

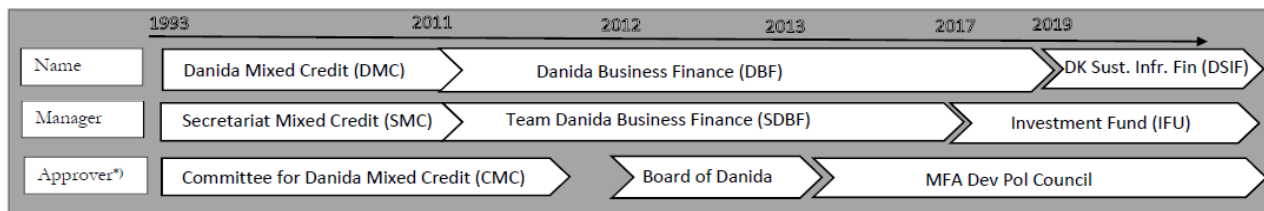
Annex A: Terms of Reference

1 Background

DSIF provides concessional loans for funding of sustainable infrastructure projects, which cannot otherwise be financed on commercial terms in developing countries. The projects have to be sustainable, support the national development plans and contribute to sustainable growth and employment in line with the Sustainable Development Goals.

Danish development strategies have for years recognized governments' investments in sustainable infrastructure as a necessary vehicle for growth and employment in development countries. Danida's 'Mixed Credits'¹ facility was launched in 1993 as a substitute for the Danish State Loan Programme as instrument for financing specific projects in eligible countries, including some of the Danish priority countries. The DSIF Programme was conceived to be compatible with other bilateral donors' tied concessional loans under the umbrella of the 'Helsinki Arrangement', an agreement entered into by the Organisation for Economic Cooperation and Development (OECD) member countries in 1992 to ensure that such schemes operate in the interest of aid delivery and to avoid market distortion.

Figure 1: From Mixed Credit to Sustainable Infrastructure



*) Final approval by the Minister of Development Cooperation

A Danida mixed credit in accordance with the Helsinki Arrangement constitutes a partially tied interest free or low interest loan with 8 to 15 years maturity, aimed at financing development projects executed by Danish exporters in creditworthy developing countries. Country eligibility for tied (Danish) mixed credits funding is regularly updated by the OECD² according to GNI per capita in beneficiary countries as well as eligibility of a subsidy element for each project at minimum 35 % or 50 % for the least developed countries. It is a requirement that the commercial contract is based on international competitive bidding or limited international bidding. In cases where a sufficient number of Danish suppliers exist, bidding could be limited to Danish suppliers.

DSIF has during its 26-year lifetime financed infrastructure projects within the sectors of water and sanitation, energy, communication and transport (airports, harbours, roads and bridges), among others. DSIF provides in accordance with the Helsinki Arrangement grant-financing equivalent to 35-50 % of private commercial bank loans for investments in sustainable infrastructure projects in developing countries, which cannot be financed on commercial terms.

IFU took over the operational administration of DSIF from the MFA in September 2017. IFU at this stage also initiated a DSIF project development facility in order to maintain the DSIF project pipeline.

Over the years, the Mixed Credit concept mandate and area of operation have been subject to a number of adjustments. A timeline of the major developments is included as Annex A (Timeline development in DSIF's mandate since 1993).

Originally, DSIF was managed by the 'Secretariat for Mixed Credit' (SMC). SMC was secretariat for the 'Committee for Mixed Credits' (CMC). Furthermore, SMC in line with the Helsinki Arrangement, used

¹ Danida Business Finance (DBF) was known as the Mixed-Credits until 2011.

² <http://www.oecd.org/trade/topics/export-credits/aid-and-export-credits/>

the services of the ‘Export Credit Agency’ (EKF) to provide export credit guarantees and the MFA provided guarantees to EKF. The decision-making procedure for approval of projects was carried out in four steps: screening, appraisal, approval and commitment. CMC from 1993 had the authority to approve Danida Mixed Credit subsidies and after a name change in 2011 the authority to approve the grants was taken over by the Danida Board (Styrelsen), see Figure 1.

DSIF operations are currently guided by IFUs updated *Danida Sustainable Infrastructure Finance Guidelines og Sagsbehandlervejledning* August 2019, (updated version of the original Guidelines for Project Management – Danida Business Finance). Currently, DSIF is a programme that provides subsidized loans to infrastructure projects in some developing countries with a GNI per capita of maximum USD 4,035 (adjusted annually by OECD DAC). The eligible countries³ within the OECD list are those where Denmark has a representation or where a project is complementary to and enables an IFU investment within a total limit for such IFU related projects of 25 % of the DSIF budget (total DSIF commitments).

MFA is responsible for policy and for processing the funding approval of DSIF projects, including presentation to the MFA Development Policy Council for approval. IFU has the operational responsibility – from identification of projects through project development, implementation and completion, while MFA has a responsibility for financial monitoring and accountability during implementation.

Many parties interact during the management of a DSIF project. Beside the project implementing parties in the developing countries and the suppliers (often from the private sector), the Danish embassies in recipient countries are key partners. Close collaboration with the Danish embassies is critical from project identification through implementation, e.g. in relation to maximising synergies with other Danish supported activities and ensuring good and smooth cooperation with local ministries/parties.

DSIF Programme was originally evaluated by the MFA as the Danida Mixed Credits Programme in October 2001 to March 2002.⁴

In view of the continued central role of DSIF in Danish development cooperation, the Evaluation, Learning and Quality Department of the MFA (ELK, hereafter the ‘Client’) commissions this independent evaluation.

2 Scope of work

2.1 Objectives

Objective #1. *Assess DSIF’s relevance, coherency, effectiveness, efficiency, development impact and sustainability as well as commercial outcomes through its investments in developing countries.*

The evaluation will relate the updated OECD/DAC evaluation criteria⁵ to DSIF investment projects. The evaluation will involve an analysis of the project portfolio in terms of geographies, sectors and types of projects and funds, and the development of the portfolio composition over time (see an overview in Annex B (Portfolio overview)).

The evaluation will include all DSIF activities since the last evaluation, although with an emphasis on the last ten years of operation. It will include DSIF investments and, to the extent relevant, activities related to project preparation managed by DSIF.

³ Guidelines for Project Management. Danida Business Finance, September 2019.

⁴ Report dated August 2002

⁵ See: <https://www.oecd.org/dac/evaluation/dacriteriaforevaluatingdevelopmentassistance.htm>

For the first objective of the evaluation, the six evaluation criteria establish the following considerations:

Relevance of the DSIF instrument. DSIF works in a number of countries and mostly in public infrastructure sectors with instruments of project financing and advisory products. DSIF is a partner to the recipient during the feasibility and preparatory stages. The evaluation should investigate the relevance of DSIF's various tools, including the Project Preparation Facility, and how they are used, and if new tools or capabilities could enhance DSIF's relevance.

Coherency: The compatibility of DSIF interventions with other interventions of Danida and IFU in a given country, sector or institution will be considered through assessment of governance system and interactions with the MFA, as well as with respect to possible synergies with other Danish development instruments.

Efficiency of the DSIF organisation. Benchmark figures for other mixed-credit schemes are available, but due to differences in mandate, size and field of operation the organisations are difficult to compare. Aspects of efficiency are important to the evaluation and include DSIF's ability to adapt to changing demands. Consider the risks related to DSIF role as a manager, including issues related to country representation, and promotion of new technologies of experimental nature related to e.g. climate change.

Effectiveness of DSIF in terms of the desired outputs. An assessment of what DSIF has delivered in terms of the geographical coverage and sectoral distribution of the project portfolio, and DSIF's role in developing portfolios in strategic sectors, relevant to the given mandates.

Impact of DSIF in promoting development effects. DSIF aims at contributing to development effects through facilitation of infrastructure investments promoting economic and social benefits of the recipients and through improved consideration of the environment, social aspects or governance (ESG). The effects can be direct (for the recipient users), indirect (to other businesses/actors linked to the recipients) and spill-over effects (through for instance replication of ESG initiatives).

The concept of additionality is central to the understanding of DSIF's role and to the evaluation in order to establish not only the effects of DSIF's engagement, but also whether DSIF is supporting infrastructure investments that would otherwise not have been made, thereby increasing the development effects for the society. It is not envisaged that the evaluation will be able to assess DSIF's additional effects on an overall level, but rather assess and identify various aspects of the portfolio in order to determine where and how DSIF can provide the best and most efficient effect of its infrastructure investments.

The economic versus financial viability of DSIF projects will be an important part of the analysis of development effects, because the two aspects are closely linked. The 'Helsinki Arrangement' requires economic viability of projects while on the same time the projects must be financially unviable in order to qualify for the grant elements of the support. Thus, economic viability of the DSIF projects is a prerequisite for development effects, but the developmental aspect of the projects may also further its longer term financial sustainability (after taking the grant element into account).

Sustainability of DSIF investments. The evaluation should consider the sustainability of investments and how DSIF has contributed. It will involve assessing economic sustainability, i.e. the continued financial return of the investments (taking the grant element into account), the continued development results of the investments and the continued management of ESG issues in completed infrastructure projects. It also involves assessing issues of relevance for the project sustainability in the pre-investment phase and during implementation.

Objective #2. *Assess the policy directions of the MFA and DSIF's mandate over the evaluation period and provide an assessment of DSIF's envisaged future role in Danish development cooperation, and whether the organisation is fit for purpose.*

During the evaluation period, Danish development policy has evolved, and expectations and requirements from the MFA towards DSIF have accordingly led to adjustments in the mandate. The evaluation will take into account these changes in development policy and adjusted DSIF mandate when assessing its performance during the evaluation period, including changes in CSR/sustainability policies and the commercial framework under which this development finance instrument works. See Annex A (Timeline development in DSIF's mandate since 1993) for an overview in the development of DSIF's mandate.

For the second objective of the evaluation, the following issues will be considered:

The balance between a policy-driven and a demand-driven investment portfolio. The evaluation should assess the extent to which policy-driven initiatives derived from the Danish development policies have the potential to influence DSIF's portfolio, which is otherwise based on client demand. An overview of the portfolio is given in Annex B (Portfolio overview). In this context the evaluation should assess the relevance of the adjustments made to the DSIF-mandate and, to the extent possible also, assess whether the DSIF organisational set-up is Fit for Purpose.

Risk management. The evaluation should look into DSIF's risk management procedures at all stages of the project cycle. This involves the balance between Danish development policy focus on fragile and weak development partners and DSIF's translation of its mandate into management of the financial risks and how other types of risks are taken into account, including contextual risks (most notably the host country policy framework), programmatic risks (investment design and partners) and reputational risks.

Results measurement and communication. As part of its reporting, DSIF provides data on development effects. Going forward, reporting will have special focus on the SDG's. Based on the experience from comparable schemes for soft loans and credits, the evaluation should assess past and present efforts to measure results, the validity and reliability of the data and their use and relevance as management information and communication. This should include results assessment ex-ante, results communication during project implementation and results measurement ex-post in the final project evaluation. An overall assessment of DSIF's communication to the public should also be included in this assessment.

2.2 Approach and Methodology

The evaluation shall be undertaken in accordance with the Danida evaluation guidelines and evaluation policy. IFU/DSIF will provide the relevant programme information and be fully informed of the process and be given opportunity to comment on interim findings of the evaluation as member of the Evaluation Reference Group (ERG).⁶

Inception Phase

During the inception phase of the evaluation, the approach for responding to the specific evaluation questions will be developed based on assessments made by the evaluation team of the Scope of Work. Considerable emphasis will be given to the desk analysis, primarily based on the information and data available from IFU/DSIF for the last 10 years of the evaluation period. How evaluation questions will be addressed and analysed is to be reported in the inception report to be presented to the ERG. Included in the inception report, the evaluation team will present a detailed plan for further data collection, including justification for projects to be visited in each country

⁶ See Section 5 below for Role of the Evaluation Reference Group

Field visits

Justification of projects to be selected for field visits must be based on specified criteria aiming at gaining specific information of relevance to the evaluation questions. Specific cases may be raised for field visits in order to document or illustrate certain aspects of the evaluation. Apart from visiting on-going projects, it is envisaged that the evaluation will gather information regarding a number of completed DSIF projects in order to answer questions regarding factors relevant for sustainability.

Team visits of 7 days' duration each (including travel time) to four different countries are to be planned allowing visits to approximately 2-4 projects per country. The countries to be visited will be confirmed based on the Inception Report, but at the outset – for budget purposes - country visits to Asia (Vietnam), West Africa (Ghana) and East Africa (Kenya) and Southern Africa (Mozambique) are considered. The Team Leader must participate in all field visits. Depending on their profiles, the two other team members must not necessarily participate in all four field trips, but they should each participate fully in at least three field trips.

Methodology

Assessing the development effects of DSIF's activities will be central to the evaluation, but it is methodologically challenging. The development effects of projects could for instance be from jobs created, increased income and induced cost savings or from a development effect of the services provided by the projects. Furthermore, improved consideration of the environment, social aspects or governance (ESG) could also constitute development effects. The analysis must include consideration of the indirect and spill-over effects of the projects, although a complete mapping of these are in many cases not possible. Data for determining development effects of DSIF investments and activities will come from DSIF's own results data and, these data will serve as the results base for the evaluation team tests of the theory of change and possible identification of contributions to the achievement of the development effects.

2.3 Documentation

In addition to project documentation regarding individual investments, the documents (some Danish Language) listed in Annex C (List of references) will be made available for the evaluation.

As indicated, MFA's and DSIF's own records will provide part of the data for the evaluation. Records and data are in most case accessible at the IFU/DSIF head office in Copenhagen but may also be made available in a virtual data room. Restrictions in terms of download and printing may apply.

The information received by the evaluation team in connection with the evaluation shall be treated as strictly confidential and shall not be handed over to others.

Public documentation available on IFU/DSIFs webpage⁷ include annual reports, the Evaluation of DSIF from 2002 and a portfolio overview.

Documents available on Danida transparency web-page⁸, include the proposals submitted for the Council for Development Policy.

Danida evaluation guidelines are available at <http://evaluation.um.dk>.

3 Evaluation Questions

A specification of the main evaluation questions (EQs) is as follows:

⁷ <https://www.ifu.dk/>

⁸ <https://um.dk/en/danida-en/about-danida/danida-transparency/danida-documents/council-for-development-policy/>

With respect to assessing DSIF's relevance, coherency, effectiveness, efficiency, development impact and sustainability as well as commercial outcomes through its investments in developing countries (Objective #1):

EQ 1: What is the relevance of DSIF for MFA, recipient country government, Danish partners and local stakeholders? Does the DSIF support to preparatory activities contribute to the relevance of DSIF?

EQ 2: To what extent has DSIF been able to create coherency with other Danish activities in recipient countries and align to Danish development policies?

EQ 3: How effective has DSIF delivered with respect to geographical, sectors and strategic concerns for Danish development assistance, including a limited number of (often fragile) partner countries?

EQ 4: What are the implementation experiences regarding efficiency of DSIF, including the ability to adapt to change, promote new technologies, synergies with other Danish activities and possible DSIF synergy with IFU's role as Fund manager?

EQ 5: What is the impact of DSIF in promoting development effects for the direct beneficiary and to actors, impacted indirectly (unintended)? Consider whether DSIF supports investments that would otherwise not have been made, thereby increasing the development effects on the society? Based on the concept of additionality assess a sample of investment projects to illustrate additionality issues related to investments driven by demand from recipients vs. desire to meet policy agendas derived from Danish development policies

EQ 6: Has DSIF achieved an acceptable balance between the original focus on commercial outcomes and the later focus on achieving sustainable development interventions as part of Danish development efforts?

EQ 7: Over time, what are the traces of sustainability of DSIF investments, financially and with respect to enduring development effects and social benefits?

With respect to assessing DSIF's mandate and the policy directions of the MFA over the evaluation period and provide an assessment of DSIF's envisaged future role in Danish development cooperation, and whether the organisation is fit for purpose (Objective #2):

EQ 8: To what extent has DSIF fulfilled its mandate and the policy directions of MFA? Consider here also: What is the institutional learning with respect to raising the needed commercial capital for investments?

EQ 9: Is the risk management of DSIF appropriate at all stages of the project cycle in the context of current and future investments? Consider here also the balance between development policy focus on fragile and weak recipients and the IFU management priorities, which may value stronger implementation partners. What is the future optimal balance for this? – also take into account DSIF capacity and experience in follow-up during the operation phase.

EQ 10: What is the assessment of the result measurement system applied by DSIF? Does it meet the needs for providing reliable data on outcomes of project activities during the operation phase and development outcomes in general?

EQ 11: Has the approach to communication applied by DSIF been effective, including to the public and stakeholders in host countries?

4 Outputs

The outputs of the evaluation are:

1. An inception report in draft and final version (not exceeding 20 pages excluding annexes) including:

- Portfolio analysis of DSIF projects;
- Description of DSIF's various investment and project preparation tools;
- A desk review report including preliminary response to the evaluation questions and issues for further analysis in the field work.
- outline of the evaluation methodology;
- evaluation matrix indicating evaluation questions, judgement criteria and data sources;
- detailed work plan;

The draft inception report must be submitted to Danida Evaluation Department and the ERG for comments, based on which a final version will be prepared for approval by the Client.

2. A short paper on preliminary findings of the evaluation following the field work to be discussed with the Client and the ERG.
3. An evaluation report in draft and in final version according to the agreed outline not exceeding 50 pages excluding annexes. The evaluation report must include an executive summary of maximum 4 pages, introduction and background, presentation and justification of the methodology applied, findings, conclusions and recommendations.

Only the final evaluation report will be published. The evaluation report must follow Danida lay-out guidelines for evaluations as indicated on <http://evaluation.um.dk>.

The following timetable shall apply, unless otherwise agreed in writing:

Milestones	Date
Initiation of assignment and start-up meetings in Copenhagen.	15 May 2020
Draft inception report	15 August 2020
1 st Meeting in ERG	1 September 2020
Field work	15 September 2020
Preliminary findings paper	1 December 2020
2 nd meeting in ERG	15 December 2020
Draft evaluation report	1 March 2021
3 rd meeting in ERG	15 March 2021
Final report	15 April 2021
Management response and publication	1 May 2021

5 Organisation of the Evaluation

The evaluation will be undertaken by a consultant selected through a competitive tender process and managed by the Client. An Evaluation Reference Group (ERG) with members from IFU/DSIF, relevant MFA departments and external stakeholders or experts will be established for the duration of the evaluation. Management of the evaluation will follow the Danida Evaluation Guidelines (2012) and OECD-DAC quality standards (2010).

There are three sets of roles in the evaluation process: a) the Evaluation Management b) the Evaluation Team (Consultant) and c) the Evaluation Reference Group (ERG).

5.1 Role of the Evaluation Management (the Client)

The tasks of the Evaluation Management are to:

- Participate in the selection of Evaluation Team based on received tenders. The MFA contract office chairs the tender committee, assisted by an external tender consultant.
- Coordinate with all relevant evaluation stakeholders.
- Ensure that quality control is carried out throughout the evaluation process. In so doing, the Client may make use of external peer reviewers.
- Provide feedback to the Evaluation Team. Comment on draft reports and approve final reports.
- Organise and chair meetings of the Evaluation Reference Group (ERG).
- Organise presentation of evaluation results and follow-up on the evaluation to internal Danida Programme Committee and the Minister for Foreign Affairs.
- Advise relevant stakeholders on matters related to the evaluation (reference is made to the Codes of Conduct, which form part of the Danida Evaluation Guidelines).

5.2 Role of the Evaluation Team (the Consultant)

The Evaluation Team will carry out the evaluation based on a contract between MFA and the incumbent company/institution. The Evaluation Team will:

- Prepare and carry out the evaluation according to this Appendix 1, the agreed contract, the approved inception report, the DAC Evaluation Quality Standards and the Danida Evaluation Guidelines.
- Be responsible for the findings, conclusions and recommendations of the evaluation.
- Ensure that quality assurance is carried out and documented throughout the evaluation process according to the Consultant's own Quality Assurance Plan as described in the proposal.
- Report to the Evaluation Management regularly about progress of the evaluation.
- Organise and coordinate meetings and field visits, and other key events, including debriefing session and/or validation workshops in the field visit countries.
- The Team Leader is responsible for the Evaluation Team's reporting and for communication with the Client. The Team Leader will participate in the Evaluation Reference Groups' meetings and other meetings as required and upon request. It is envisaged to have participation of the Team Leader in approximately four meetings in Copenhagen during the whole evaluation. It is expected that the Team Leader is closely involved in the elaboration of the tender.

5.3 Role of the Evaluation Reference Group

An Evaluation Reference Group (ERG) will be established and chaired by the Client. Other members of the ERG will include representatives of IFU/DSIF, the Department for Sustainable Investments, Jobs and Equal Opportunities (GJL) of the MFA and possibly other units within the MFA as well as external members (representatives of the private sector, academia and civil society). The mandate of the ERG is to provide advisory support and inputs to the evaluation team and the evaluation management. The ERG will work with direct meetings, e-mail communication and video-conferencing. The members will be requested not to share documents or information from the discussions with external stakeholders during the process.

The tasks of the ERG are to:

- Comment on the draft reports with a view to ensure that the evaluation is based on factual knowledge about DSIF, its operations and the context and the evaluation field in general,
- Where possible support the implementation of the evaluation,
- Subsequently promote the dissemination of the evaluation conclusions and recommendations.

Other key stakeholders may be consulted by the Evaluation Management (the Client) at strategic points in time of the evaluation either through mail correspondence or through participation in stakeholder meetings/workshops.

6 Composition and Qualifications of the Evaluation Team (the Consultant)

The Evaluation Team must have substantial experience in evaluation of development assistance (i.e. evaluations that conform to the DAC evaluation definition undertaken for international development organisations), including evaluations of economic infrastructure⁹ sector development, public sector engagement, financial services or evaluations of development finance institutions. Experience within the team from working with economic infrastructure sector investments and/or within development finance institutions are required.

The Evaluation Team must consist of three members: A Team Leader, an Economic Infrastructure Evaluation Expert and a Development Finance Expert (see profiles below). Variations in the number of team members will not be taken into account. The three profiles will be assessed with a view to their competences and the role they are suggested to cover in the team. A Key Staff assignment chart must be included in the technical proposal with the exact input of person days proposed.

If the Consultant expects to make use of optional research assistants and/or national experts, an amount for such assistance and consultancy must be included as part of the fees budget (Appendix 3). CVs of research assistant(s) and national experts, if any, must be included in the technical proposal, but such personnel will not be assessed on an individual basis, but as part of the overall organisation of the evaluation (under the criterion “Organisation”). Research assistants and national experts will (as the team members) be remunerated on the basis of a daily fee rate and time actually spent.

The CV of a Quality Assurance Manager must be included in the proposal, but the CV will not be assessed on an individual basis (it will be assessed under the criterion “Quality Assurance and BIMF”).

In total, the following CVs must be included in the technical proposal:

- Team Leader

- Economic Infrastructure Evaluation Expert
- Development Finance Expert
- Quality Assurance Manager

Additionally, the Consultant may include CV's of Research Assistant(s) and National Experts, if any (could be one or several within the budget indicated).

The organisation of the team's work is the responsibility of the Consultant and must be specified and explained clearly in the tender. The tenderers must clearly state who of the proposed team members cover which qualification criteria. The Team Leader and team members are expected to complement each other. This aspect will be assessed under "Organisation".

More specifically, the Evaluation Team will be assessed on the basis of the criteria included in section B of this Appendix 1.

7 Eligibility

The DAC evaluation principles of independence of the Evaluation Team will be applied. In situations where conflict of interest occurs, candidates may be excluded from participation, if their participation may question the independence and impartiality of the evaluation. Tenderers are obliged to carefully consider issues of eligibility for individual consultants and inform the Client of any potential issues relating to a possible conflict of interest (cf. Danida Evaluation Guidelines).

8 Working days

In addition to Article XII of the Agreement, it is specified that a "working day" amounts to 8 hours. The daily fee rates for Key Staff, cf. Appendix 3, shall, thus, cover 8 hours of work.

Weekends and holidays can be considered working days, if the Consultant is working on these days.

9 Budget

The maximum budget for the Services is DKK 3.5 million. This includes all fees and project related expenses required for the implementation of the contract, including field visits to four countries (Vietnam, Ghana, Kenya, Mozambique) and budget for research assistance and national experts, if required.

It is the responsibility of the tenderer to ensure that the products and outputs specified above and all other tasks specified in this Appendix 1 are performed within the framework of the tenderer's financial proposal and the specified ceiling amounts, cf. Appendix 3.

The cost of quality assurance, including the Quality Assurance Manager, must be included in the tenderer's overhead. In addition to the Agreement, the Client will cover the expenditures for graphic lay-out services, etc. in relation to preparing the final evaluation report for publication and any additional dissemination activities as and if agreed upon.

⁹ **Economic infrastructure** is defined as **infrastructure** that promotes **economic** activity, such as roads, highways, railroads, airports, seaports, electricity, telecommunications, water supply and sanitation etc.

10 Requirements to home office support

The Evaluation Team's home office shall provide the following, to be covered by the tenderer's overheads:

- General home office administration and professional back-up (activities shall be specified in the tender).
- Quality assurance (QA) of the consultancy services in accordance with the quality management and quality assurance system described in the tender. Special emphasis must be given to quality assurance of draft reports prior to the submission of such reports. The Client may request documentation for the QA undertaken in the process.

The tender shall comprise a detailed description of the proposed QA, in order to document that the tenderer has fully internalized how to implement it and in order to enable a subsequent verification that the QA has been carried out as agreed.