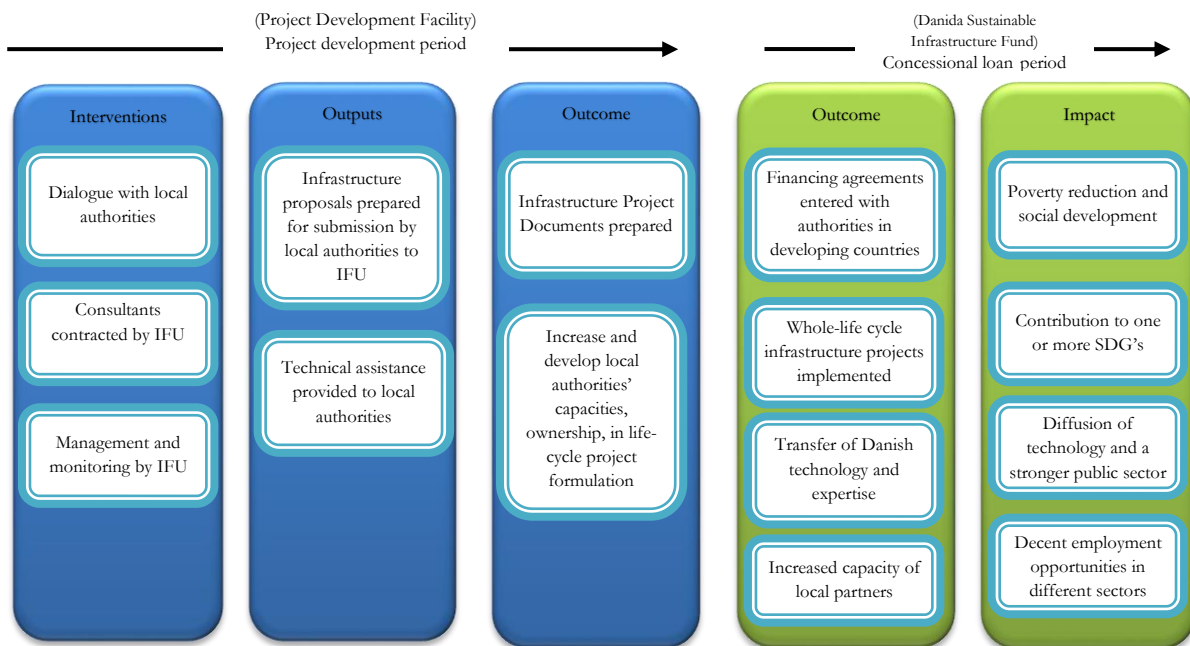
limited public funds or because private investors consider it too high risk. By covering 75% of the project development risk, the PDF helps increasing investment in infrastructure projects that are crucial for sustainable development in developing countries.

The outcome of the PDF is resilient infrastructure in developing countries. The whole-life cost principle implies that preparation and implementation of projects will include financial, environmental and social aspects and thereby enhance the positive ramifications of the project and contribute to achieving the SDGs.

An additional outcome is the capacity development of the sector authorities in developing countries in terms of formulation, preparation and implementation of sustainable infrastructure projects with a whole-life cycle cost perspective. Finally, the PDF will benefit the commercial competitive circumstances for Danish suppliers. In the short term, as a direct consequence of projects supported under the PDF, and in the long term because of the adaption of the whole-life principle by sector authorities in developing countries.

### 3. Theory of Change

The PDF's Theory of Change is that by providing funds for preparation of sustainable whole-life cycle cost infrastructure projects, then new investments financed with concessional loans will result in sustainable infrastructure. These would otherwise not, or not to the same degree, have been initiated.



The Theory of Change is based on a number of assumptions including: i) that the political and economic context globally, and in the DSIF focus countries, remain relatively stable, ii) that the sector authorities in developing countries are prepared to contribute financially, and iii) that the contracted consultants have the capabilities to deliver sustainable project proposals.

## 4. Budget

The allocation of DKK 25 million on the Finance Act for 2022, and DKK 25 million on the Finance Act for 2023, will be committed to IFU and will be utilised over a four-year period to help finance the development of 8 to 12 projects. Local authorities' 25% contribution to this can be cost coverage or through in kind contributions. There has been some flexibility for Least Developed Countries (LDCs) authorities in terms of whether they have to pay the 25% contribution, as this can be hard for them to do so. The final budget allocation will be further discussed during the drafting of the project document and will be based on the review of PDF and DSIF's strategy.

	2022	2023	2024	2025	Total
<i>Activities related to the development of 8 to 12 project proposals (DKK mil.)</i>	13	12.5	12.5	11	<b>49</b>
<i>Midterm review (DKK mil.)</i>			1		<b>1</b>
<i>Total sum</i>					<b>50</b>

The activities will include a wide range of technical assistance, fact-finding, feasibility studies, and other activities necessary for the formulation of a DSIF project. The activities also include capacity building in the form of technical assistance to the local authorities in all aspects of the preparation, tendering, and monitoring of a sustainable infrastructure project. It will be used to assess and address capacity and knowledge gaps at local partner level. The cost of involvement of civil society organisations will be part of the contract with the consultants. Allocation of funds from the PDF budget will follow normal IFU financial management procedures. A sum of DKK 1 million is reserved for a midterm review of the PDF.

## 5. Draft results framework

The overall objective of the project is to accelerate a just transition towards carbon neutral, resilient and inclusive societies and to contribute to socially, economically and environmentally sustainable infrastructure in developing countries, helping to meet the objectives of the Paris Agreement and deliver on the SDGs. Specifically, the aim is to enable authorities in developing countries to present sustainable life-cycle cost infrastructure proposals for possible financing under DSIF. The proposed outcomes are preliminary and will be revisited and concretised during the drafting of the full project document. There are two outcomes linked to the immediate objective:

Outcome 1: Applications for DSIF financial support to infrastructure projects in developing countries.

Outcome 2: Increasing capacity of local authorities in their formulation of life-cycle cycle projects.

Further consultations with DSIF will take place to discuss outputs, indicators, baselines and targets and ensure to that they reflect the DSIF evaluation and the currently ongoing review of the PDF. This is especially important, as the DSIF evaluation and the first draft of the PDF review found that there was a strong need for improved results measurements and solid results frameworks.

Engagement Title	DSIF PDF
Outcome 1	Resilient infrastructure projects in developing countries that will include financial, environmental and social aspects and thereby enhance the effect of the project and the contribution to achieving the SDGs by including all aspects of the whole-life cost principle.

Outcome indicator		The number of infrastructure projects approved for financing under DSIF as a result of PDF support.	
Baseline	Year	2022	Since 2017, nine projects have matured to a level where feasibility studies are, or have been carried, out.
Target	Year	2025	The target at the end of the four-year programme period is that 8 to 12 projects have matured to a level where feasibility studies are, or have been, carried out.

Engagement Title		DSIF PDF	
Outcome 2		Increasing the capacity of local authorities to formulate of life-cycle cycle projects.	
Outcome indicator		Number of local authorities receiving technical assistance and training in life-cycle project preparation and thus achieving the necessary skills.	
Baseline	Year	2022	Since 2017, 11 local authorities have received technical assistance.
Target	Year	2022 and beyond	The time perspective for technical assistance to local authorities will go beyond the four-year project period. The target at the end of the four-year period is that 8 to 12 local authorities are in the process of receiving technical assistance or that technical assistance is completed.

## 6. Institutional and management setup

### *Administrative arrangements*

IFU manages the DSIF PDF as per an agreement between the MFA and IFU. IFU has the grant authority for the PDF, and the MFA commitment to the PDF is registered as a standard grant (“tilsagnsstyret”, whereas DSIF projects are “udbetalingsstyret”). IFU has the exclusive right to administer the DSIF PDF according to Act no. 106 of 8 June 2017. It is noted that the Public Procurement Act does not apply to contracts awarded based on an exclusive right, cf. Section 17 of the Act<sup>5</sup> and Act no. 106 of 8 June 2017. The role of the MFA is central at the strategic level, and Danish Embassies participate in the identification and monitoring of DSIF projects.

### *Project implementation framework*

DSIF projects are typically initiated as a result of a dialogue between DSIF and a public sector authority in a developing country. The Danish Representation in the country plays an important role in the initial dialogue and in the pursuing preparatory activities in close cooperation with the DSIF team in Copenhagen. In future, DSIF projects should also have a greater synergy with Denmark’s bilateral country programs. The need for a complete technical and financial feasibility study is part of the initial considerations. This includes an assessment of the local public sector authority’s need for financial and technical assistance in preparing a feasibility study and other preliminary activities.

Financial support for the preparation of a feasibility study, or the like, normally starts with a request from the Ministry of Finance in the recipient country. They ask for funding of an infrastructure investment project, including funding of the preparation of a feasibility study and other preliminary activities. IFU today hosts the operational activities of DSIF and decides the activities in which to engage. IFU will

<sup>5</sup> Section 17. This Act shall not apply to public service contracts awarded by the contracting authority to another contracting authority or to a group of contracting authorities on the basis of an exclusive right under law or according to published administrative provisions which are compatible with the Treaty on the Functioning of the European Union.



typically award a feasibility study contract to a consultant following a framework agreement tender. The financial support decisions follow established IFU approval procedures. IFU's investment committee approves all projects, and the budgets for all smaller initiatives such as screenings, prefeasibility studies, technical assistance contracts, and tender consultants. This provides DSIF the necessary discretion to take the initiative, be flexible and respond to arising needs.

As a result of the DSIF evaluation, the MFA (ELQ) has agreed on a new model for project implementation. An important underpinning of this new process is the need for a deeper understanding of the local developmental, socio-economic, and political risk context in DSIF's project development. For projects over DKK 39 million, 1) ELQ will now provide feedback on the feasibility study's TOR, 2) the project proposal will be presented to the MFA's Programme Committee, and 3) ELQ will be in charge of the appraisal. Previously, DSIF was responsible for the appraisal using external consultants.

Projects under DKK 39 million will no longer be subject to the MFA's Programme Committee approval. However, if either DSIF or the MFA deem it useful to present a smaller project or feasibility study to the MFA's Programme Committee, this is still an option. The final programme document will present complete details of this new process.

### ***Monitoring and Appraisal***

IFU is responsible for monitoring DSIF's PDF. An external consultant will conduct a midterm review in 2024 to assess progress against targets established in the results framework. It will also assess the project pipeline and the actual DSIF projects resulting from the financial support under the DSIF PDF.

## **7. Risk Management**

Investments in developing countries are generally associated with a relatively high perceived and real risk, not least for medium- and long-term investments, which is expected to constitute the majority of the portfolio under the DSIF budget. Political and economic conditions may be turbulent. The matrix in Annex C presents the main contextual, programmatic and institutional risks in relation to the PDF. However, it has to be emphasised that the risk management matrix at this stage only provides a very generic presentation of the various risk factors. The specific risks and the measures to manage these risks can only be assessed in relation to the specific projects, and the related country and business context. An early version of the standard Danida template for risk management is provided in Annex C and will be updated in the full draft Programme Document.

## Annex A: Process Action Plan

Action/product	Deadlines	Responsible/involved units	Comment/status
<b>Formulation, quality assurance and approval</b>			
Quality assurance: Appraisal	September 19 <sup>th</sup> -20 <sup>th</sup>	Development specialist from the responsible unit	An independent view must be safeguarded during appraisal
Finalisation of the project/programme document	September 21 <sup>st</sup> -23 <sup>rd</sup>	Responsible unit	Summary conclusions from the Programme Committee taken into account
Final Project Document, annexes and appropriation cover note forwarded to ELQ	September 26 <sup>th</sup>	GDC	
Presentation to the Council for Development Policy	October 13 <sup>th</sup>	GDC	
The minister approves the project	Mid/end November	ELQ submits the proposed project/programme together with the minutes of meeting	After the Council for Development Policy meeting
<b>Initial actions following the Minister's approval</b>			
ELQ facilitates that grant proposals are published on Danida Transparency after the Minister's approval		ELQ	
Signing of legally binding agreements (commitments) with IFU	After the Minister's approval	GDC	
Register commitment(s) in MFA's financial systems within the planned quarter	After agreement(s) are signed	GDC	

## **Annex B: DSIF Eligible Countries**

- Bangladesh
- Burkina Faso
- Egypt
- Ethiopia
- Ghana
- India
- Indonesia
- Kenya
- Mali
- Morocco
- Myanmar
- Niger
- Nigeria
- Pakistan
- Philippines
- South Africa
- Tanzania
- Uganda
- Ukraine
- Vietnam

## Annex C: Risk Matrix

#	Risk Description	Likelihood	Impact	Mitigation Actions
<b>Contextual Risks</b>				
1	Impacts of the Covid-19 pandemic could lead to disruption of (programmatic) activities across the organisation.	Medium	Medium	<ul style="list-style-type: none"> <li>• DSIF has put in place remote working processes for staff in order to ensure as little disruption to operations as possible.</li> <li>• DSIF monitors the COVID outbreak and relevant public health indicators in all locations where we have a formal presence, which we use to provide regularly updated advice to employees.</li> <li>• DSIF has implemented robust guidance and protocols to help facilitate travel, meetings and events to ensure programmatic deliverables are achieved in the safest manner possible.</li> </ul>
2	The ongoing war in Ukraine, including acute refugee crisis, could lead to funding implications sourced from Danish government partners or decreased support to cooperation on climate and development goals from partner countries.	Medium	High	<ul style="list-style-type: none"> <li>• DSIF regularly monitors ODA trends and developments and engages frequently with the Danish government partners to develop scenarios to avoid funding implications.</li> <li>• DSIF maintains frequent engagement with government partners to take stock of the developments and keep well aligned to climate and development goals.</li> </ul>
3	Vulnerability of target countries to conflict, political instability and also climate change, the risk of natural disasters, could delay results.	High	Medium	<ul style="list-style-type: none"> <li>• DSIF maintains close contact with the Danish government, its embassies and the partner countries, to keep abreast so that that project planning and timelines can be adjusted accordingly.</li> <li>• Political stability in the recipient country will be part of the assessment of project applications, and on the consequences for possible financing under DSIF of the proposed project.</li> </ul>
4	Risk of corruption, human rights violations, etc. in target countries.	High	High	<ul style="list-style-type: none"> <li>• As part of the early project development, particularly fact-finding studies, pre-feasibility studies and feasibility studies, DSIF will take special care in making sure that they gain an in-depth understanding of country risks, local conditions, the local political and institutional risks, and the political and socio-economic landscape, to fully understand the local risk landscape and context.</li> <li>• Close dialogue with Danish Embassies and recipient authorities about United Nations Guiding Principles on Business and Human Rights.</li> </ul>
5	A possible new global financial crisis will limit the ability and willingness	Medium	High	<ul style="list-style-type: none"> <li>• The effects of a possible global financial crisis will be part of the assessment of project applications, and on the</li> </ul>

	of developing countries to invest in the preparation and financing of sustainable infrastructure project.			consequences for possible financing under DSIF of the proposed project.
<b>Programmatic Risks</b>				
6	Resistance by the recipient country to participate in the costs of developing a sustainable project proposal based on the whole-life cost principles.	Medium	High	<ul style="list-style-type: none"> <li>Allocation of resources to inform relevant authorities, including the Ministry of Finance, about the whole-life costs principles.</li> </ul>
7	Lack of interest by Danish companies to participate in tenders originating from the Facility.	Low	High	<ul style="list-style-type: none"> <li>Early dialogue with potential Danish suppliers about possible interest in a particular potential infrastructure project.</li> </ul>
<b>• Institutional risks</b>				
8	DSIF's weaker results recording limits results reports and opportunities for implementing lessons learnt.	Medium	High	<ul style="list-style-type: none"> <li>DSIF is currently working on implementing a better IT project management system, and likewise has been informed of the need for better results recording and reports, as part of the DSIF evaluation. DSIF is working on a response to this, and is in close dialogue with the MFA on this subject.</li> </ul>
9	Local authorities unable to participate in the preparation of feasibility studies, etc. due to lack of knowledge and experience with the whole-life cost principle.	High	Low	<ul style="list-style-type: none"> <li>Allocation of sufficient budget for technical assistance and training to key personnel with relevant public institutions and authorities.</li> </ul>