

Evaluation of Develop2Build (D2B)

Final report by SEO Amsterdam Economics

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List of abbreviations

| | |
|-----------------|---|
| AFD | Agence française de développement |
| CDIA | Cities Development Initiative for Asia |
| DA | Development Accelerator |
| D2B | Develop2Build |
| FEXTE | Fund for Technical Expertise and Experience Transfers |
| FMO | Dutch development bank |
| FS | Feasibility study |
| MFA | Ministry of Foreign Affairs |
| PID | Project Identification Document |
| PSD | Private sector development |
| QaE memo | Quality at Entry memo |
| RVO | The Netherlands Enterprise Agency |
| SRHS | Sexual and Reproductive Health and Rights |
| TA | Technical Assistance |
| ToC | Theory of Change |
| ToR | Terms of Reference |
| WB | World Bank |
| WBIF | Western Balkans Investment Framework |

1.1 Introduction: Background D2B

D2B provides eligible government authorities with grants for (pre-)feasibility, ESIA and design studies. These studies are needed to develop projects ready for implementation and to assess these projects at a later stage.

- Develop2Build (D2B) was launched in 2015 by the Netherlands Enterprise Agency on behalf of the Dutch Ministry of Foreign Affairs (MFA). D2B forms part of the Aid, Trade and Investment Agenda of MFA.
- D2B is a government-to-government programme that promotes inclusive economic growth in developing countries by supporting governments in these countries with developing ideas for public infrastructure into viable projects.
- D2B support is provided in the form of a grant to finance studies that need to be completed before an infrastructure project can be tendered. Additionally, technical support and capacity building can be offered to governments during the tendering phase.
- D2B focusses on projects in four focus sectors :
 1. Food Security
 2. Water
 3. Climate
 4. Sexual and Reproductive Health and Rights (SRHR)
- Eligible D2B countries are in principle the “least developed countries” from the OECD-DAC list of ODA recipients, with a few modifications based on the list of partner countries for Dutch development cooperation.
- At present, the following 39 countries are eligible for D2B support (with active D2B projects in the 28 underlined countries)
 - **Africa:** Angola, Benin, Burkina Faso, Chad, Congo Democratic Republic, Djibouti, Ethiopia, Gambia, Ghana, Guinea, Kenya, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Uganda, Rwanda, Sao Tomé and Príncipe, Senegal, Sierra Leone, Somalia, Tanzania, Togo, Uganda and Zambia.
 - **Asia:** Afghanistan, Bangladesh, Bhutan, Cambodia, Indonesia, Laos, Myanmar and Nepal.
 - **Other:** Jordan, Lebanon, Haiti and Palestinian Territories.

1.2 Introduction: Purpose of this assignment

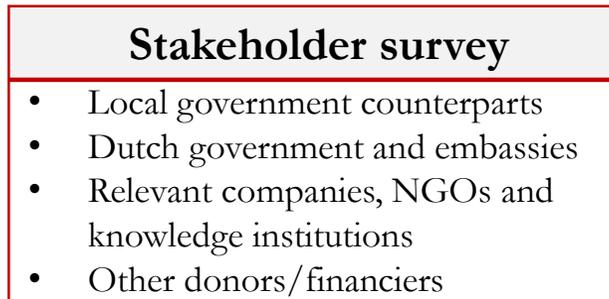
The main purpose of this evaluation is to provide suggestions on the future design of the D2B instrument, which in turn provides input for the policy evaluation of the Dutch aid and trade agenda more generally.

- RVO's current assignment to implement the D2B instrument on behalf of MFA runs until end-2021.
 - **This evaluation analyses the pros and cons of the current design of D2B and provides suggestions for improving this design.**
- MFA, RVO and the Dutch development bank (FMO) are currently working on establishing 'Invest International', of which D2B is intended to be part.
 - **This evaluation analyses the possibilities of integrating D2B within Invest International.**
- This evaluation provides input into a broader evaluation of the Dutch government's policy for aid and trade.
 - **This evaluation makes recommendations that could be useful for the broader evaluation of the Dutch aid and trade agenda.**

Note: this evaluation should be regarded as a 'midterm evaluation' or 'process evaluation', rather than an ex-post evaluation. Due to the limited number of completed D2B projects it is too early to conduct an ex-post evaluation of the effectiveness and impact of D2B.

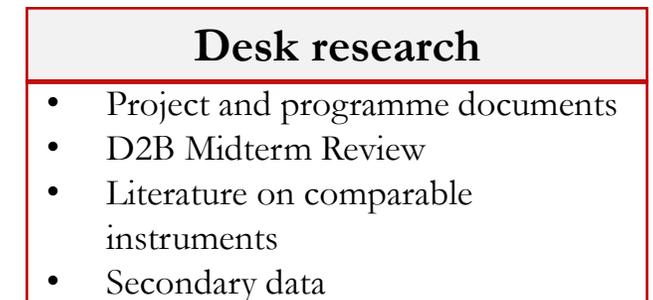
1.3 Introduction: Methods used

This evaluation uses a combination of mixed quantitative and qualitative methods, with the aim of triangulating the results obtained via different methods.



Triangulation

Using multiple methods and data sources to develop a comprehensive understanding of phenomena



1.4 Summary: Findings by chapter

General structure

- This report consists of 9 chapters.
- The beginning of each chapter shows the list of evaluation questions addressed in that chapter.
- Each chapter ends with a summary of conclusions & recommendations.

Chapter 2: D2B overview: stages, facts and figures

I. Overview of stages and procedures

- D2B programme activities are separated into three phases: (a) identification, (b) formulation and (c) development phase. Following the development phase, the project is ready for implementation.

II. D2B portfolio

- As of December 2019, the D2B database contained 53 projects across 28 countries, of which nearly 60% were in the development phase.
- Infrastructure project pipeline development normally takes at least a couple of years. Taking this into account, the size of the pipeline that was achieved since the launch of D2B is impressive, particularly since the projects were distributed over many countries.
- While D2B has four focus sectors, almost 50% of the D2B projects are in the Water & Sanitation sector.
 - This might reflect the strength of Dutch companies in this area and the presence of water specialists in some embassies.
 - Due to the focus on W&S, it may be a challenge for RVO to build up and maintain expertise for projects in other focus sectors.
- Mozambique has received the largest total D2B budget allocation across 4 projects.
- €24.5 million out of the available €75 million was committed by end-2019.
- Most of the agreed objectives regarding the number of projects per year were (almost) reached in 2016, 2017 and 2018.

III. Relation MFA and D2B

- Overall, the relationship seems well managed.
- The frequent changes in the political agenda and corresponding country focus are a challenge for D2B for the development of infrastructure projects (given the long development and implementation process).

1.4 Summary: Findings by chapter

Chapter 3: Analysis of D2B stages & selection process

I. Phases

- The identification phase has no official intake or application process.
- After no objection by the Internal Committee, projects are forwarded to the formulation phase. There is no formal appraisal or scoring grid for project appraisal after the formulation document is drafted.
- The development phase is the last phase of the D2B process and ensures that the necessary and agreed studies are executed.

II. Lead origination

- D2B project ideas can be generated by RVO, embassies, public authorities, donors or other involved parties.
- Dutch embassies appear to be an important source of D2B project leads, while the level and commitment of embassies varies. This is especially difficult for some countries where embassies are small or lacking (including fragile states).
- Dutch companies advise D2B to take more advantage of their experience with lead origination.

III. Efficiency

- The effectiveness and efficiency of D2B can be increased by having own representations in recipient countries.

Chapter 4: Financeability of D2B projects

I. Financeability of implementation phase

- The financeability of D2B projects is a formal selection criterion, but could be assessed more extensively (especially in Test 2).
- Overall financeability of D2B portfolio is regarded well by other donors. Financeability of projects with large investment budgets (100-200 million euro) is regarded lower.
- Survey respondents from Dutch and local governments are optimistic about the possibility that D2B studies result in infrastructure projects that are financed. Dutch companies are less optimistic.

II. DRIVEability

- D2B and DRIVE are two separate RVO instruments with some differences in terms of e.g. funding and countries.
- Often DRIVE is mentioned as potential funding for implementation. However, the different country lists of D2B and DRIVE make it more difficult to align D2B and DRIVE.

III. Additionality

- D2B seems additional to government funds in the beneficiary countries and to commercial funding. Whether D2B is additional to other donor funding or other project development facilities is not formally assessed.
- Multiple donors regard D2B as an instrument clearly filling in a gap in the field of infrastructure regarding support to project development.
- Another donor states that D2B operates much faster than other organisations that are involved with the development of infra projects.

1.4 Summary: Findings by chapter

Chapter 5: Development relevance of D2B

“Development relevance” is not well defined – e.g. it is not clear whether this refers to reduced poverty, increased employment, or other goals.

I. Relevance to local government

- The relevance to the local government is a formal selection criterion to ensure local commitment and ownership, and does seem to be seriously assessed by RVO, but not in a systematic way (e.g. there is no checklist to be scored).
- Survey respondents would like the relevance to the local government to be an even more important selection criterion

II. Relevance to local economy (PSD)

- The relevance to private sector development (PSD) is a formal selection criterion, but does not seem to be systematically or consistently assessed
- Survey respondents would like the relevance to the local economy to be an even more important selection criterion

III. Relevance to local population (end-beneficiaries)

- This is not a formal selection criterion, although RVO, MFA, and survey respondents believe that it should be.
- As part of the selection process, there does not appear to be an explicit assessment of how end-beneficiaries are affected (e.g. no assessment of ex-ante impact on consumers, patients, other users of infrastructure) – while this may well be part of feasibility studies and ESAs.

If development relevance (to local government, local economy, and local population) were to be redefined in terms of SDGs, the choice of D2B target sectors would generally seem to score highly (e.g. on SDG6: Clean Water and Sanitation).

Chapter 6: Relevance to Dutch economy

I. Relevance to Dutch businesses

- D2B is financed by ODA funds and therefore OECD rules regarding untied aid are obeyed.
- Dutch companies are allowed to benefit from D2B projects (e.g. executing a feasibility study) as long as transparent tender procedures are applied.
- More than 80% of the tenders for the D2B project have thus far been won by a Dutch consortium.
- The survey results show that the relevance to Dutch companies is seen as ‘too important’ in the selection process.

II. Dutch comparative advantages

- The D2B focus sectors largely correspond to the sectors in which Dutch companies usually have a comparative advantage.
- Water and agri-food are both focus sectors of D2B as well as top sectors in the Netherlands.
- Both climate and SRHR are focus sectors of D2B and are part of the top sectors Energy and Life Sciences & Health (respectively).
- Dutch companies have no comparative advantages in the energy sector and in operating WASH facilities.

III. Tension between Trade and Aid

- There is an in-built tension between ‘trade’ (relevance to Dutch economy) and ‘aid’ (development relevance).
 - On the one hand, the relevance to the Dutch economy is not a formal selection criterion, and OECD rules do not allow ‘tied aid’
 - On the other hand, Dutch parliament and MFA put pressure on RVO by often requesting statistics such as the % of Dutch companies that are implementing D2B projects (perceived target seems to be >50%)

1.4 Summary: Findings by chapter

Chapter 7: Comparable instruments

I. Comparable instruments:

- Western Balkans Investment Framework (WBIF)
- FEXTE – AFD
- InfraCo – PIDG
- Development Accelerator (DA) – FMO
- PPIAF – World Bank
- Cities Development Initiative for Asia (CDIA)

II. Lessons learned

- Some other facilities do more on early stage development (WBIF, PIDG) and private infrastructure development and financial structuring (PIDG);
- Some donors use framework contracts (EU-EIB WBIF) or completely outsource in country project development facilities (EU);
- Some donors do more on general sector studies, TA and Masterplans (PPIAF)
- There is a spectrum of comparable instruments, some of them overlapping with D2B. This is not problematic.
- Differences exist in focus up- or downstream, degree of private sector participation, degree of exclusivity (focus on own business)
- Coordination exists amongst the actors so that the most suitable instrument is applied.
- Gaps identified below the critical upstream, above project level

Chapter 8: Future of D2B

I. Invest International

- Invest International will serve as a one-stop shop for Dutch business that need help to develop and finance projects outside its own national borders.
- 800 million will be available for international investments in Invest International.
- Invest International can potentially create synergies between FMO and RVO and can create a menu of more streamlined financing products (flexible blended finance).
- The main challenge for Invest International is the combination of tied and untied aid instruments.

II. Future country focus

- Expanding D2B to more fragile states poses many challenges but allows for high development impact.
- There seems to be a need for D2B support in middle-income countries and interest from Dutch companies to work here. However, the development impact is generally lower in these countries.

III. Expansion D2B services

- There is a potential gap with respect to early-stage needs assessment & project idea generation and pre-feasibility studies. This gap is especially relevant for non-traditional/complex, innovative or multi-sector projects.
- There is no gap between D2B and DRIVE TA. Between both, TA services are flexible.

1.5 Summary: Key recommendations

Policy level

Improve positioning of D2B vs other donors and policies

- The positioning of the D2B instrument (scope of thematic areas & TA, country focus) could be improved by developing a strategy for ODA infrastructure support and better positioning the instrument versus other development instruments.

Future of D2B: more focus, scale-up by integration and streamline

- Combine RVO's and FMO's infrastructure teams as much as possible within one team in Invest International, with some projects funded by ODA instruments and others by non-ODA instruments. If each instrument has to be implemented by a separate team (which is very inefficient), then clearly define their separate responsibilities and ensure excellent collaboration possibilities.
- Develop a streamlined menu of products and flexible offer of blended finance products (loans, grants, equity etc.).
- Focus on fewer countries and sectors (those in which the Netherlands has a strong network and a comparative advantage), while relying on strategic partnerships with other donors (e.g. EU, AFD, GIZ) for other countries and sectors in which the Netherlands is less strong, or where there is a lack of interest from Dutch companies (e.g. fragile states in West Africa).
- Conduct further study regarding D2B selection of countries and needs for different phases of infrastructure project development
- Conduct further study regarding mapping of donors in D2B countries and potential for collaboration vs overlap as input for ODA infra strategy

D2B implementation

Enhance lead sourcing and identification

- Effectiveness and efficiency of lead sourcing, identification and selection could be improved by:
- More collaboration with strategic donor partners in specific countries (including lead sharing, early involvement and streamlining appraisal)
- More collaboration with Dutch companies and NGOs in project scoping;
- More support for early-stage scoping missions and pre-feasibility studies
- Opting for a wider and more sustainable project concept: also support improvement of asset management & maintenance and improvement of the financial framework for (**existing** and new) infrastructure? More possibilities for local private sector involvement in infra operations (PPP or private infra, funding gap in investment costs) (World Bank and Round Table).

More transparent and effective project selection

- Make more use of Concept Notes and available screening tools used by other donors for project ideas (scoring and weighing grids) with relevant practical operational criteria for the stage under consideration (given project information available)
- Clearly define additionally and financeability, and use these consistently as selection criteria.
- Develop clear indicators for measuring the relevance of proposed projects to private sector development, the local population and the local government agenda – these can be easily linked to the SDGs.

2. D2B overview: stages, facts and figures

Sections

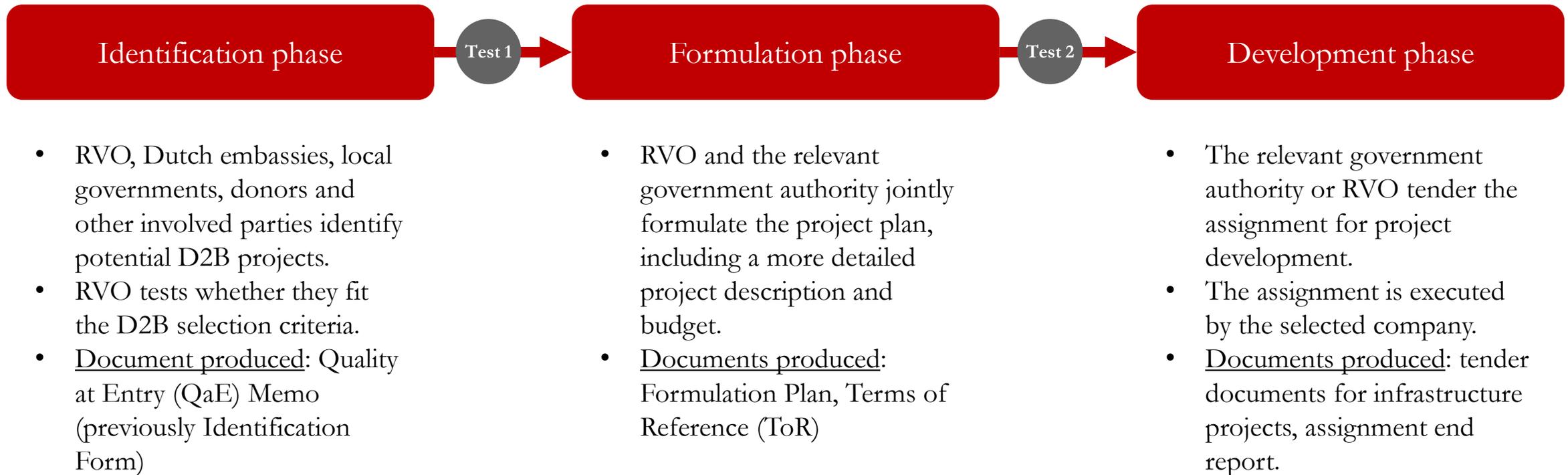
- 2.1 Overview stages and procedures
- 2.2 D2B Portfolio distribution over stages
- 2.3 D2B Portfolio distribution over sectors
- 2.4 D2B Portfolio: country distribution and budgets
- 2.5 Relation MFA and D2B
- 2.6 Conclusions and recommendations

Evaluation question

- Is the coordination for the implementation of D2B between RVO and the MFA effectively organized?

2.1 Overview stages and procedures

D2B supports local governments with the development of infrastructure projects. D2B activities are separated into three phases. Following the development phase, the project is ready for implementation.



Test 1: the Internal Committee examines all identified D2B projects on the basis of QaE memos and gives a ‘GO’ if projects are considered adequate for the D2B programme.

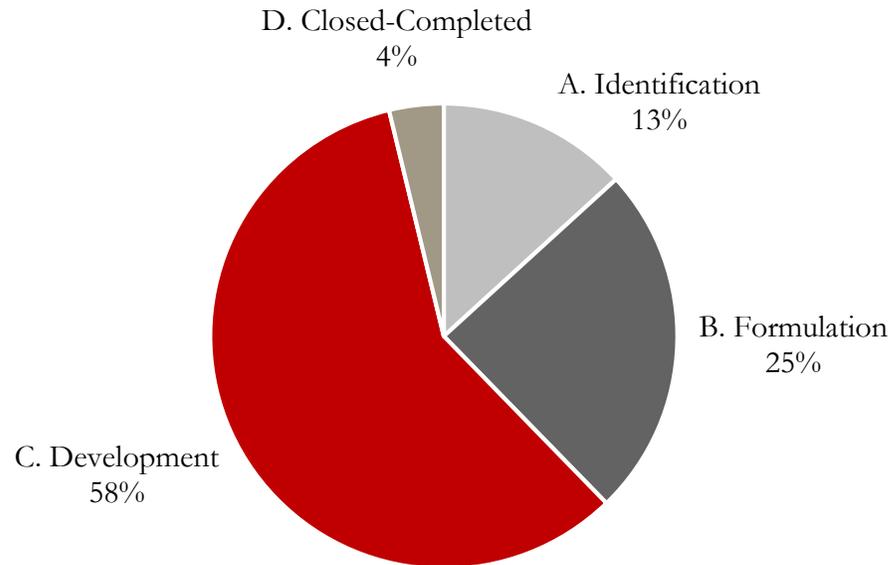
Test 2: the RVO Team Manager and the Programme Coordinator assess whether D2B should finance the project. If their assessment is positive, the grant arrangement (for 100% of the costs) is signed.

2.2 D2B Portfolio distribution over stages

As of December 2019 (more than 3 years after the launch of D2B in 2015), the D2B database contained 53 projects across 28 countries, of which nearly 60% were in the development phase.

Distribution across phases (as of December 2019):

- Only 13% of projects are in the identification phase
- 25% is in the formulation phase
- 58% is in the development phase
- 4% of the projects in the database were completed



Assessment SEO:

- Infrastructure project pipeline development normally takes at least a couple of years.
- Taking this into account, the size of the pipeline that was achieved since the launch of D2B is impressive, particularly since the projects were distributed over many countries.
- These statistics do not portray the whole situation, there are also project ideas that are not included in the D2B database because they are categorised as unfit for the D2B programme in an early stage. Therefore, the number of project ideas identified is larger than the number of projects in the identification phase.

2.3 D2B Portfolio distribution over sectors

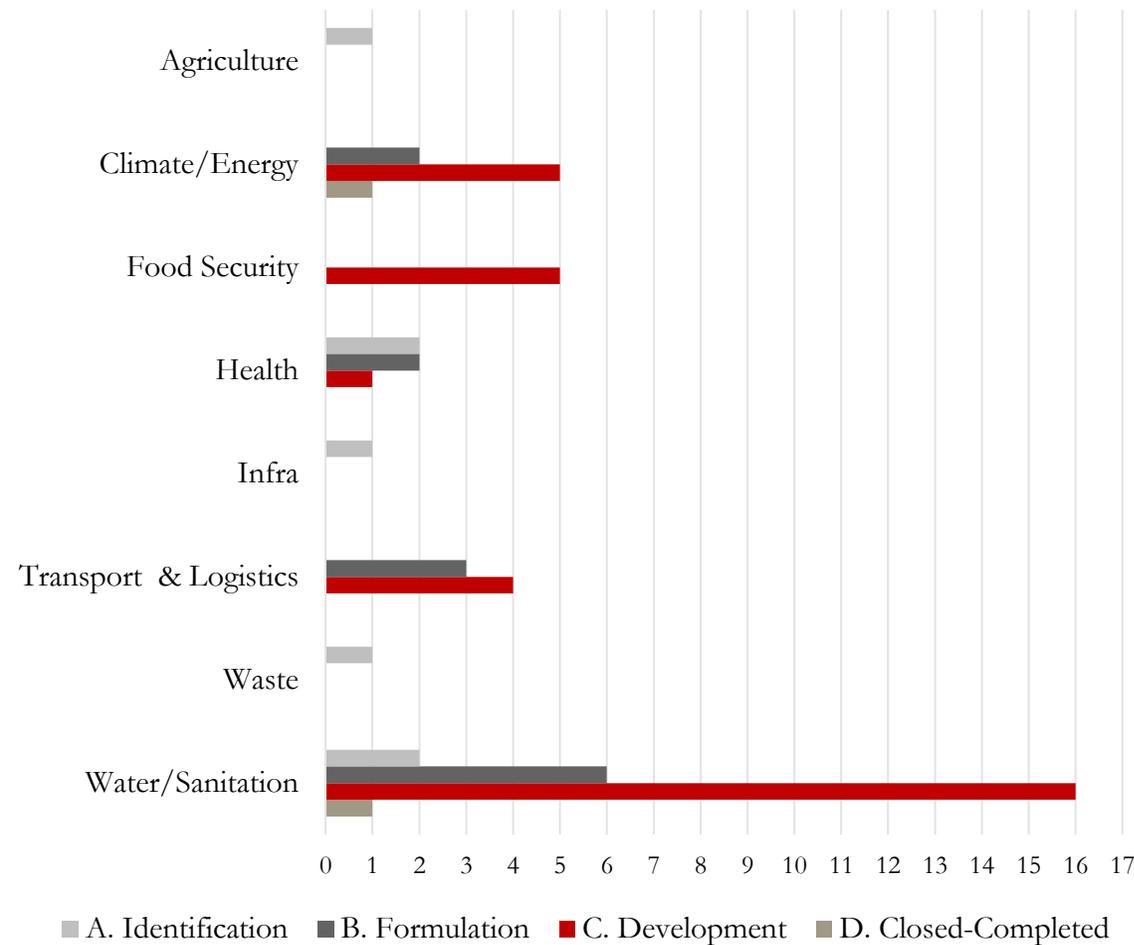
While D2B has 4 focus sectors (Food Security, Water, Climate and SRHS), nearly 50% of all D2B projects are in the Water & Sanitation sector.

Projects per sector:

- The D2B portfolio has a strong focus on Water & Sanitation (W&S)
 - Nearly half (47%) of projects are in W&S, with climate and transport coming at a distant second and third.
 - More than 50% of the D2B budget is allocated to W&S
 - Regarding the rejected projects, 34% (the largest share) were also in the W&S sector
- Climate & Energy is the second largest sector (15% of D2B projects and 23% of the total D2B budget)
- Only 9% of D2B projects are aimed at increasing food security.
- Sexual and reproductive health and rights (SRHR) is a focus sector according to the D2B manual, but is not mentioned as a specific sector in the D2B database (they are included under Health). Thus far there is only one active D2B project in this area.
 - Between 2015 and 2019 nine health projects were rejected.

Assessment SEO:

- The focus on W&S likely reflects the strength of Dutch companies in this area and the presence of water specialists in some Embassies.
- Due to the significant focus on W&S, it may be a challenge for RVO to build up and maintain expertise for projects in other focus sectors.

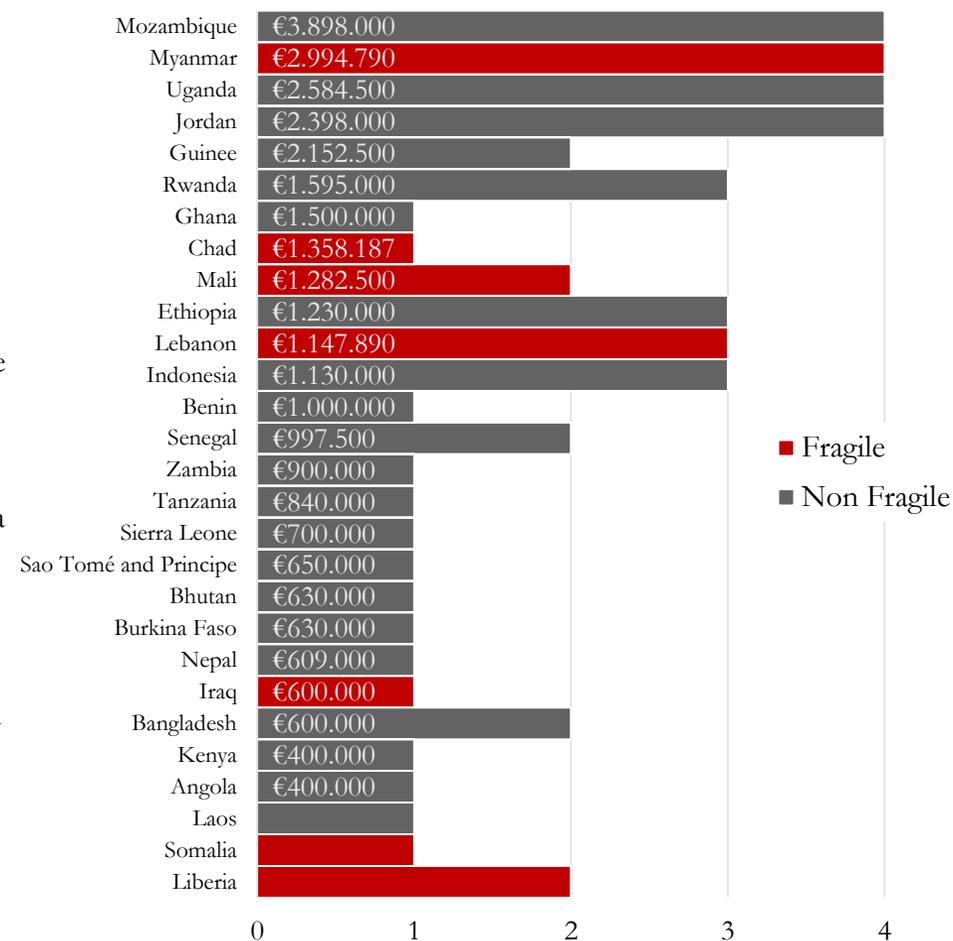


2.4 D2B Portfolio: country distribution and budgets

Thus far, 53 D2B projects are active across 28 countries. Mozambique has received the largest total D2B budget allocation, with four projects. €24,5 million out of the available €75 million was committed by end-2019.

Projects and budget per country:

- The D2B portfolio is spread across 28 countries, out of which seven are fragile states. 25% of projects are in fragile states.
- The portfolio is spread across 4 regions in Africa and 3 in Asia. Each region contains one or more fragile state, with the exception of Southern Africa. This adds to the complexity of the portfolio.
- With almost €4 million allocated budget, Mozambique has received the largest total D2B budget allocation across four projects.
- The average number of projects per country is low at 1.9. This makes the instrument labour intensive (less efficient), as RVO project advisors need to maintain relationships with many countries
- There is no equal spread between countries, but this is also not an objective of D2B
- The average D2B project budget per country is €730,000 with a maximum of almost €2 million and a minimum of €280,000. Investment costs of projects (implementation phase) in the portfolio are estimated at an average of €40 million (range between €10 and €200 million)
- In total, €24,5 million out of the available €75 million was committed by end-2019. According to RVO, this is because eligible projects were harder to find than expected, but were also cheaper than expected. Furthermore, the aim of the programme is to find good projects and D2B focusses less on depletion of budget.
- Most of the agreed objectives regarding the number of projects per year were (almost) reached in 2016, 2017 and 2018 (see Annex B).



2.5 Relation MFA and RVO

The frequent changes in the political agenda and corresponding country focus are a challenge for the development of (long-term) infrastructure projects by D2B.

Formal relationship:

- MFA provides the overall strategy for D2B (2015-2020).
- Every year, the RVO infra team writes a strategic plan to ensure a balanced portfolio across countries and sectors. MFA checks and approved the plans.
- Within this plan, new policy priorities are incorporated and the strategy is adapted to the developments of other relevant Dutch programmes and activities.

In practice:

- The relationship between MFA and RVO with regard to D2B seems effective, with regular interactions throughout the year.
- MFA's policy priorities often change within the 5-year strategy period. Examples:
 - Following the Ebola epidemic crisis, MFA requested more focus on Ebola countries (e.g. Guinea)
 - Since 2018, MFA has requested more focus on Sahel countries (e.g. Mali and Chad)

Concerns expressed by stakeholders:

- There has been a high turnover within the MFA team responsible for D2B. This implies that the complexity of D2B projects and infrastructure projects in general is not always fully understood by new MFA staff.
- Due to frequent changes in MFA's political agenda, RVO is frequently asked to adapt D2B to new focus regions. This is more problematic for infrastructure projects than for other areas, because of the long time needed for infrastructure pipeline development and infrastructure project implementation.
- According to RVO management staff there is insufficient high-level discussion between MFA and RVO regarding a long-term strategy regarding ODA infrastructure projects (aims, country focus, etc.) and what this implies for the yearly plans.
- Participants of the roundtable also stated that they would benefit from a long term (5-10 years) strategic document regarding ODA infrastructure development in developing countries (including long term aims & value added of Dutch support, country focus, etc.) drafted by MFA.

2.6 Conclusions and recommendations

Conclusions

- 1 While the focus on projects in Water & Sanitation seems efficient, it will be more difficult to build up or maintain expertise for projects in other focus sectors.
- 2 The D2B portfolio is scattered across a large number of countries (28). The average number of projects per country is less than 2, while there are many countries with only 1 project. This may not be efficient.
- 3 €24 mln out of the available €75 mln reserved budget was committed by end-2019. This partly reflects an ambitious reservation, the difficulty of identifying eligible projects and smaller than expected project budgets. However, the gap between reserved budget and commitment is large. Therefore, development impacts could have been higher with larger commitment levels.
- 4 Overall, the relationship between MFA and RVO seems well-managed but frequent changes in the political agenda are a challenge for the development of (long-term) infrastructure projects by D2B.

Recommendations

- Step up RVO efforts to identify more projects in health, food security and climate change, or develop more strategic partnerships with donors that are strong in these areas, such as AFD (health), or GIZ-C40 & KfW (climate change).
- Given the fixed costs involved in pipeline development in a given country, consider focusing on fewer countries.
- Expand RVOs D2B team, broaden the scope of D2B support to pre-feasibility and post feasibility phases, identify projects with larger D2B support budgets. Expand the modes for lead generation to a wider set of parties (partner donors, NWP, Pre-feasibility stage).
- MFA and RVO should jointly develop a longer-term strategy for infrastructure projects. Shifting short-term priorities for humanitarian reasons should be dealt with via programmes with shorter horizons.

3. Analysis of D2B stages & selection process

Sections

- 3.1 Identification phase
- 3.2 D2B Lead origination
- 3.3 Formulation phase
- 3.4 Development phase
- 3.5 Observations regarding efficiency
- 3.6 Conclusions and recommendations

Evaluation questions

- What (implicit and explicit) criteria does RVO use for selecting projects that are eligible for D2B?
- Where do leads for D2B-projects come from? RVO's own network, local governments, missions, consultants, other? Is there a difference in the type, sector or geography of projects that are identified by different actors?

3.1 Identification phase

The identification phase has no official intake or application process. Project ideas can be generated by RVO, Dutch embassies, local government authorities, donors or other involved parties.



Formal process according to project documents:

- According to the D2B manual, RVO identifies interesting projects in focus countries with the help of Dutch embassies, relevant authorities and RVO mission.
- Project ideas can be presented in various forms: from scratch until available pre-feasibility studies or Masterplans.
- In addition to country and sector eligibility, the following eligibility criteria are noted in the manual:
 - Contribution to society in general, where economic benefits should exceed costs;
 - Positive impact on private sector development in the receiving country;
 - Additionality to the market;
 - Social, economic and financial sustainability;
 - Alignment with national or regional government policies
 - Positive advice of the concerning Dutch Embassy.
- The D2B team can decide not to forward the proposal to the Internal Committee (IC). If the proposal is regarded as acceptable, a Quality at Entry (QaE) Memo is drafted and submitted to the IC for approval (Test 1). The QaE memos mainly assess whether the projects fits within the D2B portfolio.

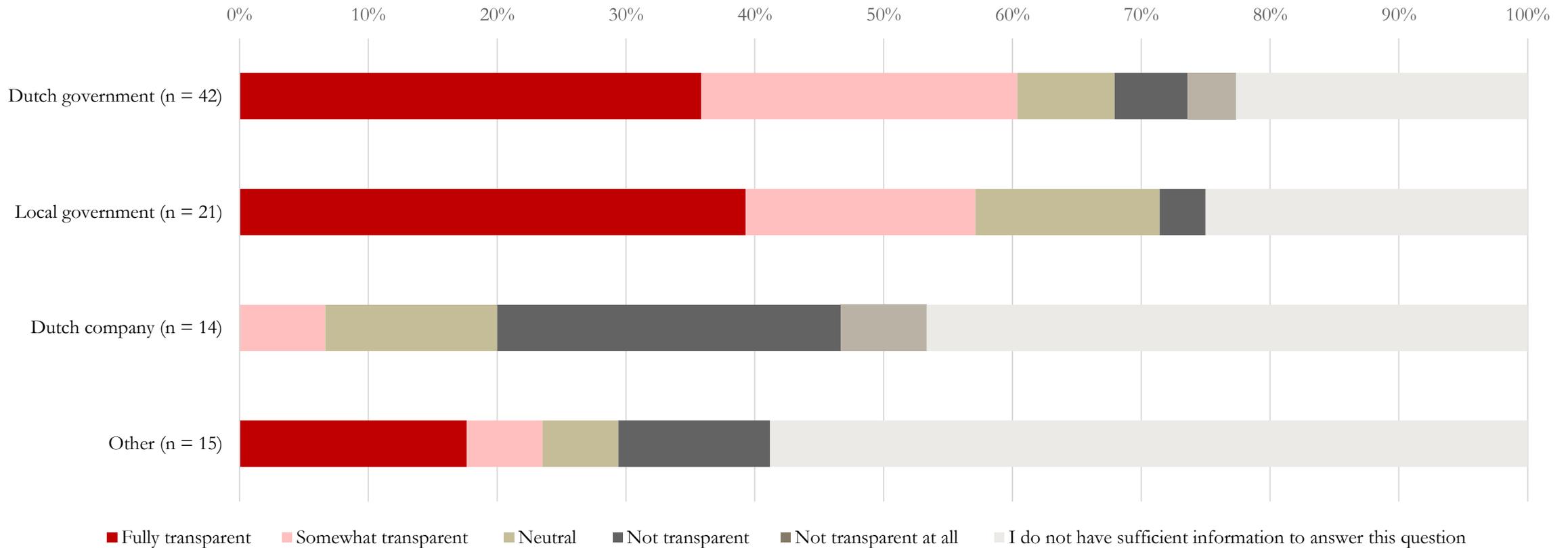
Findings from interviews and desk research:

- No official records are kept regarding the rejection or selection of project ideas. There is no formal rejection or approval, and no record of a ‘scoring grid’ for project ideas.
- In practice, the most important selection criteria appear to be:
 - Country focus (in line with MFA priorities; past positive experience)
 - Commitment of the local government / relevant public authority
 - Interest from the relevant Dutch embassy
 - The experience in the country and the number of existing D2B initiatives already supported in a certain country
 - Financeability
- Some criteria mentioned in the manual (such as economic benefits exceeding costs, financial sustainability) appear to be difficult to assess in the identification phase.
- All project ideas discussed by the IC in 2015 and 2016 had a project identification document (PID). After 2016 this was replaced by QaE memos, which include less in-depth analysis than the previous PIDs (e.g. no more sections on additionality and development relevance). RVO states that this change was made to increase efficiency.
- QaE memos are qualitative (no scoring grids used) and differ in quality
- Experts from the Ecorys and/or Sweco support are rarely involved in this phase, which is regarded as sub-optimal by these parties and might lead to lack of information or scoping relevant for the formulation phase and ToR development.

3.1 Identification phase: survey results

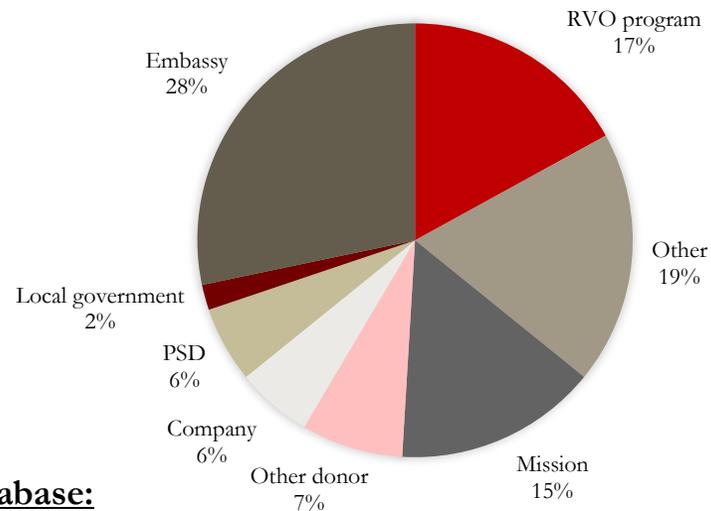
Almost 35% of respondents from Dutch companies consider the initial selection process as non-transparent, while most respondents from Dutch and local governments consider it as (somewhat or fully) transparent.

*"To what extent is it transparent to you why some D2B project ideas from the **identification phase** enter the **formulation phase**, while other D2B project ideas do not?"*



3.2 D2B lead origination: facts and findings

The D2B database shows that nearly 30% of D2B project leads are generated by Dutch embassies. Dutch companies advise D2B to take more advantage of their experience with lead origination.



D2B database:

- According to the D2B database compiled by RVO, 60% of project leads originate from Dutch Embassies, RVO programmes or RVO missions. In fragile states this is even 69%.
- In Eastern Africa and Southwestern Asia, Dutch Embassies reportedly generate more than 50% of new project ideas.
- Companies are recorded as generating 6% of project ideas. When they come with a project idea, RVO suggests them to discuss the idea with local authorities.
- There is no clear difference in the project sectors identified by different actors.

Survey:

- Around 75% of respondents view local governments as a (very) important source of project ideas, while this is only 2% in the D2B database.
- 60% of respondents consider Dutch companies as a (very) important sources.
- Respondents agree with the D2B database that Dutch embassies are very important.

Findings Roundtable:

- Some Dutch companies advised to source from a broader group (outside embassies and local governments) for lead origination (including Dutch and other companies, other donors, and NWP country advisors).
- Companies suggested that D2B could benefit more from their experience with lead origination and project scoping by making more use of scoping missions or pre-feasibility studies in early stage project development (simple subcontracting of small TA).

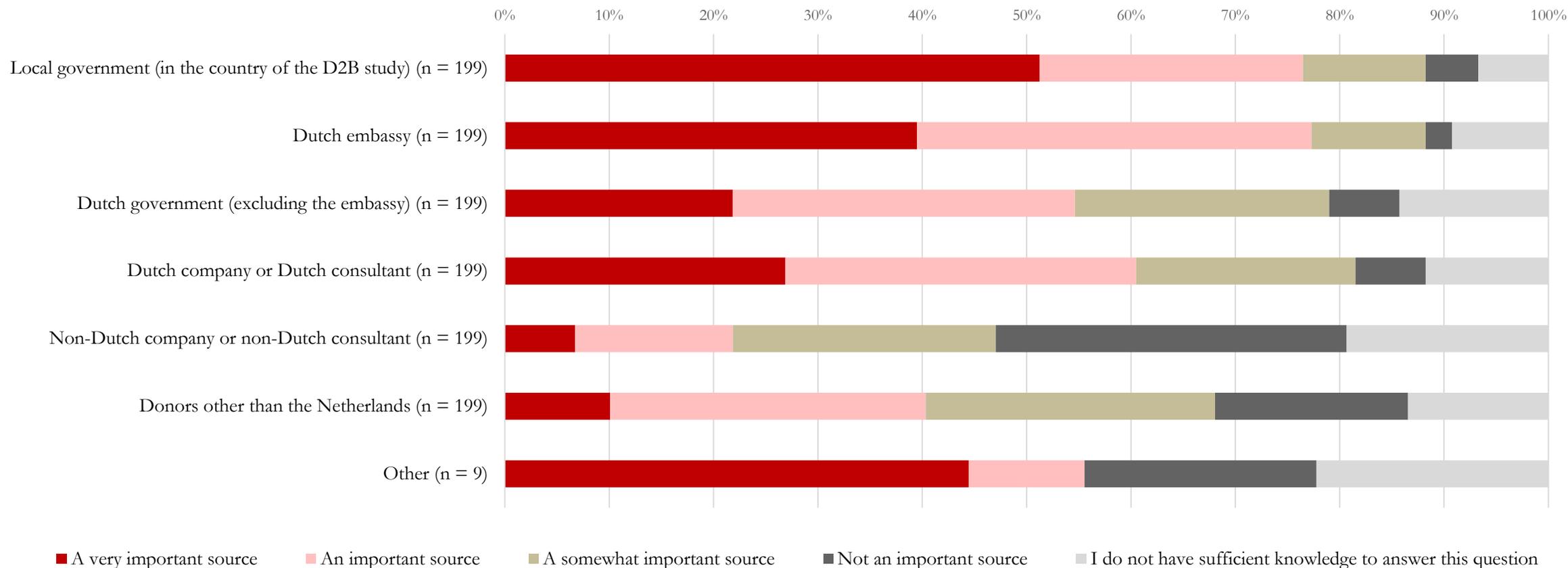
Remarks:

- Both the D2B database and the survey results suggest that embassies are an important source of project leads. However, the availability, expertise and commitment of embassies differ across countries and sectors (which can be a risk for consistent lead generation across countries and sectors).
- Companies can also suggest project ideas to embassies, therefore not all ideas generated by embassies need to come from embassy staff.

3.2 D2B lead origination: survey results

Local governments and Dutch embassies are seen by respondents as the most important sources of project ideas. Dutch companies are also seen as a very important source, contrary to what the D2B database suggests.

*"How important do you think each of the following **sources** has been for the generation of new project ideas for D2B ?"*



3.3 Formulation phase

Following a ‘no objection’ by the Internal Committee, projects are forwarded to the formulation phase.



Formal process according to project documents:

- In this phase, RVO and the relevant public authority jointly draft and sign a formulation plan (project description and plan, planning, budget etc.).
- Based on the formulation plan, a Terms of Reference (ToR) is developed for a feasibility study (FS) or related documentation (e.g., ESIA, tender documentation etc.)
- For developing the ToR, RVO can use the expert pool from the framework contracts (Ecorys, Sweco), other experts, or the Commission MER (ESIA: Environmental & Social Impact Assessment).
- When the formulation plan and ToR are finished, the RVO Team Manager and Programme Coordinator assess whether D2B should finance the project (Test 2). In case of a positive advice, the grant arrangement is signed (for 100% of the costs).

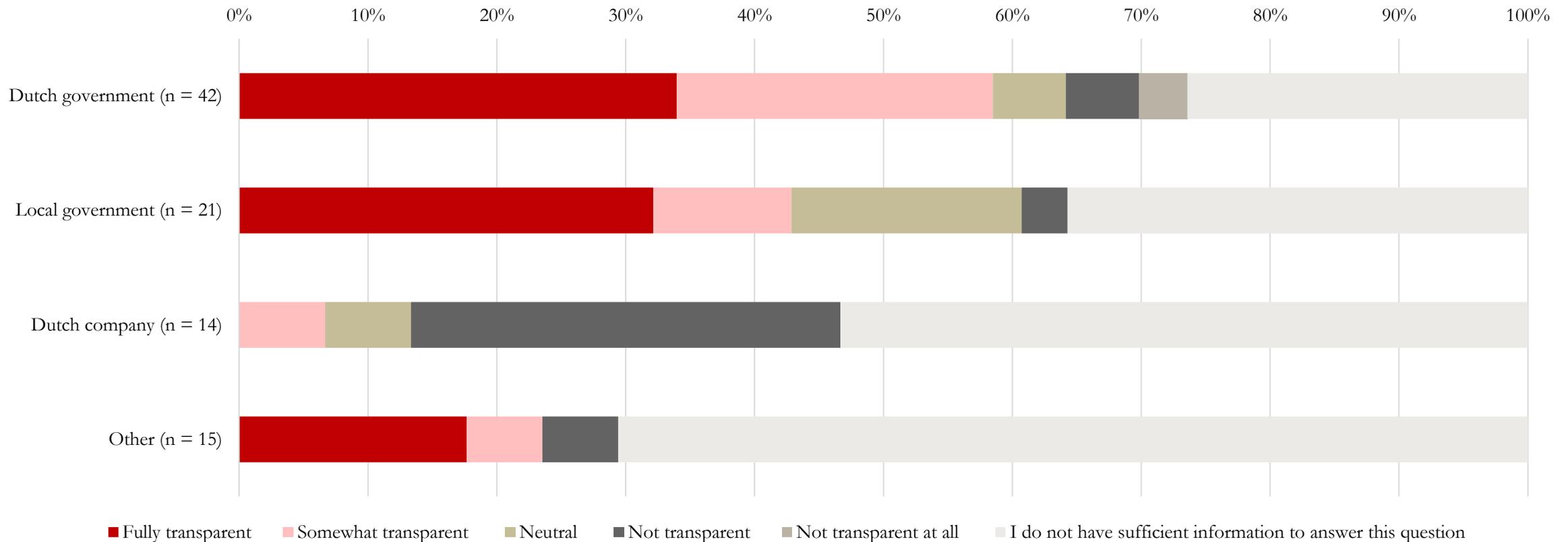
Findings from interviews and desk research:

- RVO asks the relevant public authority in the country to develop the formulation plan, also to test its commitment. It is not reported whether the authority itself drafts the plan or whether it outsources this to consultants.
- There is no formal appraisal or scoring grid for project appraisal after the formulation document is drafted.
- Multiple projects have been stopped in the formulation phase. The main reason was a lack of commitment of the local government.
- There is no Technical Assistance (from a pool of experts or Ecorys/Sweco) directly provided by D2B to the national authority.
- The experts from Ecorys/Sweco hired to draft the ToR are in most instances so far involved at quite a late stage in the process, with the risk that some information (data, scoping studies) necessary for ToR development might be lacking and that scope of projects can change significantly during the development phase.

3.3 Formulation phase: survey results

33% of Dutch companies respondents consider the selection process from formulation to development phase as non-transparent. Local governments perceive more transparency, but less so than Dutch government.

*"To what extent is it transparent to you why some D2B study proposals are selected for the **development phase**, while other D2B study proposals are not?"*



3.4 Development phase

The development phase is the final phase of the D2B process, during which the selected studies are executed.



Formal process according to project documents:

- In the development phase, the identified studies or services are procured and contracted by the local public authority or by RVO.
 - When the local public authority is responsible for the tender, RVO supervises every step in the process and issues a ‘Statement of No Objection’ for every step if no objections are made.
 - When the national authority does not have the necessary capacity (knowledge, means) for tendering, or when there are doubts regarding transparency, RVO performs the tender activities.
- For projects tendered by RVO, an evaluation committee is appointed to assess the tenders. Each member scores the applications independently. The committee then meets to come to a consensus on the scores and prepares a scoring report.
- If there are multiple studies per project, these are tendered as 1 package. Both the public authority and RVO check the quality of the deliverables.
- When all deliverables are approved, D2B transfers the funds directly to the contractor.

Findings based on interviews, FGDs, and desk research:

- There are no clear criteria or procedures regarding the decision whether to tender the studies by the public authority or by RVO.
- When the tendering process is executed by RVO, the process seems transparent and objective (due to the scoring process).
- Some Dutch companies state that when the tendering process is executed by the public authority, there is a lack of transparency with regard to the tender process (long duration of tender procedure, lack of information to companies and issues in ToRs).
- About two third of tenders executed by RVO was won by Dutch companies (for fragile states/Sahel countries Dutch companies did not win due to low scores).
- In most cases, there is no aim or direct link to use DRIVE funding for implementation (see section 3.2).
- Finalised feasibility studies (including cost-benefit analysis) differ in quality. These differences appear not attributable to difference in the scope of work for these studies. This could be mitigated by making more use of checklists for ToRs and quality and completeness assessment of studies (also in relation to DRIVE application)
 - EU uses such checklists and templates for studies.

3.5 Observations regarding efficiency

The effectiveness and efficiency of D2B can be increased by having own representations in recipient countries.

- Infrastructure project development - from project idea until fully developed technical and financeable project – normally takes multiple years and requires ample interaction with beneficiaries in the countries.
- This is a time consuming process with different needs for expertise (technical, financial, social, etc.) and technical assistance (TA, coaching, capacity building, etc.).
- In its current set-up, D2B requires many missions and labour inputs from RVO staff in The Hague to a large number of countries and sectors. Doing this all from The Hague may not be effective and/or efficient.
- Other donors active in infrastructure project development (WB, AFD, EU) often work with own representations with relevant expertise in the countries (WB, GIZ, KfW, EU delegations), or outsource to in-country project development facilities combining different consultancy disciplines (EU).
- The effectiveness and efficiency of D2B might be improved if RVO could work with own local representatives or set up its own representations in (fewer) beneficiary countries. This could potentially be done with the support from Dutch embassies, but these might not always be fully available or equipped for the type of assistance needed for infrastructure project pipeline development. An alternative model is to collaborate more with local offices from other donors (already active in the relevant countries and sectors).

3.6 Conclusions and recommendations

Conclusions

1 Dutch companies do not find the selection process transparent.

2

There is no formal appraisal or scoring grid for either the identification or formulation phase. Some criteria mentioned in the manual (such as economic benefits exceeding costs, financial sustainability) are difficult to assess in the identification phase.

3

Dutch embassies appear to be an important source of D2B project leads, while the level and commitment of embassies varies. This is especially difficult for some countries where embassies are small or lacking (including fragile states).

Recommendations

Increase transparency during all stages towards all involved parties. Communication of clearly defined SMART criteria to all stakeholders is essential in order to increase transparency.

Use a more formal appraisal grid in the formulation stage. In regard of efficiency reasons this grid does not need to be very detailed and complex, but can be a simple scoring & weighting (MCA) grid focusing on the potential development impacts, potential for financeability of the infrastructures and additionally of D2B support to studies (compared to other donors/ facilities). Remove criteria that are not possible to assess (especially in identification phase), but keep potential financeability as a criterion. Relevant (external) local or sector experts can be helpful to assess the projects.

Step up collaboration for lead generation with multilateral donors (WB, EU) or bilateral donors (e.g. AfD) in countries where Dutch embassies are small or lacking.

4. Financeability of D2B projects

Sections

- 4.1 Financeability of D2B projects
- 4.2 Relation with DRIVE
- 4.3 DRIVEability of D2B projects
- 4.4 Additionality of D2B
- 4.5 Conclusions and recommendations

Evaluation questions

- To what extent does D2B seem to be capable to deliver bankable infrastructure projects?
- Do the projects that are currently in the portfolio have sufficient prospects on financing for implementation, through DRIVE or other sources?
- How is the expected ratio between DRIVE and other financiers in this respect?
- How is the link from D2B to DRIVE organized?
- Are studies financed by D2B additional (e.g. would these projects not come about without said finance)?

4.1 Financeability of D2B projects

The likelihood of finding a financier for the implementation phase of D2B projects is monitored throughout the whole D2B process.

Financeability refers to the probability of finding funding for the implementation phase of the D2B project.

Formal process according to project documents:

- The D2B manual states that all D2B projects should be “financially sustainable” but does not further define this.
- Financeability is not a formal selection criterion for Test 1:
 - The QaE memo requires to provide an estimate of the costs of the D2B project and the infrastructure project as a whole, but does not require to elaborate on the financing options.
- Financeability is formally part of Test 2, in the sense that the formulation plan should include the following:
 - State the authority that will be responsible for the additional costs (beyond D2B grant) in the development phase.
 - Describe how the implementation of the project is supposed to be financed and which authority will be involved.

Findings based on interviews and desk research:

- 80% of completed QaE memos since 2017 include some reference to financing options for the implementation phase, even though this is not required in the QaE memo format.
- More than 80% of the formulation plans include a discussion on the funding options for the D2B project (as required).
- According to RVO, D2B project advisors already assess whether the country is creditworthy during the identification phase. In the case of a country that is not able to borrow money and will therefore be unable to finance the implementation phase of a D2B project, D2B will seek collaboration with other donors.
- According to multiple stakeholders, the financeability of the projects is not sufficiently assessed in the formulation phase stage and Test 2.
- During the roundtable discussion, companies indicated that financeability of D2B project is one of the biggest challenges.

4.1 Financeability of D2B projects

Other donors assess the overall financeability of the D2B portfolio as well.

Findings based upon interviews with donors

- The contact person at AFD states that RVO involves many actors from the start to assess the interest in financing this project. Furthermore, the AFD is also more likely to help finance the implementation of projects because D2B involves them from the identification phase onwards.
- AFD also states that the financeability of D2B projects is the same or even better than that of projects from similar programmes. This could be related to D2B's good reputation as a donor, they are seen as very professional, trustworthy, and reliable partner.
- Overall financeability of D2B portfolio is regarded well by WB, EIB and AFD (best for projects between 20 - 100 million euro). Financeability of projects with large investment budgets (100-200 million euro) is regarded lower.
- WB and EIB regards D2B especially interesting regarding projects in the field of sustainable urban development & climate adaptation (including city planning and development). GIZ is very interested in climate urban development projects for larger and secondary cities.

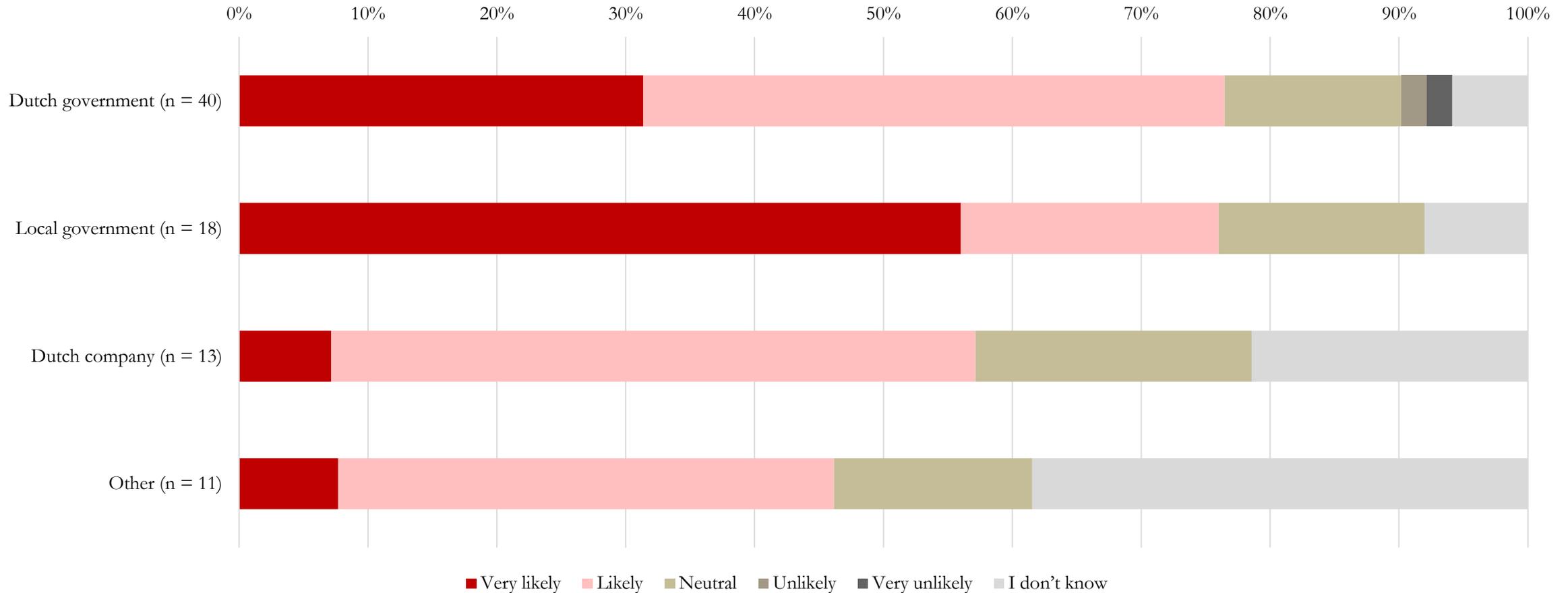
Findings based upon interviews with donors

- Early involvement of donors and streamlining of due diligence and assessment procedures is regarded as important to enhance the potential for financing the implementation phase.
- EIB also states that the ToRs for the studies would benefit from the input of other donors. Better ToRs and studies can improve the chances for a D2B project to be financed by another donor.
- Lead sharing with other donors can enhance the project pipeline and can also improve the potential for donor finance for the implementation phase. In this respect AFD and GIZ express that the lack of RVO local representatives or representations could be a bottleneck.

4.1 Financeability of D2B projects

Survey respondents from Dutch and local governments are optimistic about the possibility that D2B studies result in infrastructure projects that are financed. Dutch companies are less optimistic.

"To what extent do you think D2B studies will eventually result in infrastructure projects that are financed?"



4.2 Relation between D2B and DRIVE

D2B and DRIVE are two separate RVO instruments with some differences in terms of e.g. funding and countries

| | D2B | DRIVE |
|------------------------|--|--|
| Phase supported | Development phase | Implementation phase |
| Funding type | 100% grants | Grants, guarantees and loans |
| Recipient | Governments | Governments |
| Budget | EUR 75 mln (in total for 5 years) | EUR 750 mln (in total for 5 years) |
| Country focus | 39 low income countries | 64 low and middle income countries |
| Sector focus | Water Food security Sexual and reproductive health and rights Climate relevant infrastructure | Water Food security Sexual and reproductive health and rights Climate relevant infrastructure |

4.3 DRIVEability of D2B projects

Although it is not mandatory for D2B projects to acquire DRIVE funding, DRIVE is in practice an important source for the financeability of D2B projects.

DRIVE provides financing for the implementation phase of public infrastructure projects.

The target sectors of DRIVE are aligned with the focus sectors of D2B.

Where D2B focusses on 38 least developed countries, selected middle-income countries are also eligible for the DRIVE programme.

Formal relation between D2B and DRIVE:

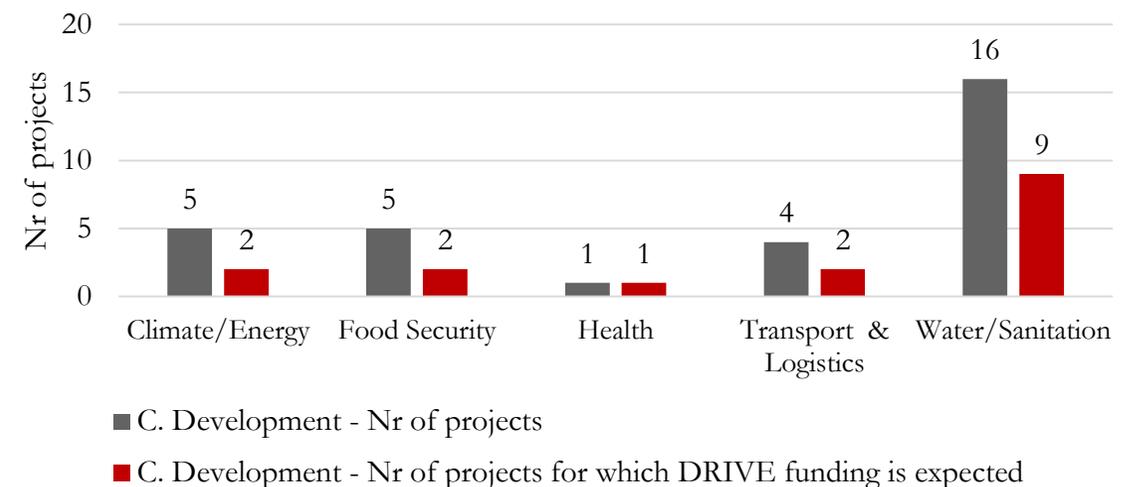
- There is no explicit aim or requirement that the implementation phase of a D2B project should be financed by DRIVE.
- DRIVE application and appraisal requirements are usually not explicitly included in ToRs for D2B studies.
- D2B and DRIVE application processes are not completely aligned. This implies that some governments need to resubmit information to DRIVE even if they already supplied that information to D2B.

Findings Roundtable and interviews

- Companies suggest to align the country lists of D2B and DRIVE.
- Stakeholders also suggests to better align application requirements for D2B and DRIVE, to make the process easier for applicants.

Practical importance of DRIVE for D2B:

- DRIVE is mentioned as a financing possibility in more than 70% of the completed QaE memos (since 2017) and in $\pm 55\%$ of formulation plans.
- In 2 of the 3 finished feasibility studies it is stated that DRIVE is crucial for the financeability of the project. However, due to the limit number of finished studies no conclusions can be based on this statistic.
- Based on the D2B database (see figure below), half of the D2B projects that are in the development phase are expected to receive DRIVE funding.



4.4 Additionality of D2B

D2B seems additional to government funds in the beneficiary countries and to commercial funding. Whether D2B is additional to other donor funding or other project development facilities is not formally assessed and is therefore not clear.

Forms of additionality:

- **Input additionality:** extent to which the public input resources are additional to what might anyway be invested or done by the applicant/partner and other parties, as well as the timing of it.
- **Development additionality:** extent to which the public resources contribute to changes in development-relevant results that would not have materialized without it.
- **Catalytic effects:** Is D2B designed so as to be instrumental in attracting other types of funding from private sector sources? (that otherwise would not have materialized?)

3 key sources of additionality:

- **Government has insufficient funds** to self-finance the project (also taking into account other sources of funding)
- **Government lacks the knowledge or competences** to design and/or implement the project in a way that maximizes development impact.
- **Government would be unwilling** to implement the proposed project without the public subsidy.

Findings based on desk research:

- The D2B manual states that all D2B projects should be additional to the market, but does not clearly define this, nor does it distinguish between the different forms and sources of additionality noted here.
- The QaE memo should contain the following information:
 - Does the project have any other links to other local or international donor programmes/organisations?
 - Which other donors, programmes etc. are also active in the areas?
 - Are there other Dutch initiatives in the area?
- The formulation plan template does not require an assessment of additionality of D2B. In practice, formulation plans hardly contain any assessment of additionality.

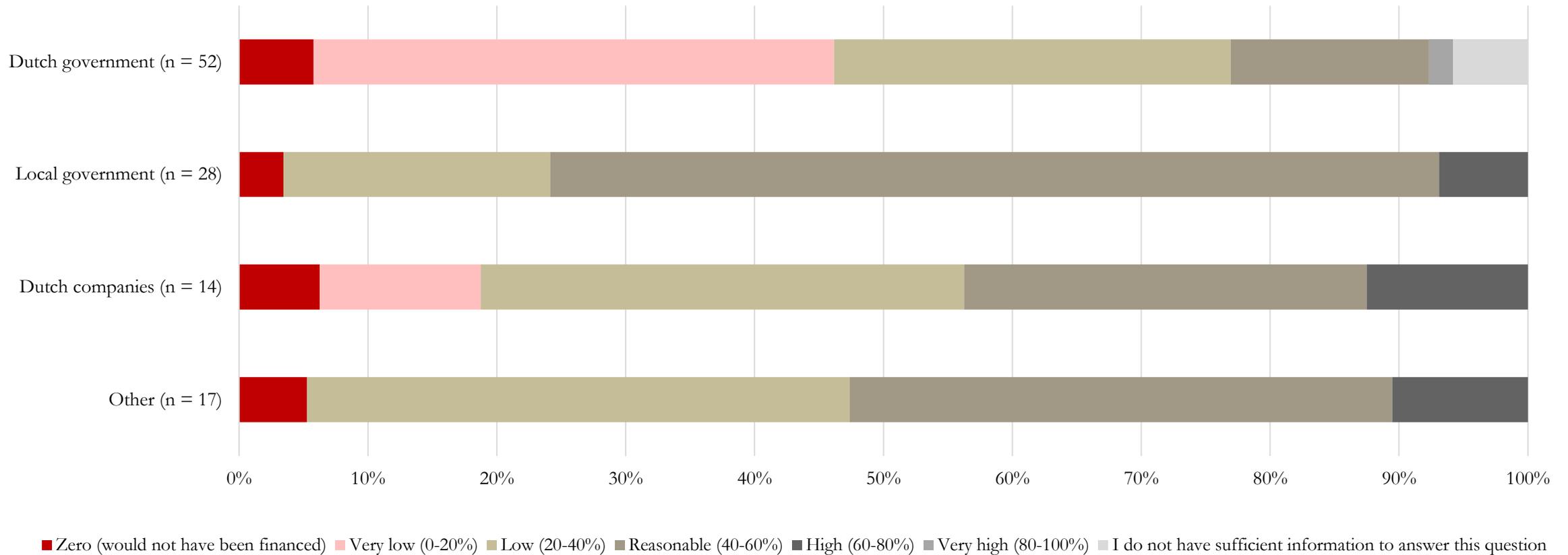
Findings based on interviews:

- According to RVO, D2B is always additional because the governments of eligible D2B countries do not have the resources and/or the knowledge for infrastructure project development. If a project idea appears to be commercially viable from the start, RVO recommends governments and companies to pursue these projects themselves.

4.4 Additionality of D2B

Survey respondents from the Dutch government are most optimistic about additionality, i.e., pessimistic about the probability of finding another financier. Other respondents are less optimistic about additionality.

"If D2B had not financed the study, what do you think is the probability that the study would still have been financed?" (n = 111)



4.4 Additionality of D2B relative to other donors

- WB and GIZ regard D2B as an instrument clearly filling in a gap in the field of infrastructure regarding support to project development. There is sufficient money for implementing projects, but there is a lack of well developed projects.
- WB sees the main value added of D2B in involving Dutch expertise in the sector climate adaptation in the field of urban development (also in regard to Dutch water sector knowledge and the focus of WB on sustainable urban development programs). WB expressed the value added of D2B could be enhanced by more attention to early stage and multi-sector project development and sustainability of infrastructure (asset management, finance and private sector involvement).
- GIZ sees especially additionally in supporting project development needs in secondary cities in LDCs.
- AFD states that ‘The main value added comes from RVO’s role as a donor which finances the entirety of the feasibility study while maintaining a high level of involvement in subsequent implementation phases.’
 - Example given: the N’Djamena (Chad) project could not have seen the light of day if it were not for D2B/RVO, which took on a catalytic role from the pre-implementation phases onwards.
- EIB states that compared to other organisations that are involved with the development of infra projects, D2B operates much faster.
- EIB also appreciates the untied character of D2B. Due to EU regulation they are not be allowed to work together with tied programmes.

4.5 Conclusions and recommendations

Conclusions

1 The financeability of D2B projects is a formal selection criterion, but is not regarded as sufficiently assessed in practice (especially in Test 2).



Recommendations

Due to the importance for a project to be financeable, some more elaborated form of assessment of the financing potential is recommended as a go/no-go criterion in the formulation phase. Early donor involvement is essential as also expressed by WB and AFD.

2 Often DRIVE is mentioned as potential funding for implementation. However, the different country lists of D2B and DRIVE make it more difficult to align D2B and DRIVE.



Consider aligning the lists of eligible countries to ensure a clearer link between D2B and DRIVE. In some emerging countries (from DRIVE list) less than 100% grant funding for D2B studies might be advisable.

3 Financeability of the D2B portfolio is overall regarded as well by other donors such as WB, AFD and GIZ. Climate adaptation and water mgt in combination with urban development match well current donor strategies. D2B projects with larger investment costs (over euro 100 million for implementation) are seen as less financeable. Early donor involvement and streamlining of procedures is regarded as essential.



Focus D2B especially on climate adaptation, water management in relation to urban development. Do not target very large projects (investment budgets over euro 100 million). Involve other donors at early stages (including lead sharing and streamlining of appraisal procedures).

4 The additionality of D2B is not sufficiently tested, and no clear definition is provided to distinguish between different forms and sources of additionality. This could lead to non-additional projects.



Make the additionality of D2B (e.g. towards other donor funding or other project development instruments) a formal selection criterion during the formulation phase.

5. Development relevance of D2B

Sections

- 5.1 Relevance to local government
- 5.2 Relevance to private sector development
- 5.3 Relevance to local population
- 5.4 Conclusions and recommendations

Evaluation questions

- Do the receiving governments experience ownership of D2B-projects?
- Does D2B tap into an existing demand on the side of local governments, other donors, and/or multilaterals in developing countries for the development of infrastructure projects?
- Do projects developed by D2B contribute to private sector development (PSD) in the receiving countries?
- What incentives are in place to ensure that projects with the highest development impact are selected? Is there a trade-off between development impact and projects that can be successfully completed?

5.1 Relevance to local government

The relevance of D2B projects to local government priorities is an important selection criterion, both in theory and in practice, to ensure local commitment and ownership.

Throughout the D2B process, the **relevance to the local government** is regarded as the degree to which the D2B project and the infrastructure in general aligns with the policy priorities of the local government.

D2B documents:

- A project idea must align with the policies of the national and/or regional government for it to enter the D2B process.
- QaE memos must answer the following questions:
 - How is the project supported by local government?
 - How does the project link with national priorities and strategies?
- Formulation plans :
 - Must “describe how the infrastructural project is complementary to projects implemented in the past in the same region.” (in the Chapter called ‘Priority fields of recipient government’)

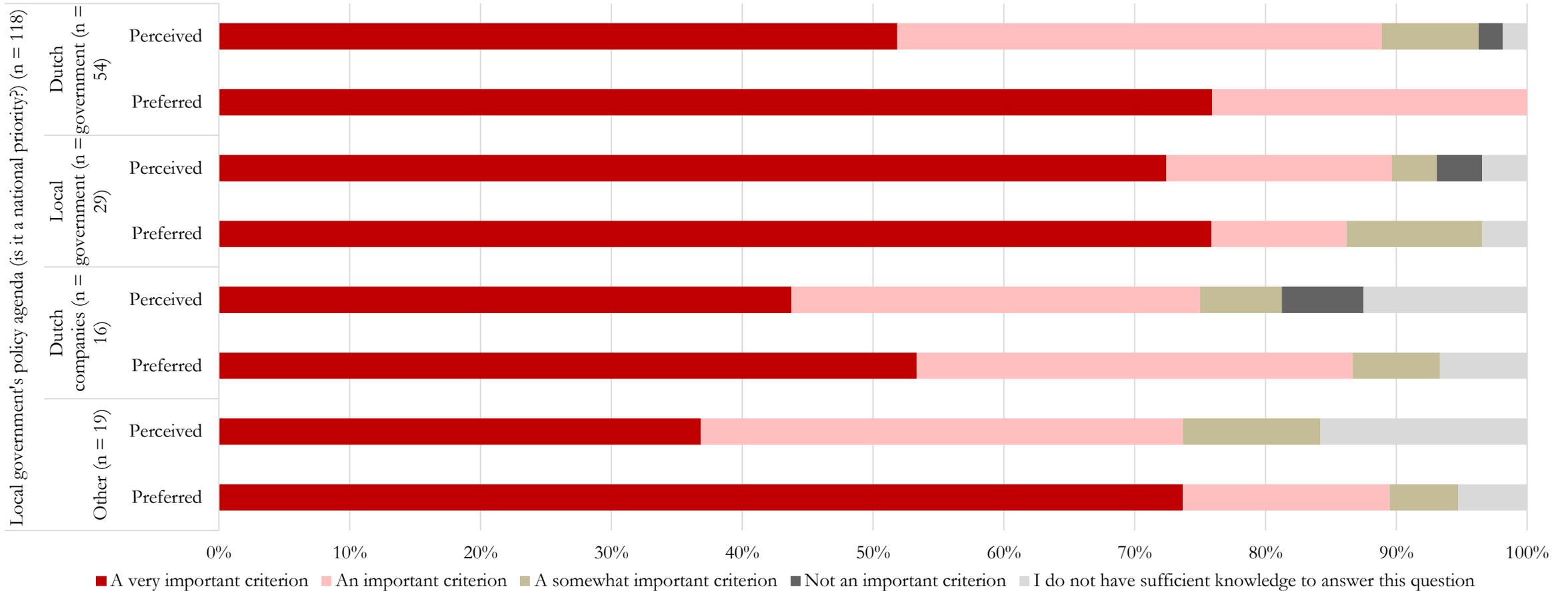
Observations:

- RVO aims to engage local governments throughout the entire D2B process in order to ensure local commitment.
- The local government will (most likely) only commit to a D2B project if it is relevant to its own political strategy.
- All formulation plans explain how the D2B project relates to the local priorities and strategies.
- All types of survey respondents, except for local government employees themselves, would generally prefer the relevance to local government to be a more important selection criterion than it currently is.

5.1 Relevance to local government

All survey respondents, except for local government employees themselves, would prefer the relevance to local government to be a more important selection criterion than they currently perceive it to be.

“To what extent do you think that the relevance towards the following factors have been/ should be an important criterion in the selection process?”



5.2 Relevance to private sector development

The relevance of D2B projects for private sector development is an important selection criterion in the D2B manual, but is not clearly defined, and often not assessed in QaE memos or formulation plans.

The **relevance to private sector development (PSD)** can be seen as the degree to which the D2B project and the resulting infrastructure is expected to benefit **local private businesses** and private sector growth.

D2B documents:

- D2B manual:
 - States that all D2B projects should have a “positive impact on private sector development.”
- QaE memos:
 - Must answer the following questions: “Does the project fit the PSD agenda of the embassy”?
- Formulation plans:
 - Must contain the following under ‘Project objectives’: “Please include the points of attention related to inclusive growth and PSD.”

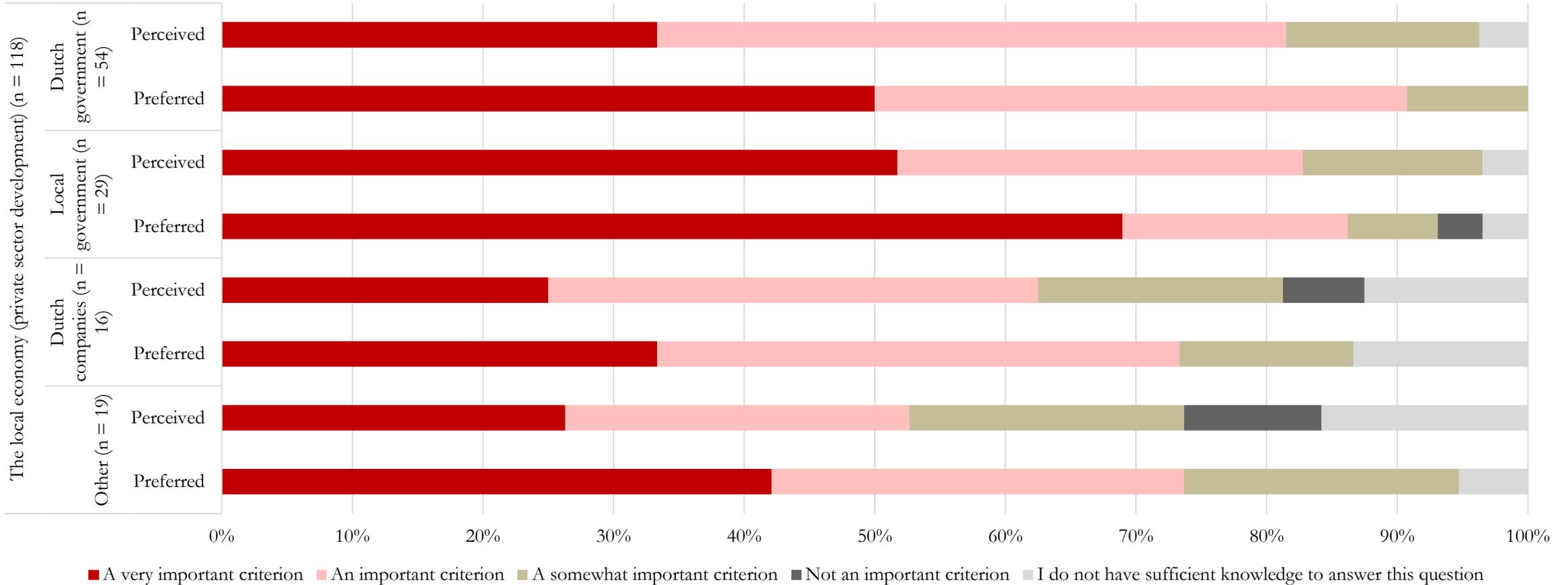
Observations:

- PSD appears to be an important selection criterion (as reflected in the D2B manual, QaE memo format, and formulation plan format) but in practice it is not clearly defined.
- The relevance to PSD is not assessed in a consistent way. For example, there is no methodology in place that makes it clear that a port project would create more jobs or positive spillovers to the local economy than a small town drinking water project. Potential scale & multiplier effects could be ex-ante assessed (learn from ex-ante assessment practices of other donors).
- The identification phase (with the QaE memos) focusses on assessing the alignment of the D2B project and the PSD agenda of the Dutch embassy, and not on the PSD agenda of the local government.
- While all formulation plans are required to describe the expected PSD impact of the project, only 60% mention the relevance to PSD in practice.
- All groups of survey respondents would like the relevance to the local economy (PSD) to be a more important selection criterion

5.2 Relevance to private sector development

All types of survey respondents prefer the relevance to the local economy (private sector development) to be more important as a selection criterion than they currently perceive it to be.

“To what extent do you think that the relevance towards the following factors have been/ should be an important criterion in the selection process?”



5.3 Relevance to local population

Through its choice of focus sectors, D2B aims to ensure that most D2B projects increase the living condition of the local population. How and which groups are affected is however not always assessed.

The **relevance to the local population** can be described as the degree to which the D2B project and the resulting infrastructure is expected to benefit individual end-beneficiaries (as opposed to local businesses). The local population can benefit in the form of e.g. reduced poverty, cleaner water and sanitation, improved health, or better (more decent) employment.

D2B documents:

- D2B manual:
 - All D2B projects should contribute to society in general, where benefits should exceed costs;
 - and the projects should be socially, economically and financially sustainable.
- QaE memos:
 - No requirement to assess the effect of the project on the local population.
- Formulation plans:
 - Must “describe the social and environmental context of the project. In this chapter the social and environmental implication of the implementation of the project is discussed. It does not focus on the social effect of the finished project.” (Chapter ‘Social and Environmental aspects’)

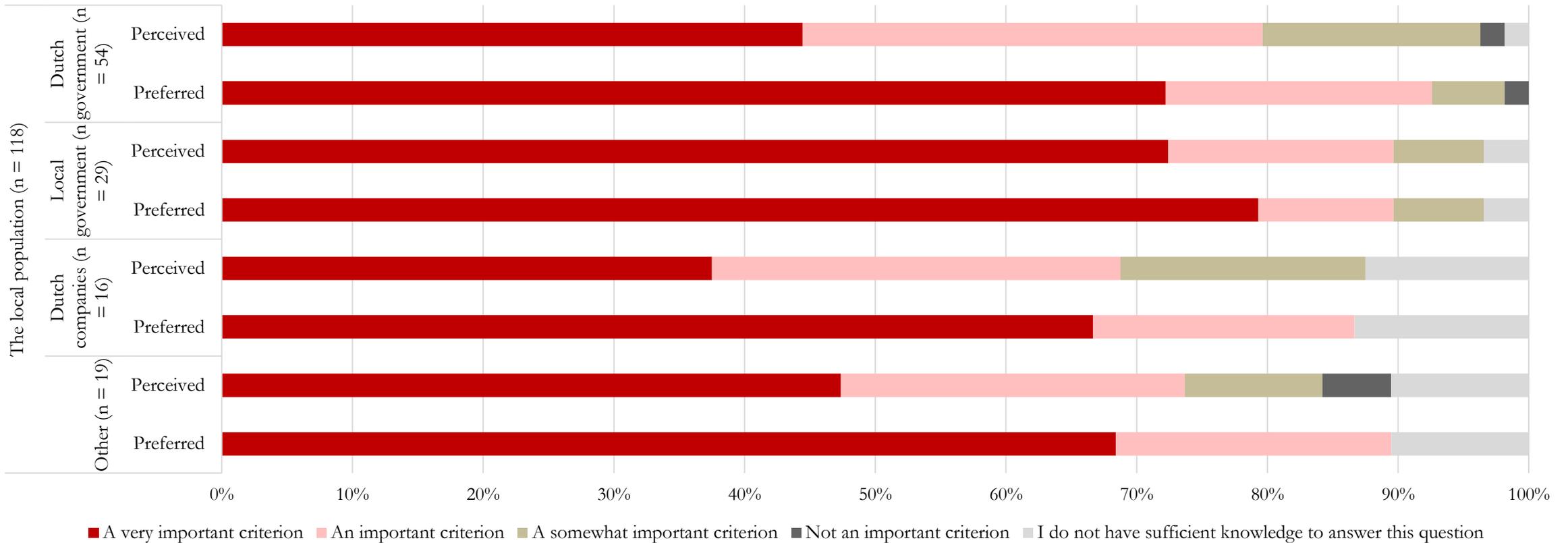
Observations:

- Ex ante, one can say that projects in the focus sectors of D2B (food security, water, climate and SRHR) are relevant for the improvement of living conditions of the local population.
- In almost 90% of formulation plans, the relevance to the local population is discussed. In many cases this is then linked to economic aspects and/or increased job opportunities. (even though formulation plans do not ask to describe ‘the social effect of the finished project’)
- Although theories of change (ToC) are developed for projects, the potential socio-economic impacts on the population (on poverty, income, food & water security, health, or travel time reduction) are not explicitly assessed.
- Survey respondents would prefer the relevance to the local population to be a more important selection criterion.

5.3 Relevance to local population

Survey respondents would prefer the relevance to the local population to be a more important selection criterion than they currently perceive it to be.

“To what extent do you think that the relevance towards the following factors have been/ should be an important criterion in the selection process?”



5.4 Conclusions and recommendations

Conclusions

Recommendations

1

“Development relevance” is not well defined as a selection criterion – e.g. it is not clear whether this refers to e.g. poverty reduction, health, employment, or other goals.

The relevance to **private sector development** is also not clearly defined and therefore difficult to assess.



Define **development relevance** in terms of the SDGs, e.g. as the expected contribution to reduced poverty (SDG1), good health and well-being (SDG3), clean water & sanitation (SDG6), etc

Define **PSD relevance** as a subset of “development relevance” and link it to e.g. SDG8 (Decent work and Economic growth) and SDG9 (Industry, Innovation and Infrastructure) – or use EBRD criteria.

2

As a result, these selection criteria are not used consistently, and are not transparent.



Use a simple scoring grid to indicate the extent to which the project seems relevant *ex ante* for addressing each of the 17 SDGs.

In the identification phase, this can be simple, e.g. -, 0, +, ++. In the formulation phase, the grid could be a bit more elaborate. Communicate these grids clearly to all stakeholders for transparency reasons (including with weights for each criteria)

3

The **relevance to the local government** is used as a serious selection criterion, but is not clearly defined either.



Develop a set of indicators for measuring the relevance of proposed projects to the local government agenda, and use this consistently as a selection criterion (using a scoring grid).

6. Relevance to Dutch economy

Sections

- 6.1 Relevance to Dutch companies
- 6.2 Dutch comparative advantages
- 6.3 Potential trade-offs
- 6.4 Conclusions and recommendations

Evaluation questions

- How many D2B-studies are implemented by NL companies?
- Are the infrastructure projects that are currently being developed by D2B interesting for NL companies? Is there a reasonable chance that these projects will be executed by NL companies in the implementation phase?
- Is the relevance to NL businesses (implicitly or explicitly) weighed in during the selection phase of projects?
- Is there a tension between involving Dutch companies and the aim to maximize development impact?
- Does RVO experience a ‘dual goal’ in the implementation of D2B (at the same time maximizing development impact, and involve NL companies)?

6.1 Relevance to Dutch companies

Dutch companies are allowed to benefit from D2B projects as long as the desired development impact is met. In practice, Dutch companies win more than 80% of the tenders for D2B studies.

The **relevance to Dutch companies** is regarded as the degree to which the D2B project and the infrastructure in general benefits Dutch companies, and their position in international markets. Dutch companies can be responsible for the execution of the D2B project (e.g. performing a feasibility study) and/or involved with the implementation phase of the infrastructure project.

D2B documents:

- D2B is financed by ODA funds and must therefore focus on the development impact and not on the Dutch interest of projects.
- Dutch companies are allowed to benefit from D2B projects (e.g. executing the feasibility study) as long as the desired development impact is met.
- QaE memos:
 - No requirement to assess the effect of the project on Dutch businesses.
- Formulation plans:
 - No requirement to assess the effect of the project on Dutch businesses.

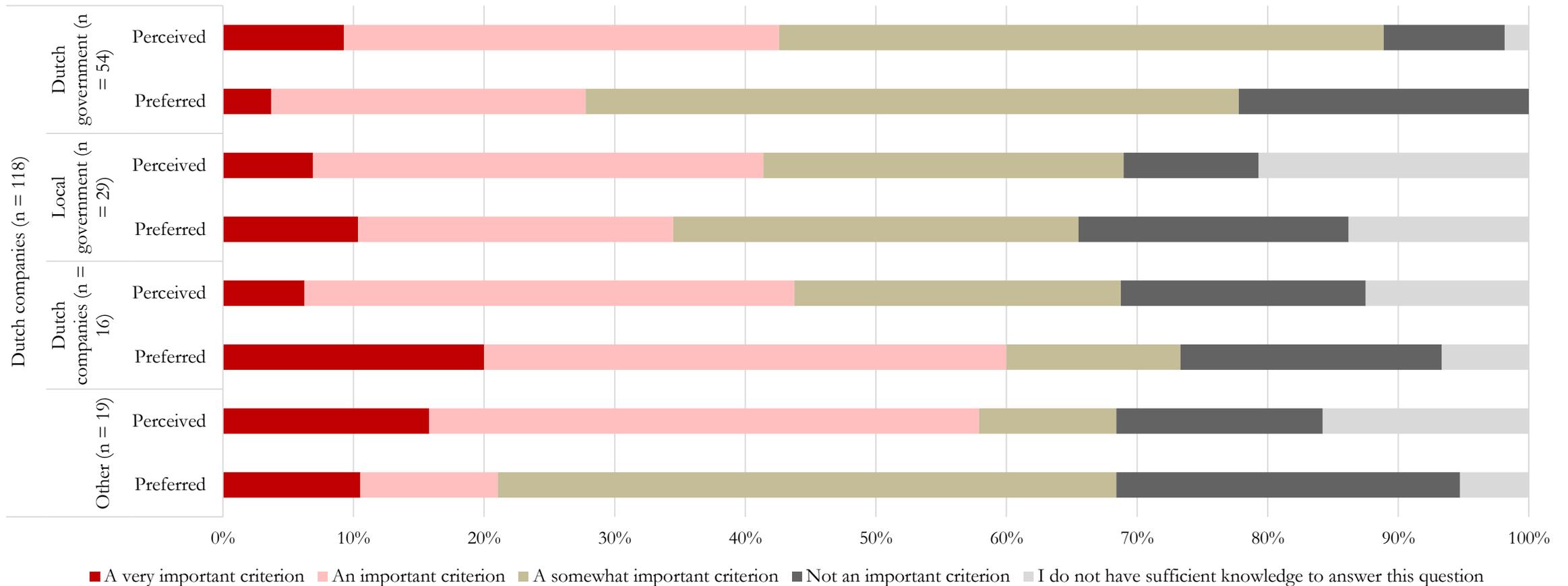
Observations:

- The D2B focus sectors largely correspond to the sectors in which Dutch companies usually have a comparative advantage. This also depends on the regional context.
- Dutch companies are mentioned in 80% of the completed QaE memos (since 2017) but are rarely mentioned in formulation plans.
- During the tender process, MFA encourages RVO and the local government to not only focus on the price but also on the quality when selecting a contractor. This gives Dutch companies more possibilities since they are seen to often offer better quality studies at a higher price.
- More than 80% of the tenders for the D2B studies have been won by a Dutch company. This is lower for tenders in French speaking countries and in a multidonor context.
- In 2 of the 3 finished feasibility studies Dutch companies were involved with the execution of the study. The study in Sao Tome was exclusively written by Dutch parties. In the study conducted in Bhutan, six parties were involved of which 3 were Dutch.
- During the roundtable, Dutch companies were not able to provide examples where they won other projects due to having carried out a D2B project in the same country.

6.1 Relevance to Dutch companies

All types of respondents (except Dutch companies themselves) prefer the relevance of D2B projects to Dutch companies to be a less important selection criterion than they currently perceive it to be.

“To what extent do you think that the relevance towards the following factors have been/ should be an important criterion in the selection process?”



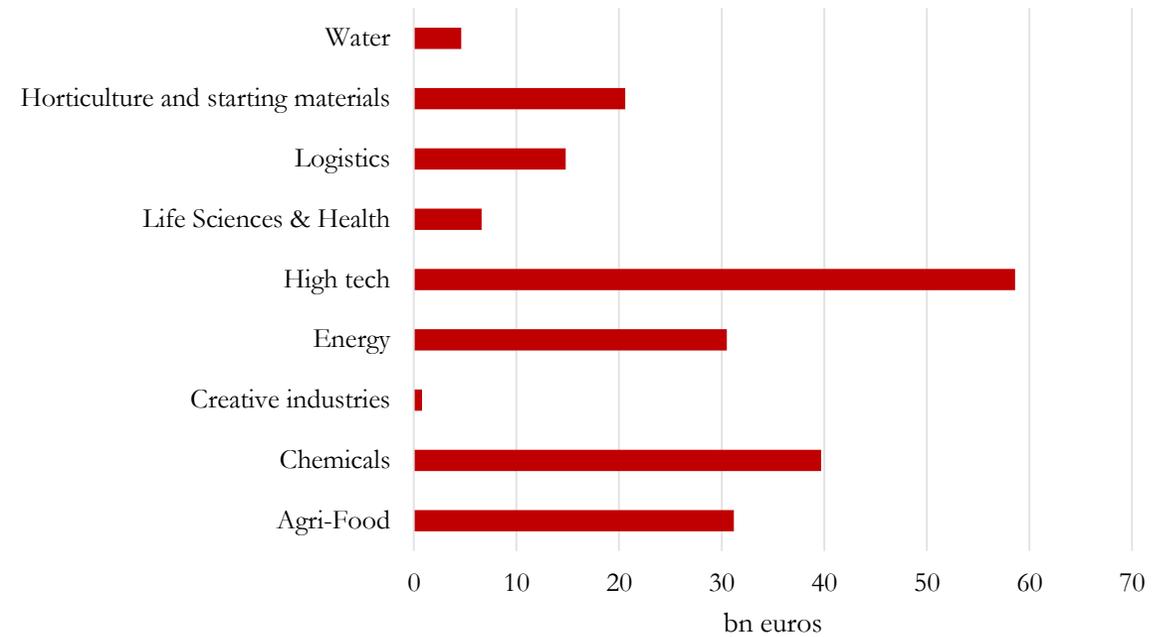
6.2 Dutch comparative advantages

In order to assess the relevance of D2B to Dutch companies, it is useful to assess the top sectors of the Netherlands.

- Dutch top sectors are regarded as industries where Netherlands is regarded to have global comparative advantages. From the 9 topsectors, 5 are relevant in the field of infrastructure: agrifood, energy, life sciences and health, logistics and water & maritime.
- In the field of infrastructure various companies, NGOs and knowledge institutes are active. In general competition is strong, but Dutch players can have comparative advantages in specific subsectors and countries (or groups of countries).
- Important elements for success are:
 - Providing the right services or products at relevant prices for institutions in the country;
 - Experience (track record) in the relevant countries;
 - Knowledge of and previous collaboration with local partners or agents;
 - Knowledge of the local context, challenges and issues

Goods exports by top sector

- In 2018, almost 42% goods exported came from the nine top sectors.
- In terms of volume, high-tech exports accounted for the largest share of goods exported, followed by chemicals, agri-food, and energy.
- Water and health are relatively smaller top sectors in terms of exports.



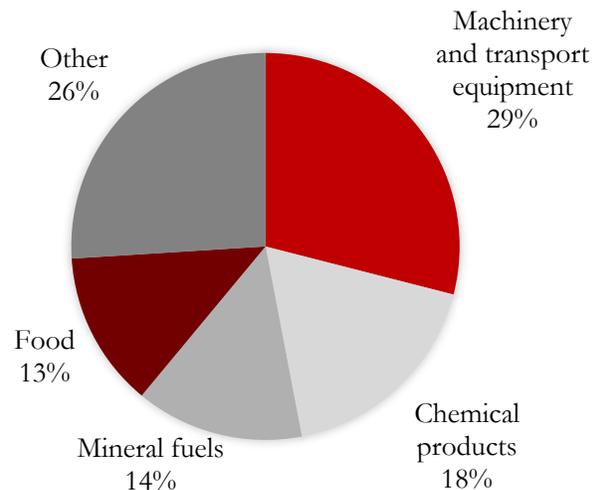
6.2 Dutch comparative advantages

While not clearly visible in export statistics, the Netherlands is widely seen as having a global comparative advantage in maritime transport and logistics.

Issues related to export statistics:

- In 2018, the value of Dutch goods exports formally exceeded that of services exports (496 billion euros and 206 billion euros, respectively), but statistics on exports of services are less reliable and less precise.
- The export value of goods was highest for machinery and transport equipment, accounting for nearly 30% of total goods exports in 2018.
- Food exports accounted for 13%, but this does not include agri-food-related services.

% OF TOTAL GOODS EXPORTS BY TYPE OF PRODUCT



Qualitative assessment:

- Due to statistical sector classification issues, there is insufficient quantitative information available on water-related infrastructure exports, particularly with regard to consulting services in these areas.
- Based on qualitative information, it is clear that the Netherlands is widely seen as having a global comparative advantage in the fields of maritime transport and logistics (river transport, sea ports, dredging, port and maritime services, equipment etc.). Examples of globally successful Dutch companies active in this field are Van Oord, BAM, and Boskalis.
- In subsectors such as road, public transport and aviation, the Netherlands is seen as having less of a comparative advantage (except for some niches).
- Dutch players in maritime and logistics have a comparative advantage mainly in countries in the Middle East (gulf states), sea deltas in Africa and Asia. In more developed emerging markets (e.g. Indonesia, Bangladesh) competition is stronger. In Sahel (fragile countries) Dutch comparative advantage is less.

6.2 Dutch comparative advantages

Dutch companies and knowledge institutes have comparative advantages in integrated water management/ flood management and subsectors in agri-food (potatoes, dairy, research) for specific countries.

Water:

- The Netherlands is especially strong in knowledge, consultancy and innovative techniques in Integrated Water Resources Management (e.g. irrigation, flood management, coastal protection). D2B projects can help to further strengthen the Dutch market position in this segment.
- The Netherlands has a good position in technical innovations for drinking water & sanitation (WASH), regarding for example filters and decentral stand-alone stations. By its nature, D2B is unlikely to impact the market position of the Netherlands in this segment.
- The Netherlands has strong expertise in port development (Masterplans, dredging and port construction). D2B projects can help to further strengthen of the Dutch market position in this segment.
- Compared to Germany and France, the Netherlands is not strong in the construction and operation of drinking water and sanitation facilities (lack of appetite of water operators and limited PPP expertise). D2B follow-up projects in this area are therefore unlikely to benefit Dutch companies.
- Hydrodam expertise (consultancy and construction) is almost absent in the Netherlands. D2B follow-up projects in this area are therefore unlikely to benefit Dutch companies.
- Dutch players are mainly strong in parts of West Africa and specific countries in Asia, less strong in Sahel, Latin America and East Africa.

Agri-Food:

- The Netherlands is the world's largest exporter of agricultural goods after the United States.
- Agricultural commodities account for nearly one-fifth of Dutch commodity exports: 18.2 percent in 2018.
- The Netherlands has a strong, innovative and highly productive agri-food sector with highly efficient logistics and processing.
- According to the Agri-food top sector website, the Netherlands has the best knowledge institutions in the world and the best public-private cooperation between business, knowledge institutions and governments within this sector.
- Currently, around 80% of exports of agri-food products go to neighboring countries within the EU. However, the Dutch Agri-food sector states that real growth opportunities for export lie outside of Europe. The sector wants to play a leading role in the exporting opportunities to the growing food markets in Asia, Africa and South America.
- Dutch players in agri-food are mainly strong in parts of Africa and specific countries in Asia, less strong in the Middle-East and the Sahel.

6.2 Dutch comparative advantages and D2B

- About 10 of 53 projects in the D2B portfolio are in the field of integrated water management/ flood management. In this sub-sector Dutch players have a strong position vice versa competitors from other countries.
- D2B Portfolio contains more than 15 projects in the fields of drinking water, sanitation and waste. This is quite notable, as these are not the sectors with most comparative advantage for Dutch players.
- A number of projects in the D2B portfolio are transport projects (roads, public transport). First of all, these are not in key D2B thematic areas. Secondly, these are not the sectors in which Dutch players have a comparative advantage over competing engineers or contractors from other countries.
- About 5-7 D2B projects from the portfolio are in fragile states. In these countries Dutch companies have little advantages compared to competition from France, Belgium or other countries. Often Dutch players lack track record, local partners or language skills for these countries.

| Strong NL subsectors | Fragile states | Other LDCs | Emerging markets |
|--|----------------|------------|------------------|
| Integrated water resources management (climate adaptation) | 0/- | ++ | + |
| Agri-food (dairy, potatoes, research) | - | + | ++ |
| Maritime & logistics | - | 0/+ | ++ |
| Health (equipment) | - | + | ++ |

6.3 Potential trade-offs

Despite the in-built tension between trade and aid, RVO representatives do not experience a ‘dual goal’. Dutch companies suggest to involve them more in project identification to accomplish both goals (trade and aid).

SEO assessment:

- There is an in-built tension between ‘trade’ (relevance to Dutch economy) and ‘aid’ (development relevance).
 - On the one hand, the relevance to the Dutch economy is not a formal selection criterion, and OECD rules do not allow ‘tied aid’
 - On the other hand, Dutch parliament and MFA put pressure on RVO by often requesting statistics such as the % of Dutch companies that are implementing D2B projects (perceived target seems to be >50%)
- This tension can be reduced by restricting to areas (sectors/countries/expertise) in which Dutch companies are seen to have a comparative advantage, and maximise development relevance within those areas.
- While the choice of D2B’s focus sectors already accomplish this to some extent, the Netherlands could possibly learn more from other donors on how to combine both trade and aid objectives (for example, the way AFD uses criteria such as “develop existing French expertise or experience” and “contribute to French influence.”)

RVO focus groups:

- Some RVO officials state that they do not experience a ‘dual goal’, because within D2B projects, the development impact is always considered more important than the Dutch interest.
- Nevertheless, they acknowledge that there is an expectation from Parliament that the share of projects won by Dutch companies should be >50%.

Findings roundtable:

- Companies do believe that there is a tension between ODA and the potential involvement of Dutch companies in project identification (idea generation & scoping).
- Companies suggest to involve their consultants in early stage project identification (scoping) by simple subcontracting or direct award (small TA-budgets) in countries they are already active. In their view, this could result in more promising leads and boost the project pipeline of D2B.
- There is a tension between MFA’s shift in policy towards fragile states and the lack of interest of Dutch companies to work in these countries (due to company internal risk policies).

6.4 Conclusions and recommendations

Conclusions

1

D2B studies generate business for a small group of Dutch companies & knowledge institutes. Follow-up projects originating from D2B may benefit some Dutch companies, but only if they have a competitive advantage.



Recommendations

D2B should not aim or claim to have a major impact on Dutch companies. Rather, it should strive to maximise development impact with the help of Dutch companies (and others).

2

D2B alone does little in terms of creating or strengthening the competitive advantages of Dutch players. Engineering companies (present in the round table) do not see D2B as affecting their chances of winning other similar projects or entering new markets. However, it is known from other RVO programmes that some projects have resulted in access to a new country for some players.



Involve Dutch companies in the early stages/ pre-feasibility of projects with direct award or simple tendering. After this phase there should be a clear go/no go before the projects enter the formulation phase.

3

There is an in-built tension between 'trade' (relevance to Dutch economy) and 'aid' (development relevance). The tension is largest for countries where NL players are not very strong (e.g. Sahel) and in sectors where these players do not have real comparative advantages.



Restrict the instrument to the aforementioned subsectors & countries in which Dutch companies are seen to have a comparative advantage, and maximise development relevance within those areas. Subsectors are: integrated water management/ climate adaptation, maritime, agri-food (potatoes, dairy), maritime and logistics, health -equipment.

4

Dutch companies are not interested to work in fragile states, mainly because of internal risk procedures.



Do not focus on the 'aid to trade' objective for fragile states. Development impact should be the central aim for these countries. Align D2B and DRIVE well with the aims and criteria donors active in these countries use.

7. Comparable instruments

Sections

- 7.1 Overview comparable instruments
- 7.2 Western Balkans Investment Framework (WBIF)
- 7.3 FEXTE - Agence française de développement (AFD)
- 7.4 InfraCo – PIDG
- 7.5 Development Accelerator (DA) - FMO
- 7.6 PPIAF – World Bank
- 7.7 CDIA – Cities Development Initiative for Asia
- 7.8 Non-programme support to project development
- 7.9 Lessons learned

Corresponding evaluation question(s)

- What comparable instruments aimed at infrastructure project plan development are available from other donors, agencies and DFIs? How do these facilities compare to D2B in respect to their aims, working, budget available, etc.?
- How do other (bilateral) donors deal with the tension between trade and aid (e.g. tension between development-impact and involvement of their ‘own’ companies)?
- What are lessons learned from these instruments for D2B?

7.1 Overview comparable instruments

| Instrument | ODA | Cumulative budget | Country income group focus | Focus sectors | Phase of project development | Public/private/ PPP projects | Beneficiary | Bi- or multilateral |
|-----------------------|-------------------------------|--------------------------------------|--|--|--|------------------------------|--|---------------------|
| D2B | Yes | € 75 m reserved until end 2020 | Low income | Food security, water, climate and SRHR | <ul style="list-style-type: none"> Feasibility and auxiliary studies/activities Supporting procurement process | Public | Local government | Bilateral (Dutch) |
| WBIF | Yes (EC DG Near, DEVCO) | €1.0bn grants €5.5bn loans leveraged | Upper middle-income | Energy, environment, social, transport, and digital infrastructure | <ul style="list-style-type: none"> Pre-project Feasibility and auxiliary studies/activities Supporting procurement process Project finance | Public, PPP and private | National and local governments | Multilateral |
| FEXTE | Yes | €30mln in 2019 | OECD ODA list and the AFD country list | Not specified | <ul style="list-style-type: none"> (Pre-)Feasibility studies, infrastructure project support, training and capacity building. | Public, PPP and private | National governments | Bilateral (France) |
| InfraCo (PIDG) | Yes (DFID, DGIS, SECO, IFC) | \$3.6bn | Low income | Broad | <ul style="list-style-type: none"> Preliminary idea and Concept Note development Feasibility and auxiliary studies/activities Supporting procurement process Structuring and project finance | Private and PPP | Private companies and PPP | Multilateral |
| DA | No | €16m | Low and middle income | Agri/food, water, health, climate and enabling infrastructure | <ul style="list-style-type: none"> Feasibility and auxiliary studies/activities Supporting procurement process Financial structuring | Public and private | Dutch businesses or local project sponsors (public or private) | Bilateral (Dutch) |
| PPIAF | Yes (UK/USA UstAid, and more) | Between \$5m and \$20m per year | Low and middle income | Energy, Water and Transport | <ul style="list-style-type: none"> Pre-project Pre-project Capacity building Legal and regulatory development | Public and PPP | National governments, PPP units, regulators, and sub-national entities | Multilateral |
| CDIA | Yes (SIDA, SECO, Austria) | Around 5mUS\$ | ADB member countries | Urban water and sanitation, flood management, renewables and social infrastructure | <ul style="list-style-type: none"> (Pre) Feasibility Studies, Engineering Designs, Due Diligence Reports, Business Plans, Project Preparatory Technical Assistance. | Public and PPP | Medium sized cities (250,000 -5m inhabitants) | Multilateral |

7.2 Western Balkans Investment Framework (WBIF)

Established in 2009, WBIF is joint initiative of the European Commission, the Council of Europe Development Bank, the EBRD, the European Investment Bank, and several bilateral donors.

Aim: EU enlargement and socio-economic development through supporting infrastructure projects.

Responsible authority and management instrument: The Secretariat is hosted by the European Commission. The project Financiers Groups screens and assesses requests for grants and decides on funding.

Funding, seize and scope: The project development facility is funded by the Instrument for Pre-Accession (IPA) of the European Commission.

Eligibility: Public and private infrastructure projects from the energy, environment, social, transport, and digital infrastructure sectors in Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia.

Type of TA: Concept development, feasibility studies, preliminary and detailed design studies, support for the tendering process, other preparatory sectoral studies and preparation of tender documents.

Implementation mode and actors involved: The support for project development is procured by the European Investment bank. Consortia are shortlisted and can bid for the support provided. Often the consortia are comprised of several large engineering and project finance firms. Consultants are requested to form a large pool of project development experts in all relevant sectors and with all relevant expertise for infrastructure project development studies.

Strong points:

- Strong commitment of national authorities through involvement in the WBIF management and co-finance;
- Availability of a large pool of international and local experts in a wide set of sectors and skills to support project development;
- Flexibility in support possible as a wide pool is available;
- Also support is provided in early stage project origination through the other contract of the secretariat.

Weak points:

- Large bureaucracy and requirements from European Commission.
- Selected consortia are often the well-known large engineering companies, due to strong track record and team leader requirements. This implies a lack of innovation (less chances for more innovative companies).

7.3 FEXTE - Agence française de développement (AFD)

The Fund for Technical Expertise and Experience Transfers (FEXTE) funds technical-cooperation programs and project-preparation studies in developing countries.

Aim: FEXTE is first and foremost a tool of influence, aimed at promoting French know-how and expertise. Second, its purpose is to support the sustainable development of developing countries.

Responsible authority and management instrument: FEXTE is co-managed by AFD and the French Treasury.

Funding, seize and scope: Due to AFD's geographical opening and the diversification of its activities, the FEXTE budget has shot up, from around €15mln per year in the past years to €30mln in 2019.

Eligibility: There is no specific target on recipient countries' gross income per inhabitant or general development levels. FEXTE beneficiaries must be part of the OECD ODA and the AFD country list. Projects must also meet three criteria:

1. Comply with AFD's geographical and sectoral missions and priorities;
2. Develop existing French expertise or experience;
3. Contribute to French influence, in economic, public-policy and/or ecological diplomacy terms.

Type of TA: (Pre-)Feasibility studies, infrastructure project support, training and capacity building.

Implementation mode and actors involved:

- Project identification and applications come from countries where AFD has offices, or where French embassies have regional economic services.
- The tendering process is open internationally.

Key characteristics:

- Every application is reviewed on a case-by-case basis based on the eligibility criteria cited above.
- No scoring grid is used.

Strong points:

- Uses local offices and French embassies for project identification.
- FEXTE does not have a restriction on the type of TA that can be provided to a recipient country.

Weak points:

- It is not clear how FEXTE combines what they call 'demand-driven' selection criteria with the explicitly supply-driven selection criteria that foster the French interest. The stated aim and eligibility criteria suggest that the French interest is a more important criterion than the development impact.

7.4 InfraCo – PIDG

InfraCo (Africa and Asia) falls under the PIDG Group which support the origination, development, structuring, investment and management of infrastructure projects with private sector involvement in Africa and Asia.

Aim: Support the development of bankable (commercially viable) infrastructure projects until financial close.

Responsible authority and management instrument: The responsible authority is InfraCo itself. The entity can recruit experts or consultants (technical, financial, etc.) to assist with preparing projects, studies, business cases & financial models and transaction advisory.

Funding, seize and scope: Funding of InfraCo Africa and Asia comes from the governments of the UK (DFID), NL (DGIS) and Switzerland (SECO).

Eligibility: Focus on private or PPP infrastructure projects with a potential to be commercially viable, but which are currently too risky for the private sector. Country focus is on Least Developed Countries (LDC), Other Low Income Countries (OLIC) and Fragile or Conflict-Affected States (FCAS).

Type of TA: Preliminary idea and Concept Note development, technical advice, financial modelling, financing advise and transaction advisory.

Implementation mode and actors involved: InfraCo relies on relationships with developers, investors and service providers to deliver services (i.e. consultancy) or finance. It tenders out project support through its website or grants smaller consultancy contracts to its pool of experts.

Strong points:

- Focus on transactions and business-oriented approach from professionals with a private sector background.
- Focus on LDSs and OLICs, where additionality and impact are highest.
- Mobilised US\$1.1 billion in committed investment from development finance institutions.

Weak points:

- There is a limited number of projects that are commercially viable, operate in fragile states and have absorption capacity.
- InfraCo cannot support projects that are not yet commercially viable but may develop in that direction, for instance through a process of commercialisation.

7.5 Development Accelerator (DA) - FMO

The Development Accelerator (DA) was established in 2017 by the Dutch government and FMO.

Aim: Develop initiatives in the private and public sector with a focus on climate, energy, water, and health. The ultimate objective is a financial solution for an impact project with Dutch interest at Financial Close. It will contribute to the achievement of the Sustainable Development Goals (SDGs) and strengthening opportunities for the Dutch business community.

Responsible authority and management instrument: FMOs' Project and Partnership Development team manages the fund on behalf of the Dutch government.

Funding, seize and scope: Funded by the Dutch government. In 2017 and 2018 DA committed to 12 projects. The average budget per project is 250,000 euro.

Eligibility: Projects in agri/food, water, health, climate and enabling infrastructure in low- and middle-income countries with an opportunity for Dutch interest. Beneficiaries can either be Dutch businesses or local project sponsors (public or private). The project must contribute to a SDG.

Type of TA: Analysing and identifying the needs and potential of a project, assessing the feasibility of a project, or supporting the procurement process.

Implementation mode and actors involved: Project opportunities (including financial structuring, pilot) are found within the FMO network and are tested against the selection criteria using a scoring grid. The Investment Committee reviews all propositions.

Key characteristic

- DA can fund up to 50% of the project development budget.
- The opportunity for Dutch interest is an explicit selection criteria.
- If the recipient is a private party, the DA contribution (+25% premium) needs to be repaid if the project reaches Financial Close. In case the project is not implemented or not deemed feasible, there is no repayment obligation. If the recipient is a public entity, the development contribution is a grant.

Strong points:

- The instrument is flexible; it can be customized to facilitate a possible future transaction to the maximum extent.
- The repayment of loans (including premium) allows DA to expand operations without additional funding from the Dutch government.

Weak points:

- Project leads come from the FMO network (which might be supply driven, although a local commitment is required by DA).
- The degree of local 'ownership' is not formally assessed (but FMO requires a committed local sponsor for the project to be approved: a Dutch company, an FMO partner, or a local entity (public or private)).
- Due to the recent start of this programme, little information is publicly available about the effectiveness of the instrument.

7.6 PPIAF – World Bank

Established in 1999 by the governments of Japan and the United Kingdom, housed inside the World Bank Group, PPIAF is a catalyst for increasing private sector participation in emerging markets.

Aim: Help eliminate poverty and increase shared prosperity in developing countries by facilitating private sector involvement in infrastructure.

Responsible authority and management instrument: PPIAF is headquartered in Washington, D.C. and maintains field offices in Nairobi and Dakar. PPIAF works in collaboration with the World Bank Country Units to deliver assistance.

Funding, seize and scope: The facility is project driven and annual inflows vary heavily from year to year (between \$5 and \$20m per year). Major donors include Australia, France, Germany, the Netherlands, , Norway Switzerland.

Eligibility: Clients include national governments, PPP units, regulators, and sub-national entities. Sub-Saharan Africa is the main benefitting region obtaining \$5m of the total of \$12m in grants approved in 2018. Within the portfolio fragile states are a major beneficiary. Fragile states receive 33% of grants approved in 2018, 42% of grants approved have climate adaptation and mitigation co-benefits.

Type of TA: Institutional strengthening, improvement of laws and regulations, capacity building.

Implementation mode and actors involved: Being embedded in the World Bank PPIAF can use its extended network of country offices and access to policy makers. PPIAF has got strong ties with other international donors too.

Strong points:

- PPIAF firmly opts for investing its resources in fragile states where its impact may be highest.

Weak points:

- Because PPIAF is multilateral and upstream only it can focus on the critical upstream with credibility. Its funding from specific countries and donors make it vulnerable. It may be accused of having a political agenda servicing its funders.

7.7 CDIA – Cities Development Initiative for Asia

CDIA is an ADB-managed Trust Fund that works closely with medium-sized cities in Asia and the Pacific to address gaps in infrastructure development and financing.

Aim: Sustainable and equitable urban development, leading to improved in Asia Pacific cities with respect to urban water and sanitation, flood management, renewables and social infrastructure

Responsible authority and management instrument: Implemented jointly by ADB and AFD, policy guidance from donors

Funding, size and scope: Governments of Austria, Germany, Sweden, Switzerland, the United Kingdom and the United States of America, as well as the European Union and The Rockefeller Foundation. Funding size: Annual budget of around 5m US\$.

Eligibility: Medium sized cities (250,000 -5m inhabitants) in ADB developing member countries.

Type of TA: Pre Feasibility Studies, Feasibility Studies, Engineering Designs, Due Diligence Reports, Business Plans, Project Preparatory Technical Assistance. Until some years ago the only support provided was FS. The broadening of the types of TA was one of the factors behind an increased success rate experienced ever since.

Implementation mode and actors involved: In selected cities CDIA engage over some years to be able to address the needs of cities as complex socio-economic systems; CIDA assesses the potential for financing projects at an early stage and work with a wide range of financial institutions to improve the chances of successful project implementation;

Comparable instruments

Strong points:

- Longer-term relationship with beneficiaries
- Partnerships with a dozen organisations with compatible objectives
- Aiming at bridging the gap between development strategy and concrete projects
- 109 project preparation studies in 20 ADB Developing member countries
- Promoting regional dialogue and cooperation on sustainable urban development to enhance cross-learning from good local practices.
- It uses a demand-driven approach to support infrastructure projects that emphasise poverty reduction, environmental improvement, climate change mitigation or adaptation, and good governance.

Weak points:

- Unable to take ownership of projects (neither for a transitional time).
- Perceived as being for ADB projects only. In practice, however, CDIA is allowed to do project development for other financiers (e.g. AFD) as well and has demonstrated being able to customise its output for the purpose of specific financiers (type of studies etc.)

7.8 Non-programme support to project development

- World Bank, AfD, KfW and GIZ also use in country ad-hoc support to infrastructure project development from unused budgets or from lending facilities. Often projects are identified as part of country strategies of the donors.
- Some donors support infrastructure development & studies and reserve at the same time budget for implementation as an incentive for local governments (KfW, World Bank).
- Many donors use their local representations to generate and discuss project ideas with local governments (WB, GIZ, KfW, AfD, DFID).
- Some donors use open calls for proposals to identify leads (GIZ C40 Facility).
- Country strategies or sector masterplans might help to identify possibilities for project ideas.

7.9 Lessons learned

The differences between D2B and the comparable instruments present opportunities for D2B to learn from these other instruments.

Conclusions:

- There is a spectrum of comparable instruments, some of them partly overlapping with D2B.
- Differences exist between the instruments with respect to their sector focus, focus on up- or downstream, degree of private sector participation, and focus on economic interest of the funding country (provided it is not a multilateral instrument)
- D2B already has ongoing coordination with other donors so that lead and instrument can be matched optimally. However, strategic partnerships with donors are yet rare.
- Gaps identified are just below the critical upstream (PPIAFs focus), yet above project level. Instruments supporting project identification are scarce. It is done explicitly by CIDA and indirectly by PPIAF.
- In this comparison, D2B is unique (only) in three ways:
 - it obtains most of its leads from Dutch Embassies;
 - it capitalises on the development of the bilateral diplomatic relationship between the Netherlands and the recipient country;
 - it generates DRIVEable projects.

Lessons learned:

- Other donors and national public authorities often use 2-3 page **Concept Notes** that briefly describe the aims of the project, location, scope and activities, preliminary ideas on capacity and budget, involved partners, etc. These Concept Notes contain a more in-depth need assessment than is currently done by D2B. These consistent and transparent Concept Notes serve as communication regarding early stage projects and serve as first information regarding budget planning.
- Other donors typically use **formal multi-criteria scoring grids** to assess or screen projects (or Concept Notes) during early phases of development. These criteria and the scoring systems are often communicated in advance to potential beneficiaries, improving transparency.
- Some donors make use of **in-country project pipeline facilities**. These facilities provide a broad typology of TA services: workshops for idea generation, capacity building for local stakeholders, and undertake a wide range of TA and studies (from Masterplans/scoping/ pre-feasibility, support to Concept Notes drafting, feasibility & CBA studies, design, financing plans, tender documents etc.). The implementation of these in-country project pipeline facilities is outsourced by the EU to Consultancies.
- Some donors (WB, KfW) offer non-programme infrastructure development support linking the development phase and implementation phase (reserving budget for implementation).

8. Future of D2B

Sections

- 8.1 Invest International
- 8.2 Future country focus
- 8.3 Expansion of D2B services
- 8.4 Future D2B scenarios
- 8.5 Conclusions and recommendations

Evaluation questions

- The NL MFA has an increasing policy-focus on the Sahel, MENA, and other fragile regions. Is D2B capable of bringing about infrastructure projects in these fragile regions? Is an additional effort needed to intensify activities in these regions?
- It is expected that D2B will be housed with InvestNL International. Are there synergies between D2B and the other instruments that will be implemented by InvestNL? How can D2B be designed to make optimal use of potential synergies within the context of InvestNL?
- Currently, D2B works only in the poorest countries and fragile states. Is there also a demand for project development in middle income countries (MICs), that D2B could play into? Would D2B be additional in these countries? In what way can D2B be designed to efficiently work in MICs?

8.1 Invest International: goals and challenges

Combining tied and untied aid instruments is seen as one of the main challenges.

Background:

- At the beginning of 2019, a process was started to set up Invest International as a joint venture between the state and FMO.
- Invest International will serve as a one-stop shop for Dutch business that need help to develop and finance projects outside its own national borders.
- The objectives are:
 1. Contribute to the Dutch economy
 2. Contribute to the solutions to global issues

Other mentioned goals (by Dutch government and FMO) are:

- “encourage investments in sectors where the Netherlands has not yet seized all opportunities”
- “enable the Netherlands to become more competitive in projects in international markets”
- “bring together essential and strongly needed expertise in project development, finance and insurance in one organisation that is easily accessible.”

Financing:

- €800 million will be available for international investments in Invest International.
- In addition, the Dutch government will provide annual subsidies of €9 million for “**advisory services** on the development or improvement of financing schemes.” (e.g., risk capital, guarantees, export credit insurance)
- Furthermore, a number of existing instruments (DRIVE, DGGF-spoor 1, DTIF-onderdeel 1, D2B en ORIO) will be transferred to Invest International (are now implemented by RVO). The total portfolio is around € 1.5 billion.
- The main challenge for Invest International is the **combination of tied and untied aid instruments**.
 - Invest International which is marketed as a programme for Dutch businesses.
 - On the other hand, it is meant to include a number of international instruments (D2B, DRIVE, DGGF2) that are ODA instruments and should therefore be **untied aid**.

8.1 Invest International: creating synergies for D2B

Invest International can potentially create synergies between FMO and RVO and can create a menu of more streamlined financing products (flexible blended finance).

Role of RVO:

Several international funding schemes of RVO will be bundled in Invest International.

Role of FMO:

- “The NL Business activities of FMO will be connected to Invest-NL through a newly established Joint Venture.”
- FMO will “actively contribute to the ability of Invest-NL to support Dutch businesses that need financing for their international activities.” (FMO website)

Findings based on interviews:

- Both RVO and FMO can see the potential for synergies between their respective infrastructure teams (both for development and implementation).
- The main difference between D2B and DA is the way they are financed (ODA vs non-ODA). With ODA funding, tied aid is more difficult due to OECD agreements.

Findings Roundtable

- Most important for Roundtable participants is that the new institution offers the possibility to blend finance (grants, loans, other) in a flexible manner according to the needs of infrastructure projects.
- Roundtable participants also expressed the desire that financing conditions and appraisal procedures of FMO-DA and RVO be streamlined.

Recommendations:

- Stimulate synergies between RVO and FMO infrastructure teams in the new organisation (ideally 1 team)
- Maintain synergies within RVO by keeping all international programmes of RVO together in Invest International, streamline and create scale. All RVO international programmes (including Partners for Water, FDW, etc.) should be included in Invest International, while the total number of programmes could be reduced (merged) or streamlined.
- Consider creating a single Dutch Agency for International Development (such as AFD or DFID) with all international programmes under 1 roof.
- Draw on the experience of other development agencies to combine tied and untied aid instruments within one organisation (for example, World Bank Trust Funds allow for some earmarking of funds.)

8.2 Future country focus: fragile states

Expanding D2B to more fragile states poses many challenges but allows for high development impact.

Survey results:

- 55% of survey respondents see fragile states as interested in D2B studies, while virtually all believe they lack capacity.
- Survey respondents believe Dutch companies have the capacity to carry out studies in fragile countries, but may not have sufficient interest.

Roundtable results:

- During the Roundtable, multiple companies stated that the main challenge for working in some fragile states is related to safety issues.

Challenges identified by RVO staff:

- The process is generally slower in fragile states, due in part to political instability and a high turnover among local government counterparts.
- There is a lack of (permanent) Dutch embassies in some fragile states.
- Language requirements (e.g. in Francophone West Africa) can be a constraint, both for RVO and for finding suitable experts.
- Lack of RVO experience in certain countries implies substantial start-up costs.

Opportunities:

- High additionality in certain countries not served by many other donors
- High potential development impact (but also higher risk to the impact)

Conclusions:

- Identifying and developing projects in fragile states is possible and can potentially have a high impact, but is more time consuming
- Since developing projects in fragile states is costly and time consuming, the Dutch government should continue to be committed to funding such projects even when political priorities may change (e.g. as in the case of post-ebola countries)
- In countries where other donors such as AFD have much more experience, collaboration with other donors is crucial

8.2 Future country focus: middle-income countries

There seems to be a need for D2B support in middle-income countries and interest from Dutch companies to work here.

Findings from desk research and interviews:

- Additionality in middle-income countries is generally lower.
- Nevertheless, D2B could be additional in those middle-income countries that lack funding or capacity for the development phase of infra projects, especially for innovative, multi-sector and/or complex projects.
- Dutch companies are seen as able and willing to carry out studies in middle-income countries (confirmed during the roundtable)
- Expansion to middle income countries could have trade-offs in terms of less resources available (funds and capacity) for lower income countries and more competition with other funding sources (especially national, but also bilateral and multilateral).

Survey data:

- Nearly 2/3 of survey respondents believe there is interest from middle-income countries for D2B studies, but the majority believes they have sufficient capacity to carry out the studies themselves. 25-35% of the respondents believe that they have (mostly) sufficient funding from own budgets or other donors. Dutch companies are seen as able and willing to carry out these studies.

RVO focus groups:

- These countries lack the resources (funds or admin capacity quality) for the development phase of infra projects, therefore D2B could be additional. This is especially the case for innovative, multi-sector and/or complex projects.
- Option: support specific types of infra projects (innovative, multi-thematic or complex) for these countries
- Expansion to middle-income countries can result in more dilution of D2B funding and more competition with other funding sources. However, if D2B desires to expand to middle-income countries it is an option to offer a grant of < 100% and co-finance with local governments or other funders.

8.3 Expansion of D2B services

In some cases there is a gap with respect to early-stage needs assessment, project idea generation and pre-feasibility studies.

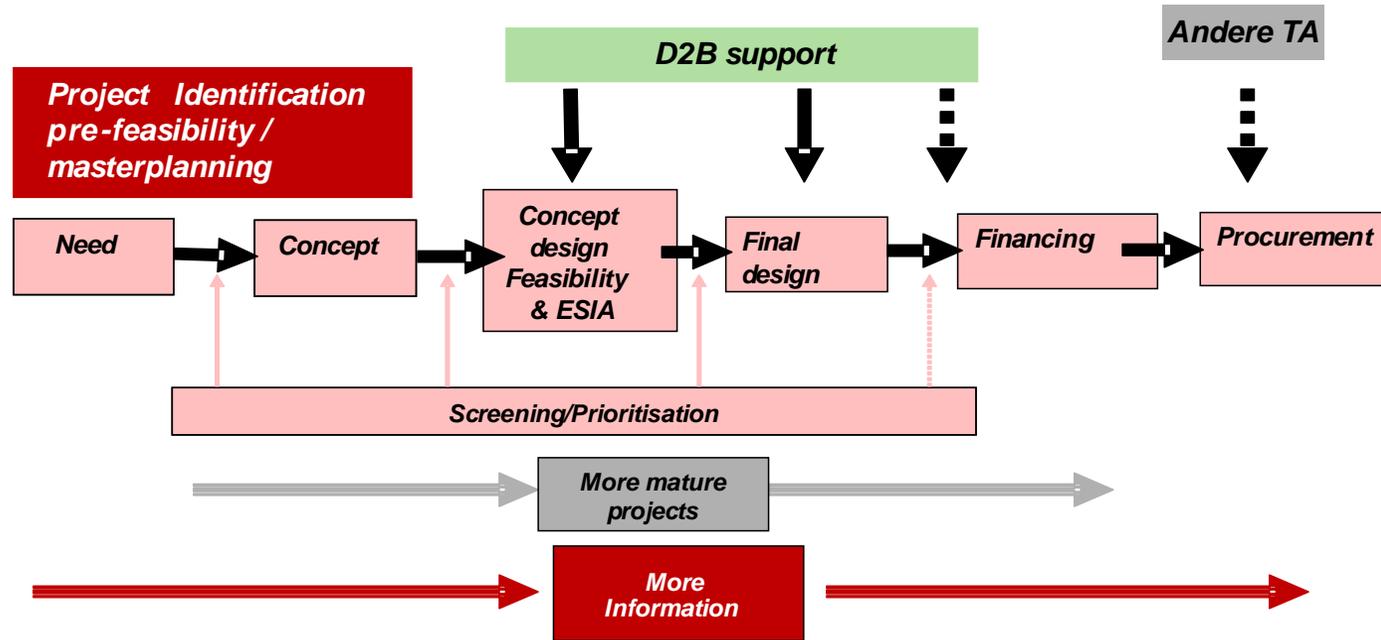
Findings from desk research and interviews:

- D2B mainly provides grants for studies but it also provides technical assistance. D2B can assist government with e.g. drafting the ToR and tendering the study correctly.
- RVO employees state that the assistance that D2B provides is very flexible.
- There is no gap between D2B and DRIVE TA. Between both, services are flexible.
- There is a potential gap with respect to early-stage needs assessment & project idea generation and pre-feasibility studies. This gap is especially relevant for non-traditional, innovative or multi-sector projects and was also mentioned by World Bank and Dutch companies (round table). As the financing options of these projects might be more limited than traditional projects, it is very important to take this aspect into account from the beginning.
- D2B could expand into this early phase of project development in target countries that lack a strong infrastructure needs assessment, and where there is either strong Dutch representation or good opportunities for collaborating with other donors (e.g., AFD, GIZ).
- EU project pipeline facilities (such as WBIF or under IPA) could provide some lessons learned for expanding to the early project development stages.

Findings from Roundtable

- Multiple companies advised during the Roundtable to expand the services of D2B by including more options for support to scoping and pre-feasibility studies. Companies stated they could generate more leads (project ideas) for D2B and have valuable inputs & services for project ideas, scoping and pre-feasibility (because they are already active and in contact with multiple stakeholders in some D2B countries). Some companies advised direct award or simple tenders for small support assignments. The challenge is to invent a transparent workable structure and to avoid a conflict with later tender procedures regarding feasibility and ESIA studies. A clear cut between pre-feasibility and feasibility phase and open dissemination of outcomes of pre-feasibility studies could be helpful for such a structure. Another option is to make more use of the D2B support from Ecorys & Sweco expertise in the early pre-feasibility phase (or decide case by case depending on project & country).
- To increase financial sustainability, some companies also suggested to opt for wider project definitions in D2B / TA support, regarding maintenance of infrastructure and improving financial conditions for infrastructure (cost-recovery, tariff setting, PPP, setting-up funding structures etc.), aiming at more sustainable infrastructure service provision.

8.3 Expansion of D2B services: expansion to early stage project development?



The picture shows the stages in infrastructure project development. D2B support is currently mostly active on the project development stages of feasibility and design. Companies present at the D2B round table suggested to involve their consultants in early stage project identification (need assessment, project concept scoping/pre-feasibility). The Dutch companies present or active in some countries are often aware of the needs and potential for projects. In this sense they could support the development of a project pipeline in early stages, (i.e. generating ideas, pre-feasibility studies/ scoping studies or Masterplans). The Dutch companies stated that they would favor simple subcontracting or direct award (small TA-budgets) for this line of work. In their view, this could result in more promising leads and boost the project pipeline of D2B. Of course there can be a tension with equal open tenders for studies in the D2B development phase. An alternative for involving companies is to request the D2B framework contractors Ecorys & Sweco to conduct pre-feasibility or scoping studies if needed. However, this would prevent generation of project ideas from the Dutch companies. Finally, D2B could contemplate a separate window sourcing leads with open calls for proposals (open to Dutch companies, knowledge institutes & NGOs).

8.4 Future D2B scenarios

Annex D describes 6 scenarios regarding the future of D2B. From an assessment of costs and benefits of the scenarios we have formulated 2 preferred scenarios combining specific the elements of the scenarios.

Scenario A: Concentration: more focus and impact in fewer countries & competitive subsectors, strategic alliances and investments in donors

Elements scenario

- Focused D2B support on fewer countries and competitive subsectors in strategic partnerships with key donors.
- Investment in local D2B resources for selected countries
- Investment in other donors for fragile states and countries with lack of embassy capacity (no own capacity targeted at these countries).
- Integration of D2B and DA in one team in Invest International

Benefits:

- More effectiveness and efficiency of D2B for selected countries
- Building up own local capacity

Disadvantages

- Loss of Dutch experience in some countries

Scenario B: Selected expansion of D2B services, more alignment with DRIVE and selected strategic partner donors

Elements scenario

- Widening sourcing of project leads, also by using open calls for proposals and strategic collaboration with donors
- Expansion of D2B services towards early phase project development in selected countries with potential for multisector/ multi-stakeholder (integrated) projects or innovative projects
- More alignment with DRIVE and other selected partner donors (f.i. WB)
- Separate compartments for D2B and DA in Invest International
- Key strategic alliances with donors for fragile states and selected groups of countries

Benefits:

- Developing more integrated of innovative projects (the Dutch approach)
- Easier building up project pipeline with support from calls and strategic partner donors
- Clear specialisation of DA and D2B

Disadvantages

- Dilution of sources & capacity issues in RVO (less efficiency)

8.5 Conclusions and recommendations

Conclusions

Recommendations

- | | | | |
|----------|---|---|--|
| 1 | Combining FMO-DA and D2B in Invest International can create synergies in terms of capacities and creating a more flexible (blended) financing offer at harmonised conditions and appraisal procedures. | ➔ | Exploit synergies between D2B and FMO's DA as much as possible by combining them in one team or with good collaboration possibilities in 2 teams. |
| 2 | Maintaining the current list of countries is inefficient, given the time it takes per country to build up RVO capacity and bilateral relationships, and in some cases a lack of additionality relative to other donors. | ➔ | Focus D2B activities on fewer countries (those with strong Dutch embassies and clear additionality), while relying more on strategic partnerships with other donors for lead generation and guidance. |
| 3 | Potentially inefficient use of resources in areas where there is no embassy, no additionality relative to other donors, or no interest from Dutch companies. | ➔ | Support other donors in countries where the Netherlands lacks embassies, additionality, or where there is a lack of interest from Dutch companies. |
| 4 | In some cases there is a gap with respect to early-stage needs assessment, project idea generation and pre-feasibility studies. | ➔ | Consider expanding D2B's services by supporting scoping and pre-feasibility studies at an earlier stage. |
| 5 | Expanding D2B to middle-income countries may not be desirable, due to (1) lower additionality, (2) less resources available for lower income countries; (3) less efficiency due to scattered resources. | ➔ | Do not expand D2B to middle income countries. Rather, consider clear specialization: D2B focus on low income countries, and DA on middle income countries (also given the tied/untied aid difference). |

9. Summary: key recommendations

Policy level

Improve positioning of D2B vs other donors and policies

- The positioning of the D2B instrument (scope of thematic areas & TA, country focus) could be improved by developing a strategy for ODA infrastructure support and better positioning the instrument versus other development instruments.

Future of D2B: more focus, scale-up by integration and streamline

- Combine RVO's and FMO's infrastructure teams as much as possible within one team in Invest International, with some projects funded by ODA instruments and others by non-ODA instruments. If each instrument has to be implemented by a separate team (which is very inefficient), then clearly define their separate responsibilities and ensure excellent collaboration possibilities.
- Develop a streamlined menu of products and flexible offer of blended finance products (loans, grants, equity etc.).
- Focus on fewer countries and sectors (those in which the Netherlands has a strong network and a comparative advantage), while relying on strategic partnerships with other donors (e.g. EU, AFD, GIZ) for other countries and sectors in which the Netherlands is less strong, or where there is a lack of interest from Dutch companies (e.g. fragile states in West Africa).
- Conduct further study regarding D2B selection of countries and needs for different phases of infrastructure project development
- Conduct further study regarding mapping of donors in D2B countries and potential for collaboration vs overlap as input for ODA infra strategy

D2B implementation

Enhance lead sourcing and identification

- Effectiveness and efficiency of lead sourcing, identification and selection could be improved by:
- More collaboration with strategic donor partners in specific countries (including lead sharing, early involvement and streamlining appraisal)
- More collaboration with Dutch companies and NGOs in project scoping;
- More support for early-stage scoping missions and pre-feasibility studies
- Opting for a wider and more sustainable project concept: also support improvement of asset management & maintenance and improvement of the financial framework for (**existing** and new) infrastructure? More possibilities for local private sector involvement in infra operations (PPP or private infra, funding gap in investment costs) (World Bank and Round Table).

More transparent and effective project selection

- Make more use of Concept Notes and available screening tools used by other donors for project ideas (scoring and weighing grids) with relevant practical operational criteria for the stage under consideration (given project information available)
- Clearly define additionally and financeability, and use these consistently as selection criteria.
- Develop clear indicators for measuring the relevance of proposed projects to private sector development, the local population and the local government agenda – these can be easily linked to the SDGs.

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- Literature on comparable instruments:
 - Annual report FMO 2018
 - Development Accelerator 2: proposal
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Annex A: Recommendations midterm review

The midterm review contains recommendations for the RVO team (responsible for D2B) itself and the team of MFA involved with D2B. Below the relevant recommendations for RVO and the corresponding undertaken actions.

| | Recommendation | Action RVO (provided by RVO) | Assessment SEO |
|---|--|--|---|
| 1 | Make a conscious decision about which countries to focus on with D2B. | Every year, the Infrastructure team of RVO draws up a Strategic Plan that also looks at the focus and priority countries and regions of Foreign Affairs. The Strategic Plan is then coordinated with the Ministry of Foreign Affairs. The past two years the emphasis has been on the Sahel region, including Niger, Mali and Burkina Faso where subsequently various projects have been developed. Furthermore, D2B is currently working on formulating projects in the Horn of Africa, including Ethiopia and Somalia. | RVO should take into account and discuss the effect of the new priority countries and regions of MFA on the productivity of D2B. |
| 2 | Focus on acquiring new projects. | Since the process review, the effort to increase the number of new projects has continued steadily, with around 11 projects added each year in the development phase. Good project demarcation and ownership are still important requirements at D2B which are also controlled. For projects with a lack of ownership, we have decided to stop the development of these projects. | It is important to have enough projects in the identification phase of D2B. Since the midterm review this number has increased from 6 to 9. However, the percentage of projects in the identification phase has decreased from 16% to 15%. |
| 3 | Improve the TM/PM test (between the formulation and the development phase). | Before the formulation plan (FP) is signed, the plan is discussed with the programme coordinator and the D2B team manager. The points of attention that emerged during the QaE discussion are then tested and discussed. On the basis of the FP, a definitive Go is given for further follow-up of the project, i.e. the development of the ToR and then the signing of the Grant Agreement (GA). Recently the Environmental and Social expert has also been added to the decision-making process for the next phase i.e. ToR and the signing of the GA. | The inclusion of experts in this process will indeed improve the quality of decision-making. It can be argued that the experts should also play a role in the discussion about the formulation plan. |
| 4 | Improve collaboration with DRIVE. | The Coordinator of D2B is present at the DRIVE panel that takes place every other week. Partly because of this, closer coordination takes place between D2B and DRIVE. The D2B and DRIVE Coordinator also have frequent contact and coordinate the projects and, where relevant, the processes, especially as more and more projects are moving from D2B to DRIVE. In addition, D2B projects are increasingly working in couples where at least one person has experience with DRIVE projects. | It seems like the link with DRIVE is very strong. DRIVE is informally involved with D2B projects right from the identification phase of D2B projects. RVO employees (responsible for D2B) should be aware that DRIVE financeability does not because a selection criteria for D2B (as this is not a formal selection criteria). |
| 5 | Create clarity about when a project is open to D2B financing or when it is open to receive DRIVE TA. | In 2018 it was said that DRIVE TA would fall partly under D2B. In the end it was decided not to include DRIVE TA under D2B, but to use the same guidelines and processes as much as possible. | Using the same guidelines and processes for DRIVE TA and D2B does not make it easier for applying authorities to know for which programme they should apply. |

Annex A: Recommendations midterm review

The midterm review contains recommendations for the RVO team (responsible for D2B) itself and the team of MFA involved with D2B. Below the relevant recommendations for RVO and the corresponding undertaken actions.

| | Recommendation | Action RVO (provided by RVO) | Assessment SEO |
|----|---|---|--|
| 6 | Set criteria to be able to decide to end a project in the case of insufficient progress. | No specific criteria have been added for this purpose because the reasons for ending a project can vary enormously and it is important to look at them case by case. Progress, ownership and timelines are monitored throughout the project. | If projects are already monitored on progress, ownership and timelines, it should be possible to set specific targets per project, which could include indicators for measuring ownership. If these targets are not met, there should be consequences. |
| 7 | Expand the expertise with regard to the operation and design of concession systems. | This was a DIO (Directorate for international entrepreneurship) recommendation at the time and it is not entirely clear what this had to do with? This has therefore not had any concrete follow-up. | RVO can meet with DIO and ask for a clarification, this ensures that all parties are and will be satisfied with the work RVO does with the D2B programme. |
| 8 | Increase the collaboration between internal and external departments. | D2B is a programme that works closely with other internal and external programmes and departments. Many projects at D2B stem from other RVO programmes, such as Partners for Water and / or the PSD Toolkit. We also work closely on a number of projects (for example in Ethiopia and Guinee) with the GRO (Area Development and Spatial Planning department). In addition to RVO, we also work closely with Rijkswaterstaat in areas such as PPPs, financing, waste and Performance Based Contracting. During the development phase there is often coordination about the financing of the implementation phase and we have close contact with international organizations such as the European Investment Bank and the World Bank. In some cases, D2B also receives leads through these organizations. | There seem to be good links between internal and external departments, however, these are mostly personal connections. |
| 9 | Redefine the quality requirements of the experts. | In 2019 a tender took place for a new framework contract for the Infrastructure team. This tender consisted of two lots, one for financial and economic analyses and assessments and the other more for technical assistance. SWECO has been selected for technical support and ECORYS for financial and economic assessment and analysis. Furthermore, it has been agreed for both parties under the current framework contract that they must state within a few days whether they can mobilize the required knowledge and expertise and otherwise RVO is free to investigate other options. | RVO has undertaken the necessary actions to increase the quality of the experts but it is necessary to assess whether the quality has really increased. This can only be assessed when the new experts have worked on multiple projects (which is not yet the case). |
| 10 | Create a process description of D2B and explain the requirements for both tests in the D2B process. | A standard process description has not been drawn up for the (MFA) posts as this recommendation came from a specific case that has not occurred more often. However, a standard presentation of D2B and DRIVE has been made that is given during, for example, business trips and visits to posts and where explanations are given about the phases of D2B and the various test moments. | If another post is unclear about the D2B process or tests, the D2B (and DRIVE) presentation can be sent. |

Annex A: Recommendations midterm review

Below the relevant recommendations for MFA and the corresponding undertaken actions.

| | Recommendation | Action MFA (provided by MFA) | Comment SEO |
|---|--|--|--|
| 1 | Create clarity about the 'Dutch interest'. It should be stated whether Dutch expertise of knowledge institutes and consultants can also be used explicitly. | There has been no active discussion with RVO about this. This is still a field of tension that is experienced by RVO. However, the use of Dutch knowledge institutions is indeed seen as serving the Dutch interest by the MFA. | To ensure a good collaboration between RVO and MFA there should be a discussion between these parties about the Dutch interest. |
| 2 | Consider which target is preferred and what effect it has on the results. The target can be set on the amount of budget spend, on the number of projects or the presence in specific countries. All targets serve different policy objectives. | D2B has different targets, including a target concerning the D2B budget and the number of projects. No preference is indicated between these targets. Presence in specific countries is not an explicit objective (outside of the existing D2B country list). The Ministry of Foreign Affairs does, however, indicate that it is appreciated if D2B intensifies its effort in the BHOS focus regions. | MFA appears to be content with the targets in place. |
| 3 | MFA should be clear about the possibilities of and the mandate for cooperating with other financing parties, so that the relevant speed in the project can be maintained where relevant. Certainly when it concerns a "competitive position" with less desirable financiers (eg Chinese government). | The MFA has clearly indicated that - certainly in those countries where work is particularly complicated and / or the Netherlands has a less developed presence, such as the Sahel - structural cooperation with other donors, such as AFD and the World Bank, is greatly appreciated. Specifically, a meeting was held with RVO and MFA with AFD in Paris to discuss the possibilities for joint project development and co-financing in the Sahel. | MFA has undertaken action to increase cooperation with other financiers. It is advised to also increase the cooperation with other financiers other than AFD. |
| 4 | Combine (if possible) different Dutch financial instruments (DGIS programmes) to achieve synergy. | D2B and other instruments will be clustered in Invest International. The goal of Invest International focusses mainly on the accessibility of the instruments to businesses. | Embassies will not or only slightly benefit from Invest International. MFA should also focus on making different instruments more easily accessible for Dutch embassies. |

Annex B: Project targets

Every year, RVO and MFA agree upon a set of targets for the number of projects in multiple categories.

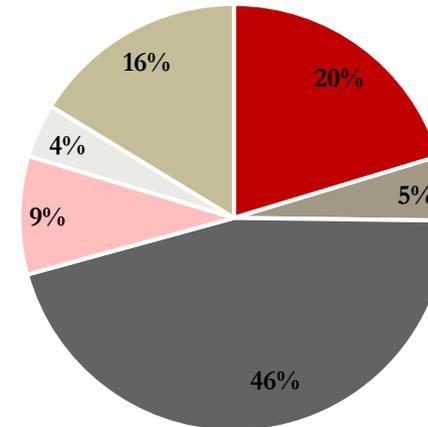
| | 2016 | | 2017 | | 2018 | |
|---|--------|---------|--------|---------|--------|---------|
| | Target | Actual | Target | Actual | Target | Actual |
| # project ideas identified | 30 | 38 (+8) | 30 | 33 (+3) | 20 | 21 (+1) |
| # project ideas discussed by the Internal Committee | - | - | 20 | 18 (-2) | 15 | 20 (+5) |
| # projects to formulation phase | 12 | 14 (+2) | 16 | 14 (-2) | 12 | 11 (-1) |
| # projects in the development phase | 10 | 5 (-5) | 12 | 11 (-1) | 12 | 11 (-1) |
| # contracts signed | - | - | - | - | 15 | 14 (-1) |

Annex C: Survey results

Nearly 150 out of 275 stakeholders responded to the survey, of which around half from the Dutch government.

- The invitation for the survey was sent on 17 Oct 2019 to 275 stakeholders.
- As of November 25,
 - 148 respondents had started the survey (54%)
 - Out of these 148 respondents, 112 fully completed the survey.
- Nearly half of all respondents (46%) work(ed) for the Dutch government.
- Among Dutch government respondents,
 - 38% are from RVO's D2B and/or DRIVE departments;
 - 27% are from Dutch embassies in D2B recipient countries

"Which statement best describes your situation?"

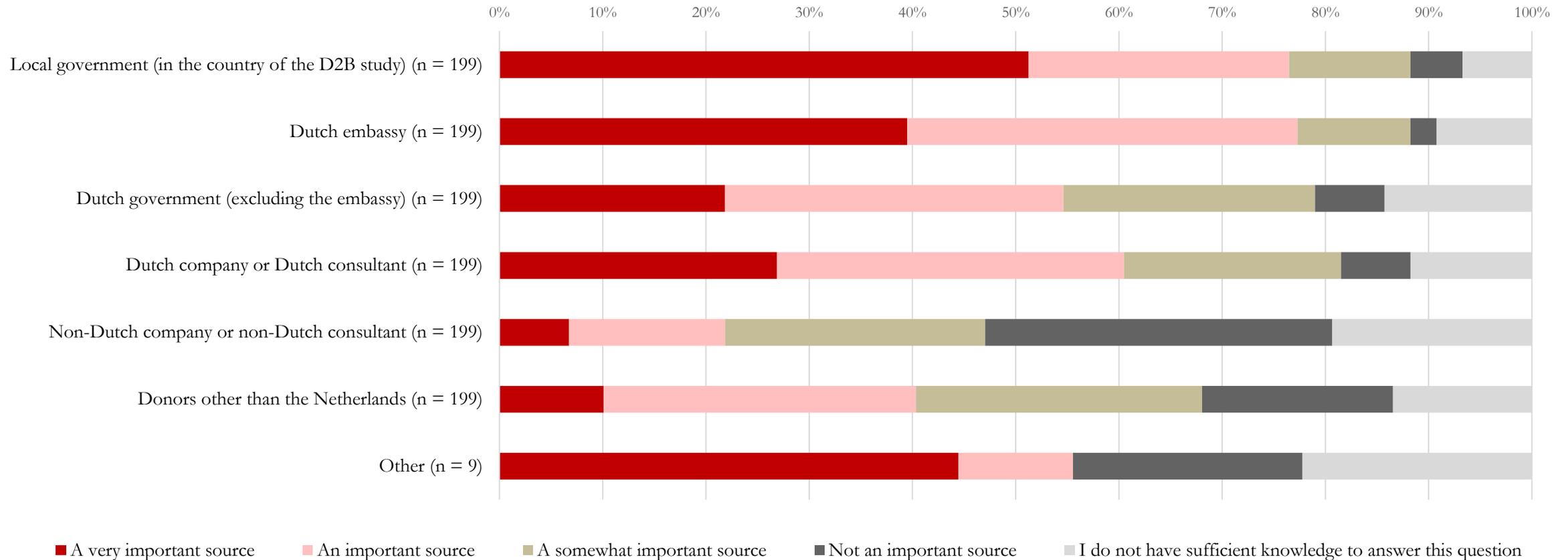


- Worked for government that received support from D2B
- Work(ed) for a government that has not received support from D2B
- Work(ed) for the Dutch government
- Work(ed) for a Dutch company that has carried out studies financed by D2B
- Work(ed) for a Dutch company that has not carried out studies financed by D2B
- Other

Annex C: Survey results

Local governments and Dutch embassies are seen by respondents as the most important sources of project ideas. Dutch companies are also seen as a very important source, contrary to what the D2B database suggests.

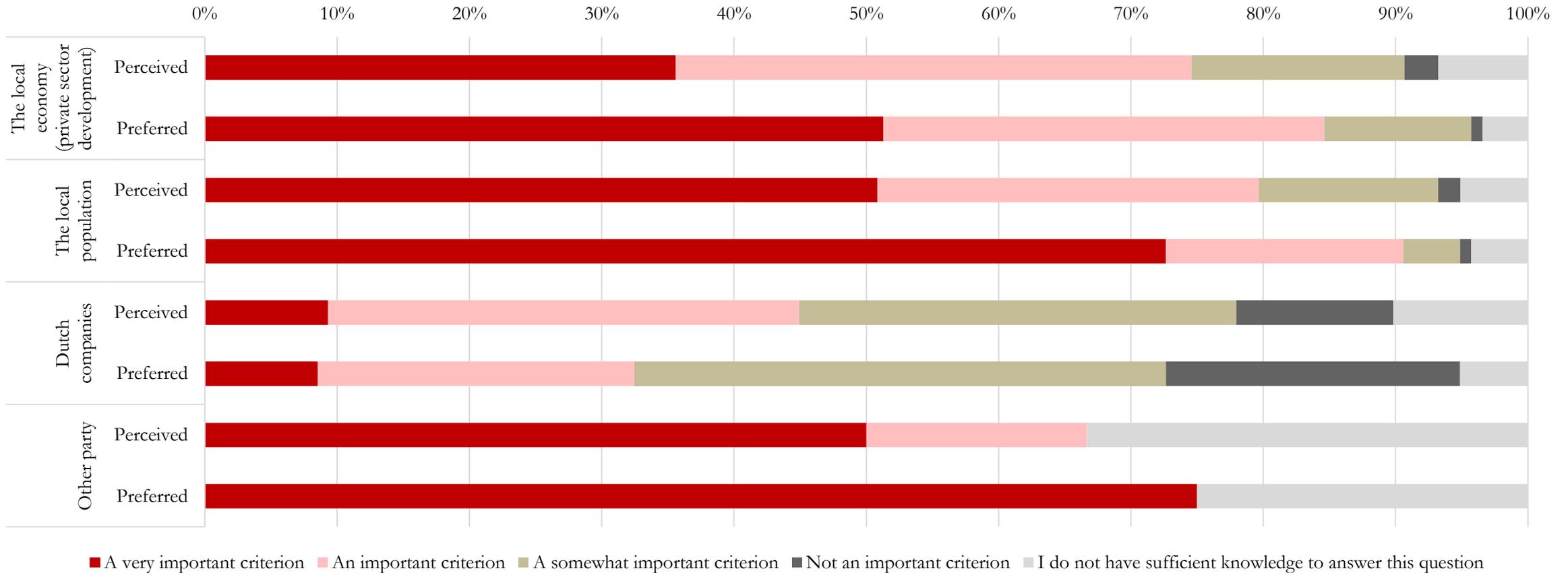
*"How important do you think each of the following **sources** has been for the generation of new project ideas for D2B ?"*



Annex C: Survey results

Respondents would like the relevance to the local economy (private sector development) and local population to be more important as selection criteria than they currently are

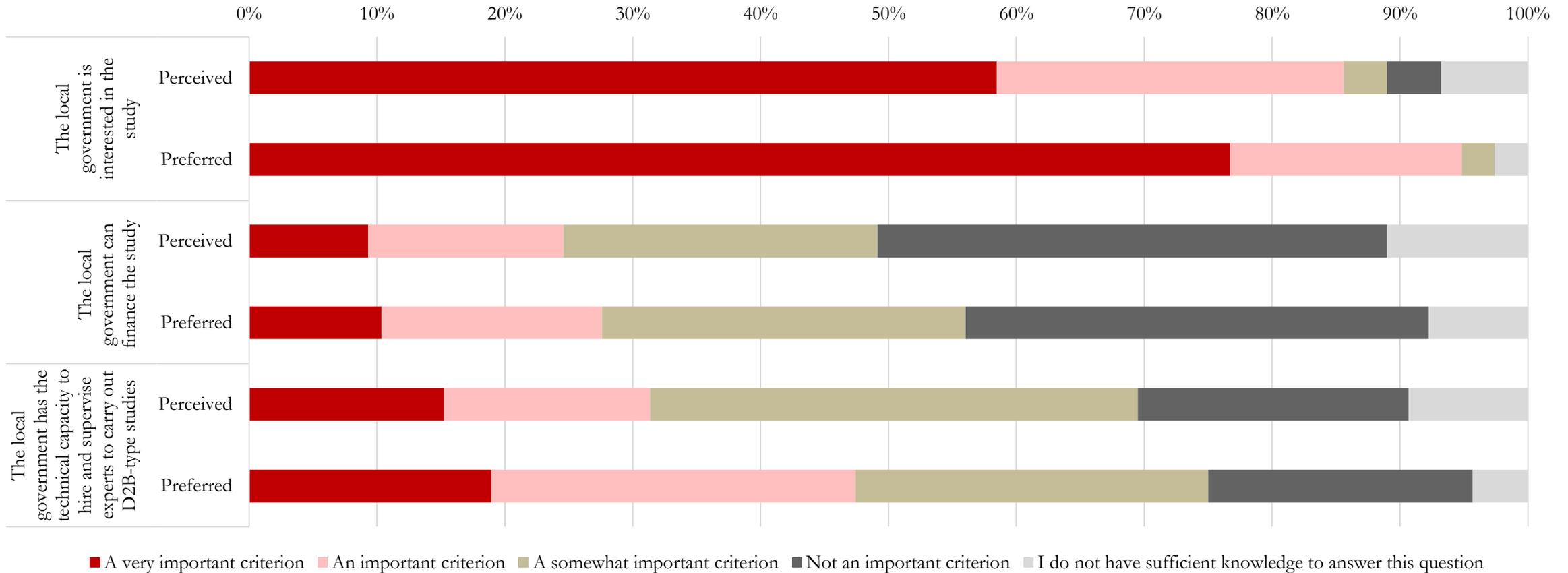
“To what extent do you think that the relevance towards the following factors have been/ should be an important criterion in the selection process?”



Annex C: Survey results

According to respondents, the interest of local governments is a very important selection criterion that should get even more weight. The technical and financial ability of local governments to implement the study is seen as a less important criterion.

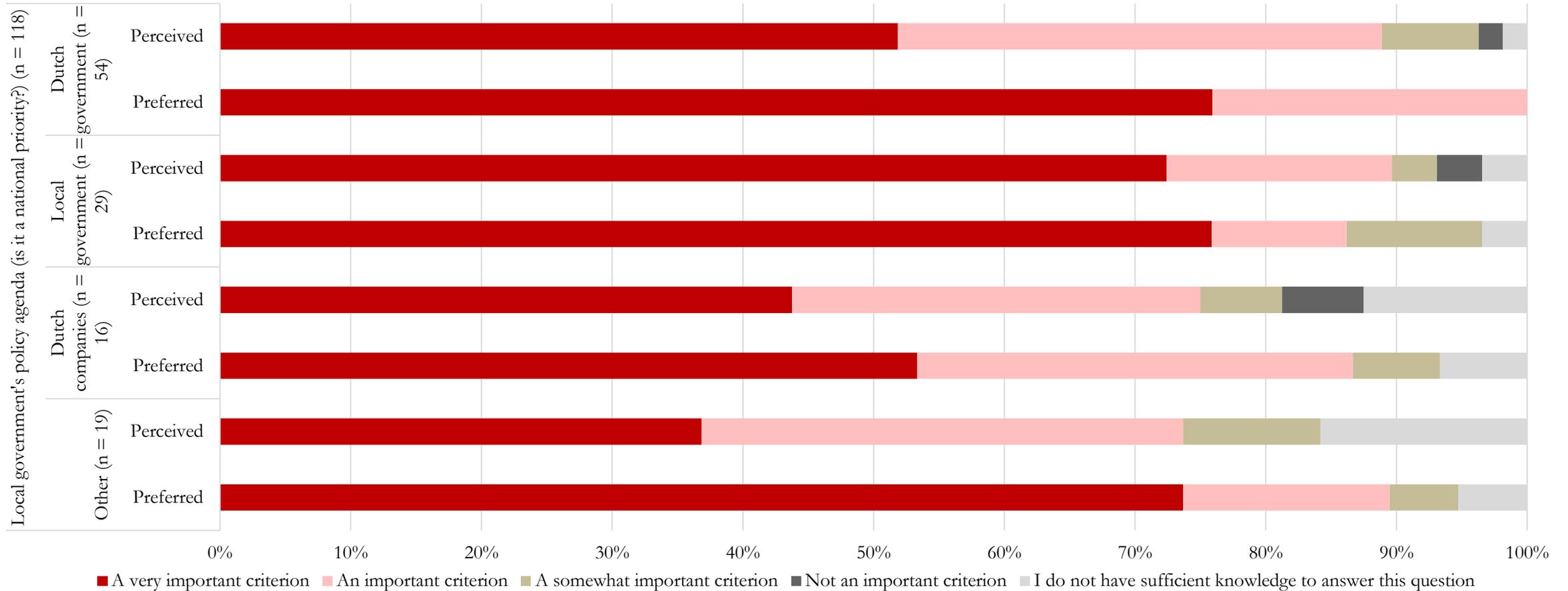
“To what extent do you think that the following additional factors have been/ should be an important criterion in the selection process?”



Annex C: Survey results

All survey respondents, except for local government employees themselves, would prefer the relevance to local government to be a more important selection criterion than they currently perceive it to be.

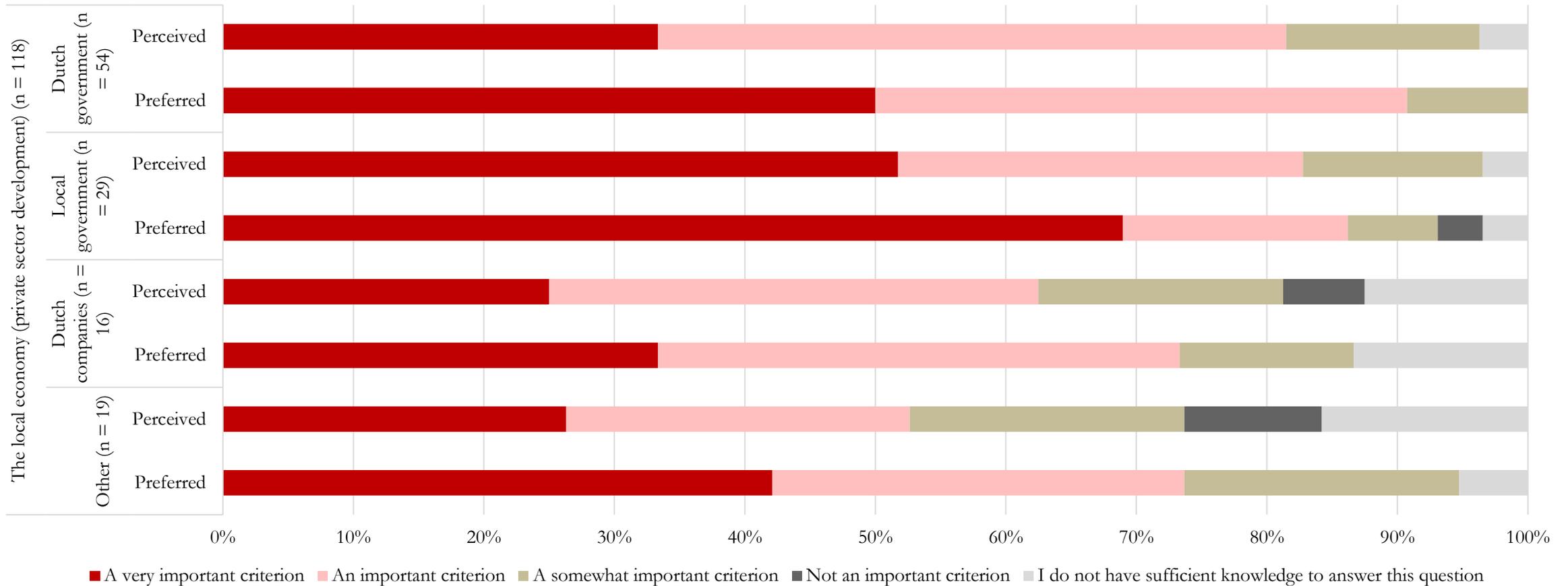
"To what extent do you think that the relevance towards the following factors have been/ should be an important criterion in the selection process?"



Annex C: Survey results

All types of survey respondents prefer the relevance to the local economy (private sector development) to be more important as a selection criterion than they currently perceive it to be.

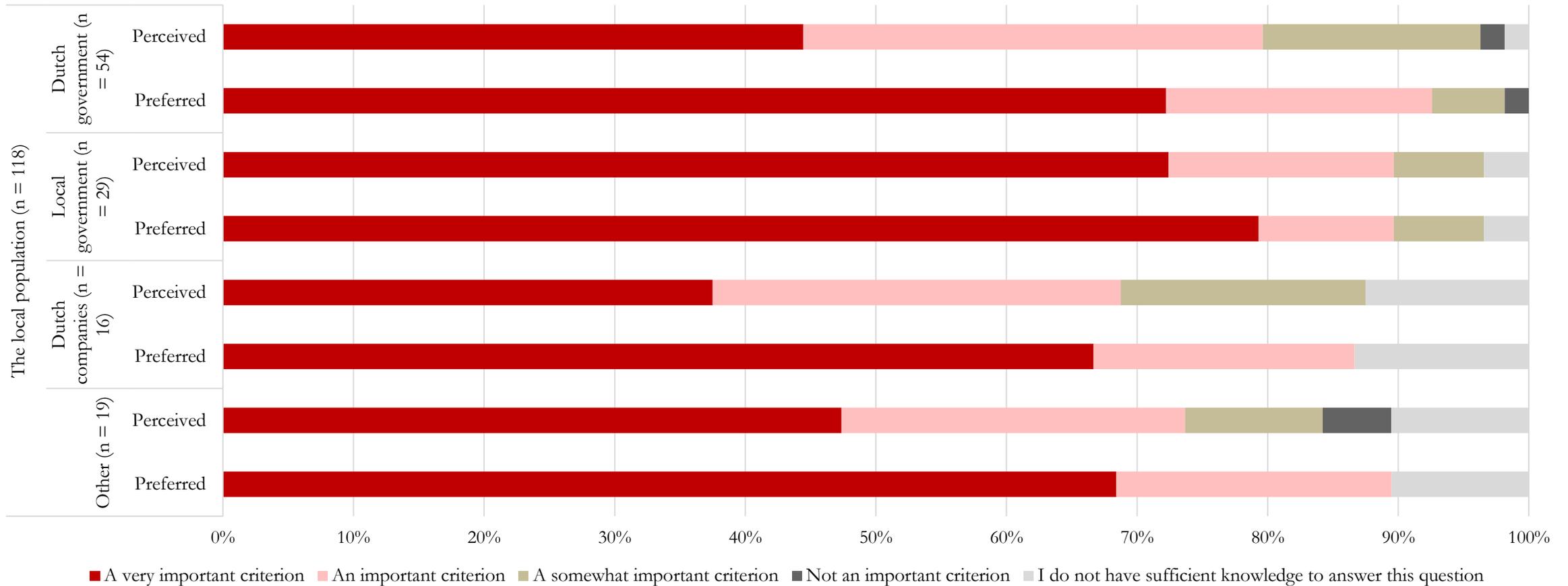
“To what extent do you think that the relevance towards the following factors have been/ should be an important criterion in the selection process?”



Annex C: Survey results

Survey respondents would prefer the relevance to the local population to be a more important selection criterion than they currently perceive it to be.

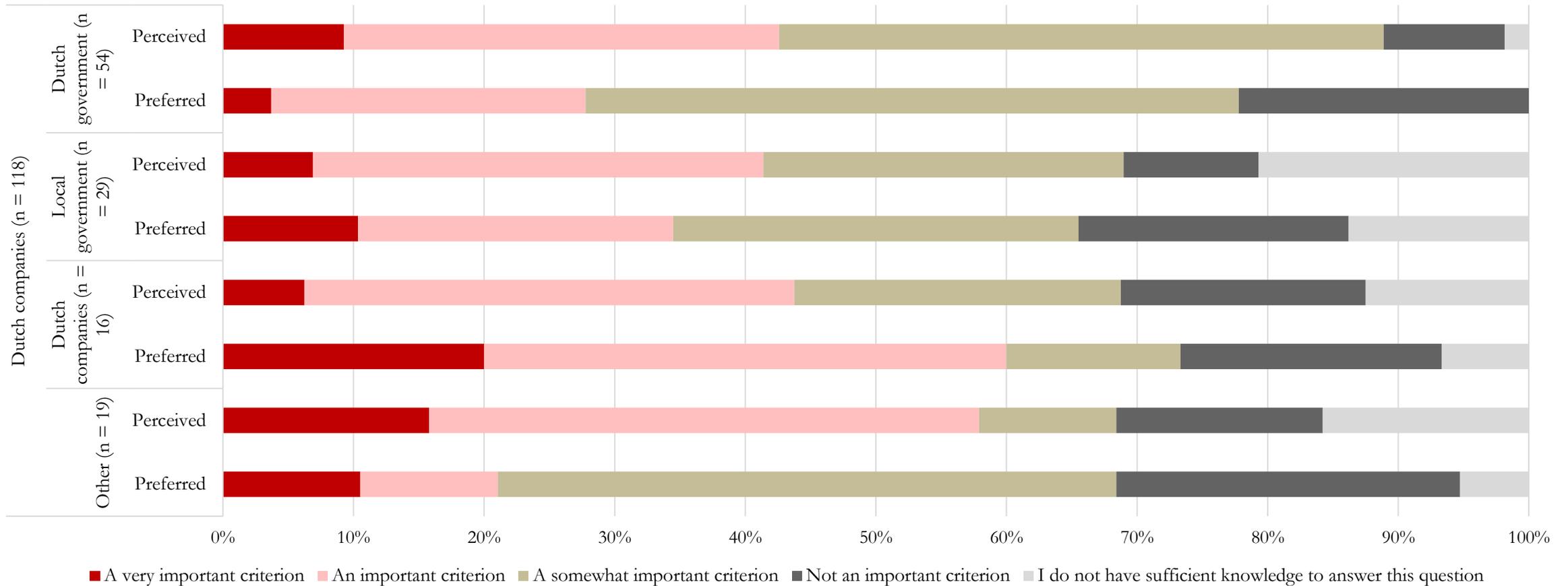
"To what extent do you think that the relevance towards the following factors have been/ should be an important criterion in the selection process?"



Annex C: Survey results

All types of respondents (except Dutch companies themselves) prefer the relevance of D2B projects to Dutch companies to be a less important selection criterion than they currently perceive it to be.

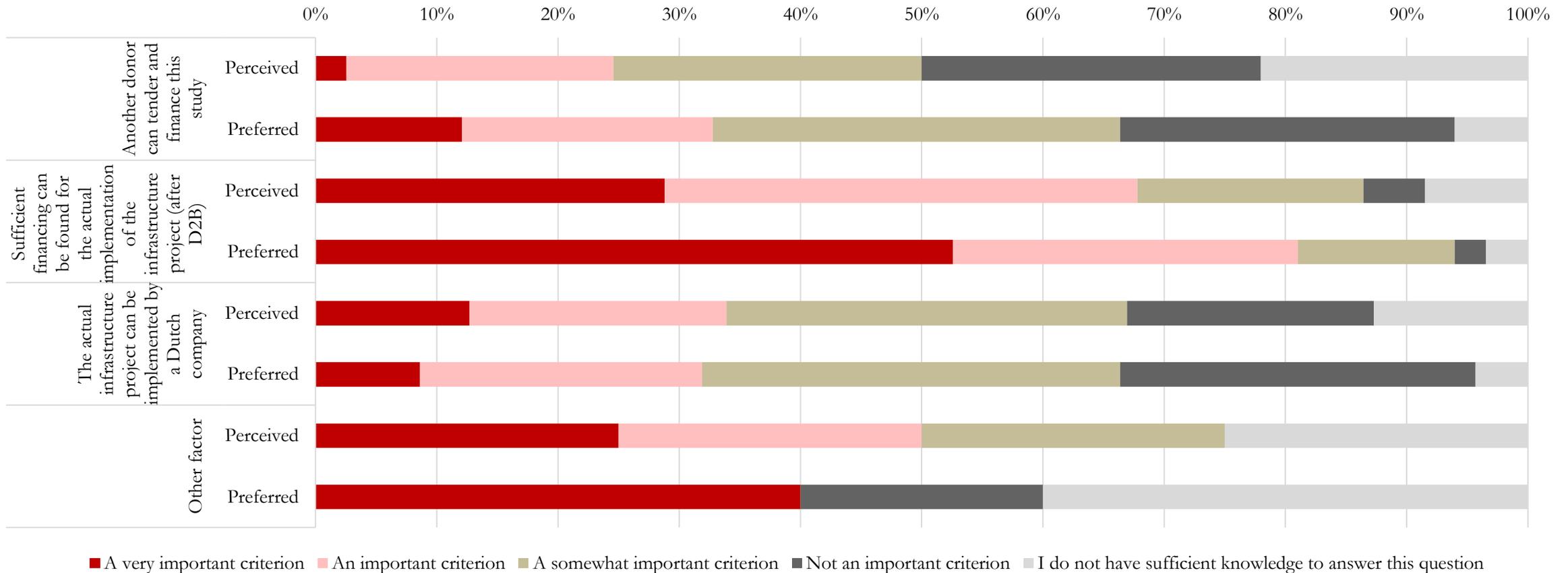
“To what extent do you think that the relevance towards the following factors have been/ should be an important criterion in the selection process?”



Annex C: Survey results

Over half of respondents would like financeability to be a very important criterion, but less than 30% believe it is currently very important. Additionality should get more attention, while implementability by Dutch companies should get less weight.

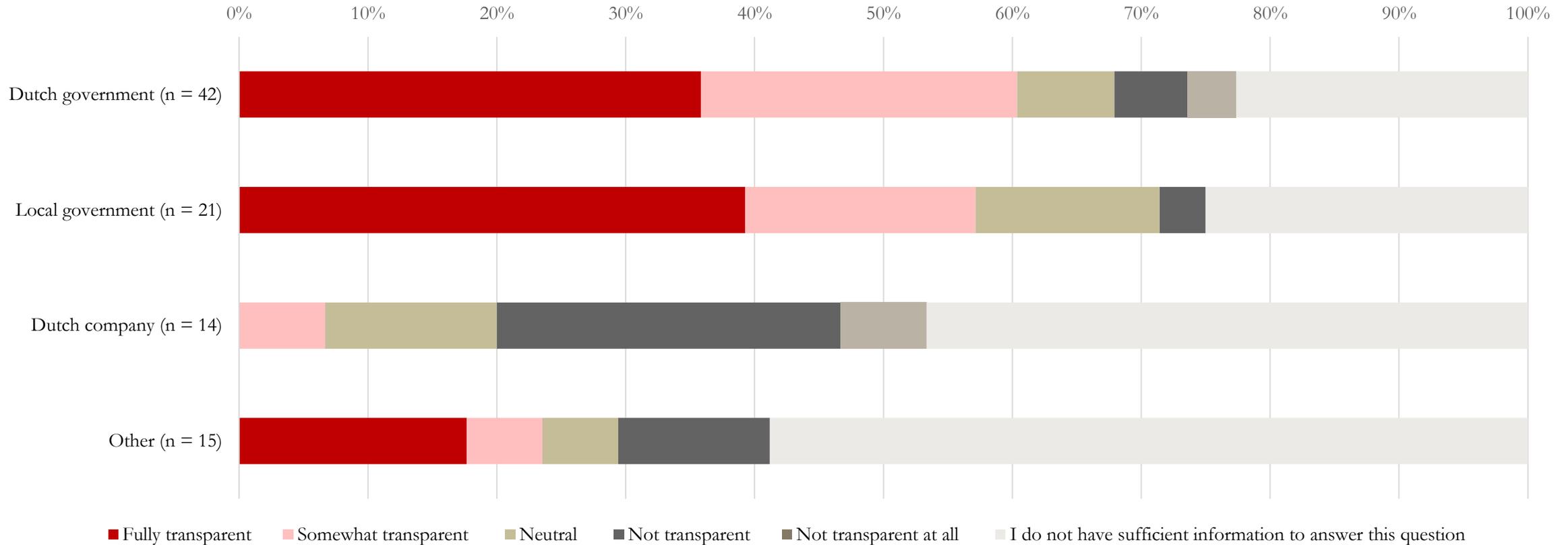
"To what extent do you think that the following additional factors have been/ should be an important criterion in the selection process?"



Annex C: Survey results

Only 7% of respondents from Dutch companies consider the initial selection process as somewhat transparent, while most respondents from Dutch and local governments consider it as (somewhat or fully) transparent.

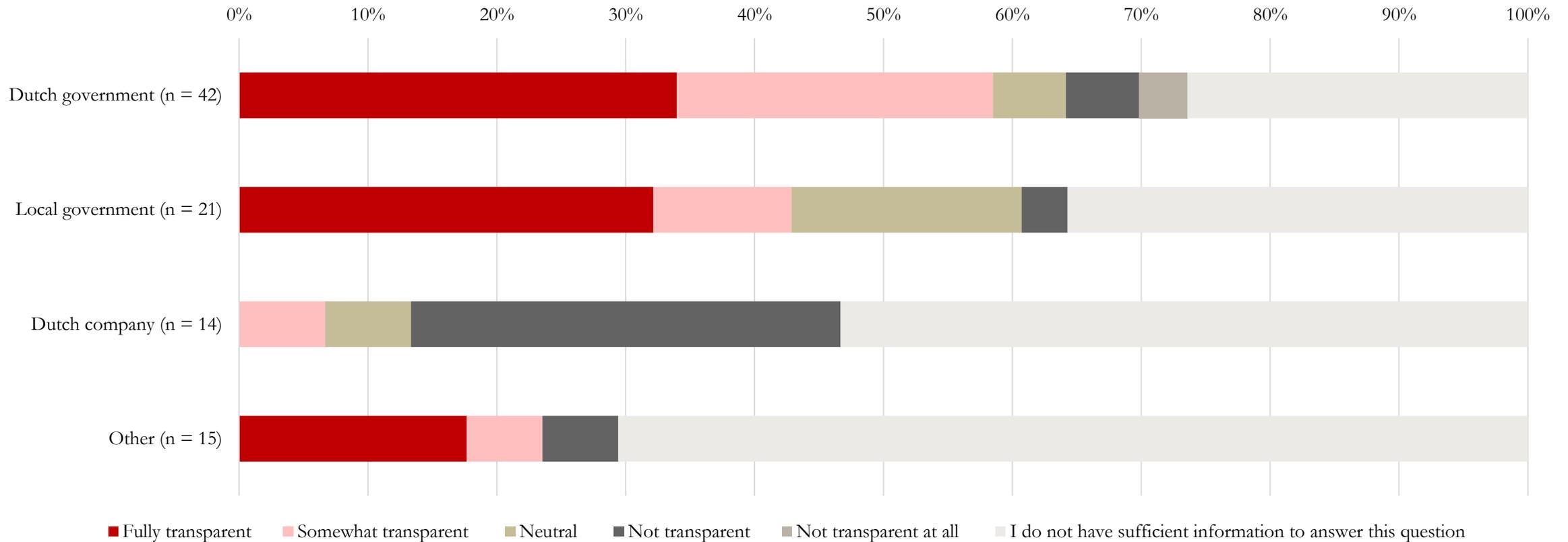
*"To what extent is it transparent to you why some D2B project ideas from the **identification phase** enter the **formulation phase**, while other D2B project ideas do not?"*



Annex C: Survey results

Only 7% of Dutch companies respondents consider the selection process from formulation to development phase as (somewhat) transparent. Local governments perceive more transparency, but less so than Dutch government.

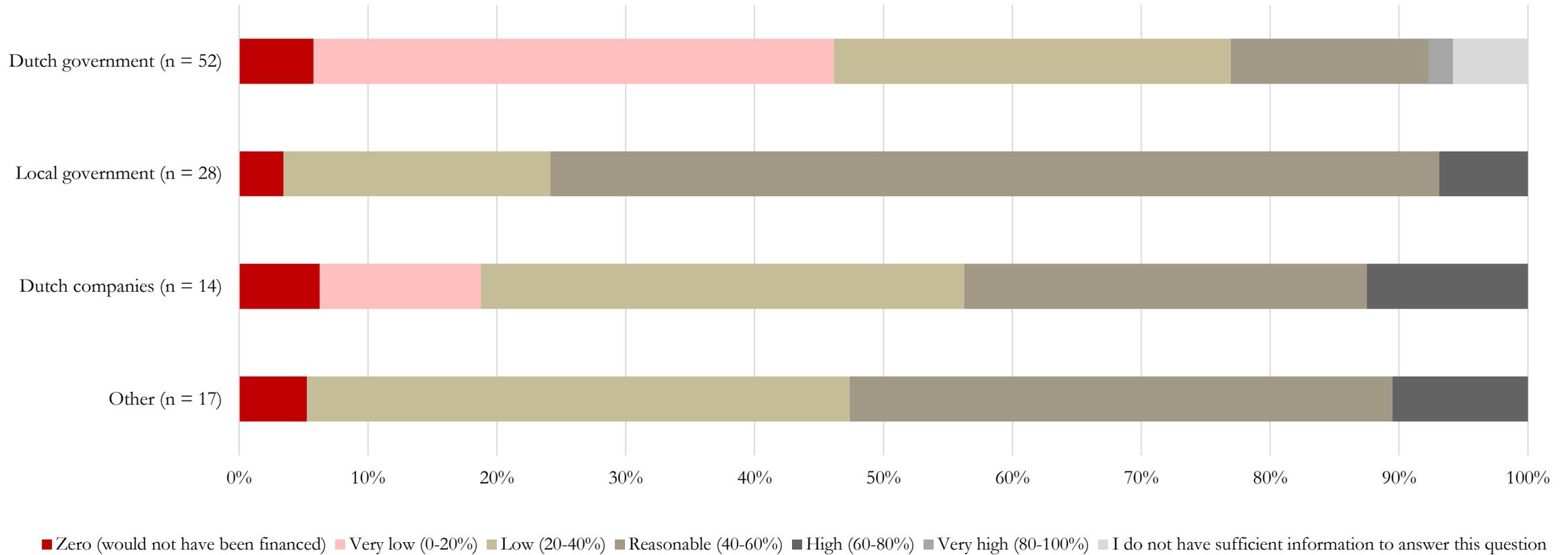
*"To what extent is it transparent to you why some D2B study proposals are selected for the **development phase**, while other D2B study proposals are not?"*



Annex C: Survey results

Survey respondents from the Dutch government are most optimistic about additionality, i.e., pessimistic about the probability of finding another financier. Other respondents are less optimistic about additionality.

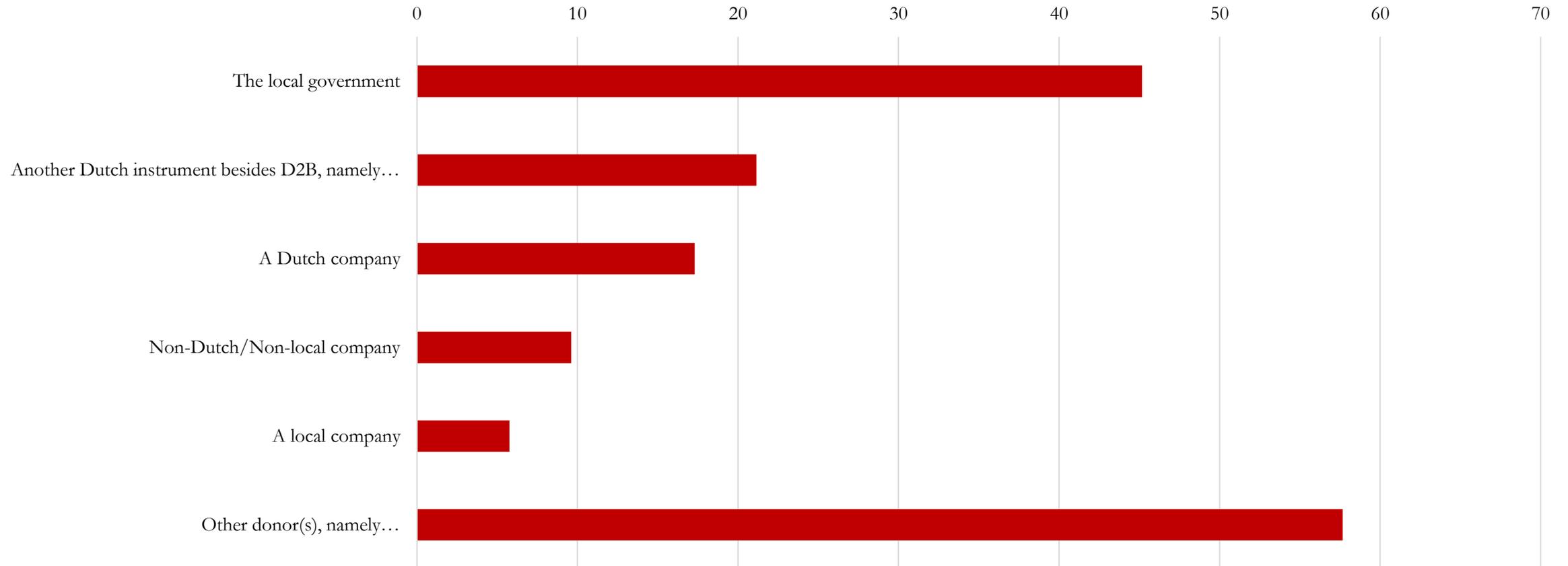
"If D2B had not financed the study, what do you think is the probability that the study would still have been financed?"



Annex C: Survey results

Other donors and local governments are seen as the most important alternative sources of finance for D2B studies.

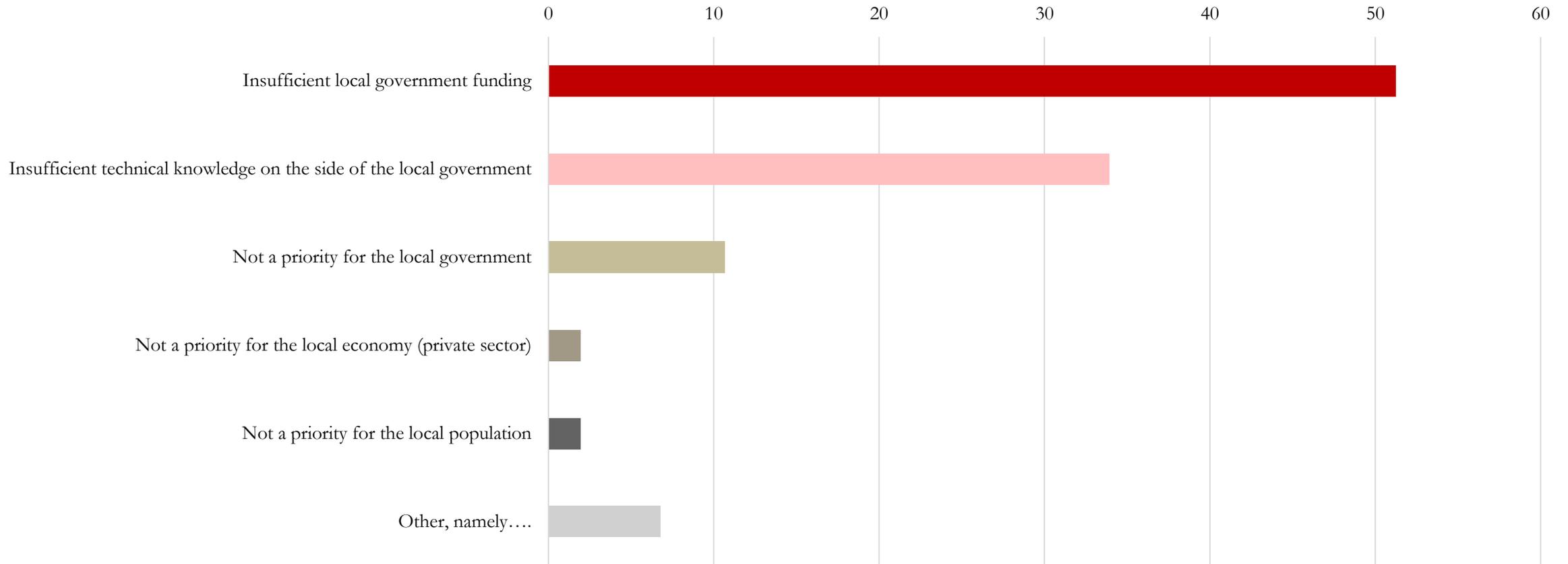
"Which party do you think would have potentially been able to (partly) finance the D2B study?"



Annex C: Survey results

Insufficient local government funding is seen as the most important reason why local governments would not finance a D2B study, followed by insufficient technical knowledge. Lack of ownership and local relevance do not seem to be an issue.

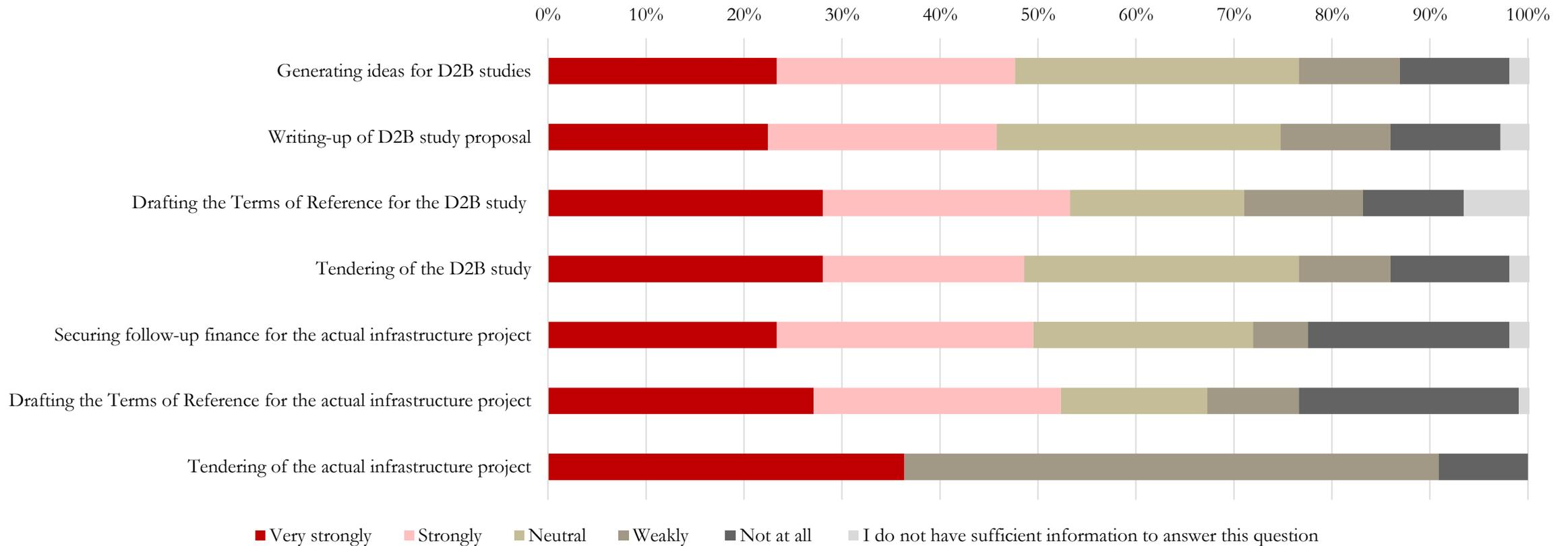
"In your view, why would the D2B study NOT have been financed by the local government?"



Annex C: Survey results

Nearly half of all respondents see local governments as strongly involved in all stages of D2B studies and the subsequent infrastructure projects (even though there are few actual such projects yet).

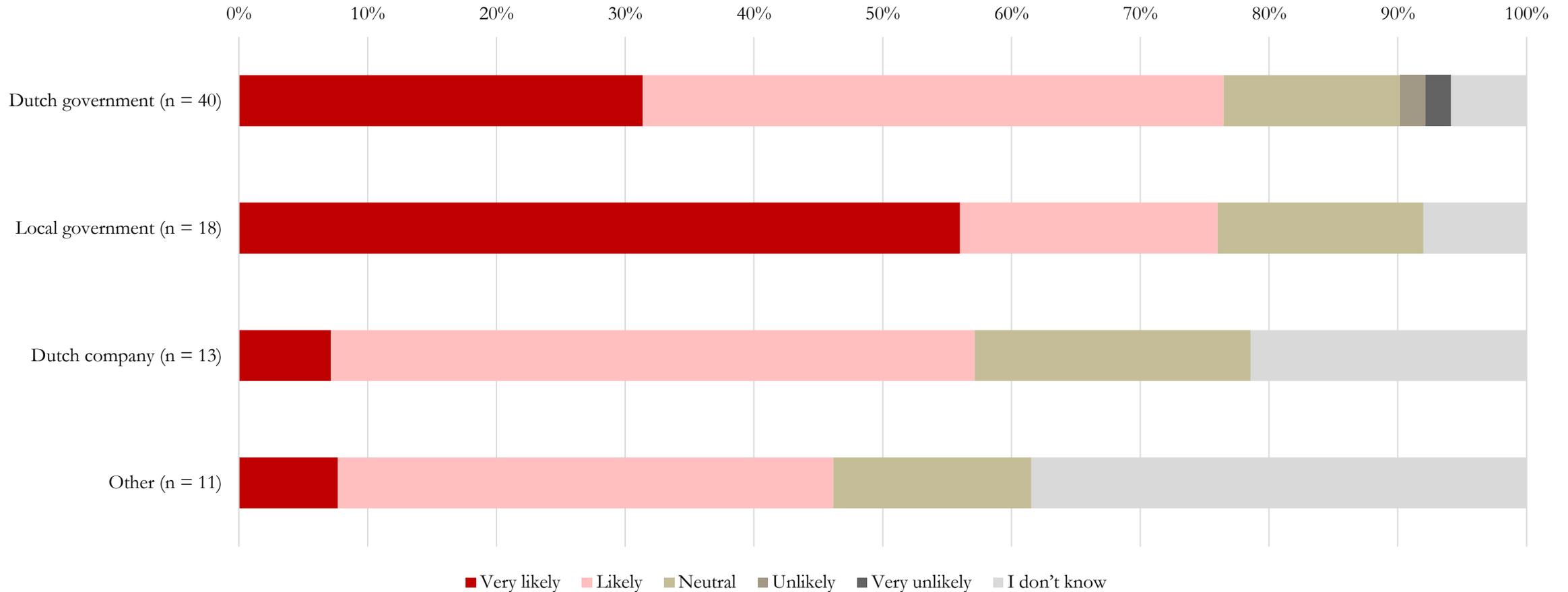
"In your view, to what degree are local governments involved in the following activities? ("local" refers to the country for which the D2B study is carried out)"



Annex C: Survey results

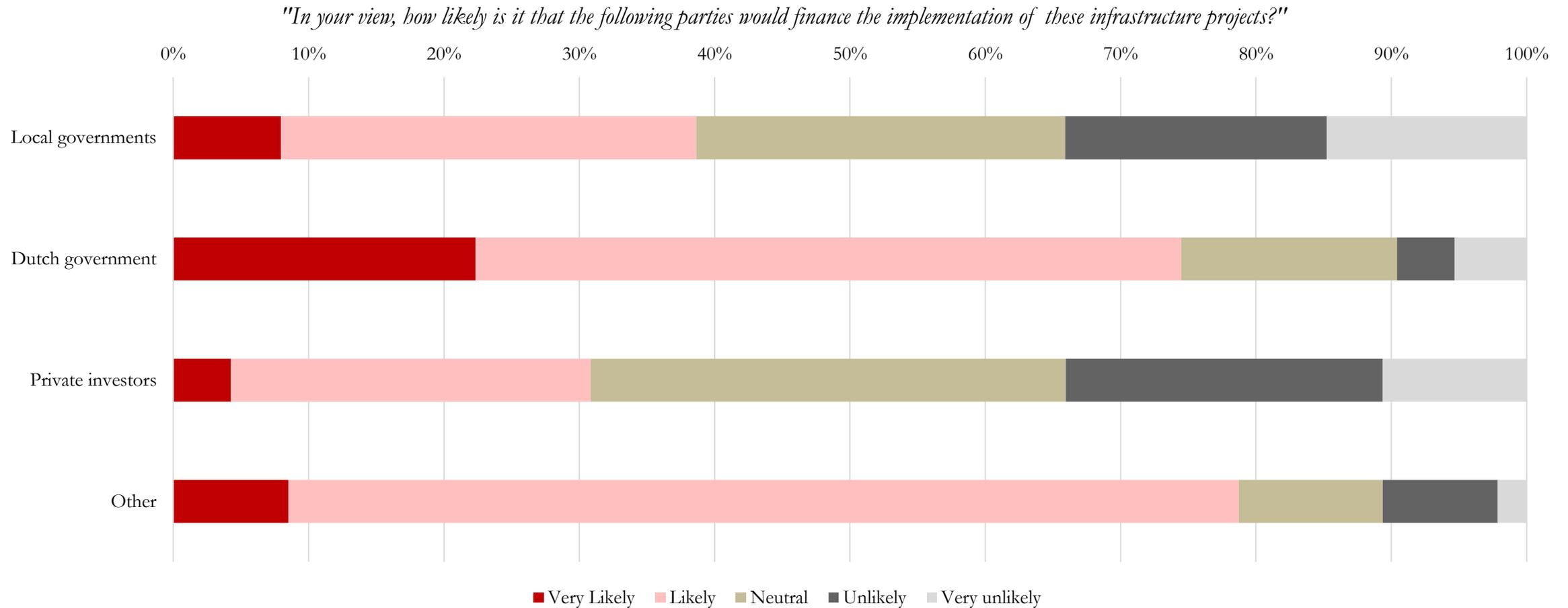
Survey respondents from Dutch and local governments are optimistic about the possibility that D2B studies result in infrastructure projects that are financed (75% consider this likely or very likely). Dutch companies are less optimistic.

"To what extent do you think D2B studies will eventually result in infrastructure projects that are financed?"



Annex C: Survey results

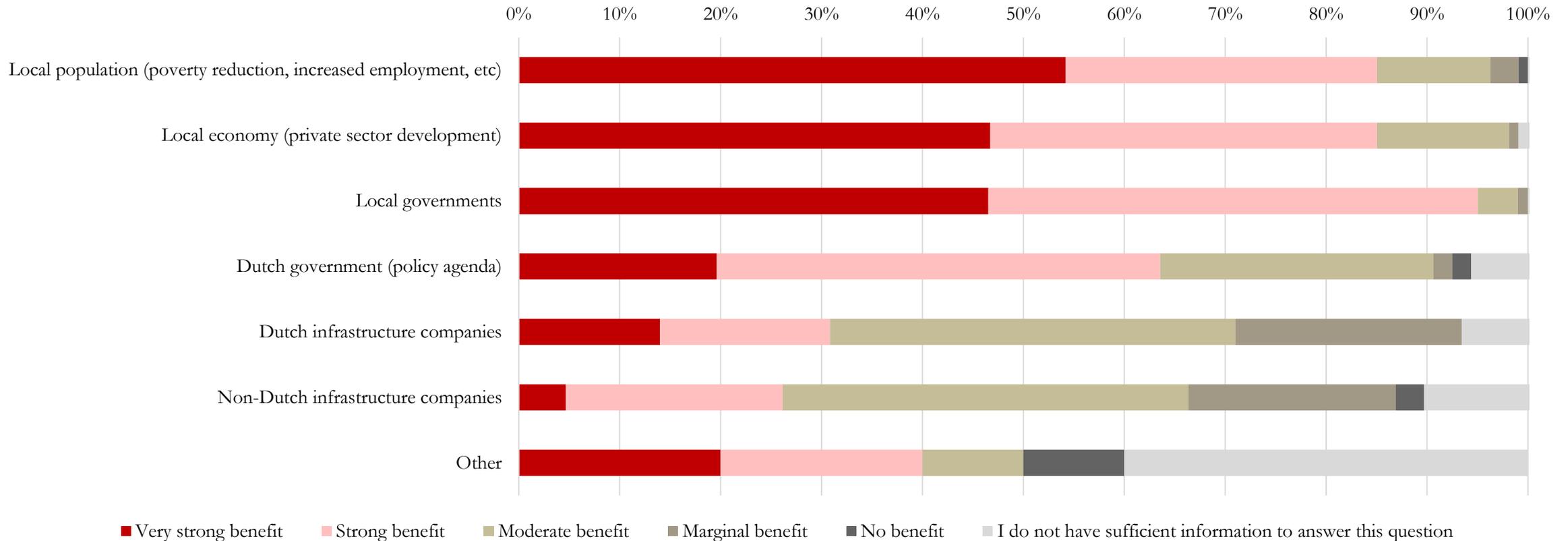
Nearly 75% of respondents expect that the Dutch government will finance the implementation of infrastructure projects.



Annex C: Survey results

It is expected that the local government, local economy and local population will benefit most from the implementation of the infrastructure projects. The Dutch government is expected to benefit more than Dutch companies.

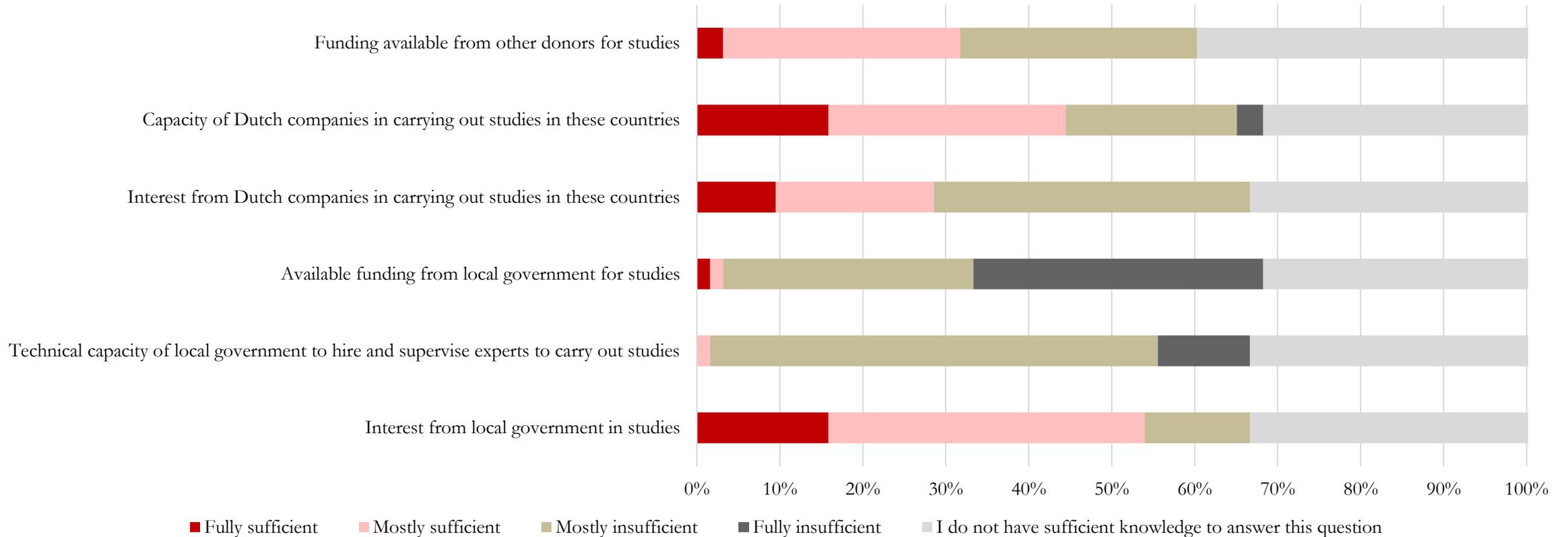
"For those D2B studies that will result in actual infrastructure projects that are financed and implemented, how likely do you think it is that the following parties will benefit from those projects?"



Annex C: Survey results

55% of respondents see fragile states as interested in D2B studies, while virtually all believe they lack capacity. Respondents see Dutch companies as having the capacity to carry out studies in fragile countries, but there may not be sufficient interest.

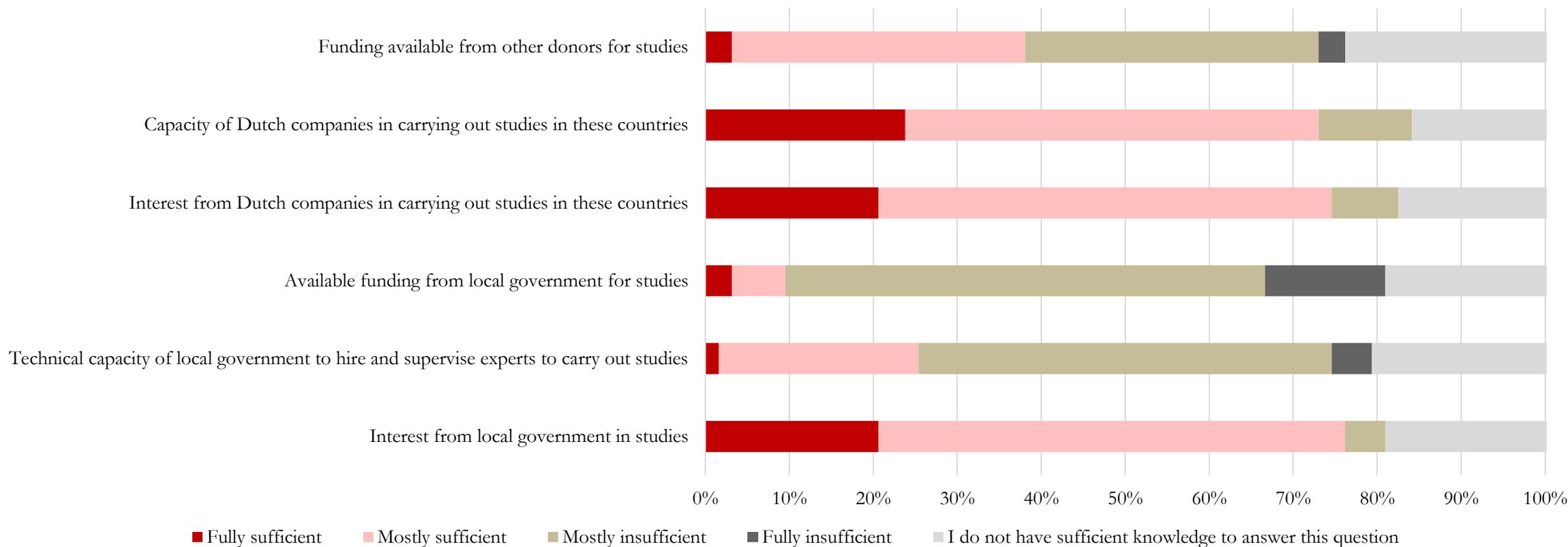
*"For the **fragile countries** with which you are familiar, please indicate how you would estimate the degree to which the following is present on average"*



Annex C: Survey results

Compared to fragile states, non-fragile low-income countries are seen as having a stronger interest in D2B studies as well as more capacity to carry them out. Dutch companies are perceived as much more able and willing to carry out studies here.

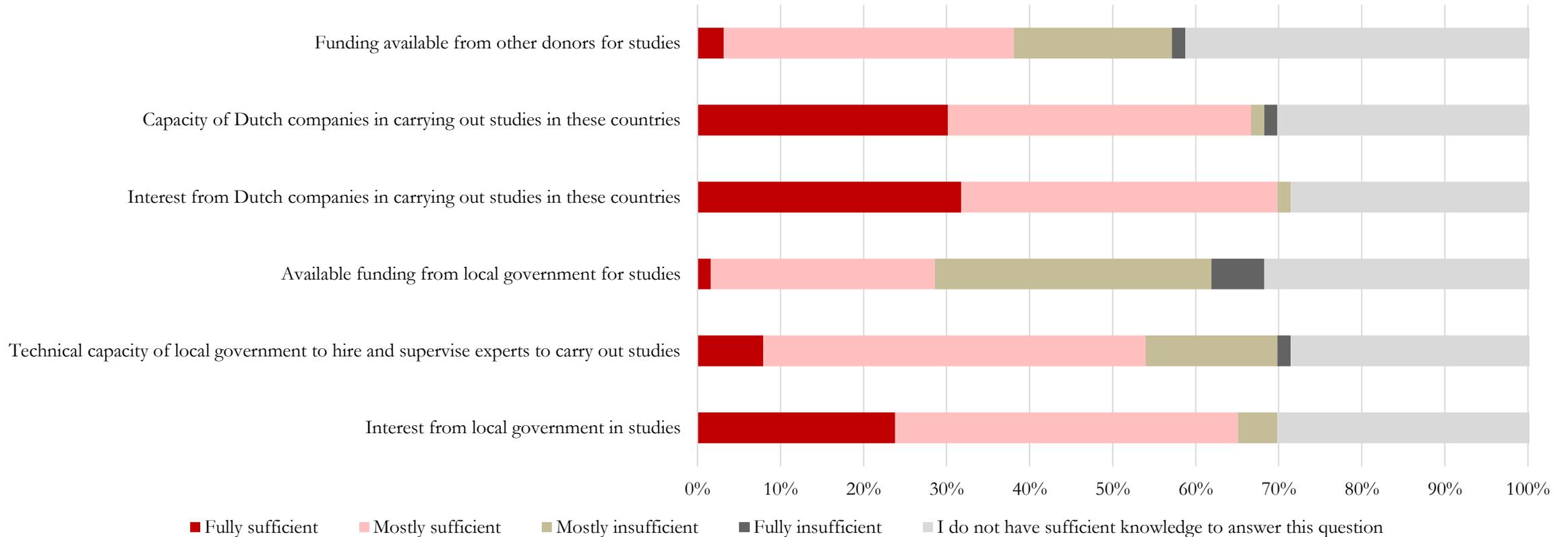
"For the (non-fragile) low-income countries with which you are familiar, please indicate how you would estimate the degree to which the following is present on average"



Annex C: Survey results

Respondents believe there is interest from middle-income countries, but the majority believes they have sufficient capacity while 25-35% believe they have (mostly) sufficient funding from own budgets or other donors. Dutch companies are seen as able and willing to carry out these studies.

"For the (non-fragile) middle-income countries with which you are familiar, please indicate how you would estimate the degree to which the following is present on average"



Annex D. Future D2B scenarios

We consider 6 scenarios. The first scenario keeps D2B as is, with options for small adjustments. In scenario 2, D2B forms strategic alliances with other donors without changing the programme itself.

Scenario 1: keep D2B as is (with options for small changes)

Benefits:

- The Netherlands retains its position on the international infrastructure project development market and remains well informed about infrastructure needs and developments in the countries.
- The expertise within RVO can be utilised and expanded.
- D2B keeps meeting the needs of DRIVE and focus countries.
- D2B can be modified to project origination / pre-feasibility phases or other (middle income) countries or themes according to the needs in the countries and priorities of the Netherlands.

Disadvantages:

- Potentially inefficient use of resources in cases where D2B resources (particularly human resources) are spread too thin over too many countries and sectors that are too broadly defined
- Potentially inefficient use of resources by including regions or sectors where there is little or no additionality relative to other donors.
- Relevance for the Netherlands is low in certain sectors and regions.

Scenario 2: keep D2B as is but form strategic alliances with other donors

The strategic alliances can be made by RVO but also by MFA. First it should be assessed what the strong points of each donor is.

Benefits:

- Other donors have their own representations in a number of countries with specialists who can be used for lead generation, structural relationships, guidance, etc.
- Language and local knowledge benefits: the partners can have comparative advantages in terms of language skills or local knowledge (e.g. AfD French language and Embassy network in West Africa)
- The existing investment in personal contacts can be formalised and is therefore more durable.
- Strategic alliances act as an option: you can use them as needed and when they are effective. Facilitates changes in country focus.

Disadvantages:

- Only useful if there is a long-term commitment from the Dutch government to the D2B instrument.
- More difficult to ensure the Dutch interest.

Annex D. Future D2B scenarios

In scenario 3, D2B is kept as is but focusses on fewer countries. Scenario 4 describes the situation in which D2B is included in Invest International with its own budget and team.

Scenario 3: keep D2B as is but use the same resources for fewer countries

D2B focusses on a smaller set of countries in which D2B is most additional, relevant and effective. Further research is necessary to assess which countries should be included in this set.

Benefits:

- Focusing on fewer countries could imply a much more effective and efficient deployment of resources of RVO and embassy capacity
- Less dependency on small or absent posts in D2B countries.

Disadvantages:

- Loss of flexibility as to where to develop projects.
- Potential shortage of projects
- Criteria for focus countries are often determined by the political agenda, which tends to change at a higher frequency than what is feasible to change within an infrastructure project cycle.

Scenario 4: include D2B in Invest International with its own budget and team (separate from DA)

Benefits:

- Use synergies (knowledge, expertise, network countries, etc.) between the commercially oriented DA team and the government to government cooperation orientation of D2B.
- Companies and government can go directly to Invest International and not separately to e.g. D2B and DA.

Disadvantages:

- Synergy potential may not be optimally utilized due to the separation of DA and D2B teams (under different branches of Invest International). This can be overcome by stimulating exchange.

Annex D. Future D2B scenarios

In scenario 5, DA and D2B are fully combined within Invest International. In scenario 6 the D2B program is replaced by support to other donor instruments.

Scenario 5: combine DA and D2B in Invest International

Benefits:

- Synergy potential between DA and D2B (knowledge, expertise, country relationship network, etc.) can be optimised
- Flexibility of the implementing agency in terms of resource allocation.
- Possible blending of financing instruments becomes easier (grants, equity, loans for project development, but also FMO and RVO instruments for realization).

Disadvantages:

- Invest International may focus less on development impact than D2B. This can be overcome via performance targets and KPIs.
- The combination of ODA (D2B) and non-ODA (DA) within one organisation is a challenge. This is only possible if you have separate budget windows for ODA and non-ODA.
- Many donors (e.g. EIB) would not allow cooperation if D2B is not clearly untied.

Scenario 6: stop D2B programme and invest in other donors

This option is relevant if D2B is not additional to other donors in any respect.

Benefits:

- Large donors such as WB, EU, ADB, GIZ etc. often have their own representative offices in beneficiary countries. These are often more effective and better equipped with infrastructure specialists than embassies, and can be used for lead generation and guidance.
- When supporting other donor instruments, it is easier to change focus countries or sectors in case of a change in political priorities, without having to build up RVO capacity and bilateral relationships from scratch, and without the cost of losing previous relationships and capacity that took much time and effort to build up.
- Automatic compliance with DAC guidelines

Disadvantages:

- Serious loss of built-up reputation, experience and contacts
- Limited possibilities for Dutch companies.
- Capacity of embassies for project identification remains unused.
- No developed relationship with the recipient country to fall back.
- Dutch government (MFA, RVO) and Dutch sectors do not develop knowledge and experience in D2B target countries.

Annex D: Assessment of future scenarios

| Scenario | Score | Elements take in preferred scenarios |
|---|-------|--------------------------------------|
| Scenario 1: keep D2B as is (with options for small changes) | 0/+ | Yes |
| Scenario 2: keep D2B as is but form strategic alliances with other donors | ++ | Yes |
| Scenario 3: keep D2B as is but use the same resources for fewer countries | ++ | Yes |
| Scenario 4: include D2B in Invest International with its own budget and team (separate from DA) | + | No |
| Scenario 5: combine DA and D2B in Invest International | ++ | Yes |
| Scenario 6: stop D2B programme and invest in other donors | - | No |