



DFCD management letter

In 2023, the Dutch Ministry of Foreign Affairs commissioned SEO to conduct an evaluation of the Dutch Fund for Climate and Development (DFCD), managed by a consortium of FMO, CFM, WWF and SNV. The purpose of this exercise was to obtain lessons learned for steering the fund. As emphasized in the report, what makes the DFCD stand out, is the consortium approach, which ensures collaboration between investors and NGOs, in a local context. Collaboration initiatives like DFCD will be an even more important model going forward. They are not easy, hence evaluations are needed to learn from action. In addition, the evaluation would provide useful information on the status of the DFCD for the Ministry of Foreign Affairs, as initiator and funder of this initiative. In response to the evaluation report by SEO, the DFCD consortium partners herewith kindly address their aligned management response.

Additionality is key for the DFCD to reach its objectives and has been a focal point in the evaluation process. The consortium subscribes to the conclusion that within a broader climate finance architecture, DFCD is seen as unique and highly relevant for climate adaptation and mitigation. The consortium agrees that the additionality of DFCD is to be considered in a holistic approach, rather than assessing each individual facility. The added value of DFCD comes from the collaborative set-up with NGO's and investors that together provide a unique offering to investees.

The development additionality of the Origination Facility (OF), managed by SNV and WWF, is high, which can largely be attributed to local presence and the ability to de-risk projects. The Water Facility (WF), managed by CFM, offers strong financial additionality within the sector, mainly because of the Development Fund, which is distinct from other (blended) finance solutions in its provision of reimbursable grants at an early stage of the project lifecycle. The Land Use Facility (LUF), managed by FMO, targets a higher risk profile and can offer the widest range of instruments available within FMO. The consortium emphasizes that DFCD, as a fully integrated concept, provides unique additionality. Additionality and anticipated impact are central factors for every investment decision we make.

Overall, the consortium considers the evaluation to be clear and concise. The consortium appreciates the effort SEO has put into this exercise and the focused recommendations that have arisen from the evaluation. As a consortium, we acknowledge the recommendations, and we have full confidence that this intermediate evaluation will help to improve the DFCD's operations and activities. We are grateful for the insight provided by SEO.