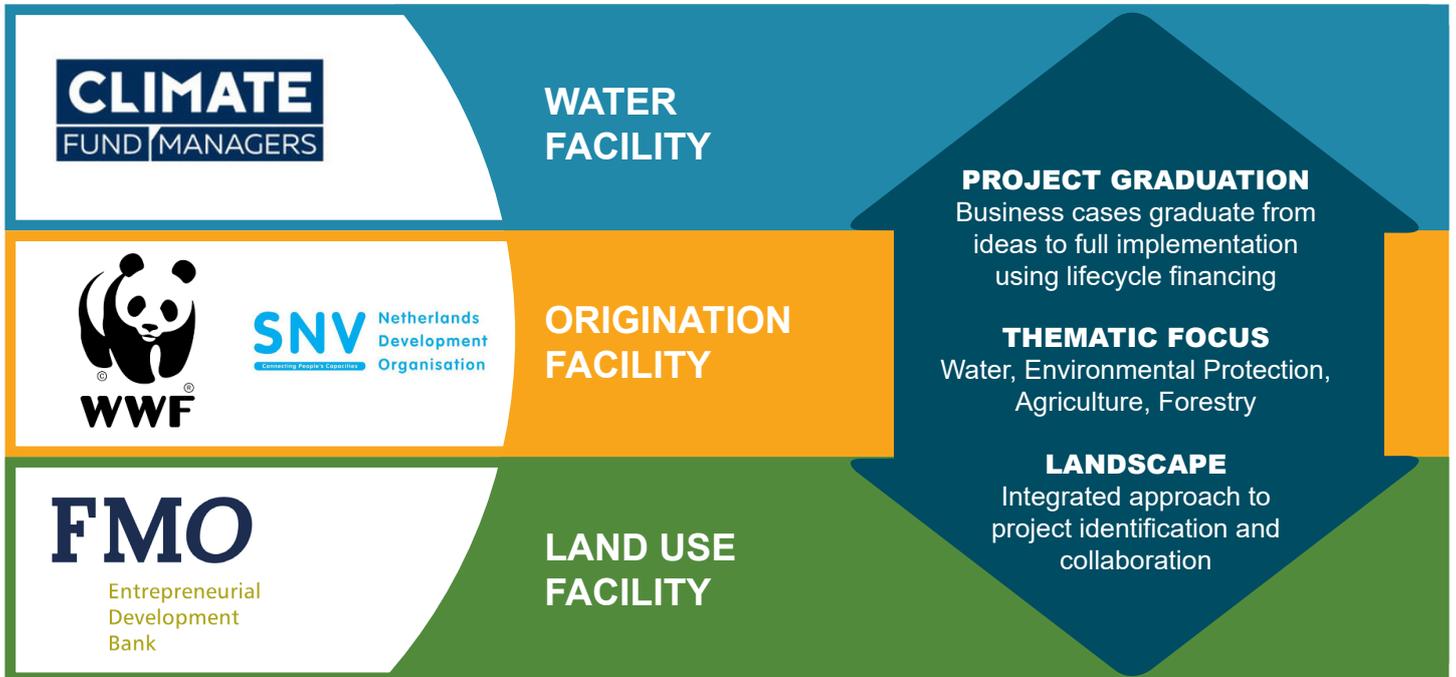


Executive Summary

Climate change poses an unprecedented threat to humanity in the 21st century. With notable shortfalls in funding and a dominant focus on climate mitigation by global financing parties to date, Dutch development bank Nederlandse Financierings-Maatschappij voor

Ontwikkelingslanden N.V. (“FMO”) has partnered with Climate Fund Managers (“CFM”), World Wildlife Fund Netherlands (“WWF”) and SNV Netherlands Development Organisation (“SNV”) to manage the Dutch Fund for Climate and Development (DFCD).



The Netherlands based consortium will be led by FMO and (i) provide finance and Technical Assistance (TA) to projects with a focus on climate change adaptation; (ii) mobilize external private sector funding at scale; and (iii) align directly with DFCD Theory of Change (ToC). A substantial allocation of investments will be reserved for OECD DAC Least Developed Countries (LDCs) and other Netherlands development cooperation priority countries (collectively, ‘the focus countries’). Investments made by the consortium parties will seek to improve the wellbeing, economic prospects and livelihoods of vulnerable groups – particularly women and children – and, enhance the health of critical ecosystems – from water basins to rivers, tropical rainforests, marshland and mangroves. The consortium’s activities will also help protect communities and cities from the increasing frequency of extreme weather events and benefit depleting biodiversity in areas that provide people with water, food, medicine and economic opportunity.

In addition, the consortium has been established to overcome **two prohibitive market barriers** for financing climate adaptation, and to a lesser extent, climate mitigation projects in the focus countries:

Available Funding: Recognizing an estimated \$3.5 trillion is required for developing countries to implement climate pledges to prevent potentially catastrophic and irreversible effects of climate change, the

consortium will utilize the full €160 million of DFCD funding to directly **mobilize** between **€500 million – €1 billion** in institutional and other commercial capital during the lifetime of the DFCD.

Originating Bankable Projects: The consortium will also demonstrate that as a collective it can achieve greater environmental and developmental impact than the sum of its parts. Notably, the consortium will adopt an innovative **‘landscape’ strategy for deal origination and execution**, with consortium parties actively sourcing and developing investment opportunities for other consortium parties in-and-around, as well as downstream, the vicinity of their own investment activities. This will be achieved through transparent, collective knowledge sharing at consortium level; demonstrating that four complementary institutions – a DFI, a private sector investment manager, an environmental NGO and a social development NGO – can operate harmoniously to achieve *climate resilient economic growth* in DFCD target countries.



To achieve the DFCD mandate the consortium will be structured with three separate but operationally linked **'Facilities'** each with a unique role across the project lifecycle; each with a unique thematic sub-sector focus:

Origination Facility ("OF")	
<p>Managed by WWF-NL and SNV collectively, the OF is positioned exclusively for project identification and (pre-)feasibility development activities with a cross DFCD thematic subsector focus. This window will seek to leverage the landscape strategy for activity sourcing and develop opportunities into viable business cases for the two investment windows (as below). The OF will provide grant funding and TA for its activities.</p> <p>€30 million will be allocated to this window to be deployed in ~ 70 projects.</p>	<p>DFCD Theory of Change (ToC) Outcomes:</p> <p>All through its early-stage project graduation strategy.</p>

Land Use Facility	
<p>Managed by FMO, the Land Use Facility targets investments that have graduated from the OF in sectors relating to agroforestry, sustainable land use and climate resilient food production. The Land Use Facility has at its disposal the full range of financial instruments offered by FMO to provide growth finance to companies, including grants, equity and debt. It will also source opportunities from FMO's external networks and will provide post-construction phase community development and TA financing.</p> <p>€55 million will be allocated to this window to be deployed in ~ 25 companies.</p>	<p>DFCD Theory of Change (ToC) Outcomes:</p> <ul style="list-style-type: none"> • Climate-resilient land use and ecosystems; • Climate-resilient food security; • Lower GHG emissions; • Climate-resilient water supply and sanitation; and • Improved wellbeing, economic prospects, livelihoods, inclusion

Water Facility ("Climate Investor Two" or "CI2")	
<p>Managed by CFM, the Water Facility will also target investments that have graduated from the OF in sectors related to water, sanitation and environmental protection. The Water Facility will contribute to the development, construction and operational phases of investments. To achieve this the Water Facility will provide development grants, equity for construction and operational debt to projects. It will utilize the proven fund structure of Climate Investor One and will target a €50 million Development Fund, a €500 million Construction Equity Fund and a €500 million Refinancing Fund. The Water Facility will also source opportunities from CFM's external networks and will provide post-construction phase community development and TA.</p> <p>€75 million will be allocated to this window to be deployed in ~ 30 projects.</p>	<p>DFCD Theory of Change (ToC) Outcomes:</p> <ul style="list-style-type: none"> • Climate-resilient water supply and sanitation; • Climate-resilient land use and ecosystems; • Improved wellbeing, economic prospects, livelihoods, inclusion; and • Lower GHG emissions.

The consortium partners were sought for their long-standing collective track record in both climate finance, development finance, a proven ability to mobilize private sector capital at scale, as well as institutional knowledge and advocacy work. The consortium parties have collectively provided over €2.2 billion in climate finance in the period 2015-17, and collectively have access to an investment **pipeline of €1.2+ billion** across the thematic sub-sectors and focus countries. This pipeline enables the consortium to already hit the ground running within the current budget year of the Netherlands government.

Fund Governance

With FMO as the Lead Partner and MoFA's direct counterpart for the DFCD, the consortium parties will collaborate through the Origination Facility for deal origination. Subsequently each Facility will make its investment decisions in an independent Investment Committee (IC) in accordance with the DFCD Assessment Framework. FMO and CFM will be granted a seat on the IC of the OF to increase the likelihood of projects receiving follow on finance after the OF has completed its activities on a project. The consortium will be governed through a **DFCD Advisory Board**, which role is primarily to (i) monitor/report/evaluate the implementation & progress and financial & impact results of the three Facilities; (ii) act as a general forum for communication; and (iii) monitor significant trends in global climate policy & finance and assess its ramifications for the DFCD.

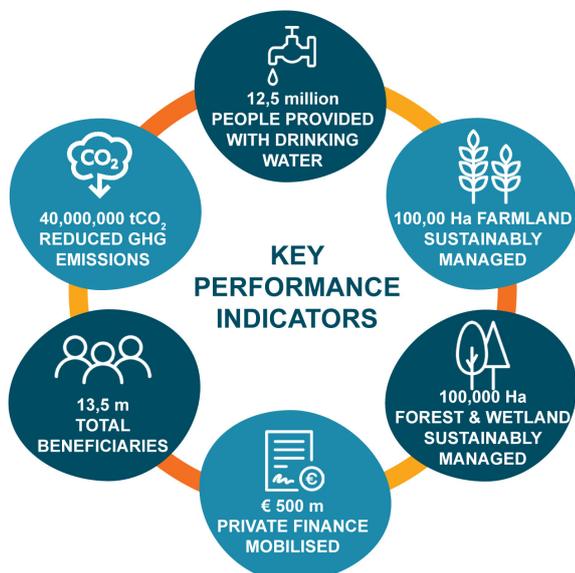


Consortium Impact

The DFCD will focus on a set of high impact investment themes within four key Rio Marker 2 sectors all of which are critical to tackling climate change and achieving the SDGs:

- Climate resilient **water systems and freshwater ecosystems**: drinking water & sanitation supplies, restoration & sustainable management of wetlands, headwaters & floodplains
- **Forestry** for the future: promoting afforestation and reforestation
- Boost food security with **climate smart agriculture**: funding more sustainable, efficient and productive approaches from smallholder farmers to agri-business
- **Protecting the environment**, protecting people: restoration of ecosystems, such as wetlands and mangroves, which are nature's best defences against extreme floods, droughts and storm surges.

The following estimated impact will be delivered by virtue of DFCD fundir



Strategic Rationale for the Netherlands

The incorporation and domiciliation of the consortium in the Netherlands may provide real economy and strategic benefits to Dutch business, exporters, citizens and government.

DFCD funding will provide ample opportunity for Dutch knowledge centres and companies to expand their activities in the DFCD focus countries and sectors, notable the water and food security industries, backed by a reputable and experienced Dutch consortium. Jobs will be created and knowledge will transcend to developing economies, positioning the Netherlands as a leading centre for climate adaptation. Dutch institutional investors will also be approached to invest in the Water Facility (CI2) and co-financing opportunities will be encouraged for other Dutch institutions across both investment windows. In the course of 2019, the future NL Business entity will come into force, which is a new €800 million equity funded collaborative vehicle between FMO and the Dutch state. FMO will ensure maximum synergy between the DFCD and this entity.

The consortium thereby provides the Dutch government with a prominent vehicle that can deliver climate impact and contribute to diplomatic efforts to strengthen the international response to the climate challenge.