

**DANIDA SUSTAINABLE INFRASTRUCTURE FINANCE EVALUATION FOLLOW UP PLAN – July 2023**

<b>Report Recommendation</b>	<b>MFA management response</b>	<b>IFU proposed actions</b>	<b>Status</b>
<b>Key Recommendations:</b>			
1. Upgrade the Results Measurement System	<i>1.1 Need to strengthen the focus on results measurements, both in the preparation and implementation phase, and after construction completion. Projects should be clearer in defining their contribution to the poverty reduction objective, addressed through the improvements in the lives of the ultimate beneficiaries in different poverty dimensions</i>	<b>1.1</b> <ul style="list-style-type: none"> <li>IFU to develop impact screening (checklist tool) to ensure focus on impact and poverty focus at all relevant stages along the project cycle.</li> <li>MFA (GDK)/DSIF to agree on new format for results reporting, to be further elaborated following administrative review report and included in the updated administrative agreement.</li> <li>DSIF to develop a monitoring and evaluation plan to ensure the monitoring, review, evaluation, and closure of DSIF projects. DSIF will work to ensure appropriate alignment and integration with the IFU Annual Report with the aim to include DSIF in IFU Annual Report 2022.</li> <li>Ensure appropriate alignment and integration with the (incoming) IFU Investment Management System (IMS) (ongoing).</li> </ul>	<ul style="list-style-type: none"> <li>First draft aug.23</li> <li>3Q23</li> <li>Ongoing</li> <li>Done</li> <li>Ongoing</li> </ul>
2. MFA should increase its assistance to DSIF in the preparation phase, including ensuring that appraisal reports are fully compliant with Danida policies and strategies	<i>2.1. MFA assistance should be improved in the short-term, not just during the appraisal but also in reviewing Terms of Reference (ToR) for feasibility studies. Delays and duplication should be minimized.</i> <i>2.2. MFA to reach internal agreement on dedicated relevant resources. MFA and IFU will update the administrative agreement and overview of responsibilities accordingly.</i>	<b>2.1</b> Ensure appropriate alignment and integration of requirements, e.g. regarding poverty focus and institutional ownership, specified in TORs for Feasibility Studies and Appraisal. Joint MFA/ELK-IFU/SI meeting 2H2023 to give mutual update of needs and competencies and make “gap analysis” <b>2.2</b> UM-IFU admin agreement outlining roles and responsibilities updated	<b>2.1</b> Ongoing. Meeting planned for 2H23. <b>2.2</b> 3Q23

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<p><b>3.</b> Consider undertaking untied aid projects</p>	<p><b>3.1.</b> <i>Explore ways of untying projects in cases where it would allow better synergy with other Danish engagements, such as the Strategic Sector Cooperation (SSC)</i></p>	<p><b>3.1</b> Develop and ensure learning from pilot projects in South Africa and Indonesia. Assessment of projects ongoing. Suggested untied setup to be elaborated during 2023</p>	<p><b>3.1</b> Ongoing. Pilot projects identified and under preparation. DSIF calculation model updated to cater for untied projects.</p>
<p><b>Specific Recommendations:</b></p>			
<p><b>4.</b> Recommendations regarding relevance and complementarity with Danida Strategies</p>	<p><b>4.1.</b> <i>DSIF sector focus reviewed and refined on regular basis</i>  <b>4.2.</b> <i>Continue to engage with stakeholders in the Danish business community</i>  <b>4.3.</b> <i>Stronger alignment with other Danish engagements and greater use of embassies, in particular concerning Strategic Sector Cooperation (SSC)</i>  <b>4.4.</b> <i>Continue to explore (untied) co-financing of projects considering envisioned benefits and potential disadvantages.</i></p>	<p><b>4.1</b> Will be explored as part of development/scoping of new DSIF projects, that could fall under the “transformational projects”- currently ongoing in e.g. in Indonesia, South Africa ongoing. To be discussed at semi-annual steering committee meetings.  <b>4.2</b> Regular meetings with DI/DI Vand ongoing.  <b>4.3</b> Roll-out of DSIF strategy to embassies ongoing. Monthly meetings with MFA investment advisors ongoing. Regular dialogue with ENS and MST established at central and country level. Further country level dialogue to be initiated in 2023. MFA (GDK) to ensure embassy coordination and timely involvement of DSIF in the formulation process for country strategic frameworks.  <b>4.4</b> Partnerships initiated at strategic level (Power Africa/USAID in place; AfDB UMDF under discussion) and at project level (NEFCO in Ukraine; DBSA in South Africa)</p>	<p><b>4.1</b> Ongoing   <b>4.2</b> Ongoing  <b>4.3</b> Done   <b>4.4</b> Ongoing</p>
<p><b>5.</b> Recommendations regarding DSIF Mandate</p>	<p><b>5.1.</b> <i>DSIF strategy allows for wider range of activities.</i>  <b>5.2.</b> <i>Decreasing DSIF's emphasis on leveraging (Danish) commercial capital in favour of working more with DFIs</i>  <b>5.3.</b> <i>Different types of synergy to be better outlined in new administrative agreement.</i></p>	<p><b>5.1</b> Alternative projects (transformational and innovative in line with DSIF strategy) are currently explored in Indonesia, South Africa and India, e.g. in terms of different technologies, untied and new loan- and guarantee setup.  <b>5.2</b> a) Collaboration with other DFI's currently being explored in South Africa and Ukraine. b) Strategic partnership with AfDB/UMDF under consideration.  <b>5.3</b> UM-IFU administrative agreement updated</p>	<p><b>5.1</b> Ongoing   <b>5.2</b> a) Done /  b) Ongoing   <b>5.3</b> 3Q23</p>

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<p><b>6.</b> Recommendation regarding Additionality</p>	<p><b>6.1.</b> <i>DSIF should seek to maximise overall additionality integrated into the full project cycle.</i></p> <p><b>6.2.</b> <i>DSIF strategy will outline various types of additionality</i></p>	<p><b>6.1</b> Additionality assessments and considerations at project level will be integrated as part of impact screening along the project cycle (included in IFU's decision making process: Clearance in Principle and Binding Commitment documents).</p> <p><b>6.2</b> Additionality types outlined in DSIF strategy (programme level).</p>	<p><b>6.1</b> Ongoing as part of broader IFU additionality policy</p> <p><b>6.2</b> Done</p>
<p><b>7.</b> Recommendations regarding Risk Management</p>	<p><b>7.1.</b> <i>Need to assess and communicate the financial risk of operating in the given countries. The administrative review will assess and provide recommendations.</i></p> <p><b>7.2.</b> <i>Greater attention during appraisals to the assumptions underlying successful implementation and long-term sustainability</i></p>	<p><b>7.1</b></p> <ul style="list-style-type: none"> <li>• DSIF has updated the EKF guarantee overview to include pipeline (steering committee (SC) material). Further elaborations to be made for SC in 2Q23.</li> <li>• DSIF to develop portfolio allocation targets as part of implementation of DSIF strategy in order to achieve a balanced portfolio – in 2023.</li> <li>• Opportunities for trend analysis and risk assessments through the (incoming) IFU Investment Management System will be explored (ongoing)</li> </ul> <p><b>7.2</b> DSIF and MFA (ELK) to formulate the Theory of Change framework, and further aspects of the Doing Development Differently agenda, including results management.</p>	<p><b>7.1</b></p> <ul style="list-style-type: none"> <li>• Done</li> <li>• Ongoing</li> <li>• Ongoing</li> </ul> <p><b>7.2</b> Ongoing – with support from external consultant</p>
<p><b>8. Recommendations regarding Communications</b></p>	<p><b>8.1</b> <i>Develop a communications strategy for DSIF</i></p>	<p>8.1 DSIF communication plan to be developed 1H23.</p>	<p><b>8.1</b> 2H23.</p>