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Mid-Term Evaluation of Climate Investor One

Final Report

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Disclaimer

The views expressed in this report are those of the evaluators. They do not represent those of the Ministry of Foreign Affairs, FMO, CFM or of any of the individuals and organizations referred to in this report.

Abbreviations

C&I	Commercial and Industrial
CDP	Community Development Program
CCF	Climate Credit Fund
CEF	Construction Equity Fund
CFM	Climate Fund Managers
CIO	Climate Investor One
CI2	Climate Investor Two
COD	Commercial Operation Date
CPI	Climate Policy Initiative
CP3	UK's Climate Public Private Investor Partnership
DF	Development Fund
DFI	Development Finance Institution
DGIS	Directorate-General for International Cooperation
EC	European Commission
EPC	Engineering, Procurement and Construction
EQ	Evaluation Question
E&S	Environmental and Social
ESG	Environmental, Social and Governance
ESIA	Environment and Social Impact Assessment
FIP	Final Investment Proposal
FMO	Dutch Entrepreneurial Development Bank
GCF	Green Climate Fund
GHG	Greenhouse Gas
GIIN	Global Impact Investing Network
IC	Investment Committee
IFC	International Finance Corporation
ILO	International Labor Organization
IPP	Independent Power Producers
KII	Key Impact Indicators
MW	Megawatt
M&E	Monitoring and Evaluation
MoFA	Netherlands Ministry of Foreign Affairs
MTE	Mid-term Evaluation
NOL	Letter of No Objection by National Government (for GCF)
NDF	Nordic Development Fund

ODA	Official Development Assistance
PE	Private Equity
PPA	Power Purchase Agreement
PPM	Private Placement Memorandum of Climate Investor One
PV	Photo voltaic
RE	Renewable Energy
RF	Refinancing Fund
SPV	Special Purpose Vehicle
ToR	Terms of Reference
ToC	Theory of Change
UN	United Nations
WTG	Wind Turbine Generator

Executive Summary

This report presents the findings, conclusions and recommendations emerging from a learning-focused mid-term evaluation (MTE) of Climate Investor One (CIO). This independent external evaluation was conducted by SQ Consult on behalf of the Dutch entrepreneurial development bank (FMO) and the Ministry of Foreign Affairs (MoFA). FMO, MoFA and Climate Fund Managers (CFM) had opportunities to review earlier versions of this report, as well as the terms of reference and the inception report, and their feedback has been incorporated where appropriate.

CIO is a blended finance facility, totaling USD 930 million, targeting the entire lifecycle of renewable energy (RE) projects in Asia, Africa and Latin America. CIO was one of the first instruments endorsed by Climate Policy Initiative's Global Innovation Lab for Climate Finance.

The blended finance structure combines public and private financing to simplify and accelerate project financing for private sector RE projects. CIO innovations include bundling three funds into one facility to provide tailored funding at each stage of the project life cycle. Early-stage projects receive loans and technical support using grant-based funding via the Development Fund (DF). The Construction Equity Fund (CEF) provides three tiers of equity financing for construction. The Refinancing Fund (RF) will provide post-construction debt once operational.

CFM is solely responsible for guiding the overall operations and investment activities of CIO. FMO played a fundamental and extensive role in CIO's original development and has several ongoing roles in CIO.¹ The confidential CIO strategy drafted in 2019, Private Placement Memorandum of Climate Investor One (PPM), is fixed for the 20-year implementation period as agreed with all investors. The long period allows CIO to recycle invested capital (revolvability) to maximize the number of projects it supports. For many investors, CIO represented the first exposure to a blended structure, creating many opportunities for learning at different levels of risk.

This is the first interim evaluation at the five-year mark of a 20-year program. The overall aim of this evaluation of CIO is to assess its current functioning, progress towards its investment and development impact objectives and the functioning of the overall facility. It covers the contributions of all public and private investors. The findings and recommendations will be relevant for other investors as well as the broader climate finance community. The evaluation covers the entire CIO facility that is currently operational, i.e., the DF and the CEF. Later evaluations are expected to delve more into the Refinancing Fund (RF) as well as assessing impact results achieved, as more projects will have progressed through the entire cycle.

Conclusions

This evaluation should be understood as assessing how an innovative concept has manifested in practice. It is focused on lessons going forward more than critiquing the past, such as early design choices made with extremely limited information at the time. The overarching conclusions synthesized from the evaluation findings are presented below.

#1: Overall, CIO's pilot of the bundled concept is a success. Already at year five of a 20-year implementation period, it is clear that CIO's model is proving to be a viable concept. Despite early challenges and external factors like the COVID-19 pandemic, CIO is making good progress in contracting and supporting project developers that are ultimately successful at completing construction and achieving full operations. The concept of revolvability of DF financing is also working, but slower than originally anticipated. FMO and MoFA played key roles in helping CIO's vision manifest. CIO's progress is being watched by climate finance experts. *[Recommendation J]*

#2: CIO's ability to provide early-stage development financing and non-financial support to further strengthen projects and remove key barriers is helping projects

¹ FMO has several roles. They had a key role, in partnership with Phoenix InfraWorks in development of CIO, and were the first investor, representing the Dutch Ministry of Foreign Affairs (MoFA). Also, FMO is a shareholder in CFM. FMO acts as donor agent in the DF and the Tier-1 tranche of CEF, including for DGIS, European Commission (EC), USAID, and Green Climate Fund (GCF). In addition, FMO, via the Private Equity department, is an investor in CEF. Other FMO roles include seats on the CEF Advisory Board and Investment Committee.

succeed and proceed more quickly through to completion. CIO is largely effective at providing financial solutions. CIO demonstrated both financial and non-financial additionality for all projects reviewed, though the nature and extent varies.² Project developers are satisfied with CIO overall, though some find the multi-stage contracting and rigidity of financing options difficult to understand. CIO's focus on Environmental, Social and Governance (ESG) adds value and reduces risks and is generally seen positively by project developers. Many developers also appreciate that the Community Development Programs (CDPs) are important for building lasting community support for their projects. *[H]*

#3: CIO is operating somewhat differently than assumed in the 2019 strategy and continues to evolve. Consistent with broader shifts in the RE market, CFM has shifted towards investing in developers with a pipeline of projects rather than single projects. These investment opportunities are termed 'platforms' and include, but are not restricted to, pipelines of commercial and industrial (C&I) solar installations. Platform approaches and C&I projects were not anticipated in the 2019 strategy. The types of financial structuring assumed in the strategy do not fit platforms well and platforms require different types of additionality and viability assessments. In addition, the shift to platforms blurs the distinction between development and construction financing, as CIO may be simultaneously providing development and construction financing to a developer for its different projects. Furthermore, CIO is trending toward coming in later in the project development cycle.

These variances from the 2019 strategy document, which is fixed for CIO's lifetime, are partly a result of the unusually long 20-year implementation period for CIO, outdated assumptions, e.g. on market characteristics, that were incorporated into the strategy, and the fast pace at which the RE sector is evolving. For example, the most viable technologies are changing, business models are evolving, and more financing options are emerging over time. The dynamism means additionality assessments must be carefully calibrated to project opportunities, local contexts, and changing conditions especially as the global market evolves into more platform rather than project-based approaches. *[C]*

#4: CIO's ability to meet targets over its lifetime will depend on the size and type of projects it supports due to trade-offs inherent in project selection. Each project has a unique impact profile and the types of projects CIO engages and markets it operates in are constantly evolving. There are significant geographic differences in impact profiles for projects with similar technologies. At the project level, large C&I solar aggregation projects that involve investments in project development companies rather than single projects may offer a better option for achieving the catalyzing private capital and climate goals but offer less real progress in equivalent people reached. Going forward, global economic and financial market conditions are also likely to affect project progress as are the economic outlooks of specific markets. *[C]*

Five years into its 20-year implementation period, CIO appears on track to meet the lifetime quantitative targets of installed capacity of RE, total RE power production and annually avoided GHG emissions while it may miss those on number of equivalent people with improved access to RE and finance catalyzed. Final results will depend on the specific characteristics (e.g., technical, geographic, co-finance) of the total aggregated portfolio of CIO's investments over its lifetime. *[I]*

#5: Overall, CIO's governance structure is functioning as intended, though requires proactive management for donors and CFM. Investment decisions are being made, projects are progressing, and change requests are being agreed. The natural tension between public and private investors requires a steep learning curve and ongoing proactive management from all involved to balance the different perspectives. This includes navigating different investing priorities (e.g., relative weights on development goals, RE capacity, climate impacts, volume or predictability of financial returns) and core ways of working. FMO has an unusually large number of ongoing roles in CIO, which can create inefficiencies and information imbalances. *[A, B]*

#6: While the overarching vision remains valid, the concept is not being fully replicated in part due to the complexity. While PE funds for RE have become more common especially for

² Project names are confidential unless specifically mentioned in the main body of the report. CIO active projects include several wind projects and platform projects targeting C&I solar, run-of-river hydro or biomass.

later project stages, CIO's bundled concept is still innovative and has not been fully replicated in the RE space. The most direct examples are other facilities developed by CFM that target different sectors, such as Climate Investor Two (CI2). Climate experts note CIO is also being used as an example, where some lessons are applied in other funds or facilities, but not replicated in entirety. One challenge for public investors newer to blended finance is the complexity of CIO's operational and fee structures, given how many different elements are bundled together – which is exactly its unique value. It is ultimately up to public investors to determine compatibility with their mandate. Any blended finance fund will include some complexity, such as a revenue distribution waterfall structure addressing different risk classes. Ideally, future structures would be as simple as possible and only include what is absolutely necessary. [G]

#7: Several suboptimal elements and obsolete assumptions of CIO's operational structure have been identified, which CFM seeks to address as feasible. CFM has learned a great deal already and seeks to improve CIO within the agreed structure. So far, CFM has been able to adapt its approach to CIO implementation in the context of a rapidly evolving global RE market, not to mention major global disruptions due to the COVID-19 pandemic, high inflation, the war in Ukraine and other factors. Yet, both CFM and donors are limited in what they can change within the CIO contractual structures agreed with investors for the 20-year period. For example, CFM is not able to change the requirement to replicate the CEF tier structure (i.e., proportions for each investor class) at the fund level to the project finance level, which causes delays. More in-depth improvements to the structure are being incorporated into CFM's later generation facilities (e.g., CI2), such as changes in revolvability speed and more flexibility in financing options. [C, H]

#8: Though often necessary, requirements and restrictions impede progress. The more requirements and restrictions placed on a fund manager like CFM, the more contortions they must do to find projects that will be successful, which slows progress. Lengthy approval processes due to donor requirements also reduce CIO's attractiveness to developers relative to other options. While some requirements are fundamental to a specific donor's mission and likely vary by donor, others, including some reporting requirements, e.g., separate reporting formats for different commitments from the same donor or narrow country or regional restrictions, appear unnecessary or excessive in a blended finance context. While very important to assess carefully it is ultimately up to the donor to clarify where there is flexibility and where there is not for their contribution. [J]

#9: The fixed investor funding contracts are too long for such a rapidly evolving context. The 20-year time frame was intentional to allow an opportunity to (i) go through two to three project funding cycles without having to fundraise again and (ii) long term preferences of some commercial and institutional investors. However, this means CIO lacks periodic milestones or breakpoints to adapt contracts to reflect updated understandings and overall context. This has implications for the ongoing appropriateness of the fee structures but also the optimality of the overall strategy and parameters of CIO. Blended finance mechanisms must regularly adapt to changing market conditions. Being rigid for so long has a variety of risks, including the potential for locking in project parameters that are no longer relevant, sub-optimally distributing resources and/or fee structures that become outdated to the point of creating reputational risks. [C, I, J]

#10: CIO's current monitoring framework is suboptimal for reporting against its Theory of Change (ToC), but CFM is already addressing this. The current key impact indicators (KIIs) do not capture all the impacts targeted by CIO's current ToC. Comprehensively tracking intended impacts will be necessary not only to understand the full development impact of CIO but also to better understand the benefits for the end-beneficiaries. The monitoring framework also does not enable the mapping of the CDPs to the ToC and the extent to which the CDPs are contributing to the delivery of impacts targeted by the CIO ToC. Evaluators note that CFM is aware of these shortcomings and is currently working to refine the ToC, develop a detailed results framework including additional impact indicators that also encapsulate the impact of CDPs, and develop a monitoring and evaluation (M&E) framework. This work is scheduled for completion in December 2023 following which the updated ToC and comprehensive impact management framework will be finalized. [E, F]

#11: CFM's systems and operational capacities are still maturing. While CFM has highly experienced staff, several of which have been involved since the beginning, they are still building

capacities which creates challenges, such as with back-office capabilities, communications and reporting requirements. Some areas of the organization are well developed, such as project development teams and fundraising for other facilities, while others such as managing diverse and increasing reporting requirements for CIO are still being developed or upgraded. [D]

Recommendations

This key recommendations for FMO and CFM emerging from this evaluation as well as suggestions for future funds, which have been co-created with MoFA, FMO and CFM, are:

Recommendations to FMO

A. FMO should designate a person at senior level to have an overview of all FMO roles in CIO and adjust where necessary. The rapidly changing market contexts and variety of different roles FMO has in CIO requires ongoing proactive management. While there is already a coordination role within FMO, it would benefit from also designating a senior management role that has a comprehensive overview of all of FMO's roles. This person could make overarching decisions regarding FMO roles, arbitrate misunderstandings or potential conflicts of interest within FMO and challenge CFM management where necessary. Part of the responsibilities should also include periodic reassessment of FMO's internal functioning relating to CIO [links to B]. It is also valuable to periodically review how the necessary confidentiality boundaries to avoid internal conflicts manifest in practice, not only to ensure they are working, but also to avoid unnecessary siloing of valuable information. For the reassessments, the person can synthesize annual reviews already done by FMO on the general partner and limited partner level, as well as information on CFM team performance and market developments. FMO is working on the appointment of senior management staff who will be responsible for ensuring implementation of this recommendation.

B. FMO should conduct an assessment of all its roles, to consider how the roles can be optimized for future funds. While the roles for CIO are fixed, it is not necessarily optimal or even desirable for FMO to play so many roles in future facilities or funds as the blended finance landscape evolves. The reassessments discussed in Recommendation A could feed into this consideration of future roles. The roles FMO takes in the future will be a strategic choice based upon the prevailing market conditions and opportunities as well as capacities and priorities within FMO. The recommendation is to be considered about how any commitment will manifest itself internally over the life of the facility. FMO is working on the appointment of senior management staff who will be responsible for ensuring implementation of this recommendation.

Recommendations to CFM

C. Periodically conduct and share the results of a comprehensive internal review of how CIO is manifesting in practice relative to the 2019 fund strategy in the context of market evolutions, e.g., every three to five years. The way CIO operates has evolved from the parameters and assumptions articulated in the 2019 PPM. This is not surprising given the changes in global RE markets. Changes are inevitable and it is important that practical ways of managing them are built into feedback loops, both in terms of what is feasible within CIO's contractual requirements, as well as to identify lessons for future funds. CFM's periodic internal review would benefit from further clarity from investors on current priorities, the approach to and minimum requirements for additionality, and the degree of flexibility to respond to changing market conditions. To ensure that all investors understand the portfolio-level implications of the changes, CFM should explore options to share findings of the periodic portfolio reviews and how they relate to the 2019 strategy and investment mandate beyond the CIO Supervisory Board and Advisory Board of each fund. This is distinct from ongoing M&E processes or external evaluations.

D. Increase efforts to build out the back-office capabilities of the facility, ensuring sufficient staff are in place to carry out all functions timely and efficiently. CFM as an organization has grown tremendously over the last few years while delivering on CIO and developing other facilities. What worked in the early years will not necessarily work as the organization grows and manages more facilities simultaneously. In addition to increased pressure on core functions, examples of growing operational challenges include operating regional offices, managing the diverse and increasing reporting requirements and investor communication

expectations as well as ensuring robust learning and feedback loops. It is time for CFM to take the next step in deepening the resources available to ensure and maintain quality, responsiveness and timeliness as it grows and evolves. CFM has already made new hires, though more will be needed in the near term.

E. Continue efforts to adapt the ToC and monitoring and reporting framework to better reflect the profile of investments being made and better capture the impact of CDPs.

This recommendation acknowledges that CFM is currently working on these issues. To fully support ongoing monitoring and evaluation by CFM and external entities, CIO needs a robust and realistic ToC and indicator package that accurately reflects activities. For example, the ToC should be supported by documented assumptions on links between activities and impacts.

F. CFM should continue to explore ways to better incorporate ESG in asset valuation and to define the impact per dollar spent and bring this to a wider group of public investors.

CIO's focus on ESG issues reduces risks to the assets and is generally seen positively by developers and other stakeholders. As there is currently no methodology to assign a monetary value to these benefits, they are not reflected in asset values. CFM has begun to explore incorporating ESG into asset valuation. Adoption of an appropriate methodology benefit the portfolio value and would help communicate the impact per dollar spent to investors.

G. Within contractual constraints, CFM should seek ways to help public investors better understand the fee structure and how it evolves over time. Lessons learned should also be applied to future facilities.

With a better understanding of how all the components of the fee structure manifest in practice, there is now an opportunity to improve accessibility and comprehension for public investors. This includes the impact on different outcomes over time, and how expenses relate to different actions taken. CFM and FMO are discussing ways of doing this within the terms of CIO's contracts, such as by updating internal templates and annual budget presentations. The details are not disclosed here to preserve confidentiality.

CIO's experience provides many transferable lessons. In the long term, greater understanding and comfort will help to increase public investment in blended finance mechanisms. Increased accessibility will benefit the broader blended finance community. It may enhance replication opportunities and help ensure proper calibration of fees in the future. Specific parameters for future mechanisms will need to be agreed with the respective stakeholders. CFM is exploring options, including how the fee structure could be modified or different ways of presenting it. For example, they developed a simplified version of the CIO's fee structure for public investors.

H. Continue to simplify and streamline contracting processes and the overall experience for developers.

Project developers value the bundled approach CIO takes but find the detailed processes and multi-stage contracts required for CIO difficult to understand and time consuming. Where possible within fixed CIO parameters, CFM should continue to explore options to streamline the overall experience for companies, such as by removing unnecessary or duplicative steps and clarifying communication to manage expectations, without compromising overall quality. CIO's example can also help future facilities to more efficiently meet the needs of developers.

I. Continue to proactively monitor shifts in pipeline opportunities to ensure financial and nonfinancial additionality, high ESG standards and development impacts as the market evolves.

The regional, technological and financial landscapes are evolving rapidly, and CIO must adapt to stay relevant. CFM and other stakeholders are now monitoring trends. This recommendation is intended to stress the continuing importance of proactively monitoring regional and global shifts given the rapidly changing context and associated impact on CIO outcomes. How CIO then adapts to these external changes will be captured in recommendation C.

Suggestions for incorporating lessons from CIO into future facilities

J. All parties (CFM, public and private investors) should seek to maximize the opportunities to incorporate learning from the CIO experience into future blended finance facilities and funds.

CIO packaged elements in a new way that is beneficial yet complex. As such, it was not feasible for parties to fully anticipate how the elements would manifest or interact over time. The CIO experience has generated tremendous learning on how

blended facilities like this could be optimized going forward. While the contracting arrangements limit options to change CIO parameters, it is important for all parties to internalize the learning to ensure that future facilities are better optimized in the future. FMO plans to publish this evaluation and share it with other CIO investors and their network. CIO continues to be profiled by finance experts like Convergence and Climate Policy Initiative who will also have access to this report. Activities stemming from the recommendations above will generate further learning that is relevant not only for funds FMO or CFM are involved in, such as Climate Investor Three currently in development, but also should be shared with the broader climate finance community. Further examples of learning relevant for blended finance investors and fund managers include:

- i. **All parties should fully understand how the proposed fee structures for any new facility will manifest in practice.** The priorities will depend on the perspective of each party. For example, it is important for public investors to fully understand how the facility may evolve from early assumptions and how different scenarios will affect the totality of management fees ultimately paid, as well as the development and climate impacts ultimately achieved. Investors should also consider what types of activity, impact and financial reporting they will need over time. Setting clear expectations and running detailed scenarios will help all involved to be satisfied with outcomes and avoid surprises. Developers of future funds should take the lessons learned on CIO's fee structure into account when designing such future funds. This could include having shorter timeframes or adding milestones to review the ongoing appropriateness for further years.
- ii. **All investors should maximize operational flexibility for the facility manager by being clear on which figures are a minimum requirement, a boundary (e.g., range), or only an assumption (based upon what is currently known).** This clarity is particularly important with the length of the 20-year agreement for CIO. Public institutions and DFIs will always have different perspectives than private equity fund managers. Investor priorities, market context and project types will evolve, meaning that optimal additionality profiles will change over time. Fund managers need flexibility to adapt to ensure relevance. Clear parameters reduce uncertainty and save time for all involved. Investors should be as clear as possible on core expectations, points of flexibility, and trigger mechanisms for change orders. Given the expectation of change, briefly articulating the underlying rationale can help all involved recognize when a new situation is still within the overall guiding intent or outside of it for contractual purposes.
- iii. **All parties should seek to standardize reporting requirements and timetables among (public) investors to the extent feasible and reassess viability of options over time.** Many reporting requirements from public sources are mandated by the respective governments and there are limited options to adjust in the short term. However, all the distinct requirements together create inefficiencies for the blended finance facilities, like CIO. Blended finance facilities are fundamentally distinct from typical donor programs, and donors are gradually adapting requirements to better meet context.

Facilities like CIO aim to create quantifiable, measurable social and environmental impact by supporting the establishment of clean energy projects in developing markets leveraging funds from a variety of investors. As such, any multi-investor facility has an impact philosophy that is independent of any single investor, including public donors. Bespoke reporting requirements create inefficiencies and may also increase the risk of inaccuracy due to the lack of real on-the-ground feasibility of obtaining the information. Bespoke reporting requirements can also place an unrealistic burden on project development companies that already struggle to maintain viability.

Fund managers would do well to explore the implications of all the different restrictions placed on them and the bespoke reporting requirements expected from (public) investors. Intermediaries like FMO could also work with fund managers like CFM and all public institutions it serves as intermediary for to standardize reporting requirements and timetables to the extent possible. As blended finance mechanisms are better understood, new solutions may be found to better navigate this challenging issue. For example, GCF is working to streamline its requirements and better serve the private sector.

1 » Introduction

This report presents the findings, conclusions and recommendations that emerged from an independent external learning-focused mid-term evaluation (MTE) of Climate Investor One (CIO). The evaluation was conducted by SQ Consult on behalf of the Dutch entrepreneurial development bank (FMO) and the Ministry of Foreign Affairs (MoFA). FMO, MoFA and Climate Fund Managers (CFM) had opportunities to review earlier versions of this report, as well as the terms of reference and the inception report, and their feedback has been incorporated as appropriate. A three-expert evaluation panel also reviewed the draft report.

1.1 Evaluation objectives

The overall aim of this first formative MTE of CIO is to assess its current functioning, progress towards its investment and development impact objectives and the functioning of the overall facility. The evaluation has both learning and accountability elements and seeks to:

- Address the effectiveness of the implementation of CIO's investment strategy thus far.
- Provide insights into the likelihood of the anticipated impacts being achieved in the future.
- Assess overall progress towards the foreseen impacts to date.
- Review the ways and extent to which original expectations and objectives have evolved.
- Generate lessons for MoFA as well as other current and potential contributors on establishing funds to finance bankable projects in developing countries.
- Inform learning on whether the functioning of the funds can be further optimized.

1.2 Scope: currently operational CIO elements

CIO is a blended finance facility targeting renewable energy (RE) in emerging markets. Managed by CFM, CIO combines three funds into one facility to provide tailored funding at each stage of the project life cycle. Early-stage projects receive loans and technical support using grant-based funding via the Development Fund (DF). The Construction Equity Fund (CEF) provides three tiers of equity financing for construction. The Climate Credit Fund (CCF), later renamed to the Refinancing Fund (RF), will provide post-construction debt once operational. See Section 2 for more on CIO.

This is the first interim evaluation at the five-year mark of a 20-year program. The evaluation covers the entire CIO facility that is currently operational, i.e., the DF and the CEF, and covers the contributions of all donors and investors. The findings, conclusions and recommendations will be relevant for other investors as well as the broader climate finance community. Later evaluations are expected to delve more into the RF as well as assessing impact results achieved, as more projects will have progressed through the entire cycle.

1.3 Summary of methodology

This evaluation was conducted between November 2022 and July 2023, with the bulk of data collection from March through June 2023. The period of performance is from operationalization of CIO in 2017 to the present. The cutoff for data provided by CFM was the first quarter 2023 reporting, which became available mid-June 2023.

The evaluation used a robust and utility-focused theory-based mixed methods framework, centered upon theory of change (ToC) analysis where the evaluation team tested key assumptions of CIO's approach. As CFM had just updated the ToC in December 2022, this team built upon the outcomes of that process. (See Figure 3 in Annex A: More on Evaluation Methods) For example, evaluators identified several key assumptions implied by the ToC provided by CFM that were incorporated into the evaluation questions and subsequently tested in the evaluation. Given the early stage of CIO implementation, this evaluation focused on overarching assumptions underpinning CIO's logic and assumptions linking activities to outputs. Beyond the information provided in Annex A: More on Evaluation Methods a fuller discussion of the methodological approach including a list of assumptions can be found in the Inception Report.

Any evaluation is limited by the data available. In this case, this is not only due to what data is being collected by CFM so far, but also because this is the first interim evaluation at the five-year mark of a 20-year program; only early indications are available on later stages in the ToC, i.e., outcomes and vision or long-term impacts. For example, relating to the data currently available, CFM does not currently track indicators for affordability or reliability of RE nor reduced vulnerability of the infrastructure and ecosystem to climate impacts. Also, one of the indicators for primary outcomes measures 'Number of people with improved access to RE' which does not measure outcomes for businesses. In addition, data aggregated to date do not yet include indicators related to the Community Development Programs (CDPs).

Key methods included: ToC analysis, literature review, portfolio and impact analyses, benchmarking, stakeholder interviews, survey of active investees and in-depth case studies of a subset.^{3,4} We engaged a wide range of stakeholders including: CIO Donors and Investors, CIO Management & Advisory Board, CFM Executive Committee, regional heads and other key staff, investees (project developers), co-financiers, and climate finance experts as well as beneficiaries of CDPs. More information on the sources used is available in Annex B: Sources.

The high-level evaluation questions (EQs) used to guide this evaluation are listed here. Also see Annex A: More on Evaluation Methods for the full list, with the sub-EQs under each of these topics:

1. To what extent does CIO provide financial and technical solutions that could not easily be delivered by other support and financing options available to the targeted projects?
2. How effectively is CIO meeting its objectives thus far?
3. What indications are there that CIO's governance structure, design parameters and assumptions are realistic and facilitating efficient progress in achieving CIOs objectives?
4. Based on the findings from EQs 1-3, how could the functioning and effectiveness of CIO be further improved in the remaining investment period? Are lessons learnt embedded? Implications for FMO strategy 2030?

We triangulated and synthesized the evidence across all sources to draw together insights for the EQs as well as any unanticipated topics. FMO, MoFA and CFM had opportunities to provide feedback on evaluation design and questions, draft findings and emerging recommendations as well as to correct any factual errors and review for confidentiality. As it is critical that we maintain confidentiality for interviewees, as well as of commercially confidential or otherwise sensitive information, some findings are presented in-aggregate or only at a higher level in this document. The case study Annex (C) is provided in a separate document that only has limited distribution.

1.4 Organization of this report

The remainder of this report is organized into the following sections:

- Section 2 provides a high-level overview of CIO including the vision, main components, governance structure, key investors, anticipated impacts and a summary of implementation activities to date.
- Section 3 presents the key findings of the evaluation divided into the following subsections: Relevance, Governance, Effectiveness and Emerging Impacts.
- Section 4 summarizes the overarching conclusions from this evaluation.
- Section 5 lists key recommendations for FMO and CFM and considerations for the future.
- Annexes provide more background on the evaluation methods including key sources as well as (confidential) case studies.

³ Of the 15 active projects, CFM provided eight contacts representing nine active projects for the survey, of which six completed the survey.

⁴ The case studies covered four investees active in Vietnam only (2) or multiple countries in Asia including Vietnam (2). All were partially or fully operational, with one already existed and represented some of the most advanced projects in CIO's portfolio.

2 » Overview of CIO

This section provides a high-level overview of CIO including the vision, main components, governance structure, key investors, anticipated impacts, and a summary of implementation activities to date. By necessity this overview section is brief, for more details on CIO refer to CFM's website or other public descriptions.⁵

CIO is an innovative blended finance facility, with USD 930 million targeting the entire lifecycle of RE projects in Asia, Africa, and Latin America. The blended finance structure bundling financing for multiple stages seeks to simplify and accelerate project financing for private sector RE projects.

Box 1 includes a summary of CIO's vision. CIO combines three funds into one facility to provide tailored funding at each stage of the project life cycle.

Box 1. Summary of CIO's vision

Climate Investor One follows a project development lifecycle approach:

- At an early project stage, CIO provides technical assistance and project development funding through CIO's Development Fund (funded by Donors).*
- Subsequently, it avoids complex negotiations with multiple financiers by making available equity financing for a large part of the construction costs through CIO's Construction Equity Fund (funded by Donors, development finance institutions (DFIs), pension funds, family offices and institutional/commercial investors).*
- The Construction Equity Fund recycles its capital via refinancing and an exit (equity sale).*
- Soon after the project is operational, CIO allows project debt to be raised for the first time, at a lower expected cost, through CIO's Refinancing Fund (not yet operational).*

Adapted from Private Placement Memorandum of Climate Investor One (PPM), 2019.

2.1 Innovations in design

FMO instigated CIO's development to respond to three key market barriers:

1. Protracted development and construction phases due to lack of appropriate financing.
2. High cost of capital because of high perceived market risk.
3. Limited exit or refinancing options for private investors.

Features of CIO's bundled approach include:

- Project developers can access a single financing entity, accelerating project timelines.
- The whole-of-life financing method allows CIO to recycle invested capital, which should enable CIO to maximize the number of projects it supports.
- For many investors, CIO represented the first exposure to a blended structure, creating many opportunities for learning at different levels of risk.

CIO utilizes blended finance at two levels, first at the overall facility level, where the concessional DF aims to mobilize private capital into the other two funds targeting later project stages; and then within the 3-tier structure of the CEF itself, each offering a unique risk-return profile to appeal to different investor types. This layering creates a revenue distribution waterfall whereby senior investors receive returns first, before remaining gains "cascade" down to junior investors.

CIO was one of the first instruments endorsed by Climate Policy Initiative's (CPI) Global Innovation Lab for Climate Finance in its first cycle (2014-15). Per interviews with CPI staff, they view CIO as a flagship blended finance example for RE in part due to its success at fundraising as well as being the first to successfully package various elements. CPI staff also report using the CIO example as a blueprint menu that later funds can borrow from as relevant for their circumstances.

⁵ See for example: Convergence's 2021 case study of CIO and the CFM website: <https://climatefundmanagers.com>

The confidential CIO strategy drafted in 2019, Private Placement Memorandum of Climate Investor One (PPM), is fixed for the 20-year period as agreed with all investors. The long period allows CIO to recycle invested capital (revolvability) to maximize the number of projects it supports.

2.2 CIO components

The CIO facility's three funds are each designed for one of the three main stages of a project's lifecycle: development, construction, and ongoing operations.

Development Phase. The loans provided by the DF can fund up to 50% of the development costs and are designed to enable projects to reach financial close from an early stage. As the DF is funded with donor capital, it seeks to preserve capital rather than return on investment. As donors take on all development risk it operates with a higher risk profile than commercial investors are typically willing to accept. Projects funded by the DF can also benefit from tailored environmental and social, engineering, and financial structuring support. The DF ultimately seeks to generate a pipeline of bankable RE projects and mobilize commercial equity investors for the construction phase. The reimbursable loans are repaid along with a premium once construction financing is secured.⁶

The DF has a 20-year term, with a 15-year investment period. The first close for the DF was in June 2017 and the final close was in June 2019. The funding commitments for the DF total USD 56.3 million. The contributors in chronological order are: MoFA via DGIS, USAID Power Africa, European Commission (EC), Nordic Development Fund (NDF), Green Climate Fund (GCF) and a U.S. Family Office. GCF made the largest commitment at USD 20 million with the smallest commitments being USD 5 million each from USAID Power Africa and a U.S. Family Office.⁷ Some contributions are earmarked for a specific country, region or technology. For example, USAID Power Africa and the U.S. Family Office commitments are earmarked for selected countries in Africa.

Construction Phase. The CEF benefits from the pipeline of projects prepared by the DF. The CEF offers tiered investment opportunities for public and commercial investors to mobilize capital at scale. The three tiers are: first loss, subordinated and senior equity. Donors serve as partial-risk takers during the construction phase by being subordinate to Tier 2 and Tier 3 investors. Tier 2 investors are afforded additional investment risk reduction by receiving a hurdle return⁸ before donors start to receive their capital back, which is determined on a project-by-project basis. The financing provided by the CEF is used to fund up to 75% of the construction stage of a project.

There are 18 investors in the CEF totaling USD 864 million in commitments with an approximately 20%/40%/40% split among three investment tiers. There are three public investors, MoFA via DGIS (first), EC and GCF in the first tier (first loss), two in the third (senior) tier, one public and one private, and the remaining 15 in the middle (subordinated) tier. Overall, six investors are public, 12 are private, including FMO and CFM.

Operations Phase. The RF⁹, currently in fundraising, will provide senior debt to projects once they have reached commercial operations. This facility will target debt investors seeking long-term de-risked infrastructure assets, such as institutional investors. This phase is typically where risk is lower and less expensive debt, including from private investors, is typically available.

2.3 CIO Governance

CIO is managed by CFM, a joint venture whose two principal shareholders are FMO and Sanlam InfraWorks (itself a partnership between Phoenix InfraWorks and Sanlam, South Africa). Climate Fund Managers B.V. is registered in The Hague as an independent fund manager. CFM is solely responsible for guiding the overall operations and investment activities of CIO, executed by a supervisory board. The CIO Fund is currently comprised of two separate legal entities, Stichting

⁶ The premium has two functions: 1) reimburse the DF for any losses from other failed projects; and 2) prevent the pool of concessional capital from being captured by slow-moving projects.

⁷ One investor has requested to remain anonymous and referred to on lays 'a U.S. Family Office'.

⁸ The hurdle return is not guaranteed but subject to performance.

⁹ CIO was initially designed to have a dedicated refinancing fund. CFM has instead opted to raise a single credit fund to support all the Climate Investor Construction Funds.

Development Fund (DF) and Coöperatief Construction Equity Fund U.A (CEF). Each has delegated authority for day-to-day decision making through management agreements with CFM, directed by their Investment Committees (ICs). The DF is governed by a management board, for which FMO is the sole statutory member, as well as an advisory board comprising six members. The CEF board consists of four members. Alongside investment recommendations from CFM’s own board, the management and advisory boards guide the investment strategy carried out by the ICs.¹⁰

See Figure 1 for an illustration of CIO’s organizational structure.

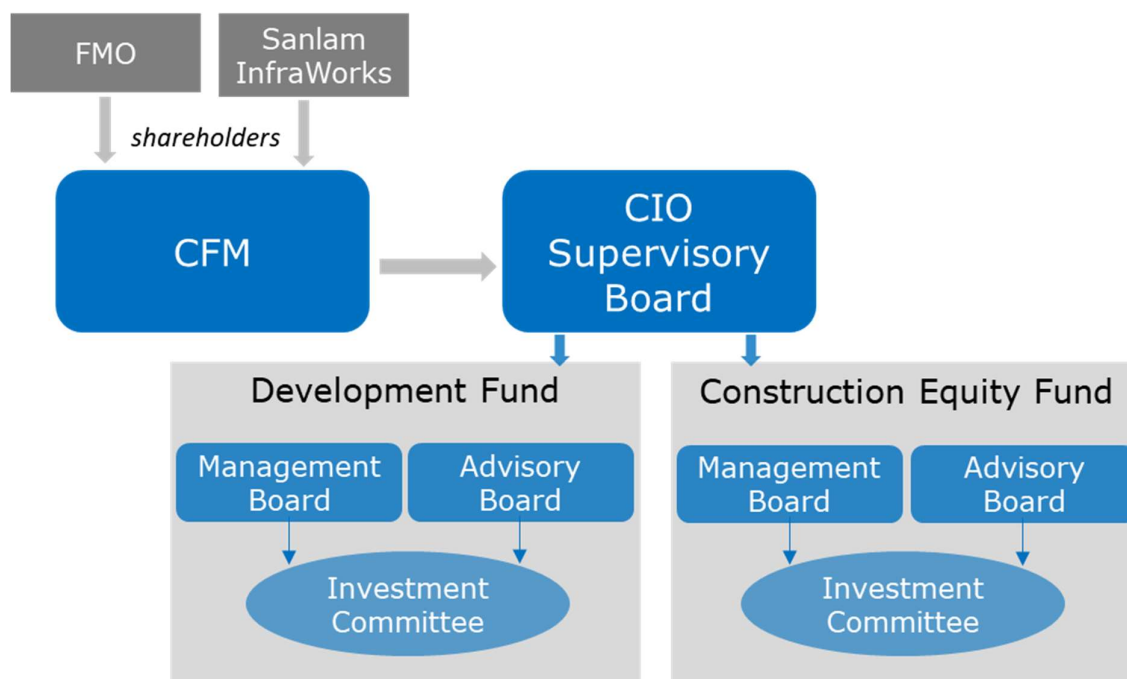


Figure 1 CIO Organigram

2.4 Anticipated impacts

When established, CIO was projected to support up to 30 RE projects, with a total capacity of ~1,700 MW. Over its lifetime, the facility is anticipated to achieve the following:¹¹

- Electricity Generated per annum: ~5,100 GWh.
- Greenhouse gas (GHG) or equivalent emissions avoided per annum: ~1.9 million tons CO₂.
- Number of People Served: ~13 million.
- Private sector funds catalyzed at construction phase: ~2.5+ billion USD.
- Direct job creation: more than 10,000 jobs.

Section 3.4 discusses progress to date towards meeting these anticipated impacts.

CFM seeks to ensure each project receiving CIO financing is in line with international environmental and social (E&S) standards such as those issued by the International Finance Corporation (IFC), International Labor Organization (ILO), and the United Nations (UN). CFM also seeks to mainstream gender equality and empowerment of women and requires each project to have a CDP aligned with local community needs, such as access to clean water and sanitation facilities, as well as building the resilience of local communities to climate change. These activities are aimed at achieving development impacts beyond those realized by the implementation of RE projects.

¹⁰ Convergence, 2021.

¹¹ https://international-partnerships.ec.europa.eu/policies/programming/projects/climate-investor-one-future-climate-finance_en

2.5 Implementation to date

As of 31 March 2023, the DF had committed USD 50.1 million of which USD 25.8 million had been disbursed. The CEF had committed USD 527.5 million of which USD 404.9 million had been disbursed. (See Table 1)

Table 1 DF and CEF disbursements through 31 March 2023

Activity through 1Q23	DF (USD)	CEF (USD)
Total fund ¹²	56.3 m	853.5 m
Committed to date	50.1 m	527.5 m
Disbursed to date	25.8 m	404.9 m

CIO has successfully contracted 20 RE projects as of 31 March 2023 of which 15 are currently active. Nine projects contracted to date are under or have already completed construction. Six of the active 15 projects are still in the development phase, while nine have repaid funding from the DF and progressed to the CEF, with six in full or partial operation and one exited. Four projects are 'parked' or stalled due to challenges relating to the COVID-19 pandemic or uncertainties relating to the national government. One project was cancelled, and the DF funds repaid after developer bankruptcy. Another six projects were cancelled before receiving funds, following investment approval by the DF IC. CFM also reports that so far, the write-offs in the DF have been lower than originally forecast, though this may change given the increased difficulties in global financial and energy markets.

3 » Key Findings

This section presents the key findings of the evaluation divided into the following subsections: Relevance, Governance, Effectiveness and Emerging Impacts.

3.1 Relevance

CIO has been proven as a concept and remains highly relevant for the RE developers it targets, though the global RE market is evolving and CIO along with it. Broadly, the need for de-risked development and construction financing remains in Africa, Asia and Latin America, with early-stage development financing still particularly additional.¹³ CIO's ability to provide non-financial support to further strengthen projects and remove barriers is also valuable. Specific country and regional contexts still vary significantly. Local markets are gradually maturing and more financing options are emerging, some of which also offer non-financial support as well. Some geographic/project profiles that were additional in the beginning would not necessarily be appropriate for CIO now as the country and individual project contexts evolve, particularly if engaging at later project stages. The overall context is rapidly evolving and CFM is continuously adapting its management approach for CIO to keep pace with the changes.

While private equity (PE) funds for RE have become more commonplace, CIO's bundled concept is still rare and valued. The landscape for financing for RE, particularly at the construction/expansion stage has become much more crowded since CIO was established. Developers of early-stage projects have more options for financial and technical support than when CIO first began, though opportunities are still limited in several markets. One of the most consistent additional aspects of CIO support across projects is precisely that it is bundled to

¹² As funds are expected to be recycled as projects move to the next phase, more than the specific amounts committed by investors is expected to be disbursed during the remaining implementation period.

¹³ FMO distinguishes two sources of additionality: (1) financial additionality: making available a financing product that is not readily available to the recipient from commercial parties, on workable terms, and; (2) non-financial additionality by adding other unique value, often relating to ESG standards, thereby ensuring outcomes or returns to society that are higher than would be the case without the support provided.

provide a significant share of development and construction finance as this feature is still uncommon. There are many instances where financial and nonfinancial support in early- to mid-development stages would still clearly be additional. This is not easily secured elsewhere to the extent provided by CIO, when CIO engages in very early stages and carries support through to the end. However, fund managers must carefully assess the financial and non-financial additionality for projects that are engaged in late development or already in construction as the financial additionality in particular is less certain than in earlier years and will further reduce over time as markets evolve. Interestingly, stakeholders note that there are still some projects already in construction that have not adequately de-risked issues that should have been addressed during development, implying that CIO’s ability to provide non-financial support can still add important if not unique value even during construction in specific cases.

CIO is addressing all types of barriers for project developers, though is more effective at addressing financial barriers than non-financial barriers. All six developers surveyed indicated that they faced at least three financial barriers each.¹⁴ Whereas half of those developers only faced financial barriers, the other half also faced some combination of supply chain, grid connection, public acceptance, policy environment and/or regulatory issues. The barriers faced only varied slightly between the development and construction phases. Though project developers reported that CIO’s support was consistently more effective in the development phase.

Table 2 lists the frequency of each barrier faced and the average effectiveness of CIO support at addressing each barrier using a 1-5 point scale, with 1 = not effective and 5 = very effective.

Table 2 Barriers faced and extent addressed by CIO per survey of participating developers (n=6¹⁵)

Barriers faced	Development		Construction	
	Freq.	Avg. (1-5 scale)	Freq.	Avg. (1-5 scale)
Financial barriers				
Time/resources needed to negotiate with other funders	5	4.4	5	3.8
ESG or related requirements imposed for financing	5	4.3	5	3.8
Timing of availability of other financing	5	4.0	5	4.0
Terms/size of alternative finance offers	4	4.3	3	3.7
Lack of financial incentives, e.g., tax incentives	2	4.0	2	2.5
Project finance: General	3	3.3	4	3.8
Non-financial barriers				
Supply chain capacity /availability of materials/staff	3	4.0	3	3.7
National policy environment, e.g., lack of clear targets	2	3.5	3	2.7
Local policy environment, e.g., local planning restrictions	2	3.5	3	2.7
Regulatory environment: e.g., permitting/licensing or PPAs ¹⁶	2	3.0	3	2.7
Grid connections: e.g., none available, under construction	2	3.0	3	2.3
Public acceptance: e.g., of project site	2	3.5	3	3.3

Source: Survey of currently active developers that have received development and/or construction finance.

Note: Possible barriers not faced by any responding developer have been excluded from the table.

¹⁴ Of the 15 active projects, CFM provided eight contacts representing nine active projects for the survey, of which six completed the survey.

¹⁵ Five developers answered for the development phase and overlapping group of five developers answered for the construction phase.

¹⁶PPAs = Power Purchase Agreements

See case example #1 for an illustration of how the COVID-19 global pandemic affected some wind projects.

Case Example #1: The COVID-19 global pandemic caused delays in many projects. For example, it created significant delays for the near shore wind projects in Vietnam, which were under construction. CFM responded in a variety of creative ways including transporting key documents themselves and working with stakeholders to get shipped components released from the ports.

3.2 Governance

Overall, the governance structure for CIO is working. Generally, CIO is functioning as intended. Investment decisions are being made, projects are progressing through to completion, and change requests are being agreed. CFM appears to understand IC expectations well. For example, there is a check list that is used to facilitate agreement before the IC meets. Stakeholders report that it is often clear there is sufficient agreement already after discussion of the checklist results before the formal meeting to vote.

The natural tension between public and private investors is playing out within CIO and offers broader lessons for global climate finance stakeholders. It is to their credit that all parties agreed to participate in CIO's blended finance experiment, yet it requires a steep learning curve and ongoing proactive management to balance the different perspectives. There was widespread feedback from CFM, FMO, MoFA and other donor interviews on how parties are navigating these dynamics. The most obvious tension is differing investment priorities where public investors seek high development impacts and additionality and commercial investors seek high and predictable returns. Perhaps even more challenging to navigate is that the default ways of working for donors and fund managers differ, and therefore must shift for blended finance initiatives to be successful. In particular, there is need to reconcile priorities, skillsets and standard institutional practices, expectations and timeframes between public and private entities. For example, donor organizations do not necessarily have staff yet with the specialized experience needed for engaging effectively on blended finance. Additional processes also must be developed as CIO reaches new milestones, such as its recent first exit for the CEF or even learned anew with staff changes within stakeholder organizations. This tension is not unique to CIO and is widely echoed in findings from previous studies on blended finance. For example, a study conducted by CPI noted "Participants in blended finance initiatives report that aligning investors is a costly and time-consuming process, and there is a substantial need to reduce transaction costs."¹⁷ The experience being gained now is valuable for the direct stakeholders in CIO, and also for the broader climate community interested in realizing the potential for blended finance.

While public investors are broadly satisfied with CFM and CIO's investments and management to date, there are some areas of frustration. For example, a periodic point of friction on both sides is with reporting requirements, such as with new requirements, requests for more detail on calculations or requests with short turnaround times. These requests are challenging for both CFM and developers. GCF and EC are seen as having more extensive requirements, though for different reasons. For example, the EC initially had separate reporting requirements for each of the four funding streams it has provided to CIO but has recently sought to streamline through a new reporting platform.

The evaluation team identified two dynamics that contribute to these areas of frustration. The first dynamic is the fundamentally different perspectives and priorities of different stakeholders, such as the perspectives and priorities of stewards of Official Development Assistance (ODA) funding relative to those of private entrepreneurs. For example, an overly 'just trust us' approach from fund management is simply not satisfactory for public sector institutions that invest tens or hundreds of millions. Conversely, many of the public sector expectations or approval processes are not sufficiently cognizant of commercial realities and timetables. The second dynamic is that CFM is a relatively new organization in a growth mode. It is actively developing additional facilities while it is still maturing into having comprehensive ongoing management systems, with sufficient staffing and established practices, such as to respond to new data requests from donors. (See for example Section 3.3.7 for more on CFM's systems.)

¹⁷ CPI, 2018.

CFM sees some public investor requirements, such as from the GCF as unrealistic and/or overly time-consuming for the pace at which the private sector moves. Public investors are seen at times to be too rigid and or slow to adjust to be practical for private sector projects. Lengthy approval processes due to donor requirements also reduce CIO's attractiveness to developers relative to other options. The more requirements and restrictions placed on a fund manager like CFM, the more contortions they must do to find projects that will ultimately be successful, which slows down progress. While some requirements are obviously fundamental to an investor's mission, others appear unnecessary or excessive in a blended finance context. One of the most challenging requirements from CFM's perspective is the extensive time it takes to secure No-Objection Letters (NoLs) from each national government required by GCF before the private sector in that country can be actively engaged. Per GCF requirements, some changes, such as adding new countries CIO will target, also trigger the need to go back to each national government as well. In addition, for GCF most changes require approval from the Board in addition to multiple layers within the GCF Secretariat which can require multiple months or even years.¹⁸ CFM reports this poses difficulties on adapting CIO to a changing reality. In contrast to GCF, the other public investors in CIO are able to respond more quickly to change requests.

3.2.1 Dutch role

FMO has an unusually large number of roles in CIO.¹⁹ By design, this evaluation focused only on FMO's role as donor agent for MoFA. However, it was clear in our limited review that there is an unusually large number of FMO staff involved in diverse ways. This is due in large part to FMO's fundamental and extensive role in CIO's original development as well as FMO's multifaceted role in RE in developing countries more broadly. FMO is also one of the most active DFIs in climate blended finance to date.²⁰ Yet, no one staff member has the full overview to ensure overall alignment or manage broader potential conflicts of interest. Interviews with FMO and CIO documentation reveal that each role has a distinct rationale, and conscious confidentiality walls are in place to help avoid conflicts. However, this siloing effect could mean any single staff member lacks comprehensive access to relevant information compared to the CFM counterpart, i.e., asymmetric information, when navigating an issue. This dynamic within FMO requires significant and conscious ongoing coordination underpinned by substantial trust. Stakeholders report this complexity also creates inefficiencies as CFM must engage with several different parties who may have an incomplete picture on similar topics and CFM are not always clear to whom they should first address new issues or questions.

The overall Dutch financial contribution, though significant and catalyzing, is ultimately well balanced by the contributions of numerous other funders that came later. Given the success of CFM's fundraising for CIO, the share of Dutch investments in total for both the DF and CEF is comparatively low. While being the anchor investor, MoFA is now one of six investors in the DF, representing approximately 10% of the commitments. Most other investors have committed more funds, with GCF committing over four times that of MoFA. For the CEF, MoFA (31% of Tier 1) and FMO (16% of Tier 2) have committed to different Tiers, which is consistent with their respective mandates. In each case they are one of multiple investors in that tier, the first but not the largest, and represent less than a third of commitments for that tier. MoFA – and donor support more generally – is still playing a critical role in the DF and will continue to do so for the foreseeable future. While it has played a key role, it is less clear whether donor support will continue to be necessary to cover first loss tiers at the construction stage for RE as the landscape for blended finance rapidly evolves. This will depend on how the specific investment characteristics and associated additionality profiles of CIO investments do or do not evolve over time as well.

¹⁸ These challenges are also widely documented in GCF documentation and evaluations. While the GCF is actively seeking ways to improve the experience for private sector projects, the NoL requirement remains so far, as does the requirement for most changes to seek Board approval.

¹⁹ FMO has several roles. They had a key role, in partnership with Phoenix InfraWorks in development of CIO, and were the first investor, representing the Dutch Ministry of Foreign Affairs (MOFA). Also, FMO is a shareholder in CFM. FMO acts as donor agent in the DF and the Tier-1 tranche of CEF, including for DGIS, European Commission (EC), USAID, and Green Climate Fund (GCF). In addition, FMO, via the Private Equity department, is an investor in CEF. Other FMO roles include seats on the CEF Advisory Board and IC.

²⁰ Convergence, 2023a.

3.2.2 Evolutions

The types of investments CIO now seeks to pursue have evolved over time. The main evolution is that CFM has shifted to focusing more on investing in developers with current or potential portfolios of projects (termed 'platforms') and is moving away from individual project investments. This is in part because platforms can facilitate better focus on quality developers and be a more efficient way of deploying capital and constructing more renewable capacity. For single projects, if a problem is encountered, for example with grid connection or permitting, the whole project will be stalled. With platforms, although due diligence takes a different focus and is initially more complex, once satisfied that the developer is of high quality, it is easier to extend the investment for other locations. Examples of elements of due diligence that are more complex for platform investments include taxation and money laundering.

The shift to platforms also provides more opportunities to support projects in least developed countries where it can be difficult to source projects of sufficient quality including developer capacity. Most stakeholders viewed this shift as consistent with broader evolutions happening in the global market and the shift has been noted in other studies.²¹ This shift to platforms has coincided with a shift to commercial and industrial (C&I) rooftop or ground-mounted solar, where many small sites are aggregated into one project. CFM staff noted that one reason for this shift is the increased potential for financial additionality, as the options for financing are fewer than for larger projects of sufficient quality to be considered for CIO in many markets these days.

CFM has learned a great deal already and continues to seek to improve CIO within the limitations of its agreed structure. CIO has boundaries on its flexibility due to the long-term donor and investor agreements. Nevertheless, CFM has explored the feasibility of some changes within CIO and incorporated learning into later facilities they develop. For example, one change CFM made for later facilities was to be more flexible in the financing approach. CIO has a strict equity-only approach, while already with CI2 CFM included the possibility to incorporate debt in addition to equity to better meet project needs. While private investors in the CEF seem amenable to this change, CFM reported that the changes required for public investor contracts for CIO are unfeasible.²² Examples of other CIO parameters that have turned out to be limiting include:

- Replicating the CEF tier structure at the project level in addition to the fund level. The tier structure at the fund level is core to the risk management provided through the blended finance. CIO also requires the same tier structures to be implemented at each project level due to expectations of the tier 3 guarantor, Atradius. However, this requirement at the project level often complicates financing and slows down progress for projects.
- Limitations to fund in the local currency. This would help developers (and CFM) better manage currency fluctuations and is only increasing in relevance as power purchase agreements (PPAs) in local currencies are becoming more common. CI2 already is allowing the option for at least part of the financing to be offered in local currency.
- Rigid expectations on the nature of non-financial support. CFM has proposed to FMO the idea of having a separate facility or other mechanism, that would allow more regular use of secondments or other in-depth options, to support developers more flexibly and extensively, for example by proactively helping them build capacity and recruit senior staff. The proposal is currently under discussion.
- Multiple layers of reporting requirements, with new requirements and ad-hoc requests over time. Going forward, CFM is keen to simplify the reporting structures and further enhance its impact narrative, with the objective that investors buy into the impact targeted by CFM and into its performance indicators rather than investors adding indicators instead. This will not only benefit CFM, but also the investee project developers, who can find multiple layers of reporting a burden. In 2022, CFM joined the Global Impact Investing Network (GIIN) which is an international network of impact investors. CFM staff are participating in the GIIN's Energy Benchmark Design Team which seeks to co-develop a pilot benchmark in energy to be adopted by investors to facilitate impact-driven investment decision-making.

²¹ See for example CPI, 2018.

²² Convergence, 2023c.

Meaningful distinctions between the separate development and construction stage financing and associated approval processes blur for platforms. By design, the platform approach targets developers that are developing multiple projects which are at different stages at any given point and completed over time. Some projects in the pipeline have off-taker agreements in place but others do not. This complicates the calculations regarding the revolvability of the DF and CEF financing as essentially CIO continues to invest in different phases of the same platform concept from the developer. Also, the 2019 strategy assumed that CIO would be investing in non-recourse “Special Purpose Vehicles” (SPVs) constructed for a project rather than providing corporate finance.²³ To date, the model for investment in platforms has involved various different relationships with developers, where in some cases the same contract vehicle would essentially continue, others where it would not.

Regionally-based staff are key to manage local differences. In geographic terms, project contracting has evolved from Asia to Africa and now CFM is building up the pipeline for Latin America. This was due both to dynamics for CFM in building up the organization and local staffing as well as local market characteristics. Each region brings its own set of opportunities and challenges, and CFM seeks to adapt its approach within the overall CIO framework for each new context. For example, the project profiles viable in one region are not necessarily feasible in another. Several stakeholders emphasized the importance of having regionally-based staff to effectively manage nuances in approach and communications as well as to source new opportunities.

3.2.3 Benchmarking

The bundled CIO concept has only been replicated to a limited extent to date. While Convergence, CPI and other blended finance experts regularly seek to incorporate learning from CIO in their work, the complexity and size of CIO limits the contexts in which it would be appropriate to fully replicate it. Also, public investors are still slower than finance experts expected to engage in blended finance at a large scale. CPI reports that bundling of development and construction stage financing is becoming more common, but also including the refinancing stage remains rare. The most direct example of full replication is with CFM’s other funds, especially CI2, which targets climate-resilient infrastructure projects in developing countries in the water, sanitation, and ocean sectors. These sectors typically attract less interest from the private sector than RE. CFM has tweaked some parameters to incorporate learning from CIO as well as better meet its sectoral needs, but the overall framework remains similar. The Asian Development Bank’s SDG Indonesia One: Green Finance Facility seeks to replicate the bundled concept of providing support at all project phases and directly credits CIO in its development²⁴. However, the approach, target sectors, funder profile and management structure are all different.

There is no direct comparison facility with which to benchmark CIO. While there are many more PE and blended funds and facilities for RE than there were when CIO was first launched, multiple characteristics still make CIO unique. The evaluation team was not able to identify any other facility driven by a private investment manager that seeks to bundle all phases together for RE of similar size. Therefore, when assessing additionality, we looked at the much broader pool of funds and facilities currently active in the same markets offering development and/or construction phase financing with or without technical support. We also looked at the most direct comparator, CI2, but which targets much more difficult sectors. Evaluators found that fees structures may not be directly comparable. For example, management fees for some funds are ‘all-inclusive’ while in other cases there are also separate line items for other expenses e.g., start-up costs, travel, administrative/reporting expenses, or performance bonuses. Some are fixed for the duration; others may be adjusted for inflation or other factors. CIO’s waterfall structure is also still rare for similar contexts. To effectively compare funds, assessors must examine how the combination of fees and costs for each fund manifests in practice over time as well as considering how other fund characteristics vary, e.g., which regions are targeted, level of technical support also provided, concessionality of terms offered, type and stage of project development, etc. Comprehensive information at this level is virtually impossible to obtain due to confidentiality considerations.

²³ CFM. Private Placement Memorandum of Climate Investor One (CIO). 21 June 2019.

²⁴ For more information on SDG Indonesia One, see for example: <https://ptsmi.co.id/sdg-indonesia-one> or <https://www.adb.org/projects/54152-001/main>

Therefore, the team triangulated CIO's structure with stakeholder feedback, fees and costs from several partial comparator funds, including business cases that are publicly available and confidential information provided by FMO, as well as with global statistics available on PE funds targeting RE more generally.

Given the uncertainties during the start-up phase for the innovative and complex concept, the fee structure developed for CIO should be considered fair for the market context in the 2015-2017 timeframe. Overall CIO fees are on the high end of the expected range of large PE funds these days, per feedback from funders, market experts and public and confidential documentation. While fund fee structures are typically highly confidential²⁵, publicly available benchmarks are generally consistent with stakeholder feedback that PE funds established in recent years are typically receiving 1-2% of total commitments in management fees annually.²⁶ Yet, there are numerous complex factors that go into pricing which are beyond the scope to detail here. For example, larger funds like CIO and those with other anticipated efficiencies or economies of scale, such as via CIO's bundling, are typically coming in at the lower range. Conversely, funds operating in particularly difficult sectors or contexts are typically coming in higher than the typical range. Financing and associated risk management is well understood for the RE sector compared to some other climate sectors attempting blended finance, which pushes RE fund fees lower. However, operating in low/least developed countries or fragile contexts present additional challenges that push fees higher. CIO operates in a range of developing contexts, some of which are low/least developed or fragile, others are middle or upper middle income. In addition, all other parameters being equal, focusing on lower risk investments like platform approaches or investing at later stages would tend to push fees downward while offering technical assistance included in the management fee would push fees higher. Furthermore, one could expect a slight increase in fees for public entities in blended finance arrangements relative to strict private equity funds due to the additional management and reporting requirements.

The fee structure for CIO is complex and difficult for public investors to fully understand. Each fund has a separate structure, and the calculation varies based upon multiple factors, including whether funds are invested and over time, which is common for PE funds. CIO is unusual in including adjustments for inflation. CIO also has more different and variable components than most other funds which makes it more challenging to envision how it will all work in practice and under different market-uptake scenarios. These different components are easier to envision for private equity experts. Interviews revealed that, due to the complexity of the design, it is difficult for many public investors in particular to understand the real implications of how the fee structure works in practice, over time and at final exit, i.e., the total they will ultimately pay in all fees and costs. FMO notes that the complexity makes financial reporting difficult to summarize for its internal reporting, to understand which expenses are associated with which element and how payment of fees and costs affect the future value of CIO. The original CIO designers interviewed noted how many different features they were trying to combine into one structure, and it was unclear how it would all come together. For example, the realities of who is ultimately absorbing the risks and the implications on appropriate fee structures seem to have been insufficiently understood at the time of design; nor were the full implications of a 20-year period with multiple investment cycles. It appears to the evaluation team that the effective rates over the life of CIO given the different risks undertaken and revolvability will be different for different investor classes.

Few investors were able to fully explain how the fee structure works in practice during the interviews. Those that attempted to describe it used a quick summary verbal descriptions that were somewhat misleading or incomplete. Similarly, when the evaluation team specifically requested that CFM provide comprehensive information, the information provided was insufficient for evaluation needs leading evaluators to rely on other sources. While well-intentioned at inception, the complexity hampers effective decision-making and oversight by investors, particularly public investors. The complexity may also reduce potential public investor comfort in deciding to invest in CIO or similarly structured facilities. This is of particular concern for those with limited exposure to blended finance structures.

Industry research from Prequin has also shown that a lack of transparency in terms and conditions, including management fees, has led some potential investors to decline investing in PE

²⁵ To preserve confidentiality, the specific fee structure for CIO is intentionally not publicised here.

²⁶ See for example: FCDO 2012, 2015; MacGrath 2022; Prequin 2021, 2022, 2023; Tameo 2022.

funds.²⁷ The same research also showed that sufficient transparency was even more of an issue than total fees expected. Research from Convergence noted the challenges donors face when moving into blended finance: “[...] there is an evident incongruence between existing capacity and financial skills required for innovative finance, blended finance, and private sector mobilization. Further, developing policy, assessing programs, and interacting with DFIs and other finance partners require a certain level of skill and capability that may not always be readily available within donor organizations.”²⁸

Twenty years is too long to lock in parameters for such a rapidly evolving context, in terms of strategy, investment commitment and fee structure. More concerning than the fee structure itself is that the fee structure is locked in for the entire unusually lengthy term, despite the uncertainties at inception. Five- or ten-year durations are much more common for more typical PE funds but would not have allowed the ability to fully test the longevity, revolvability concept or other factors unique to CIO. However, this means CIO lacks periodic milestones or breakpoints typical for other funds for adapting to updated understandings and overall context. This has implications for not only the fee structure but the overall strategy and parameters of CIO. Blended finance straddles a fine line as it is most suited for projects that are almost bankable and is therefore a stepping-stone to mainstream finance.²⁹ As such, blended finance mechanisms must regularly adapt to changing market conditions. This echoes findings from CPI’s 2018 evaluation of the UK Public Private Partnership (CP3) which found that “a fixed investment mandate in rapidly evolving target markets is not appropriate, as it risks quickly becoming outdated and can hinder operations of the investment vehicle.”

3.3 Effectiveness

3.3.1 Overview of CIO portfolio

The current CIO portfolio is dominated by solar and skewed towards Asia. The 15 active projects³⁰ span 18 countries and employ nine technologies: solar home systems, rooftop solar PV, ground mounted solar PV, off-grid solar PV, solar PV and battery storage, onshore wind, nearshore wind, hydroelectric power, and waste-to-energy. Overall, solar technologies account for 60% of the installed or planned capacity and 44% of the total committed investments (both the DF and CEF), followed by wind which accounts for 27% of installed capacity and 39% of total committed investments. Geographically, the portfolio is dominated by Asia both in terms of installed capacity (64%) and total committed investment (65%), followed by Africa (35% for both installed capacity and committed investment), which is consistent with CFM’s feedback that they ramped up efforts in Asia more quickly than other regions. There is one active project in Latin America, which was contracted in the last stages of development phase. CFM is actively ramping up its efforts there and has three projects in the pipeline, two of which are late in the development phase, and one is mid-stage in development.

3.3.2 Portfolio’s alignment with (early) vision

Beyond the core assumption that CIO will invest in early-stage projects and support them through into operations, CIO’s investment strategy has multiple relevant components when assessing alignment of its portfolio relative to the strategy articulated in 2019. First, it targets investments in approximately 30 medium-size RE projects typically between 25 MW – 75 MW.³¹ Second, it targets three regions for CIO support: Africa, Asia & Latin America; with focus being on low-income, lower-middle-income and upper-middle-income countries in these regions.³² Third, it provides parameters for CEF aggregate capital allocation by geography and technology but not for DF.³³ See Table 3 and Table 4 for current shares five years into the 20-year implementation period. These shares are expected to vary as CIO invests in more projects.

²⁷ McGrath (Prequin), 2022.

²⁸ Convergence, 2023a.

²⁹ Convergence, 2023a.

³⁰ Active projects are as CIO reported for the first quarter 2023, with one that has both DF and CEF financing being considered as one project.

³¹ CFM. Private Placement Memorandum of Climate Investor One (CIO). 21 June 2019.

³² Ibid.

³³ Ibid.

Table 3 Comparison of CEF aggregate fund capital allocation to date by geography against strategy for CEF

Region/country	Targeted maximum CEF aggregate capital over CIO lifetime ³⁴	Current share of CEF aggregate capital
Single country	25%	44% (Vietnam)*
Africa	40%	33%
South and South-East Asia	40%	67%
Middle and South America	40%	-
Other regions	10%	-
Upper-middle-income countries across the above geographies	< 30% of aggregate CEF capital	Insufficient data**

* Evaluators had insufficient detail on locations of platform investments to calculate current CEF share. This calculation therefore excludes CEF investments in three platform projects.

** Four countries in CIO's portfolio are classified as upper-middle-income according to the World Bank Group country classifications by income level for FY24 (July 1, 2023 - June 30, 2024). These countries are Colombia, Indonesia, South Africa, and Thailand. Evaluators had insufficient detail on locations of platform investments to calculate current CEF share, as the share of CEF investments in Indonesia and Thailand are not known.

Source: Authors' analysis based on information received from CFM

Table 4 Comparison of CEF aggregate fund capital allocation to date by technology against strategy for CEF

RE Technology	Targeted share of CEF aggregate capital ³⁵	Current share of CEF aggregate capital
Wind	20% to 45%	45%
Solar	20% to 45%	38%
Run -of-river hydro	10% to 40%	14%
Other RE resources	< 10%	3%

Source: Authors' analysis based on information received from CFM

The portfolio composition to date is consistent with the stated CIO investment strategy in terms of technology but less so by geography, size or stage at initial contracting. It is too early to fully assess the precise mapping of the portfolio against the investment strategy which covers the lifetime of CIO. At this stage, the portfolio composition is generally consistent in terms of technology and therefore the approach followed to date is generally in line with the investment strategy for these characteristics. The current pipeline will diversify the CEF portfolio towards Latin America thereby making the portfolio more consistent with the long-term investment strategy geographically. More recently contracted projects or those in the pipeline are somewhat more likely to be at later stages of development at initial DF contracting (discussed further below).

Project size (MW) is trending upward somewhat beyond the range anticipated in the strategy. Eight of the 15 active projects are within the size range of 25 MW – 75 MW stated in the investment strategy and one project is just above this range. Two projects stand out for their size; one being 3 MW and another being 600 MW. The latter however aggregates numerous small solar C&I PV sites in several countries and has reached a size which has triggered divestment by CIO. Four projects are in the range of 100-130 MW. This shift to a focus on investing in viable project developers with multiple rather than one-off projects is also likely to increase the average MW sizes of both individual investments and total investments to a particular developer. However, size of a developer's portfolio will be one of the triggers for divestment from platform investments as once they reach scale, the cash flow will be strong enough to attract commercial funding.

³⁴ Ibid.

³⁵ Ibid.

It is unclear if the investment strategy is intended to be fixed or rather viewed more as a guideline that provides scope for deviation over the lifetime of CIO. The underlying goal of the investment strategy appears to be the creation of a geographical and technological mix while assuming early engagement to de-risk projects and increase the speed with which they progress through the development stages as it prioritizes regions equally as well as the three main RE technologies. The focus on low to lower middle-income countries within the investment strategy is also aligned to CIO's thesis of overcoming barriers to development of RE in developing countries.

The practicality of the geographical and technological mix stated in the strategy may well change over time. This is for two reasons: first, CIO is expected to go through at least one more project investment cycle and the second is that this mix will be influenced by the evolving global and regional economic and political challenges, availability of financing and implications for additionality, as well as the types of projects that are being developed. For example, of the four projects in the pipeline in Latin America, three are solar and one is hydro. Also, energy storage is now being included with the addition of a separate energy efficiency allocation from the EC though it was not included in the 2019 strategy. These evolutions may have implications for CEF aggregate fund capital allocation by technology against the investment strategy. From a different angle, the strategy does not provide clear direction on the relative trade-offs between different types of impacts, e.g., weighting higher GHG emission reductions or investments in least developed countries, for which there are differing perspectives among core stakeholders.

Over half of CIO's portfolio by way of total contracted capacity³⁶ (54%) is dominated by C&I solar PV projects bundled into platform investments which was not envisioned in CIO's strategy. These projects provide an alternative energy source for C&I companies and have a variety of possible arrangements, for example they may be for the sole use of the C&I company, provide wheeling power for the aggregator, allow for grid exports and net metering. CFM considers this focus on C&I projects (rooftop or ground-mounted) as in line with the investment strategy and investor priorities. Investors are aware of these projects and CIO's current ToC does provide room for these projects under the outcomes of enhanced availability of affordable and reliable RE for businesses and the grid and the resulting increase in production and employment creation by companies. However, CIO's 2019 investment strategy does not mention C&I projects or the aggregation of many small, potentially off-grid or behind-the-meter projects but it also does not explicitly exclude them. Anecdotal feedback recalled by interviewees is that these types of projects were not considered as examples as they were not widely happening yet in the global market.

3.3.3 Portfolio's alignment with investor priorities

Distinct from the investment strategy, several investors, especially the public ones, included stipulations or priorities as a condition of all or part of their support. Geographic earmarking is the most common; for example, African Development Bank and USAID Power Africa funds can only be used in Africa. GCF requires that its funds only go toward projects in countries for which there are NoLs in place. The EC provided two further commitments beyond its original commitment. The first is USD 62.85 million towards energy efficiency, of which close to USD 57 million is towards the CEF. The second is USD 11.5 million towards projects in Nigeria, of which USD 9.7 million is towards the CEF.³⁷ MoFA, allows more flexibility than other public investors.

The portfolio is largely aligned with earmarked investor priorities by way of the target regions and countries. CIO investments through the DF and CEF in Uganda, Djibouti, and Morocco, Kenya, Indonesia are aligned with GCF priorities while DF investments in projects in Ghana, Tanzania, Senegal, and South Africa are in line with USAID priorities. CIO is supporting two projects in Nigeria, which aligns with both GCF and EC investment priorities. For example, one of the projects in Nigeria aligns with both of the EC's later commitments by increasing the efficiency of connecting the projects to the grid, which is still a challenge particularly in Africa. A CFM representative mentioned they are considering battery storage for some projects to fit this component of the EC allocation.

³⁶ This refers to the total capacity of all projects that are operating and under construction or development.

³⁷ CFM, DF 2022 Annual Report.

It remains unclear if the focus on aggregating small C&I PV projects and platform investments more generally is sufficiently aligned with underlying priorities of all donors. Several donors emphasized they were looking for development impacts broader than GHG emission reductions. For example, key considerations for some donors include poverty reduction and improving access to energy, though CIO is considered separately from their other investments in this sector. C&I projects, while providing RE for participating businesses and potentially delivering higher proportional GHG emission reductions, don't necessarily deliver broader development impacts. Given CIO's structure, donors only have limited input in project selection; shifting to platform investments at a corporate level has led to a few donors feeling they are now too far removed from project level insights. Also, some stakeholders felt that CIO was giving a higher weighting to RE capacity or climate impacts relative to other impacts than stakeholders were comfortable with and/or felt was consistent with the core assumptions of CIO understood when established. The case studies found that in some countries, companies are opting for solar C&I projects primarily for corporate ESG and/or reputational reasons where any economic benefit from energy cost savings for projects would be incidental. However, some donors indicated that they believed that C&I investments could be an engine for broader economic growth overall.

There may be an inconsistency with the types of additionality intended when considering the use of ODA or similarly earmarked funding sources. Per CIO's strategy and other early documents, CIO was designed to respond to specific barriers such as lack of timely access to capital for project developers, policy and regulatory barriers, as well as the challenges of pricing risk on new projects. Yet various evolutions, while remaining within boundaries may veer away from the underlying expectations of public funders. For example, C&I aggregation projects, because they are developed by an aggregator, involve investment at the corporate level rather than by project. They diversify and diffuse the risks of investment over a number of projects and markets, involve lower regulatory risks (for example there is no negotiation or reneging of PPAs with state owned utilities or a government), and enable better pricing of risks. To that extent, they face relatively lower market barriers as well as have a different impact profile. Yet, stakeholders have also noted that in many areas these projects still find it harder to obtain financing these days than larger single-site RE projects until the developers reach sufficient scale.

3.3.4 Shortening project timeframes, sustained vs dropped projects

It is not possible to verify through data analysis whether CIO is shortening timeframes for projects to move from the DF to the CEF, as there is no clear pattern on the length of time projects are in each stage. Although, as discussed further below, developers and other stakeholders report that CIO seems to be shortening timeframes for project development and/or construction. It is difficult to generalize the length of time projects are at each stage. This is for reasons such as the small number of active projects, investments in platform projects where individual projects tend to be at different stages, and simultaneous DF and CEF investments in projects. For example, some platform projects were in advanced stages of development and even simultaneously in construction at the time of the DF investment. Also, the global COVID-19 pandemic slowed projects contracted by 2020. Recently contracted projects or those in the pipeline are somewhat more likely to be at later stages of development at initial DF contracting than projects in earlier years, which tended to be more early-stage as was envisioned in the strategy and other early CIO documents. However, per feedback from CFM this appears to be intentional and at least partially linked to CFM's conscious shift to the platform approach rather than investing in one-off projects.

The concept of revolvability of DF financing is working, but slower than the three cycles originally anticipated for DF funding. CFM currently estimates they are on track for two, perhaps up to two and a half, investment cycles instead of the three originally guesstimated. The initial contracting of projects took somewhat longer than some stakeholders originally envisioned, but, once contracted, the assumptions generally seem to hold for the development stage and repayment of the DF funding (zero – two years³⁸). CFM reduced the revolvability expectations from three to two for CI2. As of 31 March 2023, nine projects have graduated from the DF and repaid the funding from the DF. Of these, seven projects graduated from the DF to the CEF and repaid the DF in less than one year. These late-stage development or simultaneous DF and CEF

³⁸ CFM. Private Placement Memorandum of Climate Investor One (CIO). 21 June 2019.

investments skew the averages and are inconsistent with the original assumptions in the strategy. CIO has only exited its investment in one project to date, which was a C&I solar platform investment. The decision to exit was taken as the size of the portfolio within this platform investment had reached 600 MW and further financing was needed to continue to grow this platform. At this stage, the rationale for further CIO investments was weak because the platform was at sufficient size for commercial funding to be available and therefore divestment was triggered. However, in the case of a wind project in Asia refinancing plans have been postponed in reaction to the unfavourable global interest rate environment.

There is a potential conflict between the need to recycle capital for investments into new projects and additionality that is achieved through supporting projects that are in early stages of development through the DF. A greater focus on late-stage projects is likely to improve CIO's chances of moving projects from the DF to the CEF more quickly and therefore recycle capital but poses questions for CIO's thesis of removing barriers to project development of RE projects. As noted by CFM staff, if an investor comes in just before construction, it is difficult to fully and efficiently remedy issues that should have been addressed earlier in development. Yet, as seen from the experience with some projects in early stages of development, these projects are still in the DF stage for three years or more because projects continue to face market barriers even with CIO support.

3.3.5 Effectiveness of CIO support modalities for projects

Overall, the participating project developers surveyed are satisfied with CIO. All that responded to the survey reported that they were moderately to very satisfied with their experience with CIO to date (averaging 4.0 on a 1-5 point scale).³⁹ Most (four of six) indicated they would consider seeking financing from CIO again. There was no substantially negative feedback provided through the survey. Though one project developer commented, "Access to the funding from CIO was critical for our business. However, the boundaries between being the fund manager and the assumption that fund manager should get involved in the day to day running of the business was blurred." Another proposed that: "industry experts should be appointed to the board of investee companies."⁴⁰ Case study interviewees indicated that the support they received from CIO was very pragmatic.

Developers find CIO's processes difficult to understand. For example, the need for separate application processes for the DF and CEF doesn't make sense to some developers, especially in a platform context. The rigidity of what type of financing can be offered at each stage can also be challenging. For example, the equity-only financing at the CEF stage is further complicated by the need to keep tier ratios at the project level. Essentially, developers want single straightforward contracts.

CIO has demonstrated both financial and non-financial additionality, though the nature and extent varies by circumstance. CFM works with project developers to determine the level and types of financial and nonfinancial support they will provide. All projects clearly benefited at least to some degree with CIO involvement. Most (five of six⁴¹) developers responding to the survey indicated they had received multiple types of non-financial support from CIO in addition to the financing received. The DF stage is particularly likely to be clearly additional. More alternative funding options were available for CEF, though not necessarily at the same speed. Examples from the case studies include an investment in a C&I rooftop solar developer, which was able to continue despite uncertainty in the feed-in tariff, while other developers left the market due to the uncertainty. Also, for the near shore wind projects in Vietnam, CIO was able to take a higher level of risk than other private sector investors due to perceived lack of 'bankability' of PPAs with the grid company, Vietnam Electricity. Other near shore wind projects in the region were only developed with on- balance sheet financing of companies.

The most common types of non-financial support reported in the survey were: (a) advice on internal governance, (b) technical project advice, (c) developing ESG management systems and

³⁹ Of the 15 active projects, CFM provided eight contacts representing nine active projects for the survey, of which six completed the survey.

⁴⁰ It is important to note that the survey only included active projects that agreed to participate and did not include projects that were stalled or cancelled and were therefore the most likely to have favourable views.

⁴¹ Of the six that responded to the survey, one declined to answer this question.

(d) incorporating gender and/or social inclusion considerations. Similar types of support had been provided to the case study projects. The financial and non-financial solutions provided by CIO are each discussed further in the subsections below. (See Figure 2)

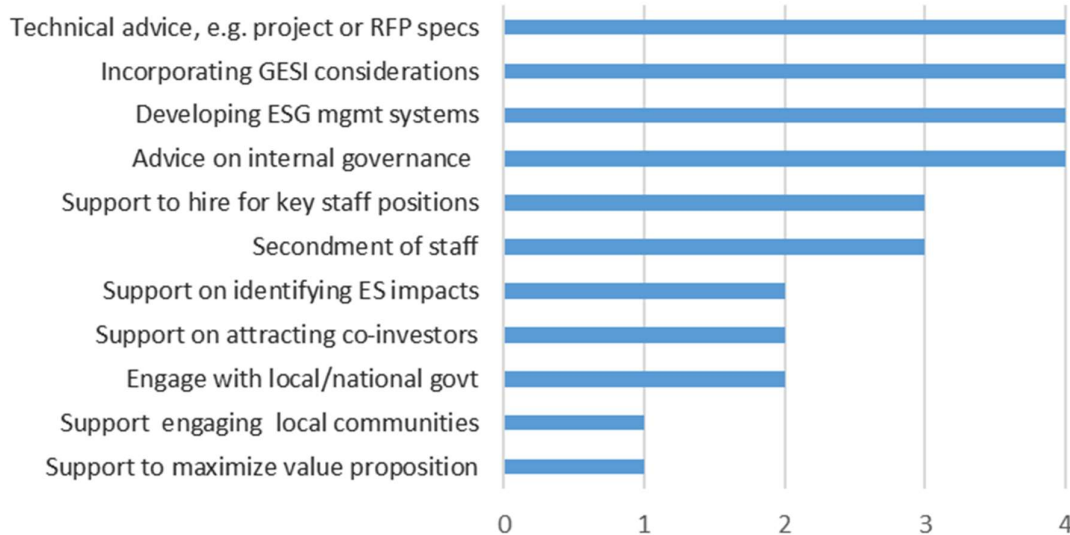


Figure 2 Types of non-financial support developers report receiving from CIO (n=5)

The main effect of the non-financial support received reported by surveyed project developers is increased speed of development (three of six). Other positive effects indicated by individual developers are: reduced cost of development, attracted additional funding, and enabled more favorable financing arrangements. Only one developer indicated that CIO technical support and capacity building stood out as more helpful than other sources, while two developers reported the support was as helpful as that from others. One case study developer revealed that a potential party for refinancing had strict standards for ESG in projects, which could be met by the project because of CIO non-financial support.

3.3.5.1 Financial solutions

CIO is largely effective at providing financial solutions, though is not necessarily the only option. Many of the developers responding in the survey (four of six) indicated that they had access to at least one other type of finance at the time of engagement with CIO. Half of the developers reported that there are more commercial funding options for RE projects like theirs than a few years ago. Only one reported that there are fewer options. Yet, all indicated that CIO financing was moderately to extremely important to the overall financial structure of the project (averaging 4.0 on a 1-5 point scale). The case study projects, most of whom also participated in the survey, confirmed that while there were other options for financing, the financial solutions offered by CIO were more valued. One project, for example, remarked that it gave them the liquidity it needed to reach scale without the need for constant fundraising.

Developers report CIO is helping sustain projects and, in some cases, increasing the speed of project development and/or construction phases. All developers responding to the survey indicated the project would have proceeded more slowly, been reduced, or would not have gone ahead at all without CIO financing, though there was insufficient data available for the evaluators to independently verify this perception. One of the developers that indicated a '5' further commented that "Very simply without CIO our business would not have survived." Developers were clearly most attracted by the availability of funds in whatever form, with the next most attractive feature overall being the relationship/network with CIO with a view to future funding rounds. Most (four of five) indicated that CIO financial support had increased the speed of development, while one indicated there was no specific impact.

There is significant co-investment in the projects and mixed evidence that CIO investments have catalyzed other finance so far. CIO reports on total funding in the asset by

equity investors and by DFI donors other than that included in the CIO facility. (For the latest reporting, refer to Section 3.4.1.) However, there is no requirement by investors for CFM to distinguish investments that would not have occurred without CIO's investment. Only two of the developers responding to the survey indicated that CIO involvement directly facilitated or catalysed other investment at the same time in the development stage. One who reported no catalytic effect commented that CIO was the last to join in the development phase. No developer indicated that that CIO involvement has directly facilitated or catalyzed other investment in the construction phase. For two out of four of the case study projects, there is some evidence that CIO's investment helped bring in a co-investor. Another project indicated that CIO's investment helped build confidence in investors when seeking refinancing.

3.3.5.2 ESG Solutions

CIO's focus on ESG adds value and reduces risks. More stakeholders globally are recognizing the importance of ESG and more financiers are also offering technical support to ensure quality, yet the focus remains inconsistent. As it is a core part of CIO's mandate, CFM reports that they will not work with developers who are resistant to allocating sufficient capacity and budget to meet all requirements.⁴² While other funders (both public and private) can also ask for the project to work to these standards, the level of support provided by CIO and the monitoring of adherence, for example through corrective actions identified via on-site audits (at least two during construction and one annual audit in operation), is still reported by stakeholders to be unusual and assists in achieving a high level of compliance. CFM typically takes a leading role in the management of E&S performance during the development phase. The responsibility transfers to the project developer once it moves into the construction phase and the developer has ensured that they have an Environmental and Social Management System (ESMS) in place as well as adequate staffing and resources to effectively manage the E&S risks.

Overall, the ESG requirements are seen positively by developers. Half (three) of the survey respondents noted that the ESG requirements led to 'fewer safety related instances' and made it 'easier to attract other investors.' Two respondents also indicated the requirements resulted in 'improved relations with local community' and 'improved environmental impact of project' as well. Only one developer indicated that the ESG requirements resulted in additional burden, though they also acknowledged that it made it easier to attract other investors. The one developer that noted no impact commented that "The project had already a very comprehensive ESG package requested by other investors and lenders."

Despite the focus on health and safety practices during construction, there have been serious incidents, including fatalities. However, investors are broadly satisfied with CFM's response to these incidents. Most of the serious incidents have been during construction and involved subcontractors to the engineering, procurement, and construction (EPC) contractor. No serious incidents have occurred since November 2021. These types of incidents are not necessarily reported in the same way for other funds so direct comparisons were not feasible. CIO uses only reputable EPC contractors but also observed that not all these contractors operate in accordance with the expected standard when managing subcontractors. This has led CFM to become more deeply involved in the selection and oversight process. In response to this, CFM has employed a dedicated health and safety manager at the fund level to maintain focus and enable effective lesson learning and risk management in a growing portfolio. Whenever there has been a serious incident, a crisis committee process is in place to ensure that there is an immediate response and corrective actions taken. Evidence from the case studies shows that lessons from one incident have been transferred to other projects.

3.3.5.3 Other non-financial support

CIO's non-financial support is effective in building capacity of project developers to produce good quality projects. The non-financial support provided by CIO is wide ranging and responds to needs identified during the due diligence process and/or identified during the development phase. It includes advice on terms sheets for C&I solar projects, standard templates

⁴² All investments are required to be managed in accordance with international standards for environmental and social protection, including IFC Performance Standards, ILO Core Labor Standards and Basic Terms and Conditions of Work, and the UN Guiding Principles on Business and Human Rights.

for policies in the project developers (where it is an SPV), job descriptions for key posts, and secondments to cover temporary vacancies. On behalf of CIO as an investor, CFM will take roles on management boards and ICs for projects. CFM's technical team can provide advice on technical aspects of projects. Both the case study and survey feedback from project developers noted the relevance, effectiveness, and pragmatic nature of the non-financial support.

CIO has provided extensive assistance in cases where the original developer fails. The design of CIO gives CFM flexibility to take a bigger role in the development phase in building project teams and project capabilities than most other investors, even many DFIs. This has enabled them to move forward with projects where the project may have failed with other investors (see Case Example #2).

Case example #2 CIO invested in a C&I rooftop PV asset company in Vietnam with a development agreement with a developer called Shire Oak to provide the pipeline of projects. When that relationship broke down, CFM, with DF financing, was able to put the resources in to develop the capabilities and increase the staffing in the new asset development company Green Roof to carry out development activities as well as asset management. Without that flexibility, the project would have had to fold or have been sold.

In another example, CIO provided extensive additional strategic, governance, human resource, and financial advisory support to a project when the developer experienced liquidity issues after facing project delays. While this has certainly benefitted the project and protected CIO's investment to some extent, it is unclear whether it is in CIO's and its co-investors' best interests to provide such extensive additional support. This dynamic reflects a difficult trade-off for a manager of a fund or facility, such as CIO, to face when a project suddenly experiences substantial difficulties after it has progressed into construction. The fund manager can help meet the fund's own targets if the struggling project ultimately becomes operational with significant unplanned additional support. There is a point at which extensive additional support distorts the market and consumes finite facility resources both of CIO and co-investors, yet letting the project fail means going back to the development phase with a replacement project, where the overall project completion uncertainty is higher.

CIO has limited weight in discussions on central government policies but is effective in supporting liaison with local/regional governments. Because of its size and nature, CIO has only limited ability to bring much weight to bear in discussions with central government on barriers such as lack of feed in tariffs. However, CFM does leverage connections with the Dutch government and EC and European Union Delegations where possible. Case studies showed that there is a good working relationship with local and regional government and the projects have a positive reputation. One developer reported this reputation was a factor in retaining the permit for development of their project.

3.3.6 Community Development Programs (CDPs)

Stakeholders from the affected communities reported that CDPs are additional to what most other project developers do in the community. Case studies confirmed that projects funded by other organizations in the area do not engage in the same way or to the same degree with communities and are therefore less beneficial to the community. They also provided an interesting example where action by the CIO project (installing shading for school playgrounds) has then been copied by a coal plant in the same area.

While not always recognised by developers at first, CDPs bring benefits to the project as well as the community. Although supported by CFM during the development phase, the CDPs are the responsibility of the project developer to implement and are funded by the project (4% of development budget, 0.35 to 0.5% of the constructing budget and 1% of operating revenues). Some project developers have been initially skeptical of this 'additional' expense. However, several project developers reported that in practice they saw the benefits in terms of establishing rapport with local communities and they had developed a sense of pride in the project. Others already saw it as a kind of "political risk insurance".

CDPs are developed in an inclusive way following community priorities. Projects are asked to identify rapid and low-cost interventions in the development phase to start building

community relations. Examples include supporting festivals and school programs. They are also required to commission an external consultant to carry out a community needs assessment to help define the scope of the CDP for the construction and operating stages. The requirements for the community needs assessments are set out by CIO and must be carried out in an inclusive way; for example by ensuring that the voices of women and ethnic minorities are heard. Some have expressed concerns about the timeliness and quality of some of these needs assessments. As a result, CIO has selected a limited number of consultants with whom they will work in future. Community stakeholders interviewed for one case study project commented positively on the inclusivity and relevance of the CDP.

While qualitative information is available, periodic reporting on quantitative impacts from CDPs is not done consistently. The progress of the CDPs and a qualitative (and quantitative when available) description of their impact is included in the periodic reporting to CIO. However, this is not done consistently, for example baselines against which the impact is reported are not always well defined. In part this is because the types of impacts are dependent on the particular design and context of the CDP. Additionally, some of the CDP delivery partners are not familiar with the need for quantitative reporting and lack expertise. CIO is currently working with a consultancy to define a set of standardized indicators for CDPs to facilitate standardized reporting.

3.3.7 Effectiveness of internal processes

CFM has been very successful in fundraising for CIO. CFM approached over 300 potential investors for CIO and ultimately significantly exceeded its original funding targets. CFM has even won an award for its broader fundraising efforts, being named Best in Overall Fundraising: Real Assets in the Private Equity Wire European Awards 2023.⁴³ CFM reports investors are still approaching them to invest in CIO.

CFM is still transitioning from a start-up mode into organizational maturity with fully developed internal systems and associated staffing. Despite fundraising and project enrolment successes, for its size, financial resources and age, CFM has less mature internal systems than would be expected in a similar organization with the same years of operation, based on evaluator experience and stakeholder feedback. CFM continues to build capacities and to date appears to have largely relied on its highly experienced senior staff and its small size in the past to share learning and avoid silos. However, as CFM grows across regions timely learning and feedback loops are more challenging. CFM staff do appear to be aware of the issues, though the sense of importance or urgency of more formalized systems to stand the test of time varies.

CFM is challenged to meet the different and increasing reporting requirements, in part due to staffing and system constraints. CIO must meet a variety of different reporting requirements and timelines for different donors and investors. The differences can be enough to result in inefficiencies in implementation for CIO. While often requesting similar information, in addition to reporting requirements originally agreed, CFM staff also note they get new one-off or to-be-implemented going forward requests as donor/investor information priorities evolve. In some cases, this only involves repackaging existing information, in other cases it requires retroactively obtaining information not previously captured.

Overall, CFM seeks to be responsive and is complying with the various reporting requirements of the different investors. Yet, it is still challenging as the internal processes are not yet mature and necessary staff with appropriate experience are not fully in place. Though mostly a public investor challenge for CFM, this tension echoes a broader dynamic noted, for example by Prequin research: "In the past, stakeholders may have been happy to receive standardized reports [...] Now, investors want not only more detailed information, but data available to them in a timely manner with quick turnarounds on any request. [...] we see fund administrators equally investing in upgrading their own systems and capabilities to keep up with industry trends. Fund administrators are sitting on a lot of data; their ability to elevate these resources beyond traditional fund accounting to offer value-adding insights for fund managers to make better decisions or improve transparency is just starting to gain momentum."⁴⁴

³³ For more details on the early design, fundraising and structuring processes see for example: CPI, 2018; Convergence, 2021; and The Lab, 2014a, 2014b, 2015.

⁴⁴ Perros, N. et al., 2020.

3.4 Emerging Impacts

This section summarizes the information available to date on CIO’s current achievements and incremental progress towards its lifetime targets. Only seven projects were in full or partial operation at the time of writing this evaluation report. Therefore, it is too early to assess the actual impacts against the intended lifetime impact of CIO given that CIO has been operational for only five years, which has included the global COVID-19 pandemic with restrictions continuing in some countries beyond two years. During this time, CIO’s operations and development or construction of projects have been impacted, such as by shutdown of economic activity, inability of CIO executives to travel, differing COVID-19 restrictions across countries that have also re-opened economic activity in a phased manner, as well as a shock to the global supply chain of raw materials and finished goods. CFM currently expects to recycle its funds two to two and a half times given CIO’s progress achieved to date.

3.4.1 Progress on quantitative targets

CIO appears on track to meet some lifetime quantitative targets while missing others, with avoided GHG emissions most certain and improved access to energy the least certain so far. CIO reports publicly on seven impact metrics, although not all are contractual targets. Further, targets have not been set for all impact metrics that CIO reports regularly, for example, the number of new grid-tied and off-grid actual direct connections. Overall, CIO is making good progress towards meeting some of its targets, as shown in Table 5 on the next page.

As of December 2022, CIO had disbursed 43% of the total facility of USD 930 million.⁴⁵ Against this, CIO has achieved 42% of the targeted lifetime installed RE capacity and 38% of the targeted annually avoided GHG emissions, though only 25% of the targeted total RE production⁴⁶ (See Case Example #3). However, CIO has delivered only 15% of the target for the number of people with improved access to RE. According to data gathered from annual reports and from CFM, CIO had catalyzed USD 1.4 billion, which is 56% percent of the lifetime target. While CIO is likely to have up to two more project cycles before the facility ends, even if the current impacts of projects now in operation is multiplied by six these targets would still not be met with the current profile. CFM are currently in the process of investigating and reconciling some discrepancies in the reported number of jobs created. Discrepancies aside, CIO appears to be delivering close to the target for this metric as the majority are temporary jobs generated during construction.

Case Example #3. Even with the Ecotech windfarm not fully operational, in 2023 CIO wind projects in contributed 160 GWh of RE to the grid in Vietnam (around 2% compared to total wind generation in 2022 [Source: BP Statistical Review of World Energy 2023])

The slower progress on the indicator of equivalent people with access to RE appears to be at least partially due to the geographic distribution of projects in operation. This indicator measures the number of people reached relative to the baseline scenario for each asset. Given the projects are largely grid connected, in practice, this indicator does not measure the number of new people gaining access to electricity but rather how many people who are already grid connected now have access to RE. It is thus dependent on geographic factors such as energy mix and grid connectivity and is calculated (as agreed during design of CIO) using the FMO Energy Impact Scoring Tool. For example, projects in India and Vietnam provide a lower reach to equivalent people per MWh than those in some countries in Africa. The way the target was calculated initially was based upon the assumptions reflected in the original strategy and therefore would have assumed a wider geographic spread of projects than are currently operating. A second point on this indicator is that there are differences in how some donors view the indicator depending on the project type. For example, MoFA would measure people reached, not equivalent people reached, which would be zero for C&I projects as the power is largely consumed by the enterprises themselves.

⁴⁵ Disbursements refer to both DF and CEF disbursements against the total facility size of roughly USD 930 million.

⁴⁶ This is likely influenced by the prevalence of solar in the CIO portfolio, as solar has a lower efficiency than wind and (especially) hydro power.

Table 5 CIO's impact as of December 2022

Impact metric (~ 30 projects anticipated)	CIO lifetime impact targets	Goal source	Est. impact all active projects** (% target)	Impact of projects - full/part. operation (% target)	Lifetime goal extrapolated from operational projects based on actual impacts till date
Installed capacity of RE	1,700 MW	PPM	1,500 MW (88%)	720 MW (42%)	Likely to meet or exceed
Total RE power production*	5100 GWh p.a.	PPM	3,744 GWh (73%)	1,300 GWh (25%)	Possible to meet
Annually avoided GHG emissions (~ 30 projects)*	1.9 m tCO _{2eq} avoided p.a.	PPM	2.3 m tCO _{2eq} avoided p.a. (121%)	0.72 m tCO _{2eq} avoided p.a. (38%)	Possible to meet
Number of equivalent people with improved access to RE*	13 m p.a.	PPM	5.1 m (39%)	1.9 m (15%)	Appears unlikely to meet
Finance catalyzed**	USD 2.5 bn	EC	USD 1.4 bn (56%)	255 m (10%)	Appears unlikely to meet
Total number of (direct) jobs created (cumulative)	> 10,000	EC	9,727 (97%)	9,727 (for CEF projects)	Will exceed
Number of new grid-tied and off-grid actual direct connections	None	-	-	524	N/A

* It is our understanding that these are per annum targets.

** Finance catalyzed is defined as co-investments, that is total funding invested in the asset by DFIs and PE investors other than that included in the CIO facility.

*** CIO has contracted 20 RE projects as of 31 March 2023 of which 15 are currently active. Six projects are in full or partial operation and one has exited.

Source: Authors' analysis based on information received from CFM

Global economic and financial market conditions are also likely to affect the project progress as are the economic outlooks of specific markets. The global economic outlook, financial conditions, as well as the political and governance landscape of the target regions have undergone a significant change since CIO's launch. These changes are influencing the availability of investable RE projects and complicating efforts to develop projects in a decisive and timely manner. For example, some African countries are facing a severe economic crisis, and some have suspended payments on external debt, effectively defaulting on debt. Conditions like this affect the real and perceived risks associated with grid-connected projects with PPAs with government entities. These factors may also reduce project valuations over time. In another shift, a wide range of stakeholders report that many more commercial funding options are emerging over time, although their availability for a specific project/geography still varies. This can make it more difficult for CFM to source quality projects with appropriate additionality profiles. In another example, the extent of inflation was not foreseen or factored into early scenarios.

3.4.2 Qualitative impacts

CIO is having a range of positive impacts beyond those covered by the key impact indicators (KIIs). These impacts pertain to projects as well as CDPs and are both intended and unintended.⁴⁷ Intended project impacts include building project developer capacity through finance, structuring, technical and E&S advisory support. With local consultants, CIO support also contributes to local skills development. In the case of TWPC, for example, further positive intended impact is accelerated growth of the RE market and the local demonstration effect of the project. Stakeholders report unintended positive impacts as well – see Case Example 4. Both the intended and unintended impacts identified here are likely to be sustained long-term after construction is complete and projects are operational.

Case Example #4. Local economic development linked to TWPC and Ecotech has been stimulated around the beach (TWPC) and rural/coastal (Ecotech) areas near the wind farms. For example, near the TWPC site tourists are visiting to view the wind farm, several cafes have been developed or expanded by local residents to serve them and other businesses have started to provide motorcycle parking and accommodation.

CDPs have a range of intended community-level impacts depending on their focus. The focus of each CDP is tailored to meet the needs of the local community. Common intended impacts for CDPs identified across the case studies include community empowerment and improved living standards for local community members (see Case Example #5). The main impacts from CDPs are reported qualitatively in periodic reporting CDP implementers provide to CFM. In some cases, quantitative information is also provided.

Case Example #5. The Maharashtra community project near the Cleantech ground-mounted solar program was a 12-month intervention to develop kitchen gardens and agricultural-based livelihoods for women. Around 200 women benefited from the program, which included developing decentralized rainwater harvesting, helping farmers use silt from ponds to fertilize land for farming and building institutional capacity in the village.

CIO projects are monetizing impacts through sales of RE credits. Some projects are monetizing the impacts of RE generation through the sale of RE credits. There are also plans to sell carbon credits if an attractive market emerges. This adds a useful income stream for the projects. It is not excluded in CIO terms, though some donor funding streams place restrictions on generating these types of credits, e.g., to avoid double counting of impacts or the resulting reduction in financial additionality.

3.4.3 Commentary on indicators and monitoring approach

There are different interpretations of CIO impact metrics, both in terms of the quantum as well as obligation of CIO to meet targets, i.e., whether the targets are contractual or only illustrative of CIO's potential. For example, a comparison of targets included in various public and confidential documents indicates the target for finance catalyzed varies. GCF documentation indicates that the target is roughly USD 2 billion for the 11 GCF earmarked countries, whereas the EC notes that the target is USD 2.5 billion for all projects.⁴⁸ Also, CFM states there is no explicit target for CIO for job creation. However, targets for job creation are in FMO's requests for MoFA's contributions to CIO and in GCF documents for CIO for 11 earmarked countries. CIO reports on the number of direct jobs created or supported, including jobs at the developer and at the contractors, though it does not distinguish between short term (e.g., during construction) or long term (durable) jobs (e.g. with the project developer or relating to ongoing plant operations).

⁴⁷ Intended impacts are defined as those that were identified in the project documentation and at the time of the final approval by the CIO IC. Unintended impacts are those that were not identified in the project documentation and at the time of the final approval by the CIO IC.

⁴⁸ See for example https://international-partnerships.ec.europa.eu/policies/programming/projects/climate-investor-one-future-climate-finance_en and <https://www.greenclimate.fund/project/fp099>

The definition of catalytic effect is potentially misleading for stakeholders. Finance catalyzed is defined as co-investments, that is total funding invested in the asset by DFIs and PE investors other than that included in the CIO facility. These investments could occur prior to, simultaneously, or after CIO investments. As such, it does not directly indicate additionality of CIO in terms of unlocking private capital through CIO investments.

Based upon limited operational information available so far, some ex-ante impact forecasts are overestimated relative to actual achievements. For example, in the case of two wind projects, actual avoided GHG emissions, total renewable power production, and equivalent number of people with improved access to RE are lower than what was projected due to lower wind speeds than expected. For C&I rooftop PV platforms, the actual impacts will be dependent on each platform's total portfolio as well as whether each project performs as expected.

The current indicators do not capture all impacts now targeted by CIO's ToC. The ToC intends for CIO to create impact through primary and secondary outcome channels (see Annex A):

Primary outcomes:

- Enhanced availability of affordable and reliable RE for businesses & the grid.
- Reduced vulnerability of infrastructure and ecosystem to climate impacts.
- Reduction, limitation and sequestration of GHG emissions.
- Improved access to empowerment tools for local communities.

Secondary outcomes:

- Increased production and employment creation by companies.
- Improved living standards for local community members.

Comprehensively tracking intended impacts will be necessary to understand the full development impact of CIO and benefits for end-beneficiaries. The current monitoring framework does not enable mapping the CDPs to the ToC and the extent CDPs are contributing to impacts targeted by the ToC. CFM is aware of these shortcomings and is working to refine the ToC, develop a detailed results framework including additional impact indicators that also encapsulate the impact of CDPs, and develop an M&E framework. This work is scheduled for completion in December 2023 following which the updated ToC and comprehensive impact management framework will be finalized.

The impacts on local communities from CDPs vary widely and cannot be readily aggregated at this stage. As mentioned earlier, the quantitative impacts of CDPs cannot be assessed because these are not currently measured systematically against a common set of quantitative indicators. This is likely to be possible for future evaluations, following the implementation of the new comprehensive impact management framework.

CIO tends to use ESG and development impact interchangeably, which may confuse some stakeholders. For example, CIO quarterly reports include the catalytic effect of investment under ESG while the CFM website and CIO targets refers to this as impact. The annual report refers to KIIs under ESG and then as sustainable development impact. The distinction between ESG⁴⁹ and development impact⁵⁰ is important for investors and the broader climate finance community. ESG is part of the investment assessment process (and is then monitored) while development impact refers to the direct and indirect effects of a developer's operations and wider impacts in society. Integrating ESG factors into responsible investment decision-making as a screening tool is different from intentionally pursuing investments with the purpose of generating a net positive, measurable social or environmental impact alongside financial returns.⁵¹

⁴⁹ The International Finance Corporation defines ESG as a set of environmental, social, and governance factors considered by developers when managing their operations, and investors when making investments, in respect of the risks, impacts, and opportunities relating to environmental issues, social issues and governance. See <https://www.ifc.org/content/dam/ifc/doc/mgrt/ifc-esg-guidebook.pdf>

⁵⁰ A good definition of development impact can be found from Finnfund, a Finnish state majority-owned development finance institution. Finnfund notes that development impact refers to direct effects of the company's operations (e.g. good jobs, increased electricity generation, improved infrastructure), indirect effects of the operations (e.g. the benefits of contract farmers, fight against deforestation and biodiversity loss, lower electricity prices and increased reliability of energy production), and impacts in wider society (e.g. tax revenues and payments to the government, economic growth, climate change mitigation). See <https://www.finnfund.fi/en/impact/development-impact/#:~:text=the%20direct%20effects%20of%20the,increased%20electricity%20generation%2C%20improved%20infrastructure>

⁵¹ See Inter-American Development Bank's distinction of ESG and development impact <https://idbinvest.org/en/how-we-work/development-effectiveness>

4 » Conclusions

This section summarizes the overarching conclusions synthesized from the findings above. This evaluation should be understood as assessing how an innovative concept has manifested in practice. It is focused on lessons going forward more than critiquing the past, such as design choices made with extremely limited information at the time.

#1: Overall, CIO's pilot of the bundled concept is a success. Already at year five of a 20-year implementation period, it is clear that CIO's model is proving to be a viable concept. Despite early challenges and external factors like the COVID-19 pandemic, CIO is making good progress in contracting and supporting project developers that are ultimately successful at completing construction and achieving full operations. The concept of revolvability of DF financing is also working, but slower than originally anticipated. FMO and MoFA played key roles in helping CIO's vision manifest. CIO's progress is being watched by climate finance experts. *[Recommendation J]*

#2: CIO's ability to provide early-stage development financing and non-financial support to further strengthen projects and remove key barriers is helping projects succeed and proceed more quickly through to completion. CIO is largely effective at providing financial solutions. CIO demonstrated both financial and non-financial additionality for all projects reviewed, though the nature and extent varies.⁵² Project developers are satisfied with CIO overall, though some find the multi-stage contracting and rigidity of financing options difficult to understand. CIO's focus on ESG adds value and reduces risks and is generally seen positively by project developers. Many developers also appreciate that the CDPs are important for building lasting community support for their projects. *[H]*

#3: CIO is operating somewhat differently than assumed in the 2019 strategy and continues to evolve. Consistent with broader shifts in the RE market, CFM has shifted towards investing in developers with a pipeline of projects rather than single projects. These investment opportunities are termed 'platforms' and include, but are not restricted to, pipelines C&I solar installations. Platform approaches and C&I projects were not anticipated in the 2019 strategy. The types of financial structuring assumed in the strategy do not fit platforms well and platforms require different types of additionality and viability assessments. In addition, the shift to platforms blurs the distinction between development and construction financing, as CIO may be simultaneously providing development and construction financing to a developer for its different projects. Furthermore, CIO is trending toward coming in later in the project development cycle.

These variances from the 2019 strategy document, which is fixed for CIO's lifetime, are partly a result of the unusually long 20-year implementation period for CIO, outdated assumptions, e.g., on market characteristics, that were incorporated into the strategy, and the fast pace at which the RE sector is evolving. For example, the most viable technologies are changing, business models are evolving, and more financing options are emerging over time. The dynamism means additionality assessments must be carefully calibrated to project opportunities, local contexts, and changing conditions especially as the global market evolves into more platform rather than project-based approaches. *[C]*

#4: CIO's ability to meet targets over its lifetime will depend on the size and type of projects it supports due to trade-offs inherent in project selection. Each project has a unique impact profile and the types of projects CIO engages and markets it operates in are constantly evolving. There are significant geographic differences in impact profiles for projects with similar technologies. At the project level, large C&I solar aggregation projects that involve investments in project development companies rather than single projects may offer a better option for achieving the catalyzing private capital and climate goals but offer less real progress in equivalent people reached. Going forward, global economic and financial market conditions are also likely to affect project progress as are the economic outlooks of specific markets. *[C]*

Five years into its 20-year implementation period, CIO appears on track to meet the lifetime quantitative targets of installed capacity of RE, total RE power production and annually avoided

⁵² Project names are confidential unless specifically mentioned in the main body of the report. CIO active projects include several wind projects and platform projects targeting C&I solar, run-of-river hydro or biomass.

GHG emissions while it may miss those on number of equivalent people with improved access to RE and finance catalyzed. Final results will depend on the specific characteristics (e.g., technical, geographic, co-finance) of the total aggregated portfolio of CIO's investments over its lifetime. [I]

#5: Overall, CIO's governance structure is functioning as intended, though requires proactive management for donors and CFM. Investment decisions are being made, projects are progressing, and change requests are being agreed. The natural tension between public and private investors requires a steep learning curve and ongoing proactive management from all involved to balance the different perspectives. This includes navigating different investing priorities (e.g., relative weights on development goals, RE capacity, climate impacts, volume or predictability of financial returns) and core ways of working. FMO has an unusually large number of ongoing roles in CIO, which can create inefficiencies and information imbalances. [A, B]

#6: While the overarching vision remains valid, the concept is not being fully replicated in part due to the complexity. While PE funds for RE have become more common especially for later project stages, CIO's bundled concept is still innovative and has not been fully replicated in the RE space. The most direct examples are other facilities developed by CFM that target different sectors, such as CI2. Climate experts note CIO is also being used as an example, where some lessons are applied in other funds or facilities, but not replicated in entirety. One challenge for public investors newer to blended finance is the complexity of CIO's operational and fee structures, given how many different elements are bundled together – which is exactly its unique value. It is ultimately up to public investors to determine compatibility with their mandate. Any blended finance fund will include some complexity, such as a revenue distribution waterfall structure addressing different risk classes. Ideally, future structures would be as simple as possible and only include what is absolutely necessary. [G]

#7: Several suboptimal elements and obsolete assumptions of CIO's operational structure have been identified, which CFM seeks to address as feasible. CFM has learned a great deal already and seeks to improve CIO within the agreed structure. So far, CFM has been able to adapt its approach to CIO implementation in the context of a rapidly evolving global RE market, not to mention major global disruptions due to the COVID-19 pandemic, high inflation, the war in Ukraine and other factors. Yet, both CFM and donors are limited in what they can change within the CIO contractual structures agreed with investors for the 20-year period. For example, CFM is not able to change the requirement to replicate the CEF tier structure (i.e., proportions for each investor class) at the fund level to the project finance level, which causes delays. More in-depth improvements to the structure are being incorporated into CFM's later generation facilities (e.g., CI2), such as changes in revolvability speed and more flexibility in financing options. [C, H]

#8: Though often necessary, requirements and restrictions impede progress. The more requirements and restrictions placed on a fund manager like CFM, the more contortions they must do to find projects that will be successful, which slows progress. Lengthy approval processes due to donor requirements also reduce CIO's attractiveness to developers relative to other options. While some requirements are fundamental to a specific donor's mission and likely vary by donor, others, including some reporting requirements, e.g., separate reporting formats for different commitments from the same donor or narrow country or regional restrictions, appear unnecessary or excessive in a blended finance context. While very important to assess carefully it is ultimately up to the donor to clarify where there is flexibility and where there is not for their contribution. [J]

#9: The fixed investor funding contracts are too long for such a rapidly evolving context. The 20-year time frame was intentional to allow an opportunity to (i) go through two to three project funding cycles without having to fundraise again and (ii) long term preferences of some commercial and institutional investors. However, this means CIO lacks periodic milestones or breakpoints to adapt contracts to reflect updated understandings and overall context. This has implications for the ongoing appropriateness of the fee structures but also the optimality of the overall strategy and parameters of CIO. Blended finance mechanisms must regularly adapt to changing market conditions. Being rigid for so long has a variety of risks, including the potential for locking in project parameters that are no longer relevant, sub-optimally distributing resources and/or fee structures that become outdated to the point of creating reputational risks. [C, I, J]

#10: CIO's current monitoring framework is suboptimal for reporting against its ToC, but CFM is already addressing this. The current KIIs do not capture all the impacts targeted by CIO's current ToC. Comprehensively tracking intended impacts will be necessary not only to understand the full development impact of CIO but also to better understand the benefits for the end-beneficiaries. The monitoring framework also does not enable the mapping of the CDPs to the ToC and the extent to which the CDPs are contributing to the delivery of impacts targeted by the CIO ToC. Evaluators note that CFM is aware of these shortcomings and is currently working to refine the ToC, develop a detailed results framework including additional impact indicators that also encapsulate the impact of CDPs, and develop a M&E framework. This work is scheduled for completion in December 2023 following which the updated ToC and comprehensive impact management framework will be finalized. *[E, F]*

#11: CFM's systems and operational capacities are still maturing. While CFM has highly experienced staff, several of which have been involved since the beginning, they are still building capacities which creates challenges, such as with back-office capabilities, communications and reporting requirements. Some areas of the organization are well developed, such as project development teams and fundraising for other facilities, while others such as managing diverse and increasing reporting requirements for CIO are still being developed or upgraded. *[D]*

5 » Recommendations

This section lists the key recommendations for FMO and CFM emerging from this evaluation as well as suggestions for future funds. These recommendations have been co-created with MoFA, FMO and CFM.

5.1 Recommendations to FMO

A. FMO should designate a person at senior level to have an overview of all FMO roles in CIO and adjust where necessary. The rapidly changing market contexts and variety of different roles FMO has in CIO requires ongoing proactive management. While there is already a coordination role within FMO, it would benefit from also designating a senior management role that has a comprehensive overview of all of FMO's roles. This person could make overarching decisions regarding FMO roles, arbitrate misunderstandings or potential conflicts of interest within FMO and challenge CFM management where necessary. Part of the responsibilities should also include periodic reassessment of FMO's internal functioning relating to CIO *[links to B]*. It is also valuable to periodically review how the necessary confidentiality boundaries to avoid internal conflicts manifest in practice, not only to ensure they are working, but also to avoid unnecessary siloing of valuable information. For the reassessments, the person can synthesize annual reviews already done by FMO on the general partner and limited partner level, as well as information on CFM team performance and market developments. FMO is working on the appointment of senior management staff who will be responsible for ensuring implementation of this recommendation.

B. FMO should conduct an assessment of all its roles, to consider how the roles can be optimized for future funds. While the roles for CIO are fixed, it is not necessarily optimal or even desirable for FMO to play so many roles in future facilities or funds as the blended finance landscape evolves. The reassessments discussed in Recommendation A could feed into this consideration of future roles. The roles FMO takes in the future will be a strategic choice based upon the prevailing market conditions and opportunities as well as capacities and priorities within FMO. The recommendation is to be considered about how any commitment will manifest itself internally over the life of the facility. FMO is working on the appointment of senior management staff who will be responsible for ensuring implementation of this recommendation.

5.2 Recommendations to CFM

C. Periodically conduct and share the results of a comprehensive internal review of how CIO is manifesting in practice relative to the 2019 fund strategy in the context of market

evolutions, e.g., every three to five years. The way CIO operates has evolved from the parameters and assumptions articulated in the 2019 PPM. This is not surprising given the changes in global RE markets. Changes are inevitable and it is important that practical ways of managing them are built into feedback loops, both in terms of what is feasible within CIO's contractual requirements, as well as to identify lessons for future funds. CFM's periodic internal review would benefit from further clarity from investors on current priorities, the approach to and minimum requirements for additionality, and the degree of flexibility to respond to changing market conditions. To ensure that all investors understand the portfolio-level implications of the changes, CFM should explore options to share findings of the periodic portfolio reviews and how they relate to the 2019 strategy and investment mandate beyond the CIO Supervisory Board and Advisory Board of each fund. This is distinct from ongoing M&E processes or external evaluations.

D. Increase efforts to build out the back-office capabilities of the facility, ensuring sufficient staff are in place to carry out all functions timely and efficiently. CFM as an organization has grown tremendously over the last few years while delivering on CIO and developing other facilities. What worked in the early years will not necessarily work as the organization grows and manages more facilities simultaneously. In addition to increased pressure on core functions, examples of growing operational challenges include operating regional offices, managing the diverse and increasing reporting requirements and investor communication expectations as well as ensuring robust learning and feedback loops. It is time for CFM to take the next step in deepening the resources available to ensure and maintain quality, responsiveness and timeliness as it grows and evolves. CFM has already made new hires, though more will be needed in the near term.

E. Continue efforts to adapt the ToC and monitoring and reporting framework to better reflect the profile of investments being made and better capture the impact of CDPs. This recommendation acknowledges that CFM is currently working on these issues. To fully support ongoing monitoring and evaluation by CFM and external entities, CIO needs a robust and realistic ToC and indicator package that accurately reflects activities. For example, the ToC should be supported by documented assumptions on links between activities and impacts.

F. CFM should continue to explore ways to better incorporate ESG in asset valuation and to define the impact per dollar spent and bring this to a wider group of public investors. CIO's focus on ESG issues reduces risks to the assets and is generally seen positively by developers and other stakeholders. As there is currently no methodology to assign a monetary value to these benefits, they are not reflected in asset values. CFM has begun to explore incorporating ESG into asset valuation. Adoption of an appropriate methodology would benefit the portfolio value and help communicate the impact per dollar spent to investors.

G. Within contractual constraints, CFM should seek ways to help public investors better understand the fee structure and how it evolves over time. Lessons learned should also be applied to future facilities. With a better understanding of how all the components of the fee structure manifest in practice, there is now an opportunity to improve accessibility and comprehension for public investors. This includes the impact on different outcomes over time, and how expenses relate to different actions taken. CFM and FMO are discussing ways of doing this within the terms of CIO's contracts, such as by updating internal templates and annual budget presentations. The details are not disclosed here to preserve confidentiality.

CIO's experience provides many transferable lessons. In the long term, greater understanding and comfort will help to increase public investment in blended finance mechanisms. Increased accessibility will benefit the broader blended finance community. It may enhance replication opportunities and help ensure proper calibration of fees in the future. Specific parameters for future mechanisms will need to be agreed with the respective stakeholders. CFM is exploring options, including how the fee structure could be modified or different ways of presenting it. For example, they developed a simplified version of the CIO's fee structure for public investors.

H. Continue to simplify and streamline contracting processes and the overall experience for developers. Project developers value the bundled approach CIO takes but find the detailed processes and multi-stage contracts required for CIO difficult to understand and time consuming. Where possible within fixed CIO parameters, CFM should continue to explore options to streamline

the overall experience for companies, such as by removing unnecessary or duplicative steps and clarifying communication to manage expectations, without compromising overall quality. CIO's example can also help future facilities to more efficiently meet the needs of developers.

I. Continue to proactively monitor shifts in pipeline opportunities to ensure financial and nonfinancial additionality, high ESG standards and development impacts as the market evolves. The regional, technological and financial landscapes are evolving rapidly, and CIO must adapt to stay relevant. CFM and other stakeholders are now monitoring trends. This recommendation is intended to stress the continuing importance of proactively monitoring regional and global shifts given the rapidly changing context and associated impact on CIO outcomes. How CIO then adapts to these external changes will be captured in recommendation C.

5.3 Suggestions for incorporating lessons from CIO into future facilities

J. All parties (CFM, public and private investors) should seek to maximize the opportunities to incorporate learning from the CIO experience into future blended finance facilities and funds. CIO packaged elements in a new way that is beneficial yet complex. As such, it was not feasible for parties to fully anticipate how the elements would manifest or interact over time. The CIO experience has generated tremendous learning on how blended facilities like this could be optimized going forward. While the contracting arrangements limit options to change CIO parameters, it is important for all parties to internalize the learning to ensure that future facilities are better optimized in the future. FMO plans to publish this evaluation and share it with other CIO investors and their network. CIO continues to be profiled by finance experts like Convergence and Climate Policy Initiative who will also have access to this report. Activities stemming from the recommendations above will generate further learning that is relevant not only for funds FMO or CFM are involved in, such as Climate Investor Three currently in development, but also should be shared with the broader climate finance community. Further examples of learning relevant for blended finance investors and fund managers include:

- i. **All parties should fully understand how the proposed fee structures for any new facility will manifest in practice.** The priorities will depend on the perspective of each party. For example, it is important for public investors to fully understand how the facility may evolve from early assumptions and how different scenarios will affect the totality of management fees ultimately paid, as well as the development and climate impacts ultimately achieved. Investors should also consider what types of activity, impact and financial reporting they will need over time. Setting clear expectations and running detailed scenarios will help all involved to be satisfied with outcomes and avoid surprises. Developers of future funds should take the lessons learned on CIO's fee structure into account when designing such future funds. This could include having shorter timeframes or adding milestones to review the ongoing appropriateness for further years.
- ii. **All investors should maximize operational flexibility for the facility manager by being clear on which figures are a minimum requirement, a boundary (e.g., range), or only an assumption (based upon what is currently known).** This clarity is particularly important with the length of the 20-year agreement for CIO. Public institutions and DFIs will always have different perspectives than private equity fund managers. Investor priorities, market context and project types will evolve, meaning that optimal additionality profiles will change over time. Fund managers need flexibility to adapt to ensure relevance. Clear parameters reduce uncertainty and save time for all involved. Investors should be as clear as possible on core expectations, points of flexibility, and trigger mechanisms for change orders. Given the expectation of change, briefly articulating the underlying rationale can help all involved recognize when a new situation is still within the overall guiding intent or outside of it for contractual purposes.
- iii. **All parties should seek to standardize reporting requirements and timetables among (public) investors to the extent feasible and reassess viability of options over time.** Many reporting requirements from public sources are mandated by the respective governments and there are limited options to adjust in the short term.

However, all the distinct requirements together create inefficiencies for the blended finance facilities, like CIO. Blended finance facilities are fundamentally distinct from typical donor programs, and donors are gradually adapting requirements to better meet context.

Facilities like CIO aim to create quantifiable, measurable social and environmental impact by supporting the establishment of clean energy projects in developing markets leveraging funds from a variety of investors. As such, any multi-investor facility has an impact philosophy that is independent of any single investor, including public donors. Bespoke reporting requirements create inefficiencies and may also increase the risk of inaccuracy due to the lack of real on-the-ground feasibility of obtaining the information. Bespoke reporting requirements can also place an unrealistic burden on project development companies that already struggle to maintain viability.

Fund managers would do well to explore the implications of all the different restrictions placed on them and the bespoke reporting requirements expected from (public) investors. Intermediaries like FMO could also work with fund managers like CFM and all public institutions it serves as intermediary for to standardize reporting requirements and timetables to the extent possible. As blended finance mechanisms are better understood, new solutions may be found to better navigate this challenging issue. For example, GCF is working to streamline its requirements and better serve the private sector.

Annex A: More on Evaluation Methods

This annex summarizes the most relevant elements of the evaluation methodology for lay readers. A more comprehensive discussion of the evaluation methodology, including the evaluation matrix and list of underlying assumptions in the ToC is available in the inception report.

This evaluation was conducted between November 2022 and July 2023, with the bulk of data collection from March through June 2023. The period of performance is from operationalization of CIO in 2017 to the present. The cutoff for data provided by CFM was the 1st quarter 2023 reporting, which became available mid-June 2023.

The evaluation used a robust, yet utility-focused theory-based mixed methods framework, centered upon theory of change (ToC) analysis where the evaluation team tested key assumptions of CIO’s approach. Given the early stage of CIO implementation, this evaluation focused on overarching assumptions underpinning CIO’s logic and assumptions linking activities to outputs.

Key activities included: ToC analysis, literature review, portfolio and impact analyses, benchmarking, stakeholder interviews, survey of active investees and in-depth case studies of a subset.^{53,54} We engaged a wide range of stakeholders including: CIO Donors and Investors, CIO Management & Advisory Board, CFM Executive Committee, regional heads and other key staff, investees (project developers), co-financiers, and climate finance experts as well as beneficiaries of CDPs.

As CFM had just updated the ToC, the evaluation team built upon the outcomes of that process rather than conducting a separate collaborative process. For example, we identified several key assumptions implied by the ToC that were incorporated into the evaluation questions and subsequently tested in the evaluation.

Evaluation Questions

See Table 6 for the full list of evaluation questions (EQs) used to guide this evaluation and section(s) where they are addressed in this report.

Table 6 Full list of Evaluation Questions and where addressed in report

Evaluation Question	Relevant section(s)
1. To what extent does CIO provide financial and technical solutions that could not easily be delivered by other support and financing options available to the targeted projects?	
<ul style="list-style-type: none"> a. Which ongoing project development barriers does CIO’s support directly address in the markets targeted? b. To what extent is CIO’s investment strategy sufficiently targeting the financial market barriers (e.g., in ToR Annex I) currently faced by targeted projects? c. To what extent do each of the CIO funds provide financial and/or non-financial support that would be unlikely to be provided by other development finance institutions (DFIs)? 	Sect. 3.1 Relevance; also Sect. 3.3.4 to 3.3.6 in Effectiveness
2. How effectively is CIO meeting its objectives thus far?	
<ul style="list-style-type: none"> a. What are the current portfolio characteristics? Is this in line with Fund targets and donor priorities? 	Sect. 3.3.1 to 3.3.3 in Effectiveness

⁵³ CFM provided eight contacts representing nine active projects for the survey, of which six completed the survey.

⁵⁴ The case studies covered four investees active in Vietnam only (2) or multiple countries in Asia including Vietnam (2). All were partially or fully operational, with one already existed and represented some of the most advanced projects in CIO’s portfolio.

Evaluation Question	Relevant section(s)
b. To what extent is each CIO fund helping move projects forward to the next stage? Is DF increasing bankability and moving projects towards CEF? Is CEF facilitating successful construction, and moving projects towards CCF (renamed the RF)? Are they mobilizing commercial capital more generally? How many projects are not making sufficient progress and why?	Sect. 3.3.4 to 3.3.5 in Effectiveness
c. What evidence is there so far that CIO is shortening the overall time projects take from development to operation?	Sect. 3.3.4 in Effectiveness
d. How likely is it that the overall Fund’s development impact targets will be met by the end of the investment period, based on the current project portfolio?	Section 3.4.1 in Emerging Impacts
e. Did CIO projects create any unintentional negative or positive development impacts thus far?	Section 3.4.1 in Emerging Impacts
f. To what extent does the CIO environmental, social and governance (ESG) approach and timing contribute to project success, such as de-risking its projects, contributing to faster development and/or higher quality projects? Is there evidence that the ESG approach taken translates into better valuations of the developed projects?	Section 3.3.5 in Effectiveness
g. To what extent do local communities benefit from the development of CIO’s projects (both from the produced electricity, as well as ESG-related activities and, jobs etc.)? ⁵⁵	Section 3.3.5 to 3.3.6 in Effectiveness
h. In what ways does the intention for the DF to be ‘revolvable’ influence project selection?	Section 3.2.2 in Governance
3. What indications are there that CIO’s governance structure, design parameters and assumptions are realistic and facilitating efficient progress in achieving CIOs objectives?	
a. How have CIO’s objectives, targets and investment strategy evolved as new entities (e.g., EC, GCF) have come on board? In what ways have project characteristics changed over time?	Sect. 3.2 Governance
b. What are the costs of fund management for CIO, inclusive of all funds? Compared to the costs of managing other renewable-energy funds, can the costs of managing CIO be considered aligned with the market?	
c. Is the FMO-MOFA level of financial investment in each CIO fund reasonable at this stage relative to other DFI/investor activity?	
4. Based on these, how could the functioning and effectiveness of CIO be further improved in the remaining investment period? Are lessons learnt embedded? Implications for FMO strategy 2030?	
[no sub-EQs]	Sect. 4 Conclusions; Section 5: Recommendations

Commentary on CIO’s ToC

Figure 3 illustrates the current theory of change provided by CFM for CIO updated as of December 2022. The long-term vision within the ToC is mostly clear and consistent with how CFM, FMO and other investors perceive CIO, but the ToC itself is intentionally high level and bundled. For the purposes of this evaluation it has shortcomings in that there is as yet no articulation key pathways about how change is expected to manifest, especially between outputs and outcomes. Specifically, some key steps are omitted and the full range of information typical for a ToC used for monitoring and evaluation purposes is not yet available. For example, it does not articulate assumptions, risks or other external factors beyond CIO’s sphere of influence that may contribute to or impede success. The tenuousness is due in part to the relatively small role each CIO investment is expected to play in each individual market it which it operates and the numerous external factors outside CIO’s sphere of influence that also come into play. It also does not seek to articulate the anticipated roles of the different CIO funds at different stages in the project cycle, nor emphasize

⁵⁵ FMO requested this EQ also address the CDPs that CIO requires of its projects which are distinct from direct project-level ESG and any affected communities.

CIO’s unique bundled offer relative to others. It therefore does not highlight key positive assumptions in CIO’s unique approach such as speeding up the project cycle to deliver RE capacity earlier than would otherwise be achieved. Other observations on the ToC include:

- The logical link between the activities and reduced vulnerability of the infrastructure and ecosystem to climate impacts has not been set out clearly in documentation reviewed.
- The outcome on mitigation refers to sequestration, which appears not to be relevant as CIO does not include sequestration projects.
- The secondary outcomes seem to miss the contribution to improved living standards from grid connected renewable electricity which is not limited to local communities.
- The current indicators do not fully reflect the ToC (discussed in more detail below).

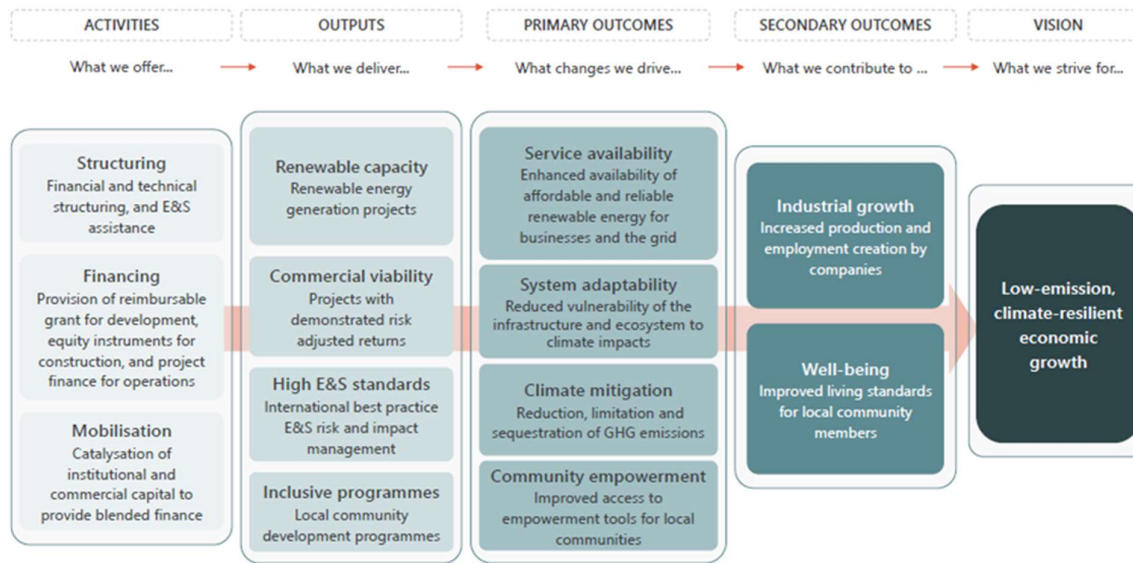


Figure 3 CIO’s Theory of Change as provided by CFM December 2022

CFM is aware of these shortcomings and is currently working to address them. CFM is, with support of another consultant, refining the ToC, to develop a detailed results framework including additional impact indicators that also encapsulate the impact of CDPs, and to develop an M&E framework. Evaluators note that these drafts indicate that the CFM is in the process of addressing the shortcomings noted by evaluators and is seeking to develop a comprehensive impact management approach and framework. This would provide the CFM with a stronger basis for evidencing impact and inferring causal relationships to demonstrate results not only against its targets but the wider narrative of change that donors appreciate. Moreover, articulating assumptions would also support CFM with better risk management.

Annex B: Sources

This annex describes the information sources used for this evaluation.

Stakeholders

The evaluation team conducted roughly three dozen interviews for this evaluation, some of which were group interviews, so the number of stakeholders reached is higher. Also in several cases, multiple representatives from a single entity, e.g., FMO, CFM or project developers, provided feedback. To preserve confidentiality, specific names of interviewees and most organizations are not provided. However, they represent a comprehensive range of stakeholders, such as: CIO staff, management and board, CIO donors and investors, project representatives, project co-financiers, climate finance experts, and other key stakeholders for case studies including representatives of affected communities and beneficiaries of CDPs. Survey participation was anonymous, but it was sent to nine representatives of active contracted CIO projects in Africa and Asia, six of whom responded.

Documents

The evaluation team extensively reviewed a wide range of CIO confidential documents and data that were provided by CFM and FMO. Examples include: the Private Placement Memorandum of CIO, FP099 annexes prepared for GCF, annual and quarterly reports, project funding agreements, internal policy and process documents, database extracts, investment proposals, as well as project ESG and due diligence documents (particularly for the case studies) and CDP design and results documentation, portfolio reviews. Some project and impact information is also available publicly on CFM's website at <https://climatefundmanagers.com>.

In addition, the evaluation team referenced the public materials listed below.

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Annex C: Case Studies

[Confidential: included in a separate file for limited distribution only]

