Institute for
Development Strategy
www.devstrat.org

Performance Evaluation of the Nordic Development Fund

Final report, May 16, 2025

Ann Bartholomew (senior evaluator)
Andrea Deisenrieder (junior evaluator)
Markus Palenberg (team leader)

Contents

Contents ii
Executive Summary iii
1. Introduction 1
1.1. The Nordic Development Fund 1
1.2. The climate financing landscape 1
1.3. This evaluation 2
1.4. This report 3
2. Findings 3
2.1. How well has NDF delivered on its Strategy 2025? 3
2.2. How effectively, efficiently and sustainably is NDF governed and managed? 15
2.3. What are NDF's comparative strengths and weaknesses? 24
2.4. What strategic opportunities and challenges does NDF face going forward? 29
3. Conclusions and recommendations 36
Annexes 40
Annex A. Persons consulted 40
Annex B. Expert papers 42
B.1. Expert paper by Convergence 42
B.2. Expert paper by the Climate Policy Initiative (CPI) 46
B.3. Expert paper by Ede Ijjasz 50
B.4. Expert paper by Monique Barbut 52
B.5. Expert paper by Rob D. van den Berg 54
Annex C. NDF projects approved 2019-2024 58
Annex D. Conclusions and recommendations of the previous evaluation of NDF 60
Annex E. Review of RMF indicators 62

Executive Summary

This evaluation assesses the performance of the Nordic Development Fund (NDF) from 2020 to 2024, focusing on four questions: delivery on NDF's Strategy 2025, organisational effectiveness and efficiency, comparative strengths and weaknesses, and strategic opportunities and challenges. It applied a mixed methods approach including desk review, interviews with 61 persons, six commissioned papers, and participatory sense-making.

The evaluation found that NDF has developed a notable climate project portfolio with growing private sector coverage. NDF-supported projects have contributed to significant climate and development results. In line with its strategy, NDF successfully focused on early-stage and catalytic engagement. The goal of advancing Nordic leadership has however remained vague and with limited results. NDF's results framework introduced in 2021 is comprehensive and highly appreciated but does not yet fully capture how NDF influences its partners and stakeholders.

Since 2020, NDF has worked hard on updating and expanding its policies and procedures. This push for professionalisation was necessary for the expanded operations of NDF after the 2020 capital increase. It was also successful and has bolstered NDF's reputation as a trustworthy institution with very high professional standards. The related change management and the introduction of a top-heavier organisational structure have however impacted job satisfaction and contributed to the departure of some staff. NDF's expanded legal framework also carries a risk of over-bureaucratisation. NDF's principal governance body, the Board of Directors, continued to operate effectively and efficiently.

In the international climate and development landscape, NDF has successfully carved out a niche for itself as an innovative institution providing early-stage, high-risk concessional financing. This represents a comparative advantage among larger International Finance Institutions (IFIs) bound by investment return requirements. NDF's small size allows it to be agile and flexible and the fact that it can provide a package of financial support including financing for technical assistance is a strength. NDF's weaknesses are its limited visibility, both within the Nordic landscape and globally, and that many partners are unclear as to NDF's strategic focus. NDF's strategically relevant provision of highly concessional funding limits its financial sustainability to the early 2030s.

Over the coming years, global needs for climate finance and especially concessional funding are expected to remain high, and blended finance will continue to play a critical role in unlocking private sector investment in emerging markets and developing economies. The overall environment is also likely to become more challenging due to reductions in climate and development financing as a result of the United States withdrawal from climate commitments, a more transactional approach to development finance and a continued lag of adaptation versus mitigation financing, due to difficulties in developing appropriate instruments to address adaptation. In this context, NDF can make a difference by investing in new and evolving underserved areas and utilise instruments with high potential for impact.

Based on its findings, the evaluation drew four principal conclusions:

1. NDF has contributed to significant climate & development results in line with its Strategy 2025 and has transformed itself into a professional and appreciated “mini-IFI” that is funded until the early 2030s
2. NDF’s early-stage and catalytic strategic pathways are highly relevant but NDF’s direct influence on its projects, partners and stakeholders can be better reflected in project design and reporting
3. NDF lacks visibility and strategic clarity as to the role it should play in advancing Nordic leadership
4. NDF’s push for institutional development since 2020 was necessary and successful but has exhausted staff and carries the risk of increased bureaucracy

With these conclusions in mind, the evaluation team recommended that NDF should:

1. Maintain the current high concessionality and instrument mix, even if this means limited financial sustainability
2. Continue financial scenario analysis and engage owners in time for post-2030 planning
3. Further clarify, set targets for and track NDF’s direct influence on its projects, partners and stakeholders
4. Select a few specific issues of global relevance and drive, support and coordinate a collective Nordic and international response
5. Pragmatically manage NDF’s legal framework with regards to policies and procedures of central importance and how these can be realistically implemented

1. Introduction

1.1. The Nordic Development Fund

The Nordic Development Fund (NDF) is a joint Nordic international finance institution focusing on the nexus between climate change and development in lower-income countries and countries in fragile situations. It was established in 1989 by an agreement between Denmark, Finland, Iceland, Norway, and Sweden to "promote economic and social development in developing countries through the participation in financing on concessional terms of projects of interest to the Nordic countries".[1] In 2009, the mandate of the fund was changed to focus on climate change and development interventions. Next to concessional loans and equity capital, grants were added as an instrument and became the fund's primary funding modality.[2]

After the initial capital injection, NDF had four additional capital increases, bringing its total subscribed capital close to EUR 1.4 billion.[3] The last capital increase was agreed in 2020 with EUR 350 million subscribed. The respective capital increase payments are scheduled over 10 years from 2021 to 2031. The capital increase followed an overall positive evaluation of NDF in 2019[4] and was contingent on nine capital increase commitments, ranging from relatively minor internal policy changes to larger efforts such as the development of institutional policies.

NDF is headquartered in Helsinki with the Nordic Investment Bank (NIB). At year-end 2024, NDF had 32 staff. As an international organisation, it enjoys the privileges and capacities of an international legal person. NDF staff is however subject to taxation and social security in Finland.[5]

1.2. The climate financing landscape

Climate finance is central to the Paris Agreement of 2015, which was a landmark in the multilateral climate process, as for the first time it represented a binding agreement among nations to combat climate change. The agreement included a target for developed countries to mobilise USD 100 billion funding annually by 2025, which was increased by the 2024 Conference of the Parties (COP29) to USD 300 billion annually, by 2035.[6]

---

[1] NDF (2020) NDF Agreement and Statutes.
[2] NDF (2009) Strategic Framework for the New Mandate, Discussion Paper by Jeremy Warford; NDF (2009) Proposal to the Nordic Council of Ministers regarding Amendment of the Fund's Charter (translated from the Danish original).
[3] NDF's total subscribed capital is 515 million in Special Drawing Rights (SDR) and EUR 680 million, amounting to EUR 1.371405 billion as of year-end 2023 (NDF, 2024, NDF Annual Financial Report 2023).
[4] EBA (2019) Joint Nordic Organisational Assessment of the Nordic Development Fund.
[5] Finland (2013) Host Country Agreement between the Government of the Republic of Finland and the Nordic Development Fund; NDF (2020) NDF Agreement and Statutes.
[6] https://unfccc.int/news/cop29-un-climate-conference-agrees-to-triple-finance-to-developing-countries-protecting-lives-and, last visited in April 2025.

Even so, there is a significant financing gap with the High-Level Expert Group on Climate Finance estimating developing countries' need for climate finance at around USD 1 trillion by 2030 and USD 1.5 trillion by 2035.[7] Furthermore, finance for climate adaptation has significantly lagged mitigation. Global finance for mitigation reached USD 1.3 trillion in 2022, compared to adaptation at USD 76 billion and dual use finance – delivering both emission reduction and resilience outcomes – at USD 74 billion.[8] As a result, adaptation finance is insufficient given countries' needs, with only 19% of adaptation finance going to LDCs and just 2% (USD 1.5 billion) to Small Island Developing States (SIDS), who are the countries most vulnerable to climate impacts.

The recent US withdrawal from the Paris Agreement in 2025 represents a profound shift in the climate and development landscape and the overall implications of this are currently unclear. The US is not only one of the largest contributors to global carbon emissions but also provided around 8% of all global climate finance in 2024 and had a central role in developing and funding climate initiatives.[9] This represents a loss of US leadership, as well as funding for climate initiatives and combined with European government ODA budget cuts due to macroeconomic and fiscal pressures, will significantly reduce the level of funding available for climate initiatives. At the same time, a dilution of climate commitments is likely to occur, not only among donor countries, but also in the private sector and within multilateral organisations that are funded by the US.

1.3. This evaluation

The present evaluation assesses NDF's performance since 2020, for learning and accountability purposes. It also explores options for the fund's future role in the evolving international climate and development finance landscape. It does this by investigating four principal evaluation questions:

1. How well has NDF delivered on its Strategy 2025?
2. How effectively, efficiently and financially sustainable is NDF governed and managed?
3. What are NDF's comparative strengths and weaknesses?
4. What strategic opportunities and challenges does NDF face going forward?

The first two questions focus on the performance of NDF, and the last two consider the fund as one player in the international climate and development financing architecture.

The evaluation followed a formative, participatory and mixed-methods approach. It was implemented at the fund-level. This means that while it drew on project-level information, it did

[7] IHLEG (2024) Raising ambition and accelerating delivery of climate finance, Third report of the Independent High-Level Expert Group on Climate Finance.

[8] CPI (2024) Global landscape of Climate Financing 2024.

[9] https://www.carbonbrief.org/analysis-nearly-a-tenth-of-global-climate-finance-threatened-by-trump-aid-cuts, last visited in April 2025.

not attempt to evaluate individual NDF projects. The two facilities managed by NDF, EEP Africa and NCF, were also not separately evaluated.

Evaluative evidence was collected through interviews with 61 persons: 24 present and former NDF staff, 13 persons involved in NDF governance (past and present), and 24 partner organisation staff and climate finance experts.[10] The evaluation team reviewed a wide range of documents that are directly referenced throughout this report. Some documents containing sensitive information or requiring clearance from other institutions were not shared with the evaluation team and could not be reviewed. To obtain detailed expert feedback, six brief expert papers along three strategic questions were commissioned from internationally recognised climate finance institutions and experts. The five papers cleared for publication by the authors are provided in Annex B, and all six are summarised in Boxes 2-4 in Section 2.4.

A Reference Group of seven NDF staff provided oversight and support throughout the evaluation process. NDF's Managing Director was not part of this group. Operating with full independence, the evaluation team regularly shared and discussed emerging findings with NDF staff, and conducted sense-making workshops with the Reference Group and the NDF Board during three visits to NDF headquarters in Helsinki.

The evaluation was implemented by a team of three evaluators between October 2023 and April 2025 with a total budget of EUR 90,000.

1.4. This report

This report is structured as follows. After this introduction, Chapter 2 presents the 21 principal findings along four sections corresponding to the four evaluation questions. Chapter 3 then draws four principal conclusions and issues five general recommendations.

Five annexes complement this report. Persons consulted are listed in Annex A, brief expert papers commissioned for this evaluation are provided in Annex B, projects approved 2019-2024 are listed in Annex C, conclusions and recommendations of the previous evaluation of NDF are summarised in Annex D, and our review of RMF indicators in Annex E.

2. Findings

2.1. How well has NDF delivered on its Strategy 2025?

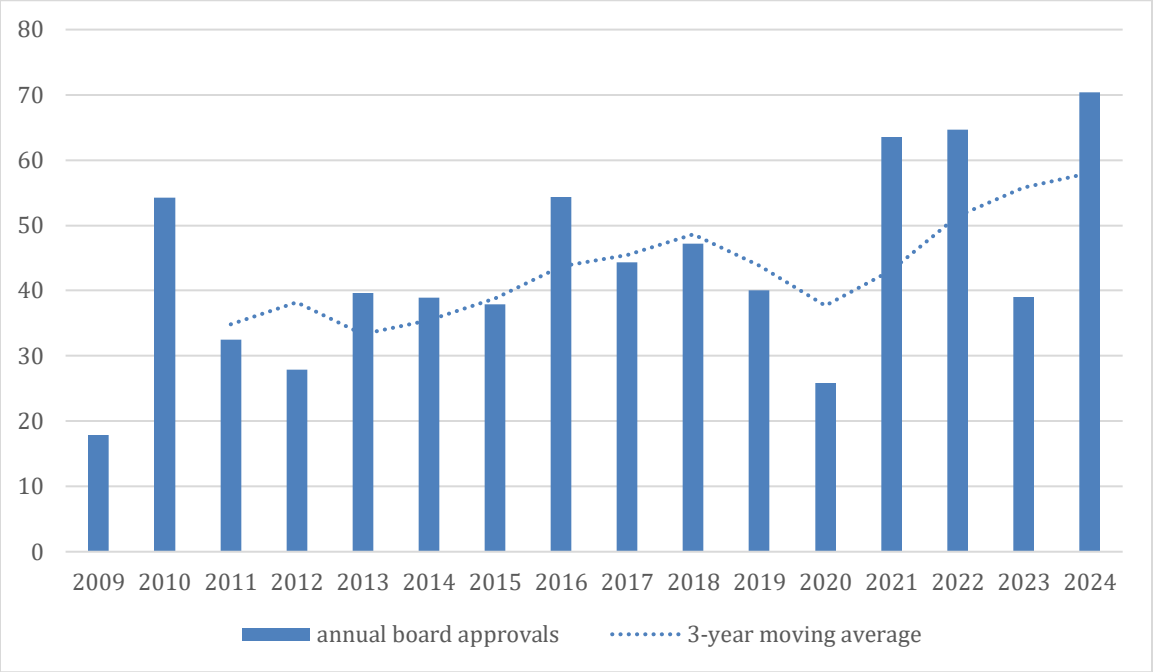
This section assesses results in the context of NDF's Strategy 2025. It mainly draws on interviews with past and present NDF staff, board members and partner organisation staff, the review of past results reports and financial reports, earlier evaluations, and the analysis of NDF's Results Management Framework. As a fund-level evaluation, the evaluation team reviewed some project-level documents but did not attempt to evaluate projects.

[10] Including two NEFCO and NIB staff.

Finding 1. NDF has developed a notable climate project portfolio with growing private sector coverage

Since adapting its mandate in 2009, NDF has built up a significant climate-related project portfolio. Board approval volumes varied across years and reached EUR 70 million in 2024 (Figure 1). All projects approved 2019-24 are listed in Annex C.

Figure 1. Annual board approval volumes (EUR million)



Source: Data obtained from NDF QAR, team analysis

At year-end 2024, the fund's overall climate portfolio totalled EUR 627 million, EUR 332 million of which was in 39 active projects.

NDF tracks the degree to which its projects target climate change mitigation and adaptation objectives.[11] Based on this information, two-thirds (66%) of recently approved project funding (2021-2024) targets both climate change adaptation and mitigation (principle or significant objective) in the same project. In 52% of approved funding adaptation is the only principal objective, in 34% mitigation it is the only principal objective, and in 14% both mitigation and adaptation are principal objectives (Table 1). The funding with exclusive mitigation has dropped from 16% if all active and closed projects are considered, to 9% in active projects and to 7% in projects approved 2021-2024.

[11] This is based on assigned Rio Markers for climate change mitigation and adaptation: a principal objective = 2, a significant objective = 1, not targeted = 0.

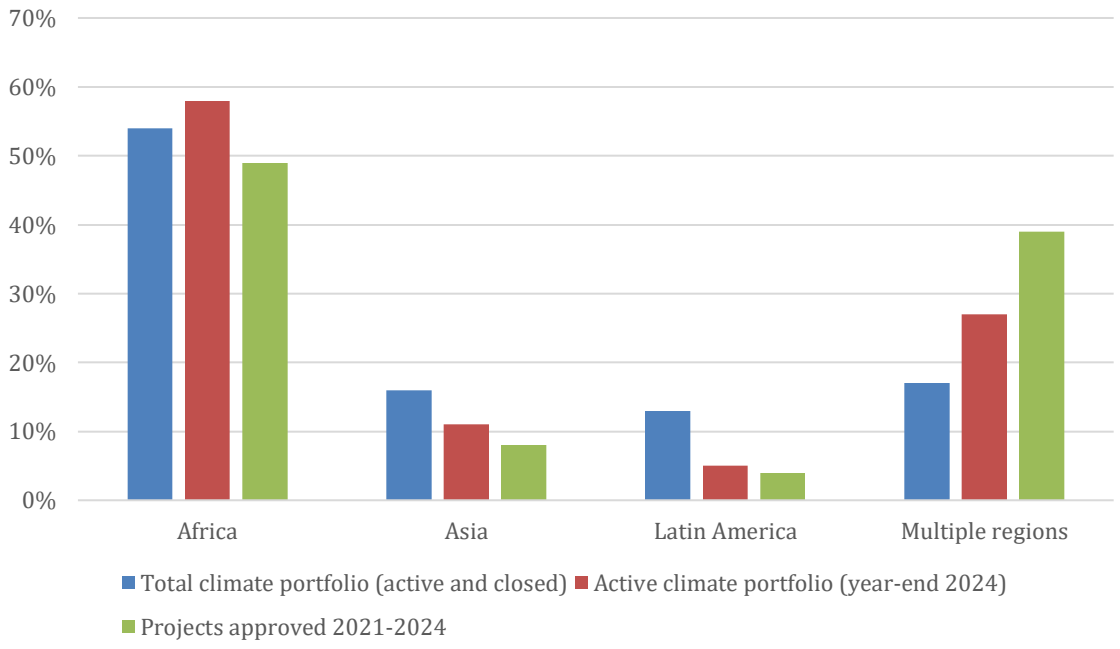
Table 1. NDF focus on mitigation and adaptation (% of approved funding 2021-24)

		Adaptation is …		
		a principal objective	a significant objective	Not targeted
Mitigation is …	a principal objective	14%	26%	7%
	a significant objective	26%	-	-
	not targeted	27%	-	-

Source: Data obtained from NDF QAR, team analysis

Geographically, NDF has maintained a strong focus on Africa (Figure 2).There is a trend towards global projects that is driven by NDF's investment in large funds in private sector projects but also reflects the fact that some approved projects are first placed into the multiple regions group until their geographic location becomes clear.

Figure 2. Geographic focus of NDF's climate portfolio (% of approved funding volume)



Source: Data obtained from NDF QAR, team analysis

Until 2015, and apart from funding through the Nordic Climate Facility (see below), NDF's climate projects were exclusively grant-based and targeted at the public sector.[12] Since then, NDF has built up an additional private sector portfolio: 47% of all funding approved 2016-24[13] was with the private sector (and 56% 2021-24). Reflecting the fact that projects approved before 2016 were all public sector projects, the share for private sector projects is lower for active projects (46%) and when including all active and closed projects (36%).

In line with the buildup of NDF's private sector portfolio, the instruments used have evolved. An increasing share of funding was allocated as equity, and some as loans. For projects approved 2021-24, 46% of funding was equity 8. With one exception,[14] all approved equity investments were for private sector projects. In several of those, equity was paired with grant funding for supporting Technical Assistance (TA). Grants represent 40% of recently approved funding (2021-24) -. Mostly, these are classical grants, but there have been two recently approved private sector projects with reimbursable grants[15] and one public sector project[16] with returnable capital. Loans represent 7% of recently approved project funding (2021-24), reflecting two public sector projects.[17]

In addition, NDF hosted and managed two facilities that provide grants and support directly to companies:

- The Energy and Environment Partnership Africa (EEP Africa) is a multi-donor trust fund financed by Austria, Denmark, Finland, Iceland, NDF, Norway, and Switzerland. Building on an earlier programme it was relaunched in 2018 and has since supported 103 projects in 17 countries in South and East Africa.[18] At the time this report was written in 2025, a fifth call for proposal was under way. Overall, NDF committed EUR 22 million to the EEP Trust Fund, of which EUR 7.5 million have been disbursed.[19] EEP Africa recently received overall positive evaluation feedback, highlighting its relevance, managerial efficiency, several successful projects and positive project impacts, while warning that most grantees still struggled to reach the next stage of growth.[20]
- The Nordic Climate Facility (NCF) is a challenge fund established in 2009 and financed by NDF, focusing on partnerships of Nordic and local partners. NCF launched its ninth and last call for proposal in 2019 and all project activities have been completed. No new calls are planned, and the facility is being closed. NCF has therefore not been included

[12] The first private sector project (apart from NCF projects) was approved in 2016: the African Guarantee Fund Green Guarantee Facility (NDF project number C88).
[13] Including funding for NCF 7-9 approved 2016.
[14] In the ADB Ventures (C123) project, NDF invested EUR 9 million as returnable capital. A follow-up equity investment was approved in 2022 for the ADB Ventures Fund (C141) but later cancelled.
[15] Climate Investor Two, Development Fund (C132) and the P-REC Aggregation Fund (C146).
[16] The ADB Ventures Fund (C141) which was later cancelled.
[17] Kigali Flood Control and Integrated Urban Catchment Management (C118/119) and Africa Rural Climate Adaptation Finance Mechanism (C147).
[18] https://eepafrica.org/, last visited in April 2025.
[19] https://www.ndf.int/what-we-finance/projects/project-database/energy-and-environment-partnership-trust-fund-ndf-c104.html, last visited in April 2025.
[20] Altai Consulting (2025) Evaluation Summary: Periodic Performance Evaluation of EEP Africa 2024.

in the present evaluation. Overall, NCF supported 99 projects in 21 countries worldwide with a total grant volume EUR 37 million.[21]

Finding 2. NDF projects contributed to significant results

NDF co-financed projects have contributed to significant climate and development results. Based on NDF's results reports,[22] between 2021-23 172,000 jobs were supported or created, capacities of 454,000 individuals were developed and NDF co-funded projects were associated with EUR 5.1 billion in climate finance mobilised.

Project outputs and outcomes were tracked along three broad results areas that were introduced with NDF's Results Management Framework and its underlying theory of change:

1. Climate and disaster resilience and adaptability of cities, human settlements and infrastructure strengthened
2. Natural capital and water-energy-food nexus enhanced
3. Access to and production of affordable and sustainable clean energy increased

In the first results area, an area of 11,200 ha was brought under climate change adaptation and disaster risk management plans, and 205 million persons benefitted from related services and systems in projects co-financed by NDF in 2021-23.

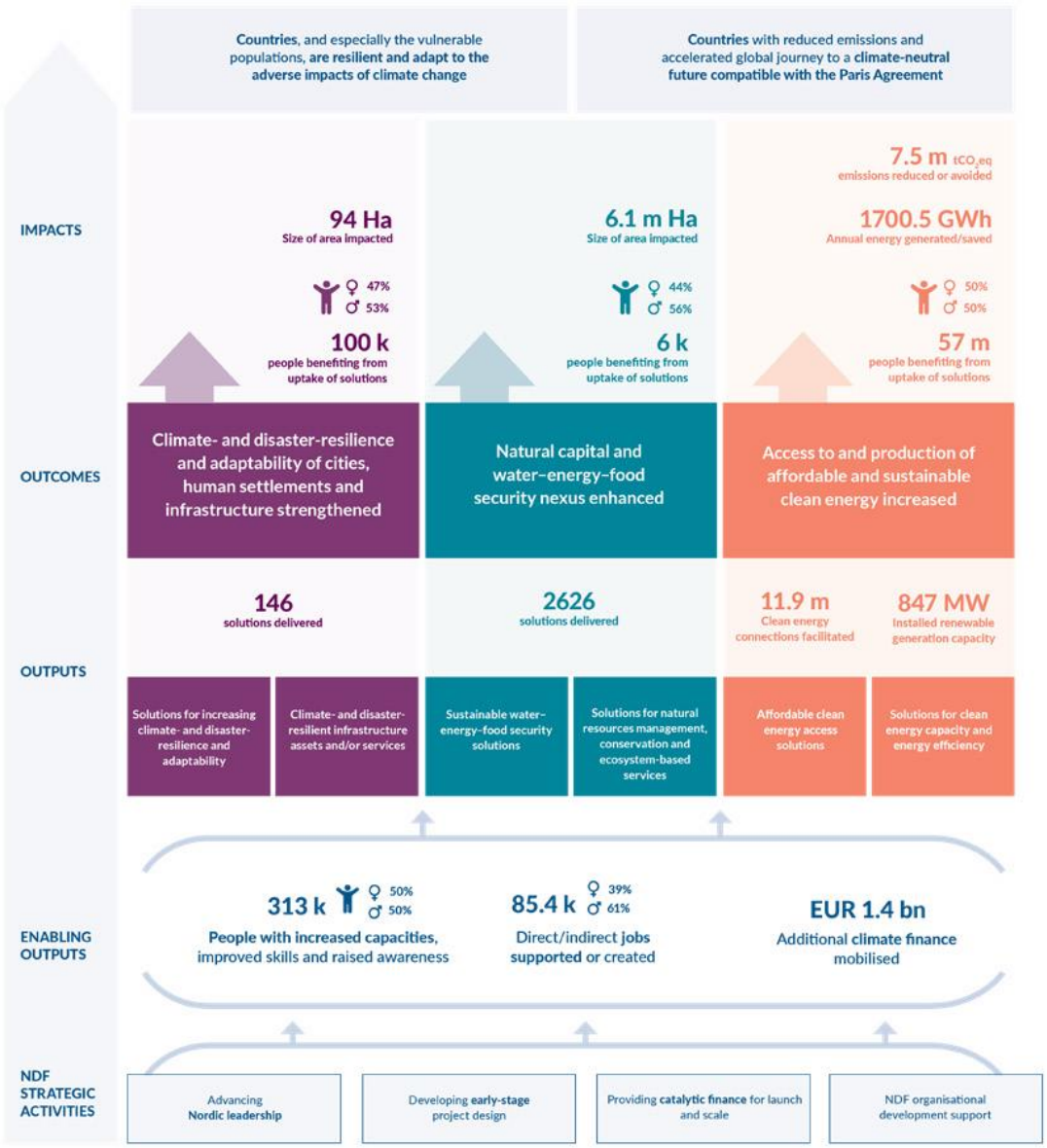
In the second results area, and also for the period 2021-23, an area of 17.3 million ha was brought under improved conservation, sustainable management and use of natural resources, with 637,000 beneficiaries.

In the third results area, 2072 MW renewable energy generation capacity was installed in 2021-23, 91 million persons benefited from improved access to clean energy, and emissions worth 15 million tons CO_2-equivalent were avoided.

In addition to these cumulative numbers, Figure 3 below summarises NDF's contribution to results for the year 2023 alone.

[21] https://www.nordicclimatefacility.com/, last visited in April 2025. With an additional EUR 4.3 million administrative costs, the total financial volume came to EUR 41 million.
[22] Three separate annual reports: NDF (2022-24) Nordic action for climate: NDF results report 2021-23.

Figure 3. Overview of NDF's contribution to results in 2023



Source: NDF (2024) Results Report 2023

Finding 3. In line with its strategy, NDF has successfully focused on early-stage and catalytic engagement

NDF's Strategy 2025 spells out three strategic pathways for NDF:

1. Advancing Nordic Leadership
2. Developing early-stage design and structures
3. Providing catalytic financing for launch and scale

In this finding, we address pathways 2 and 3; the first pathway is discussed later.

The second pathway (developing early-stage design and structures) aims

> *to increase the probability that innovative early-stage climate and development projects, in a planning or pilot stage, will be validated, developed and tested to a point where they can draw financing for scale-up from public or commercial sources.*

Since 2021, performance related to this pathway has been tracked by two indicators: the percentage of active projects that i) support the identification and implementation of early-stage concepts, and ii) in which NDF is among the first funders. In 2021-24, both indicators have been stable at 100%.

Interviewed partner organisation staff and climate finance experts acknowledged and appreciated NDF's contributions along this pathway. They characterised NDF as one of very few institutions able to support early-stage designs and pilots and highlighted the role the fund had played in enabling and accelerating projects.

The third pathway (providing catalytic financing for launch and scale) has the objective

> *to enable and catalyse financing from the public and private sectors for climate and development impact.*

For this pathway, NDF reported that it participated in the highest risk segment of the financing structure in all active projects. Usually, NDF does this by taking a junior position vis-a-vis other project partners. On average, NDF co-financed around 10% of the total project funding in its active portfolio.[23]

Interviewed investors described how NDF's first loss contributions allowed larger players with less ability to absorb risk to contribute financing. Some also highlighted the important role TA financed by NDF had played in terms of strengthening necessary capacities of private sector players and improving the enabling environment for private sector investment.

Interviewed NDF staff described convincingly how they invested considerable time and effort on identifying the right opportunities in line with these pathways, so that NDF's contributions would really make a difference. They then continue to influence projects during implementation. This feedback is supported by the fact that NDF project approval volumes since 2021 have remained somewhat under the maximum possible (see Finding 10). The evaluation team considers this a positive sign because it would have been easy for NDF staff to propose higher funding allocations, including for later stage and less catalytic projects.

In NDF projects approved since 2019 (Annex C), the evaluation team found the catalytic rationale (along the last pathway) clearest for blended finance funds where NDF's junior first-

[23] A 1:10 co-financing ratio was reported in 2022, and 11.6% in 2023.

loss contribution de-risked senior investment tranches sufficiently for other investors to come in. These funds are mostly addressed in private sector projects, but public sector partners also work towards setting them up.

Some public sector projects, like the Systematic Observations Financing Facility, provide important and relevant public goods and NDF has played an instrumental role in getting them started. Interviewed project partner staff also praised NDF support for getting things off the ground, as in the case of booster grants supporting GCF funding applications or NDF's comprehensive support for designing the Africa Rural Climate Adaptation Finance Mechanism. For these projects, interviewed partners could however not always explain why the considerably larger partners could not shoulder the relatively small contributions all by themselves. Other projects, like the Africa Circular Economy Facility, target the enabling environment in developing countries. Here, it was not always clear what exactly the comparative advantage of NDF vis-à-vis larger public sector players in the climate and development arena were.

These observations draw on the evaluation team's interviews with project partners, and on the review of project documents. The evaluation team notes that neither assessment was exhaustive in the sense that all projects were covered in depth.

Finding 4. Nordic leadership is an important element of NDF's Strategy 2025 but remains ambiguous and with limited results

The Strategy 2025 emphasises Nordic leadership as a central element for NDF. Advancing Nordic leadership is central to NDF's purpose[24], it is the first of the strategy's three strategic pathways, and Nordic leadership itself is described as one aspect of NDF's added value.

As a strategic pathway, the advancement of Nordic leadership has a twofold objective:[25]

> *[…] to **mobilise public and private support** for climate and development areas that are underserved and those that rank as a high priority on the Nordic countries' climate and development agenda.*
>
> *In addition to its strategic partnerships with global actors, **collaboration opportunities and partnerships with other Nordic institutions**, including the bilateral development finance institutions as well as the bilateral development aid agencies can further strengthen the Nordic leadership.*

In the Strategy 2025, these objectives are to be reached not only through NDF's financial contributions to relevant projects but also through other activities beyond projects. These included identifying, highlighting, and actively monitoring emerging and underserved climate

[24] "The purpose of NDF is to advance Nordic leadership in addressing climate change and development challenges through financing, knowledge and Partnerships. Together with our strategic partners, we develop, launch and scale high-impact projects to support developing countries and the most vulnerable people affected by climate change." (NDF, 2020, NDF Strategy 2025).
[25] NDF (2020) Strategy 2025, emphasis added by us.

change and development areas, and driving thought leadership, suggesting solutions and building knowledge of partners around these issues. The second objective specifically focuses on strengthening synergies with Nordic climate finance and development institutions, including actively identifying financing opportunities with them.

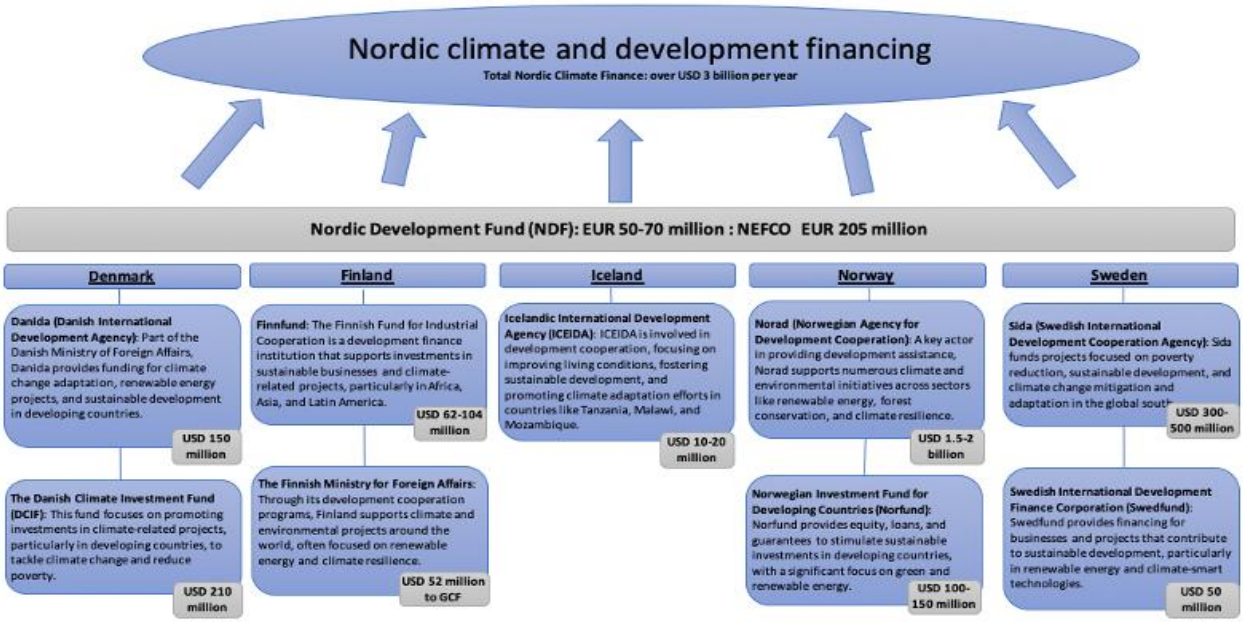
NDF's Results Management Framework (RMF) and the related results reports offer only limited information on results along this pathway. Regarding the first part of the objective (about mobilising support in underserved Nordic high-priority areas), NDF's share of funding dedicated to adaptation, Sub-Saharan Africa, and grant financing are monitored and reported, in line with the Strategy 2025. Regarding the second part (about Nordic collaboration), NDF's communications unit reports the numbers of "initiatives, networks and engagements with partners" and communication activities. These indicators describe NDF's (considerable) communication and some other outreach efforts but do not systematically capture the degree to which collaboration and synergies with and between Nordic institutions have progressed.

Based on the results reports 2021-23, all related targets[26] were met or exceeded. While this is positive, the chosen indicators do not do justice to the broader objectives along this pathway, especially regarding NDF's analytical work, thought leadership on relevant issues, knowledge-building of partners, and strengthened synergies and collaboration with other Nordic institutions.

Regarding the last point, the evaluation team found only very limited coordination or linkages between NDF and other Nordic Climate financing institutions. NDF's board members provide linkages into the five Nordic Ministries for Foreign Affairs, but usually only into one of several units dealing with climate financing, UN organisations, MDBs, or private sector instruments. On a technical level, there were no systematic links found between NDF and Nordic government agencies or national climate investment funds or DFIs, although staff mentioned interactions with staff working in Nordic embassies. Figure 4 below indicates the main Nordic Institutions involved in development and climate financing. There are also research organisations, think tanks, family foundations and philanthropic organisations that are engaged in the climate and development space in the region. Therefore, even though NDF is a Nordic institution it appears to operate independently of other institutions in the region. Although the mandates of these institutions differ to a certain extent from NDF, it appears that scope for synergies, coordination or knowledge sharing has not been explored. This reflects earlier findings in the previous evaluation of NDF in 2019.[27]

[26] Of the active portfolio, at least 50% directed towards adaptation projects, at least 60% targeted towards Sub-Saharan Africa, and at least 50% of financing with grants. And at least 40 initiatives, networks and engagements with Nordic institutions initiated or actively supported by NDF. These targets have been met or exceeded in 2021-23 with the exception of a 47% (instead of 50%) grant financing share in 2023.
[27] That evaluation concluded that „[...] NDF is not well connected, with weak links to Nordic bilateral programmes and the institutions which deliver these" and „NDF is outside the scope of the national ministries that manage development and climate policy in Nordic countries. As a pan-Nordic institution, it appears not to be on the 'radar' of these institutions, including embassies and bilateral agencies in the countries in which they operate" (EBA, 2019, Joint Nordic Organisational Assessment of the Nordic Development Fund).

Figure 4. The Nordic climate and development financing landscape



Source: team analysis

Overall, the evaluation team finds that progress under the Nordic leadership pathway of the Strategy 2025 was limited. While there have been some relevant efforts and results, such as the current planning for a conference of Nordic institutions, a professional communications strategy being implemented, or the fact that NDF's gender-disaggregated reporting is very consistent, this pathway has received less attention than the two other strategic pathways.

One reason for this may be the persistent confusion about what the advancement of Nordic leadership precisely means. Drawing on interviews with NDF staff, board members, partner organisation staff, and climate finance experts, the evaluation team identified several aspects that were commonly associated with the advancement of Nordic leadership (Box 1. Aspects associated with "Nordic leadership" in interviews

The **promotion of shared Nordic values** and priorities of the five Nordic countries for combating climate change and addressing development challenges. This covers an aligned commitment to mitigate climate change, support adaptation and biodiversity, foster development, especially in the least developed countries and fragile situations, and to focus on the cross-cutting issues human rights, gender equality, non-discrimination, and inclusiveness. In some interviews, other Nordic values such as ideological pragmatism and a realistic and non-hierarchical approach to governance, management and partnerships were also mentioned.

More effective and efficient **Nordic collaboration** in combating climate change and addressing development challenges based on the premise that the five Nordic countries can achieve higher visibility and more influence on the global stage by acting in alignment and speaking with one voice, compared to each Nordic country acting alone.

Supporting increased **participation and leadership of the Nordic private and civil sectors** in addressing climate and development challenges, for example by offering "Nordic solutions". Apart from the contribution these sectors can make to closing financing gaps and contributing to climate and development results, this aspect also reflects an economic self-interest of Nordic countries.

). When asked about what Nordic leadership exactly meant, most interviewees associated it with Nordic values, and gender equality was frequently mentioned as an example. Regarding the other aspects in Box 1. Aspects associated with "Nordic leadership" in interviews

The **promotion of shared Nordic values** and priorities of the five Nordic countries for combating climate change and addressing development challenges. This covers an aligned commitment to mitigate climate change, support adaptation and biodiversity, foster development, especially in the least developed countries and fragile situations, and to focus on the cross-cutting issues human rights, gender equality, non-discrimination, and inclusiveness. In some interviews, other Nordic values such as ideological pragmatism and a realistic and non-hierarchical approach to governance, management and partnerships were also mentioned.

More effective and efficient **Nordic collaboration** in combating climate change and addressing development challenges based on the premise that the five Nordic countries can achieve higher visibility and more influence on the global stage by acting in alignment and speaking with one voice, compared to each Nordic country acting alone.

Supporting increased **participation and leadership of the Nordic private and civil sectors** in addressing climate and development challenges, for example by offering "Nordic solutions". Apart from the contribution these sectors can make to closing financing gaps and contributing to climate and development results, this aspect also reflects an economic self-interest of Nordic countries.

, feedback varied significantly. Regarding the last point about private and civil participation it should also be noted that NDF does not provide financing directly to Nordic or other companies, apart through dedicated facilities such as EEP Africa or, in the past, NCF. There was however agreement that the concept was not consistently understood. In 2019, the previous evaluation of NDF made similar observations regarding the lack of a "particularly Nordic element to its activities" or that the "concept of 'Nordic interest' is understood very differently by different actors."

Box 1. Aspects associated with "Nordic leadership" in interviews

The **promotion of shared Nordic values** and priorities of the five Nordic countries for combating climate change and addressing development challenges. This covers an aligned commitment to mitigate climate change, support adaptation and biodiversity, foster development, especially in the least developed countries and fragile situations, and to focus on the cross-cutting issues human rights, gender equality, non-discrimination, and inclusiveness. In some interviews, other Nordic values such as ideological pragmatism and a realistic and non-hierarchical approach to governance, management and partnerships were also mentioned.

More effective and efficient **Nordic collaboration** in combating climate change and addressing development challenges based on the premise that the five Nordic countries can achieve higher visibility and more influence on the global stage by acting in alignment and speaking with one voice, compared to each Nordic country acting alone.

Supporting increased **participation and leadership of the Nordic private and civil sectors** in addressing climate and development challenges, for example by offering "Nordic solutions". Apart from the contribution these sectors can make to closing financing gaps and contributing to climate and development results, this aspect also reflects an economic self-interest of Nordic countries.

Finding 5. NDF's results reporting is highly appreciated but does not fully capture NDF's influence on projects, partners and stakeholders

NDF's comprehensive approach to results-based reporting was introduced in 2021. It consists of the Results Management Framework (RMF) policy, guidelines and technical guidance, including the data collection methodology on the RMF's 33 indicators.[28] The RMF is structured along NDF's theory of change, which was recommended in the 2019 evaluation of NDF and developed by NDF together with the RMF policy and the associated technical documents. Before the RMF was introduced, NDF did not have a fund-level results management framework.

The RMF operates at the aggregated level of NDF as a fund. This means that it monitors relevant project indicators and then aggregates them across NDF's project portfolio. This is useful because it provides an overall impression of the different types of climate and development results NDF contributes to.

Since 2021, NDF annually publishes comprehensive results reports that present development and climate results to which NDF contributed, based on RMF data and additional information about the progress made by the organisation and more detailed information about selected projects. NDF board members appreciate these reports very much and consider them indispensable for informing and ensuring support in their home organisations. NDF also promotes the results reports on its website and other media.

The evaluation team finds that the RMF and the associated results reports fulfil important accountability and communication functions. Judging from the feedback of NDF's board members, they do this very well.

In terms of providing a full picture of the difference NDF has made with its financial and non-financial contributions, the RMF also has limitations.

[28] This does not include impact-level SDG indicators that are part of the RMF but not reported by NDF.

Along NDF's theory of change, most RMF indicators – 21 of 33 – provide information at the aggregated level of many NDF co-financed projects and their results.[29] At this level, reported development and climate-related outputs and outcomes are associated with these entire projects rather than with NDF's financial and non-financial contributions to them. Reported results therefore depend more on the overall size of projects and on their effectiveness than on the quality, type and size of NDF's contributions. This represents a natural limitation, because results at that level are usually not anymore attributable to NDF's financial and non-financial contributions. Attribution of results is especially challenging in the case of NDF because its influence on climate and development results is intended to be innovation-enabling and catalytic.[30] When interpreting reported results at this level, it should also be kept in mind that the contributions to specific results are uneven across NDF's project portfolio. Usually, one or very few (large) projects deliver the lion's share for a specific results indicator, and sometimes drive many of the reported indicators, while several other projects make small or no contributions. The evaluation team notes that this is showcased in the results reports.

Instead, results over which NDF has a higher degree of control are less visible in the RMF. These would, for example, show the degree to which project design and implementation was actually influenced by NDF, show how NDF enabled or accelerated projects, and demonstrate what results distinct project components financed by NDF alone, such as separate TA alongside a larger blended finance equity investment, have produced. Results at this level are more directly linked and attributable to NDF than overall aggregated results of large projects to which NDF made a contribution. Results management and reporting at this level would provide useful information for decision-making and learning, in addition to serving accountability.

Related, the evaluation finds that the present indicators used to report progress along the "advancing Nordic leadership" strategic pathway do not really measure progress vis-à-vis activities and results described in the Strategy 2025, as was discussed in the previous finding. The evaluation team notes that NDF is in the final stages of operationalising its Project Performance Rating System (PPRS), which can help to fill this reporting gap, in addition to the planned indicator measuring satisfaction with NDF's partner and stakeholder engagement which have not yet come online.

On a technical level, the evaluation team notes that most RMF indicators are substantive in the sense that they measure well-defined quantities. Six indicators are however "enumerative", i.e., they count the number of very different items within broadly defined categories and do not provide a tangible sense of the magnitude of the related effort or effect.[31] In the evaluation team's experience, it is useful to provide a few concrete examples for what "typical" items counted in such indicators look like to give some sense of magnitude, or to not use these indicators at all.

---

[29] Based on the evaluation team's analysis of the 33 RMF indicators (Annex E), 12 are in NDF's sphere of control and the remaining 21 reflect results NDF can only influence.
[30] If NDF were one financing partner at par with many, one option would be to claim the share of results corresponding to NDF's relative financial contributions.
[31] Examples are the numbers of "initiatives, networks and engagements with Nordic institutions initiated or actively supported by NDF" or of "disaster risk management, adaptation strategies, plans and/or weather and climate and/or early warning system/services established or improved".

2.2. How effectively, efficiently and sustainably is NDF governed and managed?

This section assesses NDF's operational and governance performance. It mainly draws on interviews with past and present NDF staff, board members and partner organisation staff, as well as a broad range of NDF documents related to NDF's legal framework, the capital increase, institutional development, financial reports and data, and earlier evaluations.

Finding 6. NDF's governance is effective and efficient, but also light-touch

The Board of Directors is NDF's principal governance body.[32] Its five institutional seats represent the five NDF owners Denmark, Finland, Iceland, Norway, and Sweden. From 2019 to 2024, the board met 33 times, usually for one day. Since 2021, four regular board meetings were held per year, and three in 2019. In 2020, seven regular meetings took place, reflecting the intense work related to the capital increase and NDF's institutional development. Since 2019, the board also scheduled seven needs-based extraordinary meetings in-between its regular meeting schedule. Apart from 2020 and 2021, when most meetings were held virtually because of the Covid-19 pandemic, regular meetings were usually held in person, whereas most extraordinary meetings were conducted remotely.

The evaluation team finds that the board has functioned effectively and efficiently. Interviewed experts and partner organisation staff noted that other organisations tended to have more "politics" to contend with, which hinders agreement and implementation, as opposed to NDF that was perceived to be governed by a small and relatively like-minded board. This was appreciated by NDF partners who saw this as a key asset of NDF, often making them the preferred partner for institutions, even if there were other DFIs who were able to bring more funding to the table.

A review of the minutes of past board meetings shows proper agenda management and documentation of decisions taken. The consensus-based decision-making process appears to function well, and, in our experience, is the appropriate approach to decision-making in collective action governance bodies like NDF's Board of Directors. In interviews with all present and most past board members since 2019, a clear picture of a well-functioning governance body emerged, with well prepared, active and engaged board members. The evaluation team took positive note of the high level of trust the board vested in past and present NDF leadership. This allowed for an efficient partition of labour between governance and management, with the board providing strategic guidance and legitimacy, and management in charge of operations.

Our review of meeting attendance and the board's institutional memory showed that meeting attendance by designated board members was almost complete (Figure 5). For some countries,

[32] „All the powers of the Fund shall be vested in the Board, which may delegate these powers to the President or the Nordic Investment Bank or both to the extent considered appropriate" (NDF, 2009, Statutes of the Nordic Development Fund).

the same person served on the board over many years, for example in the case of Norway, whereas other countries rotated their board members more frequently. While this affected institutional memory in some cases, this was considered a natural consequence of designating civil servants from relevant departments and units in the respective MFAs to serve on the board: because the board positions were linked to specific positions in these ministries, the board member changed when a new person rotated into that position. A more detailed analysis (not depicted in Figure 5) shows that the NIB observer and several long-serving NDF staff, including the board secretary, have attended many board meetings and thereby aided institutional memory at the board level.

Figure 5. Meeting attendance of NDF board members 2019-2024 (and first meeting in 2025).

	1-19	2-19	1e*-19	3-19	1-20	2-20	3-20	4-20	5-20	6-20	7-20	1-21	2-21	3-21	4-21	1-22	1e*-22	2-22	2e*-22	3e*-22	3-22	4-22	1-23	2-23	3-23	1e*-23	2e*-23	4-23	1-24	1e*-24	2-24	3-24	4-24	1-25
Denmark	1	2	2	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	4	4	4	4	4	4	4	4			4	4	4	4	4	4
Finland	1	1	1	1	1	1	1	1	2	2	3	3	3	3	3	4	3	3	2	2	2	5	5	5	5	5	5	5	6	5	5	2	2	5
Iceland	1	2	2	2	3	3	2	3	4	4	4	4	4	4	4	4	4	4	4	4	5	5	5	5	5	5	5	5	5	6	6	6	7	7
Norway	1	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2			2	2	2
Sweden	1	1	1	1	1	1	1	1	1	1	1	2	2	2	2	2	2	3	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4
Chair	NO	SW	SW	SW	SW	SW	SW	DK	DK	DK	DK	DK	FI	FI	FI	IC	IC	IC	IC	IC	NO	IC	IC	NO	NO	NO	NO	NO	NO	SW	SW	SW	SW	SW

e* = extraordinary meeting

In this figure, the first row lists the board meetings, the next rows indicate the participating designated board member from each country (a "1" indicates the first person with that role in that period, a "2" the second, etc.), and the last row indicates the Board Chair.

Source: NDF board meeting minutes, team analysis

Some interviewees involved with NDF governance noted that the board lacked deep expertise in some areas, for example regarding novel approaches in NDF's engagement with the private sector. Therefore, the board's oversight was experienced by some as not sufficiently informed to constructively challenge NDF management on some subject matters, and instead more focused on ensuring that the respective countries' priorities were reflected in NDF's strategy and projects. In recent years, board members were chosen from MFA departments and units dealing with MDBs, the UN, and/or climate finance. It also ensures a good general understanding of climate finance and the public institutions in this space but NDF's board is quite naturally not at par with a board of hand-picked experts, as for example those overseeing large private sector corporations, or advisory panels in large public sector institutions.

One idea that surfaced in a few interviews was the creation of an independent chair position, as in NDF's Control Committee. Some interviewees attending the important board meetings in 2019 and 2020 when the 2019 evaluation, the Strategy 2025 and the capital increase were handled, highlighted the importance of having strong and constant board chairmanship during times of institutional change. The evaluation team however agrees with most interviewees that such an extra position is not urgently needed. The current board of five operates well without independent chair and the additional cost and the larger board size might outweigh any advantages.

Until recently, NDF board minutes were not public. Those shared with the evaluation team were significantly redacted with respect to information considered sensitive or not sharable without the approval of third parties. While this was in line with NDF's current Public Information Policy,

it stood in contrast to how other public institutions in the climate and development space manage the non-confidential content addressed by their governance bodies. For example, the GCF and the GEF share live recordings of their board meetings, comprehensive board minutes, and most board documents online. MDBs also publish board meeting minutes, albeit often in less detail. As this evaluation was conducted, NDF has started working on publishing board minutes, which the evaluation team considers a positive development.

Finding 7. The professionalisation of NDF's policies and procedures was necessary and successful, but not always in line with resources

As an international institution, NDF is not bound by national or European law and, instead, needs to define and follow its own legal framework. This framework consists of a large array of documents ranging from NDF's constituent documents and central institutional policies to more specific guidance for NDF operations, governance bodies and staff. Since 2020, this framework was significantly expanded and updated and the number of documents grew quickly from 43 in 2020 to 65 in 2023,[33] and to 70 at year-end 2024 (
). Compared to 2020, most framework documents are either new or have been significantly updated.

Central new policies were, for example, the Gender Equality Policy which entered into force in 2020, the Results Management Framework Policy (2021), the Integrity Due Diligence Policy (2021), the Risk Management Policy (2023), NDF's People Policy (2023), NDF's Approach to Communication (also 2023), and NDF's Fragility Approach (2024).[34] Other central policies were updated from earlier versions, for example NDF's Liquidity and Investment Management Policy (2020), the Environmental and Social Policy (2021),), Staff Regulations, and the Code of Conduct for Staff (all in 2023), and the Public Information Policy (2024). NDF's governance documents were also updated and expanded. In 2020, NDF introduced Rules on Issuance of Legal Framework Documents that were updated in 2024. NDF continues to apply some of NIB's legal framework, for example in the areas of security, privacy protection, IT, and staff. For these, an interpretation key is used to manage application of NIB policies and procedures to NDF. Increasingly, however, NDF now has its own legal framework documents.

Table 2. Number and type of NDF legal framework documents at year-end 2024

(In brackets: number of new or updated documents since 2020)

Type of document	Staff-related	Other	Total
Constituent documents		2 (0)	**2 (0)**
Governance documents		7 (7)	**7 (7)**

[33] NIB (2021) NDF Audit Summary Report for the period 1 October-31 December 2020. Audit of the Governance of NDF's legal framework; NIB (2024) NDF Audit Summary Report for the period 1 September-31 December 2023. Review of the latest developments in NDF's Legal Framework.
[34] As a concept note, the Fragility Approach was not formally added to the list of NDF's legal framework documents.

Policies and regulations	7 (6)	14 (9)	**21 (15)**
Rules and guidelines	13 (9)	18 (13)	**31 (22)**
Other guiding documents and instructions		9 (6)	**9 (6)**
Total	**20 (15)**	**50 (35)**	**70 (50)**

Source: Overview of legal framework documents provided by NDF LAS, team analysis

In interviews with former and current board members and NDF staff, this process of updating and expanding NDF's legal framework was generally considered a necessary precondition for the 2020 capital increase. Central institutional policies and procedures at par with those of larger climate and development finance institutions were considered to be required for the expanded operations of the fund. Several new or updated policies and guidance documents were also formally required in nine commitments made as part of the capital increase.[35] The RMF was developed in response to a recommendation to strengthen NDF's approach to M&E issued by the 2019 evaluation.

The evaluation team finds that the considerable investment into updating and expanding NDF's legal framework has paid off. NDF is overwhelmingly perceived as a very professional and strong partner by both public and private sector partners. Board members and staff also perceived NDF's internal policies and procedures to have attained high standards. The evaluation team finds that NDF's results reports, financial reports, business plans, as well as information about NDF and its projects on NDF's website are comprehensive, helpful and of high quality.

However, the evaluation team finds that NDF has, at times, overstretched its own institutional capacities with the ambitious scope of current and planned policies and procedures. As a relatively small organisation, NDF lacks the critical mass, as former leadership put it, to operate at par with the professional standards of much larger institutions in all instances. While updating existing and designing new policies and procedures, the primary focus was on reflecting high standards and less on prioritising and designing policies and procedures within the scope of available staff capacities. Interviewed staff worried, for example, about the extra work required for operating the forthcoming Risk Management Framework and the Project Performance Rating System (PPRS), including the software systems to support these frameworks. While much appreciated, operating the Results Management Framework and producing the related results reports also bind considerable staff resources.

[35] The nine capital increase commitments covered the development of an Access to Information Policy (now Public Information Policy), a Gender Equality Policy, a Fragility Policy and/or Guidelines (now NDF's Approach to Fragility), a Results Management Framework, Non-Grant Guidelines (now Guidelines for Using Non-Grant Instruments), a Human Resources Policy (now People Policy), and three more granular staff-related rules and guidelines.

The evaluation team associates two potential risks with this situation. First, there is a risk that some policies are not fully institutionalised. This requires process planning, developing necessary staff capacities, monitoring and managing compliance, and following up on issues, in addition to producing the policy and guidelines documents. While we were able to review the legal framework documents themselves, the quality and degree of compliance with them was not easy to verify and there is a risk that some policies are not fully implemented. While we, for example, reviewed the RMF in detail and could confirm that it is being implemented as planned, interviewed staff felt that other policies such as the People Policy had remained partly aspirational (while some elements such as the job architecture are being finalised). The risk of incomplete implementation of legal framework documents was noted by an internal audit in 2021, and the auditors recommended ensuring proper implementation and compliance reporting. Interviewed staff acknowledged that implementing existing and future legal framework documents scrupulously and to the letter was challenging in view of NDF's already stretched staff resources. Interviewed board members expressed their understanding that the past years of intense institutional development had put the organisation under stress, and signalled that the focus for the next years should be on ensuring effective and efficient operations rather than on developing additional policies.

Second, there is also a risk that NDF becomes too bureaucratic in the sense that compliance with policies and procedures obstructs rather than supports the fund's operational activities and reduces its agility. Interviewed partner organisation staff consistently highlighted that the relatively small size of the organisation led to quick decision-making. Therefore, NDF was perceived to be able to move forward rapidly with projects, in contrast to larger and more bureaucratic DFIs Too much relative focus on compliance could also result in shifting resources away from key activities such as strategic business development, network and partnership management, analytic work and thought leadership, and the identification and the design of the most promising investment opportunities.

Finding 8. NDF's four-pillar structure created too much distance between departments

Until early 2020, NDF had a two-pillar structure. It consisted of one department responsible for operations, and another in charge of legal affairs and support functions. The two departments were headed by Vice Presidents who reported to the Managing Director. Mid-2020, a third department – and an additional Director position – was created for quality assurance and reporting. Then, from 2021 onwards, NDF was organised in its current four-pillar structure (Figure 6), with a fourth department for business development and outreach. The earlier explicit reference to business development was later dropped and the department is now called Strategy, Outreach and Communications (SOC). With the last reorganisation, several functions were reassigned between departments: financial administration was shifted from LAS to QAR, business development and stakeholder management from POM to SOC, and communications from LAS to SOC (Figure 6).

Figure 6. NDF organisation structure and staff

Source: NDF (2024) Our organisational structure and roles, team analysis

The evaluation team considers this structure rather bureaucratic for a small organisation like NDF. One issue is that responsibilities for business development and partner relationship management overlap between SOC and POM. Project origination (in POM) requires maintaining close relationships with NDF's partners, as does strategic partnership management (in SOC). At times it was, for example, unclear which department should go and visit NDF's MDB partners. Another issue was related to dual and partially conflicting responsibilities of thematic and functional experts in QAR, between providing collaborative advice and assessing quality with some degree of independence. With twice the number of department heads and a larger management team, several present and former staff also felt that the new structure created more distance between management and staff.

Finding 9. The structural and operational changes since 2020 have not been easy on NDF staff

Most interviewed former and present NDF staff described the past years as a challenging time. In NDF's staff surveys, the organisation's Employee Net Promoter Score,[36] a composite indicator reflecting how likely staff would recommend NDF as an employer to a friend or acquaintance, fell from about 45% in May 2021 to negative -21% in April 2024. In that last survey, only 17% very strongly recommend NDF as an employer.

[36] The Employee Net Promoter Score (eNPS), is a metric used for employee engagement and employee satisfaction. It is based on one simple question: "How likely are you to recommend your employer to a friend?". Employees answer by choosing a number between 0 to 10 on a scale. The responses are then segmented into the following three categories: Detractors (respondents who gave a score from 0 to 6), Passives (respondents who gave a score between 7 or 8), and Promoters (respondents who gave a score from 9 to 10). The eNPS is calculated as the difference between % of Promoters and of % Detractors. Source: https://eletive.com/blog/enps-the-ultimate-guide-to-employee-net-promoter-score/, visited in April 2025.

Drawing on interviews with former and present staff, and on NDF staff surveys, employees very much identified with the goals and purpose of NDF and did not necessarily mind the high workload associated with the high number of institutional change projects (Box 2). Perceived issues were rather related to the intense change management with sudden top-down decisions and limited communication and consultation. The somewhat bureaucratic organisational structure introduced in 2021 was also perceived as hindering rather than supporting operational efficiency. Moreover, the fast buildup of NDF's private sector portfolio and the hiring of new staff with a private sector skillset caused some worries as to the future of NDF's public sector portfolio.

Box 2. Institutional change projects

The renewal and expansion of NDF's legal framework, including capital increase commitments, and other institutional changes were managed through separate "institutional development projects". These projects typically involved a few staff from across the organisation and often resulted in an extra workload on top of routine duties. In 2020, 24 such projects were launched, followed by additional projects in subsequent years. In June 2021, 10 projects had been completed and 18 were ongoing.[37] Without being able to establish a definite number, the evaluation team estimates that between 40-50 such projects were launched since 2020. Many institutional development projects required considerable investments in terms of staff time and effort, such as for example the development and update of central institutional polices and their related guidelines. Examples are gender, financial management, non-grant instruments, risk management, results management, integrity, environmental and social sustainability, public information, fragility, and human resources. When this evaluation was finalised in early 2025, several important projects were still ongoing, for example on risk management and project performance rating.

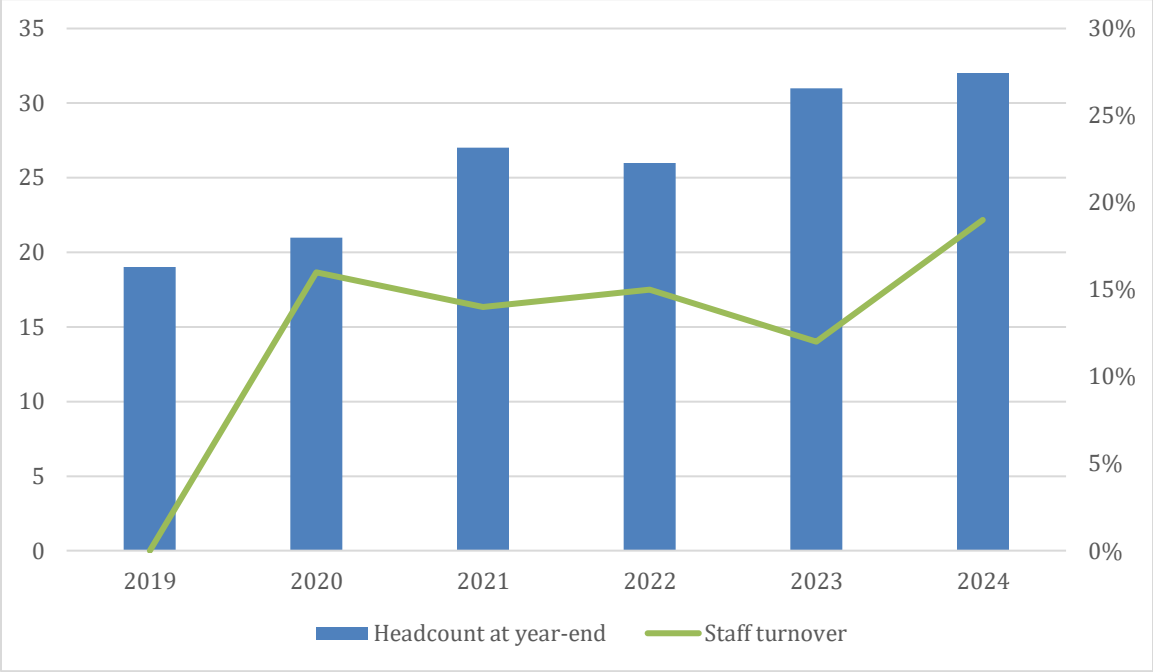
Institutional changes and change management over the past years have contributed to staff turnover, even while the organisation grew significantly, from 19 to 32 staff (by almost 70%) between 2019 and 2024. In this period, annual staff turnover started with zero in 2019, then jumped to around 15% between 2020-22, to 12% in 2012, and finally to 19% in 2024 (Figure 7). While some staff turnover is to be expected, the evaluation team considers these figures to be rather high considering that NDF had just received new capital that increased job security.

Overall, the evaluation team finds that while the intense institutional development over the past years has been necessary and successful, it has also taken its toll on NDF staff. The evaluation

[37] NDF (2021) Report on Institutional Projects. The 10 completed projects were: 1. Gender Equality Policy, 2. Liquidity and Investment Management Policy, NDF Governance: Mapping and Process, NDF Staff Legal Framework - changes to performance premium, 5. NDF Staff Legal Framework - non-applicability of car benefit in new contracts, 6. Internal Audit of the NCF, 7. Guidelines on the use of nongrant financial instruments, 8. Development of the visual identity of NDF, 9. Renewal of NDF's website, 10. Liquidity and Investment Management Guidelines. The 18 ongoing projects were: 1. Risk Management Framework, 2. Results monitoring framework, 3. IFRS Accounting Standards, 4. IDD Policy, 5. E&S Policy, 6. Access to information policy, 7. NDF Staff Legal Framework - Travel Policy, 8. Fragility Policy, 9. Human resource policy, 10. Gender Equality Guidelines, 11. IDD Guidelines, 12. E&S Guidelines, 13. Procurement Guidelines, 14. Safety and Security Arrangements / travel insurance, 15. Service agreement with NIB (IT), 16. Service agreement with NIB (Other), 17. Appraisal process, 18. GHG emission reporting and calculation guidelines.

team notes that measures were taken by past and current leadership to address these issues. For example, a Cooperation Council between staff and management was established, and more options for upward feedback were offered in staff surveys.

Figure 7. Annual headcount and staff turnover (%)



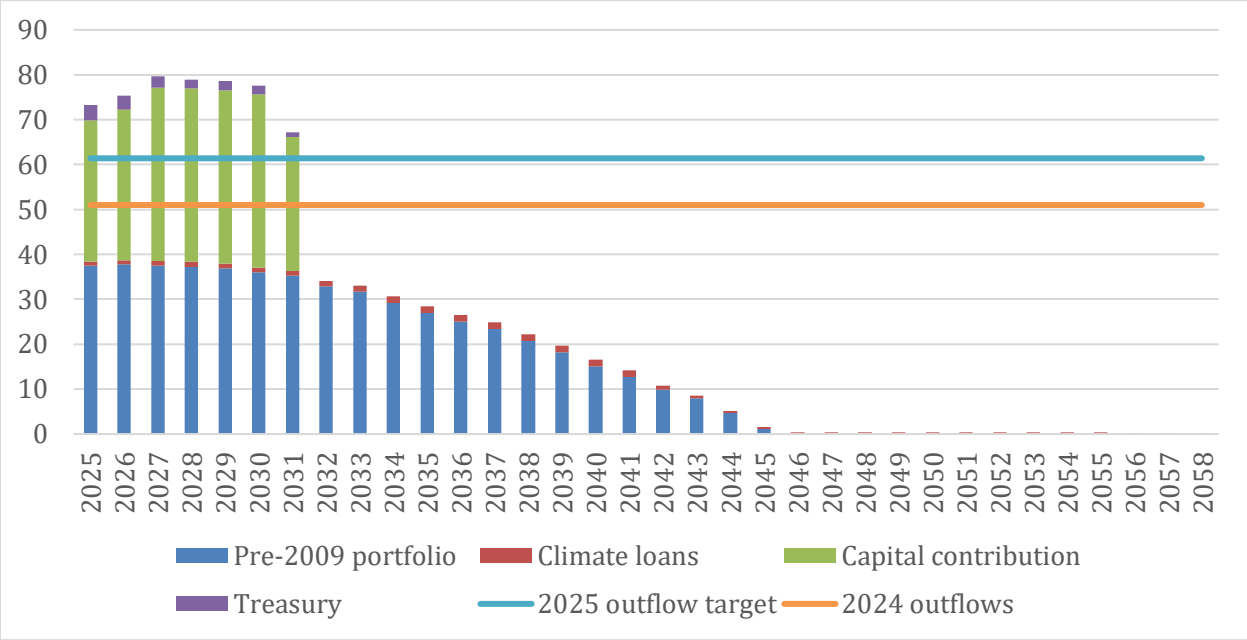
Source: Information provided by NDF QAR (trainees are not counted)

The evaluation team also noted that most NDF staff is Finnish, about 60 percent in 2024 (down from 76% in 2020), based on information provided by NDF. While this is not surprising in view of the headquarters location in Helsinki it does not reflect the international (Nordic) nature of the fund. Interviewed staff did not consider this a major issue, but several noted the absence of, for example, any staff from Iceland and, until 2024, from Norway. Apart from the location of NDF headquarters, the fact that NDF employees pay Finnish income tax and social security on their salaries may have reduced the competitiveness of NDF as an employer vis-à-vis other international organisations that offer tax-exempt benefits.

Finding 10. NDF operations are resourced until 2031 or longer, depending on the level of new project commitments

NDF's future financial resources are mainly from two sources: loan repayments from NDF's old pre-2009 portfolio, and capital contributions of NDF's owners (Figure 8). Before NDF's mandate was changed in 2009, concessional sovereign long-term loans were issued for which repayments are expected until 2045. Capital contributions represent payments from NDF's owner countries for the 2020 capital increase. According to the payment schedule, the last capital contributions are expected 2031. In addition, NDF also expects loan repayments of climate loans issued after the mandate change, currently until 2058, and annual income from NDF's treasury investments.

Figure 8. NDF projected inflows 2025-2058 (EUR million per year)



Source: Information provided by NDF QAR

NDF has a Risk Management Committee in place that also oversees financial risks. The evaluation team found NDF's approach to financial scenario planning to be comprehensive.

Assuming capital contributions are paid in as scheduled, Figure 8 represents a conservative estimate for future inflows. Repayments from pre-2009 loans shown in Figure 8 are estimated taking expected credit loss into account, in line with NDF's risk management and accounting standards. Similarly, no returns of equity investments made in NDF projects or repayments of possible future climate loans have been included.

Based on this estimate, NDF's inflows will be in the order of (and above) EUR 70 million annually until 2031. Then inflow will drop to EUR 34 million in 2032, followed by a gradual decrease to EUR 17 million in 2040, after which inflows will start to dry up.

In addition to future inflows, NDF currently holds substantial liquid assets of about EUR 178 million at year-end 2024.

This financial situation allows for significant new project commitments over the next couple of years. In 2024, total outflows were EUR 51 million, representing EUR 45 million for approved projects and EUR 6 million administrative costs.[38] Current plans are to approve new projects at a rate that outflows grow further (maintaining the current focus on grants and high concessionality), to EUR 61 million in 2025 and more than EUR 90 million for the next couple of

[38] These mostly represent staff- and office-related costs, a fee to NIB for IT, HR and other services, as well as reimbursements from the host country for tax withheld, and from EEP Africa and NCF.

years.[39] This scenario implies new project commitments worth EUR 80 million annually from 2025 onwards, up from earlier commitments of EUR 39-70 million annually, in 2021-24. This scenario would see NDF operating until 2030 well in line with its Liquidity Policy[40] but eventually requiring reducing new project commitments if no further capital increase can be negotiated. If new project commitments were adjusted to keep outflows at lower levels, this period could be extended.

2.3. What are NDF's comparative strengths and weaknesses?

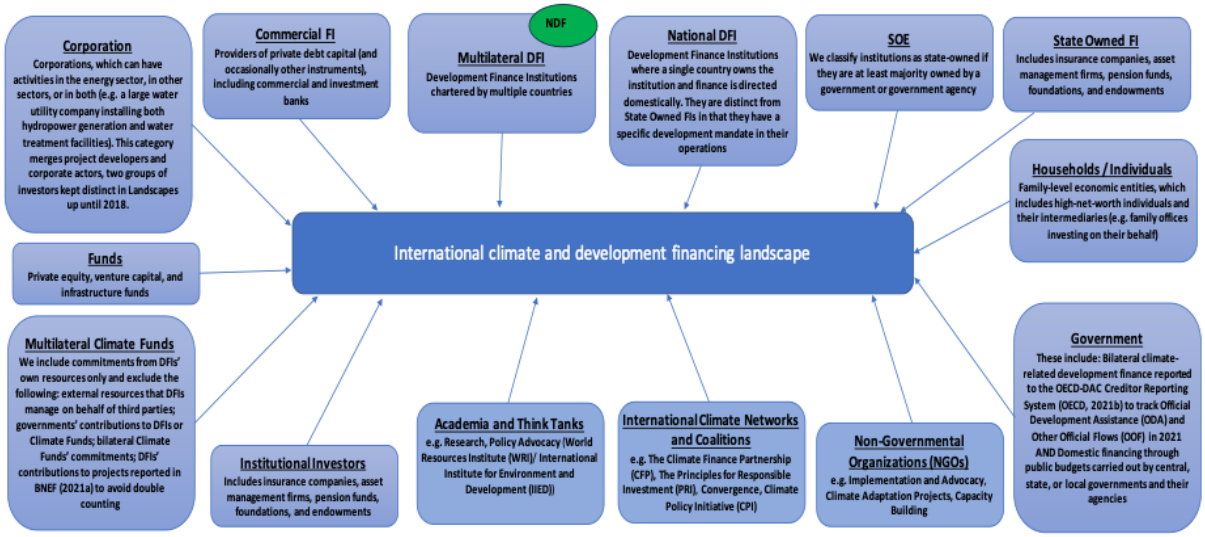
This section assesses the strengths and weakness of NDF in the context of the overall global climate and development landscape based on interviews with NDF staff, NDF partner organisation staff and climate and development experts who were invited to produce expert two-pagers as described previously. A comparative desk review of the mandates, approaches, instruments and financing volumes of NDF vis-à-vis other key players in the climate/development arena was also undertaken.

Finding 11. NDF has a specific niche in the climate and development landscape as an institution providing early-stage concessional financing

The global climate finance architecture is complex and fragmented with climate funding flowing through a number of multilateral, regional, bilateral and national channels. The OECD estimates that there are over 90 climate funds.[41] Figure 9 below outlines the main public and private sector actors within this global architecture. NDF sits within the multilateral DFIs/IFIs[42], although in practice it is much smaller than most with an annual EUR 60-70 million investment funding, compared to significantly larger investment volumes from multilateral DFIs such as the World Bank, the African Development Bank and the Asian Development Bank.

[39] This implies new project commitments worth EUR 80 million annually from 2025 onwards.
[40] Requiring NDF to be able to fulfil all its forecasted payment obligations for at least twelve months ahead, including a 20% buffer for unexpected disbursements (NDF, 2020, Liquidity and Investment Management Policy).
[41] OECD (2024) Climate Finance Provided and Mobilised by Developed Countries in 2013-2022.
[42] The term DFI is used for NDF but it could also be referred to as IFI.

Figure 9. The Global Architecture for Climate and Development Funding



Source: team analysis

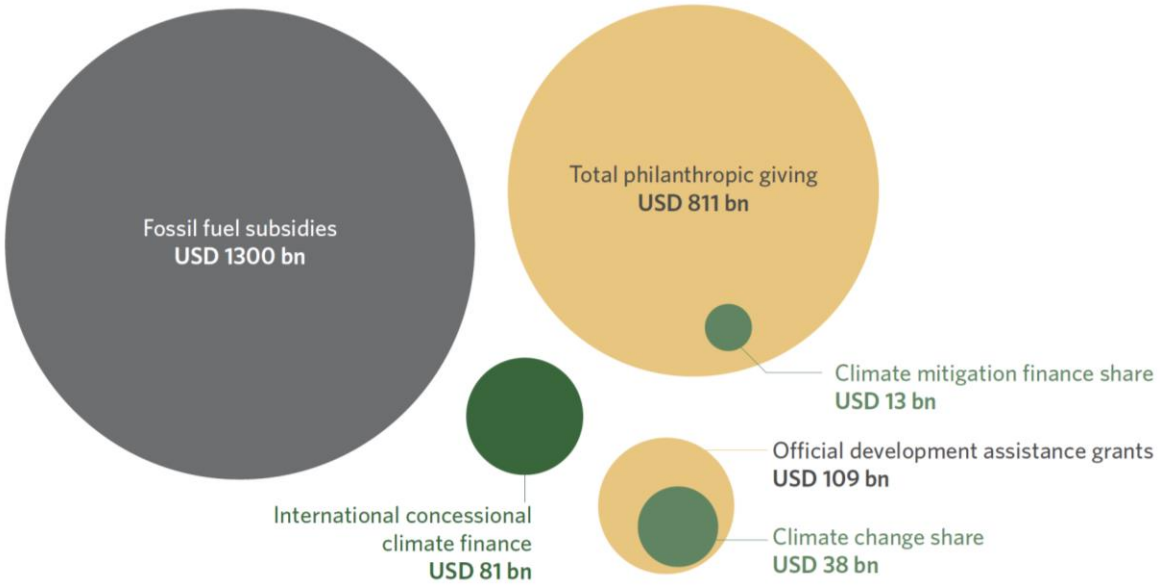
Other sources of public climate funding are multilateral climate funds such as the Green Climate Fund (GCF), national governments and national DFI's, Private sector sources are commercial financial institutions that provide private debt capital, such as investment banks and private equity and venture capital funds and institutional investors, including insurance companies, asset managers, family foundations and endowments. Institutions that are part of the overall landscape but are not sources of funding include academia, think-tanks and research institutions, as well international climate networks, coalitions and NGOs.

In practice, NDF although classified as a multilateral DFI it operates in a similar way to national DFI's, philanthropic organisations and family foundations, providing small amounts (up to EUR 15 million) of concessional early-stage funding for innovative projects to de-risk projects or investments, to provide proof of concept and leverage further funding. This is an important niche as there are limited other institutions operating within this sphere and the availability of concessional funding is limited and declining relative to other forms of finance. This is shown in Figure 10 below that indicates that the share of international concessional finance is small compared to official development assistance grants, philanthropic giving and total fossil fuel subsidies at USD 1,300 billion in 2022.[43]

This ability to provide small amounts of concessional finance to de-risk investments by taking a junior partner role in private sector investments or providing early-stage funding in public sector projects to demonstrate proof of concept was consistently highlighted as NDF's main comparative advantage by interviewees, given the scarcity of concessional financing both domestically and internationally.

[43] CPI (2024) Concessional Finance Study.

Figure 10. Concessional climate finance in the context of other flows in 2022 (USD billion)



Source: CPI (2024) Understanding Global Concessional Climate Finance 2024

Finding 12. The provision of concessional financing (grants, loans and equity) without specific investment return requirements allows NDF to take more risk and be innovative

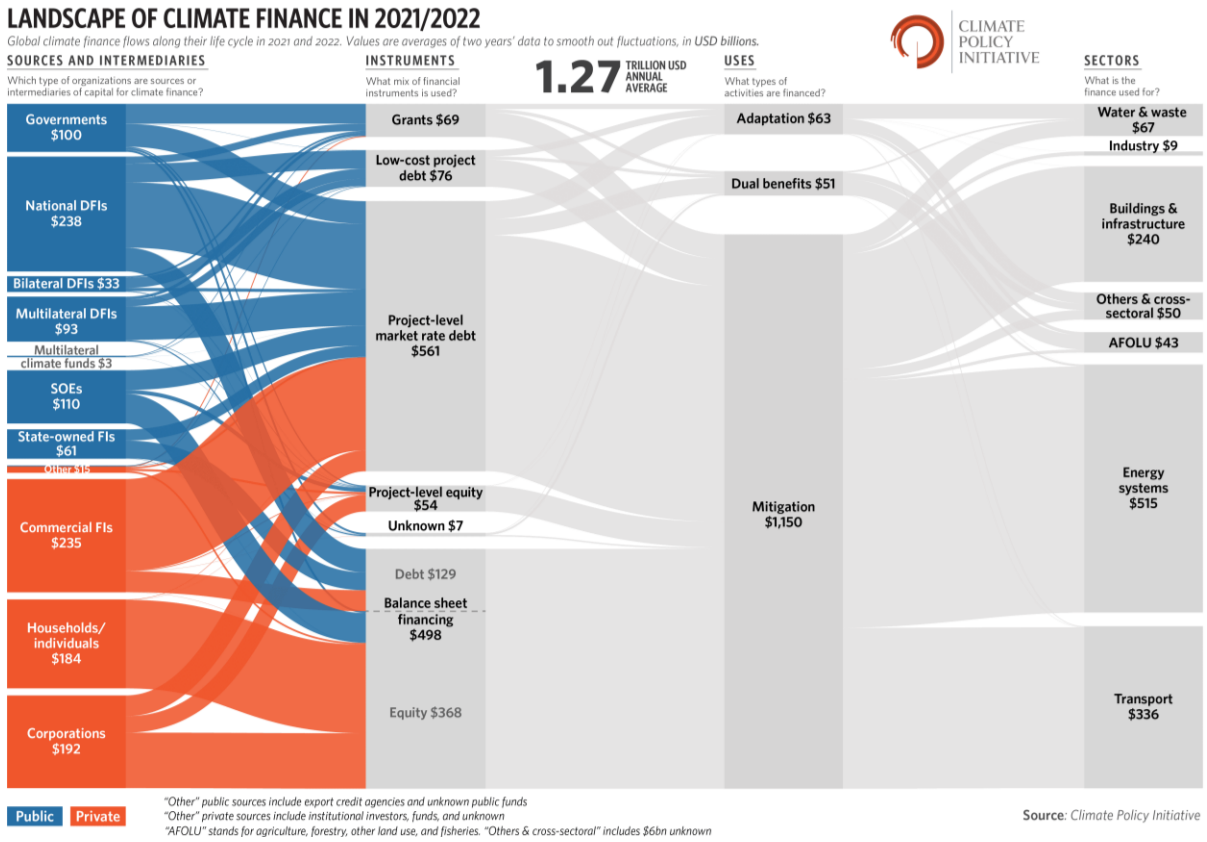
Within the relatively small pool of concessional financiers, NDF is further unique as it has no specific return requirements for investments, as the institutional mandate is to drive climate and development impact rather than achieve financial returns. This contrasts with other DFIs, particularly bilateral DFIs, such as KfW and Swedfund and Norfund for example, who need to take into account financial returns when considering investments as they are required to balance development objectives with financial sustainability or cost-recovery requirements.

Multilateral DFIs also can provide limited financing at very concessional terms, but again tend to have some cost-recovery requirements to maintain sustainability. Only philanthropic organisations and family foundations are relatively similar in not having specific capital requirements, but the amounts of funding given to climate activities are relatively small through these channels.

This is also shown in Figure 10 above, while Figure 11 below illustrates the low levels of grants (USD 69 billion) and low-cost project debt (USD 75 billion) in 2021/2022 compared to overall funding of USD 1.27 trillion for climate finance in 2021/2022.[44]

Figure 11. Landscape of climate finance in 2021/2022 (2-year averages, USD billion)

[44] Source: CPI (2024) Concessional Finance Study.



Source: CPI (2024) Global Landscape of Climate Finance

The absence of a specific return requirement on investments is a major advantage for NDF as it allows NDF to take more risk and be more innovative in the choice of projects funded. This combined with the different instruments used by NDF through grants, loans and equity, means that NDF can work with both public and private sector institutions to de-risk investments and provide proof of concept to mobilise further funding from public and private resources. This plays to NDF's strengths as NDF does not have the volume of funding for larger investment and scaling up interventions, but can act as a catalyst for mobilising both public and private sector climate funds.

By using blended finance and taking the role of junior equity partner, NDF is able to absorb higher risk by taking first losses compared to private investors holding senior debt equity positions. This means private equity investors view the investment more favourably and are incentivised to deploy their capital into investments they otherwise would not consider, while this also lowers the cost of loans for recipients. For the public sector, NDF is involved in similar blended finance instruments, as well as grant funding of projects to make them more investment ready. It is estimated by Convergence that every dollar of concessional capital has mobilised 2.2 dollars of private sector investment, within 2023, the mobilisation ratio increasing to 2.65 and to 4 for deals sized USD 250 million or more.[45]

[45] Convergence expert paper in Annex B.1.

The counter-argument is that public money can crowd out private investment by substituting for private sector finance, although it is less probable that this has occurred in the case of NDF. NDF is providing very small amounts of early-stage capital to improve the bankability of projects, which in effect crowds in private sector financing. However, as mentioned earlier, it was not always clear to the evaluation team the extent to which there is additionality or a comparative advantage for NDF in some if its public sector investments with MDBs given that MDBs have their own sources of concessional finance which they could use and other development partners are also able to support this type of lending.

Finding 13. NDF's small size allows it to be agile and flexible, while the provision of a package of support including technical assistance and finance is a key strength

Interviews highlighted that the relatively small size of the organisation leads to quick decision-making. The approach of NDF was seen as less rigid than some donor organisations, being pragmatic and flexible regarding the design of investments and willing to listen to partners, rather than bringing a blue-print or specific approach which they are expected to follow. This allows for a discussion of project design and useful inputs from NDF. This was perceived as a key comparative advantage of NDF.

The package of support provided by NDF was also seen as important as it not only includes financing for climate investments, but also grant funding for Technical Assistance (TA) either to complement funding or as an addition to other donors or private sector funding. Grant funding for TA is also provided for project preparation, risk mitigation, capacity building and improving market readiness of investments. In the public sector TA is often funded by NDF to multilateral DFIs to complement their non-concessional funding and in the private sector in addition to taking junior equity positions in blended finance projects .

The funding of TA was highlighted as important by NDF partners as a crucial element for the success of projects and investments, in both the public and private sectors. In the private sector additional spending on TA was noted as less likely to happen if it reduces investor returns, so concessional financing is seen important for this. TA is also noted by the OECD as "a vital element for capacity building in blended finance" not only for de-risking projects but also for more impactful and comprehensive projects.[46]

NDF staff were also noted as having good expertise in their specific areas and NDF inputs were valued in the design stage of public and private sector projects. This was perceived as a key comparative advantage of NDF, as rather than being hands-off or very prescriptive as in the case of other donors, NDF is involved throughout the life cycle of a project.

Finding 14. A key weakness is that many NDF partners are unclear as to NDF's strategic focus, with NDF lacking visibility within the Nordic landscape and globally

[46] OECD (2024) Scaling up Blended Finance in Developing Countries, October 2024.

Interviews indicated that partners and other organisations within the climate and development landscape were unclear which areas NDF focuses on. They were aware that NDF was working within the climate and development sphere, but were unsure what the key priorities for NDF investments were particularly in terms of sector, region and theme.

This also links to a lack of NDF visibility overall, both within the Nordic climate and development financing organisations and more broadly. This includes other DFIs, government institutions, research institutions and family foundations who, even though they might be funding the same investment vehicles, according to interviews knew very little about NDF. This means that current partners or potential partners did not always know which projects would be of interest to NDF, as they were unclear on NDF priorities. raising the possibility that NDF may be missing out on potential opportunities that would be aligned with their objectives.

Finding 15. NDF's lack of long-term financial sustainability is a constraint

As noted previously, NDF intentionally uses a model that does not maintain financial sustainability due to NDF's use of concessional financial. This has the advantages of allowing NDF to be more innovative and be less concerned on the level of financial returns from projects, but the disadvantage of NDF's dependence on periodic capital increases from the five Nordic country owners leads to uncertainty for NDF. Previous negotiations for capital increases have shown that it is not guaranteed that a capital increase will be provided or what the final level of funding agreed will be. The outcome is strongly dependent on the prevailing views on development finance and the fiscal situation of the governments in power at the time.

This not only makes long-term planning difficult beyond the current five-year strategy term but also makes the form of the organisation beyond 2031 unpredictable. This is likely to have gradually increasing impact on staff. It also means that some share of NDF's limited resources have to be devoted towards building consensus for a future capital increase or scoping out what other possible future institutional set-ups of NDF might be.

2.4. What strategic opportunities and challenges does NDF face going forward?

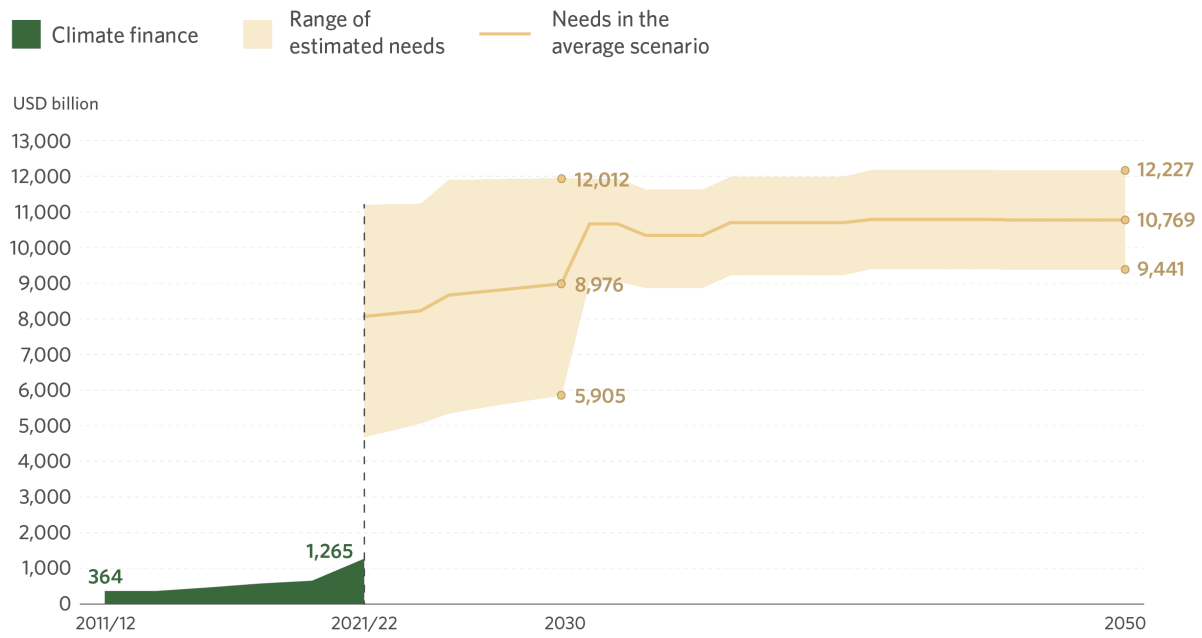
This section assesses the strategic opportunities and challenges for NDF given the current context of the climate and development landscape. While Section 2.3 focused on issues NDF can control or significantly influence, this section looks at issues and developments NDF has very little or no influence over and which present it with opportunities and challenges it can only react and adapt to. Evidence for this analysis is drawn from document review and interviews with NDF staff, board members, partner organisation staff, and international climate and development experts. Summaries of the views from six brief expert papers commissioned for this evaluation are outlined in three boxes in this section.

Finding 16. Demand will be high for concessional funding given the high level of need for climate finance

Concessional climate finance is already scarce and will remain so given the high level of need and recent COP 29 commitments to increase climate funding to USD 300 billion annually by 2035, from the previous target of USD 100 billion. This figure is regarded as an underestimate, with the High-Level Expert Group on Climate Finance estimating that USD 6.3 - USD 6.7 trillion climate investment will be needed by 2030.[47] This implies that concessional climate financing will need to increase by at least fivefold by 2030 in emerging markets and developing economies.

Figure 12 below illustrates the estimated annual need for climate finance until 2050. This shows the gap between actual climate finance of USD 1.26 in 2021/22 and the range of estimated need of between USD 5- 11 trillion, which will rise to between USD 9.4 to USD 12.2 trillion by 2050.

Figure 12. Global tracked climate finance and average estimated annual needs through 2050



Source: Climate Policy Initiative (CPI)

This gap in concessional financing is likely to be exacerbated by current global trends which are likely to reduce the level of funding for climate and development. This indicates a clear opportunity for NDF to remain focused on the provision of concessional finance given its increasing scarcity.

Box 3. Synthesis of expert papers: opportunities and challenges for climate change mitigation and adaptation finance

[47] IHLEG (2024) Raising ambition and accelerating delivery of climate finance, Third report of the Independent High-Level Expert Group on Climate Finance.

Expert question 2: What opportunities and challenges for climate change mitigation and adaptation finance are likely to emerge as a result? *(Please consider how climate financing needs to adapt to add most value.)*

The expert responses emphasise that while climate finance faces structural challenges, particularly in adaptation, there are also opportunities in the climate mitigation and adaptation space. Key challenges include the lack of investable project pipelines, limited scalability of adaptation investments, and the continued gap in the distribution of investments across regions and sectors. Opportunities lie in developing cross-cutting models incorporating mitigation and adaptation, using aggregation vehicles, and deploying catalytic finance tools more effectively. Strategic coordination between actors and institutional strengthening of partner institutions are also viewed as necessary steps for improving the overall effectiveness and reach of climate finance.

There are differences in how adaptation is positioned: while integrated solutions including elements of both adaptation and mitigation are seen as more investable, this may shift focus away from pure adaptation needs. The emphasis on aggregation of finance and standardised investment mechanisms may conflict with the localised, specific nature of many adaptation efforts.

Main themes:

- Adaptation finance is underdeveloped (adaptation receives a small share of total climate finance; it faces challenges related to scale, context specificity, and weak financial returns)
- Lack of investable pipelines (there is a need for more bankable projects, particularly in adaptation and in underserved sectors; early-stage technical assistance and project development are key priorities)
- Integration of mitigation and adaptation (combining mitigation and adaptation elements is seen as a way to improve investor interest; these structures offer blended benefits that align better with risk-return expectations)
- Aggregation and efficiency mechanisms (financial aggregation through vehicles such as funds or bonds makes smaller projects more viable; standardisation is seen as a way to reduce transaction costs and improve private sector engagement)
- Strategic use of catalytic finance (concessional instruments such as guarantees and first-loss capital are needed to de-risk private investment; public finance is expected to play a targeted enabling role)
- Institutional coordination and reform (improved alignment between public, private, and technical actors is necessary; governance and capacity building are required to make financing mechanisms more effective)

Finding 17. Blended finance will continue to play a critical role in unlocking private sector investment in emerging markets and developing economies

Blended finance will remain high on the climate and development agenda, playing an important role in mobilising private sector investment to fill the funding gap illustrated above. Experts interviewed noted that the private sector is increasingly viewing climate action as an investment opportunity. Therefore, a strategic priority will be for DFIs, donors and philanthropic organisations to provide catalytic financing to unlock private investment in emerging markets. Particularly as data indicates that capital flows from the private sector grew by almost 200% in

2023 to USD 6 billion, while ODA to climate blended finance declined to a four-year low in 2023.[48]

Through the provision of concessional capital and taking the role of junior equity partner to de-risk investments, NDF is well placed to assist in the mobilisation of private finance and build on their experience of developing their private sector portfolio in recent years. Possibly by also addressing some of the barriers to scaling up private sector investment in climate adaptation, as well as some of the geographical imbalances in funding, particularly in least developed countries which need to be addressed.

Finding 18. There are significant opportunities for investment in new and evolving areas and instruments that are underserved and have the potential for high impact

There are opportunities to invest in new and evolving sectors and instruments that either build on NDF's existing work or move NDF into new spheres. The significant changes that are currently occurring in the climate and development financing landscape are also likely to lead to some critical areas being given less attention or being underfunded. For example, there is likely to be reduction in focus on the environment, social and governance (ESG) issues by some international institutions, particularly those funded by the US, leading to less attention on gender issues or specific issues such as gender and energy or indigenous peoples and land rights.[49]

In terms of new and evolving areas there are many options that NDF could choose from, and it is notable that a wide range of opportunities were suggested in interviews with partners and experts and in the expert two-pagers. There was however a strong view from the expert two-pagers that NDF should focus on leveraging private sector financing to unlock private investment and to focus on adaptation and resilience solutions or better integrate adaptation and mitigation through cross-cutting climate projects. Cross-cutting projects can attract a wider range of investors as these projects embed adaptation within broader mitigation projects and can be attractive to investors given the returns. Scaling-up interventions rather than just implementing pilots and developing bankable and sustainable investments, particularly through large-scale blended finance instruments was also highlighted as an opportunity for NDF by experts.

The sector and instruments that were mentioned in interviews and expert papers most frequently as having the greatest possibility for delivering the greatest climate and development impact were nature-based solutions and biodiversity, particularly those that can provide both mitigation and adaptation benefits. Other options highlighted were supporting innovation to leverage green social and sustainable bonds, investing in guarantee facilities, carbon credits, loss and damage, developing local capital markets and Agriculture, forestry and land use

The recommendations for NDF put forward in the expert papers are summarised in the Box 4 below.

[48] Convergence (2024) State of Blended Finance Climate Edition.
[49] See expert papers in Annex B.

Box 4. Synthesis of expert papers: strategic opportunities for NDF

Question 3: Given this,[50] what could be strategic opportunities for the Nordic Development Fund (NDF)? *(Please keep in mind the typical NDF characteristics such as its relatively small size, agility, broad spectrum of concessional financing instruments, co-financing with other partners, and its ability to take risks and cover first-loss. Consider what issues, topics, instruments and roles in partnerships NDF could/should focus on.)*

The experts view NDF's characteristics – small size, flexibility, and risk appetite – as strategic advantages in the current climate finance landscape. They recommend that NDF focus on early-stage investment, catalytic deployment of concessional capital, and blended finance structures. Support for local ecosystems, technical assistance, and fund incubation is also highlighted. By concentrating on underserved sectors and fostering partnerships, NDF can contribute to unlocking scalable and inclusive climate solutions.

While there is consensus that NDF should focus on early-stage and catalytic roles, some proposals emphasise fund-level innovation and institutional collaboration, while others highlight local capacity and grassroots engagement. This reflects differing assumptions about whether climate finance gaps are best addressed through centralised vehicles or decentralised, context-specific solutions. There is also a tension between maintaining NDF's agility and expanding its involvement in more complex, multi-actor financing arrangements.

Main themes:

- Support for early-stage and innovative initiatives (NDF is seen as well-positioned to fund planning, piloting, and development stages of projects; this includes project preparation, acceleration programs, and fund incubation)
- Catalytic and risk-tolerant capital deployment (the use of concessional instruments, especially first-loss capital and guarantees, is recommended; NDF is encouraged to take early, high-risk positions to attract follow-on investment)
- Blended finance and co-investment structures (NDF should participate in layered capital structures and support blended finance vehicles; co-investment with DFIs, philanthropic actors, and private funds is proposed)
- Focus on underserved sectors and regions (strategic focus areas include adaptation, nature-based solutions, land use, and small-scale renewable energy; emphasis is placed on local relevance, especially in LDCs and SIDS)
- Local ecosystem and capacity support (NDF could support local financial institutions, early-stage fund managers, and digital inclusion; technical assistance linked to investments is viewed as an important complement)
- Institutional innovation and partnership building (NDF can play a role in developing new instruments, supporting local capital markets, and testing new financing models; building partnerships with larger institutions and public actors is considered strategic for scale)

Finding 19. US withdrawal from the Paris Climate Treaty and reductions in climate and development financing by the US and European governments is a key challenge

[50] This refers to the other questions asked in expert papers, which are summarised in Box 3 and Box 5 in this section.

The Trump administration's withdrawal from the Paris Climate Treaty and subsequent reduction in funding for climate initiatives is already having a major impact on the climate and development landscape. The dismantling of USAID, who provided around a third of US climate funding, will have a significant impact on climate and development funding, while there has also been a reduction in US funding for other key institutions with climate mandates. The GCF has had USD 4 billion of funding withdrawn by the US, the US has left the Just Energy Transition Partnership (JETP) withdrawing USD 45 billion in funding, as well as giving up its seat on the board for the Loss and Damage Fund.[51] It is also likely that in international organisations where the US is the main shareholder such as the World Bank and DFIs, the focus of activities will change with the emphasis more on resilience rather than climate change and less on ESG.

This combined with European government development finance budget cuts due to macroeconomic and fiscal pressures and the need to increase defence spending, is likely to significantly reduce the level of funding available for climate initiatives.[52] Both Finland and Sweden cut development finance and it is reported that Norway is also considering cuts.[53] This is likely to make it harder for NDF to find suitable partners for projects and investments, due to scarce funding and a more limited number of institutions that have a strong climate and development mandate.

These reductions in development finance are likely to impact on the macroeconomic context and stability of the poorest countries. Many developing countries' budgets are already under strain due to multiple crises in recent years, including the COVID-19 pandemic and the war in Ukraine. This has led to a number of countries at risk of debt default in Africa and Latin America. Out of 68 low-income countries, it is estimated by the World Bank that about 16% are in external debt distress while 35% are at high risk of it.[54]

Box 5. Synthesis of expert papers: global trends and developments affecting international climate and development financing

Expert question: What do you consider the most important global trends or likely developments affecting international climate and development financing? *(Please consider trends and developments over the next five years and think of different types of trends, e.g., political, economic, development, or technical.)*

The expert responses identify a shift in climate and development finance dynamics over the next few years. Public and multilateral sources of finance are expected to decline or become more constrained, increasing reliance on private sector capital. While progress has been made in blended finance and increasing the number of large transactions, many sectors and regions remain underserved by private investment.

[51] https://www.climatechangenews.com/2025/03/07/us-withdraws-from-coal-to-clean-jetp-deals-for-developing-nations/, last visited in April 2025.

[52] In 2024, eight countries European countries announced cuts totalling $17.2 billion over the next five years, https://odi.org/en/insights/donors-in-a-post-aid-world-january-2025-update/, last visited in April 2025.

[53] https://odi.org/en/insights/donors-in-a-post-aid-world-january-2025-update/, last visited in April 2025.

[54] World Bank (2024) International Debt Report 2024.

There are differences in how the role of the private sector is assessed: some experts emphasise its growing importance, while others point to weakening commitments to climate investments and market limitations. Similarly, innovation is seen as both necessary and difficult to implement without broader structural changes in markets, while there is also tension between the need for standardised, scalable financing vehicles and the reality that many effective interventions are small, localised, and not easily aggregated.

Main themes:

- Decline in public and multilateral funding (ODA is under pressure from geopolitical shifts and national budget constraints; some multilateral institutions may reduce their climate-related commitments)
- Increasing emphasis on private capital (private investment is seen as necessary to meet financing targets; blended finance mechanisms and large-scale transactions are being developed to attract institutional investors)
- Uneven sectoral and regional coverage (sectors such as agriculture, water, and land use are underfunded; vulnerable regions, especially least developed countries and small island states, receive limited finance)
- Decentralisation and locally led-solutions (local and community-based initiatives are gaining relevance, especially for adaptation and off-grid energy)

Finding 20. A more transactional approach to development finance in both the US and Europe may result in pressure on NDF to demonstrate a Nordic interest

There has been a trend in recent years towards a more transactional approach to development finance based on self-interest and the principle of reciprocity where there are clear benefits for both the recipient and the donor country. This has been seen most dramatically in the US, but also in European countries such as the UK and Finland where there has been a reorientation of development aid to align more closely with geopolitical interests, resulting in the subordination of development priorities to broader foreign policy objectives.

In Finland this has been very explicit with Finland's 2024 aid policy emphasising that "Finland's development cooperation will focus increasingly on development funding that supports trade."[55] This trend is less prominent in the other Nordic countries' development policies, but it is likely that there will be increasing pressure to use development programming as a tool for advancing trade and diplomatic agendas and less on long-term development goals. This could potentially have implications for NDF as there may be increasing pressure on NDF to demonstrate a Nordic interest through for example stronger linkages with the private sector.

Finding 21. Climate financing for adaptation continues to lag mitigation and although it has significant developmental impacts can be difficult to address particularly through private sector projects

The majority of climate funding is for climate mitigation rather than adaptation, a trend that was consistently highlighted in the expert papers as being a key challenge. Addressing this which is

[55] Finnish Government (2024) Report on International Economic Relations and Development Cooperation.

part of NDF's mandate is challenging, as it is difficult to secure investment for adaptation initiatives when there are no clear pathways for financial returns from these investments, especially in the case of private sector projects. Most of these types of investments such as building flood defences or drought-proofing agriculture are public goods with societal benefits but few direct profits. This means that private investment in adaptation remains very low, although there is a clear role for concessional funding which is critical given the public sector nature of adaptation projects.

Concessional financing is too limited to bridge this financing gap therefore the challenge is to increase private sector funding in areas where it is feasible. One way to do this is by supporting private sector transactions that integrate adaptation and mitigation components to make them less risky. These investments provide returns through mitigation elements, but in parallel strengthen resilience, although this requires a more strategic approach to investment with the tailoring of sources and instruments to the context and types of projects.[56]

3. Conclusions and recommendations

Based on the detailed findings in the previous section, this section draws four broad conclusions and issues five principal recommendations.

Conclusion 1. NDF has contributed to significant climate & development results in line with its Strategy 2025 and has transformed itself into a professional and appreciated "mini-IFI" that is funded until the early 2030s

NDF has built a solid portfolio of projects, with growing private sector coverage, and has successfully driven early-stage and catalytic interventions in line with its Strategy 2025. NDF-supported projects have contributed to significant climate and development results.

With this approach, NDF has successfully developed a niche in the international climate and development financing landscape. Key to this has been the provision of concessional financing without specific investment return requirements that allowed NDF to take more risk and be more innovative. NDF's agility, flexibility in decision-making, and its ability to provide a package of support across different financial instruments and complement this with technical assistance, have also been important.

As the need for concessional finance will remain high in the future and resources are likely to become even more scarce, it is recommended that NDF continues to build on this niche going forward by maintaining a high level of concessionality and the current mix of instruments. Even though this implies limited financial sustainability, the benefits are considerable given that there are relatively few institutions able to provide early-stage catalytic and concessional financing which is crucial for developing innovative projects and leveraging financing from other sources. To safeguard its financial sustainability beyond 2030, NDF should continue its careful financial

[56] See Convergence expert paper in Annex B.1. and UN (2024) Adaptation Gap Report.

scenario planning, keep its board informed, and, over the next couple of years, begin engaging its owners regarding further financing or other strategic options.

- ➔ ***Recommendation 1: Maintain the current high concessionality and instrument mix, even if this means limited financial sustainability***

- ➔ ***Recommendation 2: Continue financial scenario analysis and engage owners in time for post-2030 planning***

Conclusion 2. NDF's early-stage and catalytic strategic pathways are highly relevant but NDF's direct influence on its projects, partners and stakeholders can be better reflected in project design and reporting

NDF's rationale for supporting early-stage and catalytic interventions remains highly relevant and appreciated. It could however be elaborated more clearly, especially for projects in which NDF's comparative advantage vis-à-vis larger development institutions is not always evident.

While comprehensive and much appreciated, NDF's theory of change and the Results Management Framework (RMF) do not sufficiently reflect how – and to what degree – NDF directly influences projects, partners and stakeholders with its early-stage and catalytic engagement. As a smaller co-financier in most projects but with the aspiration of influencing much larger interventions and developments, setting objectives and reporting results at such a more immediate stage, if well-defined, would usefully complement present project design and reporting.

The Project Performance Rating System that is currently being developed could be used to plan and track influencing activities and their immediate results at the project level and inform aggregated target setting and reporting in the RMF.

To not overburden the RMF, some of the less informative results indicators, for example several enumerative, indicators could be dropped.

- ➔ ***Recommendation 3. Further clarify, set targets for and track NDF's direct influence on its projects, partners and stakeholders***

Conclusion 3: NDF lacks visibility and strategic clarity as to the role it should play in advancing Nordic leadership

While representing a raison d'être for a joint Nordic institution, the concept of Nordic leadership is neither understood consistently within NDF, nor beyond. In the Strategy 2025, the advancement of Nordic leadership includes, among other, analytical work, advocacy and thought leadership on relevant issues, knowledge-building and convening of partners, and

strengthened synergies and collaboration with other Nordic institutions. These are objectives for which NDF has not yet delivered strong results.

In the climate and development financing landscape, NDF is not well known as an institution, with both partners and other actors often unclear as to NDF's key priorities and areas of interest. This is a missed opportunity as partners or potential partners may not bring new projects or ideas to NDF if they are unaware where NDF's interests lie. The lack of linkages with Nordic institutions could also put NDF at a disadvantage given the move to a more transactional approach to aid in Europe and a possible future need to demonstrate Nordic interest.

One way to improve visibility and increase clarity on NDF's key priorities, including on the advancement of Nordic leadership, is for NDF to select a small number of areas of interest and then spearhead and coordinate global and Nordic responses on these specific themes. These focus areas could be drawn from existing areas of NDF work or from new and emerging areas or specific gaps identified in climate and development interventions Options could be in areas that are high on the climate and development agenda such nature-based solutions and biodiversity, particularly areas that can provide both mitigation and adaptation benefits. Other possibilities could be in areas where NDF already has a body of knowledge such as gender or reaching underserved communities and the poorest. Around these specific themes, NDF could then, in a more pronounced and targeted fashion than to date, drive and support analytical work, advocacy and thought leadership, knowledge-building and convening of partners, and strengthening of synergies and collaboration with other Nordic institutions. This would be a focused and purposeful way of raising NDF's profile and creating synergies with other Nordic institutions.

There would however be resource implications of this as there would need to be dedicated staff with the relevant expertise in the chosen areas to support and coordinate NDF's related non-project activities.

- ➔ ***Recommendation 4: Select a few specific issues of global relevance and drive, support and coordinate a collective Nordic and international response***

Conclusion 4. NDF's push for institutional development since 2020 was necessary and successful but has exhausted staff and carries the risk of increased bureaucracy

NDF has made significant efforts into further developing its policies and procedures. These were both necessary and successful and have bolstered NDF's reputation as a trustworthy institution with very high professional standards.

Going forward, NDF however needs to manage the institutional consequences of this period of intense institutional development.

First, the now much expanded set of institutional policies and procedures and a more complicated and top-heavy organisational structure carry the risk of an exaggerated focus on

bureaucratic compliance at the expense of operational efficiency. In some instances, the efforts required to fully implement and safeguard NDF's enlarged legal framework exceed what can be realistically expected from a relatively small organisation like NDF.

Second, the past years of intense change management have not been easy on staff and have contributed to a drop in job satisfaction and some staff leaving the organisation. This should be addressed through continued attention to staff issues and pragmatic management of institutional policies and procedures in line with available staff resources in mind.

- ➔ ***Recommendation 5. Pragmatically manage NDF's legal framework with regards to policies and procedures of central importance and how these can be realistically implemented***

Annexes

Annex A. Persons consulted

Former and present NDF staff (interviewed)

1. Aleksi Lumijärvi, Former Programme Manager of NDF, enordic
2. Amanda Hajnal, Risk & Systems Manager
3. Bolek Stawicki, Senior Advisor to the Board / Swedish Representative, AfDB
4. Christina Stenvall-Kekkonen, General Counsel; Director Legal & Administrative Services (LAS)
5. Gyuree Lee, Results and Reporting Specialist
6. Henrik Franklin, Former Director POM, Resident Representative in Eswatini, UNDP
7. Isa Kujansuu, Legal Counsel
8. Isabel Leroux, Program Manager
9. Jesper Andersen, Director, Quality Assurance & Reporting (QAR)
10. Jussi Viding, Team Leader, EEP Africa
11. Karin Isaksson, Former Managing Director of NDF
12. Leena Klossner, Deputy Managing Director & Director, Strategy, Outreach & Communications (SOC)
13. Lillemor Westerholm, Principal Counsel
14. Malena Rosman, Director, Portfolio Origination & Management (POM)
15. Mari Rasilainen, Paralegal
16. Martina Jägerhorn, Program Manager
17. Mats Slotte, Manager, Financial Administration
18. Mayra Da Silva, Research Officer,
19. Michelle Voon, Program Manager
20. Ole Stubdrup, Program Manager
21. Paula Fincke, Communications Officer
22. Satu Santala, Managing Director
23. Sofia Chaichee, Impact Management Lead Specialist
24. Teemu Blomqvist, Program Officer

Persons involved in NDF governance (interviewed)

25. Anders Ørnemark, Deputy Chair of the Board, Chief Advisor, MFA Denmark
26. Anna Merrifield, Member of the Board, Director, MFA Finland
27. Anne Sofie Bjelland, Member of the Board, Senior Adviser, MFA Norway
28. Benedikt Höskuldsson, Former Board Member 2022-24, MFA Iceland
29. David Stefansson, Former Board Member 2020-22, Director/Business Development Consultant/Owner
30. Erla Hlín Hjálmarsdóttir, altern. Board Member, MFA Iceland
31. Henrik Bergquist, Chair of the Board, Deputy Director, MFA Sweden
32. Jan-Erik Enestam, Chairman of the Control Committee, Minister, Consultant
33. Johan Ljungberg, Observer on the NDF Board, Senior Director, Nordic Investment Bank
34. Johanna Pietikäinen, Alternate, Senior Specialist, Climate Finance, MFA Finland
35. Lars Roth, Former Board Member 2019-20, Environmental Defense Fund

36. María Erla Marelsdóttir, Member of the Board, Ambassador, MFA Iceland
37. Morten Houmann Blomqvist, Former Board Member DK 2019-22, MFA Denmark

Others (mainly NDF partners and international experts, interviewed)

38. Anna von Wachenfeldt, Economist, Development Impact, IFC
39. Arghya Sinha Roy, Director, Climate Change, , Climate Change and Sustainable Development Department, ADB
40. Arto Valjas, Senior Adviser, Development Policy, Department for Africa and the Middle East, MFA Finland
41. Ash Sharma, Vice President, Green Transition Special Funds, NEFCO
42. Auli Nikkilä, Climate Finance Specialist, TAH Foundation
43. Benoit Bosquet, Regional Director for Sustainable Development for the Latin America and Caribbean Region, World Bank
44. Carla Orrego, Senior Manager for Innovative Finance, CPI
45. Chris Clubb, Managing Director, Convergence
46. Clemens Calice, CEO, Cygnum Capital
47. Daniel Dumas, Research Fellow, SEI
48. Ede Ijjasz, former World Bank
49. Hamid Asseffar, Head of EMEA Sustainable & Impact Investing, Invesco
50. Hans Olav Ibrekk, Special Envoy for Climate and Fragility, MFA Norway
51. Isabelle Braly-Cartillier, Partnerships and Mobilisation Lead Specialist, IADB
52. Jan Kuhlman, Investment Director, Triple Jump
53. Jérémie Hoffsaes, Senior Investment Manager, Energy & Climate team, Swedfund
54. Joe Leavenworth Bakali, Catalytic Climate Finance Facility Lead, CPI
55. Luca De Lorenzo, Head of Sustainability & Mandate, Nordic Investment Bank
56. Marcus Svedberg, Chief Economist, Folksam
57. Marian Grabowski, Head of Technical Assistance and strategic partnerships, Serengeti Energy
58. Martin Diaz Plata, Head of Private Equity Investments, BlueOrchard
59. Max von Bonsdorff, Chief Partnership Officer, IFAD
60. Stefan Hirche, Principal Portfolio Manager, KfW
61. Suzanne Gaboury, Director General, Private Sector Operations Department (PSOD), ADB

Annex B. Expert papers

This annex provides the five brief expert papers approved for publication by the respective institutions and individual authors (Convergence, Climate Policy Initiative (CPI), Ede Ijjasz, Monique Barbut, Rob D. van den Berg).

B.1. Expert paper by Convergence

Convergence is a global network for blended finance, working collaboratively with all types of stakeholders to make the UN Sustainable Development Goals investible through blended finance. Convergence is backed by backed by multiple governments and internationally recognised philanthropies and its members are part of a global community of institutions and businesses dedicated to driving capital to where it is needed most. As a non-profit organisation Convergence aims to address the core challenges that hinder private investment in emerging markets and developing economies through the provision of original market intelligence and knowledge products and networking events. To accelerate advances in the field, Convergence also provides grants for the design of vehicles that could attract private capital to global development at scale.

Question 1: What do you consider the most important global trends or likely developments affecting international climate and development financing? *(Please consider trends and developments over the next five years and think of different types of trends, e.g., political, economic, development, or technical.)*

The most important global trends affecting international climate and development financing, particularly as it relates to blended finance, are: (i) the proliferation of national initiatives for climate blended finance in emerging market and development economies (EMDEs); (ii) the increase in the number of large-scale ('whale') blended finance transactions; and (iii) the critical role of private sector mobilization in the face of depleting Official Development Assistance (ODA) funding.

1. *A Growth in National Level Initiatives for Climate Finance*

In recent years, national and local governments in EMDEs have ramped up policies that promote greater climate investment, including blended finance. The Climate Policy Initiative's Global Landscape of Climate Finance 2024 highlights that there has been an overall growth in EMDEs in climate finance, largely driven by national policies. While challenges such as high debt burdens and constrained government budgets persist, there has been a growing effort to incorporate climate initiatives into national frameworks.

For example, the Nationally Determined Contributions (NDCs), which are climate action plans to cut down carbon emissions, have driven countries to introduce and implement country-led roadmaps to meet their climate targets. For example, Rwanda, has developed a robust pipeline of over 550 projects (valued at $4.5 billion) to support NDC implementation, with central and local governments acting as the implementing agencies for 83% and 15% of the projects. As highlighted in Convergence's State of Blended Finance 2024: Climate Edition, in 2025 countries

will communicate their new NDCs with 2030 and 2035 targets, which will be a critical juncture in the fight against climate change.

2. *An Increasing Number of Large-Scale ('Whale') Blended Finance Transactions*

2023 marked an unprecedented increase in transactions greater than $1 billion in size, denoted 'whale' transactions, which present an encouraging sign that blended finance can deliver scalable investment opportunities for key investor groups, namely institutional investors. Convergence has observed that the majority of large-scale funds have a climate focus, reflecting an interest from private investors to incorporate climate action into their investment approach. Moreover, these blended transactions present an opportunity for development partners to collaborate with institutional investors—not only to unlock billions in capital but also to ensure that financial returns are balanced with the environmental standards set by the former. The SDG Loan Fund, a $1.11 billion private debt fund jointly conceived by Allianz Global Investors (AllianzGI) and Dutch Development Bank (FMO), is a core example

3. *Increase private sector mobilization targets in the face of depleting ODA Funding*

In 2023, Convergence noted that ODA funding for climate blended finance declined to a four-year low, totalling $1.12 billion. While the OECD reported that 2023 marked a new high in ODA deployment to EMDEs, these findings are influenced by the impact of humanitarian support for Ukraine. The urgent need for aid in Ukraine is requiring a reallocation of development funding. Other regions, such as Africa, saw their ODA flows decline both as a share and on absolute terms.

With increasing concerns over reductions in ODA in national budgets in countries such as the USA, Germany, and France, questions arise about the future growth of development finance in the years ahead. Convergence anticipates, that with these constraints, there will be a growing need for blended finance due to the pressing need for financial tools that can overcome barriers to investment in EMDEs. Historically, every dollar of concessional capital has mobilized $2.65 of private sector investment towards climate finance. This makes blended finance especially effective in sustaining essential investments in climate resilience and sustainable development, even amid political uncertainties. In the face of declining ODA, concessional capital will have to be deployed even more efficiently, by prioritizing standardized and replicable structures that can achieve high leverage ratios.

Question 2: What opportunities and challenges for climate change mitigation and adaptation finance are likely to emerge as a result? *(Please consider how climate financing needs to adapt to add most value.)*

The financing gap to address climate change remains significant, with an estimated $6.7 - $10 trillion required annually until 2050 to keep global warming below 1.5 degrees Celsius. Key challenges include: (i) a limited pipeline of bankable projects for climate mitigation initiatives; and (ii) the lag in adaptation financing, whereby adaptation whereby annual flows towards adaptation efforts only represent one-third of the total volume required in emerging market economies. However, there are several opportunities including: (i) establishing country-specific mechanisms to promote collaboration; (ii) supporting transactions that integrate cross-cutting

measures to attract private investment; and (iii) using aggregation-focused vehicles to improve cost efficiency and attract private investment at scale.

1. *Establishing Country-Specific Mechanisms*

Opportunity: As highlighted in Convergence's State of Blended Finance 2023: Climate Edition, a shift in the flow of funds for climate-related initiatives is necessary to ensure equity and justice in the energy transition. Establishing country-specific mechanisms that promote collaboration, align government efforts, connect private finance to NDC-aligned projects, and coordinate technical assistance (TA) is vital for scaling up climate blended finance. One example of such mechanisms is the Just Energy Transition Partnerships (JETPs), designed to support coal-dependent developing economies in transitioning to renewable energy.

Key Considerations: While it is typically difficult to track how concessional funds are distributed in blended transactions, this becomes even more challenging with JETPs due to less accountable fund managers. A major hurdle is the limited pipeline of bankable projects, particularly for small-scale renewable energy, off-grid, and pre-construction initiatives. A key reason for this is the scarcity of concessional funding at the development stage, where returns are too low for commercial investors to bear the risks. Additionally, limited access to capital from large-scale commercial and public investors raises the cost of capital at the construction stage, further hindering scalability. With shrinking ODA budgets, donors and JETP countries must strategically allocate concessional resources to areas where private financing is unavailable, ensuring a pipeline of investable projects.

2. *Rethinking the Approach to Adaptation Financing*

Opportunity: One way to boost financing for adaptation initiatives is by supporting transactions that integrate both adaptation and mitigation components ('cross-cutting measures'). These blended projects are often perceived as less risky by traditional investors compared to purely adaptation-focused deals. These projects allow private sector investors to achieve more immediate, tangible returns through mitigation elements while simultaneously strengthening climate resilience. Moreover, innovative financial instruments such as green bonds and results-based financing can play a crucial role in mobilizing private capital for climate adaptation. Additionally, given the typically smaller scale of adaptation projects, aggregation-focused vehicles—such as funds and bonds—are essential for attracting private investment at scale. By bundling multiple projects, these vehicles enhance financing accessibility and improve cost efficiency.

At the national level, there is a need for incorporating adaptation finance into their green taxonomies particularly because it does not have a comprehensive reference guide, meaning there is no established set of rules and guidelines similar to those found for green bonds or social bond principles.

Key Considerations: The initiatives mentioned above are particularly important given that financing for adaptation efforts continue to lag far behind mitigation efforts. Adaptation solutions often require localized, context-specific approaches tailored to the unique environmental, social, and economic conditions of a given area, limiting their scalability and resulting in smaller, more fragmented projects. Additionally, generating revenue from adaptation efforts can be

challenging. While mitigation projects typically have clear revenue streams—such as selling renewable energy or achieving cost savings through energy efficiency—adaptation initiatives primarily aim to reduce climate vulnerability and enhance resilience, which do not always produce immediate or direct financial returns.

Question 3: Given this, what could be strategic opportunities for the Nordic Development Fund (NDF)? *(Please keep in mind the typical NDF characteristics such as its relatively small size, agility, broad spectrum of concessional financing instruments, co-financing with other partners, and its ability to take risks and cover first-loss. Consider what issues, topics, instruments and roles in partnerships NDF could/should focus on.)*

Strategic opportunities for NDF are as follows: (i) strengthening focus on cross-cutting climate initiatives; (ii) integrating philanthropic capital into capital structures; (iii) expanding the use of guarantee facilities; and (iv) investing in large-scale blended finance vehicles to mobilize capital in EMDEs.

1. *Strengthening Focus on Cross-Cutting Climate Initiatives*

The significant rise in financing for cross-cutting climate projects highlights a growing awareness of the interconnected nature of climate challenges and the need for comprehensive solutions. To better integrate mitigation and adaptation efforts, institutions like NDF can prioritize multi-sector initiatives that leverage concessional finance to embed adaptation within broader mitigation strategies. Notably, Convergence found that 45% of institutional climate finance investments target cross-cutting solutions, compared to 35% for mitigation and 20% for adaptation. Expanding these integrated approaches can attract a wider range of investors and enhance climate resilience in key regions.

2. *Integrating Philanthropic Capital into Capital Structures*

With constrained ODA budgets and NDF's openness to co-financing partnerships, philanthropic capital presents a flexible and innovation-driven avenue for funding climate initiatives. As highlighted in the Action Plan for Climate & SDG Investment Mobilization, philanthropic organizations, known for their ability to take risks and drive social impact, can serve as powerful catalysts in mobilizing private sector investment. Expanding the supply of catalytic capital is crucial for achieving significant private sector mobilization, and collaborating with philanthropic organization can be a valuable opportunity. Moreover, the establishment of coalitions like the Global Energy Alliance for People and Planet (GEAPP)—a strong alliance led by the Rockefeller Foundation, IKEA Foundation, and Bezos Earth Fund, alongside government and financial partners—demonstrates the collective commitment of diverse stakeholders.

3. *Expanding the Use of Guarantee Facilities*

Although NDF does not directly issue guarantees, it has invested in guarantee facilities such as the African Guarantee Fund Green Guarantee Facility. The 100% increase of concessional guarantee funding from 2022 to 2023 highlights the growing recognition of these tools in reducing investment risks. Much of this growth is driven by NDF shareholders who have bilateral guarantee facilities, including Sweden's Sida, Norway's NORAD, and Denmark's IFU. Sida, a pioneer in development guarantees for over 20 years, has mobilized private capital while

minimizing market distortion. Development Finance Institutions (DFIs) and multilateral funds aiming to establish guarantee programs can learn from experienced providers by forming strategic partnerships. For instance, IFU has established a pilot collaboration with Sida to manage its Development Guarantee Facility. Meanwhile, NORAD recently launched a guarantee scheme for renewable energy projects in developing countries. Studies show that well-designed credit guarantee facilities can leverage financing at a rate of six to 25 times that of traditional debt. Additionally, concessional guarantees and insurance can create a demonstration effect, encouraging private sector participation by reducing perceived risks and fostering confidence in investment opportunities.

4. *Investing in Large-Scale Blended Finance Vehicles to Mobilize Capital in EMDEs*

The current development finance system often operates in silos, with various development actors unintentionally competing rather than leveraging each other's strengths to achieve the SDGs. However, the rise of large-scale, or 'whale,' blended finance transactions has demonstrated the essential role of multilateral development banks (MDBs) and DFIs in structuring investable projects and financial assets. Given the scarcity of catalytic capital from donor governments—constrained by budget limitations—MDBs and DFIs, including NDF, can enhance private sector mobilization by co-investing in mezzanine positions with manageable risk levels. This approach allows NDF to maximize the impact of each donor and philanthropic dollar, overcoming its relatively smaller size compared to other DFIs, and facilitating large-scale investment flows into EMDEs.

Disclaimer: Convergence is registered as a Restricted Dealer under applicable securities legislation in Ontario and Quebec, Canada. Convergence is not licensed as an investment advisor, broker-dealer, or other financial intermediary. This document is provided for information purposes only. It does not constitute an offer to sell or a solicitation to any person in any jurisdiction. Any investment terms described herein are purely informational. This document should not form the basis of or be relied upon relating to any investment.

B.2. Expert paper by the Climate Policy Initiative (CPI)

CPI is an independent, not-for-profit organization that helps governments, businesses, and financial institutions drive economic growth while addressing climate change. As part of its mission, CPI supports the design and development of sustainable finance and development solutions, along with bringing the public and private sector together to ensure collaboration and implementation.

Question 1: What do you consider the most important global trends or likely developments affecting international climate and development financing? *(Please consider trends and developments over the next five years and think of different types of trends, e.g., political, economic, development, or technical.)*

Despite annual climate finance having more than doubled between 2018 and 2022, a further fivefold increase is required to reach the USD 7.4tn needed each year through 2030 under the 1.5°C scenario. The need to raise climate action is more urgent than ever. The projected

economic losses that can be avoided by 2100 by realizing a 1.5°C warming scenario are estimated to be 5x greater than the climate finance needed by 2050 to achieve it. Below is a summary of CPI's analysis on key ongoing trends in the climate finance space that are relevant to NDF and its mandate:

- **Investment in climate mitigation remains slow outside of the energy, buildings and transport sectors.** Increases in private funding to energy systems contributed to the private sector supplying over 50% of mitigation finance over 2018 to 2022 in EMDEs (ex. LDCs) in several regions, including LAC, South Asia, Central Asia and Eastern Europe, and MENA. However, although the AFOLU, industry, and water and wastewater sectors have a large mitigation potential, their climate investment levels have remained at low levels from 2018 to 2022 (UNEP, 2024).

- **Adaptation finance continues to lag in EMDEs.** Despite more than doubling between 2018 and 2022, annual flows are currently at just one-third of the volume required until 2030 in EMDEs alone. In 2022, 19% (USD 14.5 billion) of adaptation finance went to LDCs, and 2% (USD 1.5 billion) went to SIDS. However, the total amounts remain highly insufficient, given that economies in these groupings are among the most vulnerable to climate impacts. For example, USD 12 billion is required annually across SIDS, which face some of the greatest risk of climate disasters.

- **Domestic climate finance has risen in some EMDEs but remains concentrated in energy systems:** In LAC, domestic finance increased from USD 13 billion in 2018 to USD 32 billion in 2022, accounting for 51% of climate finance in the region that year. Brazil led the region, with domestic finance almost tripling between 2018 and 2022 due to a surge in solar investment. South Asia's domestic climate finance followed the same trend, increasing from USD 12 billion 2018 to USD 25 billion in 2022, so that by 2022 it accounted for 60% of all climate finance in the region. Sub-Saharan Africa had the lowest share of domestic climate finance at 16% in 2022.

- **Concessional finance provision has declined relative to other forms of finance:** Despite the positive trend in international support, concessional finance to EMDEs (ex. LDCs) dropped as a share of total international public climate finance from 57% in 2018 to 47% in 2022. While EMDEs (ex. LDCs) do not face as severe debt concerns as many LDCs, those with the weakest credit ratings are also vulnerable to debt traps (World Bank, 2024). This can lead to the deprioritization of climate action due to a lack of resources. It is crucial for international public actors to increase their share of concessional finance to prevent accentuating these problems.

Please find further details on global trends in climate and development financing in CPI's Global Landscape of Climate Finance 2024 report.

Question 2: What opportunities and challenges for climate change mitigation and adaptation finance are likely to emerge as a result? *(Please consider how climate financing needs to adapt to add most value.)*

Firstly, it is critical to reinforce the scale of the challenges faced by EMDEs in both mitigating and adapting to climate change. EMDEs are most vulnerable to climate impacts, yet (excluding China) receive just 14% of global climate flows. In addition, international public climate finance, which is the most common form of cross-border climate finance, can exacerbate existing debt burdens. Moreover, many EMDE governments in Africa and LAC are constrained by their ability to make domestic investments due to high fiscal debt burdens. Finally, many multilateral and domestic institutions are unwilling or unable to take first-loss or catalytic positions to support the scale-up of financially sustainable mechanisms that can promote investment into climate interventions. These factors emphasize the need to play a catalytic role in mobilizing private capital to close adaptation and mitigation financing gaps in EMDEs.

In this context, it is vital for actors like NDF to consider a range of tools – including deploying concessional finance and supporting acceleration and project preparation facilities – to mobilize capital towards scalable, bankable solutions. Key sectors to prioritize are those that are underserved relative to the impact they can deliver include:

- Agriculture, forestry, and land use (AFOLU)
- Nature-based solutions and biodiversity financing
- Water and wastewater
- Sustainable cities and transport
- Hard-to-abate sectors like textiles, manufacturing, aviation, etc.
- Renewable energy access in conflict-afflicted and/or energy-poor regions

Question 3: Given this, what could be strategic opportunities for the Nordic Development Fund (NDF)? *(Please keep in mind the typical NDF characteristics such as its relatively small size, agility, broad spectrum of concessional financing instruments, co-financing with other partners, and its ability to take risks and cover first-loss. Consider what issues, topics, instruments and roles in partnerships NDF could/should focus on.)*

Through 16 years working on climate finance critical issues and 11 years of providing early-stage support to impactful climate finance solutions via the Global Innovation Lab for Climate Finance and the Catalytic Climate Finance Facility, we have seen firsthand how ongoing market challenges can ultimately prevent the launch and scale-up of climate finance solutions, including:

- Lack of strategic and operational support
- Lack of start-up capital, including working and concessional capital; and
- Lack of connectivity between investors, technical partners, and other key ecosystem stakeholders, among other factors
- Fragmented ecosystem and difficulty to navigate it

Given NDF's characteristics, CPI believes that NDF can increase its catalytic potential within the climate finance ecosystem by pursuing the following strategic opportunities:

- **Invest in building a pipeline of scalable, commercially viable solutions that can mobilize private capital.** Many DFIs and international investors want access to a ready-made pipeline of bankable climate finance solutions, but the current reality is that more resources need to be invested in building this pipeline for viable solutions to attract investment and deliver impact at the required scale. This is particularly important to ensure that more locally driven, gender-responsive, and commercially viable solutions can ultimately deliver inclusive and sustainable socioeconomic and environmental impact. Based on CPI's experience, even strong teams with bankable approaches can take 4-5 years to reach first close, and many simply fail to reach that point because they lack the capital, technical resources, and fundraising networks to navigate the path to market. By supporting incubation and acceleration programs that provide a combination of financial and technical assistance to climate finance vehicles, NDF can meaningfully drive the evolution of the climate financing ecosystem and expand the supply of viable instruments while multiplying its own mobilization potential and impact.

- **Deploy catalytic capital into adaptation and/or mitigation solutions that are addressing a clear market need and have a clear pathway to financial sustainability.** Building on its reputation as a nimble provider of concessional capital, NDF can cement its reputation as a first mover among DFIs by expanding deployment of catalytic instruments (including first-loss capital, recoverable grants, guarantees/insurance, and/or concessional debt) to crowd in larger public and private investors. To ensure effective sourcing and deployment, NDF should:
  - *Establish and communicate a clear investment mandate to the market, specifying key priority sectors, geographies, climate/impact themes, instrument types, and ticket size ranges.* This is critical for enabling ecosystem players to determine whether they (or the vehicles they support) fit NDF's strategic priorities and financing objectives.
  - *Target vehicles that have demonstrated additionality, a clear pathway to financial sustainability, and that are leveraging proven approaches that are scalable and/or replicable*. To avoid duplication of efforts, NDF should focus on solutions that are addressing market barriers in a new or more efficient way than existing solutions. This does not necessarily connote that solutions need to be pioneering or first-of-their-kind; often, solutions that adopt a proven investment approach and tailor it to a new geography or sector have proven to be highly successful. To mobilize private capital, vehicles should be able to demonstrate that their economics are viable and attractive at scale, and that there is scope and flexibility to either replicate the approach in the target markets and/or expand to new geographies.
  - *Back holistic solutions that prioritize local partner engagement and inclusive impact*. Investment models that combine investment with some form of TA are more likely to be successful in delivering intended outcomes. While a financial de-risking component is necessary for ultimately attracting commercial capital into a financial structure over time, the technical assistance and local partnership aspects are just as critical for the following reasons:
    - They can help build the capacity of financial institutions and investors to better understand and account for climate risks and thereby change behavior at the organizational or institutional level. For example, it is not sufficient to raise

funding to support agricultural lending if that capital ultimately sits on a balance sheet and is not effectively deployed
  - TA can also equip investees and end-beneficiaries with the tools they need to grow their businesses, secure additional funding, and enhance their resilience to climate and economic shocks.
  - If properly managed, local partnerships with financial institutions, private enterprises, community organizations, and public agencies enable solutions to plug into existing distribution and financing networks to more effectively and rapidly reached underserved beneficiaries.

B.3. Expert paper by Ede Ijjasz

Ede Ijjasz has over 30 years of experience in international development, consulting, and academia, in the areas of sustainable development, infrastructure, financing, and climate change. He worked for 23 years at the World Bank, in more than 90 developing and emerging economies in all regions of the world He is currently a non-resident Senior Fellow at the Brookings Institution in Washington, DC. He is a Senior Advisor to several international organizations and IFIs, including the Coalition for Disaster Resilient Infrastructure (CDRI), the Global Center on Climate Adaptation (GCA), ADB, AIIB, UNESCO, WMO, and the World Bank, with a focus on climate change adaptation.

Question 1: What do you consider the most important global trends or likely developments affecting international climate and development financing? *(Please consider trends and developments over the next five years and think of different types of trends, e.g., political, economic, development, or technical.)*

I see eight important global trends that will influence the climate and development financing in the coming four years:

- The Trump administration will retreat from all climate commitments and financing, opening up a significant hole in institutions such as GCF, UN agencies, and national agencies with global influence (such as NOAA and USAID).
- European countries will step up financing for defence, cutting financing for development and climate (the UK has clearly moved in this direction although in a more gradual manner than the US, and the announcements by Germany and the EU may result in similar trends). If peace in Ukraine is achieved and refugees currently in Europe return, the pressure on development finance may reduce but will not fully compensate for the drop in overall finance for development and climate action in developing countries.
- There will be a retreat in climate action and financing by corporates (several are walking away from their net zero commitments and ESG pledges) and international financial institutions where the US is a major shareholder (World Bank, IDB, AfDB, ADB).
- The price of renewable energy generation technology will continue to go down (driven by China's expansion of its local market and exports to the Global South), as well as adjacent technologies (EVs, batteries). This will continue to make the energy transition easier on economic grounds. However, difficult-to-decarbonize sectors (buildings

because of its dispersed nature and industry/maritime & air transport) will slow down because of the above trends.

- Carbon markets will continue to struggle. The retreat of corporates and the transparency and permanence challenges of the voluntary carbon market do not augur a fast recovery. The Article 6 discussions in Baku were a positive step, but it will take years before a vibrant global market is established.
- The market for adaptation innovations, goods, and services by private enterprises will grow rapidly. The last two years have seen a transformation in this space and this trend will accelerate.
- Resilience will be the focus of many governments, as the word is not associated with climate change, and communities and businesses have to deal with climate-related disasters. Even the most right-leaning states in the US and European governments are increasing their resilience actions. While this is not ideal, as resilience investments without consideration of climate change may end up in maladaptation solutions, it can be a positive step while global and local politics change.

Question 2: What opportunities and challenges for climate change mitigation and adaptation finance are likely to emerge as a result? *(Please consider how climate financing needs to adapt to add most value.)*

- Climate change action in the Global South will need to flip the narrative: from climate change investment with local co-benefits to development investments with climate co-benefits.
- Venture capital will see more opportunities in the climate adaptation (or "resilience") space in coming years. Still, the Global South will struggle to localize these adaptation technologies and services for use at scale.
- Many governments will see the link between adaptation and reduced pressures on migration as an opportunity to marry agendas that are politically important with development assistance.
- The growing frequency and intensity of climate shocks will make adaptation and resilience action move from the remit of ministries of environment/climate to ministries of finance, planning, infrastructure, and agriculture. The levels of investment in adaptation and resilience by Global South governments will continue to increase (currently, African governments invest more in adaptation and resilience from their own budgets than the bilateral grants received for assistance in these areas).
- The pressure for more adaptation in the New Collective Quantified Goal on Climate Finance (NCQG) will increase by the Global South. The resources for the Loss and Damage Fund will probably never grow to be a significant source of financing.

Question 3: Given this, what could be strategic opportunities for the Nordic Development Fund (NDF)? *(Please keep in mind the typical NDF characteristics such as its relatively small size, agility, broad spectrum of concessional financing instruments, co-financing with other partners, and its ability to take risks and cover first-loss. Consider what issues, topics, instruments and roles in partnerships NDF could/should focus on.)*

- Leverage NDF's experience with its broad range of instruments to support commercial technology transfer and entrepreneurial innovation in adaptation and resilience solutions.
- Move from pilots in adaptation program to unlocking barriers to scale up adaptation solutions at scale through innovative instruments that leverage other institutions' financing
- Identify gaps in large-scale renewable energy programs (like the M300 in Africa) where MDF can help unlock policy or capacity barriers for implementation at scale
- Define specific areas of intervention that may be falling through the cracks given the change in ESG perspectives (e.g., gender and energy, indigenous peoples and land rights for climate change, etc.)
- Engage with venture capital funds to support investments in adaptation solutions that are applicable to climate risks in developing countries.

B.4. Expert paper by Monique Barbut

Monique Barbut is the Special Envoy to the French President on climate change and global environment and was former president at WWF France, former Executive Secretary at UNCCD, former Special Advisor to the CEO of the Agence Française de Développement (AFD), former CEO and Chairperson at GEF, former Division Director at UNEP, and former Executive Director at AFD.

Question 1: What do you consider the most important global trends or likely developments affecting international climate and development financing? *(Please consider trends and developments over the next five years and think of different types of trends, e.g., political, economic, development, or technical.)*

Your first question is challenging. Over the next five years, I do not anticipate major positive developments in climate or development finance. The United States is likely to disengage from discussions, leaving European countries to bear the financial burden –despite their own political instability. This shift will necessitate greater scrutiny over every dollar spent, requiring strong justifications to domestic audiences. Notably, official development assistance (ODA) is becoming increasingly controversial, even in countries like France.

However, there are also promising trends. The private sector is increasingly viewing climate action as an investment opportunity, and we must capitalize on this momentum. Additionally, more innovative approaches to carbon credits should be explored. For instance, while the EU is considering a 90% emissions reduction target by 2040, achieving this entirely within Europe may be neither feasible nor the most effective use of resources. Given that the EU accounts for only 9% of global emissions, reallocating part of the target – e.g., 80% within the EU and 10% through mitigation efforts abroad – could dramatically enhance the impact of climate finance. Two strategic priorities stand out:

1. Adaptation and Insurance for the Poorest Countries. In the world's poorest regions, adaptation should be the primary focus, as large-scale mitigation investments may not

be cost-effective. Financing climate insurance systems is essential, as it provides direct resilience benefits. This approach also strengthens the case for funding by demonstrating links between climate damages, migration, and security risks such as extremism and terrorism.

2. Catalytic Financing to Unlock Private Investment in Emerging Markets. Public funds should be used to de-risk and accelerate private sector investment in mitigation efforts. A proven example is the Land Degradation Neutrality Fund, which originated from a $4 million Norwegian grant used for a high-risk feasibility study. The investment successfully enabled the creation of a $350 million impact investment fund, now entering its second phase. Similar catalytic financing mechanisms should be prioritized to scale private investment in climate solutions.

These priorities will be key in ensuring that climate finance is both effective and politically justifiable in the coming years.

Question 2: What opportunities and challenges for climate change mitigation and adaptation finance are likely to emerge as a result? *(Please consider how climate financing needs to adapt to add most value.)*

In the coming years, climate finance should focus on nature-based solutions, as they provide the highest co-benefits and are particularly beneficial for the poorest countries. Key priorities should include:

1. Forests as Carbon Reserves. Protecting and restoring forests should be a top priority, as they serve as essential carbon sinks. Achieving a viable pathway for CO_2 emissions reduction will require significant investment in carbon sequestration and negative emissions strategies.
2. Agroecology and Water Conservation. Supporting sustainable agriculture practices that enhance soil health and biodiversity will be crucial. Financing the conservation of water resources will be essential, particularly in regions increasingly affected by droughts and water scarcity.
3. Scaling Climate Insurance Schemes. With the rising frequency and severity of natural disasters, climate insurance is becoming indispensable. Mechanisms must be developed to make insurance accessible and affordable for vulnerable populations.
4. Climate-Proofing Investments. All financing entities should be equipped with tools and methodologies to climate-proof their investments, ensuring resilience and sustainability across sectors.

By prioritizing these areas, climate finance can maximize impact while addressing both mitigation and adaptation needs in the most vulnerable regions.

Question 3: Given this, what could be strategic opportunities for the Nordic Development Fund (NDF)? *(Please keep in mind the typical NDF characteristics such as its relatively small size, agility, broad spectrum of concessional financing instruments, co-financing with other*

partners, and its ability to take risks and cover first-loss. Consider what issues, topics, instruments and roles in partnerships NDF could/should focus on.)

For the future financing strategy of the Nordic Development Fund (NDF), I recommend focusing on supporting private entities in scaling up large-scale programs, similar to the Land Degradation Neutrality (LDN) Fund mentioned earlier. Key areas of opportunity include:

1. Private-Sector-Led Adaptation Funds. NDF should help establish adaptation finance vehicles managed by private entities, with funding primarily sourced from banks and insurance companies. This approach would leverage private capital while ensuring that adaptation investments reach the necessary scale.
2. Blended Finance for Forest Protection. Emerging initiatives in Belém could present opportunities for blending public and private resources to support large-scale forest conservation efforts. NDF could play a catalytic role in structuring and financing these initiatives.
3. Ocean Protection as a Strategic Focus. Marine ecosystems are crucial for climate resilience, yet ocean protection remains underfunded. NDF should consider investing in innovative financing mechanisms for ocean conservation, potentially through partnerships with impact investors and sovereign funds.

By channelling its resources into high-impact, private-sector-driven climate finance vehicles, NDF can maximize its leverage, de-risk critical investments, and help scale solutions for adaptation, forest protection, and ocean conservation.

B.5. Expert paper by Rob D. van den Berg

Rob D. van den Berg is a retired evaluation manager, who has worked for more than ten years as Visiting Professor at King's College London and is Honorary Associate of the Institute of Development Studies in Brighton, as well as Friend of the International Evaluation Academy. He is currently mainly a writer and editor and has recently published a book titled Evidence for Hope: The Emerging Sustainability Revolution.

Question 1: What do you consider the most important global trends or likely developments affecting international climate and development financing? *(Please consider trends and developments over the next five years and think of different types of trends, e.g., political, economic, development, or technical.)*

The most important global trends are likely to be found in the gradual shift from fossil fuels to renewable energies. In my view many elements of the transition will happen regardless of political movements and governmental considerations. People may vote for populist right-wing candidates and parties, but when it comes down to it, they will choose a cheaper option for energy. This is how humanity got into problems in the first place. The industrial revolution delivered a source of energy that was extremely powerful and relatively affordable. It delivered fossil fuels to humanity, and humanity ignored the criticism from environmentalists, physicists

and many other scientists, which led to the climate change crisis and many other crises, such as biodiversity loss and ecosystem degradation.

Fossil fuels are now gradually being replaced by renewable energies. In the last decade solar power and wind energy have become cheaper than fossil fuels. And they will become even cheaper in the future, and other renewable energy sources are also on their way to becoming cheaper than fossil fuels. Renewable sources are less reliable than fossil fuels, as the sun may be hidden by clouds, and it does not shine in the night, and windless periods are to be expected as well. What they need to become fully preferable by humanity over fossil fuels is storage.
If we could store energy in more efficient ways, it would make the superiority of renewable energy more obvious. For this, two developments show great promise. First, there is another tipping point that is within reach: batteries that are cheaper, inflammable, composed of ordinary materials rather than rare earth material, and with much higher capacities. There is currently a race towards the best battery solution, and it is going to deliver a champion or several champions in the next decades.

Renewable energies combined with good storage will revolutionise the energy markets. Especially solar power, but wind energy also to some extent, will lead to a revolutionary change in how energy is managed. For fossil fuels this is done by big companies, now from all over the world where fossil fuels are found. At the national level, the role of companies related to national grids will change. They were funded mainly by governments, companies and investors, delivering their products to consumers for a price set by them. In many countries local communities and households increasingly drop out of the energy market, or better described: in a country like the Netherlands, 40% of the energy investments are by households.

This means that 40% of the energy market is outside the control of energy companies. One could say that people may vote for any party that they like, but at the same time they also buy a renewable energy source (usually solar panels) and a battery to become independent of the grid and dramatically reduce their payments to energy companies. Arrangements of local communities are also spreading, some of which invest in wind energy. Renewable energies will lead to an overabundance of energy; for example, the Sun delivers an amount of energy to Earth in one and a half hours, that is sufficient for the energy needs of humanity in a full year. Furthermore, this abundance of energy will potentially be distributed democratically over companies and households, without needing energy companies as intermediaries. This is our future, and it looks very realistic for both the developed and the developing world.

Question 2: What opportunities and challenges for climate change mitigation and adaptation finance are likely to emerge as a result? *(Please consider how climate financing needs to adapt to add most value.)*

Climate finance, for mitigation and adaptation, faces an uncertain world. The transfer to a sustainable future depends on many actors, on many system trajectories, and on tipping points that transform systems in the right direction. Finance crucially depends on managing risks and uncertainty, and it will need to continue to update these assessments, as the world offers too many opportunities to act and invest. The traditional risk management systems reflect on risks

relevant for economic and financial rates of return. How to shift this to risks and challenges for sustainability rates of return? While we understand more and more about how systems work, when they are balanced, what trajectories they show and how they can be influenced and transformed where necessary: this is all new to the original risk assessment that financial institutions used to perform.

A second challenge is to be found in the insurance sector. If systems continue their current trajectories, insurance will become very expensive or even impossible. Climate warming, rising sea-levels, destructive weather events will be impossible to insure. This is a big throw-back to older times when insurance as a financial sector hardly existed. When this happens, it may also lead to a newly emerging societal and economic consensus that humanity needs to tackle climate change and the other environment/development crises.

Opportunities in the climate finance sector are to be found in innovation. New ways of assessing investment proposals need to be developed, and innovative financial proposals need to be assessed on societal and environmental rates of return, after which financial rates of return can be discussed without making these the final decision about an investment. An opportunity would also be found in a hedge fund style betting on different implementations that tackle specific problems in innovative ways, without putting all money on a specific solution.

Question 3: Given this, what could be strategic opportunities for the Nordic Development Fund (NDF)? *(Please keep in mind the typical NDF characteristics such as its relatively small size, agility, broad spectrum of concessional financing instruments, co-financing with other partners, and its ability to take risks and cover first-loss. Consider what issues, topics, instruments and roles in partnerships NDF could/should focus on.)*

NDF should have ample opportunity to support local solutions to the shift from fossil fuel dependence to renewable energies. The decisions about local energy use are increasingly made by local communities and households. They need to be enabled to make these decisions. Many local communities and households, everywhere in the world, will be interested to move over to renewable energy generation, but they need investment funds to support this, or guarantee funds to take over if things go wrong, or support for options to generate local (or national) money. My assumption is that many local communities, especially in the global South, will generate ideas on how to become “energy independent”. If NDF could provide shared funding for these initiatives, it would help greatly in making the world ready for the sustainability revolution that will follow.

An indirect idea to explore would be to look at national and regional funds that would be set up with this purpose, and join these initiatives to ensure they have a good start and are able to achieve self-sustainability.

A last opportunity would be found in looking at insurance. Many countries in the Global South are working on new insurance systems for their populations, and it should be possible to include sustainability issues in how these systems operate and what they would fund, and either provide

additional coverage or look at possibilities to provide additional funding, or use money in a catalytic way by providing guarantees for investments that go in the right direction.

It is up to NDF to find the right mix of these many opportunities that will emerge, despite political movements in other directions. In the end local communities and households will go along with work that they will benefit from, rather than political positions that are advocated by “influencers” or political movements that remain centralised and aim to force their perspectives on local communities and households.

Lastly, NDF should take into account and think through whether its guidance on mitigation and adaptation should be reformulated because of the shift in mitigation from energy companies to local communities and households. We know that local communities and households tend to have integrated perspectives on mitigation and adaptation, and it is difficult for them to handle donor preferences for separate funding for mitigation and for adaptation, as they will aim to solve both at the same time, preferably in an integrative perspective. Rather than to commit funding to mitigation and separately to adaptation, the funding should be focused on the plans of local communities. Mitigation and adaptation funding should be approached on a demand basis, and not on artificial division of funding sources that require separate procedures and separate documents. Reporting on adaptation and mitigation funding should continue, but this should be on an outcome basis rather than on input.

Annex C. NDF projects approved 2019-2024

Public sector projects are marked in blue, global (multi-region) projects in green, and projects with a regional focus on Africa in orange. The list was compiled by the evaluation team based on information provided by NDF QAR. Projects of EEP Africa and NCF are not included.

Year	Number	Type	Name	Grant	Equity	Loan	Total
2024	C165	Private	Hardest-to-Reach Initiative	0.4	8.9	-	9.4
2024	C161	Private	Africa Climate Venture Builder Fund	2.3	9.3	-	11.7
2024	C159	Private	Invesco Climate Adaptation Action Fund	1.0	15.0	-	16.0
2024	C158	Public	Africa Urban Sanitation Investment Initiative (AUSII)	12.0	-	-	12.0
2024	C157	Public	Scaling-up Locally Led Climate Action	10.0	-	-	10.0
2024	C146	Private	P-REC Aggregation Fund (PAF)	5.4	-	-	5.4
2024	C139	Public	Additional funding to: Systematic Observations Financing Facility (SOFF)	6.0	-	-	6.0
2024 totals				**37.2**	**33.3**	**-**	**70.4**
2023	C156	Private	InsuResilience Investment Private Equity Fund II (IIF II)	0.9	12.8	-	13.7
2023	C149	Public	NDC Pipeline Accelerator II	10.0	-	-	10.0
2023	C148	Public	Green and Resilience Debt Platform (GRDP)	0.5	-	-	0.5
2023	C147	Public	Africa Rural Climate Adaptation Finance Mechanism (ARCAFIM)	-	-	14.8	14.8
2023 totals				**11.4**	**12.8**	**14.8**	**39.0**
2022	C145	Public	Climate Resilient Cities in Africa: UMDF II	10.0	-	-	10.0
2022	C143	Public	ORCA (Ocean Resilience and Coastal Adaptation Trust Fund (ORCA TF)	8.5	-	-	8.5
2022	C142	Private	Gigaton Empowerment Fund	-	15.7	-	15.7
2022	C141	Public	ADB Ventures Fund	-	10.0	-	10.0
2022	C140	Public	Preparation for: Africa Rural Climate Adaptation Finance Mechanism (ARCAFIM)	0.5	-	-	0.5
2022	C139	Public	Systematic Observations Financing Facility (SOFF)	10.0	-	-	10.0
2022	C138	Private	Energy Entrepreneurship Growth Fund (EEGF)	-	10.0	-	10.0
2022 totals				**29.0**	**35.7**	**-**	**64.6**
2021	C137	Public	Stormwater Management and Climate Change Adaptation	7.1	-	-	7.1
2021	C136	Private	BUILD Impact Fund	-	9.0	-	9.0
2021	C135	Private	Africa Go Green Fund, AGGF	-	10.0	-	10.0
2021	C134	Private	Emerging Market Climate Action Fund, EMCAF	-	15.0	-	15.0
2021	C133	Public	Kigali Flood Control and integrated Urban CatchmentManagement	10.0	-	-	10.0
2021	C132	Private	Climate Investor Two, Development Fund	12.3	-	-	12.3
2021 totals				**29.4**	**34.0**	**-**	**63.4**
2020	C131	Public	Community Resilience Partnership Programme (CRPP)	6.0	-	-	6.0
2020	C129	Public	Africa Circular Economy Facility (ACEF)	2.0	-	-	2.0
2020	C128	Public	COVID-19 Water and Sanitation Programme in the Sahel and Horn of Africa	7.5	-	-	7.5

2020	C127	Public	Sustainable Energy Fund for Africa (SEFA)	10.0	-	-	10.0
2020	C126	Public	Rwanda Catalytic Green Investment Bank (RCGIB)	0.4	-	-	0.4
2020 totals				**25.9**	**-**	**-**	**25.9**
2019	C99	Private	Additional funding to: Serengeti	-	10.0	-	10.0
2019	C125	Public	Development of GCF proposal for Maputo Urban Transformation	0.5	-	-	0.5
2019	C124	Public	Preparation of New Linear Park La Paz-El Alto	0.5	-	-	0.5
2019	C123	Public	ADB Ventures	10.0	-	-	10.0
2019	C121	Public	Development of GCF proposal TRALARD	0.3	-	-	0.3
2019	C120	Public	ADB Ventures Preparation	0.5	-	-	0.5
2019	C118/119	Public	Kigali Flood Control and Integrated Urban CatchmentManagement	2.1	-	4.0	6.1
2019	C104	Public	Additional funding to: Energy and Environment Partnership Trust Fund (EEP)	12.0	-	-	12.0
2019 totals				**25.9**	**10.0**	**4.0**	**39.9**

Annex D. Conclusions and recommendations of the previous evaluation of NDF

The following is extracted (and structured and slightly adapted by the evaluation team) from EBA (2019) Joint Nordic Organisational Assessment of the Nordic Development Fund.

Evaluation questions	Conclusions	Recommendations
1. Has NDF delivered on its mandate?	NDF has overall delivered on its mandate in terms of its activities	
	NDF's approach to measurement is weak	NDF's approach to monitoring and evaluation (M&E) needs to be strengthened significantly
2. What is NDF's added value in an international perspective?	There are a number of ways that NDF could add value internationally [...]	*(NDF should understand and mitigate the risks to its value creation, and actively seek to develop its niche role, including as a Nordic institution. Recommendations to support this are covered under the next two, forward-looking evaluation questions.)*
	We find NDF adds value, but maintaining this faces significant risks	
	NDF is developing a valuable niche in the international climate finance architecture	
	NDF's Nordic identity is a source of comparative advantage that is not currently being exploited	
3. What should the key priorities be to strengthen NDF's added value and comparative advantage?	NDF's current value generation is at risk in several areas [...]	NDF should mitigate the risks to its current value creation by: ● Undertaking, or commissioning, research into the aspects of adaptation that are most suited to new private-sector solutions, focusing on developing a niche in these areas, and disseminating findings to the wider adaptation community ● Identifying and maintaining the level of concessionality they wish to maintain across the portfolio, with a minimum level of grant-equivalent financing. Given the scarcity of concessional finance internationally, we recommend NDF maintains a minimum of 50% of grants across its portfolio, and there is a case for 75% ● Ensuring investments to catalyse financing are genuinely 'first-mover' and alternative funds are not available ● Being proactive with partners in identifying areas, initiating projects and 'matchmaking' (e.g. MDBs/private) ● Do not always abandon 'boring' activities in favour of innovation ● Ensure staffing levels are sufficient to manage workload
	NDF's future value generation could be increased if a more focused, strategic and evidence-based approach was taken and the following points were addressed [...]	NDF should increase its value-added by: ● Developing a focused strategy around a small set of intervention types based on its comparative advantage and analysis of need and potential impact ● Developing a ToC [theory of change] to deliver this strategy [...] ● Establish a dedicated lending window to

		provide follow-on funding for NCF (and other incubator-type facilities) ● Continue partnerships with MDBs and the private sector, but ensure these are additional, not passive ● Explore the value of partnering with new actors such as those working on 'Catalytic Capital', as well as climate institutions such as the Green Climate Fund
	An area of potential value for NDF is its Nordic identity. [...] The concept of 'Nordic interest' [...] has the potential to be a powerful asset to NDF if defined and implemented carefully	(not formally a recommendation but taken from the summary text) ● NDF's Nordic identity could be leveraged to increase its value-added internationally
	[...] NDF is not well connected, with weak links to Nordic bilateral programmes and the institutions which deliver these	
	NDF does not have a particularly Nordic element to its activities.	
	The concept of 'Nordic interest' is understood very differently by different actors	
4. Should NDF play a different or wider role on behalf of the Nordic administrations, either through a broader climate change and development mandate or in other areas prioritised by the Nordic countries?	Without further capital increase NDF will disappear	● If NDF takes these recommendations on board, we would recommend a new tranche of funding
	[... NDF] has the potential to do far more, but only if it receives the political backing it needs [and deserves …]	

Annex E. Review of RMF indicators

The table below provides an overview of RMF indicators. The evaluation team sorted them in to two basic types in columns 4 and 5:

- "Substantive" indicators use established metrics such as the number of people, surface area (ha) or financial volumes (EUR)
- "Enumerative" indicators count the number of items within more broadly defined categories such as the number of initiatives, networks and engagements

Column 6 indicates the number of indicators the team considers to be within NDF's sphere of control.

Level	Statement	Indicators	Type		Number of indicators in NDF's sphere of control
			Number of "substantive" indicators	Number of "enumerative" indicators	
Strategic activities	Advancing Nordic leadership	• % of active portfolio financing in grants • % of active portfolio with climate adaptation focus • % of financing in active portfolio targeted towards Sub-Saharan Africa • # of initiatives, networks and engagements with Nordic institutions initiated or actively supported by NDF	3	1	4
	Developing early-stage project design and structures	• % of early-stage projects in the active portfolio • % of active portfolio where NDF is in the first round of external financing or "among the first" funders	2		2
	Providing catalytic finance for launch and scale	• Co-financing ratio • % of active portfolio where NDF participates in the highest risk segment of the financing structure	2		2
	NDF organisational development support	• % of the targeted annual new financing commitments approved by the Board • % of projects rated satisfactory or higher for overall project performance • Satisfaction rate on stakeholder/partnership engagement • NDF staff engagement and satisfaction rate	4		4
Enabling outputs	Increased capacities, improved skills and raised awareness	• 0.1: # of individuals with increased capacities, improved skills and /or raised awareness	1		
	Direct/indirect jobs supported or create	• 0.2: # of direct (and indirect) full-time (equivalent) jobs supported or created	1		
	Additional climate finance mobilized	• 0.3: Change in amount of climate finance mobilized	1		

Outputs (leading to IO1)	Cities and human settlements equipped with solutions for increasing climate- and disaster-resilience and adaptability	• 1.1: # of disaster risk management, adaptation strategies, plans and/or weather and climate and/or early warning system/services established or improved		1	
	Climate and disaster-resilient infrastructure assets and/or services established and/or improved	• 1.2: # of new and existing infrastructure, assets and/or services made climate and disaster resilient		1	
Immediate Outcome 1 (IO1)	Climate- and disaster-resilience and adaptability of cities, human settlements and infrastructure strengthened	• 1.3: # of people benefiting from established or improved weather and climate services, adaptation, and disaster risk management (DRM) plans and/or early warning systems (EWS) • 1.4: # of people benefiting from established or improved climate- and disaster-resilient infrastructure, services and/or physical assets • 1.5: Size of area brought under climate change adaptation and disaster risk management (DRM) plans	3[57]		
Outputs (leading to IO2)	Sustainable water–energy–food security solutions established and/or improved	• 2.1: # of policies, plans, strategies and technologies developed in support for integrated resource management addressing specific water– energy– food -related concerns and efficiency measures		1	
	Sustainable solutions for natural resources management, conservation and ecosystem-based services established and/or improved	• 2.2: # of measures on conservation, sustainable use and/or management of natural resources supported to benefit the habitat, biodiversity, and/or ecosystems		1	
Immediate Outcome 2 (IO2)	Natural capital and water–energy–food security enhanced	• 2.3: # of people benefiting from improved conservation, sustainable management and use of natural resources • 2.4: Size of area brought under improved conservation, sustainable management and use of natural resources	2		
Outputs (leading to IO3)	Affordable clean energy access solutions facilitated	• 3.1: # and types of affordable, clean energy connections facilitated	1		
	Solutions for increasing sustainable and clean energy capacity, use and energy efficiency supported	• 3.2: Installed renewable energy generation capacity • 3.3: # of public and/or private entities supported with measures to increase their capacity to promote energy efficiency and clean energy	1	1	
Immediate Outcome 3	Access to and production of affordable and sustainable clean energy increased	• 3.4: # of people with improved access to clean energy	2		

[57] For indicators 1.3 and 1.4 the same number is reported but underlying data is collected separately.

		• 3.5 Annual energy generated/saved by installed clean energy capacity			
End-of-project outcomes	Improved socio-economic conditions of individuals, especially women and girls vulnerable to climate change	• 4.1: # and % of end beneficiaries, especially the vulnerable, with improved well-being	1		
	Reduced vulnerability of individuals, especially women and girls to climate related shocks/hazards	• 4.2: # and % of end beneficiaries, especially women and girls, with reduced vulnerability to climate related shocks/hazards	1		
	Individuals, especially women and girls with decreased vulnerability to natural resources depletion due to climate change	• 4.3: # and % of end beneficiaries with decreased vulnerability to natural resources depletion	1		
	GHG emissions reduced, avoided or removed/sequestered	• 3.6: Tons of carbon dioxide equivalent emissions reduced, avoided or removed/sequestered (tCO2eq)	1		
Impact	Countries, and especially the vulnerable populations, are resilient and adapt to the adverse impacts of climate change	SDG indicator: 1.1.1, 2.1.2,3.9.1, 5.4.1, 7.1.2, 10.1.1, 11.5.1, 12.a.1, 14.5.1, 15.3.1, 16.7.1	N/A		
	Countries with reduced emissions and accelerated global journey to a climate-neutral future compatible with the Paris Agreement	SDG indicator: 13.2.2, 9.4.1	N/A		
Total (33 indicators without the impact level)			**27**	**6**	**12**