DSIF 2.0 [Title pending]

Key results:

DSIF 2.0 will contribute to (outcome 1) investments in sustainable public infrastructure. These can either be greenfield (new) investments, rehabilitation projects of existing infrastructure and/or technical support to ensuring sustainable operation and maintenance of facilities.

DSIF 2.0 will also contribute to (outcome 2) more efficient management by public authorities and utilities of infrastructure projects. This will be through capacity building, twinning arrangements and other technical assistance.

DSIF 2.0 will lead to increased access to public goods for the ultimate target groups in the partner countries.

Justification for support:

DSIF 2.0 will constitute an important instrument for IFU to fulfil its mandate. The annual contribution of DKK 400 million will capitalise DSIF 2.0 and unleash investments in public good infrastructure that has the potential to reach a large number of beneficiaries including vulnerable and marginalised segments of the population. The addition of DSIF 2.0 to IFU's toolbox will increase the ability of IFU to fulfil its objective to building a greener, more just and inclusive economy.

Major risks and challenges:

Contextual:

- Macroeconomic downturn across emerging markets; Political unrest, conflicts and wars.

Programmatic:

- International bidders for the untied projects do not provide state-of the art equipment and international best practices in terms of knowhow; Limited capacity of IFU/DSIF 2.0 to set-up and manage a well-functioning results measurement system that is able to capture development impact.

Reputational:

- Key Danish interests are no longer considered to the same extent in DSIF 2.0 projects due to the weakened linkages between MFA and the DSIF 2.0 secretariat; Danish commercial actors dissatisfaction with untying of the instrument.

File No.	360: #							
Country	Global							
Responsible Unit	KLIMA							
Sector	Climate, decent jobs, economic growth							
Partner	Investment Fund for Developing Countries (IFU)							
DKK million	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**Total**
Commitment	400	400	400	400	400	400	400	2,800
Proj. disbursed	400	400	400	400	400	400	400	2,800
Duration	November 2024 – 2030							
Previous grants	Annual commitments of DKK 400 million							
Finance Act code	§06.38.01.13							
Head of unit	Karin Poulsen							
Desk officer	Henrik Vistisen							
CFO	Jacob Strange-Thomsen							

Relevant SDGs

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	

Objective

The objective of the reformed DSIF is to promote sustainable investments in public infrastructure in LDCs and LMICs also reaching underserved parts of the population. DSIF 2.0 will contribute to IFU's overall targets, which are defined in the Ownership Document i.e. 50% of investments in climate; 50% of investments in Africa and 30% of investments in LDC & FCAC countries.

Environment and climate targeting

	Climate adaptation	Climate mitigation	Biodiversity	Another green/environment
Indicate 50% or 100%	**(TBD)**	**(TBD)**		

Justification for choice of partner:

IFU will be responsible for the administrative, operational and strategic management including investment decisions of DSIF 2.0. IFU has since 2017 had the administrative responsibility for DSIF and hosted the DSIF secretariat. IFU is as the Danish Development Finance Institution well positioned to take on this role.

Summary:

The funding will cover a seven-year period from 2024-2030 with a total contribution of DKK 2.8 billion in subsidies and TA. The concept note describes the envisaged reform of DSIF which rests on three strategic pillars: 1) that IFU assumes the role as lender of record and provide DSIF loans (up to DKK 5.4 billion capital accessible from the government on-lending facility, 2) untying DSIF from a commitment to only use Danish contractors; and 3) a full operational and strategic integration of DSIF into IFU. The reform of DSIF is an integral element of the Danish Government's decision in 2023 to reform IFU, and the vision is that DSIF 2.0 will become IFU's public infrastructure instrument and complement IFU's other financing instruments.

Budget (DKK million):

Engagement 1 – DSIF 2.0 2024-2030 (7 * DKK 400m.)	2,800.00
Total	**2,800.00**

DSIF 2.0 [Title pending]
(2024-2030)

DKK 2.8 billion

Submission to Programme Committee

April 2024

360: #

Table of Content

Abbreviations

BC	Binding Commitment
CAPEX	Capital Expenditure
CIP	Clearance in Principle
DDD	Doing Development Differently
DKK	Danish Krone
DSIF	Danida Sustainable Infrastructure Finance
EIFO	Export and Investment Fund of Denmark
ESG	Environmental, Social and Governance
FCAS	Fragility and Conflict-Affected States
GDK/KLIMA	Department for Green Diplomacy and Climate
GDP	Gross Domestic Product
GHG	Greenhouse gas
HIPSO	Harmonised Indicators for Private Sector Operation
HRHI	High Risk High Impact
IFU	Investment Fund for Development Countries
LDC	Least Developed Countries
LMIC	Lower Middle Income Countries
MFA	Danish Ministry of Foreign Affairs
O&M	Operation and Maintenance
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PPP	Public Private Partnership
PDF	Project Development Facility
PDP	Project Development Programme
SDG	Sustainable Development Goal
SSC	Strategic Sector Cooperation
USD	United States Dollars

1 Introduction

This concept note outlines the background, rationale, justification, objectives and management arrangements for the reform of Danida Sustainable Infrastructure Finance (DSIF) labelled DSIF 2.0 in this document. This concept note describes how a reform of DSIF rests on three strategic pillars: 1) that IFU from 2024 can operate as lender of record and provide loans on behalf of DSIF, 2) untying DSIF from only investing with Danish partners, and 3) a full strategic and operational integration of DSIF into IFU. The reform of DSIF is an integral element of the Danish Government's decision in 2023 to reform IFU, and the vision is that a fully integrated DSIF 2.0 will become IFU's public infrastructure instrument and complement IFU's other financing instruments as agreed between the parties, the Ministry of Foreign Affairs of Denmark (MFA) and the Investment Fund for Developing Countries (IFU). IFU will be responsible for the administrative, operational and strategic management including investment decisions of DSIF 2.0. This document covers a seven-year period from 2024-2030 and an expected annual contribution from MFA to DSIF 2.0 of DKK 400 million totalling DKK 2.8 billion. This will allow IFU to support much needed infrastructure in LDCs and LMIC through DSIF 2.0 by providing concessional finance packages in combination with loans up to an expected DKK 5.4 billion through application of the Danish state on-lending facility.

An evaluation of DSIF in 2022 spurred the need for considering how to change DSIF's ways of delivering on its core mandate. This comes at a time when the MFA has decided on important reform steps inside of IFU, and hence also consider how further integrating DSIF into IFU can deliver better on Denmark's development and climate priorities in line with relevant strategies and priorities including IFU's Ownership Document.

The **objective** of the reformed DSIF is to promote investments in sustainable public infrastructure in LDCs and LMICs also reaching underserved parts of the population.

2 Context, strategic considerations, rationale and justification

2.1 A global infrastructure financing gap[1]

In recent decades, many developing countries have witnessed rapid urbanization and population growth. This demographic shift has placed immense pressure on public infrastructure, particularly in essential sectors such as water and energy. The challenges related to public infrastructure investments in water and energy sectors in both least developed countries (LDCs) and lower-middle income countries (LMIC) are multifaceted and complex. Despite efforts from donors, international organisations, and also the need from national governments to address the issues, the demand for these essential services often exceeds the available supply, and problems persist in both densely populated areas of larger cities and in the scarcely populated rural areas. The challenges are exacerbated by factors such as inadequate funding, aging infrastructure, rapid population growth, climate change impacts, and institutional weaknesses.

> *"To unlock investment at scale … requires a shift from a do-it-alone approach to co-creation of investment opportunities and tackling obstacles with the combined involvement of countries, the private sector and development finance institutions."*
>
> *High-Level Expert Group on Climate Finance, A climate finance framework, November 2023*

Water scarcity and poor water quality are persistent problems, which lead to health risks, economic losses, and social instability. Inadequate access to clean water and sanitation facilities disproportionately affects the poorer segments of the populations, including women and children.

[1] General reference is also made to the Dalberg study which was carried out as part of the preparation phase towards DSIF 2.0

The impacts of climate change on access to clean water are profound and may further aggravate this situation. Rising temperatures lead to unpredictable rainfall, rising sea levels, and more frequent extreme weather events like floods and droughts. By 2050, climate impacts, primarily driven by water-related hazards, could impose an annual cost of US$50 billion on African nations[2], which is driven by insufficient funding to climate change adaptation. Moreover, the lack of reliable energy infrastructure hampers economic growth and impedes efforts to achieve the Sustainable Development Goals (SDGs). In 2021, 645 million people in sub-Saharan Africa were living without access to electricity, indicating a pressing need for major investments in this sector[3]. At a global level the current energy system is a major driver of global warming, accounting for about 75% of total greenhouse gas emissions[4]. In turn the energy systems are vulnerable to climate change e.g. when unpredictable rainfall impact production of electricity from hydro power facilities.

Africa faces an estimated infrastructure financing gap of USD 100 billion annually. The water sector experiences the most substantial gap, ranging from USD 49 to 59 billion[5]. Attracting and mobilizing financing for infrastructure projects remains a major hurdle. Limited financial resources, coupled with high levels of public debt in many African countries, constrain the ability of governments to invest in infrastructure development. Additionally, the perceived risks associated with investing in the region and sectors deter private sector participation, further exacerbating the funding gap.

2.2 Key challenges preventing flow of finance towards public infrastructure

The main reasons that finance does not easily flow towards public infrastructure investments are constrained public budgets, considerable public debt, low credit ratings, lack of technical capacity, and a non-conducive environment for Public Private Partnerships (PPP) to crowd in private capital. Public infrastructure is typically capital intensive, long-lived and with high sunk costs. This calls for a high initial investment followed by a long pay-back period. Other impeding factors, which are specific for the water and sanitation sector, are fragmentation of financing streams, weak institutions, inadequate regulation, and operational inefficiencies of many water and sanitation providers. Commercial investors favour projects with short-term horizons, seeking faster returns. Long tenor finance on affordable terms, which fits the specific needs of the water sector is often unavailable.

80% of African infrastructure projects fail to reach bankability[6] due to technical, financial and enabling environment challenges. As a result of these challenges, there is a shortage of bankable projects with solid development impact – both green- and brownfield investments. The non-commercial projects that are viable have a hard time to get to financial close, since the state-owned enterprises/public sector entities are often not able to secure the relevant funding. For those, which do get implemented, many are not operated sustainably due to lack of funding and skills for long term operation and management (O&M). This calls for efficient deployment of scarce concessional capital and for skills development.

2.3 Danish support to public infrastructure investments

The Danish Government has since 1993 helped to fill the public infrastructure financing gap by granting support to large infrastructure projects, typically water, energy and transport projects, in some of the least developed countries and underserved regions within lower-middle income countries including Mozambique, Pakistan, Bangladesh and Uganda, through DSIF[7]. From the outset, the predecessor to DSIF –

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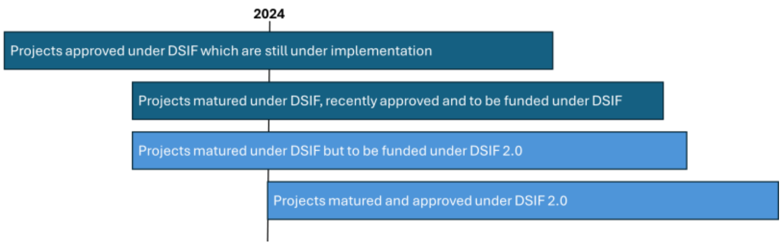
2 Dalberg 2023
3 Dalberg study, 2023
4 International Energy Agency - Iea.org
5 Dalberg study, 2023
6 Dalberg study, 2023
7 DSIF was established in 1993 under the name Danida Mixed Credit. It was renamed Danida Business Finance in 2011 and Danida Sustainable Infrastructure Finance in 2020.

the Mixed Credit programme – was set-up up as a business instrument structured similarly to commercially oriented export credits. While political/strategic priorities have changed over the years, the core elements of the instrument have to a large extent remained unchanged.

DSIF helps prepare and negotiate the infrastructure project and facilitates the agreement between the relevant government and the Danish banks that ultimately provide the loan to governments. The funding from DSIF (ODA) is typically used to subsidise the interest rates and to technical assistance. The supported projects have had a significant Danish involvement using Danish turnkey contractors and the use of Danish technical experts and engineers. In 2017, the Danish Development Finance Institution (DFI) IFU took over administrative responsibility for DSIF from MFA, and the DSIF team in MFA relocated to the IFU offices, while the strategic decisions largely remained within the MFA.

Compared to other investment projects, DSIF projects have a very long preparation period (up to seven years), and also a very long implementation period (total of 10+ years).

Figure 1: DSIF project preparation processes



DSIF currently has an active portfolio of nine projects with a total outstanding commitment of DKK 2.345 billion. 71% of outstanding commitment is for projects in Africa, 9% in Asia and 20% in Latin America. The transition towards DSIF 2.0 will hence be gradual given the number of legacy projects in different stages of maturation/preparation, cf. figure 1. Further details on DSIF portfolio and pipeline are provided in Annex 2.

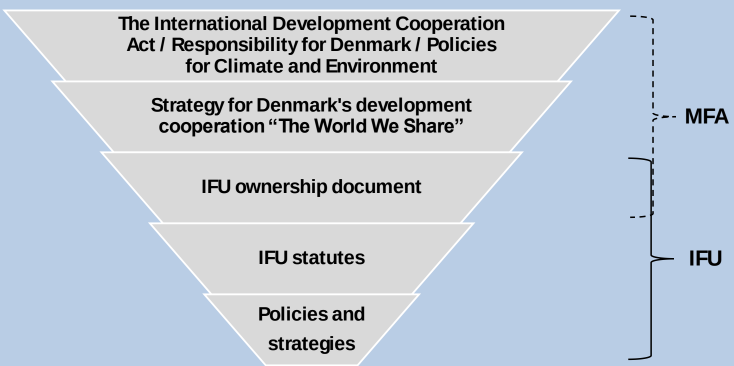
2.4 IFU reform process and policy directions

The decision to reform DSIF is an element of an overall reform of IFU. In September 2023, the Danish Government's Economic Committee approved a reform of IFU and the vision for IFU towards 2030. The reform sets out to deliver on concrete tasks in The World We Share (the Danish development policy from 2021) such as climate action, inclusive economic growth, employment creation, gender equality and increased access to basic services for poor households. The reform also underpins the Danish Government's policy framework ("Ansvar for Danmark"/Responsibility for Denmark) the Danish foreign policy, and the Danish Government's policies for climate and the environment. Later in 2024, the Danish Government plans to launch a new Africa strategy with a view to revitalise the Danish relation with African countries.

IFU's path towards 2030

The ambition is that IFU becomes a leading impact investor, increasing its ability to deliver on central Danish priorities in relation to climate finance, support to Africa, the Least Developed Countries and Fragility and Conflict-Affected States (FCASs). MFA priorities, which are spelled out in the ownership document (see below). Figure 2 provides an overview of the strategic and policy framework governing IFU.

Figure 2: Framework governing IFU (and hence DSIF 2.0)



As part of the reform, IFU's capital under managements will grow from current DKK 15.6 billion to DKK 36.2 billion by 2030. In private sector investments, IFU operates in four priority sectors (green energy and infrastructure, health care, sustainable food systems and financing services) with the aim to contribute to two overarching impact objectives guiding the organisation across its financing instruments: 1) building a green economy and 2) building a just and inclusive economy. DSIF 2.0 will in its engagements align to the same four priority areas and in its own way contribute to IFU's impact objectives.

IFU has gone through a significant shift in terms of strategic focus over the past years. From a narrow focus on investing with Danish businesses in developing countries, IFU is since 2017 untied and focuses on its mandate as impact investor with international investment partners. Since IFU became untied, IFU has gained experience and built a foundational capacity and the MFA has granted IFU a range of new investment instruments to broaden its development mandate and scale up activities in line with the reform ambitions. IFU is guided by its strategy plan for 2024-2026, which outlines IFU's priorities and the initiatives enabling IFU to meet the reform expectations. The following sections outlines some of the key traits in the IFU reform process of relevance to DSIF 2.0.

The Ownership Document

In August 2023, the Minister for Development Cooperation and Climate Policy approved a new Ownership Document for IFU. The purpose is to strengthen the strategic direction for the Ministry's ownership of IFU in line with the mandate of the organisation. The Ownership Document serves as the framework guiding the ongoing reform of IFU, and also stipulates that DSIF must continue to target the development and provision of sustainable public infrastructure in developing countries with a significant social return financed through concessional loans. The Ownership Document also refers to the strategic and operational integration of DSIF into IFU as part of the strengthening of IFU in the coming years. This implies that DSIF 2.0 will act under the mandate of the Ownership Document and contributing to IFU fulfilling its obligations in the document.

Box 1: The Ownership Document – main headlines of relevance to DSIF 2.0

Additionality

- IFU must ensure that its investments are additional both financially and developmentally while also ensuring high standards for ESG (environment, social and governance) and human rights.
- IFU must document additionality of all its engagements in line with relevant OECD standards.

Climate investments:

- IFU must significantly increase its level of investments in climate and green transition.
- IFU must contribute to the ambition that risk-willing public capital is used to mobilise additional private funds.
- IFU's climate policy must reflect the government's priorities on climate including the need to also attract private investments to climate adaptation as well as broader priorities within environment and biodiversity.

Investments in poor and fragile countries – especially in Africa

- IFU must increase its level of investments in the poorest, most fragile and least developed countries in the World. Furthermore, IFU must increase its level of investments with high levels of development impact.

Project Development

- IFU must allocate dedicated resources to ensure a continued engagement in project development within the framework of the Danish policy priorities for development.
- IFU must systematically gather experiences from project development activities and strengthen its system to follow up on monitoring and evaluation.
- IFU must develop a strategy including implementation targets from 2024 for development and maturation of bankable projects.

Ukraine

- In close collaboration with the Government's fund for Ukraine, IFU should take on a central role in the rebuilding of Ukraine, when the situation allows. This includes mobilization of private capital and investments in public infrastructure via DSIF.

Financial targets

- In line with international standards for development finance, IFU must contribute to the Danish policy priorities for development, attract private investors and not crowding out private actors from the market.

Portfolio targets

- At least 50% of investments should be climate investments.
- At least 50% of the investments should be in Africa.
- At least 30% of investments should be in LDCs and FCASs.

IFU access to on-lending facility

The government approved reform of IFU paves the way for a new source of financing for IFU, which will significantly change the modus operandi of IFU. With the government reform decision, IFU can access loan capital from a State on-lending Facility (Statens Genudlån)[8] via the Central Bank. Through this facility, IFU is able to benefit from the Danish AAA rating and access cheap loan capital and guarantees. IFU has experience with drawing from the on-lending facility to its engagements in the SDG Fund and the green loan facility.

OneIFU

Part of the reform process is to work towards a "OneIFU" approach. At the heart of OneIFU is move away from a multiplicity of facilities and funding lines that serve narrowly defined purposes. The vision is that IFU will be able to draw on its range of different instruments and design the most optimal loan/investment package depending on what the need is in the respective projects. Instead of a facility, which IFU manages on behalf of the MFA, DSIF 2.0 will become IFU's public sector financing instrument inside IFU's toolbox alongside IFU's other instruments (IFU Classic, SDG Fund, green loans, development guarantees, and IFU Impact Ventures).

Untying of IFU

In 2017 the Government decided to untie IFU from only investing with Danish companies. Since then, IFU has over the last 6-7 years gained experience building new partnerships and developing new investment instruments as e.g. the Guarantee Facility.

2.5 DSIF – experiences, results and lessons learned

The backdrop for the decision to reform DSIF is the 2022 evaluation of DSIF covering 2001-2019. The evaluation has provided valuable lessons learned to the current reform process, and the findings and key conclusions feed into the design of DSIF 2.0. These lessons learned revolve around DSIF's mandate, tied aid, monitoring of results, cooperation and partnerships, organisation and resources, governance, financing and OECD financing rules.

Mandate

The 2022 evaluation found that overall, DSIF had fulfilled its mandate and complied with Danida policies. DSIF has adapted to shifting MFA sectoral priorities e.g. by moving towards green infrastructure, most notably within renewable energy, water, and sanitation. However, the shift of direction happens with some time-lag due to the long-term nature of DSIF projects.

Tied-aid modality

The evaluation found that the tied-aid model is making it more challenging for DSIF to align with Danish strategic country frameworks in partner countries and limits development effectiveness and flexibility.

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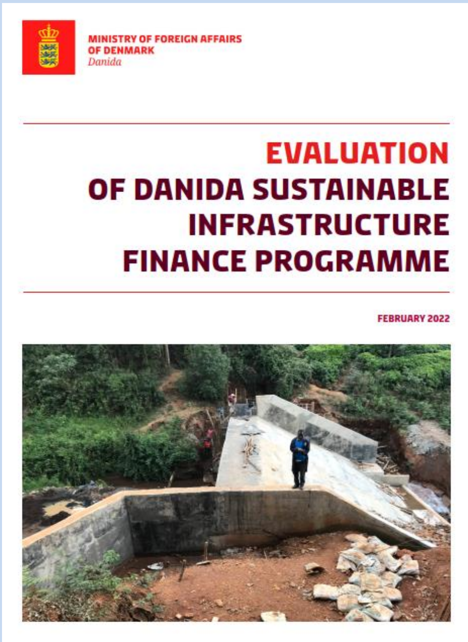
[8] The State of Denmark provides on-lending and stategaruantees to a number of state-owned companies (SOE). The loans are transferred from the State of Denmark to the SOEs and the increase in financing requirement of the State of Denmark is covered by state bonds being issued. The SOEs will service the loans on conditions corresponding to the conditions of the state bonds. As such the AAA rating of the State of Denmark translates into improved lending conditions for the SOEs. The majority of on-lending and guarantees are offered to SOEs engaged in large scale infrastructure projects.

An important implication of DSIF's tied-aid modality is that DSIF only in a few cases has been able to engage in partnerships with other donors and investors, as these have had limited interest in co-funding projects tied to Danish companies. Consequently, DSIF has had to develop, mature, and implement its projects as sole implementer, which constitutes a considerable draw on DSIF resources and increases the risks for DSIF.

Cooperation & partnerships
The tied-aid modality means that DSIF has benefitted from being able to draw on the Danish companies and their high standards when activating Danish knowhow and technology. The downside is that DSIF has been limited to developing projects in sectors and geographic locations where Danish contractors have had the interested in bidding for the contract. This has meant that geography, scope and type of projects that DSIF has entered into, has prevailed over impact and effectiveness of DSIF in general. This challenge has been further aggravated by the increasing size of DSIF projects (see below), which has had the consequence that only two Danish contractors have been capable and willing to bid for such contracts during the past years (beyond wind projects).

Box 2: DSIF Evaluation 2022

MFA commissioned an Evaluation of DSIF covering 2001-2019, which was finalised and published in 2022. Some of the main findings of the evaluation relates to un-tying of DSIF from Danish companies; strengthening of the poverty orientation in projects; need for an improved ability to measure and document results and additionality; and general considerations about the integration of DSIF in IFU's setup.



The evaluation was carried out by Particip.

With the administrative relocation to IFU in 2017, MFA and IFU expected that IFU could help DSIF strengthen its linkages to the private sector. This has, nevertheless, only partially materialised, and the evaluation of DSIF points to an incompatibility between DSIF's tied aid public sector operations and IFU's private sector mandate that makes project-level collaboration difficult. Furthermore, IFU's systems, structures, human resources and procedures have not fit well with DSIF's procedures.

Organisation & resources
The DSIF portfolio the past 10 years has included 12 projects amounting to approximately DKK 8 billion with an average project size of DKK 600 million. The DSIF team responsible for implementing these projects, and continuously build a new pipeline, is a secretariat consisting of currently seven staff members. The DSIF team is thus spread thinly.

One consequence of this has been that DSIF has needed to optimize its use of resources and has thus been concentrating on fewer and larger investments based on a logic that the draw on staff resources for a larger project is not proportionally larger compared to a smaller project[9]. However, a downside of this shift is that DSIF currently only approves around one project per year and as such DSIF now operates in a small number of countries, which reduces its geographic reach and furthermore, it concentrates the risk if an approved project should go wrong. This risk is further exacerbated by the fact that DSIF normally do not work in partnership with other investors due to the tied aid modality, which means that DSIF spends an unproportional amount of resources to manage expectations with public

[9] Average project size from 2001-2009 was DKK 96 million, Average project size from 2010-19 was DKK 454 million and the five projects approved from 2016-19 averaged almost DKK 1 billion.

partners, and to work on finding good solutions to challenging projects – risks and tasks that are not shared with others.

It takes long time and many resources to mature a project. With a focus on few large projects, DSIF has a thin pipeline. This makes DSIF vulnerable if DSIF for some reason can no longer proceed with a pipeline project as planned. One example is a project in Mali, where DSIF had allocated significant human resources over 3-4 years (including COVID delays) and spent DKK 3.3 million on a feasibility study. However, the coup d'état and the deteriorating political situation in Mali forced DSIF to discontinue a considerable investment incl. co-financing with other partners. This was a great a loss and even more so when working with a limited pipeline.

Monitoring of results
On the important mandate to deliver on the poverty reduction agenda, DSIF has been challenged to evidence its contribution. The evaluation found that DSIF has a focus on the output level and has made inadequate efforts to define and quantify development outcome objectives and, more importantly, track achievements. Despite provisions for engaging 'outcome consultants' this has not been utilised, and as such DSIF results frameworks have not consistently been sufficiently linked to a ToC approach.

Governance
Since IFU took over the administrative responsibility for DSIF in IFU, MFA has maintained close ties with DSIF e.g. in terms of approval mechanisms, where DSIF projects follow normal MFA approval procedures and are thus on an individual basis presented for comments in the MFA Programme Committee and for approval in the Council for Development Policy in MFA (UPR). The 2022 evaluation found that the approval mechanisms established in 2017 created overlap and duplication between IFU and MFA at key stages during the project cycle, resulting in additional workload for DSIF staff and longer processing times as documents have had to be prepared and presented to both MFA and IFU. DSIF has been moved away from MFA, but has not been truly integrated into IFU. As an example, DSIF has not fully benefitted from the IFU expertise in support functions such as the legal and the sustainability teams.

Financing
The DSIF implementation model implies that a Danish commercial bank is lender of record on DSIF's infrastructure loans and the Export and Investment Fund of Denmark (EIFO) guarantees the loan (cf. figure in Annex 2). DSIF has provided grants to cover interest rates, potential subsidy of element to the loan and costs related to the guarantee. From the outset the ambition was that multiple Danish banks should be involved, but in practice today, only Danske Bank that is involved with DSIF at this stage. This is a vulnerable set-up if the Danish Commercial bank should decide to a) withdraw entirely, b) not be willing/able to invest in certain geographic locations, c) increase prices, and/or d) accept low degree of flexibility in the loan package.

OECD financing rules
The current DSIF tied aid financing scheme requires DSIF to have a minimum grant element of 35%[10] attached to each investment to live up to OECD minimum requirements in terms of how much can count as development assistance. DSIF has provided the grant element in the form of e.g. interest subsidies, contribution to reduce loan principal, as well as technical assistance. This requirement has reduced the flexibility to put together the most optimal loan package.

Summing up
With the evaluation as a backdrop and with the aim to work towards OneIFU, to help close the international financing gap for large infrastructure projects and strengthen the focus on least developed coun-

[10] 50% for LCDs and 35% for other developing countries (DAC registered ODA recipients)

tries, especially Africa, to work towards serving an increased part of the underserved (poverty orientation), the Danish Minister for Development Policy and Global Climate Policy approved in December 2023 to undertake a reform of the objective, rationale and implementation modality of DSIF, working along **three strategic pillars** of the DSIF 2.0:

- **IFU lender responsibility:** IFU will include DSIF 2.0 in its partnership with the Danish on-lending facility (Statens Genudlån) and take over lending responsibilities from the commercial bank.
- **Shift from tied to untied aid:** DSIF 2.0 will not be tied to Danish companies.
- **Full strategic and operational integration of DSIF 2.0 into IFU:** Organisationally DSIF 2.0 will be fully transferred to IFU including the mandate to approve new projects.

2.6 Strategic considerations

The three strategic pillars provide a range of opportunities that IFU within this appropriation will work to translate into improved efficiency and stronger development impact. On top of these, the two overall Danish policy principles of ensuring impact & poverty reduction as well as a focus on climate change & green transition are also strategic considerations, which must underpin the design of DSIF 2.0.

2.6.1 Stronger focus on development impact – reaching the poorest

Public infrastructure investments are in many cases providing public good services within areas and sectors where it is hard to develop investment projects based on private commercial funding. DSIF 2.0 can unleash investment in public good infrastructure that has the potential to reach a large number of beneficiaries including vulnerable segments of the population. As such the addition of DSIF 2.0 to IFU's toolbox will increase the ability of IFU to fulfil its objective to building a greener, more just and inclusive economy. DSIF 2.0 will be flexible and take a differentiated approach in its engagements.

In the past 10 years DSIF has invested in 12 projects in the water and energy sector. The total budget of the 12 projects amounts to DKK 7.6 billion of which DSIF has committed total grants worth DKK 4 billion. DSIF expects that the projects will give more than 12 million people access to clean water or energy, treat wastewater from 2.3 million people and reduce CO_2 emissions with more than 300,000 tonnes per year. Of the DKK 7.6 billion, 47% of DSIF's investments were in Africa, 36% in Asia, 6% in Eastern Europe and 11% in Latin America (cf. table 1).

Table 1: Presentation of DSIF portfolio and expected impact

No. of projects in the past 10 years	DSIF Grant (DKK)	Number of people with access to water/energy	No. of people with access to waste-water treatment	Tonnes of CO2 equivalent reduction /year
Nine in water sector	3,163,100,000	8,950,000	2,286,500	4,770 t CO_2 / year
Three in energy sector	870,000,000	3,239,000	NA	328,990 t CO_2 / year
Total 12 projects	**4,033,100,000**	**12,189,000**	**2,286,500**	**333,760 t CO_2 / year**

DSIF 2.0 will concentrate its activity in LDCs and LMICs, but may also cater to MFA priorities set out in the Ownership Document, such as JETP and Global Gateway deliverables. The reformed DSIF 2.0 will further strengthen the effort to identify and finance projects also in FCAS countries - amongst other through partnerships. DSIF 2.0 projects in LDCs or fragile contexts will benefit from concessional loans combined with support elements, which IFU will tailor specifically to the particular needs of the projects. The untying of DSIF changes subsidy rules and so DSIF can chose to apply high degree of concessionality in LDC or FCAS countries will and low concessionality in LMICs. DSIF will allocate the majority of the grants available under this appropriation to projects in Africa and in LDCs and FCAS. For projects in LMICs and in Asia the main instruments will be loans with limited grant elements. Drawing on the government on-lending facility, IFU will as lender of record be able to provide loans with longer tenures and interests below market rates, which will reduce the need for interest rate subsidies.

Within the targeted countries, DSIF 2.0 will work to ensure that the project locations will also include underserved regions and target groups. Furthermore, there will be a strong focus on underserved target groups in the conceptualisation and design phases of the projects.

2.6.2 Green transition and climate

IFU has increased its focus on green transition and climate change over the years. In 2023, 75 per cent of IFU's new direct investments were classified as climate finance, thereby meeting the annual target of 50 per cent for climate investments[11]. Guided by its Climate Policy (from 2022), IFU is continuously strengthening its efforts to contribute to the stabilisation of GHG concentrations in the atmosphere by financing projects that avoid or reduce GHG emissions or increase sequestration (climate mitigation). Furthermore, IFU continues to invest in building resilience of societies towards the effects of global warming and reduce vulnerability for countries and populations in its areas of operation (climate adaptation).

Box 3: IFU climate policy targets

IFU's Climate Policy sets the direction for the identification and selection of all investment projects. Targets are:

1. Achieving net-zero portfolio emissions by 2040 at the latest: IFU will continuously report on the current greenhouse gas emissions in the portfolio and present an outlook for the future, with a road-map towards its target of net-zero by 2040.
2. Decreasing 3-year rolling average of carbon intensity measured at sector level
3. Having minimum 50% of all new direct investment volume contracted between 2022-2024 qualifying as climate finance
4. Screening of all new investment opportunities against do no significant harm on climate impact (mitigation) and risk (adaptation)

IFU has developed tools and systems related to climate financing including application of the EU Taxonomy. For the commercial part of IFU, investments in climate adaptation can be more challenging compared to those in climate mitigation, as they tend to involve mainly public sector actors, a larger number of stakeholders, have a lower return and be riskier. DSIF 2.0 offers complementarity as DSIF has a strong portfolio of water projects, which have been challenging to realise with the commercial IFU instruments. Access to clean water is a global challenge that is accelerated by climate change, and as such, water projects in many cases have a strong climate adaptation dimension. DSIF 2.0 will continue the strong focus on water and wastewater infrastructure, which contributes to IFU's portfolio of climate adaptation projects in line with Danish policy priorities.

2.6.3 Pillar 1: New sources of finance – driving scale

Drawing on the State on-lending Facility

DSIF can access a window of up to DKK 5.4 billion up until 2030 from the Danish government on-lending facility. With this loan facility, IFU will replace the commercial bank as lender of record, and provide the infrastructure loans required for DSIF 2.0 projects.

This new financing modality will lower the cost of financing[12] and within the framework provided by the government on-lending facility increase DSIF flexibility e.g. to extend loan tenure and differentiate concessionality depending on the recipient country and partners involved. Furthermore, DSIF can combine the loan with a grant component and thereby DSIF 2.0 will have improved opportunities for putting

[11] IFU's largest sector of investment is Green energy and infrastructure with an total outstanding investment volume of DKK 3.3 billion. The green energy projects have installed and commissioned close to 2,800 megawatts of renewable energy in developing countries. Annual production was more than 5,000 GWh that led to avoided green house gas emissions of 3.5 million tonnes.

[12] DSIF calculations shows that the expected saving will be DKK 389 million in the period on the interest rate on the loan (funding renten), not consideraing differences in fees nor in market fluctuations.

together a relevant and tailored loan package. It will be IFU's responsibility to manage liquidity and interest rate risks related to the use of state on-lending in accordance with IFU's financial policy as set by IFU's Board. MFA will continue to cover losses incurred when loans default via ODA. Operationally the shift from a commercial bank to IFU as lender of record also comes with an expectation that IFUs capital is more patient than that of a commercial bank, and so IFU will be in position to restructure a loan in default rather than calling the loan. Regardsless of this advantage, the shift to IFU as lender of record will require the establishment of principles by which the MFA has assurances that IFU will manage its DSIF lending activity with the right balance of financial prudence and risk appetite. Annex 2 provides an overview of new DSIF 2.0 lending structure compared to the current set-up.

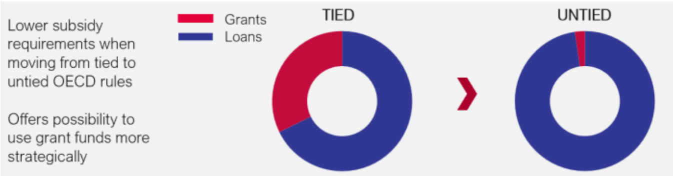
DSIF operational costs and sustainability
An important implication of the introduction of this loan facility is that it will allow IFU build in a fee in its interest to cover the DSIF 2.0 operational costs, which the MFA up until now have financed via an administration agreement with IFU. The MFA and IFU will jointly design a modality for phasing out the MFA cost coverage for DSIF administration, as IFU builds up its DSIF 2.0 loan portfolio (cf. budget section).

2.6.4 Pillar 2: From tied to un-tied investments

The un-tying of DSIF 2.0 represents a significant strategic shift, compared to the current DSIF set-up. With the shift come several opportunities for improving the efficiency, effectiveness and ultimately the impact of DSIF 2.0.

A flexible financing modality
The shift from a tied to an untied modality reduces the subsidy requirements to live up to OECD rules. As such it is no longer the subsidy requirement that determines the composition of the loan package. DSIF 2.0 will therefore have much greater flexibility to adapt the grant element to the needs of the partners and include a variety of support elements as needed to maximise the impact of the projects.

Figure 3: Tied vs. Untied project financing



In some projects, the lender will have the capacity to cover a larger proportion of the loan with a smaller grant element compared to current practice, cf. illustration in figure 3. In some cases, e.g. in an LDC country, DSIF 2.0 may choose to maintain a high grant element, but overall, the mobilisation factor will be higher, and DSIF 2.0 will thus have more resources to strengthen outreach and engage in a larger number of projects with the same funding frame available. Depending on the success in developing the new portfolio with lower grant elements, it may be that the limiting factor ends up being the state on-lending window of DKK 5.4 billion rather than the DKK 400 million/year in grant elements.

New partnerships
The un-tied modality will open up for new ways for DSIF 2.0 to engage in strategic partnerships with e.g. other DFIs, investors and donors in projects with joint project financing- and ownership. This among others opens up for synergies in terms of administration, due diligence burden sharing, learning, and financing.

This allows DSIF 2.0 to step into different capital structures, where DSIF in some projects will play a leading role and in others a minor role. DSIF 2.0 will be able to invest in a larger number of projects with a smaller ticket size as compared to the few and large projects currently being funded, which allows DSIF to spread risk across several projects. IFU will in the coming years apply an adaptive learning approach to the operationalization of DSIF 2.0 and the opportunities that the un-tied modality offers.

Engaging the Danish resource base

One of the advantages in the tied version of DSIF has been a 'guarantee' that the projects applied high quality Danish knowhow and technology. In the world market, Danish technology is known for being more expensive than e.g. Asian technology but also to have lower life-cycle costs due to higher quality, lower maintenance costs and better warrantees. Although, the new DSIF will be untied, the Danish commercial interest will remain relevant and is a political priority. It is, therefore, essential that DSIF 2.0 include sustainability and life cycle considerations in the project design in order to ensure that DSIF projects continue to deliver high quality technology and equipment. When working in partnerships with others, this will be a key additionality of DSIF 2.0 involvement already from the project development phase. In a more flexible DSIF 2.0 and when entering into partnerships with others as a co-financer, DSIF's ticket size will go down, and administrative and management costs are shared. This will also make contract sizes more manageable for the Danish companies that generally have struggled to bid for the very large contracts, which DSIF currently offer.

The ability to engage in joint projects with a range of different stakeholders comprises also the Danish Export and Investment Fund of Denmark (EIFO), which is financing Danish companies with loans and equity. To the extent that the EIFO projects comprise public components, DSIF 2.0 could offer a larger financial muscle and become a relevant partner. This would, however, imply that only Danish companies would be involved in these projects, as EIFO is tied to Danish companies. DSIF will explore this partnership modality further.

All in all, DSIF envisages that Danish companies will continue bidding for DSIF 2.0 funded contracts.

2.6.5 Pillar 3: Full strategic and operational integration of DSIF 2.0 into IFU

The integration of DSIF into IFU began in 2017 with the physical relocation of MFA staff to IFU and IFU taking over the administrative responsibility. The full integration will, where IFU takes over DSIF strategic direction of DSIF, has a bearing on governance and management from MFA ownership modality to everyday DSIF 2.0 decision making in IFU. DSIF will evolve from being an autonomous entity to become one of multiple instruments in the OneIFU toolbox.

The strategic and operational integration of DSIF into IFU will have a number of implications on the governance of DSIF at multiple levels.

Table 2: IFU Governance levels

Level	Key governance modalities relevant to DSIF
MFA overall ownership	- DSIF 2.0 will be fully integrated in MFA oversight of IFU and IFU instruments. - The Council for Development Policy will no longer approve individual DSIF projects but follow DSIF in the annual consultation. - Yearly meetings between IFU and the Minister for Development Cooperation and Climate Policy.
Board	- IFU Board will be fully responsible for the assessment and approval of DSIF investments. - MFA is represented in the Board of IFU. - MFA holds semi-annual meetings with IFU Board chairmanship.
IFU management	- IFU management takes complete strategic ownership of DSIF. - DSIF is included in IFU systems and procedures. - MFA quarterly meeting with IFU management. - MFA representative in the DSIF Investment Committee.
Day-to-day	- Senior Vice President in IFU with responsibility for the DSIF. - Full strategic and operational integration of DSIF into IFU. - The DSIF team draws on IFU management and IFU support structures.

IFU assessment and approval mechanisms

DSIF 2.0 will be fully integrated into IFU's project assessment and approval mechanisms. As such the future DSIF 2.0 projects will go through IFU's investment decision process: First Gate, Clearance in Principle (CIP) and Binding Commitment (BC) similar to all other IFU projects. IFU's Investment Committee, under the overall responsibility of IFU management and Board of Directors, will be responsible for approving DSIF 2.0 projects. It will be necessary to adjust the Ownership Document to reflect the above (cf. section 7 on governance).

The focus and scope of the non-commercial DSIF 2.0 projects differ from standard IFU projects that has a stronger commercial orientation. Consequently, the strategic and operational integration of DSIF 2.0 in IFU's project approval system requires that IFU's systems and procedures are revisited in terms of templates, timelines and criteria to cater for the particularities of DSIF 2.0 projects. In this process, IFU will draw on the recent experience with establishing the Development Guarantee Facility (DGF), which also required adjustments in the IFU system. Similar to the DGF, the MFA will appoint a representative to join IFU's Investment Committee when they review DSIF proposals for CIP and BC.

IFU results measurement systems
DSIF will align to the standards for IFU results measurement, which includes requirements to project partners' regular reporting (typically quarterly) on the progress in implementation. Furthermore, DSIF will benefit from the systems and procedures established as well as the M&E technical inputs from the sustainability team. As a response to the Evaluation, DSIF must improve its results measurement and the integration into IFU provides a good basis. IFU is currently reporting on both output, outcome and impact level of its investments. While DSIF 2.0 will do the same, the different logics as well as different time spans in the projects requires some work to align the DSIF system into IFU's systems.

IFU project organisation and policy framework
It is important that IFU has a project organisation with sufficient capacity to operate – sufficiency both in terms of manpower as well as skills set. The DSIF 2.0 team must have the right capacity, but just as important, that the other parts of IFU's organization such as support functions, Investment Committee, Management, and Board are knowledgeable and equipped to engage, support, guide and approve future DSIF 2.0 projects.

IFU has a set of well-developed policies including an investment policy, climate policy, gender policy, anti-corruption policy. With a full strategic and operational integration of DSIF into IFU, DSIF projects will have to live up to these polices, and the DSIF team will report internally on its compliance (see IFU policies in Annex 2).

Shift from MFA project oversight to institutional management
Central to the integration of DSIF into IFU is the MFA oversight and management, which will shift from the individual DSIF project to a portfolio consideration at programme-level, based on the already existing structures for dialogue established between MFA and IFU as per the Ownership Document. This shift also implies a shift away from the current disbursement-based management (udbetalingsstyring) to a commitment-based management (tilsagnsstyring). See further in section 7.1 below.

2.7 Justification

Relevance
Preparatory studies confirm that there is a large public infrastructure-financing gap, and as such, the focus of DSIF 2.0 remains a highly relevant and complementary to IFU's more commercially oriented instruments. DSIF 2.0 will be aligned to IFU thematic priorities and continue to focus on the water and energy sectors, where the need of investments is significant and opportunities for a financial instrument targeting the public sector is particularly relevant. With these priorities, DSIF 2.0 must reach underserved segments of the population and is as such strongly aligned to Danish policies and priorities as well as needs in the partner countries.

Coherence
DSIF 2.0 is complementary to the more commercial IFU instruments enabling IFU to target a broader range of projects. With an un-tied mandate, DSIF 2.0 strongly enhances its possibility to engage into

partnerships and co-invest with other donors and investors. Furthermore, a more flexible and responsive DSIF 2.0 with a shorter project preparation timeline will have better opportunities to engage in opportunities identified in the bilateral country frameworks including strategic sector cooperation and as such ensure stronger relevance and coherence between DSIF 2.0 and the portfolios of the Danish Embassies. To succeed with this agenda, the dialogue and engagement with the Danish Embassies is essential.

Effectiveness
DSIF 2.0 will have a high level of effectiveness, as it will be built on the foundation of DSIF's already existing portfolio of projects and a pipeline. As such DSIF 2.0 will benefit from experience with and expertise in the opportunities and challenges that are linked to investing in public infrastructure in LDCs and LMICs. Compared to the current DSIF funding model, which by its ties to Danish companies becomes rigid among others due to the lack of possibility to enter into partnerships with others, DSIF 2.0 will be in much better shape to design a package (combining loans, grants, TA), which suits the needs and demands in the individual projects.

Efficiency
DSIF 2.0 will be fully integrated into IFU, which will replace the current system, where approval of DSIF projects have to go through both the IFU approval mechanisms as well as the MFA approval mechanisms. This will strengthen efficiency in administration and save time to avoid double reporting and overlapping approval procedures. Furthermore, the new set-up creates clarity about the ownership and responsibility of DSIF 2.0 and strengthens strategic alignment. DSIF 2.0 will be fully integrated in IFU's ICT systems and be able to draw on IFU support functions, which will further strengthen efficiency.

Impact
DSIF public infrastructure projects have a considerable potential to deliver essential basic services as e.g. water and energy to a large number of people, including underserved segments of the population. The new modalities and tools included under DSIF 2.0 increases the possibilities to engage in public infrastructure services at scale. DSIF 2.0 will be able to engage in partnerships with investors and facilities already operating in challenging contexts, e.g. fragile states. As such, DSIF 2.0 will be able to also engage in projects in contexts, which have proven challenging in the current DSIF implementation modality, for example due to lack of interest from Danish companies.

IFU, as an impact investor, has well-developed procedures to work towards achieving the highest possible impact of investment projects. DSIF will achieve development results within different thematic areas depending on the nature of the individual investments, e.g. increase the share of renewable energy, increase energy efficiency or secure more clean water to the population. Over time, the impact of the projects will help reduce the negative impact of climate change on the population and environment. Access to clean water is increasingly a key part of climate change adaptation strategies and holds the potential to reduce diseases, and in rural areas to improve agricultural productivity and thereby ensure climate resilient food security and safety. Annex 2 provides an overview of the IFU investment process and the criteria against which IFU assesses and scores potential projects to ensure the desired impact from its investments.

Sustainability
By integrating DSIF 2.0 fully into IFU, DSIF 2.0 projects must comply fully with IFU standards on sustainability and ESG as outlined in IFU's applicable policies. By placing the DSIF 2.0 lending facility within IFU, IFU will be able to claim a margin on the DSIF 2.0 loans, which may cover the operational costs of the DSIF 2.0 team within IFU and thereby replace the current administrative grant from MFA with a more long-term sustainable solution. However, given the nature of concessional finance, IFU will continue to depend on an inflow of grants to finance DSIF 2.0 project activities.

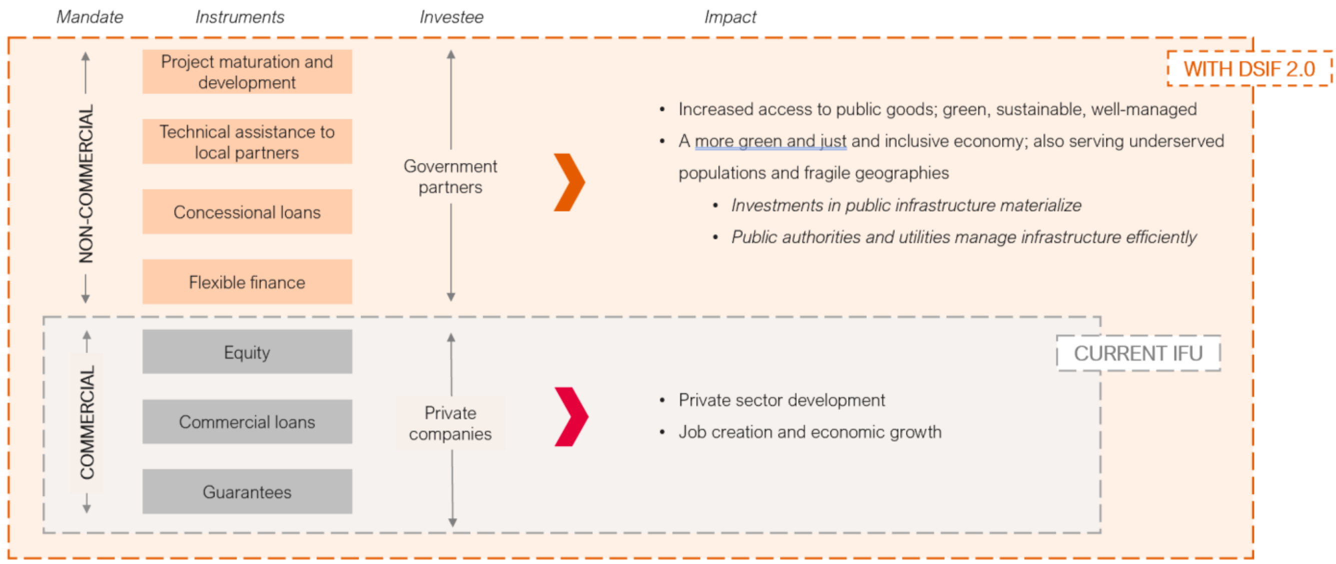
The experience of the DSIF programme combined with the ability to put together more flexible loan packages adapted to the need and demand of partners, and IFU's extensive and flexible toolbox will ensure strong project level sustainability.

Additionality
IFU has a range of well-established financing instruments, such as the SDG Fund, the Green Future Fund, and IFU-equity investments (sometimes referred to as "IFU Classic"), which each have distinctive characteristics. Compared to the existing instruments, the additionality of DSIF 2.0 consists of four elements:

- Additional investment capital to fill public financing gap which the market cannot meet on its own at the needed pace (financial additionality),
- Value additionality to the investments and the investment companies by application of IFU's high ESG standards and life cycle cost considerations to be included in project design and financing.
- Flexibility for IFU to be more innovative in its investments, which increases the potential of undertaking investments that may not otherwise have been possible using the current instruments,
- Development additionality with a strong focus on serving underserved parts of the population in the targeted countries – geographical and demographic areas that are often not prioritised by private sector capital, and
- Stronger coherence with the work and portfolio of the Danish Embassies and IFU offices.

Figure 4 below suggests ways in which DSIF 2.0 may complement the more commercial focus of the traditional IFU instruments. With DSIF 2.0, IFU will strategically integrate public sector non-commercial projects, which have the potential to unleash public infrastructure investments, which at scale can reach segments of the populations that are currently underserved. This is fully in line with IFU's impact objectives.

Figure 4: Complementarity of DSIF 2.0 to IFU



3 Project Objective

It is important for coherence that the objective of DSIF 2.0 underpins the objective of IFU as the institution fully responsible for DSIF 2.0 implementation, development and management. The overall objective of IFU is *to contribute to building a greener, more just and inclusive economy with respect to national policies and frameworks in the countries where IFU invests*. IFU has two stated overall impact priorities which are: 1) building a green economy and 2) building a just and inclusive economy.

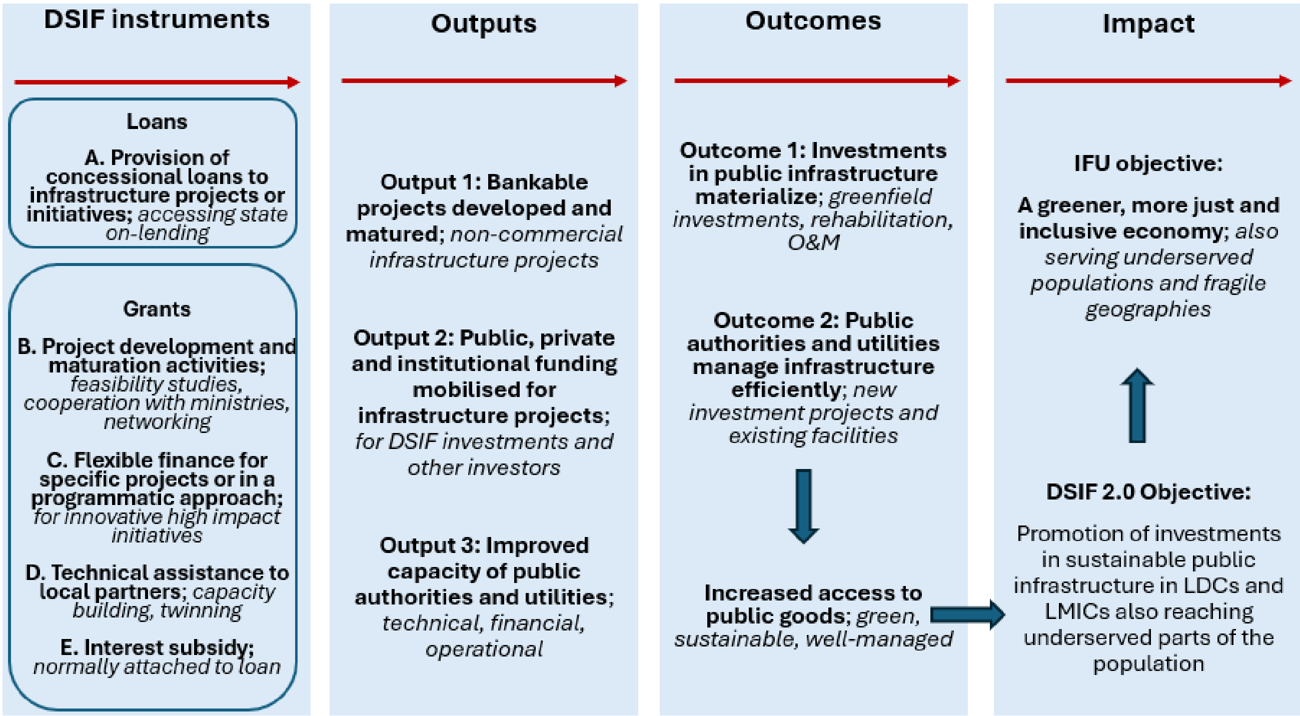
The overall objective of the reformed DSIF is *to promote sustainable investments in public infrastructure in LDCs and LMICs also reaching underserved parts of the population*.

DSIF 2.0 will have a strong focus on water and energy sectors, on least developed countries and fragile states, and a special focus on Africa. This is in line with newest Danish policy priorities and the stated objective of DSIF 2.0 is fully aligned to IFUs objective and impact priorities. DSIF 2.0 will become an important instrument for IFU to contribute to fulfilling the Danish policy priorities and to deliver on its mandate.

4 Theory of Change and key assumptions

The rethinking and reorganisation of DSIF aims to increase access to public goods in a sustainable manner in underserved areas by establishing a broader and more flexible financing 'toolbox' for IFU. The implication of the three strategic pillars that underpin the shift to from DSIF to DSIF 2.0 is that DSIF 2.0 will have an expanded number of instruments and approaches that can be put into use in a flexible manner to increase impact and assist IFU to deliver on its mandate and overall objective. The figure below illustrates the overall results chain of DSIF 2.0 engagements. The DSIF instruments (A-E in figure 5 below) and their links to three distinct outputs are explained below.

Figure 5: DSIF 2.0 Theory of Change



4.1 DSIF 2.0 instruments – the toolbox

Overall, DSIF 2.0 has two main funding channels: loans and grants. Towards 2030, the DSIF 2.0 lending window via the state on-lending facility is up to 5.4 billion DKK, and the MFA subsidy totals, 7 x DKK 400 million, 2.8 billion.

AD A) Provision of concessional loans

A cornerstone in the DSIF 2.0 toolbox is concessional loans to finance public infrastructure projects, which cannot obtain financing on market terms. Access to the Danish government on-lending facility enables IFU to provide concessional loans to the relevant public authorities in the partner countries. **This will contribute to DSIF 2.0 output 2.**

AD B) Grants to project development and maturation activities

The lack of access to essential infrastructure is the main problem that DSIF 2.0 addresses. A first challenge is the lack of investable projects. DSIF 2.0 will draw on the positive experience from the Project Development Facility[13] (PDF), which has allowed DSIF to take a much more pro-active role in the project development and maturation. DSIF 2.0 will have the tools to build an understanding of the service gaps, identify infrastructure investment opportunities and develop these into bankable projects with solid development impact.

DSIF 2.0 will engage in project development and project maturation activities. By applying the existing capacity, knowledge and network of DSIF, DSIF 2.0 will continue to fund project preparatory work as e.g. project screenings, feasibility studies, preparation of tender documents, setting up results measurement systems etc. DSIF 2.0 will work directly with relevant line ministries to identify relevant investment projects and help them mature until bankable. **This will lead to DSIF 2.0 output 1.**

Under DSIF 2.0, these activities can be broader in scope and geography than under DSIF, as DSIF 2.0 is not limited by Danish commercial interests. This is likely to bring new opportunities that are fully aligned with both the overall Danish policy priorities and with IFU's objectives, and which can contribute to even greater impact of DSIF 2.0's engagements.

AD C) Flexible finance

DSIF may combine the concessional loans with innovative and flexible grant financing to develop financial packages well suited to the context and to needs of the project partner. Examples include:

Programmatic approaches

The need for access to infrastructure in the rural and remote areas in DSIF 2.0 target countries is significant, but not necessarily in the form of the large-scale investments, which characterise traditional DSIF projects. The needs are often in small scale, such as e.g. widespread energy- or water supply facilities, where the costs for DSIF to engage on its own would be too high. With its untied mandate DSIF 2.0 will be able to provide more programmatic finance. This can be in the form of e.g. intermediary financing with/in strategically selected partners e.g. national or regional development finance institutions, which in turn on-lends or invests in smaller projects within the same sphere as DSIF 2.0, but which would be too small, too risky, in too fragile a context etc. for DSIF 2.0 to enter into directly. By developing partnerships and providing finance through such institutions, DSIF 2.0 can potentially have even broader impact and reach other more hard-to-reach target groups in more remote areas. This type of more flexible funding with a programmatic approach (for TA, identification studies etc) coupled with a concessional loan to the specific institution or partner in questions will **contribute to DSIF 2.0 output 2**.

[13] The PDF facility runs until 2025. Once the funds under the current PDF have been exhausted, the resources for project development and maturation activities will be drawn from this appropriation.

The ambition is that DSIF 2.0 through partnerships will be able to engage also in countries where it would be challenging to engage alone. One example is Ukraine, where DSIF has managed to finance critical infrastructure projects through a partnership with the European Bank for Reconstruction and Development (EBRD). EBRD had a project under implementation from the start of the war which, could not be finalised due to extra funds needed. DSIF provided an investment grant and a TA grant, which has allowed the project to resume. Several IFIs are active inside Ukraine but lack the ability to mobilize more loan financing to the country. Another example is provided in Box 4. Loan and grant financing in very fragile states through selected partners may allow DSIF 2.0 to have an impact, also in hard-to-reach countries.

Box 4: Programmatic approach through finance intermediary

DSIF is currently exploring an opportunity to partner up with Water Sector Trust Fund (WSTF) in Kenya. The WSTF is a Kenyan State Corporation under the Ministry of Water, Sanitation and Irrigation, with the mandate to provide conditional and unconditional grants to the Counties and to assist in financing the development of and management of water and sanitation services in the marginalised and underserved areas.

WSTF has a results-based investment program, where they leverage and subsidise loans from local financing institutions. DSIF is considering providing funding for WSTF that can be on-lend through local commercial banks to county/municipal water utilities for investment in water infrastructure. This can be supported with TA funds for selected engagements, e.g. preparation of viable project proposals.

It could also be considered to include support through IFU guarantee facility to leverage more loans from commercial banks. Denmark is also providing support for WSTF through its bilateral portfolio.

Partnering in PPPs

One of the main challenges in the LDCs and LMICs is lack of public finance for infrastructure projects. One way of addressing this challenge is by entering into Public-Private Partnerships (PPP) in order to spread the risk and mobilise other sources of finance. DSIF 2.0 can participate in PPPs supporting the public partner in the PPPs. DSIF 2.0's contribution with concessional loans can help mobilise other sources of public, private and institutional capital (see example in Box 5). DSIF expects the PPP modality to be most relevant in LMICs with more developed economies. The key contribution of DSIF will be risk willing capital at a cost below market rates, i.e. a concessional loan. Combined with strategic TA inputs, DSIF can become a catalyst for PPP projects to take off. This is another pathway, which will also **contribute to DSIF 2.0 output 2**.

Box 5: Public Private Partnership (PPP) – an example of a mobilization of private capital

DSIF is currently exploring an opportunity to join Invest International and other partners in the financing of a waste to energy project to be tendered as a PPP. The city of Johannesburg is not able to finance the project on its balance sheet and does not have the expertise to operate the project. The PPP will have a duration of 20 years after which the ownership and operation will be transferred back to the city. The project will be tendered to the private sector based on agreed performance indicators including the return on capital invested that the private partner expects to be interested to join the tender process.

To make the project both affordable for the citizens and to meet the private investors return requirement the assumption is that financing of the investment beside an equity investment (estimated at 15%) will include a mix of grants (25%), concessional loans (25%) and commercial loans (35%). DSIF will potentially join with concessional debt and Invest International (NL) and the City of Johannesburg with grants. 1 DKK of concessional debt will mobilize DKK 3 of additional financing of which DKK 2 is private financing.

In this example, in the OneIFU approach, IFU would assess the project and consider which IFU instrument is the best fit for the project. If the investment is feasible with commercial equity or debt, then consessional finance from DSIF 2.0 will not be utilised.

Innovative financing

With a broader and untied mandate, DSIF 2.0 will be able to put together more flexible finance packages that can support relevant partners and initiatives that can have a high impact, either in its own right or tied to other investments and partnerships that DSIF/DSIF 2.0 is already engaged in.

This could be incentive-driven/results-based grants to partners subject to fulfilment of agreed targets (see example in box 6). The aim with this modality is to further boost the development results in targeted sectors in target countries, and to mobilise additional funding for infrastructure projects from other sources. These approaches will in turn **contribute both to DSIF 2.0 output 2 and output 3**.

Box 6: Results-based approaches

Under DSIF 2.0, IFU will also test results-based approaches where the grant elements in the projects are paid out subject to agreed performance criteria. Under this modality DSIF 2.0 will also be able to incentivise partners to target e.g. gender equality or solutions with high climate impact.

Non-revenue water is an example of an area where results based approached could prove to be highly relevant.

AD D+E) More 'classic' TA arrangements and interest subsidies

Besides the lack of finance in itself to public infrastructure projects, another challenge is the low capacity in the institutional structures that should run, manage, and maintain the investments. The capacity gaps can be technical, organisational, commercial etc,. which in themselves impact investors' willingness to engage. To increase capacity in relevant sectors and with relevant partners in the countries DSIF 2.0 engage in, DSIF 2.0 may provide technical assistance with the aim to ensure that the infrastructure in which DSIF 2.0 and others engage will be well run in a sustainable manner. Efforts can include direct capacity building of public authorities and utilities, twinning arrangements between relevant Danish authorities and utilities and their relevant local counterpart, or other relevant TA engagements. By building financial, technical and/or operational capacity on a need basis (output), DSIF 2.0 will contribute to more efficient management of public infrastructure, which have either been established through DSIF 2.0 financing or financed through other sources, i.e. **contribute to DSIF 2.0 output 3**.

Box 7: Twinning arrangements

In several projects DSIF has succeeded in engaging Danish utilities such as Fjernvarme Fyn (Ukraine) and Århus Vand (Ghana) to engage in projects based on their significant operational experience.

These partnerships have proven beneficial and are foreseen to be further expanded.

Lastly, grants can also be used to subsidise interest rates with the public sector lender, as has traditionally been one of the core DSIF 1.0 instruments.

4.2 Expected results – outcome level

DSIF 2.0 will in its approach be flexible and apply its instruments in a manner, which ensures relevance, coherence, effectiveness, efficiency, impact, and sustainability of its portfolio, whether that being loans or the different types of grants. The application of the different instruments and how each initiative/project will be specifically designed depend on a number of parameters such as country, sector, previous knowledge, network, partnerships etc. attached to the individual engagement. At the outcome level this will result in two main outcomes:

1. Investments in public infrastructure materializes
2. Public authorities and utilities manage infrastructure efficiently. Jointly these will lead to increased access to public goods.

Outcome 1: Investments in public infrastructure materializes

Investments in public infrastructure can take different forms. They will either be greenfield investments, where DSIF 2.0 will typically have been engaged in the project development and maturation phase. This is a long process, where DSIF 2.0 will activate its network and partnerships in countries and will also apply a mix of loan and grant capital.

In many partner countries, there will be some infrastructure already existing, which may not be well maintained and costly to operate – or maybe out of function. There is a good opportunity for DSIF 2.0 to use its flexible toolbox to engage in rehabilitation projects, where the need for loans might be considerably smaller, but where TA support elements are required. A third type of public infrastructure investment project would be O&M projects, where addressing capacity gaps is the main driver for the support, but where DSIF 2.0 with its flexible funding instruments, knowledge and networks is well positioned to enter into partnerships and supporting O&M capacity.

Outcome 2: public authorities and utilities manage infrastructure efficiently
There are ample opportunities for getting a high level of impact with a relatively smaller funding envelope compared to what DSIF historically has engaged in. These partnerships could both be with the public utility responsible for O&M and also be other institutions and organisations (technical, funding etc.) that operate in the same space. These activities will also contribute to the second outcome that public authorities and utilities manage infrastructure efficiently.

Ultimate outcome: Increased access to public goods
All together, the DSIF 2.0 engagements must seek to lead to the higher-level outcome of increased access to public goods in DSIF's partner countries. Due to the policies and strategies that govern both IFU and DSIF 2.0, and also the nature of the investments themselves, the investments will be green (green transformation and climate adaptation will be in focus), sustainable (operational and financial sustainability), and well-managed (increased capacity). Key performance indicators will be established for each engagement, which will ensure that this focus, and that the results will be reported.

As such the DSIF 2.0 projects, diverse in nature, through flexible and innovative application of the toolbox, will contribute to IFU's overall impact areas of a more green economy, as well as a more just and inclusive economy.

4.3 Key assumptions

In order to be able to apply the most relevant tools and move from output, through outcome to impact level for DSIF 2.0, the following assumptions need to hold true:

- National governments in targeted countries are willing to take loans to invest in public infrastructure.
- IFU is able to develop strategic partnerships with organisations, institutions, other funders to co-invest in public infrastructure.
- Partners (public and private) are risk-willing and prioritise to also be able to serve more rural, fragile, or poorer areas of the country/segments of the population.
- Agreements made are at a strategic level where short-term political interests will not negatively impact previously made long-term strategic decisions on infrastructure investments.
- Bankable greenfield projects can be developed within a reasonable time frame.
- Governments and public utilities see the benefits in rehabilitation projects (brownfield) and are willing to invest also in O&M.
- Capacity development efforts at institutional and personal level lead to more efficient and effective management of public utilities which ensures long-term successes.
- IFU manages to refine its systems to cater for the specifics of long-term investment projects with public partners with a strong focus on development impact.

- The DSIF 2.0 team in IFU possesses the right qualifications and competencies to strengthen projects' poverty reduction and broader development impact. The team also has solid local knowledge develop, co-create and steer the projects.

5 Summary of Results Framework

<table>
<tr><td>Project Title</td><td>DSIF 2.0</td></tr>
<tr><td>Project Objective</td><td>Promote sustainable investments in public infrastructure in LDCs and LMICs also reaching under-served parts of the population.</td></tr>
<tr><td>Impact Indicators</td><td>DSIF 2.0 impact indicators
- GHG emissions avoided / reduced
- GHG sequestration
- Number of new connections to energy for underserved groups (HIPSO) (# people)
- Number of new connections to water and wastewater services for underserved groups (HIPSO) (# people)
- Other relevant impact indicators with focus on the target group (# people) (adaptation)
DSIF 2.0 contribution to targets defined in IFU Ownership Document
- 50% climate
- 50% Africa
- 30% LDC & FCAS countries</td></tr>
</table>

<table>
<tr><td colspan="2">Outcome 1</td><td>Investments in public infrastructure materialize; greenfield investments, rehabilitation, O&M</td></tr>
<tr><td colspan="2">Outcome indicators</td><td>A) Number of bankable investment projects that DSIF invests in – disaggregated into:
- Country,
- Sector,
- Size of loan and size of grant
- Type of investment (greenfield, brownfield, O&M etc)
B) Sector specific indicators (depending on where investments materialize)
- RE Capacity installed (MW)
- Renewable energy generated (HIPSO) (GwH)
- Water consumption (HIPSO) (M3)
- Wastewater treated (HIPSO) (M3)
- Other TBD</td></tr>
<tr><td>Baseline</td><td>2024</td><td>NA</td></tr>
<tr><td>Target</td><td>2030</td><td>A) Targets are not set as it depends on the individual projects. Indicators are used for monitoring and reporting. It is the aim to live up to the targets established in the ownership document, cf. impact indicators.
B) Targets are not set as it depends on the individual projects.</td></tr>
</table>

<table>
<tr><td colspan="2">Outcome 2</td><td>Public authorities and utilities manage infrastructure efficiently; new investment projects and existing facilities</td></tr>
<tr><td colspan="2">Outcome indicators</td><td>A) Ratio of utilities/entities partnered with that report improved performance against agreed performance indicators (e.g. operational, financial, technical, administrative)</td></tr>
<tr><td>Baseline</td><td>2024</td><td>NA</td></tr>
<tr><td>Target</td><td>2030</td><td>A) Minimum 80% of utilities/entities partnered with report improved performance against agreed performance indicators upon DSIF 2.0 exit
Target for 2027 not relevant, as the investments are minimum 10 years.</td></tr>
</table>

See Annex 3 for details on indicators and targets related to the outputs as well.

6 Inputs/budget

Activity	2024	2025	2026	2027	2028	2029	2030	Total (mio DKK)
Outcome 1 – investments in public infrastructure materialise	360	359	360	359	360	359	360	**2,517**

Outcome 2 – Public authorities and utilities manage infrastructure efficiently	40	40	40	40	40	40	40	**280**
Reviews and TA to MFA's mgt. of DSIF 2.0		1		1		1		**3**
Total	**400**	**400**	**400**	**400**	**400**	**400**	**400**	**2,800**
DSIF 2.0 management and administration *(covered by MFA under a separate agreement)*	20	20	20	20	10	5	0	**95**
DSIF 2.0 management and administration *(covered by IFU and margin applied on loans)*	0	4	8	8	20	25	30	**95**

The budget of DKK 2.8 billion under this appropriation will co-exist with IFU's draw of up to DKK 5.4 billion from the government on-lending facility. As such the total combined loan and grant budget for DISF 2.0 allocated for the period 2024 to 2030 amounts to DKK 8.2 billion.

In the current set-up, the MFA subsidises IFU's administration of DSIF with an annual budget of DKK 15-20 million. The expectation is that DSIF's new lending business model, will allow IFU to charge a margin on the lending, which may make the operation of DSIF cost neutral.

7 Institutional and Management arrangement

7.1 Governance set-up

MFA Ownership
DSIF 2.0 will be strategically and operationally integrated in IFU and MFA oversight of DSIF 2.0 will be through the already established IFU channels for dialogue and oversight as described in the ownership document (see section 2.4). The current DSIF steering committee will discontinue[14] and DSIF matters integrated into the agenda of the coordination and oversight mechanisms that the Ownership Document establishes.

MFA and IFU will organise yearly meetings between IFU and the Minister for Development Cooperation and Climate Policy taking a point of departure in the ownership document. Furthermore, IFU under the framework of the "IFU capital contribution 2024-2030" will appear before UPR annually to account for progress of the reform of IFU and provide updates on results achieved based on an update of the result framework. In its annual consultations with the UPR, IFU will report on results for the year, relevant changes in context, critical assumptions and risks, and explain potential delays in results together with planned remedial action. The annual consultations will also focus on key issues such as organisational change, impact measurement, communication, and system developments in IFU. The progress on implementing DSIF 2.0 will be included in IFU's reporting to UPR, e.g. strategic discussions on DSIF direction and use of subsidies.

IFU Board
Going forward the IFU Board will have full ownership of the DSIF 2.0 instrument alongside other IFU instruments and be fully responsible for the assessment and approval of DSIF investments. MFA is represented in the Board of IFU – currently by the Head of KLIMA Department. MFA holds semi-annual meetings with IFU Board chairmanship. The MFA will also have a seat on IFU's Investment Committee, when it assesses DSIF projects.

[14] The current governance set-up is based on bi-annual meetings in the DSIF steering committee which comprises IFU Management and the Management of MFA's KLIMA office. In the steering committee the strategic framework for DSIF is agreed.

IFU Management
IFU management must take complete strategic ownership of DSIF and ensure that DSIF is fully included in IFU systems and procedures including the ICT systems currently being upgraded. IFU Management will update the MFA through quarterly meetings, covering both financial and other relevant reporting.

Day-To-Day Management
A senior Vice President is appointed in IFU with responsibility for the DSIF instrument. Currently, the DSIF team consists of seven staff of which one is based in Kenya. With the full strategic and operational integration of DSIF into IFU, the DSIF team will be able to draw on IFU management and IFU support structures.

7.2 Reporting

DSIF will be included in the IFU annual report and in relevant sustainability, impact and portfolio reports which are published on a regular basis. Furthermore, the progress of DSIF will be included in the progress reporting at the various level of dialogue between MFA and IFU.

MFA will carry out the following reviews of DSIF 2.0:

- An inception review in late 2025 to assess the progress in integrating DSIF 2.0 into IFU and developing systems, procedures and organisational capacity suitable for an efficient implementation of DSIF 2.0.
- A midterm review in 2027 according to AMG standards

7.3 IFU governance and institutional capacity

7.3.1 IFU gating system

A consequence of the strategic and operational integration of DSIF 2.0 into IFU is that the future DSIF 2.0 projects become part of the IFU investment decision process: First Gate, Clearance in Principle (CIP) and Binding Commitment (BC) (see Annex 2 for details). The individual investments projects will be assessed according to IFU's risk management principles and be subject to thorough due diligence (appraisal). The process includes screening projects for development impact and eligibility, preliminary clearance by the Investment Management Team (Gate 1), CIP in IFU´s Investment Committee and Board, and a final approval, Binding Commitment, in IFU´s Investment Committee and Board. The due diligence draws on in-house expertise and external consultants to assess opportunities and relevant risks related to policies and regulations, market potential, financials, governance and compliance, environmental, social and human rights risks etc. (See Annex 2 for information on the IFU assessment and approval mechanisms).

IFU's current systems guide the assessment of more commercial projects, in which IFU traditionally invest. The nature of a DSIF 2.0 project differs from the standard IFU project and hence there is at a very practical level a need to develop procedures, templates, timelines and assessment criteria that are specifically adapted to DSIF 2.0. IFU can in this respect draw from the recent experience from the newly established Guarantee Facility. The framework and tools for assessing and approving the first guarantee projects in IFU's system were initially not ideal, and there was a lack of common understanding of what defined a good guarantee project and against what criteria to assess the projects. IFU has now worked with and adjusted templates and procedures to ensure a better joint understanding of what is a good guarantee project. DSIF 2.0 can benefit from the learnings from this process.

The Investment Committee (IC) is lead by IFU's chief investment officer and consists of IFU's management (senior management and vice presidents). It is a key institution in IFU's gating system. Considering that the nature of the DSIF 2.0 projects differ from traditional IFU projects, the IC need to comprise sufficient capacity to assess and provide input to DSIF 2.0 projects. If relevant, IFU will consider attaching external expertise to the IC. Secondly, MFA will be represented in the IC when assessing DSIF 2.0 projects. This model has is already in operation on the guarantee projects and has proven to work well as it facilitates knowledge exchange and MFA perspectives are fed into the assessment and approval process. Based in learning from the Guarantee IC, it is important to develop ToRs for the MFA representative in the IC.

7.3.2 IFU capacity to deliver

Towards 2030, IFU will more than double its annual investments budgets and introduce and expand a range of new instruments to the IFU toolbox as e.g. the on-lending facility, IFU Impact Ventures and DSIF 2.0. To deliver on the ambition, while maintaining its rigorous investment decision process, high standards for ESG, and creating significant and measurable impact, IFU needs to strengthen its capacities to create results at greater scale.

In February 2024, IFU's board of directors approved a new strategic plan for 2024 to 2026, which will set IFU on the path to strengthen its capacities and expand the organisation. The strategic plan defines four key areas of strengthening:

1) Organisation, values & culture
2) Communications
3) Data & technology
4) Governance, risk and compliance.

Each of these four areas, identifies gaps to be closed and presents detailed plans with specific initiatives to set the direction.

Strengthening specialized, values and culture, revolves around growing IFU as an organization. Specifically, IFU must double the number of employees towards 2030 from its current ~110 Full Time Employees (FTEs) to 185-225 FTEs. With DSIF 2.0, new workstreams as e.g. the loan facility and results-based approaches need to be put in place and managed with proper systems, procedures and tools. This will require specialized skills set and draw on resources which, if not available in-house, will need to be sourced. DSIF expects to hire two additional team members in 2024 and two more in 2025.

IFU's will improve its **communication** to create greater awareness of IFU both domestically and in IFU's markets. Proactive communication and increased engagement in public debate must strengthen IFU profile and improve awareness around IFU's activities and how they create impact. A clearer position will also aid requirement and awareness among potential investment partners.

New requirements to the collection and reporting of impact and other none-financial data and a need to increase efficiency frames IFU's work to strengthen **data and technology**. Several new IT systems are planned for, with a new system to support IFU's investment process already under implementation. IFU created a new central operations unit in 2023, which will boost capacity by centralising selected tasks in the investment process. DSIF systems will be integrated into the new IFU ICT systems.

Governance, risk and compliance are of growing importance, as IFU expand its lending activity using on-lending and begin managing DSIF's lending. This will demand improved risk assessment and monitoring capabilities. IFU is strengthening its risk management framework and policies, expanding risk assessment capacity and risk and compliance functions. This will allow IFU to maintain high standards for risk management while activity levels increase.

The strategic plan and its initiatives will be implemented in the period 2024 to 2026. IFU's executive management are responsible for the execution of the plan and will report progress continuously to IFU's board of directors.

7.4 Monitoring and Evaluation

The DSIF 2.0 monitoring system will be further aligned to IFU's system to measure and document achievements and results with a strong focus on outcomes and impact. This is in direct response to one of the key findings in the Evaluation of DSIF – that strengthening of results monitoring and documentation is needed.

Level of individual investments
At the level of individual investments, IFU monitors impact by tracking key performance indicators according to a results framework. All investments provide regular financial reporting and annual reporting on impact.

During the pre-investment stages, IFU establishes a Theory of Change for each investment, which IFU uses to develop the impact results framework, with indicators and targets mutually agreed with the lender. Complimentary to IFU's standard portfolio and sectoral indicators, IFU can add relevant project-specific indicators to monitor the social and environmental performance of the investment. Lenders are responsible for collecting data and annual reporting during the lifetime of the investment. IFU tracks performance on ESG-related issues annually across its portfolio of lenders.

During the investment period, the Theory of Change also helps to map the linkages between the intended changes, and the KPIs that are being tracked in IFU's results framework, which can be a useful tool to understand why the expected performance on the impact targets may not be achieved. Finally, the Theory of Change helps build common understanding within IFU on why IFU is considering the specific investment, as well as to communicate that story to other stakeholders, including co-investors.

Portfolio level
At portfolio level, IFU collates and analyses data to assess performance against organisational objectives and develop annual reports on impact performance. Additionally, IFU uses this information to inform quarterly or half-yearly status meetings on progress and the financial and sustainability performance of infrastructure investments. IFU also collects lessons learned during the lifetime of investments, and the Board receives exit evaluations for information and discussion to secure learning from the experiences.

IFUs Investment and Impact Model takes a general approach showing how providing capital and advice in developing countries can create impact. IFU's activities cover a broad spectrum (global geographical coverage, different sectors, varying risk levels and multiple instruments) and nature and scope of the individual investment opportunity will determine what type of change can be expected. For example, a DSIF loan supporting the green transition in Pakistan will not strive to achieve the same change as an equity investment supporting smallholder farmers in Somalia.

IFU is a signatory to the Operating Principles for Impact Management. In 2021, IFU engaged BlueMark, a leading provider of verification services in the impact investing market, to independently assess and verify IFU's impact management system and processes. This verification concludes that IFU has well-established impact objectives, has integrated impact considerations throughout its investment process, and has a clear process for assessing each investment's expected impact. On the basis of this system, IFU is able to report on the return of investment as well as developmental or climate change indicators (including decent work, employment creation, gender equality, reduced CO2 emissions etc.) at the level of investees and subsequently present data for the entire portfolio of IFU investments.

8 Financial Management

Financial reporting follows IFU's overall financial reporting to the Ministry of Foreign Affairs, reflecting the use of the funds. In addition, IFU Management will update the MFA through quarterly meetings, covering both financial and other relevant reporting (see also section 7 on management arrangements).

IFU also publicly reports on its operations and results in e.g. its annual report. Furthermore, the MFA receives reporting on pipeline, investments and exits as well as timely financial reporting.

State on-lending facility
The envisaged loan facility of DKK 5.4 billion will be integrated into the existing loan facility and follow the established procedures.

9 Risk Management

Risks related to this appropriation exist at different levels:

a) The individual engagements that DSIF 2.0 will enter into.
b) Strategic pillar 1: the access to state on-lending and not being tied to a commercial bank,
c) Strategic pillar 2: the un-tying of DSIF 2.0 from Danish companies and interests,
d) Strategic pillar 3: the transfer of the full responsibility for DSIF 2.0 from MFA to IFU.

a) Risks related to the individual investments
In relation to the risks related to the individual investments, IFU has an elaborate system for risk management. The risk categories in IFU's system relate to financial and non-financial risks, business risks, operational risks and reputational risks. The current IFU strategy period has identified a number of gaps in the risk management system that IFU will address. For each IFU instruments, IFU has a separate risks management framework.

DSIF 2.0 will therefore also have its own risk management framework which is based on the profile of DSIF 2.0 partners, the markets DSIF 2.0 operate in and the types of investors (depending on their risk willingness). Compared to the current DSIF modality, DSIF 2.0 will be able to engage with a wider range of (sub-sovereign) partners which will also require the DSIF team to adjust their risk assessment procedures and systems.

A general and cross-cutting risk in all IFU investments is accusations of any fraudulent, corrupt behaviour or not operating in line with e.g. labour standards or tax policies, can be damaging to IFU as a reputable impact investor and also damaging to the MFA. IFU takes this risk very seriously and performs significant checks on the investees and the management team to minimise the risk of any such behaviour. IFU has also recently strengthened its capacity and established a specific anti-bribery and corruption function, which specifically screens all investments for any related risk indicators.

In DSIF 2.0 projects, IFU will engage closely with the partners they invest in throughout the project development phase as well as in the investment phase. By being engaged at this level helps mitigate the risk as IFU is better able to discover any inappropriate behaviours at an early stage. Accusations of fraud, corruption and other illicit or irresponsible behaviour is widespread in markets where DSIF 2.0 will engage, and difficult to avoid. IFU has policies and procedures to ensure that measures are in place not only to mitigate the risk, but also to investigate allegations and follow-up according to international best practice. The MFA is aware that investments in fragile and conflict afflicted countries, including Ukraine, increases risk exposure.

Risks related to the three strategic pillars
As for the second level of risks related to the three strategic pillars, the following are the main risks and concerns and considerations on how to mitigate them.

b) Access to on-lending: The first step in relation to the on-lending will be for IFU to include DSIF 2.0 loans in the on-lending facility. IFU's core business is to make commercial investments and provide commercial loans, but IFU has not been providing loans to public sector entities and has not worked much with the public sector in general. IFU ,however, has recent experience with establishing new facilities and new types of partnerships, which can be used in this process (e.g. setting up the SDG Fund with institutional co-investors and establishing the Guarantee Facility). The access to on-lending makes the funding cheaper for DSIF 2.0. However, the untying of DSIF 2.0 reduces the requirements to grant elements tied to the loan packages. The implication is that the loan share of the project could be larger and in gross terms making the loan more expensive to the public entity taking the loan. There is thus an important task for IFU to put together relevant and tailored financing packages for DSIF 2.0 projects to remain a relevant partner.

As is the case with the current DSIF financing, the Danish development aid will cover IFU's credit risk for the DSIF 2.0 loans. In the current DSIF set-up, EIFO guarantees the loans from the Danish Commercial banks, which in turn the Danish development aid budget backs. As such, the DSIF 2.0 set-up is simpler with fewer stakeholders bringing down the number of involved interlocutors from four (IFU/DSIF, commercial bank, EIFO, MFA) to two (IFU/DSIF and MFA) (see Annex 2). Before executing on the DSIF financing via IFU, it will be necessary to enter into a loan/guarantee agreement between IFU and the MFA that spells out the conditions under which IFU must manage its new mandate.

c) Untying of DSIF 2.0: DSIF 2.0 projects will no longer require Danish commercial contracts. But it is the intention that DSIF will continue to underpin political, technical and commercial spheres of Danish economic diplomacy, including ways of promoting high quality Danish solutions and technology. DSIF will among others do this by ensuring that tender material include detailed technical specifications and requirements related to securing best available technology and life-cycle costing. The considerations on high technical specifications and requirements for consideration of life cycle costs will help mitigate this risk as will ongoing dialogue and coordination between MFA, IFU and the Danish industry organisations.

d) IFU strategic and operational responsibility for DSIF 2.0: DSIF has been an important instrument in Danish Development Assistance for more than 30 years. With full strategic and operational integration in IFU, DSIF 2.0 will move further away from direct MFA oversight and influence. During the last 10 years, IFU has seen many changes, which IFU has managed in close cooperation with MFA (SDG fund, guarantee instrument, untying from Danish interest, new results measurement systems etc.). DSIF 2.0 will be included in the established forums for discussion and strategic development. It should, however, not be underestimated that DSIF 2.0 investments are different types of investments from the commercial investments that IFU normally engages in, which begs the question if IFU has the right technical skill set in the DSIF 2.0 team, the support functions (e.g. sustainability & legal teams), at management level as well as in the board to be able to provide the right level of feedback and critical support to ensure the success of the programme. This risk can be mitigated by a continuous assessment of the combined capacity at the different levels in IFU's organization and make sure to fill potential gaps.

Annex 4 includes a risk management matrix with further details on the different risks identified.

DSIF 2.0 [Title pending]
(2024-2030)

Annexes

Submission to Programme Committee

April 2024

360: #

Annex 1: Context Analysis
TBD

Use Dahlberg study

Annex 2: Partner assessment

IFU

IFU was established in 1967 and has to date invested in 1,325 companies in more than 100 countries in Africa, Asia, Latin America and parts of Europe. Committed investments total DKK 235 billion, of which IFU has contributed DKK 26 billion. IFU is an independent government-owned fund offering risk capital to companies in developing countries and emerging markets. IFU is fund manager of a number of other investment funds, including the Danish SDG Investment Fund.

IFU investments have helped to create and preserve close to one million jobs in the host countries, and IFU has contributed to the establishment of more than 2,000 megawatts renewable energy. In addition, IFU's presence has resulted in transfer of knowledge and technology, the employees have received training, economic activity has been accelerated and a source of income through e.g. taxes has been created for the host countries.

All IFU investments must support the green transition and contribute to poverty alleviation and reduced inequality. Furthermore, IFU has a strong focus on the project companies' corporate social responsibility to ensure, among other things, that employees are given proper working conditions and that a project company's production is socially and environmentally sustainable. IFU offers risk capital and advice to companies that want to invest in commercial investment activities in developing countries. IFU has built up a strong experience with investments in developing countries including low-income countries, and IFU has the required capacity and networks to develop and implement the new instrument.

Summary of partner capacity assessment

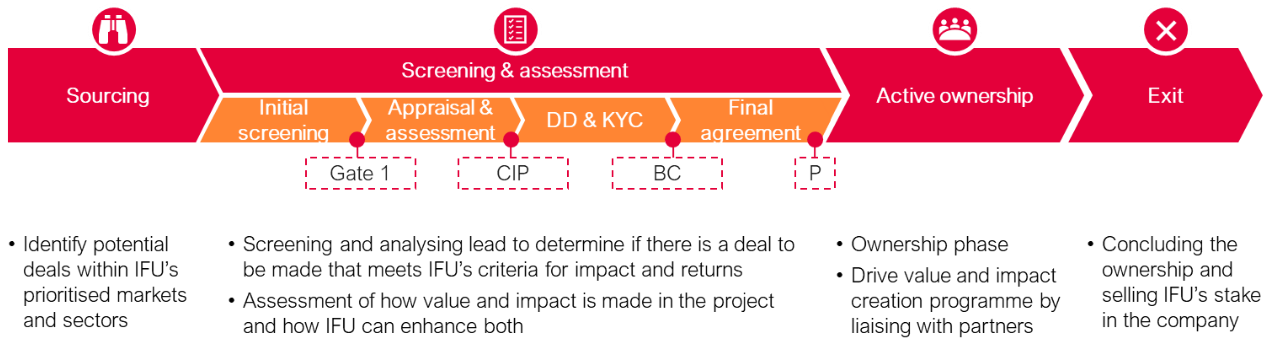
No additional stakeholder analyses have been conducted due to the fact that IFU is a well-established organization, and the planned commitment to the new instrument will only to a minor extend effect IFU's current governance procedures and business activities.

IFU Investment process

Figure x shows IFU's investment process, starting with sourcing and identification of investment opportunities to the eventual exit of investments made. Before an investment is made, IFU does a thorough assessment of its potential to create impact and its commercial viability. During the assessment process, the investment has to pass through a number of approval gates. Here IFU's management and board review and approve or reject the investment based on the analysis and assessment made by IFU's investment professionals in the deal team.

The investment opportunity must meet a number of criteria to be considered. These include significant contribution to IFU's impact priorities, aligned with IFU's sustainability policies and the international standards IFU subscribe to, agreement to implement IFU's required ESG standards, and commercial viability.

Figure X: IFU's investment process



The IFU investment opportunities are assessed through financial analysis and modelling with an aim to ensure that investment will aid to growing a company with a long-term presence and will generate an acceptable return for IFU. Similarly, ESG and impact are assessed by applying different tools, analysis methods and by having the company subscribe to IFU's policies. The tools, analysis and policies applied are outlined in table x and table y below.

Table x: ESG and impact through the investment process

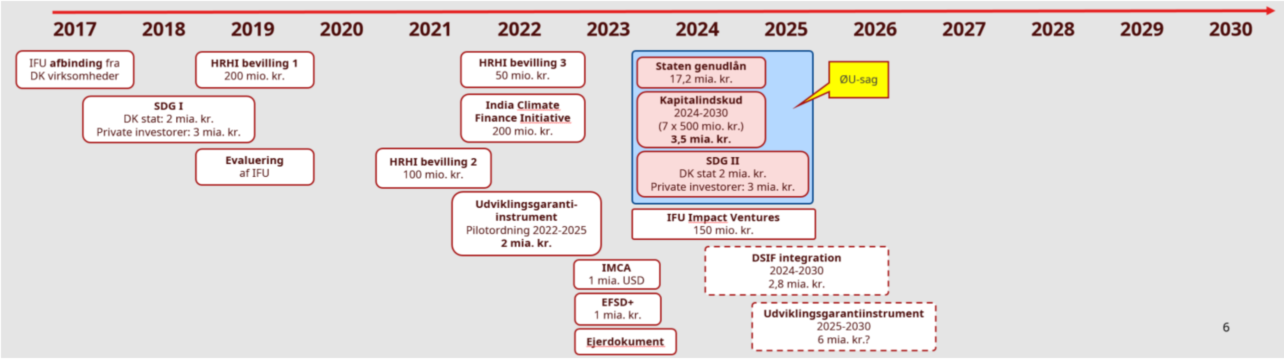
Process step	E&S	Governance	Impact
To gate 1	- Screening against IFU's exclusion list of activities IFU will not invest it* -	- Initial screening to check for recorded governance issues	- Initial screening to verify contribution to at least one of IFU's two impact priorities
To CIP	- Preliminary Human Rights assessment	- CPI screening - Expanded search for recorded issues - Review of investee company/organisation's anti-bribery and corruption (ABC) policies	- Formulation of impact hypothesis and theory of change for how company creates impact and contribute to SDGs - Assessment of investment's additionality -
TO BC	- Full Human rights due diligence - Assessment of negative impact	- Assessment of anti-corruption - Assessment of corporate governance	- Validation of impact creation hypothesis and theory of change through impact due diligence - Initial results framework - Assessment of GHG emissions - Assessment of gender policy
To ownership	- Formulation of E&S action plan (ESAP), which investee company must commit to	- Formulation of anti-corruption and corporate governance action plan (CGAP), which investee company must commit to	- Formulation of impact creation plan incl. results framework, which the investee company must commit to
To exit	- Execution of ESAP by company incl. reporting to IFU - Annual reporting on E&S data through ASR	- Execution of CGAP by company incl. reporting to IFU	- Reporting and monitoring of impact creation according to plan and results framework

		- Annual reporting on ABC and governance data through ASR	- Impact study and evaluation at exit

IFU's investee companies must subscribe to several IFU policies to qualify as an investment. These are in addition to the commitment to execution a number of activities through the ESAP, CGAP, impact creation plan and results framework. The policies are outlined and described in table y below.

Policy	Description
Sustainability policy	The policy sets out IFU's commitment to invest into good Environmental, Social and Governance (ESG) practices, as well as supporting green and/or just and inclusive impact. The Sustainability Policy is the overarching policy for ESG and impact, which is supplemented by specific underlying thematic policies, including: Climate policy, Human rights policy, Animal welfare policy, Gender equity policy and Corporate governance policy
Tax policy	IFU is committed to a responsible tax practice according to the following three principles 1) Pay taxes in developing countries; 2) Use holding companies responsibly and 3) Be transparent
Anti-corruption policy	IFU is committed to maintaining a zero-tolerance policy regarding corruption – including bribery, fraud and facilitation payments – in line with the UN Convention against Corruption and the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.
Anti-money laundering and anti-terrorist financing	IFU's policy on anti-money laundering and terrorist financing contains IFU's identification, consideration and assessment of relevant risks related to money laundering and terrorist financing as well as IFU's overall approach and requirements to the procedures and controls related to money laundering and terrorist financing risks.
Sanctions screening guidelines	Ensure compliance with international sanctions regimes, mitigate reputational and financial risks and prevent engagement with entities or individuals involved in prohibited activities or on sanctions lists. These guidelines facilitate thorough identification and screening procedures and partner assessments to identify potential sanctions related risks.
Insider information policy	Safeguards against possible abuse of insider information and ensures that IFU has a high level of credibility as an organisation where insider trading does not occur. It protects IFU's employees and board representatives from potential criminal liability.
Whistle-blower policy	This policy provides the requirements and channels for which potential breaches of IFU's policies or relevant regulation can be reported, investigated and sanctioned through a confidential and anonymous process. The policy protects both IFU's employees and investee company stakeholders, and it ensures a coherent and thorough investigation and processing of complaints.

The following figure illustrates the IFU reform process, cf. section 2 in Project document.



IFU Investment in Green energy and Infrastructure

GREEN ENERGY & INFRASTRUCTURE

IFU's green energy & infrastructure portfolio

During the years, IFU has built a large portfolio within green energy & infrastructure. In total, the active portfolio at the end of 2022 consisted of 35 investments with a total outstanding invested amount of DKK 3.3bn.

The investments are distributed across regions with most of the outstanding investment amount in Europe (Ukraine) followed by Latin America and Asia counting for around one quarter each. 12 per cent of the outstanding investment amount was in Africa.

End of 2022, the project companies had installed and commissioned close to 2,800 megawatts of renewable energy based on wind, solar and hydropower. Total annual electricity production was more than 5,000 GWh that led to a total estimated avoidance of 3.5 million tonnes CO_2e. Based on IFU's share of the investment in the project companies 564,000 tonnes CO_2e avoidance can be attributed to IFU.

The investments supported around 15,000 direct jobs. 20 per cent of the employees were women, and 15 per cent young people under the age of 25.

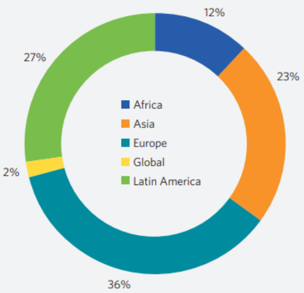
Contributing to strategic impact targets

Even though each sector has specific impact priorities they contribute to the overall portfolio impact targets set for IFU. Obviously, the green energy & infrastructure sector has a high impact on IFU's efforts towards climate action with 95 per cent of the outstanding investment amount qualifying as climate finance.

One quarter of the outstanding investment amount is invested in companies that are or have plans to do an extra effort on gender equality, for example by being 2X Challenge eligible. Consequently, the project companies also contribute to building more just and inclusive societies by promoting women's rights and opportunities.

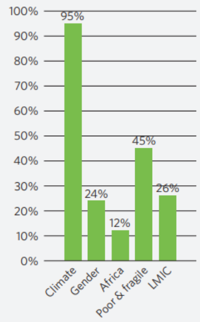
To a varying degree the investments also supports IFU's ambition to invest in Africa and lower and middle-income countries. Almost half the investments are made in poor & fragile states, mainly because IFU has several renewable energy investments in Ukraine. One quarter of the outstanding investment amount is in lower and middle-income countries and just above 10 per cent is in Africa.

Regional distribution of investments (%)



Contribution to strategic targets

Percent of DKK 3.3m outstanding in GEI per strategic priority



Lake Turkana Wind Power, Kenya.

GREEN ENERGY AND INFRASTRUCTURE IMPACTS

2,786 MW
renewable energy capacity installed

5,236 GWH
renewable energy generated

3,5 MILLION
tonnes CO_2e total avoided GHG emissions

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Danida Sustainable Infrastructure Finance

The current DSIF portfolio and pipeline

The current DSIF Strategy (2021-2024) focuses on three areas: water (clean drinking water and wastewater handling), energy (several subsectors, including renewable energy, district heating and power transmission), and transformational projects (leveraging Danish strengths and testing innovative approaches within other sectors).

As of 31 December 2023, the outstanding DSIF engagement (i.e. remaining EIFO loan guarantee commitment for DSIF projects) amounted to DKK 1.9 billion for "Healthy" Engagement and DKK 2.3 billion including distressed projects in Ghana and Zambia. This engagement can be summarised as follows:

	Country	Sector	Project Count	Outstanding Engagement as of 31/12/2023 (DKK)
Active Projects	Ethiopia	Energy (Wind Gen.)	1	874.37
	Bolivia	Energy (Wind Gen.)	1	470.65
	Mozambique	Energy T&D	1	220.04
	Vietnam	WSS (Sanitation), WSS (Supply), ICT	6	166.17
Completed Projects (with remaining EIFO Exposure)	Burkina Faso	ICT	1	104.89
	Bangladesh	Transport (Air)	1	22.85
	China	Energy (Other)	2	30.56
		Subtotal "Healthy" Engagement	**13**	**1,889.53**
"Distressed" Projects (Provisioned / Devalued by EIFO)	Ghana	Transport, ICT, Other	3	299.05
	Zambia	WSS	1	157.33
		Total (incl. Distressed)	**4**	**2,345.91**

DSIF 2.0 will be established on the foundation of the current DSIF programme with a portfolio of ongoing investments. Beyond the project portfolio of active projects there is a pipeline of projects that have been matured and are close to final approval and initiation. Both ongoing projects and pipeline projects have a significant grant element. In total DSIF has a pipeline of 8 projects with a total investment of DKK 7.1 billion. In 4 of these projects, the grant amount accounting for DKK 1.85 billion has already been agreed with the counterpart, leaving DKK 950 million of the budgeted DKK 2.8 billion of this appropriation to be utilized under an untied modality. A fifth project in Uganda is also at an advanced stage. However, in the case of Uganda it is possible (and relevant) to change the composition of the loan package if the loan is granted under an un-tied DSIF 2.0.

Table X: Pipeline Commitments (BC) by grant disbursements (DKK million)

Country	Sector	Commitment year	Total Commitment	Expected Disbursement YE 2024	Expected Disbursement YE 2025	Expected Disbursement YE 2026	Expected Disbursement YE 2027
Danish Commercial Bank							
Kenya	Water & Sanitation	2025	486	-	100	150	78

Pakistan	Wastewater	2024	436	125	100	211	-
Sub-total DK Commercial Bank			**922**	**125**	**200**	**361**	**78**
New Loan Facility							
Bangladesh	Water supply	2024	851	100	200	200	184
Ukraine	Water & Sanitation	2024	79	54	-	-	-
Sub-total IFU			**930**	**154**	**405**	**350**	**354**
Grand Total			**1.852**	**279**	**605**	**711**	**432**

As for the planned DKK 5.4 billion loan facility, two upcoming projects in Pakistan and Kenya will be funded through the existing facility with Danske Banks for an expected total loan amount of DKK 2.24 billion. DSIF plans to finance the loan to the project in Bangladesh DKK 1.55 billion in 2024 under the on-lending scheme. This leaves DKK 3.85 billion in loan capital to be committed in future projects.

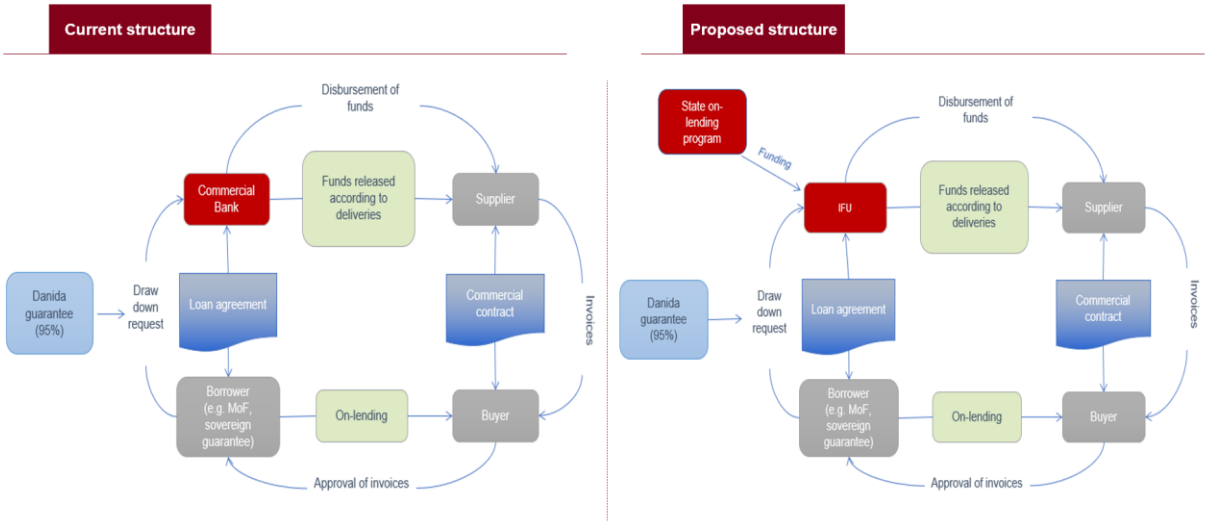
Table X: Pipeline Commitments (BC) by loan disbursements (DKK million)

Country	Sector	Commitment year	Total Commitment	Expected Disbursement YE 2024	Expected Disbursement YE 2025	Expected Disbursement YE 2026	Expected Disbursement YE 2027
Danish Commercial Bank							
Kenya	Water & Sanitation	2025	1,050	-	210	420	420
Pakistan	Wastewater	2024	1,191	240	475	475	-
Total DK Commercial Bank			**2,241**	**240**	**685**	**895**	**420**
New Loan Facility							
Bangladesh	Water supply	2024	1,550	-	310	620	620
Total New Loan Facility			**1,550**		**310**	**620**	**620**
Grand Total			**4,863**	**240**	**995**	**1,515**	**1,040**

Looking further than 2024, approved projects will utilize DKK 2.6 billion of the DKK 5.4 billion and projects that have received concept clearance will add an additional DKK 1.3 billion. This leaves DKK 1.5 billion of loan financing for projects that have not yet reached decision stage.

However, as the project agreements are not yet signed, these amounts are not firm as projects might not materialize or the final amounts for debt and grant might be modified due to changes in e.g. contract amounts and interest levels.

DSIF 2.0 on-lending Facility



Annex 3: Detailed results framework

Project Title	**DSIF 2.0**
Project Objective	Promote sustainable investments in public infrastructure in LDCs and LMICs also reaching underserved parts of the population.
Impact Indicators	**DSIF 2.0 impact indicators** - GHG emissions avoided / reduced - GHG sequestration - Number of new connections to energy for underserved groups (HIPSO) (# people) - Number of new connections to water and wastewater services for under-served groups (HIPSO) (# people) **DSIF 2.0 contribution to targets defined in IFU Ownership Document** - 50% climate - 50% Africa - 30% LDC & FCAS countries

Outcome 1		**Investments in public infrastructure materialize**; *greenfield investments, rehabilitation, O&M*
Outcome indicators		A) Number of bankable investment projects that DSIF invests in - disaggregated into: - Country, - Sector, - Size of loan and size of grant - Type of investment (greenfield, brownfield, O&M etc) B) Sector specific indicators (depending on where investments materialize) - RE Capacity installed (MW) - Renewable energy generated (HIPSO) (GwH) - Water consumption (HIPSO) (M3) - Wastewater treated (HIPSO) (M3) - Other TBD
Baseline	2024	NA
Target	2030	A) Targets are not set as it depends on the individual projects. Indicators are used for monitoring and reporting. It is the aim to live up to the targets established in the ownership document, cf. impact indicators. B) Targets are not set as it depends on the individual projects.

Output 1		**Bankable projects developed and matured;** *non-commercial infrastructure projects*
Output 1 indicator		A) Number of projects and initiatives supported for development and maturation disaggregated into: - Total no. of projects - No. hereof that become bankable - No. hereof with subsequent DSIF 2.0 investment - No. hereof with subsequent investment from other sources *IFU will develop and maintain a detailed portfolio overview of all activities and partnerships to be included in IFU annual reporting.*
Baseline	2024	NA
Target	2030	A) Input from DSIF needed based on experience with PDF and the expectations for DSIF 2.0

Output 2		**Public, private and institutional funding mobilised for infrastructure projects**; *for DSIF investments and other investors*
Output 2 indicators		A) Number of strategic partnerships entered into disaggregated into: - Country - Sector - Type of partner - Size of DSIF 2.0 investment/grant B) Number of innovative engagement identified, piloted and initiated disaggregated into: - Country - Sector - Type of partner - Size of DSIF 2.0 investment/grant C) Funding mobilised from other sources disaggregated into (leverage): - Public funding - Private funding - Institutional funding *IFU will develop and maintain a detailed portfolio overview of all activities and partnerships to be included in IFU annual reporting.*
Baseline	2024	NA
Target	2030	A) Input from DSIF needed based on experience and the expectations for DSIF 2.0

Outcome 2		**Public authorities and utilities manage infrastructure efficiently;** *new investment projects and existing facilities*
Outcome indicators		A) Ratio of utilities/entities partnered with that report improved performance against agreed performance indicators (e.g. operational, financial, technical, administrative)
Baseline	2024	NA
Target	2030	A) Minimum 80% of utilities/entities partnered with report improved performance against agreed performance indicators upon DSIF 2.0 exit *Target for 2027 not relevant, as the investments are minimum 10 years.*

Output 3		**Improved capacity of public authorities and utilities;** *technical, financial, operational*
Output 3 indicators		A) Number of capacity support engagements, disaggegated into: - Twinning arrangements - Study tours - TA packages - Other? *IFU will develop and maintain a detailed portfolio overview of all activities and partnerships to be included in IFU annual reporting.*
Baseline	2024	
Target	2030	

Annex 4: Risk Management Framework

Contextual risks					
Risk Factor	**Likeli-hood**	**Impact**	**Risk response if applicable**	**Residual risk**	**Background to assessment**
Macroeconomic downturn across emerging markets	Likely	Major	IFU generally supports partners with services that are essential also during a downturn.	Medium	Overall economic climate has deteriorated in the wake of Russia's war in Ukraine and the rising interest rate environment. This is a risk that may influence the ability to develop bankable projects.
Political unrest, conflicts and wars	Likely	Significant	Thorough assessment of the risks at the time of investment. IFU has good experience and would also draw upon partners and experts on the ground.	Medium	The risk of unrest, or full blown conflicts, increase as economic conditions worsen. IFU's exposure can be mitigated by assessing the risk and structure the deals appropriately in unstable geographies.
Programmatic Risks					
Risk Factor	**Likelihood**	**Impact**	**Risk response**	**Residual risks**	**Background to assessment**
Insufficient demand for public sector investment finance	Unlikely	Significant	Un-tied modality allows IFU to develop stronger networks on the ground, finding partners, cooperating with peers including other DFIs	Very unlikely	Evidence indicates benefits to large pipeline and network to find good opportunities
International bidders for the untied projects do not provide state-of the art equipment and international best practices in terms of knowhow	Likely	Major	Life-cycle and sustainability considerations will be included in project design to ensure that the most sustainable and climate friendly solutions are chosen, including tailor-made TA/O&M	Unlikely	There exist many different cheaper alternatives to Danish equipment and solutions. Many Danish companies supply higher quality and overall lower life-cycle costs
Limited capacity of IFU to set-up and manage a DSIF loan facility	Unlikely	Significant	Draw on internal and external resources in the process. Close dialogue and cooperation with key knowledge partners.	Unlikely	IFU has experience with developing new and different types of financing facilities (SDG Fund, guarantee facility etc) involving the State on-lending facility. IFU has access to internal and external resources to provide technical assistance in the process of establishing the on-lending facility.

Limited capacity of IFU/DSIF 2.0 to set-up and manage a well-functioning results measurement system that is able to capture development impact	Likely	Minor	A solid results measurement system and ensuring follow up at different level of investments will be a requirement which is followed up in annual consultations with MFA as the owner ministry.	Unlikely	Both DSIF and IFU have in recent evaluation been critisised for insufficient ability to measure and document results at outcome and impact level. The lifecycles for DSIF investments are very long (often 7 years preparation followed by 10 years implementation). With DSIF 2.0 the ambition is to shorten average project lifetime.
Institutional Risks					
Risk Factor	**Likelihood**	**Impact**	**Risk response**	**Residual risk**	**Background to assessment**
IFU does not allocate sufficient resources to grow the supportive functions in the organization	Unlikely	Major	Active ownership with regular consultations between IFU and Ministry of Foreign Affairs	Unlikely	Risk that the management and governance set-up is not strong enough
Key Danish interests are no longer considered to the same extent in DSIF 2.0 projects due to the weakened linkages between MFA and the DSIF 2.0 secretariat	Likely	Minor	Active ownership with regular consultations between IFU and MFA Close engagement between the DSIF 2.0 secretariat and the Danish embassies at country level will continue	Unlikely	
Danish commercial actors dissatisfaction with untying of the instrument	Likely	Medium	It is a very small number of companies that have been able to bid for the large DSIF projects. Close dialogue with Danish Business Member organisations such as the Confederation of Danish Industries.	Small	Since the discussions on the untying of DSIF emerge there has been some level of resistance amongst the Danish commercial stakeholders.

Annex 8: Process Action Plan

Deadline	Action/product	Responsible	Comment/status
Formulation, quality assurance and approval			
April 25, 2024	Presentation to the Programme Committee	KLIMA	Draft TOR for appraisal, revised draft PAP and Draft Programme Document
May 7, 2024	Meeting in Danida Programme Committee	KLIMA	List of received responses from the consultation
May 7 to 31 2024	Address comments from Programme Committee in programme documents	Consultant	
June 2022	Quality assurance: Appraisal	LÆRING	An independent view must be safeguarded during appraisal
August, 2024	Programme Document, including Appropriation Cover Note and Presentation to the Programme Committee forwarded to ELK	KLIMA	Summary conclusions from the Programme Committee taken into account
September, 2024	Presentation to the Council for Development Policy	KLIMA / LÆRING	
End September	Address comments from Council for Development Policy in programme documents	Consultant	
End September/Beginning October	Presentation of project proposal to the Minister for Development Cooperation	LÆRING submits the proposed programme together with the minutes	After Council for Development Policy meeting
Initial actions following the Minister's approval			
December 2024	LÆRING facilitates that grant proposals are published on Danida Transparency after the Minister's approval	LÆRING	
December 1, 2024	Document for Finance Committee (Aktstykke) finalised & Presentation to the Parliamentary Finance Committee	KLIMA	Legal basis for commitment
Mid-December	Sign agreement with IFU	KLIMA	
After agreement(s) are signed	Register commitment(s) in MFA's financial systems within the planned quarter	KLIMA	
Mid-December	Disbursement of funds to IFU	KLIMA	