Mid-Term Evaluation of the UN Environment Project "Seed Capital Assistance Facility, Phase II"

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Brief Consultant's Biographies

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Ute Zimmermann is the Senior Consultant and Finance Specialist. As a former staff member of the private sector arm of AsDB she is familiar with financial management and the financial sector. During her professional career, she gained specific country experience in Asia and Africa, and has deep knowledge of development, structuring and sourcing of adequate finance for renewable energy. For the evaluation of SCAF I, she conducted the field trips and on-site interviews, and assessed the financial aspects of the project.

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About the Evaluation[1]

Report Language(s): English

Evaluation Type: Mid-Term Evaluation

Brief Description: This report is a mid-term evaluation of a UN Environment project which began in January 2014 and has an intended completion date of December 2021. The Project's overarching intention is that "Developing countries are more able to pursue low carbon resource efficient development as more early stage climate investment is available on a commercial basis leveraging additional commercial capital for climate sector." To that end, it provides funds to Development Companies and Private Equity Funds (Cooperating Partners) that these spend on building up a pipeline of finance-ready projects in "frontier" countries in Africa or Asia.

The evaluation has two primary purposes: (i) to provide evidence of results to meet accountability requirements, and (ii) to promote learning, feedback, and knowledge sharing that could be applied as the project moves towards its completion.

Key words: Seed Capital; Renewable Energy; Climate Change; Asian Development Bank; Energy Efficiency; SCAF.

[1] This data is used to aid the internet search of this report on the Evaluation Office of UN Environment Website (https://www.unenvironment.org/about-un-environment/evaluation)

Content

List of Figures

List of Tables

List of Acronyms

ACAD	African Carbon Asset Development Facility	**EA**	Expected Accomplishment
ACP	Asia Climate Partners	**EE**	Energy Efficiency
ADA	Austrian Development Agency	**EEP**	Energy and Environment Partnership
AfDB	African Development Bank	**EHS**	Environmental, Health and Safety
AsDB, ADB	Asian Development Bank	**EIB**	European Investment Bank
BEIS	Department for Business, Energy and Industrial Strategy	**EnDev**	Energising Development
BMU	Bundesministerium für Umwelt, Naturschutz, und Reaktorsicherheit (Federal Ministry for the Environment, Nature Conservation and Nuclear Safety)	**EPC**	Engineer-Procure-Construct
CF	Cooperating Fund	**EQ**	Evaluation Question
CIIE	Centre for Innovation Incubation and Entrepreneurship	**ESG**	Environmental, Social and Governance
CO_2	Carbon Dioxide	**FS**	Frankfurt School-UNEP Collaborating Centre for Climate & Sustainable Energy Finance
CP	Cooperating Partner	**FSFS**	Frankfurt School of Financial Services
CP3	Climate Public Private Partnership Programme	**GAP**	Green Africa Power
CPA	Cooperating Partner Agreement	**GEF**	Global Environment Facility
DAC	Development Assistance Committee	**GHG**	Greenhouse Gas
DB	Development Bank	**ICF**	International Climate Fund (of the UK)
DEG	Deutsche Investitions- und Entwicklungsgesellschaft (German Investment and Development Company)	**IFC**	International Finance Corporation
DevCos	Project Development Companies	**IPP**	Independent Power Producer
DFID	Department for International Development	**IRR**	Internal Rate of Return
DI	Frontier Market Energy and Carbon Fund	**KfW**	Kreditanstalt für Wiederaufbau
DTIE	Division of Technology, Industry and Economics, Renewable Energy and Finance Unit	**LP**	Limited Partners

MDB	Multilateral Development Bank	**REAF**	Renewable Energy Asia Fund
MFA	Finish Ministry of Foreign Affairs	**REED**	Rural Energy Enterprise Development
MTE	Mid-term Evaluation	**REPP**	Renewable Energy Performance Platform
MTS	Medium-term Strategy	**SC**	Steering Committee
MW	Megawatt	**SCAF**	Seed Capital Assistance Facility
NDF	Nordic Development Fund	**SEFA**	Sustainable Energy Fund for Africa
Norad	Norwegian Agency for Development Cooperation	**Sida**	Swedish International Development Cooperation Agency
O&M	Operations and Maintenance	**SL**	Support Line
PCA	Programme Cooperation Agreement	**SMEs**	Small and Medium Enterprises
PE	Private Equity	**SPV**	Special Purpose Vehicle
PIDG	Private Infrastructure Development Group	**TE**	Terminal Evaluation
PIMS	Project Information Management System	**TOC**	Theory of Change
PMU	Project Management Unit	**TOR**	Terms of Reference
POW	Programme of Work	**UK**	United Kingdom
PPP	Public-Private Partnership	**UN**	United Nations
ProDoc	Project Document	**UNEP**	United Nations Environment Programme
PSC	Project Support Costs	**UNOPS**	United Nations Office for Project Services
RE	Renewable Energy	**VC**	Venture Capital

Project Identification Table

UN Environment PIMS ID:	1657	DFID Project No. BMU Project No.	201733 14_I_201_Global_M_Low Carbon Development
Implementing Partners:	United Nations Office for Project Services (UNOPS)[2] Frankfurt School of Finance and Management[3]		
Cooperating Partners	6 Clean Energy Fund Managers or Development Companies		
Sub-programme:	Climate Change	Expected Accomplishment(s):	EA (b) Energy efficiency is improved and the use of renewable energy is increased in partner countries to help reduce greenhouse gas emissions and other pollutants as part of their low emission development pathways
UN Environment approval date:	Dec 2013	Programme of Work Output(s):	EA (b) – 4: Technical support provided to countries and partners to set up and implement sectoral initiatives and to make renewable energy and energy efficiency technologies bankable and replicable.
Expected start date:	Jan 2014	Actual start date:	Jan 2014
Planned completion date:	Dec 2021	Actual completion date:	*Not applicable*
Planned project budget at approval:	USD 26m	Actual total expenditures reported as of December 2017:	USD **12,488,422**
Planned Environment Fund allocation:	0	Actual Environment Fund expenditures reported as of [date]:	0
Planned Extra-Budgetary Financing:	USD 26m	Secured Extra-Budgetary Financing as of December 2017:	USD 16.8 (USD 13.1m by DFID and USD 3.7m by BMU)

[2] United Nations Office for Project Services (UNOPS) has been a project partner since March 2016

[3] Frankfurt School of Finance and Management is an implementing partner through two different structures: (i) Frankfurt School-UNEP Collaborating Centre was a SCAF implementing partner prior to UNOPS being contracted and, since April 2016 has been the SCAF Agent, and (ii) since August 2016 their subsidiary Frankfurt School Financial Services has been contracted as the trustee of the SCAF UK trust by UNOPS.

		Actual Extra-Budgetary Financing Expenditures reported as of December 2017:	USD **12,488,422**	
First disbursement:	2014	Date of financial closure:	*Not applicable*	
No. of revisions:	1 (Elements in ProDoc revised)	Date of last revision:	27/09/2016	
No. of Steering Committee meetings:	8 SC meetings 11 Regional Committee meetings (advisory function)	Date of last/next Steering Committee meeting:	*Last: 4 October 2017*	*Next: 24/25 April 2018*
Mid-term Review/ Evaluation *(planned date)*:	2016	Mid-term Review/ Evaluation (actual date):	Sept 2017 – Mar 2018	
Terminal Evaluation *(planned date)*:	June 2021	Terminal Evaluation (actual date):	*Not applicable*	
Coverage - Country(ies):	Less developed countries in Asia (Cambodia, Indonesia, Vietnam) and Africa (Cameron, Chad, Kenya, Malawi, Nigeria, Rwanda, Tanzania)[4].	Coverage - Region(s):	Africa Asia Latin America	
Dates of previous project phases:	REED SCAF Phase I (July 2008 – June 2018)	Status of future project phases:	*Not applicable*	

[4] Projects have been supported in these countries via Cooperating Partners,

Executive Summary

1. The Seed Capital Access Facility II (SCAF II, the Facility or the Project) started in January 2014 and is scheduled to run until December 2021. It is funded with GBP 9 million from the United Kingdom's Department for International Development (DFID)[5] and EUR 3 million from the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU). It is a continuation of an earlier project, the Rural Energy Enterprise Development Seed Capital Assistance Facility, Phase I (REED SCAF I), with slightly different institutional structures and support modalities.

2. The Project's overarching statement is that "Developing countries are more able to pursue low carbon resource efficient development as more early stage climate investment is available on a commercial basis leveraging additional commercial capital for climate sector." To that end, it provides funds to Development Companies and Private Equity Funds (Cooperating Partners) that these spend on building up a pipeline of finance-ready projects in "frontier" countries in Africa or Asia.

3. This Mid-Term Evaluation was conducted after 3 years of implementation, to assess the implementation status and provide recommendations for the second half of the Project. It addresses the standard evaluation criteria, and follows the standard format, for UN Environment Mid-Term Evaluation reports and contains an additional chapter (ch. 6 Strategic Questions) where a number of additional questions posed by the donors are discussed. This chapter includes section 6.1 on additionality, which is not normally assessed in UN Environment evaluations.

4. SCAF has three support modalities; Cooperating Partners qualify either for Support Line 0 or for Support Lines 1 and 2. With Support Line 0 (USD 2.1 million), first time Fund Managers should be enabled to reach a first financial close for a Private Equity Fund that invests in sustainable energy projects in Africa or Asia. The other two Support Lines are approved together and co-finance pipeline building (Support Line 1, USD 3.3 million) and project-specific activities (Support Line 2, USD 6.5 million) of the Cooperating Partners. Support Line 1 is a grant, mainly financed from BMU funds. Support Lines 0 and 2 are repayable to the Facility upon successful financial closure of the Fund or project, respectively.

5. UN Environment as Project manager is responsible inter alia for running the Project Management Unit and reporting to the donors. UN Office for Project Services (UNOPS) is responsible for the contracting of both the SCAF Agent and the SCAF Trustee. Frankfurt School-UNEP Collaborating Centre for Climate and Sustainable Energy Finance (hereinafter referred to as Frankfurt School or FS) is contracted as the SCAF Agent, to support the Project Management Unit in the day-to-day implementation of the Facility. In a separate contract Frankfurt School Financial Services GmbH (FSFS), an affiliate of Frankfurt School of Finance and Management focussing on asset management, is contracted as the SCAF Trustee managing the funding flow to SCAF beneficiaries (i.e. the Cooperating Partners).

[5] The funding is provided through the UK International Climate Fund (ICF)

6. By the end of 2017, one Cooperating Partner has been supported via Support Line 0.[6] For Support Lines 1 and 2, five agreements with Cooperating Partners have been finalized, and as of 31 December 2017, 27 projects were supported under Support Line 1 and 10 projects were supported under Support Line 2.[7] At the time of this evaluation no project had reached financial close.

7. The SCAF is comparatively unique (only overlapping with the Energy and Environment Partnership - EEP) in its focus on pipeline development and seed financing for private equity funds/DevCos, and complementary to the existing facilities. It can also be said that, as a result of the project, a number of well-functioning renewable energy projects in operation form a broader class of assets that provide investment opportunities in frontier markets, which in turn has an impact on the development of capital markets.

8. The disbursement of funds is currently behind target on all support lines, which might, to some degree, relate to delays in the project setup. The project experienced a slow start as internal UN Environment rules required the public procurement of the Trustee services. This procurement process was implemented through the UN Office for Project Services (UNOPS) and fully completed in August 2016, 32 months after project start. While the SCAF Agent was able to negotiate and sign agreements with the Cooperating Partners, disbursements were put on hold during this period.

9. The evaluation finds that despite this initial delay the Project can achieve most of its targets within its original timeframe. The only area where this is not yet secured is in the area of the development of new funds (“Support Line 0”) which was deprioritized for the benefit of the activities under the other support lines, particularly because of the long-term nature of Support Lines 1 and 2 agreements which would make them difficult to execute towards the end of the Facility lifetime.

10. The overall project implementation progress is rated ‘Satisfactory’ (see Chapter 7, ‘Conclusions’ for a summary table of performance against evaluation criteria). The Project is aligned with UN Environment and donor priorities and relevant to regional and national needs as it helps leverage private finance for renewable energy deployment (Strategic Relevance rating of ‘Satisfactory’). The project design is complicated with respect to both the funding modalities and the administrative setup and the theory of change presented in the original project document is not consistent with the results framework in the same document, (Project Design rating of ‘Moderately Satisfactory’). The effectiveness of the Project is, at this mid-point, rated ‘Satisfactory’ as the project might still be able to reach its formulated targets. The rather complex administrative setup results in a relatively high overhead (see also para 14) and, according to the planned budget, 30% of total donor funding goes to UN Environment, UNOPS, the SCAF Agent or the SCAF Trustee, which is why Efficiency is rated ‘Moderately Satisfactory’. On the other hand, the financial management is well document and transparent, thus rated ‘Satisfactory’. The project team works together very well and uses the wealth of data for substantive reporting, which is why Monitoring and Reporting is rated ‘Satisfactory’. Sustainability is rated ‘Likely’ – an important aspect of this is that the Facility support enables and obliges the Cooperating Partners to stringently apply the Environmental and Social Safeguards of the World Bank’s International Finance Corporation. The highlights among the Factors Affecting

[6] by April 2018, this partner had also repaid the funds.

[7] As of 31 March 2018, 29 projects were supported under support line 1 and 10 projects were supported under support line 2

Performance – an area that was overall rated as 'Satisfactory' – are the excellent cooperation between the Agent at the Frankfurt School of Finance-UNEP Collaborating Center and the PMU at UN Environment's Economy Division in Paris. A less favourable factor, and an area for strengthening, is the outreach and communication work focussing on sharing learning among other investors, service providers, policy makers, product developers etc., which so far has received too little attention from the project team. While the Project has been following agreed implementation plans and reporting against the agreed indicators, management action is needed to ensure a single, clear and complete Theory of Change exists and that it is consistent with an approved results framework and associated indicators.

11. As discussed above, the Project is still on track for achieving its results. One of the results already evident at this mid-point is the diversification of private equity markets for Low Carbon Investments (i.e. the purpose of Support Line 0). Here, only one fund has come to a financial close, and while sustainable energy is one of its investment areas, there is no guarantee that there will ultimately be sustainable energy investments in the fund's portfolio.

12. This process of selecting Cooperating Partners is satisfactory, but so far has led to a pure renewable energy portfolio. The partners are very satisfied with the (financial) support provided by the Facility, and appreciate it as it improves their operations. They are satisfied with the new features of the Facility compared to the first phase of Project (SCAF I), including the repayment features which are compatible with the typical life cycle of their Funds. They first draw down on the grants under Support Line 1 and then on the repayable grants of Support Line 2 which, from the viewpoint of the Project, has benefits – it is in line with the Donor preferences – but also downsides – it delays the repayment further. The evaluation team recommends considering this in the exit strategy and associated financial plan (see para 17, below).

13. Another new feature added in this second phase of the Project is the inclusion of support to Development Companies as well as Private Equity Funds. However, the evaluation finds this feature overemphasized, as the lines between Development Companies and Private Equity funds might not be as clear cut and, specifically in the SCAF Project portfolio, are increasingly blurred. For example, one of the participating Development Companies has just recently emitted a bond – indicating that they are actually very knowledgeable financial specialists and not only renewable energy projects developers. One of the equity funds has sold a project before financial close, which is actually more typical for Development Companies than for Private Equity Funds. On the other hand, opening support for Development Companies makes the Project more similar to other donor-funded project development facilities.

14. While actual management costs are at the high end (28%), this can be seen as necessary for having a well-administered facility, in particular of a comparatively small scale, and with sensitive and highly specialized skills necessary for its administrative tasks, which include financial due diligence and assessment of project opportunities. It is also somewhat mitigated by the fact that the leverage of the support lines was higher than expected, and that there are potential reflows that enhance the leverage of the administrative costs.

15. During the development of the Terms of Reference for this evaluation the Donors requested an assessment of additionality of the Project's support, (see section 6.1, pg 70). An important difficulty that the Project faces is that its additionality rationale is not completely formulated and a clear definition should

be articulated at this mid-point in the project's life. In the views of the Cooperating Partners, additionality in the Seed Capital Assistance Facility is a matter of improving the speed and quality of project development: projects were developed faster and founded on a better knowledge base. This "speed impact" of the Project is one aspect of additionality delivered by the project and this implies that projects are able to provide jobs and greenhouse gas reduction impacts earlier than without the Facility. Other possible interpretations of additionality are discussed in section 6.1. In terms of the type of support, Support Line 0 is unique, and therefore automatically additional, in the sense that this type of support was not being provided at the baseline and is provided during the project. Support Line 0 is also quite high-risk for the Project. For the other two Support Lines, other modalities might have been able to offer similar, but not exactly the same, types of support (in particular for Support Line 2). From a technological perspective, the current portfolio under Support Line 2 has a strong emphasis on technologies with high preparation costs and resource risks – 6 out of 10 projects are wind or geothermal – and thus the Project support fills an actual gap. The countries in which the Facility supports projects through Support Line 2 can be characterized as representing the middle ground in terms of their investment environments: an external push or some de-risking certainly helps trigger investment, but there are more difficult environments where additionality would be larger. This assessment of the additionality with respect to the difficulty of investment environments, and subsequent management to keep additionality high, is impeded to some degree by the fact that the market is very dynamic in many countries – what was "new" or "additional" today is run-of-the-mill in two years.

16. The project implements an interesting approach, streamlining and scaling up the experience of the first phase of the Seed Capital Assistance Facility. However, even combining the effort of the two phases of the Project the pooled portfolios are small compared to the market and do not yet provide a transformative impact on the capital markets. They are also not big enough to include a representative range of investment strategies and rationales, or to draw systematic conclusions as to the ways to influence investor behaviour most efficiently through a Seed Capital Access Facility. In addition, the field is highly dynamic and has changed significantly over the last years. The Project's gap analysis "Catalysing Early Stage Investments" dates back to 2012, and an update and peer review would be important.

17. An important strategic consideration at this mid-point in the Project's implementation is the planning of the termination of the Project. It is highly unlikely that at the end of the project – currently scheduled for end of 2021 – no outstanding repayable support lines will exist anymore. This means that at its end point, the Project will still be capitalized. Whenever funds are left within a project, UN Environment has shown the tendency to extend the life of the project and draw down on the investment funds for administrative costs, reducing effectiveness and rendering the project less and less relevant. A clear agreement between donors and UN Environment is needed on what to do at the end of 2021, how to pay back receivables and what conditions would allow for, or even require, a project extension. This should be combined with an exit strategy and a fully planned budget that is robust as to the non-repayment risk.

18. For SCAF II the following recommendations have been put forward:

- UN Environment should provide an exit strategy and a budget plan for the next years that explicitly accounts for the reflows and programs their use. This strategy should explicitly account for, and limits the risk that, with ongoing but small financial reflows, the project will not come to a termination.

- The Project should clarify and make more explicit its theory of change and associated results framework, in particular by clarifying the hierarchy of outcomes. The Projects' results statements[8] should be clearly formulated, presented in the context of an outcome hierarchy and approved by the Steering Committee as a formal results framework. In this process,
    - the KPIs should be assigned to the corresponding level in the outcome hierarchy;
    - output and outcome targets for SL0 should be adjusted to a realistic level;
    - output and outcome targets – particularly for SL0 - should be linked to the KPI;
    - output, outcome and KPI targets should be based on a realistic assumption for the reflows, and be in line with the exit strategy.
- The gap analysis of 2012 should be updated, peer reviewed, and used to reconfirm the need for the Facility and its match with the existing funding gaps. This will also help strengthen the rationale behind 'additionality'.
- UN Environment should explore options to lower administration costs and overheads.
- With 6 partners that develop projects, the Facility is too small to impact the renewable energy field in frontier countries. If the funding gap for early stage financing is reconfirmed in the update of the peer reviewed gap analysis, donors should consider an upscaling of the Facility. Already, reflows should not be used to enhance the grants for existing Cooperating Partners but for supporting new Partners.
- The evaluation recommends that UN Environment use reflows increasingly for communication, outreach and knowledge management. The Terminal Evaluation of the first phase of the Project has already recommended that outreach and knowledge management should be improved. The PMU, together with the Agent, should develop a structured outreach programme with at least the following components:
    - Strengthen the current outreach activities.
    - Add a specific outreach and knowledge management work programme around private equity investments. This should target: i) the project partners and potentially the project developers as well; ii) in a second layer the larger financial community and project developers that are not affiliated with SCAF partners, and iii) in a third layer the International Financial Institutions who might be interested in replicating the Facility.

[8] The Project Document contains one 'Project Outcome' which is formulated at the level of longer-term impacts. Below this are three Project Outputs.

- The interviewees from the side of the Cooperating Partners specifically also suggested that UN Environment should strengthen the understanding of policy makers and regulators about the needs of private renewable energy investors.

19. In theory, SCAF can be scaled up and should be scaled up for a true market conversion effect. Demand for more private sector investments in renewable energy projects is large, more so in Africa, than in Asia. The evaluators believe that in the current situation additional funds would benefit private sector investments in renewable energy and contribute to GHG emission reductions. An important argument is also the limited capacity to draw systematic lessons on how to support the private sector, as the sample of projects and partners is still quite small, even including SCAF I. But in the long run, the SCAF should keep developing to work towards attracting other types of funds, beyond project developers with equity.

20. There is an interest on the part of UN Environment to replicate and scale up the Seed Capital Assistance Facility in other fields where financing needs have been identified. One potential scale-up would relate to applying the same concept to other sources of funds that could be unlocked in the sustainable energy field. Transfer of SCAF to other areas is possible, but the funding purpose should match the specific risk-return profile of the private sector partners.

1 Introduction

21. Funded by public sector sources, UN Environment's Seed Capital Assistance Facility (SCAF) supports private equity funds and development companies to develop pipelines of renewable energy and energy efficiency projects in frontier markets of Asia and Africa. The first phase of the Seed Capital Assistance Facility project (SCAF I), was approved by UN Environment on 24 January 2005 and by the Global Environment Facility (GEF) on 31 May 2007. It was implemented by UN Environment with support from Frankfurt School in Africa, and by the Asian Development Bank (AsDB, ADB) in Asia, starting in June 2008. SCAF I was scheduled to run until August 2013 but activities were extended in Africa up to December 2015 and in Asia up to December 2017. It finally reached administrative closure in June 2018. SCAF I was funded by GEF with a total of USD 8.4 million, and leveraged significant co-financing, not only in the form of private sector investments and the co-financing of the partners' activities, but also in the form of cash co-financing from UN Foundation and the European Investment Bank (EIB) as well as in-kind co-financing from UN Environment and AsDB. This phase is currently being concluded.

22. The second phase, SCAF II, started on January 2014 and is scheduled to run until December 2021. It is funded with GBP 9 million from the United Kingdom's Department for International Development (DFID) and EUR 3 million from the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU). While it is by and large a continuation of SCAF I, it has a slightly different institutional structure and slightly different modalities, the latter mainly responding to the Mid-term Review of SCAF I. UN Environment is responsible for the project management including inter alia reporting to the donors and running the Project Management Unit (PMU). UN Office for Project Services (UNOPS) is responsible for contracting the SCAF Agent and the SCAF Trustee. Frankfurt School-UNEP Collaborating Centre for Climate and Sustainable Energy Finance (hereinafter referred to as Frankfurt School or FS) is contracted as implementing partner ("Agent") and supports the PMU. In a separate contract, Frankfurt School Financial Services GmbH (FSFS), an affiliate of Frankfurt School of Finance and Management focussing on asset management, is contracted as the Trustee for the SCAF funding intended to go to the Cooperating Partners.

23. In line with the UN Environment Evaluation Policy[9] and the UN Environment Programme Manual,[10] this Mid-term Evaluation (MTE) of SCAF II is undertaken at the mid-point of the expected project period. The evaluation team carrying out this Mid-Term Evaluation of SCAF II is undertaking the Terminal Evaluation of SCAF I at the same time. According to the Terms of Reference (TORs) this evaluation has two primary purposes: "(i) to provide evidence of results to meet accountability requirements, and (ii) to promote operational improvement, learning and knowledge sharing through results and lessons learned among UN Environment, donors DFID and BMU and implementing partners."[11] The SCAF II evaluation also complies with the donors' evaluation policies and standards. Standard questions for mid-term evaluations include

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[9] UN Environment (2016): Evaluation Policy, https://www.unenvironment.org/about-un-environment/evaluation/policies-and-strategies.

[10] UN Environment (2013): UN Environment Programme Manual, http://www.unep.org/QAS/Documents/UNEP_Programme_Manual_May_2013.pdf. *This manual is under revision.*

[11] Evaluation Office of UN Environment (2017): Terms of Reference. Mid-term Evaluation of the UN Environment project "Seed Capital Assistance Facility, Phase II".

recommendations regarding the second part of the project's implementation phase including on any possible project changes and preparations for the project termination, also with respect to the sustainability of its impacts. In addition, the donors had provided an additional set of questions, mainly concerned with the effectiveness and the scale-up potential of the SCAF. They are addressed in this report as far as possible given that the evidence is still limited at this point in the project's implementation. The linking of this Mid-Term Evaluation with the Terminal Evaluation of the SCAF I facilitates this to some degree as it broadens the evidence basis. While these are two separate facilities and project operations, a number of experiences align well, and it can be considered fair to include some evidence from SCAF I into the more strategic evaluation questions in this Mid-Term Evaluation for SCAF II.

24. The evaluation report will be submitted to, and discussed with, the funding partners and will also serve as a basis for discussion and reference for UN Environment internally – in terms of the codification of lessons and adjustments in the project management in the second implementation phase– as well as externally as the basis for future funding proposals to donors. Mainly, though, it is expected that the recommendations will be implemented in the second part of the SCAF II project.[12]

2 Evaluation methods

2.1 Evaluation activities

25. This evaluation was conducted according to the policy and procedures of UN Environment Independent Evaluation Office. This Mid-Term Evaluation of SCAF II was carried out by the same evaluation team in conjunction with the Terminal Evaluation SCAF I in order to maximise efficiency in terms of avoiding the duplication of effort and to enhance the cross-fertilisation of lessons and recommendations. An assigned Evaluation Manager guided the process and was the point of contact for all commenting and evaluation report review processes. The Manager was supported by a Peer Reviewer who reviewed all key deliverables. An assessment of the quality of this evaluation report, and the process through which it was managed, is in Annex X, pg 165. This report will be made public through the UN Environment Evaluation Office website.

26. The evaluation started in September 2017 with a visit to the Finance Unit of the Energy and Climate Branch of the Economy Division. Consultations with the Project Manager and members of the Project Management Unit by phone gave a first introduction to the programme. A document sharing mechanism was set up and populated with project documents, monitoring information and project outputs. On this basis, the Theory of Change (TOC) was re-constructed and the Inception Report was developed. The Inception Report, a joint document for SCAF I Terminal Evaluation and SCAF II Mid-Term Evaluation, included a listing of interview partners and areas of questioning.

[12] In the parallel terminal evaluation of the SCAF I project, the evaluation team noted that a large number of the recommendations from the Mid-term Evaluation were implemented in the SCAF II, but not in the second half of the SCAF I project.

27. Document analysis continued while the evaluators conducted interviews with Frankfurt School, and field trips to Africa (November 2017) and Asia (February 2018), and regular exchanges with the PMU. While 100 % coverage was attempted, it was not possible due to scheduling problems, and the need to prioritize some countries. During the field trips, it was possible to speak to two of the primary beneficiaries of the SCAF II in the form of the Cooperating Partners, both of which were in Asia (Singapore) and development companies. Some of the interviews were conducted at a later date by phone if Cooperating Partners were not available during the field trips. For Africa, three of the four beneficiaries were interviewed by phone. Lists of interview partners and documents reviewed can be found in Annex III and Annex VI respectively. It was not possible to speak to projects that were developed and funded by SCAF II partners, because of travel and timing reasons.

28. The interviews were conducted with the help of a questionnaire that served as an information repository. It was structured taking into account guidance provided by the evaluation questions and in particular by the questions of interest that had been specified in the Terms of Reference (TORs). In that sense, the answers collected from the interview partners in the field were already structured to provide insights to the evaluation questions, and there was no need for coding. The Cooperating Partners are a somewhat diverse group of financial sector specialists with specific and very individual strategic and analytical perspectives. Nevertheless, their answers often converged with respect to the general directions of the answers to the questions, with additional detail provided by one of the interview partners from their perspective. This was taken to signal convergence between the answers, and the additional detail was added to the evaluation questions as illustration or further recommendations. Overall, the interviews were generally not giving rise to the need to harmonize or triangulate potentially contradictory statements.

29. Where there were open questions or conflicts in the information this was double-checked with the Project Management Unit and Frankfurt School or both. For other questions, in particular the questions related to financial management and efficiency, UN Environment provided financial information and accounting logs. Web searches were used to provide the benchmarks.

30. On the basis of the field trips, a PowerPoint presentation of preliminary findings on the SCAF I and II evaluations were compiled and discussed with the PMU for SCAF II. The focus of this discussion was on SCAF II and the recommendations from this Mid-Term Evaluation but partially this meeting was also used to clarify some questions on SCAF I. This, as well as a discussion with a representative of German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) and the evaluation team for the Climate Public Private Partnership Programme (CP3), was an important step in arriving at conclusions, lessons, and recommendations. Following these discussions, the findings, lessons, and recommendations were refined.

31. This draft report was submitted to the evaluation office before the discussion of the preliminary findings at the annual meeting of the SCAF II with all participants (Steering Committee, Regional Committee Asia, Regional Committee Africa, PMU, SCAF Agent, members of UNOPS and the UN Environment Evaluation Office). On this basis, the draft report was refined and submitted to the PMU for fact checking and review. The final report – like all evaluation reports managed by the UN Environment Evaluation Office – will be made publicly available at www.unenvironment.org/about-un-environment/evaluation.

2.2 Evaluation limitations

32. This evaluation benefitted greatly from the patience and persistence of the PMU. Together with the team of Frankfurt School they provided the evaluation with a rich base of documentation and were available for answering questions at all times. All project documents were made accessible to the team.

33. This was necessary because the project is very complex which is, in itself, a limitation of the evaluation. It is complex in terms of the subject and its language, but also in terms of the types of impacts it can have, and the assessment of success or failure of the support. The support consists of three different types of co-financing for private sector financing activities. This support is intentionally flexible and given in line with the maturity of the partner funds and their portfolios. The Cooperating Partners have leeway[13] in terms of what measures they consider relevant for which project and what uses for the funds they propose to SCAF. They are allocating the SCAF funds alongside their own funds for project development activities. The rationale for their activities and decisions is not up for evaluation.

34. The project works with a small number (6) of Cooperating Partners, selected based on their experience and financial conditions and working in different countries. This does not represent either a clearly defined nor sizeable intervention group. Thus, the subject does not lend itself fully to an analysis of a counterfactual, which makes it difficult to understand or confirm the additionality of the support. While it might be possible in theory to demonstrate exactly how SCAF might have altered Internal Rates of Return (IRRs) to overcome investment hurdle rates, discussions with beneficiaries confirmed that many decisions were not purely based on numbers, but also on work flows or opportunities. Interviews with non-intervention[14] groups were deemed to not be helpful in enhancing the understanding of the evaluation team.

35. In addition, the evaluation team found variations in the results frameworks represented by the logical framework in the Project Document (2013, revised 2016); diagrammatic representations of the Theory of Change and the alignments of outcome and output indicators. While the project has reported on indicators agreed with donors and is delivering the project in accordance with a broadly understood Theory of Change, the inconsistencies in, and lack of clarity around, the results frameworks undermine the evaluability of the project at a direct outcome level.

36. In more practical terms, due to resource limitations, the team was not able to interview all Cooperating Partners.

[13] There is a list of SCAF eligible activities for cost-sharing, and Cooperating partners are required to present a detailed budget of what studies/activities SCAF support is being asked to cost-share. Those budgets are approved by the PMU/Agent. Corresponding deliverables or justifying pieces have to be uploaded at reporting time by the Cooperating Partners

[14] 'Non-intervention' groups (also known as 'control' groups) are groups that have key characteristics similar to groups who have taken part in a project or intervention, but who were not involved in the project being evaluated. Non-intervention groups provide an opportunity to explore what changes have taken place that are not as a result of the project. A comparison of the two groups (intervention and non-intervention) helps to isolate the effect of a project and supports claims that observed changes in the intervention group can be attributed to the project being evaluated. In this case, the evaluation team was not able to talk to funds that might have qualified for SCAF support but did not use it.

2.3 Special considerations

37. Bringing the issues of ethics, human rights and marginalized groups into the SCAF evaluation is not easy. It was noted that among the interviewees with the private sector financiers, there was no woman. This was different for the Mid-Term Review of the SCAF I, so we take this to be a coincidence. The composition in the PMU and implementing agencies was well balanced with respect to gender.

38. The individual investments of the Cooperating Partners are adhering to the Environmental, Social and Governance safeguards (environmental and social safeguards), specifically the International Finance Corporation (IFC) investment principles. This is engrained in the project approach and a pre-requisite for funding. But the programme does not have a specific (investment-related) focus on ethics, human rights, marginalized groups or gender.

39. It was not possible to get views from disadvantaged groups or diverging opinions, simply because there were no leads to identify stakeholders from such groups that had an understanding of the SCAF. While it is possible that applicants were rejected and thus would be disappointed or have negative opinions of the Facility, it was not considered necessary to actively search for diverging opinions or negative views. The risk of unintended negative impacts of the SCAF funding was considered low.

3 The project

3.1 Context

40. Climate mitigation requires redirecting private investments into low carbon technology, and SCAF is a tool that increases private sector finance for clean energy in developing countries. It was developed to enhance investors' confidence in the sector, through supporting early investment stages and the generation of a project pipeline for equity and loans. When the SCAF was designed, many conventional financial institutions hesitated to invest in new types of projects, like in the supply of energy services from renewable energy sources or energy efficient technologies, and private clean energy investors lacked financing opportunities, particularly in Africa and Asia. Additionally, potential investors often lack local information and local developers lack business know-how for the preparation of feasibility studies, proposals and business plans and how to develop cooperation with funders. In particular, the lack of knowledge about the availability and usage of financial sources leads to a "capital starvation" of potential project developments in the renewable energy sector. For a change in investment behaviour, a sector-wide learning process needs to take place. Market failures impede this learning process and create barriers for investments.

41. SCAF II builds on precursor projects, specifically the UNEP and E&Co Rural Energy Enterprise Development (REED) initiative, which had provided enterprise development assistance and working capital to sustainable energy Small and Medium-sized Enterprises (SMEs), and UN Environment's SCAF I, which was intended to be an upscaling (mainly in terms of the benefiting renewable energy projects) of the REED project, but then moved to working with private equity funds and on-grid renewable energy projects rather than providing working capital to SMEs. In SCAF I, the focus was to support private equity funds and the

development of bankable investment projects and to bring private finance into the frontier markets of renewable energy projects. This is maintained in SCAF II while the scope of potential partners was widened to include development companies.

42. During the implementation period of SCAF II, since 2016, the markets for financing renewable energy have changed significantly, compared to the situation at the design stage of SCAF I. For example, important target markets like South Africa, China and India have significantly improved their investment frameworks and support policies for renewable energy. Costs of renewable energy facilities have continued to drop significantly, and experience has been gained in their financing, construction, and operation so that investors are significantly more confident now than they were in the design phase for SCAF II. The interest of the financial sector has grown accordingly. South East Asia has become one of the most attractive emerging markets for private investors.[15] Section 5.3 discusses the major trends on the financial and technology markets during the implementation period.

43. In addition to the improvements in the markets, a significant number of additional donor-sponsored facilities have provided, or are still providing, support, in particular to Africa. They include, but are not limited to, the Energy and Environment Partnerships (EEP) for Sub-Saharan Africa and the Mekong, the African Carbon Asset Development Facility (ACAD) and the Renewable Energy Performance Platform (REPP). Several of these facilities are (co-)financed by DFID. Other initiatives that are ongoing include the Private Infrastructure Development Group (PIDG) funds, and a number of facilities that decrease the risks of investments into renewable on-grid facilities.[16]

44. The SCAF II funding from DFID via the UK International Climate Fund (ICF) is part of the concessional finance facility of a larger programme, the Climate Public Private Partnership Programme (CP3). In addition to SCAF II, CP3[17] includes investments into two private equity funds, the IFC Catalyst Fund and the Asia Climate Partners (ACP) equity fund, which consider the UK to be their anchor investor. CP3 aims to demonstrate to private sector investors the financial viability of climate friendly investments in developing countries and finally to encourage them to make similar investments. DFID and BEIS have committed GBP 130 million to all three components of the CP3 programme. ACP was a SCAF I Cooperating Partner.

45. To comment on the compatibility with the Paris Aid Effectiveness Declaration: The project is purely focusing on private sector development through support to the private sector. The Cooperating Partners select projects in line with SCAF policies. The Paris Declaration of Aid Effectiveness is dealing with public and government-related funding only. Poverty reduction strategies, gender considerations and human

[15] DFID (2017): Climate Public Private Partnership Programme (CP3). Annual Review 2016, https://devtracker.dfid.gov.uk/projects/GB-1-201733/documents.

[16] A meeting in January facilitated by the REPP project and the International Renewable Energy Agency (http://www.irena.org/events/2018/Jan/Risk-Mitigation-in-Renewable-Energy-Investments-in-Africa), for example, brought together the African Development Bank's Partial Risk Guarantees, the US Overseas Private Investment Corporation, the Climate Investment Funds, the African GreenCo instrument for reducing off-taker risk, a Geothermal Resource insurance.

[17] The Climate Public Private Partnership Programme (CP3) receives British funding from the International Climate Fund of the Department for International Development (DFID) and the Department for Business, Energy and Industrial Strategy (BEIS)

rights build a frame for International Governmental Organisation action and are relevant for the projects as principles.

3.2 Objectives and components

46. SCAF II aims to increase low carbon investment in developing countries by demonstrating that seed capital investment in low carbon projects in developing countries, through professional equity fund managers and project developers, can deliver commercial returns and is replicable.

47. In the initial project document (Dec, 2013), the overall objective of SCAF II is stated as upscaling of private sector finance for climate mitigation activities in the developing world, with the dual purpose of "(i) growing the small community of specialized fund managers and ii) engaging funds and other investors in providing early stage financing to low carbon projects and ventures." A major shift from SCAF I is that it provides support not only to private equity fund managers (to find and support project developers) but also to development companies (to develop projects as seed investors).

48. SCAF II support to private sector partners is given in three different support lines (SL). Support Line 1 (SL1) and Support Line 2 (SL2) from SCAF I were upscaled and a third support line SL0 was introduced, formalizing the "Fund Development Support" activity of SCAF I. The three support lines can be seen as the project's components.

49. The aim of SL0 is to help shoulder the transaction costs that occur when setting up new investment funds for new fund managers. SL0 is designed as a contingent grant, which means that it needs to be paid back after the fund has reached first close. In the project document, the initially expected volume for SL0 was set to USD 2,083,335 without reflows. It is expected, that there will be 2 full reflows of SL0 support during the project, so that the total volume of SL0 support will be USD 1.25 million. Five partners, plus one additional partner depending on capital availability, were expected to receive support under SL0.

50. The two support windows SL1 and SL2 are mutually contingent – partners qualify for both or none. They differ in the funding object. Using words from the Guidelines, SL1 "covers general capacity building and pipeline building activities" of the equity funds and Devcos directly, increases their financial volume at Cooperating Partner management level, and enables equity managers to do things they would otherwise not have done/done later/ done in a different way. SL1 helps them to do all this without losing too much of their management fee. Typical activities (co-)funded by SL1 are pre-feasibility studies and business skill building with local project sponsors. SL2 is project specific and comes in after the project reaches a certain maturity. Typically, Support Line 2 is available between 6 and 18 months prior to financial close of a project or venture. A typical SL1-SL2 agreement is split 30% (SL1) and 70% (SL2).

51. According to the project document, it was planned that the funding to Cooperating Partners via SL1 would be USD 3.3 million, while funding for SL2 would be USD 6.5 million.[18] It was expected that six agreements would be signed, plus two depending on the capital availability. Changes to the expected allocation of funds to the different support lines are discussed in section 3.5.[19]

52. The detailed discussion about the achievements of outcomes and outputs can be found in section 5.

3.3 Stakeholders

53. **UN Environment/Economy Division[20],** Renewable Energy and Finance Unit, is the PMU of the SCAF. It is part of the Steering Committee (SC) with responsibilities for strategic issues and policy and operational settings as well as in the PMU where decisions of the steering committee are implemented, decisions on Cooperating Partners are taken and project monitoring and reporting to donors take place. Additionally, UN Environment/Economy Division is part of the regional committee, which advises on the selection of SCAF Cooperating Partners.

54. **United Nations Office for Project Services (UNOPS)** acts in SCAF II as an intermediate level between the PMU and the Agent and the Trustee. It contracts the services of the SCAF Agent as well as the SCAF Trustee, which it procured.

55. **Frankfurt School-UNEP Collaborating Centre for Climate and Sustainable Energy Finance (FS)** has an extended and dual role in SCAF II as compared to SCAF I. Since 2014, the Collaborating Centre acts as the SCAF Agent to prepare and implement the decisions taken in the PMU. First FS was contracted directly by UN Environment, but this was changed in 2016 when UNOPS took over the contracting tasks from UN Environment. This includes for example origination, preparing proposals for investments for decisions in the upper committee, as well as the full interaction with the Cooperating Partners, including preparation of development budgets and workplans, monitoring and reporting and acting as focal point for all inquiries coming for the Cooperating Partners. The second role is the SCAF Trustee, performed by Frankfurt School of Financial Services (FSFS) since 2016, which is responsible for deal monitoring and managing financial transactions with the Cooperating Partners.

56. **Representatives from the European Investment Bank** (EIB) and the German Investment and Development Company (**Deutsche Investitions- und Entwicklungsgesellschaft**, DEG) are in the regional committees for SCAF II in their personal capacity together with representatives from the **International Finance Corporation** (IFC), the **CDC Group** of the UK, the **Asian Development Bank** (AsDB) and the **African Development Bank** (AfDB).

[18] This is the expected budget without the assumed reflows of up to 70 % from SL2. With reflows and reinvestments fully realizing, the budget for SL1 and SL2 was assumed to be USD 5.5 million and USD 4.4 million.
[19] UN Environment (2013): Approved Project Document. Seed Capital Assistance Facility II.
[20] Formerly Division of Technology, Industry, and Economics (DTIE).

57. **The UK Department for International Development** (DFID) and UK Department for Business, Energy and Industrial Strategy (BEIS) were not part of SCAF I but are financing SCAF II and are a member of the steering committee. DFID funds SCAF II with GBP 9 million.

58. **Federal Ministry for the Environment, Nature Conservation and Nuclear Safety** (Bundesministerium für Umwelt, Naturschutz und Reaktorsicherheit, BMU) was not part of SCAF I but is financing SCAF II and is a member of the steering committee. BMU funds SCAF II with EUR 3 million.

59. **Cooperating Partners** (CPs) are the private sector partners that receive financial support. In SCAF II cooperation agreements have been signed with private equity funds and project developers and include Frontier Investment Management, Greenwish Capital, JCM Solar Capital Limited, Sindicatum, The Blue Circle and Zoscales Partners. Of these, Zoscales, Frontier Investment and Greenwish Capital are Private Equity Fund Managers, the others are Development Companies.[21] However, over time some of the existing partners have been transitioning into more hybrid structures between fund and DevCo, making a clear separation not possible.

3.4 Project implementation structure and partners

60. With the experience gained during the implementation of SCAF I, a new implementation structure for SCAF II was established in the project document. During the implementation period some changes have been made to the structure and are explained below. The current project implementation structure is reflected in Figure 1.

61. The project management and reporting to the donors is the task of the UN Environment through the Project Management Unit (PMU). They are also responsible for the implementation of the decisions of the Steering Committee. In order to meet UN Environment internal regulations, UNOPS was contracted to be the operational arm for contracting the SCAF Agent and the SCAF Trustee in 2016. This is a change to the originally intended implementation structure.

62. As implementing partner, the SCAF Agent (Frankfurt School-UNEP Collaborating Centre) is responsible for the main operational tasks and the day-to-day management of the Cooperating Partner funds. Besides the implementation of the PMU decisions, the agent identifies and approaches potential partner funds/ Project Development Companies (DevCos), supports them with the preparation of the proposals for the PMU and finally signs and monitors the Cooperating Partner Agreements (CPAs) with the Funds or DevCos. For each support line, the Cooperating Partner, together with the SCAF Agent, develops a budget for SCAF eligible activities, which is proposed to the PMU for approval. For SL1, the budget is developed for each financial year and for SL2, the budget is developed for each individual specific project. Once approved by the PMU, the Cooperating Partners send a draw down request to the Trustee, where the partial disbursement of funds is requested and specified for the agreed purpose. The amount typically depends on the reported and expected expenses from the Cooperating Partner.”

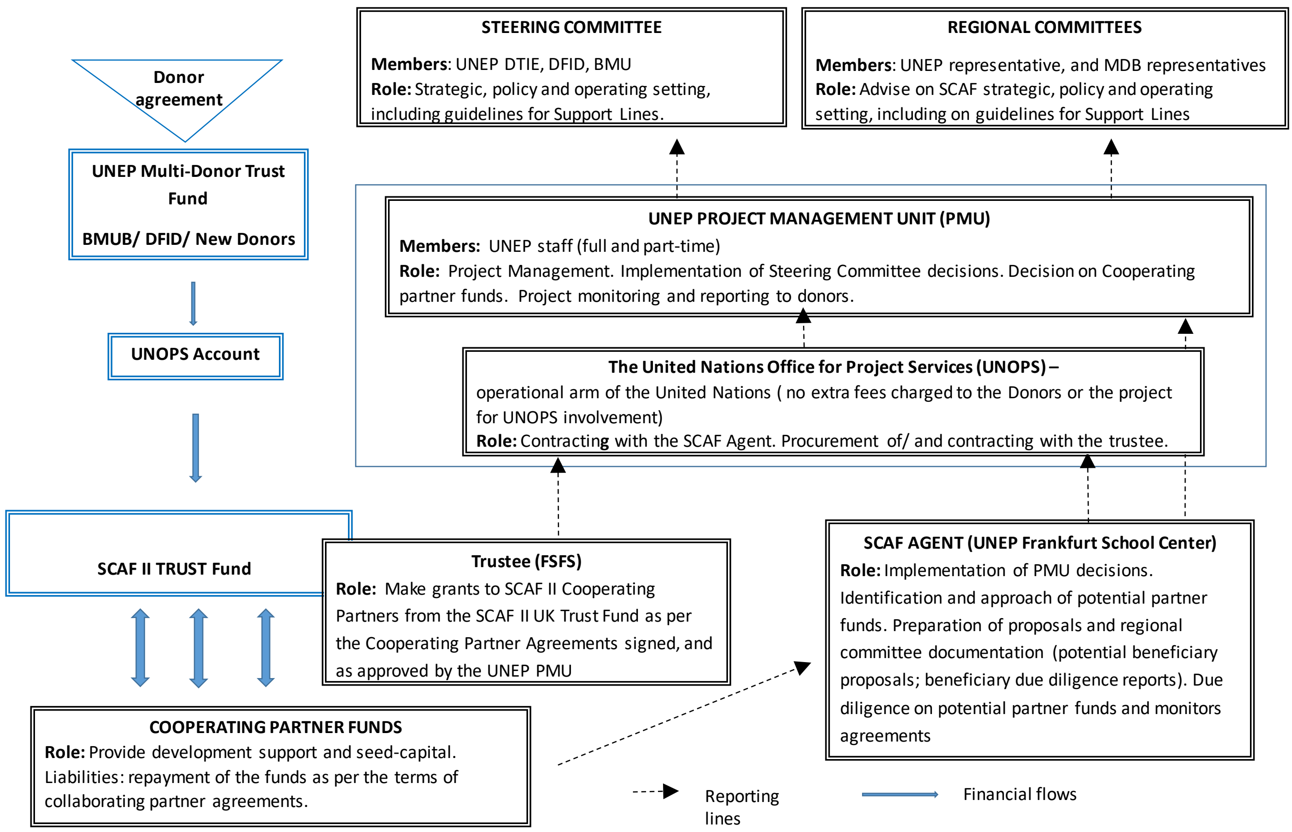
[21] Acc. to mapping study. Please note that the terminology is shifting in the case of JCM.

63. The Steering Committee consists of UN Environment (the Economy Division), DFID, BEIS and BMU and is responsible for the Facility's strategic direction and its policy and operational setting. This includes changes to the Cooperating Partner selection, to the support lines or the extension of the facility into new regions. The Steering Committee has semi-annual meetings.

64. Additionally, two Regional Committees have been established. Besides representatives from UN Environment, representatives from IFC, AsDB and DEG are part of the Regional Committee Asia and representatives from EIB, UNEP-FI, CDC and AfDB are part of the Regional Committee Africa. The members sit in their personal capacity and do not represent their institutions. The role of the committees is to advise the PMU, especially on the selection of Cooperating Partners.

65. After the approval of a Cooperating Partner Agreement (CPA) by the PMU and its signature by the Agent and the Trustee, the Trustee (Frankfurt School Financial Services) disburses the funds from the SCAF II UK Trust Fund to the Cooperating Partners. The Cooperating Partners will use these grants to provide development support and seed-capital to low-carbon energy projects, according to the agreed-upon work plans.

Figure 1: Reporting and financial flow structure



Source: SCAF II Reporting and financial flows. UNEP DTIE is now known as the Economy Division of UN Environment.

3.5 Project financing

66. The SCAF II project volume is around USD 17 million:

- The overall volume of SCAF presented in the Project document was USD 26 million (see Table 1), allowing, beyond the USD 17.5 million secured (excluding anticipated reflows), for USD 8.5 million potential additional contributions (which have not been realised, i.e. now constitute a funding shortfall).
- SCAF II was ultimately funded by UK DFID/BEIS with GBP 9 million (ca. USD 13.1 million) and by German BMU with EUR 3 million (USD 3.7 million). Overall the funding is therefore USD 16.8 million and the approximate funding ratio between the two donors is 80:20.[22]
- The whole funding amount by BMU was disbursed to UN Environment in 2014. SCAF II first received funding from DFID in July 2014. DFID payments follow the revised time schedule according to the donor agreement amendment of November 2016. Instead of four payment dates, it was revised to 5 payment dates.[23]
- The ultimate funding volume available was affected by the transfer schedule of the donors. Currency fluctuations led to a loss of USD 0.8 m in funding available to the Project. Due to exchange rate fluctuations, the committed budget in USD changed slightly, which was documented in the Revision of the Project Document in 2016.[24] The planned exchange rate EUR – USD needed to be revised from 1.3 to 1.22. The exchange rate GBP – USD at the time of the writing of the project document was expected to be 1.4 but was revised later to 1.63 for the first disbursement, 1.55 for the second and 1.46 for the third transfer.[25] The fourth instalment has been disbursed in 2017 at the exchange rate of 1.24.
- As of December 2017, DFID and BMU have made total contributions of USD 16.4 million – USD 3.7 million from BMU and USD 12.7 million from DFID. The last contribution by DFID (GBP 0.4 million) is expected in September 2019 (see Table 1), so that the total funding available for the Project is currently expected to be approximately USD 16.8 million.

67. The budget on page 4 in the project document showed unsecured funding of USD 8.5 million and total "UNEP managed project budget (= project cash budget + UNEP in-kind contribution)" as USD 26 million. This is not in line with the detailed budget reflected in the same document in Annex A because no further donor was found. This budget assumes that the reflows from 6 CPs on SL0 and 36 projects on SL2

[22] UN Environment (2013): Approved Project Document. Seed Capital Assistance Facility.

[23] UN Environment /DFID (2016): Donor Agreement between UK Department for International Development and United Nations Environment Programme. SCAF II. Amendment No. 1.

[24] According to UN Environment, the budget summary in the Revision of the Project Document shows the actual disbursements and not a revised budget.

[25] UN Environment (2016): Project Revision No. 1. Seed Capital Assistance Facility II.

will add between USD 4 m and 6 m of funds that can be used again for allocation to support lines and agency fees.

68. The detailed budget reflects 1 full-time project manager for the first years of implementation with decreasing intensity starting in year 3, and a part time assistant. According to correspondence with the PMU, one staff position has been funded by the UN Environment Fund throughout the project and no other co-finance from multilateral sources has yet been leveraged. It has not been included in the budget on page 1 or the detailed budget as in-kind co-financing.

69. BMU-funding supports only SL1 (non-repayable grants) and DFID supports mainly SL0 and SL2 (repayable grants). Funding from DFID will only be used for SL1 if BMU funding is depleted, but then, a repayable grant modality would be applied to DFID funding in SL1.[26]

Table 1: Funding Sources

Funding source *All figures as USD*	**Planned funding**	**% of planned funding**	**Secured funding**	**% of secured funding**
Cash				
Extra-budgetary funding (listed per donor):				
UK DFID	13,500,000	*52%*	13,164,791	*78%*
Germany BMU	4,000,000	*15%*	3,658,537	*22%*
Sub-total	***17,500,000***	*67%*	***16,823,328***	*100%*
Unsecured Extrabudgetary funding	8,500,000	*33%*		
Total	**26,000,000**	*100%*	**16,823,328**	*100%*

Source: UN Environment (2013): Approved Project Document. Seed Capital Assistance Facility II. UN Environment (2017): SCAF II Budget Expenditure Dashboard.

Administrative Budget

70. Table 2 shows on the left side the planned budget as per project document and per current financial documents and on the right side the actual expenditures by components.[27] In the table, the administration costs are listed under component I for each part of the project management structure separately.[28] Since the beginning of the project, USD 3.6 m have been spent in administration costs (incl. Project Support Costs for UN Environment). While this is higher than the expected average administrative costs over the lifetime of the programme, this is in line with the fact that start-up efforts are relatively higher than ongoing efforts.

[26] This modality is described in the approved Project Document for the Seed Capital Assistance Facility II, UN Environment (2013). Until the reporting date, this has not yet been activated. .

[27] For simplification, reflows have not been included into the budget, but are discussed separately in the chapter, where relevant.

71. There are several different budget lines covering the costs of UN Environment, UNOPS, the SCAF Agent and the SCAF Trustee. Until December 2017, UN Environment had administration costs of USD 482,759. Additional UN Environment includes Project Support Costs (PSCs), a standard fee of UN organisations, as part of the administration costs. It is added to expenses paid. The PSC was agreed to be at the normal 13% rate on activities carried out by UN Environment and 7% on activities carried out by implementing partners. As per financial documents, this fee is scheduled to be USD 1,147,261 and paid by DFID and BMU as part of their commitments.

72. Between 2014 and 2016 UN Environment received 7% of the expenditures of Frankfurt School as Project Support Costs. This fee was for the administration of the Project Cooperation Agreement with Frankfurt School for the preparation of the implementation of the Facility. In 2016, the responsibility for contracting the Agent and procuring and contracting the Trustee was transferred to UNOPS. UNOPS receives a 6.5 % PSC fee on the Agent and Trustee amounts as well as on the disbursements to the Cooperating Partners and the fee to UN Environment was reduced to 0.5 % of that amount to meet the agreed 7%. The total UNOPS fees resulted in costs of USD 0.7 million until the end of 2017.

73. Additional to the UN Environment administration costs, administration costs for Agent and Trustee of around USD 3 million are budgeted for the preparation and implementation of SCAF II (USD 2.7 million for the Agent and USD 0.1 million for the Trustee). First, under the PCA, FS had expenditures of around USD 1 million. Today, FS UNEP Collaborating Center is contracted as Agent with costs of USD 1.1 million (in total this refers to ca. 78 % of their estimated budget) and FSFS as Trustee with costs of about USD 120,000 (the whole amount has already been transferred to the Trustee) until December 2017.

74. Overall, planned fund disbursements of USD 11.8 million is supported by USD 5 million in support costs which would result in an overhead of 30 % (see Table 2, Estimated costs as per financial documents). Each Dollar placed with the Cooperating Partners will require 43 Cents in administrative costs. As of July 2018, the actual overhead ratio is 28 % and for each Dollar supporting the CPs administrative costs of USD 39 Cents occur.

Support Lines

75. Three project components constitute the actual support to the Cooperating Partners, Support Lines (SL) 0, 1 and 2. SL2 had the highest planned volume with USD 6.5 million in the Project Document. The volume for SL1 was set to USD 3.3 million and SL0 to USD 2 million. With the revision and the amendments to the Project, the allocation to the different support lines also changed (see Table 2). According to the new budget the USD 11.7 million are now distributed as follows: SL0 USD 0.4 million; SL1 ca. USD 4 million and SL2 ca. USD 7 million.

76. Until today, USD 0.4 million were used for SL0 support. Before the transfer to UNOPS, two Cooperating Partners were supported with USD 177,686 via SL1,[29] in order to bridge the delayed project implementation phase. As of December 2017, UN Environment has transferred USD 9.1 million to UNOPS

[29] Under the older modality of the Programme Cooperation Agreement between UN Environment and FS

to spend on grants to funds. Of these, USD 3.1 million are already allocated under Cooperation Agreements to SL1 and USD 4.8 million to SL2 support. For the potential agreement with the seventh Cooperating Partner, UN Environment already transferred USD 0.6 million to UNOPS.

77. SL0 and SL2 are grants repayable by the Cooperating Partners when they reach certain milestones. Thus, the SCAF is expecting reflows. For simplicity, the figures given in Table 2 and the text do not include any assumed or already occurred reflows. However, it needs to be mentioned, that a high level of reflows will decrease the overall management costs. As of July 2018, Zoscales had paid back the full amount of SCAF support after the successful financial close of the first phase of their fund and the Trustee has also received reflows from Greenwish of USD 167,500 from SL2. With the expected reflows from SL0 and SL2, the PMU expects to be able to support 4 more Cooperating Partners via SL0 which would require reflows in the order of magnitude of USD 1.5 m. They are expecting reflows close to a value of USD 0.5 m during 2018.

Table 2: Budget by component

Components (All figures in USD)	Estimated costs		Expenditures Committed (2014-2017)		Expenditure ratio
	As per prodoc budget	As per financial documents	FS under PCA	FS through UNOPS	
I. Administration costs (Component 1)					
UN Environment					
UN Environment Admin Costs	**1,478,173**	**1,039,779**	**482,759**		*46%*
UN Environment PSC	**1,228,530**	**1,147,261**	**862,948**		*75%*
PSC on UNEP Admin Costs (13%)		135,171	62,759		
PSC on FS (7%)		71,584	84,022		
UNOPS fees (6.5%) on FS Admin costs and on grants to funds		872,336		661,940	
UNEP PSC top-up on Total Activities* in UNOPS contracts (0.5%)		68,169		54,228	
UN Environment Sub-Total	**2,706,703**	**2,187,040**	**1,345,708**		***62%***
Frankfurt School Group					
Agent fee	2,621,666	2,727,380	1,022,624	1,113,687	*78%*
Set-up**	123,000				
Trustee**	160,000	120,000		120,000	*100%*
FS Sub-Total	**2,904,666**	**2,847,380**	**1,022,624**	**1,233,687**	***79%***
Administration costs Sub-Total	**5,611,369**	**5,034,420**	**3,602,019**		***72%***
II. Grants to funds (Component 2-4)					
SL 0	2,083,335	11,773,483		400,000	
SL 1	3,333,332		177,686	3,110,000	
SL 2	6,471,964			4,820,000	
Passed on to UNOPS for CP #7				620,000	
Grant to funds Sub-Total* **	**11,888,631**	**11,773,483**	**177,686**	**8,950,000**	***78%***
			9,127,686		
TOTAL******	**17,500,000**	**16,807,903**	**12,729,705**		**76%**
Overhead ratio	*32%*	*30%*	*28%*		

* includes amounts of Agent fees, Trustee fees and disbursement to Cooperating partners

** UN Environment PCA budget is organized per staff time and not per activity. Breakdown of expenses corresponding to set-up costs/agent implementation is not available

*** ProDoc budget assumed reflows and grants to funds were calculated on USD 17.5 million plus assumed reflows. We have not assumed reflows here.

**** (1) There is a difference of USD 15,425 between the costs estimated as per financial documents and the budget secured from the donors which has not been explained by the PMU. (2) The total amount of expenditures committed until December 2017 (USD 12,729,705) differ from the amount on the certified statements to the donors (USD 12,488,424; see Project Identification Table on page 7) by USD 241,478. This is due to an unrelated credit which occurred on SCAF statements for UN Environment administration costs but has not been explained to the evaluation team.

Expenditure ratio SL0-SL2 cannot be calculated, as the financial documents to not detail the estimated funds per support line.

Sources: UN Environment (2013): Approved Project Document. Seed Capital Assistance Facility II. UN Environment (2017): SCAF II Budget Expenditure Dashboard. Spreadsheet, UNOPS (2018): Interim Progress Report. Reporting Period July – December 2017, FSFS (2018): Financial Report. 01 January – 31 December 2017. Spreadsheet.

4 Theory of change at evaluation

4.1 Reconstructed theory of change at evaluation

78. The UN Environment evaluation method includes the 'reconstruction' of the evaluand's theory of change. Starting with the Theory of Change articulated at project design, this 'reconstruction' process captures any formally agreed revisions, adaptive management on the part of the project team and perceptions of project stakeholders/interview respondents. In some cases, results statements are refined to be as consistent with OECD/DAC definitions as possible to support the evaluability of the project's intended effects.

79. The Theory of Change (TOC) for SCAF II was 'reconstructed' in the Inception Report based on existing project documentation and initial discussions with the project team, (see also section 5.4 Effectiveness for the articulation of the project's output and outcome statements). During the evaluation it was confirmed that this theory of change (see Figure 3) was also pursued in implementation. The Theory of Change diagram is intended to represent the causal pathways that underpin intended change as well as incorporating the contributing conditions ('assumptions' and 'drivers') required for change to take place.

80. The project document (December 2013) contained a logical framework[30] and a diagram[31] showing the intended inputs, process, outputs, outcome and impact (referred to as the 'SCAF Theory of Change'). Whilst these two frameworks represent similar thinking, their articulation of the results hierarchy differs. During the preparation of the Terms of Reference for this evaluation an updated version of the 'SCAF Theory of Change' diagram[32] was provided by the project team. The official status of this diagram is uncertain. However, as it is the only version of a results framework that provides a level of outcomes appropriate for an assessment of the achievement of project direct outcomes, this version was taken to represent the

[30] This logical framework has one project outcome and three outputs.

[31] In the project document this diagram includes five outcome statements and 10 outputs. It refers to a four-step process.

[32] The diagram provided during the preparation of the Terms of Reference has two outcomes and three outputs.

ambition of the project in its intended timeframe and with its secured funding, (see Figure 2). Project performance has been assessed against the indicators and targets used in reports to the donors.

81. The overarching objective of SCAF II was to achieve GHG emission reduction through an increase of renewable energy projects. The TOC (Figure 3) is based on the observation that investors do not invest in projects that have not been developed to a stage in which projects are bankable. However, developing projects into bankable/financeable proposals is a costly process requiring “early stage investments.” As the risk that these projects fail at some stage before implementation is high, these early-stages are very risky. Particularly in less developed markets, a lack of bankable renewable energy projects results because this risk perception is even higher than in mature markets and is compounded by capacity problems on the side of developers in terms of financial knowledge and a lack of knowledge of the investment environment on the side of financiers. The markets are also perceived to present higher risks because of potentially immature and instable policy frameworks and other enabling conditions. These factors contribute to making it difficult to assess the risks involved in the development processes. Risks in financial terms always mean higher costs, so that equity investors tend to invest in projects which are already at a more mature development stage. The TOC assumes that with the help of two instruments (SL1 and SL2), the costs of project development are bought down thus increasing the number of bankable proposals and ultimately investments. In addition, the project provides a third support (SL0) to starting fund managers to incentivize them to build up new funds that will invest in renewable energy projects.

82. In order to reach the stated longer-term impacts of social, economic and environmental benefits at a national level, a model of demonstrated investment/repayment success is implied, along with changed behaviours of other, additional, players in the investment markets. However, the stated impacts from Figure 2, imply an improved ability of country (governments) to pursue sustainable development (strategies). This seems unrelated to the activities, outputs and outcomes of the project, and points to a logical break in Figure 2 between the outcome and impact levels. , the reconstructed theory of change, is the better match with the objective of the project stated by the project’s PMU, as well as the KPIs used for reporting to the donors.

83. Through participating in SCAF, Cooperating Partners can receive matching grants for project identification and development to offset parts of the incremental costs linked with early stage development. In the SCAF theory of change, it is assumed that they will use these funds to develop financeable projects in new areas, which can be influenced by the provider of the matching grant, i.e. SCAF influences the Cooperating Partners toward early stage investment in sustainable energy in frontier markets. In addition, in SCAF II support was not only given to managers of equity funds but also to Project Development Companies (DevCos).

84. Through Cooperating Partner Agreements (CPAs), SCAF II provides three types of support:

- Support Line 0 (SL0) is meant to enable clean energy fund managers to reach their first fund close. It is a repayable grant, i.e. in case of successful close of the fund, the fund managers will repay the grant. If they fail, they will not.

- Support Line 1 (SL1) co-finances project identification, pre-feasibility assessments and some training and coaching of the project developers. It is a matching grant.
- Support Line 2 (SL2) co-finances independent technical assessments and some other feasibility components like environmental assessments. In SCAF II SL2 is given as a repayable grant, i.e. in case the project reaches financial close, the fund managers will repay the grant. If they fail, they will not.

85. For all three support lines, fund managers/Devcos have to submit a work plan and budget to the SCAF and get approval to receive the matching grant. At least 50% of that work plan has to be funded by the Cooperating Partner. The Cooperating Partners are allowed to use the SCAF financing for up to 2 similar projects in the same country. It was expected that after two projects the market would "know" this type of project sufficiently to continue with the development and financing of these projects without further support.

86. The first contributing condition (assumption) of this TOC is that private equity funds/DevCos are relevant for funding sustainable energy deployment, contributing to poverty mitigation and energy security. An extension of that assumption is that renewable and energy efficiency projects and businesses will not go forward without patient and/or low-return equity capital. The projects ultimately supported by the SCAF were mostly infrastructure investments like wind farms and small hydro plants. Typically, indeed, equity is also necessary for project financing. The evaluation team is of the opinion that this contributing condition still holds for now.

87. A more significant set of major contributing conditions (assumptions) of this TOC relates to the behaviour of Cooperating Partners. Whether or not the Cooperating Partners the SCAF works with really need the kind of support offered by the Project, and what would be the counterfactual, is a key question and could also not be resolved in this evaluation or the Terminal Evaluation of SCAF I, and it would be difficult to do so for most project development facilities. While counterparts have indicated that they were able – with SCAF support – to develop better projects faster, it cannot be excluded – and has not been excluded by any of the interviewees – that the projects would not have been developed without SCAF support. It cannot be decided if the help provided to Cooperating Partners is a wind fall profit, or a productive nudge to do better projects.

88. An important contributing condition (assumption) for project success was certainly the overall improvement of the financing environment for renewable energy. The technologies have matured over the last years, costs have been reduced, and financing volumes have increased globally as well as in most countries, albeit to varying degrees (cf. REN21 global status report and global investment status report). Thus, the barriers for financiers to finance renewable energy projects have become lower during the implementation of SCAF II. It was to be expected at the time of project approval that the general trend would support this project, and this effect certainly has helped justify some of the assumptions.

89. Further contributing conditions are that the project management is able to select suitable Fund Managers and Development Companies as Cooperating Partners and that they select suitable and promising – and ultimately successful - projects. Here a certain failure rate needs to be included as a realistic expectation of project success.

90. Last but not least, the SCAF logic also relies heavily on its catalytic influence: the projects that are successfully developed with SCAF support are expected to play a role as demonstration projects. They should help investors gain confidence, knowledge, and experience. Investors should then feel more inclined to take up similar projects in the future. This points to the need for outreach and the promotion of successful cases demonstrated by Cooperating Partners across the project and to the broader market.

Figure 2: Results Frameworks / “SCAF Theory of Change” provided to the evaluation in April 2017, but not known to have been formally approved.

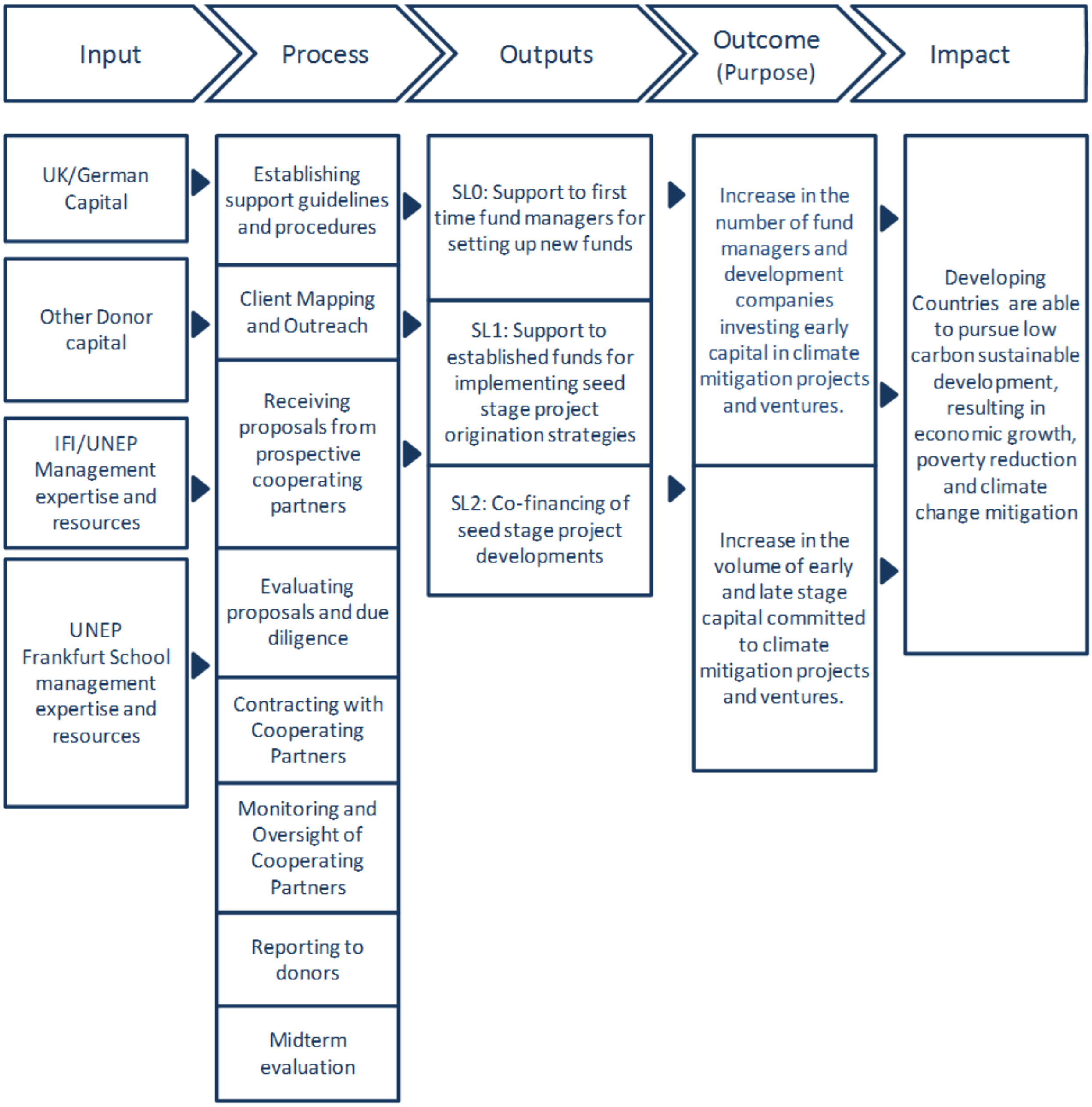
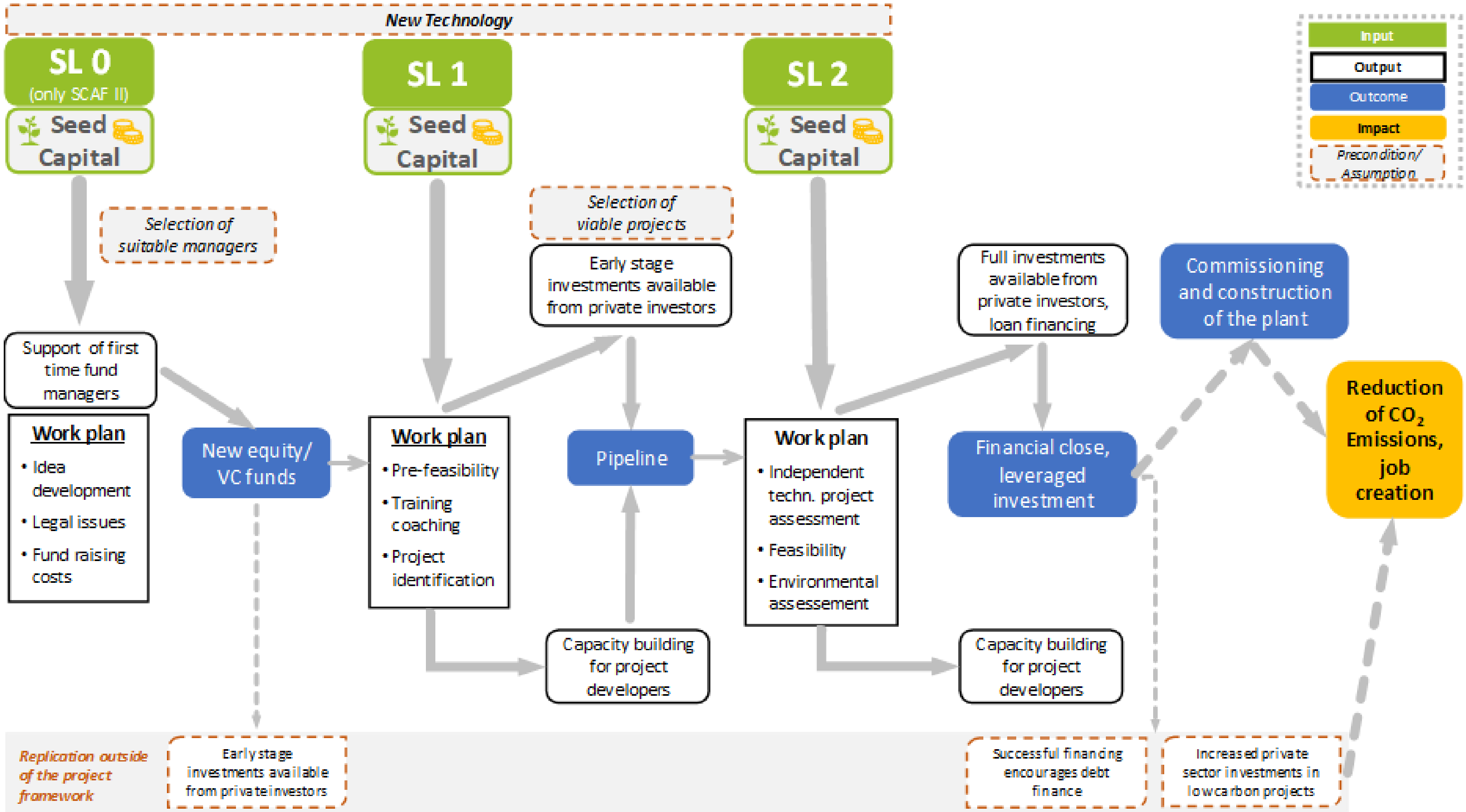


Figure 3: Reconstructed Theory of Change



Source: Own compilation based on project documents.

4.2 Formal changes in design during implementation

91. In 2016, the original project document (2013) was revised to reflect agreed changes in: a) the administrative management, b) the Project Outcome statement, c) outcome and output indicators and milestones and d) the budget:

92. UNOPS, as the project support agency of the United Nations, was integrated into the Project structure to be responsible for the contracting of the SCAF Agent and the contracting and procurement of the SCAF Trustee. In the original project document, it was expected that there would be a direct link between UN Environment as the PMU and Frankfurt School group as the Implementing Partner. UNOPS is responsible for transferring the funds from UN Environment to the SCAF II Trust Fund which is managed by the Trustee (see section 3.4). With the contracting of UNOPS no additional fees are charged to the donors or the Project. Instead the costs are shared with the initial administration budget set for UN Environment.

93. In 2016 the formulation of the project outcome statement[33] was simplified and shortened, from "Developing countries are able to pursue low carbon resource efficient development as more investment funds are entering the market, early stage climate investment is increasingly available on a commercial basis, more projects reach financial close, reduced project development and transaction costs, and private sector investment in climate sectors is increased"[34] to "Developing countries are more able to pursue low carbon resource efficient development as more early stage climate investment is available on a commercial basis leveraging additional commercial capital for climate sector."[35]

94. The project's outcome and output indicators and milestones were revised between 2013 and 2016 to align them with the indicators agreed with the donors. The targets remained the same.

95. Furthermore, the budget was revised, which is discussed in more detail in section 3.5.

4.3 Challenges presented by the results framework

96. A number of challenges were encountered during the evaluation concerning variations in the presentation of results, the alignment of indicators with results statements and diagrammatic representations of the Theory of Change. These are discussed below, and a recommendation is made to review and formalise the results framework underpinning the SCAF II project.

[33] This project outcome statement equates most closely to the long-term impact level statement in the Theory of Change for the CP3 initiative. This Theory of Change diagram is only included in the original project document, but not in the 2016 revision.
[34] UN Environment (2013): Approved Project Document. Seed Capital Assistance Facility.
[35] UN Environment (2016): Project Revision No. 1. Seed Capital Assistance Facility II.

4.3.1 Outcome Statements

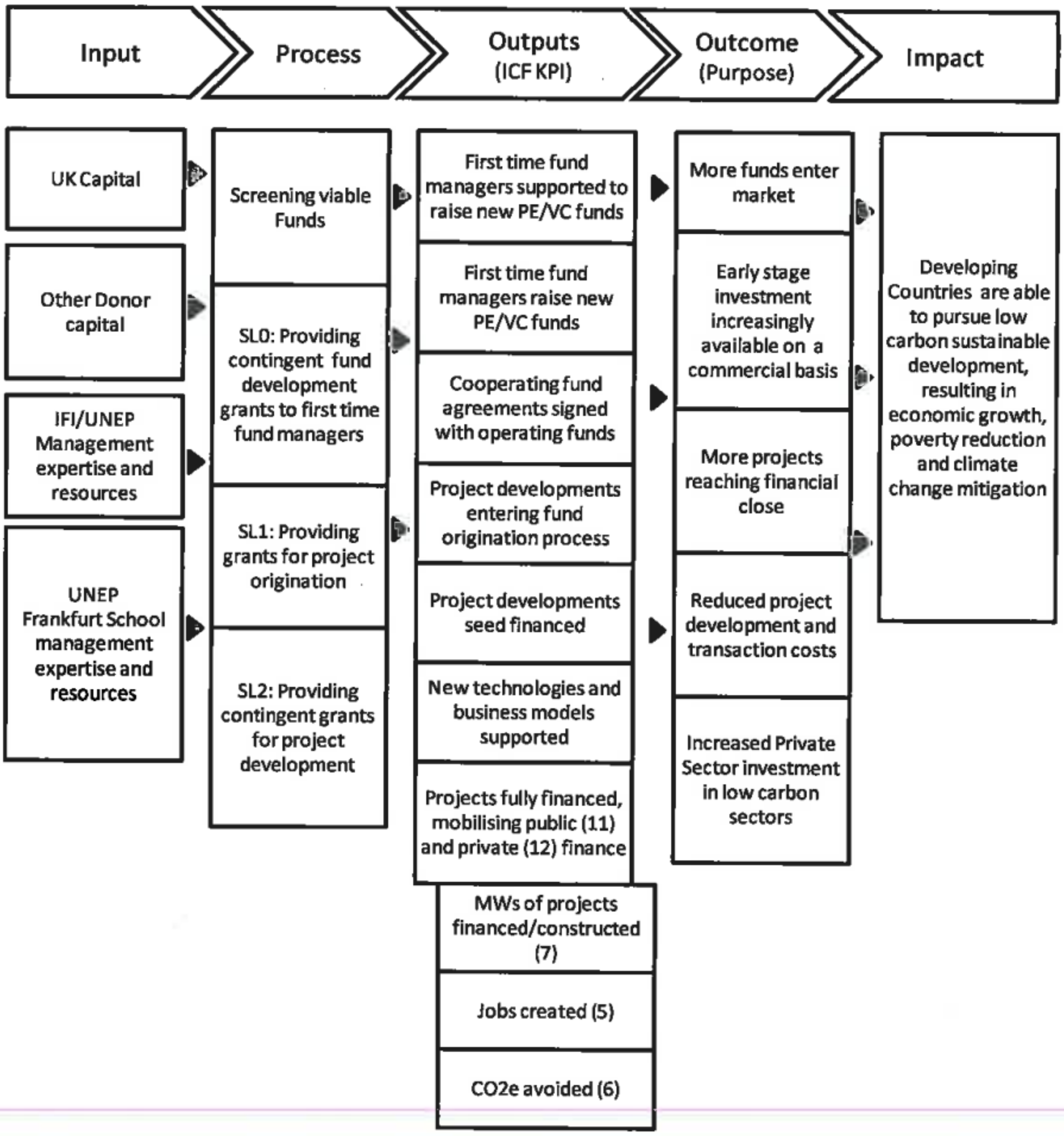
97. The discussion in this section is supported by Annex I, pg 112, which presents the various (four) articulations of the results frameworks found in project documentation.

98. The Project Document approved by UN Environment in December 2013 and revised in September 2016 represents the project design agreed to in the funding agreements with DFID[36] and BMU. Both the original and revised Project Documents contain a logical framework with one single Project Outcome statement (wording revised in 2016) and three Project Output statements.

99. In addition to the logical framework the original Project Document contains a Theory of Change diagram for SCAF II. It has a long-term impact statement that is similar in ambition (changes at country level) to the Project Outcome statement in the logical framework and broader in scope than the Project outcome statement i.e. (includes social, economic and environmental benefits). The Theory of Change diagram has a level of five outcome statements that do not appear as outcome statements in the logical framework and which are closer to direct and medium-term project outcome level results (See Annex I, pg 112). This diagram also has 10 "output" statements which are not logically on the output level, and their parallel to the ICF KPIs (which are measuring the impact of the ICF funding rather than outputs produced with ICF funding) is highlighted in the top line of the diagram.

[36] There is also a DFID business case for the project, prepared in 2013. This document contains the Theory of Change diagram with five outcome statements that appears in the 2013 Project Document.

Figure 4: Theory of Change, Project Document 2013.



100. During the design of this evaluation a different formulation of the Theory of Change diagram was presented, although its formal status is uncertain. This diagram retains the long-term impact statement, has only two outcome statements at the direct/medium-term outcome level and has three output statements (the three output statements are consistent with the Project Document revision 2016). The two direct outcome statements are consistent with the indicators reported on in the annual donor reports. The annual donor reports do not, however, include results statements at either the outcome or output level.

101. One reason for this confusion – also reflected in the tendency to report different levels of the logical hierarchy in the column on "outputs" – might be that the programme logic is much more indirect (i.e. has many more logical steps) than the "usual" project. This is reflected in the reconstructed theory of change.

But in order to achieve an adequate level of evaluability for the project, the evaluation team adopted the most appropriate results statements from across the sources drawn up by the project team, but split the outcomes in longer term and direct outcomes. The set of results statements form an appropriate hierarchy of results levels, are consistent with the Theory of Change that has been articulated by respondents to the evaluation, and are consistent with the indicators against which the project's performance has been reported to the donors and UN Environment.

Box 1 Results statements against which this project is evaluated

Long-Term Impact *(Project Outcome statement in the Project document results framework, 2016)*

Instead of "Developing countries are more able to pursue low carbon resource efficient development as more early stage climate investment is available on a commercial basis leveraging additional commercial capital for climate sector", the project is evaluated against achievements resulting from energy installations. This allows for an evaluation against the KPIs MW of projects financed / constructed, jobs created and CO_2e avoided. Even though performance against these indicators has been evaluated, an appropriate project impact statement for the long-term impact is still missing.

Direct Outcomes *(Theory of Change diagram provided during the preparation of the Terms of Reference for this evaluation but of uncertain status – this is the only place where project direct outcomes are stated)*

"Increase in number of fund managers and development companies investing early capital in climate mitigation projects and ventures"

"Increase in volume of early and late stage capital committed to climate mitigation projects and ventures."

102. Figure 4) but not in Figure 2 are: "early stage investments increasingly available on a commercial basis"; "reduced project and transaction costs" and "increased private sector investment in low carbon sector". While the absence of these outcomes does not alter the Theory of Change for the intervention it does suggest a narrower focus of the projects' effects. The outcome indicators do not entirely clarify this issue because in the annual reports, indicators that refer to the effect of project support are recorded separately from the actions of 'other sources', while in the Project Document logical framework these two indicators have been combined.

103. If one excludes non-SCAF funds (i.e. the actions of 'other sources') from the scope of the direct outcomes it does become easier to measure the outcome indicators, however it also reduces the attention given to the impact that the SCAF was expected to have beyond its Cooperating Partners. One or two projects in a country might be insufficient to put countries in a position to attract more private finance, as is the ambition of the SCAF. With only 6 Cooperating Partners across two continents, and each one only allowed to receive support for up to two projects per country, this impact is spread too thin to achieve the ambitious overarching outcome of country-specific availability of early stage climate investment on a commercial basis. For this, a critical mass of actors engaged in a country and significant demonstration and replication effects of the SCAF investments is necessary. The SCAF, by itself, is too small to lead to economies of scale in the project development and transaction costs. At the current financing levels, this can only be (partially)

compensated for by active outreach. Allowing as many actors as possible to learn from the experiences of the Cooperating Partners can be an effective way to reduce risk premia and search costs, but the project has not chosen this route and is not (yet) forced by its (revised) outcome indicators to do that.

4.3.2 Outcome and output indicators

104. It is noted that a consistent set of output and outcome indicators have been reported on to the donors in the annual reports. This includes reporting on four long-term Key Performance Indicators (KPIs) common to all CP3 partners. It is also noted that these KPIs were put into the original project document as the expected "outputs" in the theory of change diagram.

105. While all sets of indicators generally measure the activities / outputs of the SCAF team and associated commitments and activities of the Cooperating Partners, and potentially also their results, they shift in the micro-definitions, and in their treatment as output, outcome or impact indicators:

> <u>Example 1:</u> The output indicator "Amount of financial resources granted to cooperating partners to identify and develop a pipeline of early stage energy investment opportunities" is, according to the 2016 project document revision, measuring *commitments*, but *disbursements* according to the Annual Report to DFID.
>
> <u>Example 2:</u> The DFID KPIs (e.g. jobs created or GHG emission reductions) do not appear in the logical frameworks for the original or revised Project Document and are not captured in the UN Environment Project Information Management System (PIMS). In the UN Environment annual reports to the donors these KPIs are reported against alongside shorter-term outcome indicators, while they would reasonably be considered as indicators of long-term impact.

The mixing of short and long-term indicators at the same results' levels may lead to a lack of differentiation between intended and actual achievements, which obscures assessments of progress along a pre-defined causal pathway.

106. The project team argues that variations in the positioning of results statements in the hierarchy of results or the weak alignment of indicators to those levels of results does not and did not, alter the overall substance or direction of the project. This is probably correct – indicator sets and outcome formulations did not have a significant impact on project management choices. And the project internally tracks many more indicators, so that the reporting seems to select those that seem to be most meaningful in the current stage of the project. However, the documented intentionality of any project is the foundation for any claims to cause and effect (i.e. claims for the credible association between the projects efforts and observed effects). In addition, given the commitment made by UN Environment in 2010 to adopt a strong results focus, as well as the interest of donors to see inputs converted into results, this is an area that warrants attention.

5 Evaluation findings

107. Overall, the project's performance is found to be 'Satisfactory'. Table 3 describes the ratings for each evaluation criterion.

Table 3: Ratings

Evaluation criteria	Rating	Score	Weight	Weighted Score
Strategic Relevance (select the ratings for sub-categories)	**Satisfactory**	5	6	0.3
Alignment to MTS and POW	Satisfactory	5	1	
Alignment to UNEP/GEF/Donor strategic priorities	Satisfactory	5	1	
Relevance to regional, sub-regional and national issues and needs	Satisfactory	5	2	
Complementarity with existing interventions	Satisfactory	5	2	
Quality of Project Design	Moderately Satisfactory	4	4	0.2
Nature of External Context	Highly Favourable			
Effectiveness (select the ratings for sub-categories)	**Satisfactory**	5	45	2.2
Delivery of outputs	Moderately Satisfactory	4	5	
Achievement of direct outcomes	Satisfactory	5	30	
Likelihood of impact	Likely	5	10	
Financial Management (select the ratings for sub-categories)	**Satisfactory**	5	5	0.3
Completeness of project financial information	Satisfactory	5		
Communication between finance and project management staff	Satisfactory	5		
Efficiency	Moderately Satisfactory	4	10	0.4
Monitoring and Reporting (select the ratings for sub-categories)	**Satisfactory**	5	5	0.3
Monitoring design and budgeting	Satisfactory	5		
Monitoring of Project Implementation	Satisfactory	5		
Project Reporting	Satisfactory	5		
Sustainability (select the ratings for sub-categories)	**Likely**	5	20	1.0
Socio-political sustainability	Likely	5		
Financial sustainability	Likely	5		
Institutional sustainability	Likely	5		
Factors Affecting Performance (select the ratings for sub-categories)	**Satisfactory**	5	5	0.2
Preparation and readiness	Satisfactory	5		
Quality of project management and supervision	Highly Satisfactory	6		
Stakeholder participation and cooperation	Satisfactory	5		
Responsiveness to human rights and gender equity	Moderately Satisfactory	4		
Country ownership and driven-ness	Not rated	0		
Communication and public awareness	Moderately Unsatisfactory	3		
			100	**4.79**
			Satisfactory	

5.1 Strategic relevance

108. Overall, the strategic relevance of SCAF II is rated 'Satisfactory.'

5.1.1 Alignment to MTS and POW

109. The alignment to the Medium-term Strategy (MTS) and Programme of Work (POW) is rated 'Satisfactory.'

110. The project documents specify that this programme is supposed to be contributing to "Expected Accomplishment(s): EA (b) Energy efficiency is improved and the use of renewable energy is increased in partner countries to help reduce greenhouse gas emissions and other pollutants as part of their low emission development pathways" and "Programme of Work Output(s): EA (b) – 4: Technical support provided to countries and partners to set up and implement sectoral initiatives and to make renewable energy and energy efficiency technologies bankable and replicable." The project is in line with both, as it contributes to the deployment of renewable energy and energy efficiency and supports partners to make such projects bankable and replicable.

5.1.2 Alignment to UN Environment/Donor strategic priorities

111. The SCAF's relevance for DFID and BMU is rated as 'Satisfactory.'

112. Both, DFID and BMU are striving to increase their climate finance contributions under the UNFCCC. An important priority for both, in particular DFID, is to enhance the availability of private sector financing. DFID's SCAF II contribution is part of a large private sector initiative (CP3, cf. para 44). CP3 has its focus on mitigation and aims to increase "private investment to help tackle climate change by reducing carbon emissions."[37]

113. The funding of BMU is under the International Climate Initiative, which is Germany's main climate financing channel and has, among other features, an emphasis on climate change mitigation. Therefore, SCAF II is aligned to the strategic priorities of the donors. BMU, too, subscribes to the priorities of increasing private sector engagement in renewable energy and energy efficiency.[38] They place high value on UN Environment's role as a trailblazer of innovative models that should then be adopted and scaled-up by development banks or the private sector. They see UN Environment's strength in its links to the governmental and policy level.

114. In the project document, the only explicit reference to donor strategic priorities of BMU or DFID is regarding the country restrictions of DFID. These restrictions limit the use of DFID funds to Least Developed Countries, Other Low-Income Countries and Lower Middle-Income Countries and Territories (as per

[37] DFID (2017): Climate Public Private Partnership Programme (CP3). Annual Review 2016, https://devtracker.dfid.gov.uk/projects/GB-1-201733/documents.

[38] Interview A. Fisher (BMU), 7 March 2018.

Development Assistance Committee Guidelines). Thus, funds and projects in Low Income Countries have been prioritised and countries like South Africa or Thailand have not been included in SCAF II.

115. DFID Key Performance Indicators have been observed in the design of the monitoring and indicator frameworks of the SCAF.

5.1.3 Relevance to regional, sub-regional and national issues and needs

116. With respect to the relevance for its direct partners, the SCAF's strategic relevance is rated as 'Satisfactory'.

117. It is noted however, that the project does not provide for any links to country governments, which might increase its relevance to them, and could provide relevant feedback on the enabling environment. It has also been at times included by UN Environment in the Theory of Change (e.g. Figure 2, Figure 4). But like in SCAF I, the programme is not targeting regional or national governments but private sector investments, and the locational decisions are taken by the private sector Cooperating Partners. Investment priorities and strategies vary from partner to partner. A strong consideration in the investment decisions of the partners are the political and market conditions and support frameworks for renewables in the countries. Thus, to the degree that the countries are reflecting their priorities in supportive stable investment policies for renewable energy, the Partners investment decisions will reflect these country priorities.

5.1.4 Complementarity with existing interventions

118. Complementarity with other interventions is also rated as 'Satisfactory'.

119. Since the development of SCAF I (2005 – 2010), the environment of interventions in the regions has changed and other support mechanisms for development and early stage investment in renewable energy projects have been developed and implemented. A number of them are discussed in the following.

120. Together with the EIB, UN Environment developed the Renewable Energy Performance Platform (REPP). The Platform aims to mobilise private sector development and investment in small and medium-sized renewable energy projects (below 25 MW) in Sub-Sahara Africa. Similar to SCAF, REPP also provides project preparation results-based finance to projects (but not investors).

121. The Climate Investor One Facility (operational since 2015) is a combined facility managed by Climate Fund Managers[39] and targets developers and Private Equity Funds (PEs). It offers support at three different stages, including early seed funding. While they target an average size of 25-75 MW or USD 80-100m in total investment cost, and thus are comparable to SCAF, they take an equity position in the projects. In that sense, they can be considered complementary to the SCAF.

[39] Climate Fund Managers is owned by the Development Bank of the Netherlands (FMO), and a South African infrastructure investment business, Phoenix InfraWorks.

122. The Energy and Environment Partnership of Southern and East Africa (EEP Africa) is a multi-donor trust fund managed in its most recent funding cycle by the Nordic Development Fund (NDF) and funded by DFID, the Austrian Development Agency (ADA) and the Finish Ministry of Foreign Affairs (MFA). Since 2010, it provides (1) early stage financing to clean energy projects between EUR 200,000 – EUR 1 million and (2) concessional loans for catalysing investments at later stages. Besides the two funding windows, a matchmaking platform for developers and investors has been set up to facilitate investments and business development.

123. Similarly, EEP Mekong has been set up being active in Cambodia, Lao PDR, Myanmar, Thailand, and Vietnam. The programme has the same objective but uses a results-based finance approach. It is currently in its second phase (2014-2018), completely funded by the MFA (EUR 9.1 m).

124. Additionally, there are several other ongoing programmes that address the improvement of the financing environment for renewable energy projects in Africa and Asia, even though they focus more on support in later investment stages:

- As already mentioned in section 3.1, the Climate Public Private Partnership (CP3) is funding the IFC Catalyst Fund and the Asia Climate Partners (ACP) equity fund.
- Another programme active in both SCAF II focus regions is the Global Climate Partnership Fund established by KfW and BMU. The layered debt fund provides financing through local financial institutions but also directly to projects that are either in a late development stage or fully authorised.
- The GET FiT facility is also funded by KfW. After a successful pilot in Uganda where projects have been supported through renewable energy feed-in tariff premium payments, other target countries are considered, and market assessments have been conducted. Currently, Zambia is the only country where preparations for the implementation of the programme have been made. In Vietnam, feasibility studies have been conducted.[40] GET Fit is not providing seed financing but ensures viability of projects that are developed through other means (including seed financing investments by PEs or supporting facilities like the SCAF).

125. On the basis of this background analysis and confirmed through interviews with direct SCAF stakeholders as well as with outside experts (specifically also the evaluation team of CP3), the SCAF is comparatively unique (only overlapping with the EEP) in its focus on pipeline development and seed financing for private equity funds/DevCos, and complementary to the existing facilities.

[40] GET FiT Uganda: Status of GET FiT roll-out to other countries, https://www.getfit-reports.com/2015/risk-management/status-of-get-fit-roll-out/.

5.2 Quality of project design

126. As described in the Inception Report, the quality of project design is rated as 'Moderately Satisfactory'. [41]

127. Generally, the Theory of Change was described more clearly in the ProDoc for SCAF II than for SCAF I and documents the learnings from the operationalization of the first phase. Therefore, the TOC from SCAF II served as the basis for the reconstruction of the theory of change. In SCAF II, the support lines SL1 and SL2 are mutually contingent in the sense that no SL1 support will be given if the Cooperating Partner does not also want to benefit from SL2 support.

128. SCAF II was generally well designed following a logical pattern back from the more general goal and objective of CO_2 reduction to outcomes and outputs. In the project preparation the situation was described clearly, and the immediate stakeholders were analysed, which led to proper risk identification and appropriate monitoring structures. The set-up as presented in the Project Document enabled efficient implementation and provided enough space for stakeholder reactions.

129. The project design has changed in terms of the administrative structure. There are two different roles for Frankfurt School on two different contracts – the Agent role and the Trustee role. In addition, it was decided only after approval of the project document that UNOPS needed to be commissioned as an intermediary between the UN Environment and the Agent and the Trustee. This complicated the administrative setup and the number of independent contracts that need to be managed. This makes it harder to communicate and understand the facility structures. During the evaluation these roles and responsibilities became more transparent to the evaluation team. Still, the many layers of administration and the multiplicity of contractual arrangements between the organizations and sub-organizations, as well as the amount of paperwork that is consequently required for reporting, also pose the question whether this is the most efficient project setup.

130. SCAF II as a follow-up project had an easier time mobilising budget than SCAF I but was not able to secure the USD 26 million envisioned. Due to currency fluctuations the secured budget was slightly lower than expected (see section 3.5).

5.3 Nature of the external context

131. The external context for SCAF II is rated as 'Highly Favourable'

132. Throughout the implementation period of SCAF II, renewable energy became more and more accepted by private investors as a viable investment opportunity. Technology costs fell significantly, and the

[41] The Quality of Design matrix has been included in the Inception Report as separate Excel-File "Assessment of the Quality of Project Design_SCAF Evaluation_UNEP" (see Inception Report Annex C).

technical risks were reduced as more operational experiences were gained.[42] Between 2012 and 2016 total investments in solar off-grid technologies have been doubled annually. In 2017, USD 284 million has been invested. Especially Sub-Saharan Africa and Asia have a very high global market potential with countries like India, Kenya or Tanzania being a point of focus for quite some time and countries like Nigeria, Ethiopia or Uganda attracting more attention only recently.[43] Increasingly, countries and utilities have included renewable energy on-grid facilities in their investment plans and more recently, mini-grids are revisited as acceptable technical options for regions that are hard to reach by a national grid. Therefore, the multi-donor programme Energising Development (EnDev) or the Global Facility on Mini-Grids (World Bank) have been established in the last years.[44] Increasingly, business models have been developed that allow for rural off-grid technologies as well as for energy efficiency technologies to be packaged into larger investment sizes, potentially whetting the appetite of commercial investors to engage in these ventures. The Investor Confidence Project, for example, is an initiative that standardizes the development of energy efficiency projects and their measuring and verification mechanisms. The initiative aims to increase confidence and to enable the scale-up of global investments in this kind of projects. The initiative was only set up in 2015 and is currently active in America and Europe, but could be expanded to other regions, if successful.[45]

5.4 Effectiveness

133. Overall, the Effectiveness of SCAF II is rated 'Satisfactory.' This is the weighted average of the following: Delivery of Outputs (Moderately Satisfactory); Achievement of Outcomes (Satisfactory) and Likelihood of Impact (Likely)

5.4.1 Delivery of outputs

134. As described below, administrative rearrangements after the start of SCAF II had taken significant time which impacted the timely delivery of outputs. Timelines have moved by 18 months.

135. The evidence at this mid-point suggests that the Output Targets for SL1 and 2 can be reached, leading to a rating of 'Moderately Satisfactory' for delivery of project outputs.

136. Table 4 provides an overview of the delivery status of the three outputs against their five output indicators.[46] These are discussed in detail in the following section.

[42] REN21 (2018): Renewables 2017. Global Status Report, http://www.ren21.net/wp-content/uploads/2017/06/17-8399_GSR_2017_Full_Report_0621_Opt.pdf.
[43] GOGLA (2018): Off-Grid Solar Market Trends Report 2018. https://www.gogla.org/sites/default/files/resource_docs/2018_mtr_full_report_low-res_2018.01.15_final.pdf.
[44] REN21 (2018): Renewables 2017. Global Status Report, http://www.ren21.net/wp-content/uploads/2017/06/17-8399_GSR_2017_Full_Report_0621_Opt.pdf.
[45] Investor Confidence Project: http://www.eeperformance.org/
[46] Data as of 31 December 2017.

5.4.1.1 Output 1 - SL0: Support to first time fund managers in raising new private equity/venture capital funds

1.1: Number of SL0 agreements signed with first time fund managers

137. Support Line 0 targets first time fund managers and covers external costs (e.g. project evaluation, travel, legal set-up) to raise new private equity/venture capital funds (Private Equity/Venture Capital funds) and complete the financial close of their fund. It is a conditional grant of between USD 200 000 and USD 500 000 that is paid back once the fund reaches financial close. Because of the delay of the project, it was agreed during an update call with the SCAF Steering Committee in October 2017 to focus on signing more SL1 and SL2 agreements, given the SL1-SL2 agreements life span (usually three years), before continuing with SL0 contracts. Further SL0 agreements will depend on the availability of funding, i.e. the level of SL0 and SL2 reflows.

138. The evaluation team considers it unlikely that the targeted number of 5 agreements can be reached. Judging from the time it took to finalize the existing agreement – records show that the disbursement period was Q II- Q IV 2016, and repayment occurred in March 2018, implying that a plausible time span for a SL0 engagement is longer than the anticipated 6 to 9 months and could be as much as 24 months.

1.2: Amount of fund development support provided to new fund managers (SL0, USD million)

139. SL0 support of USD 0.4 million was provided to Zoscales in Africa in 2016. Zoscales is a new fund and at the time of the interview expected to finance a renewable energy project and two non-energy projects in Ethiopia. According to the contract, Zoscales should have paid back SL0 support after its first financial close. They achieved financial close of their first fund in Q III 2017, but only of the first tranche. Fundraising continued for the second close. Full repayment of the SCAF support was achieved by March 2018. During the evaluation, Zoscales expressed its opinion in the interview that the repayment rules are too strict for first-time fund managers: they did not achieve financial close for the full amount, but had nevertheless the full running costs and the repayment would have constituted a much larger share than originally expected. On the other hand, this is also a good example to demonstrate that the SL0 funding typically is a very small amount in terms of the overall fund volume. If financial close does take place, it would typically be repayable, but maybe with a delay compared to the contractual repayment rules. The ProDoc does not specify any sanctions for the case of non-repayment where the Fund has reached financial close.

5.4.1.2 Output 2 - SL1: Support to cooperating partners for originating a pipeline of early stage projects and assist the development of such projects

2.1: Number of SL1/2 Cooperating Partner Agreements signed

140. SL1 and SL2 are linked and Cooperating Partners need to sign a Cooperating Partner Agreement which includes both. The two support lines together provide a total amount of up to USD 2.5 million per partner, and typically, 30 % of that goes to SL1 and 70 % to SL2. Until 2016, 4 agreements were signed, and one in 2017. Even though, in 2018 so far, no new Cooperating Partner Agreements (CPAs) were signed it is likely that the targeted amount of 6 signed agreements will be reached, given the fact that 5 are already

signed and due diligence on two potential candidates for the sixth SL1 and 2 partner was conducted in June 2018.

2.2: Amount of financial resources granted to Cooperating Partners to identify and develop a pipeline of early stage investment opportunities (SL1, USD million)

141. SL1 provides non-reimbursable grants and accounts for up to 30 % of the total contract volume. The amount targeted for SL1 is USD 4 million, of which 52 % has been disbursed. It is likely that the rest of the SL1 support funds will continuously be called upon by Cooperating Partners and the target for disbursement will be reached.

2.3: Numbers of projects supported through SL1 co-financed activities

142. This sub-output supports the origination of a pipeline of early stage low-carbon projects and assists with the development of such projects until they enter the fund investment process. For the uninitiated this is an odd indicator as the support in SL1 is not necessarily project-based. According to the explanation of the PMU, this indicator is counting the pre-feasibility studies done under SL1. Since the beginning of SCAF II, 27 projects had been supported as of December 2017.[47]

5.4.1.3 Output 3: SL2: Support to cooperating partners in seed financing early stage projects

143. SL1 and SL2 are linked, therefore the number of Cooperating Partner Agreements signed for SL1 is the same as for SL2. The indicators relate to the number of projects seeded and the amount of SL2 co-financing support provided.

3.1: Number of projects seeded with SL2 co-financing support

144. SL2 supports directly at the project level once the Limited Partners[48] have agreed to seed investments. It pays for elevated project development costs such as e.g. environmental and technical assessments and Power Purchase Agreement (PPA) negotiations, of which up to 50 % will be supported. The Cooperating Partners have supported 10 projects through SL2. This corresponds to only 28% of the target. The rationale provided by the project team is that Cooperating Partners are first using the (non-reimbursable) SL1 funds before they ask for projects-specific and reimbursable SL2-funds. As it is assumed to take 18 months to implement an SL2 project, the time to commit SL2 funds should stop 18 months before project closure i.e. in Mid-2020. This means that the Cooperating Partners have had 3 years by now to spend SL1 and 2 funds, and has about 2 – 2.5 years left to disburse more than half of the funds. In order to reach the output targets within the project time, the implementation speed of the partners will need to pick up.

[47] The indicator is somewhat counter intuitive as SL1 does not fund projects.

[48] Investors in the partnership who have no management authority and are not liable for the debts beyond their investment.

3.2: Amount of SL2 co-financing support provided to projects/ventures (USD million)

145. SL2 accounts for 70 % of the total contract volume and is a reimbursable grant for projects that reach financial close. As of December 2017, USD 1.88 million has been disbursed to the Cooperating Partners under SL2, constituting 18 % of the target.

146. Because the first SL2 investments started only in September 2016, no financial close has been achieved so far but one supported project has been sold pre-financial close and the funds have been repaid to the SCAF in April 2018. Again, the Project Document does not specify what sanctions the Cooperating Partners face in the case of non-repayment. While it might seem logical that SL1 and SL2 follow on each other, it is also very plausible that Cooperating Partners first draw down the grant (SL1) with project-specific activities and then draw down the repayable SL2. Still, the current amount of disbursements is in line which what would be expected at this stage of the project.

5.4.1.4 Summarizing considerations with respect to the effectiveness of the support lines

147. The offerings of the SCAF II (SL0,1 and 2) have been tailored to the sector needs over the years. The two support lines SL1 and 2 are offered jointly and have a fixed break-down (maximum 30% is SL1) at the Cooperating Partner level. SL1 is a grant, for now financed by BMU. SL2 is reimbursable, financed by DFID. The feedback from the interviews is that this is appropriate. The Cooperating Partners find it acceptable to reimburse SL2 at a successful close. The Agent finds it necessary to legally link SL1 and SL2 to ensure that some negotiation leverage is retained throughout.

148. Given that SCAF II is extending its support beyond Private Equity Funds to DevCos, it might be useful to keep considering the details of SL1 and SL2. It is also likely that DevCos need more support towards the financial close, whereas Private Equity Funds more in the more technical stages of project development, to cover their respective characteristics.

149. Other potential support options have been flagged by the Cooperating Partners, including the option to use SCAF support for cash deposits which are necessary in some cases for negotiations with national counterparts (e.g. around Power Purchase Agreements). This can also be considered further, although, here, too, risks for market distortion exist.

Table 4: Output rating overview

Output as per TelCo 15 Feb 2018	Target	Q4 2016	Q4 2017	% of Target	Rating Evaluators	Comment
Output 1: SL0: Support to first time fund managers in raising new private equity/venture capital funds						
1.1: Number of SL0 agreements signed with first time fund managers	5	1	1	20	MS	SL0 disbursement have been put on hold. It is not expected that 100 % can be reached over the project's planned timespan.
1.2: Amount of fund development support provided to new fund managers (SL0, USD million)	2.08	0.35	0.40	19	MS	Financial close has been reached, although level of closing is below the expected one. Reflow of funds with a value of USD 0.4 m.
Output 2: SL1: Support to cooperating partners for originating a pipeline of early stage projects and assist the development of such projects						
2.1: Number of SL1/2 Cooperating Partner Agreements signed	6	4	5	83	S	
2.2: Amount of financial resources granted to Cooperating Partners to identify and develop a pipeline of early stage investment opportunities (SL1, USD million)	4	0.63	2.08	52	S	The disbursed amount rose steadily through the years of operation. Since most CPs draw on SL1, which is the smaller part of the support lines, it is expected that, with the disbursement of SL2, this amount is going to rise more steeply.

Output as per TelCo 15 Feb 2018	Target	Q4 2016	Q4 2017	% of Target	Rating Evaluators	Comment
2.3: Number of projects supported through SL1 co-financed activities	100	19	27	27	MS	27 projects have been supported. 2.08 mUSD of SL1 funding disbursed led to an average amount per project of USD 77,000. Based on these figures, another 26 projects need to be supported by SL1 in order to reach the targeted USD 4m (without any increase in donor funding). On the other hand, the target of 100 projects seems out of reach with that, even with a significant reduction of SL1 funds that are attributable to individual projects. SCAF management and agent are advised to review the current pipeline and make an estimate if that target is realistic, given that only 1 more CPA will be contracted. Then as needed design additional strategy for efficient use of funds.
Output 3: SL2: Support to cooperating partners in seed financing early stage projects						
3.1: Number of projects seeded with SL2 co-financing support	36	8	10	28	MS	Partners draw down SL1 (grant) first and SL2 (reimbursable) after that. Target might be out of reach at current implementation speed, also given that 48% of SL1 funding is still available.
3.2: Amount of SL2 co-financing support provided to projects/ventures (USD million)	10	1.2	1.88	19	MS	Co-financing on SL2 is low in line of low draw down rate.

Rating scheme: HS-Highly Satisfactory; S-Satisfactory; MS-Moderately Satisfactory; MU-Moderately Unsatisfactory, U-Unsatisfactory, HU-Highly Unsatisfactory.
Source: UN Environment (2018): SCAF II Progress to Date, TelCo 15 February 2018. Presentation.

5.4.2 Achievement of direct outcomes

150. Table 5 provides an overview of the delivery status of the two outcomes against their nine outcome indicators[49]. These are discussed in detail in the following section.

151. As the logical framework in the Project Document does not have results statement at the direct outcome level, the evaluation adopted the two outcomes articulated in a more recently prepared, although not formally approved, Theory of Change diagram (Figure 2). These outcome statements are consistent with those outcome indicators relevant at the direct outcome level:

1. Increase in number of fund managers and development companies investing early capital in climate mitigation projects and ventures

2. Increase in volume of early and late stage capital committed to climate mitigation projects and ventures.

152. The evidence at this mid-point suggests that the outcome targets will be achieved, leading to a rating of 'Satisfactory' for achievement of direct outcomes.

5.4.2.1 Increase in number of fund managers and development companies investing early capital in climate mitigation and ventures

153. Following the causal pathway, all of the 3 outputs (represented by 7 output indicators recorded in table Table 4 above) can be linked to outcome 1. SL0 support specifically was extended to a first-time fund manager who successful completed a partial close.[50] Thus, early capital was invested by a higher number of fund managers and development companies (one more than before). For the Cooperating Partners under SL1/2 (outputs 2 and 3), most were already active in the sustainable energy field, and thus have not contributed to this outcome.

5.4.2.2 Increase in volume of early capital invested in climate mitigation and ventures

154. Because of the 50:50 cost-sharing requirement (for every Dollar of SCAF funding the Cooperating Partners have to put in the same amount) the volume of early and late stage capital committed to renewable energy projects has also increased. Again, this is the result of all 3 outputs. Exact data for the early and late stage capital invested are not yet available as the reports currently only refer to expected volumes, and no project has come to financial close yet.

[49] Data as of 31 December 2017.

[50] All other 5 Cooperating Partners receiving SL1 and SL2 used it to stabilize their pipeline and support specific projects.

5.4.2.3 Attribution of theses outcomes to SCAF support, additionality of outcomes

155. These outcomes can be clearly linked to SCAF support. All interviewed Cooperating Partners have, with more or less specificity, confirmed that SCAF support allowed them to devote more money and time on building the funds and their pipelines but would have devoted significant financial resources even without the SCAF (i.e. the project accelerated the process and provided potentially higher quality analysis for potentially better designed projects).

5.4.2.4 Narrative discussion of performance against outcome indicators

156. In order to measure the results of the funding with respect to the above-mentioned outcomes, 13 outcome indicators were defined and are used for regular reporting. The outcome indicators roughly correspond to the two outcomes stated above. Their formulation and targets strengthen the impression that “outcomes” refer only to the activities of the direct project partners, not the wider finance community. The monitoring of the outcome indicators is done by the SCAF Agent on the basis of the project-specific online reporting tool that was implemented in 2016.

157. The listing supports the general rating of “Satisfactory” for this sub-criterion as progress is in line with expectations in most areas related to SL1 and SL2. As in the outputs section, the only area where implementation is lagging behind and results are not on track is SL0.

158. Performance against 10 of the indicators (see Table 5):

1. Number of funds: Zoscales is the only fund which so far has received SL0 support. It is possible that the indicator will not achieve 100 % if no funding will be committed under SL0 to new Cooperating Partners in the next six months.

2. Total amount committed to new funds: According to the progress report of SCAF II, Zoscales was able to raise USD 31.5m from commercial investors.[51] This amount was less than anticipated and a second close is expected shortly. During the interview it was mentioned that energy/resource efficiency is only one of their business legs. While the SCAF-supported fund is focusing on resource efficiency Zoscales was currently also considering investing in a soy business and in a mattress company. It is therefore possible that a new fund or second phase of this fund will not be climate oriented. Learning from the SCAF management team’s experience, scaling-up or replication with respect to the climate purpose is therefore not guaranteed. No target for scaling-up was provided in the project documents.

3. Details of the capitalization of Cooperating Partners was provided by the project in an earlier paper[52] and in a narrative report by Frankfurt School.[53,] The total equity invested in all 6 SCAF-supported Cooperating Partners was USD 553 m in October 2017. Of this 13 % or USD 63 m was provided by development finance institutions (including public equity) and the total amount of private

[51] SCAF II TelCo. Progress to date. February 2017.

[52] SCAF II Update Call. October 2017.

[53] FS (2018): SCAF II Narrative Report for the period July-December 2017.

investments was USD 489 m (87 %). More than half of the private equity was provided by one investor into GreenWish (USD 250m). Even if this amount is taken out to avoid distortion, the result is very clear in that the bulk of equity is coming from the private sector side. It is a positive sign that the private sector is slowly growing an appetite for climate focused funds. JCM Capital, The Blue Circle and Sindicatum did not have any public equity contribution. One reason may be that the two latter Cooperating Partners are DevCos, which are following a different business model than Private Equity Funds. DI Frontier and Zoscales had more public than private equity, potentially related to their field of activity being Africa. DI Frontier is a typical Equity Fund, whose strategy from the start was to cooperate closely with Multilateral Development Banks. The terminal evaluation should review whether the thesis that DevCos work, in general, without public equity support holds.

159. Private equity investors usually have a clear exit strategy formulated in their business principles. Often, they are linked to a certain internal rate of return (IRR)-expectation. The investors stay in the funds for a period typically ranging around 5-7 years before they exit. For the medium term of SCAF II it is expected that the outcome of the capitalization will stay at about the same order of magnitude.

160. In the narrative report by Frankfurt School (FS, 2018) the split between private and public investors is provided, but there is no break-down by Cooperating Partner.[54] As debt (i.e. grants to be refunded) is included here, the split for equity alone cannot be deduced anymore. The split between private and public for SL0 is 37/63 for Zoscales. For SL2 the private to public ratio is 56 % (USD 404m) private to 44 % (USD 385m) of public funds. Again, this also includes debt.

4. According to the same Frankfurt School report the volume of early stage capital for SL2 from Cooperating Partners is USD 19.6 m, representing 98 % of the target of USD 20m.

5. The contribution of early stage capital from other sources to SL2 is said to be USD 1m which represents 5 % of the target of USD 20m.

6. The number of seed capital projects achieving financial close is currently 0. The target of 20 by project end is plausibly achievable. It is in line with the implementation stage of the SCAF. It is too early in the process of SCAF II to assess this aspect.

7. Figures provided in the narrative report for the volume of late stage capital expected to be invested from Cooperation Partners imply an expected investment of USD 150 m, representing 30 % of the targeted USD 500m.

8. The numbers provided in the narrative report for the volume of late stage capital committed from other sources are not further explained and are based on self-reporting. The evaluator is unable to comment as triangulation was not possible. Also, these are expectations at this point in time. The quoted amount is USD 282 m representing 56 % of the targeted USD 500m. This would mean that Cooperating Partners have been able to attract funding from external sources.

[54] FS (2018): SCAF II Narrative Report for the period July-December 2017.

161. By the end of 2017 the reflow from SL2 was 0 as none of projects have achieved financial close yet.[55] This is in line with the logical sequencing of the disbursements of SL1 and SL2. Given the planned completion date of December 2021[56] the question is whether any of the projects will be able to achieve financial close (i.e. conclude the financing and lending contracts that provide the funds for the project to be constructed). One lesson learned from SCAF I was that the time it takes to develop a project up to financial close was underestimated in the project design. The PMU and Agent should be very clear on how they will finalize the remaining tasks within the remaining three years.

[55] In 2018, one of the SL2-supported projects was sold before financial close to another investor, which allowed the first repayment of SL2 to take place in 2018.

[56] Approved UN Environment Project Document, approved 22nd September 2016.

Table 5: Overview of outcomes and ratings

Outcome indicators	Target over the whole project	Reached by Q4 2016	Reached by Q4 2017	% of Target Q4 2017	Rating Evaluators	Comment
Indicator 1: Number of SL0-supported first time fund managers successfully setting up new climate focused funds	3	0	1	33	MS	Development of SL0 postponed
Indicator 2: Total amount of commitments collected from investors for new climate focused funds raised by first time fund managers (SL0, USD million)	/	0	31.5	/	MS	Only one Fund, but closed below expectation
Indicator 3 a: Split between private/ commercial investors and public investors - Private/ public investor base in closed SL0 funds (in %) (1)	/	N/A	37/63	/	./.	sample is too small for rating, however, 63% public funds look high.
Indicator 3 b: Split between private/ commercial investors and public investors - Private/ public investor base in closed SL 2 projects (in %) (1)	/	N/A	N/A	/	./.	One investor in one of the CPs invested more than 50% of the private equity leveraged by the SCAF
Indicator 4: Volume of early stage capital committed to low carbon projects and ventures from Cooperating Partners (SL 2, USD million) (2)	20	15.2	19.6	98	HS	Committed does not mean disbursed
Indicator 5: Volume of early stage capital committed to low carbon projects and ventures from other sources, including developers and co-investors (SL 2, USD million)	20	1.0	1.0	5	S	Under the expectation of exponential development in the second part of the project, this is appropriate for mid-term

Outcome indicators	Target over the whole project	Reached by Q4 2016	Reached by Q4 2017	% of Target Q4 2017	Rating Evaluators	Comment
Indicator 6: Number of seed-financed projects and ventures reaching full financial close (i.e., full project financing or second round venture financing, SL 2)	25	0	0	0	./.	Matches the current timing in processing but cannot be rated at this point
Indicator 7: Volume of late stage capital committed to low carbon projects (i.e., full project financing) and ventures (i.e., second round and subsequent financing) from Cooperating Partners (SL 2, USD million)	500	88.5	150	30	./.	./.
Indicator 8: Volume of late stage capital committed to low carbon projects (i.e., full project financing) and ventures (i.e., second round and subsequent financing) from other sources, including developers and co-investors (SL 2, USD million)	500	310	282	56		Not yet applicable
Indicator 9: Repayment rate of Support Line 2	/	/	/	/		Not yet applicable
Indicator 10: Total amount of low carbon finance raised or to be raised (incl. equity/ debt; public/ development/ commercial finance; SL 2, USD million) (3)	/	734	880	/		Estimate, no financial close yet

* The target and the outcomes achieved are all cumulative numbers over the whole project cycle (so far).

(1) Methodology changed to be based on an SPV or fund level for SL0 and SL2 (vs. previously on company level).

(2) Amount to be confirmed once DI Frontier communicate Kiwira project figures

(3) Includes the total equity and debt (projected as well as achieved at financial close).

(4) Excluding Kiwira Hydro project from DI Frontier Investment in Tanzania (figures not yet available).

Rating scheme: HS-Highly Satisfactory; S-Satisfactory; MS-Moderately Satisfactory; MU-Moderately Unsatisfactory, U-Unsatisfactory, HU-Highly Unsatisfactory.

Source: UN Environment (2018): SCAF II Progress to Date, TelCo 15 February 2018. Presentation.

5.4.3 Likelihood of impact

162. It is too early to assess the achievements of the long-term outcome "Developing countries are more able to pursue low carbon resource efficient development as more early stage climate investment is available on a commercial basis leveraging additional commercial capital for climate sector."[57] In addition, this is an outcome statement that is not fully related to the activities as it represents a long term impact that could only be realised some time after the project's completion, and with considerable larger scale and diversified efforts. Instead, this section evaluates against the KPIs that reflect the impact of the renewable energy investments (investment volume, MW added, expected GHG emission reductions). Based on an analysis of the progress in achieving direct outcomes and the presence of contributing conditions (identified in the Theory of Change as 'assumptions' and 'drivers'), long-term impact on GHG emissions and employment in target countries, as well as on the Cooperating Partners is rated as 'Likely'.

163. None of the projects supported by SCAF so far have reached financial close or are close to that stage. It is therefore also too early to state that SCAF has leveraged commercial finance above and beyond the 50:50 cost share. However, it can be said that a number of well-functioning renewable energy projects in operation can form a broader class of assets that provide investment opportunities in frontier markets, which in turn has an impact on the development of capital markets. Once successful pilot projects are operating in the countries, capital markets may gain more confidence and start to finance renewable energy with more local input. It therefore depends a lot on whether the projects supported are of good quality, and that there is an effective mechanism for the success of the pilot projects to be disseminated in a strategic way so that other financiers might start to be interested in these opportunities as well.

164. Contributions from the SCAF II project towards five longer-term Key Performance Indicators common to CP3 programmes funded under the UK International Climate Fund (ICF) are reported on an annual basis. For these, currently, projections by the Cooperating Partners themselves via the online reporting tool (cf. section 5.7) are used. These are discussed in the section below.

165. The total amount (equity and debt) expected to be raised by the currently SL2-supported projects is USD 880m. The total amount of secured funding for the SCAF was USD 17.5m. This results in a leverage factor where USD 1 provided by SCAF resulted in USD 50.29 by others. It should be noted however, that this leverage includes other Multilateral Development Bank and commercial financing, and thus cannot be credited to SCAF alone.

166. The capacity of low carbon generation projected through the SL2-supported projects of SCAF Cooperating Partners is 420 MW. The figure is a summation of planned MW provided by project sponsors/ the Cooperating Partners irrespective of technology and country. It is advised that Cooperating Partners should be asked to verify the actual installations for size and the MWh produced once the projects are in operation.

[57] UN Environment (2013): Approved Project Document. Seed Capital Assistance Facility II.

167. In the self-reporting, the Cooperating Partners expect 2,060 construction jobs to be created in constructing the SL2-supported projects. SCAF II has disbursed SL2-funds to 10 projects so far. If all make it to the construction phase it would mean that an average of 206 temporary jobs are created by each project. Given the fact that jobs created during construction are usually for less skilled labour, the number seems to be on the low side.

168. Jobs during the operations and maintenance (O&M) phase (expected on the basis of self-reporting: 213) are usually medium to long term, depending on the tenure of the project. Taking the same calculation as above, the average number of jobs created during the phase would be 21.3. As this includes management, technical and other service jobs (driver, secretary, kitchen staff) which will be provided by the renewable energy project, it is likely that this is on the low side.

169. The amount of GHG emissions avoided (1,184,375 tCO_2e) cannot be validated at this mid-term point. As no project has been constructed yet, no GHG emissions have yet been avoided. In addition, there is no guidance to the projects on how to calculate CO_2 emissions. Once the generation capacity (MW, above) is built and verified, operations data should be monitored to assess GHG avoidance, but for the majority of renewables projects, this will be only after the SCAF II project has terminated. Given the long life-time of renewable energy projects (between 20 and 30 years) it is highly likely that those projects which make it to operation phase will save a reliable amount of GHG emissions throughout their life time.

Table 6: Overview of longer-term Key Performance Indicators

Key Performance indicators	Target over the whole project	Reached by Q4 2016	Reached by Q4 2017	% of Target Q4 2017	Rating Evaluators	Comment
Indicator 11: Capacity of low carbon generation financed (MW)	/	380	460	/		Estimate, no construction yet
Indicator 12: Job creation (during construction) (4)	/	2180	2060	/	S	Estimate, no construction yet
Indicator 13: Job creation (Operation & Maintenance) (4)	/	185	213	/	S	Estimate, no O&M yet
Indicator 14: GHG emissions avoided (tCO_2e p.a.) (4)	/	1,114,375	1,184,375	/	S	Estimate, no financial close yet

170. Both operating mechanisms (SL0 and SL1/2) contribute positively to an increase[58] in early seed investments in climate projects, and there is a significant likelihood that these impacts will be reached. It is a strength of SCAF that it offers tools matching two different markets. However, if the number of supported entities in Asia remains at 2, the question is whether SCAF support can really make a difference or if its effect is too diluted in such a big market.

171. Judging from the current performance of SCAF, a fairly clear direction is given in terms of regions: 4 of the currently 6 Cooperating Partners are in Africa. This trend seems likely to continue considering the new applications received by the SCAF Agent, Frankfurt School. In addition, the two Cooperating Partners in Asia are DevCos, whereas those in Africa follow a fund structure. A likely impact is therefore that in Asia the DevCo structures are strengthened and in addition, in Africa private equity structures are further developed.

172. More resources were available to conduct the due diligence processes in SCAF-supported projects (through SL1 and SL2) than in non-SCAF projects. It is reasonable to assume that a strengthened due diligence process leads to a higher quality of overall design - be it technical, financial, or other – which should improve the stability of the projects. The impacts of the projects individually should be higher, the power investments might be operational for longer and thus they might have a pilot function in the region and increase the chances of replication.

173. Judging from those SCAF I projects which are already in operation they contribute to the reliable distribution of power to local industries and thereby have a share in increasing and stabilizing employment in the region. This effect on employment is a general observation of what happens when an earlier unserved region is now served with electricity, not specific to renewable energy. Having said this, the operating SCAF-supported renewable energy projects will also contribute in the long-term to job security in the projects themselves.

174. The design of SCAF II, and particularly of SL1 in several cases, supports capacity building in the countries. (Capacity building evidence for SL0 is limited.) This capacity building activity has already led - if looking from the development of SCAF as a whole – to the development of new market participants in the sense that development companies, which earlier where supported through a Private Equity Fund, are now engaging directly in the market (Sindicatum and The Blue Circle). This is a sign of impact on important market participants and also shows a healthy development as markets are converging: what was true 10 years ago has now changed and renewables is taken up by the markets, which is reflected in new market entrances. Given the fact that SCAF supports DevCos directly now, building up their capacity in the structuring and financial area (SL2), this knowledge is likely to be maintained and may even be spread into other business areas where familiarity with infrastructure finance is of use.

175. Specifically, the support lines have helped to build a more stable pipeline. Funds have been able to look at projects which they had otherwise disregarded/postponed as they may have required too much financial resources in the beginning. This has led to a more stable project pipeline in many of the SCAF-

[58] Assuming that the impact is measured in terms of longer-term outcomes and not in terms of the only outcome statement formulated by the project ("Countries ability….")

supported Private Equity Funds, which will continue to exist even if Private Equity Funds are no longer supported by SCAF.

176. SCAF pays attention to the application of environmental and social safeguards in renewable energy projects, which is likely to impact future investment behaviour. SCAF has financially supported the training of local staff and external studies and has contributed to a new breed of local environmental and social experts. Private Equity Funds and project developers now include environmental and social dimensions in their early thinking process also because they noted that many financiers follow the Performance Standards and the Equator Principles of IFC, which particularly focus on project finance. Partners have mentioned that this is more an effect of loan financiers asking for implementation of IFC's Performance Standards and the Equator Principles than of the SCAF. However, SCAF supports this with similar requirements before funding.

5.5 Financial management

177. The financial management is rated as 'Satisfactory'. Table 7 contains the ratings table for financial management.

178. The financial reporting for DFID and BMUB is very detailed and carried out annually as well as separately for the two donors. The financial statement reporting layout for the donors is different to the internal reporting and budget administration of UN Environment. Additionally, the budget overview in the 2016 Revision of the Project Document was incorrect, showing only paid-in contributions as secured budget rather than a revised budget even though it is stated as the "revised budget". This made it more difficult to align the donor financing with the documents, but due to good communication lines between the PMU and the financially responsible partners, the PMU was able to provide all documentation. Put next to each other, the documentation demonstrated that ultimately the funding materialized as expected until the current status of the programme and were utilized by the PMU as appropriate.

179. Financial reporting is encumbered by the multitude of actors involved and the separate contractual arrangements with both the Agent and the Trustee, but the usage of well-designed and similar reporting layouts used by the different actors makes it easier to retrace the financial flows than for SCAF I. Still, for the administration costs of the different actors (UN Environment, UNOPS and the Agent and the Trustee) only aggregated administrative cost figures are available.

Table 7: Financial management rating table

Financial management components:	Rating	Evidence/ Comments
1. Completeness of project financial information:	S	

	Provision of key documents to the evaluator (based on the responses to A-G below)	HS	
A.	Co-financing and Project Cost's tables at design (by budget lines)	HS	
B.	Revisions to the budget	MS	Revision document currently valid on file in UN Environment documentation shows wrong budget revision.
C.	All relevant project legal agreements (e.g. SSFA, PCA, ICA)	S	
D.	Proof of fund transfers	HS	Financial statements
E.	Proof of co-financing (cash and in-kind)	*Non applicable*	No cash co-financing in SCAF II.
F.	A summary report on the project's expenditures during the life of the project (by budget lines, project components and/or annual level)	S	
G.	Copies of any completed audits and management responses *(where applicable)*	HS	1 audit statement
H.	Any other financial information that was required for this project (list)	HS	Upon request, all information was provided
	Any gaps in terms of financial information that could be indicative of shortcomings in the project's compliance with the UN Environment or donor rules	HS	
	Project Manager, Task Manager and Fund Management Officer responsiveness to financial requests during the evaluation process	HS	
	2. Communication between finance and project management staff	S	
	Project Manager and/or Task Manager's level of awareness of the project's financial status	HS	
	Fund Management Officer's knowledge of project progress/status when disbursements are done	HS	
	Level of addressing and resolving financial management issues among Fund Management Officer and Project Manager/Task Manager	S	No evidence but also no evidence to the contrary
	Contact/communication between by Fund Management Officer, Project Manager/Task Manager during the preparation of financial and progress reports	S	No evidence but also no evidence to the contrary
Overall rating		**S**	**Overall all seems to be in good order**

5.6 Efficiency

180. Efficiency overall is rated as 'Moderately Satisfactory'.

181. For both cost and time efficiency, two levels can be analysed: one is whether the project made the development of renewable energy projects more efficient and faster, than it would have been without the SCAF. As this is the main effect of the SCAF, it has already been discussed under Effectiveness (cf. section 5.4). By working through Private Equity Funds and Development Companies SCAF can be considered "cost efficient", because the entire process of project selection and development up to financial close lays with the Cooperating Partners. SCAF bears only a fraction of overall development costs and complemented Private Equity Funds and Development Companies' own funding only at a stage were Private Equity Funds went outside their natural habitat to seek seed finance. SCAF was not set up to finance general overhead costs. By relying on the existing institutional processes of a Private Equity Fund and Development Company SCAF did not spend any money other than what was needed to push the envelope a little further in early risk reduction. Through the cost sharing mechanism, one of the key features of SCAF, for each Dollar provided to Cooperating Partners at least the same amount of private funds is committed. In the end, SCAF was able to leverage considerably more funds than the 50:50 split envisioned. The SCAF disbursement was about USD 4.4 million by the end of 2017 across all funding lines. USD 3 million of that were used to support SL2 projects, and the co-financing committed to SL2 by the Cooperating Partners amounts to USD 19.6 million. For example, one project received additional co-financing of USD 1 million from external sources of funding.[59]

182. However, the other dimension of efficiency is with respect to efficiency and timeliness in administration and project management. This will be discussed in the next section and puts a grain of salt into the leveraging of more financial resources.

5.6.1 Cost effectiveness

183. While cost effectiveness on the investment level was high, overhead costs were considerable[60]. 30 % of the overall planned budget - excluding any reflows - go to the UN Environment and the implementing partners (UNOPS, the Agent and the Trustee) (cf. Table 2 in section 3.5). The decision making and project management structure in SCAF is complex and multi-layered. Implementation is split between partners. Management costs are at the high end and while they could be seen as necessary for having a well-administered facility (in particular of that small scale, and with sensitive and highly specialized skills necessary for its administrative tasks, which include financial due diligence and assessment of project opportunities) there should be some critical self-reflection on their level and attempts to lower them. It is somewhat

[59] FS (2018): SCAF II Narrative Report for the period July-December 2017. P.13.

[60] Overhead costs (also referred to as management costs, administrative costs, project support costs etc) are not defined consistently across different projects or among different donors. It is therefore not possible to provide a universally accepted benchmark. Some examples of different types of ceilings include: the GEF allows a 9.5% fee to the Implementing Agent; UN Programme Support Cost are levied at 13%; the EC allows a flat rate of 7% on total direct costs and DFID has a 20% ceiling on management and TA costs for the Results Based Financing facility they finance with GIZ Endev. The recent mid-term evaluation of GCPF which is cofounded by DFID and BMU, among others, and delivers arguable more intense technical assistance than the SCAF in addition to the financing, is criticized for high management costs. It reads (p. 124): "Specifically, with regards to other technical assistance facilities, there is a considerable range n the values available with some funds such as the Cities Alliance and CGAP costing between 15 and 20% of funds disbursed. However, when considering the ranges for administering funds from the EBRD, EIB and the IMF, these are 2% (EBRD), 4% EIB and 7% for the IMF." The GCPF's TA facility, has provided USD 1.06 m in TA for fees and "Carbon Curve Payments" of 0.6 m but these TA investments are as small as 25,000 much smaller than the SCAFs.

mitigated by the fact that the leverage of the support lines was higher than expected, and that there are potential reflows that will enhance the leverage of the administrative costs slightly.

5.6.2 Time and administrative efficiency

184. The planned duration of the project is 8 years. It commenced in January 2014 and is expected to close in December 2021.

185. At the beginning (after the signing of the agreement with DFID in December 2013) the programme started slowly in setting up the institutional structure. The Regional Committees – decisive for any decision related to the selection of Cooperating Partners – met for the first time in November 2014. The funds transferred from the Donors to UN Environment were first administered directly per Project Cooperation Agreement between UN Environment and the Agent. In December 2015, UN Environment entered into an agreement with UNOPS for the contracting of the Agent and Trustee. The final institutional setup was in place in August 2016 with the signature of the contracts between UNOPS and Frankfurt School Financial Services GmbH.[61] The Annual Report states that "The Facility has been fully operating from July 2016." Already by that time, the Agent had signed 4 of the Cooperating Partner Agreements and two partners had received SCAF funding.

186. Thus, UNOPS had to be integrated in the programme structure due to internal regulations of UN Environment, and the process associated with this change caused a delay of 18 months and some efforts in the administrative restructuring of tasks, lowering administrative efficiency. The administrative costs are discussed in section 5.5.

5.7 Monitoring and reporting

187. The monitoring systems are rated 'Satisfactory'. They are sufficiently budgeted and have good indicators. The biggest challenge (and optimization potential) is the fact that they are so multi-layered.

188. The PMU has implemented an extensive and regular structure of reporting for the different stakeholders (see Table 8). The three implementing partners – UNOPS, the SCAF Agent and the SCAF Trustee – have to compile narratives (except FSFS, which needs to conduct an audit instead) and financial reports but with different time periods (see Table 7). The main reporting to donors is prepared annually and coincides with the annual meetings. It consists of a joint annual narrative and financial report, financial statements for each donor separately, listed by expenditure. Additionally donors receive the presentation and minutes from the steering committee meetings where the current status of SCAF II and further developments and adjustments to the project structure are discussed. There are two steering committee meetings each year, one in-person which coincides with the annual report usually in April, the second is held by teleconference around October. At the annual meeting in April 2018, it was agreed that additionally, quarterly updates will be held with donors.

[61] Annual Report to donors 2016

Table 8: Reporting structure

	Type of Report	Timing	Addressee
Reporting to Donors	Annual narrative report	Annual meeting in April-May	Donors
	Certified financial statement	Annual meeting in April-May	
	Steering committee presentation and minutes	Steering committee meeting at annual meeting (Q2) and in Q4	
Implementing partner reporting -UNOPS	Financial Report	quarterly	UN Environment
	Narrative report	half-yearly	
Implementing partner reporting-SCAF Agent FS	Financial report	half-yearly	UNOPS
	Narrative report	half-yearly	
Implementing partner reporting-SCAF Trustee-FSFS	Financial Report Audit report	quarterly yearly	UNOPS
Cooperating Partner reports	online reporting on SCAF website	quarterly	SCAF Agent
Internal reporting to UN Environment	Online reporting on PIMS-project information management system	half-yearly	UN Environment

Source: UN Environment (2018): Reporting Schedule. E-Mail, February 2018.

189. For monitoring of the Cooperating Partners' activities and individual investment projects, the Agent uses the online monitoring system which was developed and piloted since 2011 under SCAF I but was implemented fully only in late 2016. For consistent reporting by the Cooperating Partners regular additional support is necessary and several adjustments have been made to the tool since then.

190. The tool is practical, as it allows the Cooperating Partners to self-report their information directly online for review by the Agent and for review and approval by UN Environment and information to the Donors, with the latter having access only to general information about the Cooperating Partners and the KPIs. The Cooperating Partners provide quantitative and narrative information. The tool is under constant improvement, with dedicated staff at the Agent. Gaps to be considered at this point are:

- All impact data are estimates as of yet, but it is unclear if the system allows for a differentiation between estimates / planned figures and actual achievements;
- No gender data (or local benefits data) are reported; and
- Guidance for derived data, including GHG emissions, is incomplete and does not follow international standards (e.g. the indicator guidance by the International Climate Fund (ICF) or GEF).

191. On the other hand, this tool allows for direct bottom-up reporting on jobs created, which leads to a data quality that is higher than in most ICF or IKI projects, where jobs are usually a calculated figure.

192. In the initial project document, two Mid-Term Evaluations in 2016 and 2019 and a final evaluation in 2021 were planned. For these, an evaluation budget of USD 130,000 (USD 40,000 for each Mid-term and 50,000 for the Terminal) was included in the financial statement. Due to the delay at the beginning of the project, the evaluation procedure was revised to one Mid-Term Evaluation in late 2017 and a final evaluation at the end of the project.

5.8 Sustainability

193. SCAF II is strongly benefitting from its first phase, SCAF I. As the results of SCAF II so far exist on paper only, the assessment of the sustainability of SCAF II extrapolates from the findings of the parallel SCAF I evaluation. Generally, the likelihood of the sustainability of project outcomes is high in the sense that the renewable energy investments will provide sustainable energy for the near future, generally in a financially sustainable environment (if not for local policy or contractual changes) and the Cooperating Partners will keep developing renewable energy projects. Overall, the rating for sustainability is 'Likely'.

194. Factors likely to undermine, or contribute to, the persistence of the achieved direct outcomes are the following:

5.8.1 Socio-political factors

195. SCAF II operates in two different regions (Africa and Asia) and in diverse countries within each of the continents. While all countries made great progress in developing a level playing field for renewable energy projects and private sector involvement, it cannot be overlooked that policies change. Among the keys for long-term sustainability is a reliable Power Purchase Agreement (PPA) that allows the private sector long-term and profitable engagement periods. The example of South Africa shows that even in countries with a higher degree of development and explicit government support schemes for renewable energy, projects can be delayed and slow down the market responses. SCAF I projects have already experienced this. Such delays in public sector support may also affect the scalability of the SCAF or the level of its results.

196. Projects that have reached financial close at the termination of SCAF II will have a comparatively high likelihood of continuing into operation. At that stage SCAF, as the early seed provider might have shifted responsibility to those investors who enter the markets at a later stage, e.g. institutional investors and other private equity funds which do not maintain a seed window. It has to be assumed that their investment decisions will be based on them having sufficient financial strength to see the project through to maturity, even through difficult periods.

5.8.2 Financial sustainability

197. For the financial sustainability, the stage in which the projects (respectively Cooperating Partners) are when the SCAF closes will be decisive. Projects / partners that are at a phase where they are supported

by SL1 have a smaller likelihood of survival than those receiving SL2- not because one support line is more useful than the other, but because of the development stage the project is in. The majority of SCAF-supported projects will be somewhere between the two development stages SL1 and SL2 describe. The further they are when the project closes, the higher the likelihood of survival and the less developed they are the more financial support they will still need at this point – keeping in mind that progress during SCAF is not necessarily only a matter of the financial resources, but potentially also of many other (potentially delaying) factors.

198. When projects reach financial close they will have succeeded in attracting debt funding.[62] From a financial point of view – given that no unforeseen events happen – the projects will, at that point, be financially sound and sustainable.

5.8.3 Institutional Sustainability

199. SCAF II mainly supports projects which are structured as typical infrastructure projects, which means that a special purpose vehicle (SPV) is established, which operates as an independent legal entity. It has company bylaws, articles, statutes etc. which set up the institutional framework and defines governance rules under which the specific project operates. For those SPVs that continue to operate with public sector funds, e.g. because donors are providing debt, it has to be assumed that the institutional framework is sound, and the governance structure is maintained on a high level. Projects which do not receive public funding at the later stages may be more vulnerable to external effects. However, SCAF requires Cooperating Partners to adhere to IFC safeguards, and SL2 has been used to pay for legal fees and the design and implementation of Environmental, Social and Governance safeguards (ESGs). In the case of environmental and social safeguards there is a double safety net: one is at the level of the fund. All SCAF supported funds have dedicated personnel for environmental and social safeguards, who oversee the capacity building and implementation of environmental and social safeguards at project level. At the level of the project local people are employed, supervised by the Cooperating Partners, to handle the day to day work. For a second level, environmental and social safeguarding is part of the Articles of Associations of the Special Purpose Vehicles. While there is less control over those projects without funding from Multilateral Development Banks, the governance mechanism is installed at a very early stage.

200. Institutionally, sustainable partnerships have been created between the SCAF (specifically the Frankfurt School) and the Cooperating Partners, and between some Private Equity Funds and some project developers. All of these businesses will keep developing in the future, and they consistently praise the professional handling, good understanding and support provided by the project. Even the (few) counterparts that have not directly benefitted from SCAF support endorse these positive messages.

201. The local environmental and social sustainability of the individual projects has been ensured by implementing the IFC safeguards. This has also been flagged by the Cooperating Partners as an issue that they were able to spend more time on with the help of the SCAF.

[62] And maybe also other equity investors.

202. Human Rights and Gender Equity is not a main issue in SCAF II as the intervention – development of renewable energy projects – is first of all gender neutral. At the construction site, the local community is typically included in the developments in the form of information and participatory processes. The local environmental and social person is trained to include gender aspects. But overall, little creativity has gone into questions around the inclusion of disadvantaged populations.

5.9 Factors affecting performance

203. A number of factors that have positively and negatively affected the performance of SCAF II:

204. In order to meet UN Environment internal regulations, UNOPS was contracted to contract Frankfurt School-UNEP Collaborating Centre as the Agent and procure and contract Frankfurt School Financial Services to perform Deal Monitoring responsibilities as the Trustee. This process was concluded in August 2016 causing a delay of overall 18 months for the full formalization of the operationalisation of the Facility. The unexpected additional administrative process caught some of the better prepared and ready counterparts by surprise and had negative, delaying effects. Potential Cooperating Partners that had been contacted much earlier (around 2014), had delivered their applications/project documents but were to some degree put on pause during the administrative hold-up.

205. A factor that has had a positive influence on the SCAF performance is the management team. Between the Agent and Trustee, and UN Environment, the management of SCAF II is quite strong. Considering the fact that UN Environment is not a typical financial project contributor, UN Environment management is on top of things, active in identifying short-comings and eager to solve problems in a participatory manner. The project team represents continuity, also in respect of its implementing partner, which contributes positively to the overall management.

206. It also helped that the implementation of SCAF II is now in one set of hands. In SCAF I, the Frankfurt School-UNEP Collaborating Centre were only responsible for Africa while in SCAF II they are responsible for both Africa and Asia. The current Cooperating Partners are mainly from Africa, and only two, already existing ones from Asia – The Blue Circle and Sindicatum, both of whom had benefitted from SCAF I support to a Private Equity Fund that they cooperated with. This implies that FS may need some more time to find suitable Cooperating Partners in Asia. Saying this, one has to consider that markets in Asia developed differently from those in Africa. The latter is much more donor-oriented, also in the renewable energy sector than Asia in general, whereas Asia is more commercially footed. The two Asian SCAF II Partners are active in India, the Philippines, Vietnam, Cambodia and Indonesia, some of which are no longer full frontier markets. To maintain the double track regional focus strong Cooperating Partners in Asia are needed.

6 Key Strategic questions

207. The following section deals with a number of evaluation questions that were added to the standard UN Environment evaluation methodology at the request of the Donors. One area of questioning was on the concept of 'Additionality', while other questions span a number of areas. In order to clearly provide answers,

they are discussed in this separate chapter, but in order to limit duplications, extensive references to material from above are included.

6.1 Additionality

208. Here, the following questions were asked: How are we best able to assess:

a) the additionality of the funding overall - i.e. are the projects supported by SCAF additional?

b) by type of support line: across SL0-2 which of the support lines were most effective and why (understanding that SL1 is a grant)

c) by type of project: does the additionality vary across type of project, for example with geothermal compared to other types of renewable energy?

6.1.1 Methodological comments

209. It is noteworthy, that evaluations traditionally focus on “attribution” and “contribution” rather than on “additionality”, simply because ex-post, it is often harder to understand “additionality”. Additionality can be analysed across several dimensions. It is a topic that is very multifaceted and no standard evaluation methods exist. Therefore, it is approached here with mixed methods and multiple criteria. Data sources were the interviews, the presentations to, and discussions at, the Steering Committee, two international indices and an internet search for non-SCAF supported projects in the respective country/technology markets.

210. The methods used and benchmarks in the following sub-analyses are the following:

- To understand the additionality of the types of support, the benchmark is the potential for this type of support to fill gaps in the market. The discussion needs to differentiate between SL0 and SL1/2 as well as between the support to Private Equity Funds and DevCos.

- To understand the additionality of the “overall funding” - in addition to the above-mentioned sub-aspects - the selection process was analysed with respect to the importance that additionality-related aspects play in the selection of Cooperating Partners.

- To make sure that additionality from the viewpoint of the Cooperating Partners is appropriately reflected, the Cooperating Partners’ interviews were used for “outcome harvesting”. This resulted in a subjective assessment of several dimensions in which the SCAF support is contributing to their portfolios.

- To understand the additionality of the technology, an analysis of country technology markets for the SL2-projects was conducted, to understand the demonstration value of the technology as well as the question whether this is the first private-sector led project of that technology in the country.

211. In addition, the evaluation team of DFID's "parent programme" CP3, LTS International[63], has developed an assessment methodology of additionality. As it is not fully tailored to the question at hand, and for lack of data access, this cannot be fully applied in this evaluation, but several elements from that assessment are used to understand to what degree the country/technology combinations are considered difficult from an analysis perspective. In a third analysis, the evaluation team attempted to apply the additionality methodology of the CP3-Evaluation.[64] Their framework is "grounded in the theory that an investment is additional when it demonstrates a strong deviation from a counterfactual or business-as-usual (BAU) scenario." They define four types of additionality:

- **"Financial additionality:** the net positive difference that results from financial or economic interventions (e.g. public programs that provide new financing or crowd-in new private investment)". This relates specifically to the question of whether the country is already attractive for private equity investments, or not so much. The Climate Policy Initiative proposes two indices as the benchmark for this assessment (cf. section 6.1.7).
- **"Design additionality:** the positive impact on project design for current and/or future projects compared to what would have happened without the intervention (e.g., incorporating new or improved environmental, social, and governance [ESG] standards for investments)". This is the additionality aspect that has been dealt with through the outcome harvesting exercise (cf. paras 277 - 279 and 210).
- **"Policy additionality:** A positive impact on a policy environment compared to what would have happened without the intervention (e.g., supporting the creation of a feed-in-tariff)". This is not a focus of the SCAF so far and is discussed in section 6.1.6.
- **"Demonstration additionality:** A positive impact where a project illustrates possibilities of success and thus encourages follow on activities or investments by other actors." In the present study, demonstration additionality is given if the project is a proof of technical concept in a country (i.e. is the first application of the technology on a utility scale) or if it is the first private sector-led project development for that technology on a utility scale in that country. The results are discussed in section 6.1.5.

212. From the evaluators' perspective, all these approaches still lack a way to confirm that SCAF funding was in fact a necessary component of project development. In the absence of a parallel universe with a counterfactual, the combined picture can only be one of contribution.

[63] LTS International, Pentlands Science Park, Bush Loan, Penicuik, EH26 0PL, UK. Tel. +44.131.440.5500

[64] Escalante et al. (2018): Approaches to assess the additionality of climate investments. Findings from the evaluation of the Climate Public Private Partnership Programme (CP3). Climate Policy Initiative.

6.1.2 Additionality by type of support

213. The exact same type of financing was not available, neither from commercial nor from other public sources. In a study for the Swedish International Development Cooperation Agency (Sida), Ramboll attributes SCAF the unique characteristic of working through Private Equity Funds and therefore the possibility for these funds to invest in smaller projects.[65] Another assessment done by the SCAF II Agent and PMU, highlights that there are several mechanisms that provide a similar type of support. Several of them are focusing on pipeline building for their parent organizations, among them the Sustainable Energy Fund for Africa (SEFA) of the African Development Bank, the InfraCo Sub Sahara Infrastructure Fund, the DEG Feasibility Study financing, and Climate Investor One. Others provide in-kind services only, e.g. the RECP Finance Catalyst. Of the ones that have been identified by the PMU in the Steering Committee presentation in April 2018, the most relevant overlaps exist with the REPP and the EEP Africa. Both mechanisms provide project development grants and loans for projects in Africa. The EEP has a sister programme in the Mekong that was not mentioned in the PMU presentation. Due to the proliferation of funds, this evaluation was also not able to ensure that all project development mechanisms that are open to project developers have been mentioned. It is noteworthy, however, that one of the Cooperating Partners, JCM, is currently reconsidering SCAF support for SL2 as they consider support from other sources to be sufficient and potentially using SCAF would exclude them from other sources of financing.[66]

214. As more project preparation facilities became available, the additionality of SL1/2 is not as clear cut as it used to be. It is highly likely, though that most of the named alternative mechanisms are more targeting project developers and are not as easy to access for private equity funds. The SCAF is certainly the preferred support mechanism for several of the partners, as it provides funds that can be used for organisation-building and capacity building tasks as well as preparatory analyses that are not necessarily covered by the other mechanisms.

215. SL0 support is unique (and therefore additional). But it has drawbacks:

- So far, only one partner has been provided with it, and the success was smaller than expected. That partner did devote some attention to sustainable energy, but the current engagements contain no energy projects. While according to their investment strategy, 25 % of the fund should pursue energy projects, the current pipeline includes just one such opportunity, which would devote 10% of the fund to a minority stake in growth capital to a battery company. Even as their country of operation is currently a growth market for renewables, insufficient investment opportunities that match their strategy seem to be available.

[65] Ramboll (2015): Analysis of renewable energy project preparation facilities in Sub-Saharan Africa. For SIDA.

[66] It should be noted that another fund that was targeting private sector development of green power in Africa, the Green Africa Power (GAP) Fund of the PIDG facility, is now in the process of being shut down, as their investment window was too narrow. It was not crowded out by SCAF as the type of support is very different from SCAF support, but it demonstrates how important it is that the type of support is appropriate for the maturity and needs of the private sector players and their projects.

- Selecting SL0 candidates is riskier than selecting candidates for SL1/2, for the simple fact that by definition, no track record is available for first time fund managers.

- It is constructed for Funds. DevCos already show a very project-specific approach in their use for SL1. It is unclear how DevCos could utilize SL0 support, except in changing their business models by setting up a fund.

216. For the first bullet, a solution would be to keep supporting the Cooperating Partner with support from SL1/2. The market distortion caused by this approach should be considered well, and the assessment and negotiation for that support should be as thorough as for new Partners from the outside.

217. Summarizing, while it is indeed highly additional, it is also very unconventional and can and should be used only for very specific cases, including to fill gaps in the market.

6.1.3 Additionality of the “funding overall”

Evidence from the selection protocol

218. Another way in which additionality can be ensured or proven would be through the selection and scoring scheme applied by the SCAF Agent and the Regional Committee (cf. paras 263-268). The scoring system has been developed based on the experience of SCAF I and with input from the Regional Committees and Steering Committee. It is paying a fair amount of attention to the track record and experience of the applicants. Additionality is measured through the following aspects:

- In the scoring system used for partner selection, the dual criterion “Additionality / Impact” accounts for 20% of the total score.[67] In this dual criterion, around 55% of the scoring is achieved by additionality-related questions,[68] meaning that additionality contributes 11% to the total score for the partner. Given that these questions might constitute a trade-off with the questions relating to the experience, track record and financial capacity of the partner – which receives a total of 45% of the score, a partner with a minimal score on the additionality aspects can qualify.

- Secondly, the due diligence process as well as the preconditions that the partners have to comply to according to the Manual are also strongly tilted towards the track record and level of experience of the partner (cf. paras 263-268).

[67] The scoring sheet also contains a question regarding the project pipeline (“How does the pipeline compare, both in terms of quality (e.g. geographic and technological diversity) and quantity?”) which can contribute 15% and can but does not have to express additionality.

[68] Is this seed offering distinct from their business as usual investment offering?”(15%); “Is SCAF funding needed to develop a market in that country?” (15%); “Is SCAF funding needed to develop a market for that technology” (10%); “Is SCAF funding needed to develop a market for that business model?” (15%)

219. Generally, thus, additionality is not the dominating criterion for the selection of the partners, rather the selection process is appropriately conservative. It is limiting the risks associated with the allocation of the funds, allowing for incremental development of the partners' portfolios.

220. On the level of the usage of the funding, thus, the most important rule for ensuring additionality is therefore the exclusion that SL2 support cannot be utilised for more than 2 projects of the same technology in the same country (cf. sections 6.1.4 and 6.1.5).

Evidence from interviews

221. The most important basis of evidence for this are the interviews conducted in the course of the evaluation. In the interviews, none of the Cooperating Partners went as far as saying "without SCAF the fund/project would not have pushed through". But all of them mentioned at some point that SCAF enabled them to commission studies/reports at an earlier stage, allowing them more leeway in following up on a project and contributing to better assessments of whether projects would or would not be feasible. Cooperating Partners also mentioned that SCAF support allowed them to look at more proposals, including some which would have gone unnoticed without the support. A similar argumentation was used when Cooperating Partners looked at different regions/countries and technologies.

222. However, these interview answers are fraught with a number of biases, including (self-)confirmation bias along the lines of "I as a private equity investor am not willing to be influenced by a UN project" or "I did what was necessary". Typically also the private sector agents will have in mind alternative plans to raise money if a funding source (including donor funds) is unavailable – again in this light it is understandable that the answers to the question "would you have done it without SCAF support" is most of the time "yes", because most of the time there would have been another way to finance a specific business development activity if it is absolutely crucial for financing the project. Ultimately, of course, this would lead to project development under higher uncertainty, and potentially with less optimal conditions, either technically or financially, and thus projects with less favourable risk-return profiles. This situation is very well known in private sector intervention assessment.[69] Generally, though, the Cooperating Partners found that the SCAF support helped them to put more effort into some of the aspects of project development, in particular the environmental and social safeguards, the quality of the resources assessment, and that the overall project development was making faster progress than without SCAF support.

6.1.4 Additionality by type of project / technology

223. The SL2 portfolio (cf. Table 9) contains 1 geothermal project, 2 hydro projects, 5 wind projects and 2 solar projects. Clearly, development costs for different types of renewable energy vary. Some Cooperating Partners mentioned that the additionality of solar projects is not as clear as e.g. for wind or geothermal power, simply for questions of preparatory costs of viability assessments: resources assessment through a

[69] Melina Heinrich, DCED (2014): demonstrating Additionality in private sector development initiatives. A Practical Exploration of Good Practice for Challenge Funds and other Cost-Sharing Mechanisms.

wind measurement mast costs many times more than an equivalent solar radiation measurement. For geothermal, drilling is expensive and the outcome highly uncertain.

Table 9: SL2 portfolio

Technology	MW	Country
geothermal	140	Kenya
hydro	12	Rwanda
hydro	40	Tanzania
wind	40	Vietnam
wind	16,5	Cambodia
wind	27	Indonesia
wind	20	Indonesia
wind	40	Vietnam
solar	50	Nigeria
solar	96	Nigeria

224. It is fair to formulate the leading thought that the higher the "development costs" the more additional is SCAF. While this is not limited to resource exploration costs, under this aspect alone, the majority of the projects are fraught with comparatively high such costs. The portfolio contains significant shares of geothermal and wind. In addition, learning is limited though the fact that the SCAF management does not allow the Cooperating Partners to use SCAF money for developing more than two projects in the same country / technology combination. Thus, this aspect of additionality is ensured through active portfolio management on the side of UN Environment / Frankfurt School.

6.1.5 Additionality according to the CP3-evaluation method: "demonstration additionality"

225. In order to understand if any of the projects above were the first technology application in a country or the first private sector-led project in the country, the evaluators searched the internet for documentation of precursor projects. Only for one case, no foreign-backed precedents have been found (Vietnam Dam Nai). For the wind project in Cambodia, the DevCo can claim that this is the first project in the country that has been private-sector led. For the other projects, private sector precedents of the technology application on this scale exist. Potentially, this finding is influenced by the significant delay that was introduced in the project when the Agent and Trustee contracts were transferred UNOPS.

226. Looking at the next round of SL2 projects which have been announced at the Steering Committee Meeting in April 2018, there are more opportunities to demonstrate additionality through demonstration, with the addition of several "new" African countries. This trend can, and should be, strengthened in the portfolio management.

6.1.6 "Policy Additionality"

227. SCAF II does not have a policy component. It is working solely with private sector counterparts. These often are facing significant challenges in their interaction with authorities and would benefit from improved

policy frameworks. They suggested in the interviews that SCAF or UN Environment could support them in this area.

228. In some instances, the Cooperating Partners use SCAF support for developing role model Power Purchase Agreements or negotiating with government bodies. Some of their activities can lead to capacity building impacts with governments and decision makers.[70] This is an important role of SCAF funding for them, and often their "normal" project development budgets would not suffice to do this at the same level. However, until now these products are not used to improve policy more generally. They are institutional knowledge of the Cooperating Partners.

229. This is an area where more additionality could be generated, including through linking the SCAF with other endeavours.

6.1.7 Context-specific "Finance Additionality" crowding in private investment

230. The crowding in of private sector funding is more difficult (i.e. additional) the less "friendly" the investment environment and the policy environment for renewable energy development are. In their publication, Escalante et al (2017) propose two indices as context-specific criteria for their additionality assessment framework. These are the Venture Capital Private Equity Country Attractiveness Index (VCPE) and the Climatescope Index.

231. The VCPE is "an annual index produced by University of Navarra's Business School (IESE) that benchmarks the attractiveness of 120 countries for institutional venture capital and private equity investment based on a variety of economic, political, institutional, and social criteria".[71] Escalante et al (2017) use sub-indices for highlighting specific sub-aspects in one model of their additionality framework. In a second proposed method for assessing additionality, they look closer at the index. According to analyses, this index is closely related to private equity investment levels. This evaluation follows their analysis to some degree but uses the country wide index as a general indication of the attractiveness (https://blog.iese.edu/vcpeindex/ranking/).[72] The index is published for 120 countries. As Escalante shows, investments in countries with a score under 45 can be considered completely additional, while countries with a score over 75 can be considered very attractive for private equity and additionality would not be given. Of the current SL2 projects, none takes place in such an attractive country but only two take place in

[70] According to the interviews. The evaluation team's means were too limited to triangulate the reported anecdotal evidence.
[71] Escalante et al. (2018): Approaches to assess the additionality of climate investments. Findings from the evaluation of the Climate Public Private Partnership Programme (CP3). Climate Policy Initiative.
[72] On the website, the index's idea is described as follows: "To find prime investment opportunities, investors generally look several years down the road and focus on specific factors like: economic activity (GDP, inflation, unemployment rate); size and liquidity of capital markets; taxation; investor protection and corporate governance; the human and social environment (including human capital, labour market policies and crime); and entrepreneurial culture and opportunities (including innovation capacity, the ease of doing business and the development of high-tech industries). The idea of the Venture Capital and Private Equity Country Attractiveness Index is to take into account all of these factors across different nations and to determine the relative positioning of particular economies and regions as they stand in relation with respect to their attractiveness for investment in Venture Capital and Private Equity assets."

"unattractive" countries which score lower than 45 (Cambodia – 27.5; Rwanda – 29.9). Most SCAF SL2 projects are taking place in countries that score between 50 and 65 on the VCPE score, i.e. a middle ground in terms of additionality- significantly additional in the sense of challenging and difficult for foreign direct investments by private equity but not outrageously risky.[73]

232. The other index that Escalante et al (2017) propose is Bloomberg New Energy Finance's Climatescope Index.[74] That index is based on a survey of Non-Annex I countries' National Determined Contributions and a "detailed, country-by-country quantitative assessment of clean energy market conditions and opportunities in 71 nations in South America, Europe, Africa, the Mideast and Asia." It is based on 43 data indicators and 179 sub-indicators and published annually. Compared to the VCPE it is less focused on the question of who invests and more on clean energy as an investment focus.

233. The 71 countries that have been scored by Climatescope are averaging at 1,19. China receives the highest score of 2.52 (out of 5 possible points). All countries where SCAF is active is higher than average (Cambodia has not received a Climatescope Score in 2017). Of the SCAF II SL2 countries, Vietnam and Kenya are in the 10 best rated countries in terms of their climate and energy policy commitment. Climatescope considers Tanzania (together with South Africa where no SL2 support is given) as a "ceiling hitter", i.e. a country which has "taken many of the correct policy steps to attract investment successfully" but additional renewable energy is stalled "due to larger structural issues related to their power sectors."

234. This means that the Cooperating Partners are using SL2 support in countries that have generally favourable energy policy regimes but are not typical private equity geographies. In that sense, they can be considered additional, as private sector financing is crowded into active power sector development.

235. Both measures indicate that SCAF is financing projects in environments in which an external push helps, but that it would be possible to increase the additionality by promoting more "difficult" environments. On the other hand, none of the existing partners attested to the evaluation team that they were pushed beyond their comfort zone in terms of the countries and jurisdictions that they turned to for project development.

6.1.8 Summary on additionality of the funding "overall" and by technology

236. There are several dimensions in which the SCAF demonstrates some additionality over business as usual.

237. In view of attracting private finance to renewable energy, the comparison with relevant indices demonstrates that most projects are taking place under somewhat difficult investment conditions, and thus also demonstrate additionality in this sense. However, the Cooperating Partners consider these their "natural

[73] Escalante (2017) suggest an "additionality modifier" that determines the share of an individual investment that can be considered additional and is based on the VCPE index, for countries with index values between 45 and 75.

[74] Bloomberg New Energy Finance (2017): Climate Scope 2017. The Clean Energy Country Competitiveness Index, also funded by DFID.

habitats" and as their core business is developing renewable energy projects, they would do this anyway. There are two exceptions to this rule:

- It is not possible for Cooperating Partners to use SL2 support for more than 2 projects in the same country. This leads to some kind of diversification which might not take place without this rule (and a few interviews highlighted potential cases, but biases blur the picture).
- The Cooperating Partner for SL0 might not have considered energy investments without the SCAF. SL0, though, is the support line with the highest risk of contributing to the outcomes of the SCAF II, and judging from the current pipeline, will not reach the target share of 25% of renewable energy investments. This is just one dimension in which increased pressure for additionality also increases the risk of the mechanism.

238. In the views of the Cooperating Partners, additionality in SCAF is a matter of speed and quality of projects development: projects were developed faster and founded on a better knowledge base. This is helpful, in that it allows to assign a "speed impact" to the SCAF, i.e. projects are able to provide jobs and greenhouse gas reduction impacts earlier than without the SCAF.

239. Aspects that do not push the portfolio into a strong additionality role are the selection process for Cooperating Partner which is (appropriately) focusing on experience and financial soundness of the Cooperating Partners. Also, the Cooperating Partners' project and investment choices are not influenced by the SCAF. While giving advice on where to look is difficult for the Agent, also for liability reasons, the list of countries in the Manual implies that all non-OECD countries are equally well suited for SCAF support.

240. An important difficulty that the SCAF faces is that its additionality rationale is incompletely formulated. This is compounded by the fact that the market is very dynamic in many countries – what was "new" or "additional" today is run-of-the-mill in two years. Thirdly, the expansion of the scope of Cooperating Partners to include DevCos also blurs the line between what is "additional", where did Partners change their baseline behaviour, and what are the things that they would have done without the SCAF – as in particular for the Development Companies, SCAF support does not necessarily imply a big deviation from their business model (no SCAF modality requires them to manage a private equity fund – they just need to see their projects also through to financial close).

241. A natural recommendation is that the PMU develops a clear additionality narrative, derives adjustments to the guidelines and country list from it, which are potentially different for each Partner or partner type, and updates it regularly so as to keep track with market developments.

6.2 Strategic Questions

Did SCAF II achieve key objectives – diversifying the private equity markets for Low Carbon in developing countries/emerging markets by supporting new entrants (Funds and DevCos)?

242. SCAF is very small - in terms of money and number of participants - compared to the markets of Asia and Africa. The private equity deal value across all sectors, e.g. in the Asia-Pacific region had a volume USD 92

billion in 2016 (i.e. not only renewable energy funds). Comparing this figure with the total budget of SCAF II of around USD 22m clearly shows that SCAF does not work on a scale that might influence this whole market. At best, its influence on the overall capital market can be described as follows:

243. The largest group of SCAF-supported projects are on-grid renewable energy projects. By providing incentives for the private sector to participate in the most challenging geographies of this market SCAF is supporting the broadening of the clean energy asset class to small to medium sized privately financed renewable energy projects in developing countries – which, if successfully implemented have a high likelihood of being picked up by (capital markets) investors internationally and in the respective countries and maybe internationally. SCAF is working in a number of different countries with independent capital markets, and not all these markets will be equally prepared to take the new asset class on board. Asian countries, such as India and the Philippines are more likely to succeed, not only because of the sheer number of already successfully implemented renewable energy projects, but also due to the readiness of the local private equity market.

244. However, it is too early to see if SCAF will succeed to move any markets and which ones. When analysing this question further it should be taken into consideration that many of the Cooperating Partners also receive funding or loans from Development Finance Institutions /Multilateral Development Banks. Caution should be exercised not to mix-up effects that cannot be attributed to SCAF II.

245. On a smaller scale, the SCAF can claim that it has diversified the Cooperating Partners' portfolios into new countries and new technologies. Due to the regulation that SCAF does not support similar projects in one country, the Blue Circle also looks for investment opportunities in other countries. This is also the case for DI Frontier which orientate themselves towards other countries but also towards other technologies as the same technologies might not be suitable for every country at the same level.

246. Summarizing these considerations, it is fair to say that the SCAF has contributed to diversification but that its quantitative reach will remain limited as it is a niche product. Also, strictly speaking 5 of the 6 Cooperating Partners of SCAF II are not new entrants, and the energy-related activity of the sixth is limited.

Is the support provided across SL0/1 and 2 valued by recipients, did it prove critical in reaching financial close?

247. The support across the 3 SLs is highly valued by the Cooperating Partners. The general comments received during the interviews which were conducted in the period of October 2017 to February 2018 ranged from:

- "coming in at the right time";
- "helped us to do things faster/ in more depth";
- "built confidence with our investors";
- "careful, where to put it";

- “helped to cut costs to the extent that we could offer better tariffs”;
- “unlike others, trust the team behind the project instead of supporting the project directly”;
- “grant portion could be larger but cost sharing is ok”.

248. For SL0, there is currently only one beneficiary, and they have testified to the evaluation team that SCAF support was critical for their business success (see table below). As no projects in SCAF II have reached financial close, the “criticality” of SL1 and SL2 with respect to renewable energy deployment cannot be judged yet, as no successes exist yet. Extending the experience from SCAF I it is safe to say that SCAF II is contributing to many aspects necessary for financial close but cannot claim to be the only contributing force. (Probably no single measure provided from the public donor community could claim that.)

249. In addition, even if individual SCAF-supported projects are not pursued anymore at the end of the SCAF project, it is very possible that SCAF-supported resource assessments or other preparatory work for a supported project or a similar project will be very helpful at a later stage. It is often the case that such stagnating projects are picked up again at a later point in time, for example when regulatory or political circumstances change, or more attractive projects have been completed.

Table 10: Impact of Support Lines on financial close

Support Line	No. of CPs	Objective of support line	Impact of Support lines on financial close
SL0	1	Financial close on fund level	From the Interview with Zoscales: “We could not do anything without the SCAF. It is the basis for paying salaries, renting an office, meeting investors. We were at a very basic level when SCAF came in, 100 % additional and catalytic.” (Fund closed with a first close at a lower than expected level).
SL1	5	Until fund investment takes over	Only indirectly involved in financial close as it relates to very early stage
SL2	5	Financial close on project level	Too early to say. No financial close of any of the projects yet. Likely to be contributing factor.

Impact of new features: To what extent have the new features introduced in SCAF II brought discernible benefits to the project?

250. The original question continues with sub-questions which are answered in four separate sub-sections, below. These include: SL0 as support for the establishment of new funds; repayment features of SL0 and SL2; adequacy of the support given to Cooperating Partners under SL1 and SL2 vis-à-vis their needs

and support to DevCos as well as the changes to the project implementation structure (i.e. the inclusion of UNOPS as described in para 4c of the ProDoc, Sept 2016 revision).

Impact of SL0 support for the establishment of new funds

251. There is not enough substance to comment conclusively on discernible benefits. Currently there is only one Cooperating Partner using SL0. The signing of further SL0-assignments has been put on hold in favour of a focus on SL1/SL2.

252. In addition, SL0 was also available in SCAF I, although under slightly different terms. For SCAF I, a similar modality supported a call for aspiring first time managers to apply to AsDB for funding to support their clean energy private equity fundraising. Five organisations were selected. Of these, Armstrong (Asia), was the only one which went on and received SCAF I support as SL1-SL2 Cooperating Partner. Armstrong supported two DevCos, one of which, The Blue Circle, is now a Cooperating Partner supported by SCAF II.

253. If a statement on this small evidence base can hold, SL0 seems to have the potential to bring in new funds and has succeeded in bringing in one such fund in SCAF II.

Impact of repayment features of SL0 and SL2

254. SL0 and SL2 are non-interest bearing conditional grants, to be paid back without interest when the Cooperating Partner is successful in reaching financial close of the fund (SL0) or project (SL2). Generally, the partners do not object to this, but consider these as interest-free loans. While they might prefer grants, they still appreciate this bridging support, and exhibit comparatively little sensitivity with respect to the level of concessionality of SCAF funding. Their alternative is to access very expensive risk capital or develop lower quality projects.

255. For SL2, Cooperating Partners were asked in the interviews if the repayment clause of SL2 prevented them from using it. All of them said that it does not impact them, that they see it as an interest free loan for which they are grateful.

256. On the other hand, the practical implementation might not sound so rosy. For SL0, the only candidate so far was Zoscales. Because the amount of the first closing was less than they had expected, yet running costs were based on the expected higher amount, Zoscales requested a change in the repayment scheme. Of the USD 400,000 they repaid USD 150,000 upon first close in September 2017. Even though the agreement clearly stated that the full amount is due with the first close, they proposed to repay the rest when the second tranche reaches financial close. While this is the only example, it shows that there may be understandable reasons for delays in repayment and SCAF management is advised to be prepared for such cases.

Adequacy of support under SL1 and SL2

257. At the time of this evaluation, five Cooperating Partners had received SL1/SL2 support, among them 2 DevCos and 3 Funds. The interviews demonstrated general satisfaction with the level of flexibility of the funding under these two support lines. Some found that the grant portion should be increased to ease the

financial burden in the very early stages. This aligns with the observation that they often first draw down on SL1 before accessing SL2.

258. The preference for the Support Line is different for every Cooperating Partner – no universally valid statement is possible. The Cooperating Partners are at different stages in the development of their project pipelines and the projects they are looking at are at different maturity levels. These are already two dimensions that highlight that their needs depend greatly on timing. Two Cooperating Partners have projects under development at an advanced stage and were eager to use SL2 to bring them nearer to financial close. A different two Cooperating Partners required more SL1 to feed their project pipeline with capacity building.

259. Cooperating Partners themselves are different in nature. Compared to the Development Companies, the Private Equity Funds are one step further away from the project development activity. Still in the interviews no differences between the two types of partners in regard to this point were noticed. The hypothesis that Private Equity Funds need more SL1 because they are further away from a project and need funds for pipeline building and that DevCos need more SL2 because of their missing experience in legal and project structuring and financing matters could not be verified on the basis of the existing data. Rather, looking at the Cooperating Partner Agreements, and at the tasks agreed upon for SL1, the picture is different: Both types of investors are focusing the SL1 funds on their "core activity" – for the project developers, there is a strong tendency to include wind resource assessments and technical training of their staff in SL1, for the equity funds there is a much stronger trend towards pipeline building, conferences and travel.[75] This means that a close observation of the relative success rate and processes leading to that success might also give indications for future private sector oriented project development facilities, as to what kind of support is most effective.

260. In addition, Cooperating Partners in the interviews identified challenges in their project cycles where more SCAF support could help mitigate specific bottlenecks. Among them are cash deposits and guarantees that need to be provided to some governments in specific situations, e.g. when applying for specific permits. This points to opportunities where SCAF could be developed further. Some counterparts suggested a sort of guarantee product, covering either the performance bond during the bidding process, or providing a guarantee at different implementation stages.

Adequacy of support to Project Development Companies

261. Generally, the support to DevCos seems adequate and a useful extension. There is no other evidence that DevCos would apply more often for SL2 because they lack financial and structuring capacity, at least not at this stage.

262. The two DevCos are both in Asia. This gives reason to hypothesize that capacity in Africa for project development is still less developed than in Asia where a number of DevCos turn into funding platforms, cutting Private Equity Funds out from the project development cycle. The only African entity with a similar development was VC Hydro, which originates in Sri Lanka.

[75] An interesting case is DI Frontier who are financing a business competence programme for developers with SL1 resources.

The portfolio: To what extent, and in what ways, are the SCAF processes for selecting and approving Cooperating Partners and, in the case of SL2, projects: a) effective and b) insure compliance with Environmental, Social and Governance safeguards?

263. The effectiveness of the selection process has not been questioned by any of the Cooperating Partners, nor by the interviewee who had negotiated for SCAF support but then did not receive it. The process is optimized from the perspective of the SCAF – to minimize risks to the Facility and maximize its impact, and thus can be considered effective.

264. The selection process is described in the SCAF II Manual, and generally follows clearly defined guidelines:

- Frankfurt School-UNEP Collaborating Centre acquires new Cooperation Partners through requests via the SCAF web site, through a mapping study, recommendations from the regional committee or referrals from their networks.
- These candidates are screened for general eligibility. Those suitable are then invited to file an application. In the last round for SL1+2 support 15 candidates were invited and 13 applications received. All but one were looking at Africa.
- The applications are assessed against a SCAF specific scoring tool, which is applied by SCAF regional committees. In the last round, of the 13 applications 6 were identified as most relevant and pre-discussed with the PMU, before they were presented to the regional committee for Africa.
- There is subsequently a due diligence process, influenced by the advice of the Regional Committee the result of which is shared with the Regional Committee. The due diligence includes an "on-the-ground mission for 2-5 days to visit the potential partner in its premises and meet the management team as well as the investment or developer team that is responsible with originating and implementing transactions in the field." Applicants are expected to share information about their organisational structure, track record, deal pipeline, Environmental, Social and Governance issues, the entity's strategy, staff, investment process, and reporting and valuation.
- The Regional Committees make recommendations on the suitability of the candidate for the PMU to take the final decision. A somewhat more subjective evaluation kicks in when choosing between comparable candidates. Here the match with the current Cooperating Partners, and their fit in terms of size, business model, regional focus and technology focus play a role. This is part of the coordinated selection process with the Regional Committees and the PMU.
- After the discussion in the Regional Committee, and the approval of the potential partner by the PMU, the Agent negotiates and concludes the Cooperating Partner Agreement (CPA), including a work plan for SL0 or SL1 respectively. In the CPA, the Cooperating Partners include a work plan in an SL0 agreement, or the first year of SL1 for an SL1-SL2 agreement. For the latter, further SL1 work plans are developed on an annual basis. SL2 work plans are designed individually, at the time of the request depending on the proposed project by the Cooperating Partner.

265. The use of the SCAF scoring tool allows a good level of objectivity when assessing the candidates' eligibility for SCAF. It is a quantitative benchmarking exercise. It assesses 6 criteria groups (experience of the board of directors of the applicant, structure and characteristics of the executive team of the applicant, project pipeline, strategy, financial capacity and additionality/impact) assigning 10 – 20 % of the weight to each of these groups. In order to pass the screening, applicants have to score at least 1 for "a set of categories and sub-categories that are crucial for the success of the partnership" and achieve overall a minimum score of 50 out 100 points.

266. Throughout the application and selection process, the candidates are aware that they need to comply to the environmental, social and governance safeguards. The SCAF II manual specifies the following conditions for Cooperating Partners:

- Proven experience and track record in developing low carbon projects in developing countries and demonstrated technical competence and "experience in working with indigenous developers and/or small and medium sized enterprises"
- Geographical focus on Least Developed Countries and Lower Middle-Income Countries in Africa and Asia
- Adequate financial management and accounting capacity and sound financial track record and integrity with a good reputation for service quality and delivery, and specifically liquid financial means for project development of at least USD 2.5 m,
- In-house capacity or access to local entities to deliver pipeline development services to prospective entrepreneurs and project developers.

267. The selection process thus effectively ensures that professional and competent entries with an extensive and high-quality track record in the area of sustainable energy in Africa or Asia benefit from SCAF support. It is thorough and benefits not only from the Agent and the PMUs competence and experience, but also from the input of the experience of the Regional Committee members.

268. The process has taken considerable time in the past, but for most current Cooperating Partners this process was taking place during the administrative hold-up when the contract for Agent and Trustee had to transition from UN Environment's direct management into UNOPS management. Timing is sensitive, and particularly sensitive for SL0, as the utility of the SCAF support depends on the maturity of the Funds or their pipelines, and there are cases where the availability of the SCAF support was not timed appropriately for use by the potential Cooperating Partner anymore. However, the interviews showed that this is a situation that Cooperating Partners are used to and consider "normal business."

The pipeline: Did the Cooperating Partners build a good pipeline and establish a network that generated the right opportunities for SCAF II? In connection with this, were the investments transformational, and if they were, what were the other contributing factors?

269. It can be stated that Cooperating Partners built a suitable pipeline for SCAF II support and SCAF II influenced their project portfolio with its selection criteria. At the start of their collaboration with the SCAF,

Cooperating Partners (except SL0) have a preliminary pipeline of projects in place, on which the work plan for SL1/2 is built. This is one of the pre-conditions for disbursement. If Cooperating Partners only started looking at a project pipeline once SCAF comes in it would take too much time. However, in most cases, the pipeline then was developed towards SCAF goals and SCAF-compatible projects were prioritized. This is guided by Cooperating Partners' self-interest in receiving SCAF funding. Independent of the business structure, i.e. whether the Cooperating Partner is a private equity fund or a development company, they would select those projects suitable for SCAF purely from a cost-effectiveness angle.

270. A potentially weak spot in the selection process is the preceding search process. The Agent, Frankfurt School, receives a constant stream of requests and the evaluation team was allowed to screen a sample of that log provided by the Agent. 78 % of the requests on that long list were non-eligible for SCAF support, and 12 % of the requests were potential follow-up candidates.

271. While this stream of requests is impressive, and there is no indication of it being exhaustive, there is also no way to know whether it is sufficiently thorough to ensure that all promising candidates are included in the selection process. The pool of promising candidates might be much deeper. Still, the project team was able to demonstrate that a sufficiently large number of potential candidates is informed about the SCAF to ensure that top candidates are selected to bring together a group of partners with optimized chances for success of the portfolio of projects.

272. It is possible that individual investments might turn out to have significant impact on local job or energy supply situations, or that they trigger a wave of similar investments and thus transform a specific market. As no project has reached financial close yet, this cannot be assessed at this point.

273. At a portfolio level, it is also difficult to say if SCAF II is transformational. The following observations support the argument that SCAF has the potential to be transformational:

- SCAF addresses binding constraints in a sequenced manner. The three support lines address the process of private sector investments one after the other in a logical manner, leading to a thorough, systematic removal of constraints.
- The barrier removal activity through SCAF addresses multiple constraints, namely the lack of local capacity in developing projects, the lack of early stage funding, the lack of oversight and knowledge to bring a project to financial close.
- SCAF has the potential for being replicated and scaled up.
- Looking at the process leading from SCAF I to SCAF II behavioural changes can be identified. They are not due to the intervention, but SCAF managed to respond, for instance to the converging markets, by extending the field of eligible cooperating partners.
- As discussed above, SCAF is trying to broaden the clean energy new asset class among international and local capital market investors.

274. However, as highlighted above, the size of SCAF and its reach in terms of the number of partners and their investment volume is rather small compared to the challenges of under-investment in climate mitigation or compared to the challenge of reaching and transforming the private equity market. In order to be transformational, the support line activities, but in particular also the knowledge management, outreach, and policy level activities of the SCAF would require systematic expansion and improvement.

What is the share of renewable energy projects in the portfolio of the Cooperating Partners?

275. The Cooperating Partners under SL1 and SL2 have an 85 % renewable energy portfolio. Through SCAF II, GreenWish supports three Energy Efficiency projects in Africa and also a project that provides site build services for mobile network operators. However, no SL2 funding has been approved for energy efficiency or non-renewable energy projects. Cooperating Partners may also close funds with a non-renewable energy / energy efficiency profile, but they are not eligible to receive SCAF support for those activities. Zoscales (SL0) invests in resource efficient projects and has devoted 30% target share to the clean energy sector.

276. Energy efficiency projects thus feature only poorly among the SCAF projects, even though more recently business models have been identified that would allow for private equity financiers to enter that space. Another type of business model, the Pay-as-you-go-businesses, has managed to attract a wave of venture capital in the last 5 years. This, too, would potentially be attractive to financiers similar to those involved in the SCAF but has not yet been included in the SCAF's activities.

Were ESG standards incorporated and how was implementation monitored by Cooperating Partners?

277. Judging from the interviews conducted with SCAF I and II Cooperating Partners, high priority is given to environment and social safeguards. Most of the Cooperating Partners have dedicated staff at the fund and at the project level to deal with safeguards. These experts are typically responsible for overseeing the work of the local people and report to Limited Partners through the General Partner. They also report on a quarterly basis to Frankfurt School-UNEP Collaborating Centre's online tool whether or not any ESG-relevant occurrences were noted in the last reporting period. A number of Cooperating Partners reported that they train prospective specialists. Zoscales, for instance, followed a recommendation of one of their investors to employ the consultancy PricewaterhouseCoopers (PWC) for the design and development of internal environmental and social safeguarding processes and templates. The whole group will join also a workshop of PWC conducted for them in Addis.

278. SL2 is often used in support of environmental and social safeguards. SCAF processes to include environmental and social safeguards seem to support the manifestation of environmental and social safeguards at fund and at project level. It is however not SCAF alone that supports the implementation of environmental and social safeguards, but other investors and also lenders require a strict environmental and social safeguards regime. Environmental and social safeguarding is not only promoted by SCAF but most Cooperating Partners have Development Finance Investors/Multilateral Development Banks as investors and thus are bound to implement according to environmental and social safeguarding standards also from that perspective. They are also likely to use debt funding from Multilateral Development Banks, which again requires funds and projects to maintain high environmental and social safeguarding standards during

operation. Mostly IFC performance standards were applied, which were said to be often higher than local standards.

279. Cooperating Partners argued that environmental and social safeguarding standards are likely to remain relevant in the projects, even when they exit because it would mean an extra effort to dismantle them. They may however become diluted over time without external control. A reputational risk can only be avoided if external and ongoing environmental and social safeguards checks are conducted.

Communication: How effective are the plans and tools for communication with regard to a) extending the outreach of the intervention and b) in communication with potential Cooperating Partners and/or donors and c) in supporting the mainstreaming of investment funds?

280. SCAF II is now better known than SCAF I. However, external communication and knowledge management remain a weak spot for SCAF.

281. In terms of internal communication, while the direct communication between UN Environment and the Agent is excellent, the processes between all implementation partners could be streamlined in order to tie-up fewer resources. SCAF documentation is very much an inward-looking process, concerned with following rules and meeting KPIs than an outreach program. SCAF II has gained in complexity due to a complicated structure with regional committees, implementation trust being set-up and inclusion of UNOPS and its follow-up structure. This leads to significant resources being spent on internal procedures and reporting, that do provide a good overview of the portfolio and knowledge base, but which could be made more use of if these data were also used for external promotion of success stories and role models.

282. In terms of external communication, there is no explicit communications strategy that lists communication audiences, communication purposes and potential contents for communications. There is also not a significant budget for providing contents for that communication nor for the outreach or knowledge management itself.

283. Focusing on the perceptions among the stakeholders, the Cooperating Partners mentioned in the interviews that outside a very small community nobody knew of SCAF. SCAF – according to them – is not visible in the market and can only be found in the internet if the key word “SCAF” is used. Also, later in the engagement, Cooperating Partners did not receive any other information concerning SCAF except the standard documentation based on administrative processes. On the SCAF website (www.scaf-energy.org) information about the programme, the Cooperating Partners and their projects are available. Additionally, a flyer and brochure can be downloaded with the key facts and structure of SCAF. In 2017, a press release announcing the signature of five agreements with Cooperating Partners was issued. SCAF was also presented at a workshop about financing opportunities for German solar PV companies in emerging and developing countries in Germany in 2016.

284. An explicit suggestion of the Partners was that meetings should be conducted among Cooperating Partners to get to know each other and spread lessons learned. At the level of the projects in SCAF I[76] some

[76] Unfortunately, no projects from SCAF II were available for interviews.

have never met anyone from the SCAF team and were ignorant about many important aspects of the intervention, including but not limited to the different uses of the support lines. Given that these projects may develop into new partners the lack of communication forecloses future business chances, and projects could also benefit from exchanges amongst themselves and with the SCAF team.

285. If anyone turns to the website to find out more, they will find that the website is somewhat underutilized in terms of the information provided, including narratives on the success stories (6 projects or partners are featured in about 2 paragraphs each) and lessons and reports from the experience of the partners. It is a joint website for both, SCAF I and II. The SCAF I partners are featured higher than the SCAF II partners. In particular, it is not clear who is the target group of this website, and who could benefit from the information provided. The website brings a constant stream of partnership requests, three quarters of which are deemed ineligible by the Agent.

What is the role of UN Environment and has it been effective?

286. UN Environment has been administering SCAF I and II with a strong PMU. The idea of SCAF was developed in UN Environment and the linkage to partners such as the Asian Development Bank and the Frankfurt School-UNEP Collaborating Centre for SCAF I was successfully conducted by the organisation. UN Environment developed a niche product, which – even though “finance” and investment decisions like in the SCAF are out of UN Environments natural habitat – would not have been implementable by any other UN organization. SCAF is too small and tedious for larger development banks for it to be taken up, see for instance the lower attention levels AsDB has given SCAF.[77] One of the roles played by UN Environment is as a convener and it has played this role well. Last but not least, UN Environment was instrumental in fund-raising and donor communications on this project. Its participation and leadership provide assurance that the projects are executed in line with ESG safeguards. An important formal contribution of UN Environment is that it ensures the ODA compliance of the funds.

287. On the other hand, a significant share of the administrative complexities and delays result from the setup within UN Environment, for example the requirement to include UNOPS and tender processes, which introduce additional layers for financial and output reporting, or the need for constant coordination between Frankfurt and Paris, which also bears the risk of potential duplication of activities or confusion with project partners or funders regarding who to approach with questions. While the teams take care to coordinate closely and the coordination between the two teams works quite well, this can change if personal chemistry or institutional constraints change.

288. The question for the role of UN Environment needs to be asked in each further step, e.g. when SCAF continues or scales up to a larger facility or is transferred to cover new areas such as land management. The answers might be different for each of these scenarios.

Scale-up potential of SCAF approach: How well is the current SCAF approach suited to further scaling up? In addition, how well-prepared is the SCAF intervention to respond to potential interest in replication

[77] Cf. Terminal evaluation of SCAF I

within other areas (e.g. SMEs operating in clean technology space, land management and forest projects)? What are the key project intervention features, if any, that are bringing a multiplier effect to investment in clean energy?

289. SCAF is a niche product with limited resources and originally a very specific target group – private equity and venture capital funds. Its reach is naturally limited by the intense case-specific collaboration with the Cooperating Partners, and the ensuing high transaction costs, but also by the available funding. On the other hand, the project team argues that the reach would be even more limited, if it did not go through the Cooperating Partners as aggregators.

290. SCAF can be scaled up: demand for more private sector investments in renewable energy and resource efficient projects is large, more so in Africa, than in Asia. The Agent (FS) has repeatedly mentioned to the evaluators that they have many dozens of requests from potentially interested and interesting candidates. By improving the quality of projects, SCAF is contributing to scaling up a pipeline of financing activities for renewable on-grid projects in Africa and Asia. Additional funds from key donors such as BMU and DFID/BEIS can be meaningfully used to maintain or even increase SCAF's level of performance or efficiency and scale up its impact on the on-grid renewable energy project field. The marginal benefit has not yet reached its peak, at least not in Africa, even as other funding mechanisms also start operating. In both continents, improving the financing capabilities of Development Companies is an interesting and worthwhile cause. Last but not least, there might be opportunities to enhance the vibrancy of the capital markets' appetite for a new category of assets , "medium sized on-grid renewable energy power generation in frontier markets" with the ultimate objective of developing new financial products, including through securitization or guarantee facilities where the SCAF could help through the development of new support lines, or communication and outreach including on risk assessment and advisory services. The evaluators believe that in the current situation every additional USD would benefit private sector investments in renewable energy and contribute to GHG emission reductions. An important argument is also the limited capacity to draw systematic lessons on how to support the private sector, as the sample of projects and partners is still quite small, even including SCAF I.

291. On the other hand, the current setup is limited by funding and project time frames, even including the reflows. In addition, while larger sums of funds would typically be managed through a multilateral development bank rather than UN Environment, none of them has shown interest in replicating a SCAF model, at least not one that is focused on Private Equity or Venture Capital Funds. Members of the Steering Committee who are using the SCAF as a source for leads for their own funds at MDBs find that their institutions are ill-suited to perform the SCAF services. Reasons include that the necessary and appropriate funding amounts are too small to justify their administrative expense; SCAF-type support is not in line with their business model of placing capital rather than developing projects, and that they feel it weakens their negotiation power and the projects if they offer development grants and capital at the same time. The unsuccessful experiment of SCAF I with AsDB is thus underscored as an indication of a systematic challenge by these aspects. MDBs are not suited to run the SCAF as a facility.

292. The original SCAF project proposal would allow for the development of energy efficiency and renewable energy off grid projects, as financing and business models have been developed in recent years

to make these projects palatable for multimillion-dollar investment and Special Purpose Vehicle financing. For more discussion, please refer to section 8.4.3.

293. In addition, there is a discussion of transferring the SCAF approach into other areas like land management (agriculture, forestry), waste or water management. Here, a number of critical questions need to be asked, including whether private equity – with its specific, exit-oriented approach, typical investment horizon of 6 – 10 years and characteristic set of paradigms - is the right type of finance for these fields and whether ESG safeguards in these fields are sufficiently covered by the IFC standards for the UN Environment Programme to provide role model investments.

294. It is natural to expand that thought into natural resource management. The evaluation team has been presented in this question with the idea of a "forestry SCAF"[78]. Here, however, the evaluation team raises several questions about whether Private Equity Funds are the right partners for forest projects:

- Forest projects need a much longer time to become profitable and their entire set up differs from the manner in which renewable energy projects work. Forestry is a sector that is very closely interlinked with sustainable development not only with respect to the stock of timber, but also with respect to the population in that area, their income generating opportunities and livelihoods, outside economic interests and pressure, including those of agricultural and other land-related activities in the surroundings. This makes forest investment very sensitive in the sense of sustainable development. The feeling of the evaluation team is that in order to do no harm, or suffer from reputational damage, the IFC Environmental Social and Governance safeguards might be insufficient for the UN Environment Programme and the Environment ministries of two leading European Countries to support such investments. Here, a stronger set of sustainability standards should be developed and implemented.

- Investment readiness in forestry is limited. Many countries do not yet have the administrative, legal and, regulatory environment for private sector forest investments. Land rights, access rights of indigenous people, surveying and monitoring facilities might not be sufficiently established for private investments. In other countries, the private sector is already heavily invested, but not necessarily managing the resource in a sustainable manner, and in many of these, policy makers are not willing or able to change this situation.

- A typical Private Equity Fund strategy[79] with an exit after 6 – 10 years might lead to a situation where after the exit, the sustainable management practices might be eroding, leading to a non-sustainable situation in the long run. Therefore, a Forestry SCAF would also have to pick and choose its Cooperating Partners even more carefully, or move away completely from the classical private equity model, towards cooperative equity structures or participatory long-term

[78] It is noted that the evaluation team has not reviewed any concept or proposal documents being prepared on forestry projects by UN Environment as this is outside the Terms for Reference for this evaluation.

[79] While there are private funds that work on (sustainable) forest investment programs, these do not typically approach this investment with a medium-term exit strategy.

investment funds like the German GmbH and Co KG model which has been used extensively for wind and solar investments in Germany and is now also spreading into forestry (e.g. Bauminvest).

7 Conclusions and lessons learned

7.1 Conclusions

295. Overall, the SCAF has been a success. It is appreciated by its target group – the fund managers – and it is has some additional effects. The target group attests that the Facility has supported them in working towards their (and UN Environment's as well as the Donors') objective to finance renewable energy projects. The strategic alignment is high and its actual achievements in terms of funding volumes and installations are significantly beyond the planned outcomes.

296. The project overall is on track to deliver most of the outputs and outcomes that will lead to GHG emission reductions and major job impacts. The excellent internal monitoring system proves that and tracks further progress. However, the development activities for new funds – Support Line 0 – have been put on hold for the benefit of the other support lines. In this area a strategic decision needs to be taken at this point. It might be too late to include further partners into SL0 because the remaining project time without an extension might be too short to see the results of this effort. A scenario assessment provided by the Agent / PMU for the Steering Committee in October 2017, expected to contract at least one SL0 partner each year between 2017 and 2020 (total disbursement in the optimistic case of USD 1.9 m), and also expected the associated reflows (in the optimistic case of the full USD 1.9 m) after one year each.[80] In 2017, no new SL0 partner was contracted, and a disbursement in 2018 might be difficult so that the pessimistic scenario, in which one SL0 Partner is contracted and receives USD 355.000 in 2018 is already the only scenario that could come true.[81] If the experience from the first SL0 partner is used to model the reflow, this money will return to the Facility in 2020. A consideration could be to redirect these funds into an expansion of SL1/2 or to expand the set of modalities further downstream (e.g. develop a Support Line 3, see below), possibly before recommitting it to another SL0 partner.

297. Overall, the administrative and technical assistance costs are currently at 28 %, on a moderate level. Additional complications have been introduced through a structure that involved UNOPS, a tender process and two contracts with Frankfurt School, one with the Agent and one with the Trustee (with a subsidiary of Frankfurt School). This alone led to a delay of 18 months in project implementation, and to lost opportunities in the engagement of Cooperating Partners. On the other hand, financial management and transparency are very good.

298. Between the original idea of SCAF I that was submitted to the GEF and the actual implementation, the target group changed significantly, away from venture and Small and Medium-sized Enterprise funds and

[80] In the one operational case that provided operational experiences on this, the reflow took from 2016 to 2018.

[81] This pessimistic scenario expects no reflow from this disbursement.

towards “infrastructure” and Special Purpose Vehicle-oriented funds. While this was probably initially not an intentional choice, there are structural reasons (including those highlighted in the Mid-Term Review of SCAF I) why this was preferable, in particular because the field of financiers and potential Cooperating Partners was not sufficiently established. The Support Lines of the current SCAF project (SCAF II, the subject of this evaluation) are appropriate to meet the needs of the current Cooperating Partners and effectively support the build-up of a viable and high-quality project pipeline in the renewable energy on-grid field. Most of these partners were already active in the field but with SCAF support were able to develop better projects faster and develop more diverse portfolios in terms of countries and technologies.

299. By now though, the field has grown and there are some other mechanisms that provide technical assistance for investment projects, or similar support as the SCAF, in particular in Africa. But none of them are specifically targeting private equity funds. The SCAF is treading a fine line here: the target group is highly specialised; the deals are of a specific size and the preparation of bankable proposals requires a typical mix of technical and financial competencies. SCAF addresses one segment in the project preparation and financing continuum – the relationship between private equity funds and project developers - that might not necessarily be required by all renewable energy investors. Ultimately, this might limit the potential reach of the SCAF model.

300. At present there is still room for further growth, and the SCAF model is interesting for UN Environment and a relevant niche for it. It is an important observation that the SCAF has not yet been replicated by the large development banks. And there are reasons for that:

- The funding flow is too slow and small for a large “actual bank” or development bank;
- Nor can banks be satisfied with such a small flow of funds in absolute terms;
- Per dollar invested in seed capital, the transaction costs as well as the administrative costs are comparatively high;
- Per project, the grants are rather small; and
- The design of the facility is complex, the intensity of the engagement is high. The PMU and Agent do not only look at the fund level but also get involved at project level, to understand and tailor work plans and funding streams. This results in significant administrative and technical assistance efforts and transaction costs.

301. The complexity of the Facility makes processing quite slow and requires detailed assessments – both aspects that reduce its suitability for Multilateral Development Banks who are keen to process large volume loans. It is questionable if this conundrum can be solved. It is noteworthy in this context that AsDB was already involved in SCAF I and was not able to demonstrate the necessary attention to make SCAF I a full success in Asia. It is the sense of the evaluation team that in a scaled-up SCAF any Multilateral Development Bank might be part of the fund management, but might not able to provide similar technical assistance services of the Agent, and thus such a scaled-up SCAF might potentially be a project of a Multilateral Development Bank /Agent cooperation, with or without an active role for UN Environment.

302. SCAF follows the speed of the investors and project developers. This is one reason why SCAF will remain a niche product and one could argue that it is a valid role of UN Environment to develop such niche products as others will not do it. The SCAF might be institutionally important for UN Environment as it helps maintain a relationship with a significant target group in the financial markets. This should also be considered an entry point for UN Environment as a global environment organization that helps provide a reason for the discussion of environmental projects with them, raising their interest and awareness of the issues, and receiving their input on how to integrate the environment into their daily actions most effectively.

303. On the other hand, the evaluation identified outreach into the financial and business development communities but also into the policy realm as the weakest points of the current project implementation. As the SCAF will remain a niche product, and as its major scale-up opportunity remains a streamlined facility with a similar programme logic but with lower administration costs and large transaction volumes at a multilateral development bank, it will be hard to find a way to scale it up.

304. An important message of this Mid-Term Evaluation is the need to think about the final phase of the SCAF II. The discussions have again highlighted the point that this Facility cannot be transformational by moving significant amounts of money or have its maximum impact by maximizing MW installed. The Facility is managed by knowledge-driven bodies – the UN Environment Programme and the Agent - Frankfurt School – which have a mission of educating and providing knowledge and insights rather than placing funds. This strategy should put much more importance on the knowledge generation and dissemination aspect.

305. It is important and an appropriate time (at the mid-point of implementation) to decide on an exit strategy. It is not likely that at the point of the expected project close, all outstanding repayable support lines will have been repaid. Also, it is not likely that all funds will have been drawn down. This suggests the risk of the facility not closing because of its semi-revolving nature. There are several options for how to resolve this situation, and there should be a clear agreement between the donors, the PMU and UNOPS on how to wind down the facility and what this means for the termination of the various contracts (with the Cooperating Partners as well as Agent and Trustee) as well as the reimbursement of funds to DFID.

306. In this conversation, a strategic decision on whether or not the SCAF can, and should, be expanded should be taken. For that decision, a market assessment in terms of private equity opportunities in climate and development should be considered to reconfirm or redefine the thematic and geographic scope of projects to be supported.

Table 11: Summary of Evaluation Ratings[82]

Criterion	Summary Assessment	Rating
A. Strategic Relevance	**Strategic relevance is overall rated Satisfactory (see 5.1).**	**S**
1. Alignment to MTS and POW	Fully in line with UN Environment strategies and Programmes of Work (see 5.1.1).	S
2. Alignment to UN Environment /Donor/GEF strategic priorities	Second Phase to the UN Environment SCAF I. Aligned to UN Environment, DFID and BMU strategic priorities (see 5.1.2).	S
3. Relevance to regional, sub-regional and national environmental priorities	Direct support of Private Equity Funds for renewable energy projects generally relevant to countries (see 5.1.3).	S
4. Complementarity with existing interventions	Unique approach that complements other interventions. Overlap with Energy and Environment Partnership (EEP) (see 5.1.4).	S
B. Quality of Project Design	**Quality of project design is overall rated Moderately Satisfactory due to complex administrative setup (see 5.2).**	MS
C. Nature of External Context	**Global progress in renewable energy technology and increasing acceptance as investment opportunity by the private sector are in favour for SCAF II (see 5.3).**	HF
D. Effectiveness	**Effectiveness is overall rated Satisfactory (see 5.4).**	**S**
1. Delivery of outputs	Delay of output delivery due to administrative rearrangements. Even though support lines are currently well	MS

[82] Most criteria will be rated on a six-point scale as follows: Highly Satisfactory (HS); Satisfactory (S); Moderately Satisfactory (MS); Moderately Unsatisfactory (MU); Unsatisfactory (U); Highly Unsatisfactory (HU). Sustainability and Likelihood of Impact are rated from Highly Likely (HL) down to Highly Unlikely (HU) and Nature of External Context is rated from Highly Favourable (HF) to Highly Unfavourable (HU). A Ratings Matrix is available to support a common interpretation of points on the scale for each evaluation criterion. These ratings are 'weighted' to derive the Overall Project Rating (see Table 3).

Criterion	Summary Assessment	Rating
	tailored to the needs of the sector, continuous adjustments regarding the support mechanisms are necessary to keep their effectiveness for the different stakeholders (see 5.4.1).	
2. Achievement of direct outcomes	Too early to assess, but current achievement of outcomes is rated Satisfactory (see 5.4.2).	S
3. Likelihood of impact	Long-term impact on GHG emissions and employment effects is likely. Higher impact on investment environment in Africa than in Asia likely. Introduction of environmental and social safeguards has positive long-term effects for sector (see 5.4.3).	L
E. Financial Management	**Financial management is rated Satisfactory. Reporting could be improved for a better overview of expenditures across all funding sources** (see 5.5)**.**	S
1.Completeness of project financial information	Complex financial reporting due to multitude of agencies and different budget logics. Incorrect budget in revised Project Document (see 5.5).	**S**
2.Communication between finance and project management staff	Good communication lines and high knowledge of financing documents by PMU (see 5.5).	**S**
F. Efficiency	**High cost effectiveness on investment level and moderate cost effectiveness on project level (5.6 and 5.6.1)** **Delay of project start due to mandatory adjustments to the implementation structure (see 5.6.2).**	**MS**
G. Monitoring and Reporting	**Monitoring and reporting procedures are rated Satisfactory, due to multi-layered indicator structure (see 5.7).**	S
1. Monitoring design and budgeting	Adjustment of monitoring time frame due to delay at the beginning of the project (see 5.7).	S

Criterion	Summary Assessment	Rating
2. Monitoring of project implementation	Extensive and multi-layered monitoring of project implementation (see 5.7).	S
3. Project reporting	Well-designed online reporting tool for Cooperating Partners established and in usage (see 5.7).	S
H. Sustainability	**Sustainability of project outcomes with renewable energy investments providing sustainable energy Likely (see 5.8).**	**L**
1. Socio-political sustainability	Stable and encouraging policy environment with reliable Power Purchase Agreements (PPAs) important for sustainable investments (see 5.8.1).	L
2. Financial sustainability	Project development stage decisive for sustainability of projects (see 5.8.2).	L
3. Institutional sustainability	Sustainable partnerships between SCAF stakeholders have been established (see 5.8.3).	L
I. Factors Affecting Performance	**Regional differences in Asia and Africa require different strategic approach and cooperation with the finance community (see 5.9).**	**S**
1. Preparation and readiness	Negative effects for Cooperating Partners due to delay of project start (see 5.9).	S
2. Quality of project management and supervision	Highly committed project management and supervision by UN Environment (see 5.9).	HS
3. Stakeholders participation and cooperation	In contrast to SCAF I, implementing agency is the same. Engagement with the private sector counterparts was good but outreach beyond could have been stronger (see 5.9).	S
4. Responsiveness to human rights and gender equity	Human rights and gender equity were included via safeguards, but not addressed specifically (see 2.3 and 5.8).	MS
5. Country ownership and driven-ness	Not applicable.	

Criterion	Summary Assessment	Rating
6. Communication and public awareness	Outreach and dissemination of the experience and lessons learned could be improved (see 0).	MU
Overall Project Rating		**S**

7.2 Lessons learned

307. This Mid-Term Evaluation has been conducted in tandem with the final evaluation of the SCAF I. Some of the lessons from that evaluation are also relevant for any future development that SCAF II might take, so those that are relevant are reproduced here and amended by additional evidence from this SCAF II Mid-term Evaluation where possible.

7.2.1 Lessons from SCAF I that have been confirmed in SCAF II

308. **"Getting into the financial mainstream" is difficult**: All but two of the partners of SCAF I were already interested in developing renewable energy projects. Two funds were starting their first renewable projects with SCAF I support. This is already a relatively low share. In SCAF II, Zoscales was the only Cooperating Partner that was new to the renewable energy sector but it is not yet clear if Zoscales will fund any energy investments. The financial mainstream – i.e. players that are not already predisposed towards renewable energy - remains difficult to include in the SCAF.

309. **Additionality is difficult to prove.** In some cases, investors followed the SCAF lead and went to frontier markets with SCAF support. On the other hand, SCAF "graduated" some partners when renewable energy became a standard and "easy" investment in their "home turf" (e.g. South Africa). These projects were not considered SCAF-worthy anymore and the partners did not want to leave their countries. Additionality can only be proven for the first type of behaviour, while there might still be good impacts through the second type.

310. Proving the additionality becomes even harder when taking into account that the investment environment for renewable energy projects has drastically changed since the SCAF's creation. Technology costs have dropped significantly at least for solar and wind power generation. Many countries have much more favourable investment environment and compensation rules. Renewable energy technologies are the investment area with the fastest growth rates and lead the global energy investment overall. More International Financial Institutions (IFIs) are offering products. SCAF, to some degree, is fuelling but also riding that wave, and it is hard to clearly say which aspect outweighs the other.

311. Overall, the project itself (SCAF I), as well as individual investments, took much longer than expected. While it was well-intentioned to keep the facility open for another three years to allow further results in the Asia component, it was ultimately futile. An honest cut and recommissioning of the funds might have been more efficient. In SCAF I, more flexibility of the funds between the agencies might have allowed for full

utilization of the GEF funds. This lesson should be taken seriously for SCAF II and underlines the importance and urgency of an exit strategy now, three years before scheduled closure.

7.2.2 Additional lessons from SCAF II

312. With respect to the length of time it takes, we see a similar effect in SCAF II, where development times are very long, and (fully appropriate) prioritisation decisions of project management puts the overall project at risk of not being able to spend the full budget as allocated. This is also the result of the pessimistic disbursement scenario discussed with the Steering Committee in October 2017. Specifically, **time might be too short for SL0.**

313. Since the conceptualization of SCAF I more than 10 years ago, renewable energy markets have changed. **The role of DevCos and Private Equity Funds has developed in the meantime and converged** as players became more acquainted with the field. This is the development on which the decision was based to directly support DevCos in SCAF II. It has a number of consequences. The line between different types of Cooperating Partners becomes more and more blurred. The legal background, the business model and the associated risks are different. Sindicatum and The Blue Circle are a case in point where typical development companies add financing capacity and become DevCos cum finance. This impacts replication and scalability, because less funds are available to enter new projects. **DevCos tend to have less public donor funds than Private Equity Funds.** It seems that part of the old SCAF project rationale and objectives do not fit any longer and need to be rationalised.

314. Another aspect is the thematic spread of the projects. So far, SL2 engagements are exclusively in renewable energy. We therefore recommend reviewing the approach to strengthen energy efficiency as a focus area. It may be that overall resource efficiency leaves enough flexibility to keep options outside energy efficiency open. It is the view of the evaluators that energy efficiency projects do not fit well with the design of SCAF II. If SCAF continues to support Private Equity Funds and DevCos it needs to be further analysed if it starts a trend in that PEs are retreating into the de-risking phase and DevCos take the part of the originally intended seed finance. There is too little evidence at this stage. Certainly, this tendency can be balanced by selecting appropriate Cooperating Partners.

315. The interviews for this evaluation were started in October 2017 with a trip to Africa. Two SCAF II partners were interviewed by phone in December. By April, both Cooperating Partners had already undergone significant contractual and strategic reorientations. This is indicative of the dynamism of the sector and implies that **constant monitoring of the activities of the partners is necessary to be able to manage the pipeline**. The SCAF team has quarterly update calls with all the Cooperating Partners.

316. While ESG safeguarding is supervised by the Cooperating Partner during its engagement in a project, a second level of control is provided to many projects by the frequent existence of other donors who would push ESG safeguards in the same direction. In the case of debt participation by donors, this will last over and above the period that SCAF will have direct access to the individual project. A mechanism could be considered which allows external reviews and a long-term anchorage of environmental and social safeguards in the underlying Special Purpose Vehicles.

317. All in all, the question must be asked if, over the long-term, Private Equity Funds are still the proper vehicle to multiply renewable energy infrastructure projects. Currently, the answer would be yes, but as we have seen in the past, conditions influencing markets change and so do stakeholders' objectives.

318. The question arose if the linkage of the two support lines is useful and if the break-down (30:70) has benefits. Given the fact that SCAF is an early seed finance project, one would expect that the early phases of the fund are supported more as they built the foundation for the quality of projects later on. This would speak for an increase in percentage for SL1. However, SL1 is a pure grant and it is understandable that these funds are provided with utmost care and should not lead to a distortion of markets or to a situation where Cooperating Partners use up the SL1 to complement their management fees but not to lead to actual projects. The **linking of SL1 and SL2 thus can be a useful management tool** to keep the Cooperating Partners targeted on the outputs of the SCAF. On the other hand, if the strict guidelines are maintained for the second part of the SCAF II, they might prove limiting to the most efficient use and programming of the remaining funds. Therefore, it is proposed to allow the Agent and PMU to handle this linkage with some discretion on a case by case basis while keeping it as an orientational guideline in the Manual.

319. Another lesson learned is that **the two SCAF regions differ**: the spread of investment environments in countries in Africa is wider and more countries in Asia are already excluded from support due to their middle-income country status. The two DevCos currently supported are both in Asia, potentially implying that the capacity of developers in Asia is larger and that the mindset is more commercially oriented. Private Equity Funds in Africa, and this was also confirmed during the evaluation of SCAF I, tend to do much more hand holding, in the sense that they stretch their internal core capacity. This leads to the question whether, in the future, both regions should still be the focus or if it would be better to pool resources and push for one region only. Looking at the last round of applications received by Frankfurt School-UNEP Collaborating Centre where only 1 from 13 had a partial Asian focus, the demand for SCAF points in one geographic direction.

320. A third lesson learned is that the **reflow of funds has not been very predictable so far.** This is touching a fundamental question underpinning the character of the SCAF and its exit strategy: **is it actually a revolving facility?** And thus never-ending, or does it have a termination date? The recycling of donor money is an excellent idea. It can even be extended to include not only the repayment of support but also a kind of service fee more typical in a private sector environment. In that case, considerations should be taken with respect to how to maintain the capital stock of the facility and ensure coverage of the high administrative costs, e.g. through fees or continuing donor funding streams. Also, there should be a penalty mechanism for those projects/funds that cannot/do not repay. Generally, it should be clear what happens to the reflow, who benefits from it and how it changes the SCAF design.

7.3 Lessons regarding UN Environment programme management challenges

321. As in earlier evaluations of other UN Environment projects, the difference between the Project Information Management System (PIMS) and the Donor agreements or monitoring data is striking. This is despite the fact that UN Environment has a formal process for revising the results framework in PIMS. Decentral data management is less troublesome in this case than in others, but the challenge also exists.

322. This also relates to individual documents, for example where different diagrams were found to exist expressing the theory of change, yet their origin and formal status could not be confirmed.

323. A suspected reason for part of the confusion is that, at the time this project was designed, the term Outcome in UN Environment programming related to the agreed-upon institutional outcomes. They were imposed on the project-specific logframes whereas outcomes on a much lower level would be considered more appropriate for project-specific log frames or theories of change.

324. While data management of the PMU allowed to these cases of diverging documents to at least be discovered, and while documentation for all relevant aspects was found sooner or later, the institutional lesson for UN Environment remains: that their document and data management, including formal approval for revisions, a paper trail of decision documents and monitoring data, is not worthy of a modern intergovernmental organization in the digital age.

325. Many projects in UN Environment have, in the past, demonstrated a tendency to extend their life through 'no-cost' extensions. This project faces such a risk because there are significant funds outstanding in the form of repayable grants to the Cooperating Partners so that potential reflows can be reprogrammed, including for administrative costs. The budget plan needs to be flexible because the amount and timing of the reflows is uncertain. It is likely that funds will have to be returned to the donors.

8 Recommendations

326. The recommendations from this evaluation process are made in the knowledge that the project is currently at its mid-point and there is scope for a small number of immediate operational challenges to be addressed as well as it being an appropriate time for the preparation of exit and sustainability strategies. Recommendations cover the following:

Solve immediate operational challenges:

- Develop an exit vision and strategy
- Develop and implement a clear additionality rationale
- Submit a clear and complete Theory of Change, with an associated results framework, for approval
- Decide on the expansion of SCAF, including its thematic and structural focus
- Adjust the outcome and output indicators, as well as the project duration, to fit the budget

Improve outreach and knowledge management:

- Outreach and knowledge management for project partners
- Outreach and knowledge management for the larger financial community and project developers

- Outreach and knowledge management for the International Development Bank community
- Systematically include policy makers and regulators into knowledge management of the SCAF

Replication and Scale Up:

- Enlarge the reach of the SCAF
- Find additional resources for the SCAF
- Use the SCAF to support business models beyond on-grid resource efficiency
- Develop new SCAFs for other funding areas

8.1 Solve immediate operational challenges

8.1.1 Develop an exit vision and strategy

327. This Mid-Term Evaluation comes at the right time to draw the attention to the future and final stages of SCAF II. The portfolio has been built up, and the speed at which new Cooperating Partner Agreements have been signed has significantly reduced. All things being equal, the next phase of this project will be devoted to observing the implementation successes and harvesting the fruit of the engagement, including in terms of lessons learning and market information that can be gained through the interaction with partners.

328. It is important at this stage for UN Environment to understand and identify clearly whether they want to turn the SCAF into a permanent facility or terminate it, and – if the former - whether the SCAF can be meaningfully operated at the current level or whether a meaningful, cost-effective, efficient, impactful, and sustainable operation requires a significant scale up, or expansion to other types of investors.

329. The answer to this question is not easy. Factors to consider are the appetite of the private sector but also the questions of institutional efficiency and carrying capacity as well as the options for scaling up with limited financial resources. An open and well-informed discussion with the donors over the potential value added in a changed investment environment for renewable energy should be conducted over the next 6 months so that options can be laid out and a well-informed decision can be taken.

330. Provide a budget plan that includes the reflows and a clear decision on the expected termination of SCAF II. The Project Team has to ensure that the work plan and expectations for the last project phase – which are fully dependent on the reflows – is clearly mapped out and understood by all. It has to provide a budget that includes reflows, and a clear statement on the expected termination of SCAF II.

331. SCAF II has two support lines, which are so-called conditional grants, meaning that under specific circumstances (partner equity fund close for SL0, and financial close of the underlying field project for SL2), funds have to be repaid by Cooperating Partners. The revolving nature of SCAF II impacts the financing arrangements. Up to the time of this evaluation it is unclear how the reflow will be handled. Will only new

Cooperating Partners benefit from the recycled funds, will the existing Cooperating partners be eligible? During project preparation this point was not fully discussed. In addition to the question how long the tenure of SCAF II should be, as theoretically a revolving nature implies a continued existence.

332. Reflows of around USD 0.7 m are expected within 2018. If sticking to the original time frame, this will also be the starting point of a phase in which SCAF II (if not extended) would slowly start to slow down its activity as planned completion date is 2021. The official financing plan of SCAF II envisions full disbursement before closing.

333. It is not clear to the evaluation team if these two aspects are compatible, i.e. if a closure of the fund can be expected on time if reflows come in e.g. in 2020. It is a frequent observation, including but not limited to the UN Environment project portfolio, that projects that still have small amounts of funding left are not terminated but linger on. This exact phenomenon has been observed with SCAF I funds managed by the Asian Development Bank. It is wise to manage the funds on the basis of clear agreements early on to avoid "semi-dead" projects on everybody's books. It is recommended that the budget plans and closure arrangements are clarified now, so that the necessary arrangements can be taken, and the flows can be managed accordingly.

334. Reflows depend on the success of the projects, and therefore are uncertain. The budgeting plan therefore can only be conditional yet needs to define binding cornerstones. It is recommended that the project comes up with a minimum threshold for programmable resources under which the project should be closed and the funds returned to the donors. It is further recommended to come up with a priority list of outputs that allows to work down from the highest priority investments to the lower levels as funds become available. The budget should also provide transparency on the administrative cost shares.

8.1.2 Develop and implement a clear additionality rationale

335. The PMU should develop an explicit additionality narrative that describes in which dimensions the SCAF should lead to additional engagement of the private sector.

336. The analysis of additionality has been difficult, not only because the concept is hard to operationalize, or because the SCAF has significant operational delays in the first two years, in a highly dynamic market environment. A significant challenge was that the SCAF rules have only one explicit aspect that enforces additionality. If the SCAF becomes bigger and as the markets keep developing, this rule will be harder to enforce. In the interests of defining and explaining its niche, it is necessary for the SCAF to clearly understand and conceptualize - and ultimately demonstrate - its additionality. An explicit narrative and measurement method is an important tool for that.

337. A possible starting point is a review and possible refinement of the list of SCAF-eligible countries in the SCAF Manual. Another necessary step in that is a clarification of the target group and exact financing gap. The basis for the current approach, built on the experiences of SCAF I, is the publication "Catalysing Early Stage Investment" (Ritschie and Usher, 2012). Due to the dynamic developments in the financing community in the last 6 years, it would be appropriate to refresh and update the analysis of the existing financing

modalities outside of the SCAF and their gaps.[83] It would also be important to understand the potential role of private equity in this market. Last but not least, while the definitions of DevCos and PE/VC funds are clear cut in the SCAF Manual, the Cooperating Partners have defied the classification as either DevCos or Private Equity Investors. It might be helpful for the communicability of the SCAF to develop and apply new categories and definitions. Once the role of private equity in frontier countries and the role the SCAF can play here is updated and clearly described, the potential larger impact of a SCAF and its strategy can be assessed quantitatively.

338. A revised and expanded articulation of the additionality rationale would facilitate evaluation at project close.

8.1.3 Submit a clear and complete Theory of Change, with an associated results framework, for approval

339. A clear theory of change is a precondition for effective project management as well as the demonstration of achieving intended results. The current logical framework which shows a single project outcome is subject to a number of challenges, including but not limited to the fact that the level of project achievement - currently formulated as "Developing Countries are able to pursue low carbon sustainable development resulting in economic growth, poverty reduction and climate change mitigation" – is many steps removed from the activities that are conducted by the SCAF or even its Cooperating Partners. It would be very important to understand and clarify through which pathways this outcome should be achieved (e.g. through the articulation of Intermediate States), and whether all necessary conditions are in place for such an achievement. For example, as the project is not working with policy makers at all, it seems difficult to have an impact statement that relates mainly to "countries' " ability.

340. In contrast to the abstract and distant overall impact, this project has tagged its indicators to more specific outcomes around the actual investment activity. This leads to a situation where it is unclear for a significant number of the indicators as well as the ICF KPIs which level of the outcome hierarchy they reflect. For example, the outcome indicator "Increase in the volume of early and late stage capital committed to climate mitigation projects and ventures" could refer to investment under SCAF, investment of SCAF-supported Partners, or investment in the target markets. Even more directly linked to the project, the "increase in the number of fund managers and development companies investing early capital in mitigation projects and ventures" has been interpreted by the evaluation team as potentially referring to SL1/2 and SL0, while the project team considers only SL0 Partners under this indicator.[84]

341. There are a number of important characteristics of SCAF projects that the Theory of Change omits completely, including the Environmental Social and Governance safeguards and frontier country aspects. The redrawing of the theory of change will also allow UN Environment to include these aspects that the SCAF has been able to strengthen with the Cooperating Partners.

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[83] Figure 7, in particular, of that report might benefit from some quantitative validation.

[84] On the other hand, it would be appropriate to leave out the purely management-related boxes from the "process" level of Figure 2 and add processes internal to the Cooperating Partners in the higher levels of the outcome hierarchy.

342. Once the theory of change is more closely reflecting the pathways of the project as well as the various levels of the outcome hierarchy, and has a more plausible impact statement, it should be approved by the donors via the Steering Committee and within UN Environment via the Quality Assurance Services department.

343. A revised, more comprehensive, Theory of Change and associated results framework would support evaluation of the project's performance at project close.

8.1.4 Decide on expansion and thematic and structural focus of the SCAF

344. SCAF is operating at a very limited scale. If the SCAF is to be operated at its current scale, the scope should be clarified: is it a project development facility or a private equity subsidy, and is it supposed to be open for investments in a specific set of countries, or in disadvantaged locations anywhere? Clarifying these questions would help to focus the resources on a specific niche in the market and fully demonstrate additionality within a short time, as the next decisions for SCAF investments depend on these questions. The reflections on the different potential dimensions of additionality should allow to refocus the facility towards the area of highest need. It is clear for the Private Equity Partners, but the need for Private Equity funds as drivers of the renewable energy deployment is up for reassessment – potentially they might keep playing a small role in the whole sector. It is less clear for DevCos who can most likely also benefit from other project preparation facilities. A possible extension of the SCAF might try to change the thematic focus rather than just expand the number of renewable energy related Cooperating Partners.

345. The SCAF should not be operated at a smaller scale, not only because the administrative efficiency of a smaller scale operation is bound to reduce further. Reasons for a significant upscale – with a continued inclusion of both, equity funds and development companies, and a continued scope of on-grid and SME funds, and a continued operation in many countries – exist: the market is growing, and shows sufficient demand; currently, the sample of Cooperating Partners is too small to learn systematic lessons or to have the desired impact at the country level – for which a critical mass would be required -, and with a larger reach the SCAF also has more "stories" to tell in the outreach, and is more credible in terms of the messages it can send to the policy and financing communities, potentially having more opportunities for transformational impact. Currently, it is too small for such impact.

8.1.5 Adjust the outcome and output indicators as well as the project duration to fit the budget

346. The original project document had proposed using SL0 for supporting five first time fund managers. Only one has been found and the current proposal is to reduce this target to three. The programming for SL0 assumes that it will be used 6 – 9 months prior to the financial close of the fund and that the funds will reflow within that period. The experience with the current SL0 beneficiary is not in line with this timeline so that caution is in order. The timing implications have been discussed above. In addition, under the aspect of additionality the team is requested to justify the investments in SL0: while Zoscales is a fund that would not have invested in renewable energy without the SCAF, and thus an example for additionality, the SCAF mapping study (and other sources) show that the number of potential SCAF partners and funds has grown

significantly over the last 3 years. It seems to be becoming an increasingly competitive space so that not only the additionality of SL0 should be scrutinized, but also the potential for market distortion.

347. Another observation around the output indicators is that they include “number of projects supported through SL1 co-financed activities” for SL1 even though the support is not given in a project-specific fashion, and even though it is not clear that specific projects are even supported or what the monitoring information refers to. The PMU should clarify or drop this indicator and replace it with another indicator that describes the relevance or effectiveness of this support line. If the indicator is not dropped, the target might need to be revisited, given that only 27% of the projects target has been reached while 52% of the funding for SL1 has been disbursed.

348. In line with the recommendations of this review, the output and outcome indicators should also reflect the need to “do good and talk about it” and to prove catalytic impact. It is recommended to expand the indicators by including output indicators reflecting an ambitious work programme on outreach and knowledge management (potentially contingent on availability of funding) and by outcome indicators reflecting the reach of that communication as well as by impact indicators for the replication and learning that was initiated through the outreach, communication, and knowledge management programme.

349. An important aspect is to align the application of the indicators that are part of DFID’s and the ICFs results framework (the “KPIs”) to the guidance given by the ICF on how to measure them. This includes in particular indicators like jobs – where the evaluation team was not able to determine if the number relate to annual full-time-equivalents or contracts – or GHG emissions – where no guidance is given to the Cooperating Partners on how to measure the indicators, so that comparability and aggregability might be poor. In addition, some record of where projects and Cooperating Partners receive other DFID funds (including indirectly) would be needed to help DFID and ICF to understand and limit double counting when aggregating the KPIs for their programme level.

350. Other aspects of the portfolio should also be reflected in the results framework. These include, but are not limited to, diversity of the portfolio (in terms of geography and sector), as well as the financial disbursement levels compared to the plan, reflecting the clearly identified targets and scope of the investment activity.

351. Last but not least, there is international guidance on the accounting for GHG emission reduction from multiple sources. While the Cooperating Partners are required to report GHG emission reductions, they are not asked to adhere to any of the international GHG accounting protocols. This should be changed and the Agent should require them to report to the same international protocol, as otherwise the aggregate reporting – on intended as well as actual emissions reductions – is unreliable.

8.1.6 UN Environment should explore options to lower administrative costs

352. 30 % of the planned budget of SCAF, excluding reflows, were scheduled to go to the UN Environment Programme, the Agent or the Trustee (both Frankfurt School). By year end 2017, administrative costs represented 28%. As discussed above, the project is very well managed, and the programme logic requires intensive collaboration with the Cooperating Partners. This does justify significant administrative and

Technical Assistance inputs. On the other hand, it should also constitute an obligation to constantly search for optimization potential and cost savings opportunities.

353. One way to reduce costs would be to harmonize reporting formats between the organizations involved (FS, UN Environment, UNOPS). In a second step, this harmonized reporting format could be generated automatically and directly from the monitoring tool that is used for reporting from the Cooperating Partners to Frankfurt School.

354. At the 2018 Steering Committee meeting there was a discussion to understand better the implications of eliminating one level of administration management. To eliminate UNOPS as for UNEP, it would be necessary to make the SCAF UK Trust ODA compliant. Alternatively, UNOPS could potentially take on the activities currently implemented by the procured SCAF Trustee, i.e. Frankfurt School Financial Services. The PMU should assess the alternatives and develop plans and budgets for these options.

8.2 Improve outreach and knowledge management

355. The Project Team should articulate and implement a knowledge management and outreach strategy for the Facility.

356. It is important to note that outreach on the SCAF modality is an important precondition for optimal portfolio of Cooperation Partners as well as of projects, for raising further funds for the UN Environment / FS SCAF modality, for raising demand with the target group for the expansion of the modality, and – last but not least - also for motivating potential replications with MDBs or other (climate) finance institutions. Therefore, it is highly recommended that the SCAF develop a systematic outreach and knowledge management strategy to approach these communication target groups directly and with measurable objectives, including raising the demand for SCAF-type support within the private sector, raising the interest of an appropriate FI to operate a SCAF-like facility, and increasing the funds available from donors for that. Last but not least, it should also allow for an exchange of lessons learned among the participants and partners of the SCAF.

357. The basis for this knowledge management strategy should be an analysis of the target groups for that outreach, that considers the institutional strengths of both, UN Environment and the Frankfurt School. Both are knowledge-driven organisations and should consider the target groups that they naturally approach – in addition to private sector partners and multilateral development banks, these include students (Frankfurt School) and government policy makers (UN Environment). Given that these four stakeholder groups can influence risk perceptions and actual investment risks, and that one important risk mitigation strategy is to learn more about the target investment environment it is clear that they can better drive forward private sector investments in the target countries if more information on how to structure deals in these environments, and how to assess the associated risks is available to them.

358. Consequently, the purpose of the knowledge management and outreach strategy should not only be outreach to donors for accountability and fundraising reasons, but to a much broader audience on the question of how to attract private sector financing on a more refined level, beyond the simple call for a feed-in tariff or auction system.

8.2.1 Outreach and knowledge management for project partners

359. The Project Team should guide project partners in the development of a knowledge sharing/lesson learning strategy.

360. Project partners – including Private Equity Funds and also DevCos but also representatives of the projects locally have raised a concern that they have limited opportunity to meet and discuss with other SCAF partners. Many of them think they would benefit from understanding others' approaches or sharing experiences.

361. Even without such an explicit request, both UN Environment and the Frankfurt School are organizations that should serve the common cause of increasing knowledge and understanding with their partners, and thus the SCAF has an automatic learning and facilitation mission. Documentation of case studies and structured extraction of learned lessons are an important basis also for UN Environment's and the Frankfurt School's institutional growth and thus are in everybody's interest – including for avoiding making a potential mistake twice.

8.2.2 Outreach and knowledge management for the larger financial community and project developers

362. The Project Team should lead a discussion among Cooperating Partners to design a mechanism for knowledge exchange.

363. As discussed above, the number of Cooperating Partners is limited by funding, and is very small. In the absence of higher levels of funding, the only opportunity to reach a larger audience and encourage Private Equity Funds and DevCos as well as their financiers to spend more on early stage development, is to tell the story of the SCAF.

364. Sharing both positive and negative experiences in suitable forms is an important way to stay relevant. From the project's perspective, this includes an updated website and placement of news related to projects and successful milestones of the Cooperating Partners there as well as in a relevant newsletter, in addition to the active outreach in conferences. In addition, both UNEP and FS should give the Cooperating Partners platforms for promoting their practices and experiences. This can generate demand for SCAF services and stimulate more activity in the actual purpose of the SCAF – pipeline building and leverage of private sector finance.

8.2.3 Outreach and knowledge management for the IDB community

365. Last but not least, the SCAF can reach scale only with the help and involvement of a larger financial institution, potentially an MDB. As MDB involvement already has led to a potentially less than motivating precedent (with AsDB under SCAF I) and has structural challenges it would be very important to make the case why the current situation in the renewable energy field justifies a new and improved attempt. The UK CP3 envelope itself provides such an attempt, but the efforts of linking the SCAF with the 2 Private Equity Funds financed from CP3 are only marginally successful in terms of jointly financing projects. While a staff

member of IFC working on the Catalyst Fund is a member of the Regional Committee, together with several other potential investors from MDBs, the practical implications of this have been limited. Potentially, the CP3 evaluation can shed some more light on how to strengthen these linkages. But it is the conclusion of the evaluation team that there is a missing link in the middle, between the small scale and very risk friendly approach of the SCAF and the rather conservative Private Equity approach of the IFC and ADB. How to fill this gap is beyond the current evaluation.

366. It is within the scope of this evaluation to encourage the current SCAF team to systematically look for a linkage with a larger Financial Institution to bridge the gap toward large scale replication of the SCAF modality, through more targeted outreach and knowledge management in all appropriate institutional platforms (e.g. UN SEFI, other financing fora, and also in direct discussion with FIs). However, it should also be noted that the MDB representatives on the Steering Committee were very sceptical as to the compatibility of the SCAF model with their business model as they do not see that their organizations would be able to do the early stage due diligence that is necessary for the SCAF.

8.3 Systematically include policy makers and regulators into knowledge management of SCAF

367. All stakeholders to this evaluation see UN Environment's core strength and rationale for being included here in their access to the policy dialogue and policy maker level. There are several policy angles within the SCAF.

368. The highest-level angle is the general discussion among policy makers about the levels of private sector finance that are necessary for solving the climate challenge. Here, UN Environment should report about the opportunities and challenges that they understand on the basis of their SCAF experience. Messages to be conveyed relate to the general investment conditions in countries, and the benefits for private sector investments derived from policy frameworks and support schemes.

369. On a more detailed and more technical level, Cooperating Partners complain about the lack of understanding and capacity on operational policy levels. This includes the technical aspects of project development, permitting, grid access, negotiations with grid operators, wheeling conditions, power sector sales and marketing schemes and other detailed regulations that affect the viability of renewable energy on-grid projects. The Cooperating Partners have specific experiences that they can share, and which can be used to clearly identify capacity building needs and best practice exchange opportunities between those policy makers and regulators that are responsible for these detailed operations aspects.

370. It would be one option to include training programs to policy makers and regulators in the budget for the second half of SCAF II. A less intensive (but also less effective) minimum approach would be to include these policy makers and regulators systematically in the outreach and knowledge exchange efforts recommended in section 8.2.

371. However, it is also important to keep in mind that the SCAF is a private sector facility, and that it might be misconstrued by policy makers if the SCAF itself promotes policies that serve its own "investments",

i.e. its own supported projects. Therefore, it might be more useful to provide the policy approach through a separate effort that is informed by SCAF experiences but not explicitly linked to SCAF.

8.4 Replication and scale up

372. In general, the SCAF model can be replicated if barriers and hurdles of the new objective are similar. The current SCAF model increases the quality of projects. They are more likely to be successful in the sense that they achieve financial close, make it through construction and start operation and disseminate power. This in itself is a value. Good quality projects are pilots that other proponents look at for duplication. The question evaluators want to raise is if the lid fits the pot: Is the SCAF model the correct model to suit this new market? The SCAF model contains a clearly defined target group which are private equity funds and DevCos. They are supported by currently 3 support lines, kicking in at different stages of in the business model of a private equity fund working on infrastructure type investments.

373. Private Equity Funds operate in a highly structured manner, almost templatized way. The objective of most Private Equity Funds is to exit 5-7 years after financial close. This is one reason why they need SCAF to engage with renewable energy on-grid projects (payback periods are usually much longer) and why it might have been more difficult to interest them in off-grid or energy efficiency projects. The project team points to the difference in the financing structure and the need to define different repayment trigger points, and that there is the potential to engage with these markets as well as with venture-type investors as more and more requests come in.

374. Replication and scale up opportunities need to be vetted against this target group: is the type of capital that the target group provides appropriate for the cause? Does the risk profile of the investment opportunities (in terms of financial but also social and environmental risks) match with the risk return expectations and engagement horizons of the private sector partner? In addition, is the market interest deep enough? Of course, due to variations in the investment approaches, there might be an individual Private Equity Fund that is willing to attempt a sustainable or Corporate Social Responsibility investment in the cause that UN Environment proposes. But in order to gain traction, a critical number of potentially interested Cooperating Partners should have voiced interest before project approval.

8.4.1 Enlarge the reach of the SCAF

375. The Project Team should strive to reach out more systematically to compile a rounded portfolio of 2 dozen partners across SCAF I and II.

376. As mentioned repeatedly above, SCAF is a niche product with a limited target group. But even of this limited target group, only a small percentage has been reached and can be reached with the current means. The impact could be magnified by working with a larger number of partners. It seems that maybe 10-12[85]

[85] The evaluators suggest that a total of twenty-four partners, when the SCAF I and SCAF II groups are combined, would give the smallest size group that would allow for a reasonable risk buffer as well as sufficient diversity to be meaningful for learning.

more partners could be added to the group of Cooperating Partners, so that together with the SCAF I group about two dozen entities are benefitting from SCAF support. This would allow the SCAF to foster a competitive field of "pipeline builders" and compare practices and strategies in a meaningful and statistically better supported way. Keeping in mind the diversity of technologies and target markets, a somewhat larger number of cases is necessary for evidence-based learning and authoritative establishment of best practices. It would also provide a sufficient hedge for some of the risk factors that endanger the SCAF's success.

377. This also implies that the reflows should be reprogrammed to provide support to new Cooperating Partners, rather than providing even higher amounts to the existing Cooperating Partners.

378. As has been noted, the two regions are different in terms of the maturity for private sector engagement, and in terms of the number and diversity of countries open for SCAF investment. In Asia, we noticed that DevCos play a larger role and expand more strongly into the world of finance than in Africa. Both developments are interesting, and a significant expansion of resources would allow to continue supporting the development in both regions. If resources are not large enough to expand in both regions, the evaluation team recommends the design of an explicit rationale for a strategy that entails a focus on one type of investor in one region and another in another region, or focusing generally on only one region. There are also other types of investors that could potentially benefit from pipeline building exercises, including pension funds, insurances, or other types of (patient) capital but they might be left to other projects.

8.4.2 Find additional resources for the SCAF

379. The Project Team is encouraged to raise additional funding for increasing economies of scale and the scope of SCAF.

380. One way to include more partners is of course to provide smaller amounts of funding per partner. Currently, the funding envelope for SL1/SL2 is USD 2.5 m for three partners and around 1.5 m for the other two partners. Most partners have remained below that with their programming. As no project has reached financial close, there is no evidence to judge whether this is "the right" amount or whether it is too large or too small. Therefore, it is not explicitly recommended in this Mid-Term Evaluation to shrink these envelopes, but as time passes this option should be considered.

381. It is unlikely that it will be possible to shrink them sufficiently to accommodate another 10 partners. Therefore, a replenishment of the SCAF funds would be necessary to increase the reach of the SCAF. It is recommended to approach DFID/ BEIS and BMU with a proposal for enhancing (e.g. doubling) their respective contributions and leveraging some economies of scale and scope.

8.4.3 Use the SCAF to support business models beyond on-grid RE

382. The Project Team should consider expanding into venture capital and energy efficiency promoting funds.

383. In addition to the on-grid renewables – which currently constitute 85% of the portfolio – growth capital for SMEs in the sustainable energy field – has by now developed into a significant market for equity

and venture capital. Companies like Mobisol, M-Kopa, Off-grid-Electric, and Bbox are providing millions of customers in Eastern Africa with solar home systems on a pay-as-you-go business model and are backed by venture capitalists. Without a formal expansion of its mandate or change in the project document, the SCAF instruments could be applied to such opportunities as well, expanding the financing base for such companies through bringing in other venture capitalists and effectively helping to bring electricity to off-grid areas. The opportunity offers itself in particular since at least SCAF I PEs had a strong leaning towards venture capital. From the viewpoint of the UK International Climate Fund KPIs, this would open up a new range of beneficiaries.

384. In energy efficiency as well, new business models have been developed in recent years that allow the capital markets to access energy efficiency opportunities. Models like the Dutch Energiesprong Stichting or the standardization approaches of the Investor Confidence Project, or the Indian role model ESCO EESL demonstrate how fragmented energy efficiency investment opportunities can be bundled into larger packages that make them suitable for primary and secondary capital markets. Potentially slight adjustments to the SCAF model would be useful to adapt to the requirements of energy efficiency finance.

8.4.4 Develop new SCAFs for other funding areas

385. The Project Team should choose carefully new areas for “new SCAFs”, building on a systematic analysis of strengths and weaknesses of the SCAF approach, the types of capital that its partners provide and their strategies, and the potential funding areas. One possibility the evaluators were asked to consider was a ‘forestry SCAF’. However, forest projects need a much longer time to become profitable than renewable energy initiatives; forest investment is sensitive to issues of sustainable development; many countries do not yet have the administrative, legal and regulatory environment for private sector forest investments and, where a typical Private Equity Fund strategy might be looking to exit after 6-10 years, forest investment require long-term sustainable management approaches (cf. para 294).

386. It is possible that the SCAF model can be used for building up project pipelines in other areas with investment needs, including areas that support environmental causes. Opportunities that come to mind range from typical infrastructure sectors where private investments or public private partnerships have been tested for a while to more novel opportunities. It can be envisioned that SCAF-like facilities can build investment opportunities in waste management, water management, water infrastructure, or transportation facilities. While management of such opportunities through UN Environment might seem like an odd choice, it would potentially strengthen the role that environment or climate mitigation aspects could play in these investments, as well as social and other SDG considerations.

387. The point to be raised here is does the SCAF model working with Private Equity Funds that are seeking exits within less than 20 years fit this purpose or is the thinking behind it vastly different from the established SCAF model and the name is used like a “brand”, to extend a programme, which when taking a closer look is something else. The latter is also possible, but the evaluators see the direct (1:1) transferability of the SCAF model as applicable in limited cases only.

Annex I. Compilation of outcomes and outputs usage in different documents

Table 12: Outcomes and outputs used in the Project Document Revision 1 (2016), Annual Reports to DFID and Evaluation Results Framework

	Project Document, Sept 2016 Revision 1		Annual Report DFID 2016	Results in the Theory of Change diagram provided to the evaluation
	Results Statements	**Indicators**	**Indicators**	**Results Statements**
Impact Level				Developing countries are able to pursue low carbon sustainable development, resulting in economic growth, poverty reduction and climate change mitigation.
Outcome Level	Developing countries are more able to pursue low carbon resource efficient development as more early stage climate investment is available on a commercial basis leveraging additional commercial capital for climate sector	Number of SL0 supported first time fund managers successfully setting up new climate focused funds	Number of SL0 supported first time fund managers successfully setting up new climate focused funds	Increase in number of fund managers and development companies investing early capital in climate mitigation projects and ventures
		Volume of early stage capital committed to low carbon projects and ventures from cooperating partners; From other sources, including developers and co-investors	Total amount of commitments collected from investors for new climate focused funds raised by first time fund managers	Increase in volume of early and late stage capital committed to climate mitigation projects and ventures.
		Number of seed-financed projects and ventures reaching full financial close (i.e., full project financing or second round venture financing)	Split between private/commercial investors and public investors (capitalization of Cooperating Partners Funds)	

	Project Document, Sept 2016 Revision 1		Annual Report DFID 2016	Results in the Theory of Change diagram provided to the evaluation
	Results Statements	Indicators	Indicators	Results Statements
		Volume of late stage capital committed to low carbon projects (i.e., full project financing) and ventures (i.e., second round and subsequent financing) from Cooperating Partners; from other sources, including developers and co-investors	Volume of early stage capital committed to low carbon projects and ventures from Cooperating Partners	
			Volume of early stage capital committed to low carbon projects and ventures from other sources, including developers and co-investors	
			Number of seed-financed projects and ventures reaching full financial close (i.e., full project financing or second round venture financing)	
			Volume of late stage capital committed to low carbon projects (i.e., full project financing) and ventures (i.e., second round and subsequent financing) from Cooperating Partners	
			Volume of late stage capital committed to low carbon projects (i.e., full project financing) and ventures (i.e., second round and	

	Project Document, Sept 2016 Revision 1		Annual Report DFID 2016	Results in the Theory of Change diagram provided to the evaluation
	Results Statements	Indicators	Indicators	Results Statements
			subsequent financing) from other sources, including developers and co-investors	
			Repayment rate of SL2	
			Total amount of low carbon finance raised or to be raised, including equity/debt; public/development/commercial finance	
			Capacity of low carbon generation financed (MW)	
			Job creation - during construction - all SL2 projects - O&M - all SL2 projects	
			GHG emissions avoided (tCO2e) per year over supported project duration	
Output Level	Output 1: First time fund managers supported (SL0) in raising new private equity/venture capital funds	Number of SL0 agreements signed with first time fund managers	Number of SL0 agreements signed with first time fund managers	SL0: Support to first time fund managers for setting up new funds
		Amount of fund development support provided to new fund managers	Amount of fund development support provided to new fund managers (SL0 disbursements)	SL1: Support to established funds for implementing seed stage project origination strategies

	Project Document, Sept 2016 Revision 1		Annual Report DFID 2016	Results in the Theory of Change diagram provided to the evaluation
	Results Statements	**Indicators**	**Indicators**	**Results Statements**
	Output 2: SCAF cooperating partners supported (SL1) to originate a pipeline of early stage projects and to assist the development of such projects	Number of cooperating partner' agreements signed with funds and development companies	Number of SL1/SL2 Cooperating Partners Agreements signed	SL2: Co-financing of seed stage project developments
		Amount of financial resources granted to cooperating partners to identify and develop a pipeline of early stage clean energy investment opportunities	Amount of financial resources granted to cooperating partners to identify and develop a pipeline of early stage investment opportunities (SL1 disbursements)	
		Numbers of projects supported by cooperating partners through SL1 co-financed activities	Numbers of projects supported through SL1 co-financed activities	
	Output 3: SCAF cooperating partners are supported (SL2) in seed financing early stage projects	Number of projects/ventures seeded with SL2 co-financing support	Number of projects seeded with SL2 co-financing support	
		Amount of SL2 co-financing support provided to projects/ventures	Amount of SL2 co-financing support provided to projects/ventures (SL2 disbursements)	

Table 13: Outcomes and outputs used in the Project Document, 2013.

	Project Document, Dec 2013 - Theory of Change	Project Document, Dec 2013 - Logframe	
	Results Statements	**Results Statements**	**Indicators**
Impact Level	Developing countries are able to pursue low carbon sustainable development, resulting in economic growth, poverty reduction and climate change mitigation.		
Outcome Level	More funds enter market	Developing countries are able to pursue low carbon resource efficient development as more investment funds are entering the market, early stage climate investment is increasingly available on commercial basis, more projects reach financial close, reduced project development and transaction costs, and private sector investment in climate sectors increased.	Number of climate relevant private equity or VC funds entering the market (in absolute terms, and relative to general infrastructure or clean tech funds); Proportion of those funds by SCAF; Corresponding amount mobilized; Seed capital windows or dedicated early stage investors identified
	Early stage investment increasingly available on a commercial basis		Proportion of public/private finance in climate relevant investment
	More projects reaching financial close		Global clean energy investment; Breakdown by host country category (Low Income / Lower Middle Income / Upper Middle / High Income)
	Reduced project development and transaction costs		
	Increased Private Sector investment in low carbon sectors		

	Project Document, Dec 2013 - Theory of Change	Project Document, Dec 2013 - Logframe	
	Results Statements	**Results Statements**	**Indicators**
Output Level	First time fund managers supported to raise new PE/VC funds	Project Output 1: First time fund managers supported (SL0) in raising new private equity/venture capital funds	Number of SL0 agreements signed with first time fund managers
	First time fund managers raise new PE/VC funds		Number of first time fund managers with early stage windows reaching fund first close
	Cooperating fund agreement signed with operating funds		Corresponding amounts raised
	Project developments entering fund origination process		Private/public breakdown of investor base in supported funds
	Project developments seed financed	Project Output 2: SCAF cooperating partners supported (SL1) to originate a pipeline of early stage projects and to assist the development of such projects	Number of SL1/SL2 agreements signed with cooperating partners
	New technologies and business models supported		Number of low carbon project developments supported by cooperating partners
	Projects fully financed mobilising public (11) and private (12) finance		Breakdown by geography, and technology
	MWs of projects financed/constructed (7)	Project Output 3: SCAF cooperating partners are supported (SL2) in seed financing early stage projects	Total seed finance invested from cooperating partners; From others
	Jobs created (5)		Number of low carbon projects receiving seed finance
	CO_2e avoided (6)		Number of seed-financed projects reaching financial close; Repayment rate
			Amount of low carbon finance raised

	Project Document, Dec 2013 - Theory of Change	Project Document, Dec 2013 - Logframe	
	Results Statements	Results Statements	Indicators
			(Equity/debt; public/development/commercial finance ratios)
			Capacity of low carbon generation financed (MW; total climate finance; leverage ratios
			Technology and geography breakdown
			GHG emissions avoided (tC02e)

Annex II. Response to stakeholder comments reviewed but not fully accepted by the evaluators

PLACE IN TEXT/COMMENT	EVALUATION TEAM	UN ENVIRONMENT EVALUATION OFFICE
ADDITONALITY		
Para 15, Pg 12 *An important difficulty that the Project faces is that its additionality rationale is not completely formulated.* Should the project team articulate one now? The discussion at the general meeting articulated a clear definition of what was meant by additionality, so this could be used.	I believe it would be very helpful for the project itself to understand its additionality rationale more clearly. That definition has not been shared with us, but it should make sure that the temporal dimension of additionality is also included (what was additional at the beginning of the SCAF might or might not be additional today).	The evaluation has not been given a definition of additionality. The minutes from the 25th April Steering Committee meeting refers to the general discussion of additionality which took place during the meeting. Additionality is not one of UN Environment's standard evaluation criteria and was added at the request of DFID. An agreed definition will need to be reached before the Terminal Evaluation for any greater insight to be reached. UN Environment is open to using a definition that has been agreed for this initiative. *Added text:* 'and a clear definition should be articulated at this mid-point in the project's life. '
Para 15, Pg 12 *This "speed impact" of the Project implies that projects are able to provide jobs and greenhouse gas reduction impacts earlier than without the Facility.* This is one facet of additionality, but I think it would be helpful to make clear that there are others.	Following the 25th April 2018 Steering Committee meeting in Frankfurt, the evaluation team substantially extended the discussion on Additionality in Section 6. We also consulted with the team evaluating the broader CP3 initiative.	Section 6, pg 72 addresses additionality in detail and a number of additionality facets are discussed. *Extended text:* 'This "speed impact" of the Project is one aspect of additionality delivered by the project and this implies that projects are able to provide jobs and greenhouse gas reduction impacts earlier than without the Facility. Other possible interpretations of additionality are discussed in section
Para 15, Pg 12	In my first version, I had written "could be considered automatically	*Extended text:* 'In terms of the type of support, Support Line 0 is unique, and therefore automatically additional, in the sense that this

In terms of the type of support, Support Line 0 is unique, and therefore automatically additional, I think this statement needs to be qualified.	additional". This alternative wording was requested by the project team, which I accepted because I think this sentence can also stand like as it is.	type of support was not being provided at the baseline and is provided during the project. Support Line 0 is also quite high-risk for the Project.'
Para 15, Pg 12 The countries in which the Facility supports projects through Support Line 2 can be characterized as representing the *middle ground in terms of their investment environments, additionality is given, as an external push or some de-risking certainly helps,* but there are more difficult environments where additionality would be larger. This part (italizised) wasn't clear.	How about: "…representing the *middle ground in terms of their investment environment: an external push or some de-risking certainly helps trigger investment,* but there are more difficult	*Text edited:* 'The countries in which the Facility supports projects through Support Line 2 can be characterized as representing the middle ground in terms of their investment environments: an external push or some de-risking certainly helps trigger investment, but there are more difficult environments where additionality would be larger.'
Para 34, pg 18 *Thus, the subject does not lend itself fully to an analysis of a counterfactual, which makes it difficult to understand or confirm the additionality of the support. While it might be possible in theory to demonstrate exactly how SCAF might have altered Internal Rates of Return (IRRs) to overcome investment hurdle rates, discussions with beneficiaries confirmed that many decisions were not purely based on*	In response to: 'Looking at trends and figures of operators/development projects etc in the countries that SCAF has been involved in would be helpful here and would help establish a counterfactual' Yes, but doing so would have gone beyond the resources of this evaluation. Also, it was not possible to talk to non-intervention task group	*Text added:* 'The project works with a small number (6) of Cooperating Partners, selected based on their experience and financial conditions and working in different countries. This does not represent either a clearly defined nor sizeable intervention group.' The conditions to create a counterfactual would need to have been considered during project design. Specifically, explicit criteria for the selection of partners could have made it possible to apply Propensity Score Matching ex-post. The number of partners (6) would need to have been far greater and their distribution more concentrated (more than one or two

numbers, but also on work flows or opportunities. Interviews with non-intervention[86] groups were deemed to not be helpful in enhancing the understanding of the evaluation team. It is always difficult to pose a counterfactual and determine impact and additionality, regardless of the programme. Looking at trends and figures of operators/development projects etc in the countries that SCAF has been involved in would be helpful here and would help establish a counterfactual. Not doing so means the evaluation is weak in terms of assessing the impacts.	(this was already stated at the inception report). It is also not clear that even with country visits and discussions with non-intervention groups, there would be a clear picture of the impact of the intervention.	operating in the same country) for any comparison with a country context to be valid or meaningful. A single partner could not have represented any sizeable common group to be compared with the country context.
Para 152, pg 55 *These outcomes can be clearly linked to SCAF support. All interviewed Cooperating Partners have, with more or less specificity, confirmed that SCAF support allowed them to devote more money and time on building the funds and their pipelines but would have*	Yes, as the additionality section says (in maybe too many words) it mainly sped things up and provided potentially better quality analysis for potentially better projects.	*Text extended:* 'All interviewed Cooperating Partners have, with more or less specificity, confirmed that SCAF support allowed them to devote more money and time on building the funds and their pipelines but would have devoted significant financial resources even without the SCAF (i.e. the project accelerated the process and provided potentially higher quality analysis for potentially better designed projects). '

[86] 'Non-intervention' groups (also known as 'control' groups) are groups that have key characteristics similar to groups who have taken part in a project or intervention, but who were not involved in the project being evaluated. Non-intervention groups provide an opportunity to explore what changes have taken place that are not as a result of the project. A comparison of the two groups (intervention and non-intervention) helps to isolate the effect of a project and supports claims that observed changes in the intervention group can be attributed to the project being evaluated. In this case, the evaluation team was not able to talk to funds that might have qualified for SCAF support but did not use it.

devoted significant financial resources even without the SCAF. It would be useful to contextualize this in terms of additionality – did it just speed things up?		
Para 206, pg 72 *It is noteworthy, that evaluations traditionally focus on "attribution" and "contribution" rather than on "additionality", simply because ex-post, it is often harder to understand "additionality". Additionality can be analysed across several dimensions. It is a topic that is very multifaceted and no standard evaluation methods exist. Therefore, it is approached here with mixed methods and multiple criteria. Data sources were the interviews, the presentations to, and discussions at, the Steering Committee, two international indices and an internet search for non-SCAF supported projects in the respective country/technology markets.* I think it would be useful to refer back to the comments from the last AGM: "It was suggested by some participants that diversification of investment portfolios could be a measurable indicator for SCAF's added impact.	A section on additionality has been added. The diversification of investment portfolios is one aspect and has been discussed there.	As described in para 15, Exec Summary, the strongest additional effect the evaluation found for this project was in the 'speed' of take up. As Cooperating Partners describe developing renewable energy projects as part of their core business there is not strong evidence to suggest additionality through diversification of investment portfolios. It is noted that the substantial Section on Additionality (section 6) was added following the advice of the Steering Committee. The evaluation team consulted with the evaluators of the CP3 initiatives to ensure that a similar interpretation was being applied. The recommendation, after this more detailed consideration of Additionality, is that a clear description of the project's rationale towards Additionality is needed.

..Members of the Steering Committee stressed that additionality needs to be addressed and assessed more explicitly and substantively in the final evaluation report."		
Para 207, pg 73 *To understand the additionality of the types of support, the benchmark is the uniqueness of the type of support. The discussion needs to differentiate between SL0 and SL1/2 as well as between the support to Private Equity Funds and DevCos.* This might be better position as 'filling gaps in the market' rather than uniqueness per se.	But this implies that there is indeed a gap that can be filled meaningfully with SL0. We are not sure that there is, and we are also not sure that SL0 has been successful. The sample is too small, and the one case is not really a success just yet (no energy investment so far). We are just saying it is something that has not been tried before, i.e. it is additional.	*Text edited:* 'To understand the additionality of the types of support, the benchmark is <u>the potential for this type of support to fill gaps in the market.</u> The discussion needs to differentiate between SL0 and SL1/2 as well as between the support to Private Equity Funds and DevCos.'
Para 209, pg 74 From the evaluators' perspective, all these approaches still lack a way to confirm that SCAF funding was in <u>fact a necessary component</u> of project development. In the absence of a parallel universe with a <u>counterfactual</u>, the combined picture can only be one of contribution. I don't think it has to be necessary to be additional because it's not a zero-sum calculation.	I agree. It does not have to be necessary to be additional. These are two different things. However, if support is not necessary, it does not need to be given. To determine that we would have to have a counterfactual. We have not found a way to reconstruct an unbiased counterfactual (see above) as too many factors influence individual private sector decisions (which is what we are	The counter-factual would have needed to be established in the design of the project and baseline data collected. The project does not target a 'unit of analysis' that can be clearly or explicitly defined. The group of 6 partners also do not aggregate to a definable – or sizeable - group that could be compared with similar groups with publicly available data.

Is it not possible to pose the counter-factual?	talking about - a very small number of idiosyncratic decisions of a small number of people). Only a small part of these factors is actually systematic, the larger part is serendipitous. This is the ultimate reason why we are asking to scale up the SCAF – to have a larger and more representative number of individual decisions.	
Para 211, pg 75 *As more project preparation facilities became available, the additionality of SL1/2 is not as clear cut as it used to be.* So was SCAF I or SCAF catalytic in helping bring about these other project preparation facilities?	No, it was not.	*No change made in text.*
Para 214, pg 75 *Summarizing, while it is indeed highly additional, it is also very unconventional and can and should be used only for very specific cases.* Isn't the point to gap-fill?	See above, on the question of "necessity"	*Text edited:* 'Summarizing, while it is indeed highly additional, it is also very unconventional and can and should be used only for very specific cases, including to fill gaps in the market.'
Para 236, pg 80 *Aspects that do not push the portfolio into a strong additionality role are the selection process for Cooperating Partner which is (appropriately)*		The evaluation finds the selection criteria appropriate as they stand. The possibility of relaxing these criteria were not raised during the evaluation.

focusing on experience and financial soundness of the Cooperating Partners. Important to mention that a relaxation of the rules for eligibility for SL0 is under consideration to address this precise point.		
Para 237, pg 81 *An important difficulty that the SCAF faces is that its additionality rationale is incompletely formulated. This is compounded by the fact that the market is very dynamic in many countries – what was "new" or "additional" today is run-of-the-mill in two years. Thirdly, the expansion of the scope of Cooperating Partners to include DevCos also blurs the line between what is "additional", where did Partners change their baseline behaviour, and what are the things that they would have done without the SCAF – as in particular for the Development Companies, SCAF support does not necessarily imply a big deviation from their business model (no SCAF modality requires them to manage a private equity fund – they just need to see their projects also through to financial close).*	The additionality effect of SCAF in terms of speeding up the process is discussed in the Executive Summary (para 15) and in Section 6.	A number of facets of Additionality are discussed in Section 6 and the 'speed impact' is mentioned in para 15.

I think this is too zero sum; it's not necessarily a case of whether an investment would or would not have happened without SCAF, but also whether it made it happen more quickly and efficiently, and whether it helped provide a demonstration effect.		
Para 238, pg 81 *A natural recommendation is that the PMU develops a clear additionality narrative, derives adjustments to the guidelines and country list from it, which are potentially different for each Partner or partner type, and updates it regularly so as to keep track with market developments.* This could potentially make it quite easy to move the goalposts to match the outcomes.	I might not understand the comment appropriately, but it would be in the hands of the steering committee to agree on the additionality definition as well as the outcomes, no?	The Steering Committee would sign off on any additionality definition or narrative, as well as approving any related changes to the outcome statements. The Terminal Evaluation will evaluate the project only against an approved results framework and definition of additionality provided by the Steering Committee. The evaluation also notes that the outcome statements as used in this evaluation, are under ambitious.
Para 292, pg 94 *Overall, the SCAF has been a success. It is appreciated by its target group – the fund managers – and it fills a niche in the financing space.* In which case it is additional through filling a gap in the financing chain?	Reformulated to *Overall, the SCAF has been a success. It is appreciated by its target group – the fund managers, and it is additional.*	*Text edited:* 'Overall, the SCAF has been a success. It is appreciated by its target group – the fund managers – and it has some additional effects.'
Para 299, pg 96 *This is one reason why SCAF will remain a niche product and one could argue*	Yes, it does.	No change in text

that it is a valid role of UN Environment to develop such niche products as others will not do it. Again, this points to additionality.		
OTHER TOPICS		
Para 10, pg 11: *A less favourable factor, and an area for strengthening, is the outreach and communication work which so far has received too little attention from the project team.* Given the project team are already dealing with more interest than SCAF II has capacity to process, who should the comms be directed to?	I agree that they do not need to make their offer of free money known more. Rather, they need to publish their and the Cooperating Partner's learning, if donors do not want to continue with that high funding effort. There are lessons for the following groups in the practical experiences of the SCAF: - Developers - Equity investors - OEMs - Service providers, insurers, logistics providers - Policy makers - Development banks - The international community And probably many others.	*Text edited:* 'A less favourable factor, and an area for strengthening, is the outreach and communication work focussing on sharing learning among other investors, service providers, policy makers, product developers etc., which so far has received too little attention from the project team. ' Outreach and communications is seen as an essential strategic factor in driving the intended change process (e.g. for disseminating evidence of demonstration effects) and communications should therefore be directed to change agents and those who are expected to adopt new behaviours. The recommendation (#8.2) specifies: - Development of a knowledge management and outreach strategy - Guidance to project partners in the development of a knowledge sharing/lesson learning strategy - Leading a discussion among Cooperating Partners to design a mechanism for knowledge exchange - Make the case to International Development Banks as to why the current situation in the renewable energy field justifies a new and improved attempt.
Para 16, pg 12 *The Project's gap analysis "Catalysing Early Stage Investments" dates back to*	I do not share your optimism about the level of disbursement (as opposed to the level of allocation of funds) and	*No change in text needed.*

2012, and an update and peer review would be important. Given the level of disbursement and how little time is left in the current programme, would this be more efficient if made contingent on further funding for the existing facility and/or the launch of a new facility?	neither your expectation about the short duration remaining. At its current speed, the project will not close at the scheduled moment in time as funds will not be disbursed. The project will also have to deal with the reflows (and one way of using them would be on knowledge and experience sharing).	
Para 18, pg 13 *With 6 partners that develop projects, the Facility is too small to impact the renewable energy field in frontier countries. If the funding gap for early stage financing is reconfirmed in the update of the peer reviewed gap analysis, donors should consider an upscaling of the Facility. Already, reflows should not be used to enhance the grants for existing Cooperating Partners but for supporting new Partners.* Interesting point for DFID/BEIS to consider – is there a ballpark idea of how large the scaling up would need to be to translate into being 'impactful'?	Yes, we give that ballpark figure in the recommendations.	*No change in text needed.*
Para 18, pg 14 *The interviewees from the side of the Cooperating Partners specifically also*	There is a significant discussion in the climate finance community about engaging the private sector. Some	The comment from Cooperating Partners refers to strengthening the understanding of policy makers and regulators (i.e. country level agents), rather than donors.

suggested that UN Environment should strengthen the understanding of policy makers and regulators about the needs of private renewable energy investors. What does this look like in practice? What exactly should be communicated from the private investors to donors, and through which channels?	lessons for this (donor) discussion can be learned from the SCAF. However, the more important pathway would be UNEP communicating to the governments that want to provide good investment frameworks what the private sector would need for that.	
Para 93, pg 36 footnote 32 *This project outcome statement equates most closely to the long-term impact level statement in the Theory of Change for the CP3 initiative. This Theory of Change diagram is only included in the original project document, but not in the 2016 revision.* Footnote is interesting – any reason why the ToC was omitted from the 2016 version?	We noted a general indifference of the project team towards standard tools of ODA project planning.	The fundamental importance of a single, agreed results framework (one that is consistent in any logframe or Theory of Change) needs to be taken on board by the project. Indicators need to be associated with the results statements to which they expect to contribute. This would document the project's intentionality against which results could be better assessed and associated with the project's efforts. It would also support stronger accountability and The evaluation team was advised that the UN Environment Project Document formed the basis of the contract with DFID. The original document, approved by UN Environment in 2013, included a logframe (required by UN Environment) and a TOC-diagram (DFID-style). In the 2016 revised Project Document only a revised logframe was included. During the preparation of the Terms of Reference for the evaluation a revised TOC-diagram was provided, but the evaluation team was later advised that this TOC was not known to have been approved and its origins were uncertain.
Para 105, pg 40 *The output indicator "Amount of financial resources granted to cooperating partners to identify and*	The labelling is probably consistent – these are two different things. Disbursement = the money has been given to the recipient.	The Evaluation Report text refers to UN Environment's Annual Report to DFID.

develop a pipeline of early stage energy investment opportunities" is, according to the 2016 project document revision, measuring <u>commitments</u>, but <u>disbursements</u> according to the Annual Report to DFID. The annual report to DFID, or DFID's Annual Report? And is this a substantive difference – are they measuring two different things or just inconsistently labelling?	Commitment = the money has been promised to the recipient. I.e. the full amount of a contract is "committed" when the contract (e.g. with the CP) is concluded, but will be disbursed step by step in line with project milestones.	*Text edited:* 'In the <u>UN Environment</u> annual reports to the donors these KPIs are reported'
Para 105, pg 40 *In the annual reports to the donors these KPIs are reported against alongside shorter-term outcome indicators, while they would reasonably be considered as indicators of long-term impact.* Again, is this latter point substantive or just a matter of where they're reported?	There is a general mixing of short term and long-term indicators which might lead to a lack of differentiation between actual and intended achievements. For example, even the installed MW will probably not be *<u>demonstrated</u>* within the SCAF's monitoring of each project (which ends at financial closure).	*Extended text:* 'The mixing of short and long-term indicators at the same results' levels may lead to a lack of differentiation between intended and actual achievements, which obscures assessments of progress along a pre-defined causal pathway.'
Para 106, pg 40 *The project team argues that variations in the positioning of results statements in the hierarchy of results or the weak alignment of indicators to those levels of results does not and did not, alter the overall substance or direction of the project.*	See my last response	*Text added:* '<u>However, the documented intentionality of any project is the foundation for any claims to cause and effect (i.e. claims for the credible association between the projects efforts and observed effects). In addition,</u> given the commitment made by UN Environment in 2010 to adopt a strong results focus, as well as the interest of donors to see inputs converted into results, this is an area that warrants attention.

I think this is an important point that goes someway to answering the previous two questions I asked, and it would be helpful to bring it out more.		The documented intentionality of any project (before its implementation) is the foundation for any claims to cause and effect (i.e. claims for the credible association between the projects efforts and observed effects). As noted above, the lack of clear and consistent results statements at the Project Outcome level (i.e. outcomes that were expected to be achieved within the project's lifetime and with its secured funds) undermines UN Environment's standards of accountability. The misplacement of indicators, combined with a lack of clear and consistent results statements, challenges UN Environment's claim to being a results-based organization.
Para 159, pg 60 *It is too early to assess the achievements of the long-term outcome "Developing countries are more able to pursue low carbon resource efficient development as more early stage climate investment is available on a commercial basis leveraging additional commercial capital for climate sector."*[87] *In addition, this is an outcome statement that is not fully related to the activities.* This is quite a fundamental criticism	Yes. That is why we are proposing a clearer formulation of the TOC and of additionality.	*Text extended:* 'In addition, this is an outcome statement that is not fully related to the activities as it represents a long term impact that could only be realised some time after the project's completion, and with considerable larger scale and diversified efforts.' The activities of the project are directed towards individual Private Equity Funds and Developing Companies. There are no components relating to a) communication and outreach to support replication/disseminate information on demonstration effect etc and b) policy makers or government. The scaling up mechanism, under the influence of this project, is limited to the efforts of individual Funds/DevCos (6 in total) to bring two development projects to a financial close. After these two

[87] UN Environment (2013): Approved Project Document. Seed Capital Assistance Facility II.

		projects the Fund/DevCo must enter a new country in order to receive further project support. The Evaluation therefore concludes that the project's likelihood of making an impact at the level of <u>developing countries</u>, is not supported by the portfolio of activities within its scope of work.
Para 201, pg 71 *This process was concluded in August 2016 causing a delay of overall 18 months for the full formalization of the operationalisation of the Facility. The unexpected additional administrative process caught some of the better prepared and ready counterparts by surprise and had negative, delaying effects. Potential Cooperating Partners that had been contacted much earlier (around 2014), had delivered their applications/project documents but were to some degree put on pause during the administrative hold-up.* There is a wider point here about how interventions with public money take longer than foreseen to reach the market.	Might be specific to UNEP?	While the point is taken that public money may take a long time to reach a commercial market, the delay referred to in the Evaluation Report relates to the period between UN Environment signing its agreement with its Donors and the release of funds to the Cooperating Partners.
Para 341, pg 107 *If the SCAF is to be operated at <u>the same scale</u>, the scope should be clarified: is it a project development facility or a private equity subsidy, and*	…"at the current scale"	*Text edited:* 'If the SCAF is to continue to be operate <u>at its current</u> scale, the scope should be clarified'

is it supposed to be open for investments in a specific set of countries, or in disadvantaged locations anywhere? As what?		

Annex III. Evaluation itinerary

Table 14: Interviewees

Name	Function	Organization	Location
Gilles Parmentier	Chief Investment Officer	Green Wish	Phone Call
Jacop B. Rentschler	Managing Partner	Zoscales	Phone Call
Lars Tejlgaard Jensen	Investment Director	DI Frontier	Phone Call
Mugwe Manga	Commercial Director	Olsuswa Energy	Kenya
Rodelio D. Soriano	Vice President	NV Vogt	Philippines
Olivier Duguet	CEO	Blue Circle	Singapore
Michael Boardman	Group Chief Financial Officer	Sindicatum	Singapore
Stanley Lim	Managing Director Group Finance		
Kim Zhuang	Associate Strategic Corporate Finance		
Robert Driscoll	President (USA) by phone		
Martin Cremer		Frankfurt School-UNEP Collaborating Centre	Frankfurt, Germany; Phone Calls
Patrick Kurz		Frankfurt School-UNEP Collaborating Centre	Frankfurt, Germany; Phone Calls
Andrea Bode		Frankfurt School-UNEP Collaborating Centre	Frankfurt, Germany; Phone Calls
Derek Campbell		Frankfurt School-UNEP Collaborating Centre	Frankfurt, Germany; Phone Calls
Charlotte Kantelhardt		Frankfurt School-UNEP Collaborating Centre	Frankfurt, Germany; Phone Calls
Eric Usher	Head, UN Environment Finance Initiative; Former Project Manager	UN Environment	Phone Call
Françoise d'Estais	Head, Finance Unit; Project Manager	UN Environment	Paris, France; Phone Calls
Ghita Hannane	Associate Programme Officer, Finance Unit	UN Environment	Paris, France; Phone Calls
Alexander Fisher	IKI department	BMU	Phone Call

Annex IV. Agenda of SCAF II Annual Meeting 2018

Seed Capital Assistance Facility

SCAF II 2018 Annual Meeting Agenda

Date/time: April 24th, 11:00 AM to 06:00 PM; April 25th, 09:00 AM to 05:00 PM
Location: Frankfurt School of Finance & Management, Adickesallee 32-34, 60322 Frankfurt am Main; Room S3.08, 3rd floor
Participants:

Regional Committee Africa Gunter Fischer, EIB Hanaan Marwah, CDC (Excused) Eric Usher, UNEP-FI Joao Cunha, AfDB (Excused) ***Steering Committee*** Serina Ng, DFID Mike Reddaway, DFID Angelina Avgeropoulou, BIES Oliver Bley, IKI (Only second day) Morten Koch, BMU (Only first day) ***Project Management Unit*** Ghita Hannane, UN Environment Françoise d'Estais, UN Environment	***Regional Committee Asia*** Laird Reed, IFC Christopher Cosack, DEG (Only first day) David Elzinga, ADB (Excused) Françoise d'Estais, UN Environment ***SCAF Agent*** Martin Cremer, FS-UNEP-Centre Andrea Bode, FS-UNEP-Centre Derek Campbell, FS-UNEP-Centre Charlotte Kantelhardt, FS-UNEP-Centre ***Other Participants*** Christine Woerlen, Arepo Consult Lars Tejlgaard DI Frontier (Only for presentation) Janet Wildish, UN Environment Franziska Funke, UN Environment Eda Kraja, UNOPS Samina Kadwani, UNOPS

Tuesday, April 24th

11:00	*Welcome*
11:15	Intros. Participants' update on own activities related to SCAF
11:30	SCAF Progress to date
12:00	DI Frontier presentation (Lars Tejlgaard)
12:45-13:45	*Lunch*
13:45	Introduction to UNOPs, SCAF Financials and SCAF 2018 work plan
14:45	Zoscales presentation
15:30	*Coffee Break*
15:45	SCAF Evaluation (Janet Wildish, Christine Woerlen)
16:45	SCAF Strategy (discussion evaluation outcomes , Mapping & Market Trends)
18:30	*Close of Day 1*
TBD	*Dinner Invitation*

Wednesday, April 25th

(for RC Members, start at 10:15 only)

09:00	*Welcome coffee*
09:00	SCAF Steering Committee Meeting (evaluation recommendations, additional contributions, suggested process for reflows, Lessons Learned Brochure) *for Steering Committee Members only*
10:15	*Coffee Break (Regional Committee members join)*
10:30	The Blue Circle presentation
11:15	Sindicatum presentation
12:00-13:00	*Lunch*
13:00	Global Trends Report
13:15	Reflows (update – process – amendment of SCAF manual)
14:00	Communication Strategy
14:30	AOB
15:00	GreenWish presentation
15:45	*Coffee Break*
16:00	JCM presentation
16:45	Meeting wrap-up
17:00	*Close of Day 2*

Annex V. Summary of co-finance information and a statement of project expenditure by activity

Table 15: Overview of SCAF Cooperating Partner budget and actual disbursements

Cooperating Partner	CPA budget				CPA disbursements (until Dec 2017)			
	SL0	SL1	SL2	Total	SL0	SL1	SL2	Total
JCM Capital-CP1		830,000	1,670,000	**2,500,000**		493,955	346,842	**840,797**
DI Frontier-CP2		750,000	1,750,000	**2,500,000**		573,929	625,000	**1,198,929**
The Blue Circle- CP3		470,000	930,000	**1,400,000**		325,000	737,917	**1,062,917**
Sindicatum (split a confimer) CP4		830,000	1,670,000	**2,500,000**		358,166		**358,166**
GreenWish - CP5		504,000	996,000	**1,500,000**		327,700	167,500	**495,200**

Zoscales Partners- CP6	400,000			**400,000**	400,000			**400,000**
CP7								
CP8								
Total	**400,000**	**3,384,000**	**7,016,000**	**10,800,000**	**400,000**	**2,078,750**	**1,877,259**	**4,356,009**

Source: All Cooperating Partner Agreements SCAF II. FS (2018): SCAF II Narrative Report for the period July-December 2017.

Annex VI. List of documents consulted

Bloomberg New Energy Finance (2017): Climate Scope 2017. The Clean Energy Country Competitiveness Index.

DFID (2017): Climate Public Private Partnership Programme (CP3). Annual Review 2016, https://devtracker.dfid.gov.uk/projects/GB-1-201733/documents.

Escalante et al. (2018): Approaches to assess the additionality of climate investments. Findings from the evaluation of the Climate Public Private Partnership Programme (CP3). Climate Policy Initiative.

Evaluation Office of UN Environment (2017): Terms of Reference. Mid-Term Evaluation of the UN Environment project "Seed Capital Assistance Facility, Phase II".

Frankfurt Finance Audit (2017): SCAF II Trust. Audit Report. Financial Statement as of December 31st, 2016.

Frontier Investment Management ApS/FS/FSFS (2015): SCAF II Cooperating Partner Agreement.

FS (2018): Interim Financial Report. January – July 2017.

FS (2018): SCAF II Narrative Report for the period July-December 2017.

FS (2018): SCAF II Narrative Report for the period July-December 2017. Annex 4_List of Incoming requests.

FSFS (2018): Financial Report. 01 January – 31 December 2017. Table.

GET FiT Uganda: Status of GET FiT roll-out to other countries, https://www.getfit-reports.com/2015/risk-management/status-of-get-fit-roll-out/.

GreenWish Capital Ltd./FS/FSFS (2016): SCAF II Cooperating Partner Agreement.

Investor Confidence Project: http://www.eeperformance.org/

JCM Solar Capital Ltd./FS/FSFS (2015): SCAF II Cooperating Partner Agreement. N.N. (n.d.): Eligibility Criteria for Funds

Melina Heinrich, DCED (2014): demonstrating Additionality in private sector development initiatives. A Practical Exploration of Good Practice for Challenge Funds and other Cost-Sharing Mechanisms.

N.N. (n.d.): Eligibility Criteria for Project Developers

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N.N. (n.d.): Proposal Submission Guidelines for Funds

Power Africa (2016): Project Preparation Facilities Toolbox

Ramboll (2015): Analysis of renewable energy project preparation facilities in Sub-Saharan Africa. SIDA.

Ramboll (2015): Analysis of renewable energy project preparation facilities in Sub-Saharan Africa. For SIDA.

REN21 (2018): Renewables 2017. Global Status Report, http://www.ren21.net/wp-content/uploads/2017/06/17-8399_GSR_2017_Full_Report_0621_Opt.pdf.

Ritchie/Usher (2011): Catalysing early stage investment. Addressing the Lack of Early-Stage Capital for Low-Carbon Infrastructure in Developing Economies. UN Environment/Aequero.

SCAF Country List.

SCAF II Annual Meeting Minutes. April 2016. Frankfurt.

SCAF II Annual Meeting Minutes. May 2017. Paris.

SCAF II Annual Meeting Minutes. November 2014. Paris.

SCAF II Annual Meeting Minutes. October 2013. Frankfurt.

SCAF II Interim Call. August 2016.

SCAF II Interim Call. December 2015.

SCAF II Interim Call. December 2016.

SCAF II Steering Committee Meeting Minutes. April 2015. Paris.

SCAF II TelCo. Progress to date. February 2017.

SCAF II Update Call. October 2017.

Sindicatum Renewable Energy Company Pte Ltd./FS/FSFS (2016): SCAF II Cooperating Partner Agreement.

The Blue Circle Pte Ltd./FS/FSFS (2016): SCAF II Cooperating Partner Agreement.

UN Environment (2013): Approved Project Document. Seed Capital Assistance Facility II.

UN Environment (2014): Annual Report 2014. Seed Capital Assistance Facility II. Draft for Comment.

UN Environment (2014): Update on SCAF Operations.

UN Environment (2016): Annual Report 2015. Seed Capital Assistance Facility II.

UN Environment (2016): Evaluation Policy, https://www.unenvironment.org/about-un-environment/evaluation/policies-and-strategies.

UN Environment (2016): Project Revision No. 1. Seed Capital Assistance Facility II.

UN Environment (2017): Draft Annual Report 2016. Seed Capital Assistance Facility II.

UN Environment (2017): SCAF II Budget Expenditure Dashboard. Table.

UN Environment (2018): Reporting Schedule. E-Mail, February2018.

UN Environment (n.d.): Annex C: Governance Body Roles and Responsibilities. Annex D: Implementing Partner Responsibilities.

UN Environment (n.d.): Project Preparation Facilities.

UN Environment (2013): UN Environment Programme Manual, http://www.unep.org/QAS/Documents/UNEP_Programme_Manual_May_2013.pdf.

UN Environment/BMU (2014): Donor Agreement between the Government of Germany – Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety and the United Nations Environment Programme regarding contribution to the trust fund for the Seed Capital Assistance Facility.

UN Environment/DFID (2013): Donor Agreement between UK Department for International Development and United Nations Environment Programme. SCAF II.

UN Environment/DFID (2016): Donor Agreement between UK Department for International Development and United Nations Environment Programme. SCAF II. Amendment No. 1.

UN Environment/FS (2015): Seed Capital Assistance Facility – Manual Annexes 2.0.

UN Environment/FS (2015): Seed Capital Assistance Facility – Manual Version 2.0.

UN Environment/FS (2015): Seed Capital Assistance Facility. Support Line Guidelines.

UN Environment/FS (2017): SCAF II Mapping Study. 28 April 2017. STRICTLY CONFIDENTIAL.

UN Environment/FS (2018): SCAF II Progress to Date. TelCo 15 February 2018. Presentation.

UN Environment/FS (n.d.): Seed Capital Assistance Facility. Brochure.

UN Environment/FS (n.d.): The Seed Capital Assistance Facility at a glance.

UNOPS (2017): Provisional Project Progressive Financial Report as of June 2017, September 2017, and December 2017.

UNOPS (2018): Interim Progress Report. Reporting Period July – December 2017.

UNOPS/UN Environment (2016): UN Agency to UN Agency Contribution Agreement.

UNOPS/UN Environment (2017): UN Agency to UN Agency Contribution Agreement. Amendment No. 1.

Zoscales Partners AG/FS/FSFS (2016): SCAF II Cooperating Partner Agreement.

Annex VII. Evaluation Bulletin

Will be attached to the Evaluation report in a separate document.

Annex VIII. Communication and outreach tools used to disseminate results

The report will be disseminated to the funders (BMU and DFID) and the main project stakeholders (UN Environment, UNOPS and Frankfurt School). The results of the evaluation will also be presented in a power point presentation in the next steering committee meeting.

Annex IX. Evaluation Terms of Reference (without annexes)

Mid-Term Evaluation of the UN Environment project
"Seed Capital Assistance Facility, Phase II"

Section 1: PROJECT BACKGROUND AND OVERVIEW

1. Project General Information

Table 1. Project summary

UN Environment PIMS ID:	1657	DFID Project No. BMUB Project No.	201733 14_I_201_Global_M_Low Carbon Development
Implementing Partners:		Frankfurt School of Finance and Management[88] United Nations Office for Project Services (UNOPS)[89]	
Cooperating Partners:		6[90] Clean Energy Fund Managers or Development Companies	
Sub-programme:	Climate Change	Expected Accomplishment(s):	EA (b) Energy efficiency is improved and the use of renewable energy is increased in partner countries to help reduce greenhouse gas emissions and other pollutants as part of their low emission development pathways
UN Environment approval date:	Dec 2013	Programme of Work Output(s):	EA (b) – 4: Technical support provided to countries and partners to set up and implement sectoral initiatives and to make renewable energy and energy efficiency technologies bankable and replicable.
Expected start date:	Jan 2014	Actual start date:	Jan 2014
Planned completion date:	Dec 2021	Actual completion date:	*Not applicable*
Planned project budget at approval:	USD 26m	Actual total expenditures reported as of December 2016:	9,207,250

[88] Frankfurt School of Finance and Management is an implementing partner through two different structures: (i) **Frankfurt School UNEP Collaborating Centre** was a SCAF implementing partner prior to UNOPS being contracted and, since April 2016 has been the SCAF Agent, and (ii) since August 2016 their subsidiary **Frankfurt School Financial Services** has been contracted as the trustee of the SCAF UK trust by UNOPS.

[89] United Nations Office for Project Services (UNOPS) has been a project partner since March 2016

[90] A seventh fund manager will take part in a due diligence assessment process in May 2017

Planned Environment Fund allocation:	0	Actual Environment Fund expenditures reported as of [date]:	0
Planned Extra-Budgetary Financing:	USD 17.5m: USD 13.5m corresponding to GBP 9m of the UK Department for International Development (DFID), and USD 4m corresponding to EUR 3m of the German Ministry of Environment (BMUB) Revised to: USD 22,252,795 in 2016.	Secured Extra-Budgetary Financing (contributions received to December 2016):	USD 13,718,078
		Actual Extra-Budgetary Financing Expenditures reported as of December 2016:	9,207,250
First disbursement:		Date of financial closure:	
No. of revisions:	1 (Elements in ProDoc revised)	Date of last revision:	27/09/2016
No. of Steering Committee meetings:	6 SC meetings[91] 11 Regional Committee meetings (advisory function	Date of last/next Steering Committee meeting:	*Last:* 8 December 2016 *Next:* May 9th 2017 (Annual Meeting) Quarter 3, 2017 (Steering Committee meeting)
Mid-term Review/ Evaluation *(planned date):*	2016	Mid-term Review/ Evaluation (actual date):	May - Sept 2017

[91] SC and Annual Meetings are separate events but held side by side at the same time.

Terminal Evaluation *(planned date):*	June 2021	Terminal Evaluation (actual date):	*Not applicable*
Coverage - Country(ies):		Coverage - Region(s):	Africa Asia Latin America (no activities planned for Latin America in the current budget)
Dates of previous project phases:	REED SCAF Phase I (July 2008 – Dec 2017 *expected*)	Status of future project phases:	*Not applicable*

2. Project Rationale

1. Operating within Asia and Africa, (and potentially Latin America) the project aims to create a Seed Capital Assistance Facility (SCAF) that provides technical assistance to help low-carbon technology entrepreneurs and project developers access enterprise development support and seed capital from mainstream energy investors[92], in particular from those operating in the private sector and at the early stage of project development and start up. The project focuses on climate action in the form of clean energy investments, including both renewable energy and energy efficiency.

2. Typically, financial support for the early stages[93] of sustainable energy enterprise development initiatives comes from foundations and donors who are willing to take a lower rate of return in exchange for the achievement of their broader developmental objectives. Attracting more mainstream sources of seed capital investment has been identified by the project as a necessary step towards realizing the full potential of these sustainable energy technologies.

3. The underlying rationale of the facility is that the seed capital approach offers a market solution for capital formation in the sustainable energy sector because it: (1) helps indigenous clean energy entrepreneurs initiate businesses that can achieve viable financial returns; (2) demonstrates to investors and lenders waiting on the sidelines that these businesses are viable investment opportunities; and, (3) convinces these investors that the key is not to wait for others to make seed capital investments and to feed off the trickle of opportunities that result but rather to “seed” their own pipeline of opportunities.

4. Specifically, the purpose of the Seed Capital Assistance Facility is to: a) grow the relatively small number of specialized fund managers engaging in this investment space, and b) engage mainstream investors in early stage financing and associated support to low-carbon project developments and ventures. Over time the transformational goal is that the present gaps in fund manager engagement and early stage financing will close through increased investor experience, decreased overall costs and risks of low carbon project development.

5. This project builds on a previous project, the Seed Capital Assistance Facility, phase I, which was implemented between July 2008 and December 2017 (expected end date). This previous work provides cumulative experience of working with and through commercial fund managers to channel support to appropriate low carbon project and enterprise developments and, by leveraging their due diligence

[92] Typically these are investment funds capitalized by development finance institutions, private institutional investors and high net worth individuals.

[93] Early-stage (or seed-stage, although this term rather belongs to the terminology of venture capital) refers to that part of the clean energy project or enterprise development timeline till financial close (infrastructure-type projects) or growth stage (clean energy technology).

processes, at low transaction costs. The Seed Capital Assistance Facility, phase II, initiative is a scaled up version of the first phase with refinements in: a) the governance structure of the project, and b) the lines of support offered to fund managers (Cooperating Partners). In this phase the intention was to set up a UN multi-donor Trust Fund (see Executing Arrangements below) and to offer an additional support line to first-time fund managers as well as to establish modalities for working with experienced and well-capitalized Development Companies[94] These refinements were recommendations of the Seed Capital Assistance Facility, phase I, mid-term review.

3. Project Objectives and Components

6. The project's outputs, outcome and intended impact, as described in the UN Environment ProDoc, September 2016 revision, are listed below.

Impact:
Developing countries are able to pursue low carbon sustainable development, resulting in economic growth, poverty reduction and climate change mitigation.

Project Outcome:
The project outcome is also described, in the revised ProDoc, September 2016[95], as: 'Developing countries are more able to pursue low carbon resource efficient development as more early stage climate investment is available on a commercial basis leveraging additional commercial capital for climate sector.'

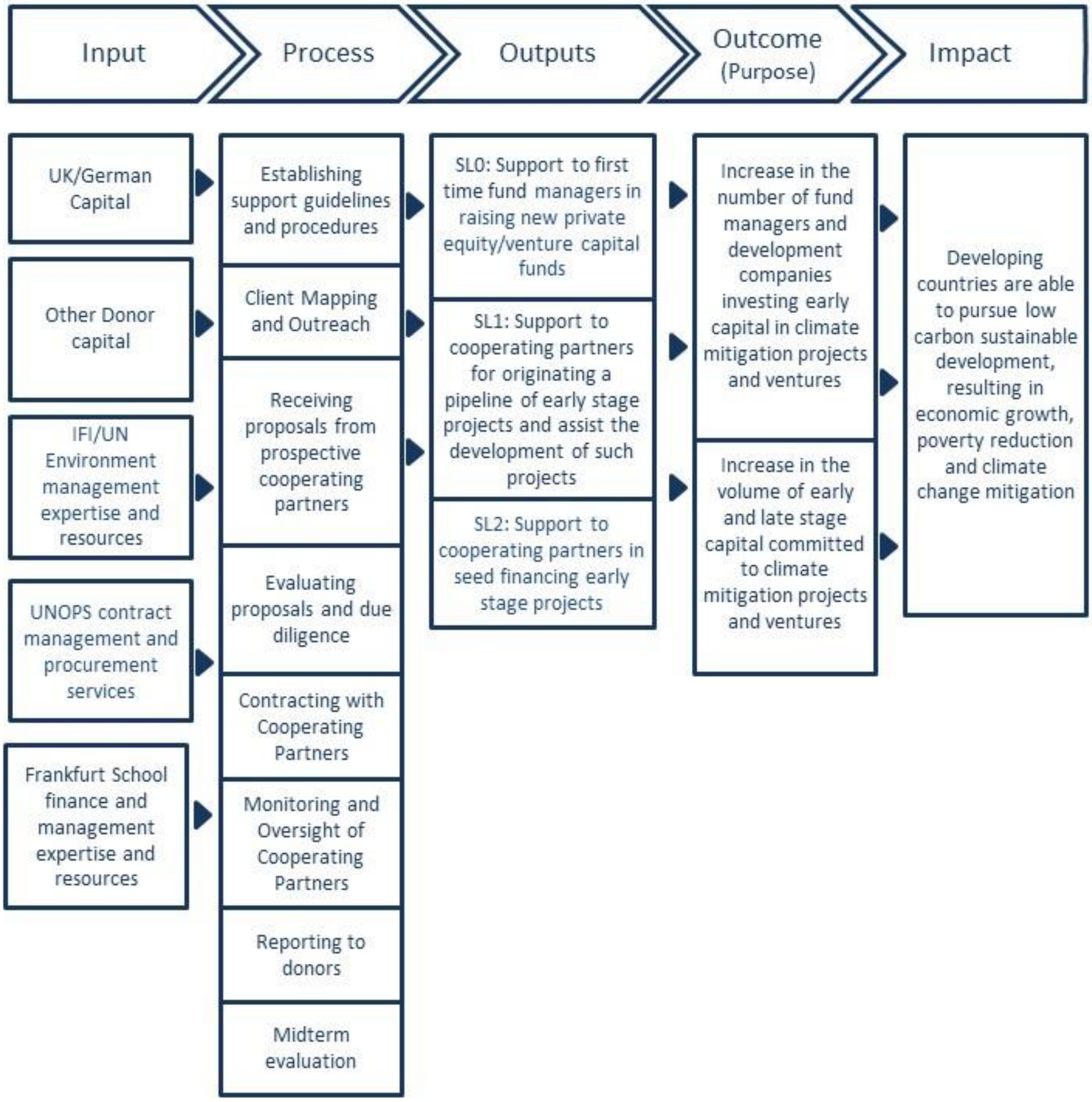
Project Outputs:
1) First Time Fund Managers[96] supported (SL0) to raise new private equity/venture capital funds
2) SCAF Cooperating Partners supported (SL1) to originate a pipeline of early stage projects and to assist the development of such projects.
3) SCAF Cooperating Partners are supported (SL2) in seed financing early stage projects.

The following three Support Lines (components) are identified:

1) <u>Support Line 0</u> (SL0): First-time clean energy fund managers receive support in raising new private equity/venture capital funds (PE/VC funds) and complete the financial close of their fund.
2) <u>Support Line 1</u> (SL1): SCAF Cooperating Partners are supported to originate a pipeline of early stage low-carbon projects and to assist the development of such projects until they enter the fund investment process.
3) <u>Support Line 2</u> (SL2): SCAF Cooperating Partners are supported in seed financing early stage low carbon projects to develop those until they reach financial close.

Figure 1: TOC diagram[97] from original ProDoc.

[94] A Development Company (DevCo) is a company whose sole purpose is to develop projects, each of which are normally spun off into 'special purpose vehicles' once they are fully developed and financed.
[95] In the original ProDoc the following outcomes were included: more funds enter market; early stage investment increasingly available on a commercial basis; more projects reaching financial close; reduced project development and transaction costs and increased private sector investment in low carbon sectors.
[96] 'First Time Fund Managers' as mentioned here are also 'SCAF Cooperating Partners' but of a particular type.
[97] Based on the TOC in the original ProDoc, this diagram has been amended to include the partnership with UNOPS


Input
Process
Outputs
Outcome (Purpose)
Impact
UK/German Capital
Other Donor capital
IFI/UN Environment management expertise and resources
UNOPS contract management and procurement services
Frankfurt School finance and management expertise and resources
Establishing support guidelines and procedures
Client Mapping and Outreach
Receiving proposals from prospective cooperating partners
Evaluating proposals and due diligence
Contracting with Cooperating Partners
Monitoring and Oversight of Cooperating Partners
Reporting to donors
Midterm evaluation
SL0: Support to first time fund managers in raising new private equity/venture capital funds
SL1: Support to cooperating partners for originating a pipeline of early stage projects and assist the development of such projects
SL2: Support to cooperating partners in seed financing early stage projects
Increase in the number of fund managers and development companies investing early capital in climate mitigation projects and ventures
Increase in the volume of early and late stage capital committed to climate mitigation projects and ventures
Developing countries are able to pursue low carbon sustainable development, resulting in economic growth, poverty reduction and climate change mitigation

4. Executing Arrangements

7. The SCAF project is set up under the UN Environment Climate Change Sub-Programme and is executed by the Energy Branch within the Economy Division. The implementation structure consists of three main parts: i) a high level **Steering Committee**[98] comprising UN Environment Economy Division, DFID and BMU (and potentially any other funding partners); ii) two **Regional Committees** comprising: in Africa - UN Environment Economy Division, African Development Bank (AfDB), European Investment Bank (EIB) and the CDC Group of the UK and in Asia – UN Environment Economy Division, Asian Development Bank (ADB), International Finance Corporation (IFC) and Deutsche Investitions und Entwicklungsgesellschaft (DEG); and iii) and **Implementing Partner** (Frankfurt School UNEP Collaborating Centre). In 2016[99] a revision was made to this structure to include the UN Office for Project Services (UNOPS) as an implementing partner. UNOPS in turn has contracted arrangements with the SCAF Agent (Frankfurt School UNEP Collaborating Centre) and the SCAF Trustee (Frankfurt School Financial Services).

8. Operationally the SCAF II governance structure involves (i) a Steering Committee for policy setting and high level decision making capacity for the execution strategy, operating modalities and terms and conditions of SCAF support, (ii) two Regional Committees for Africa and Asia for recommendation on SCAF II partners and associated support agreements, and (iii) a UNEP Programme Management Unit (PMU) which oversees SCAF implementation, including supporting the governing bodies and the approving and oversight of partners and support agreements.

9. In its implementation of the SCAF Programme, the PMU is supported by and interfaces with two implementing partners: the SCAF II Agent and the SCAF II Trustee.

10. The SCAF II Agent responsibilities include (i) Outreach to prospective SCAF Cooperating Partners, (ii) Assistance to prospective SCAF Cooperating Partners for the preparation of proposals, (iii) Carrying out due diligence on prospective Cooperating Partners and preparation of the proposal memoranda to be submitted to the SCAF Regional Committees; (iv) Once proposals are approved, preparation of Cooperating Partner Agreements and management of subsequent support requests as per the Agreements signed; and (v) Monitoring of financial disbursements as per the signed Agreements and monitoring of quarterly reports from SCAF Cooperating Partners. The SCAF II Agent, based at the Frankfurt School UNEP Collaborating Centre, has been under contract since 2014 when the facility was under development.

11. The SCAF II Trustee administers the financial flows related to the SCAF II Trust Fund, including receiving and holding the capital of the Trust Fund, signing contracts with approved Cooperating Partners, receiving and processing draw down requests, and maintaining the Trust Fund records and books of account. UNEP has had procurement difficulties for the Trustee selection and has been unable to directly undertake the contract. After quite some time trying to resolve this issue it was decided during 2015 to work with the UN Office for Project Services (UNOPS) to undertake the contracting for both the Agent and the Trustee.(See Project Implementation Structure diagram over page)

5. Project Cost and Financing

12. The total estimated project cost as revised in the ProDoc, September 2016.

Overall Budget	Amount

[98] The Implementing Partner has observer status on the committee.

[99] The project document revision was finalized in September 2016, however the agreement with UNOPS became operational in March 2016

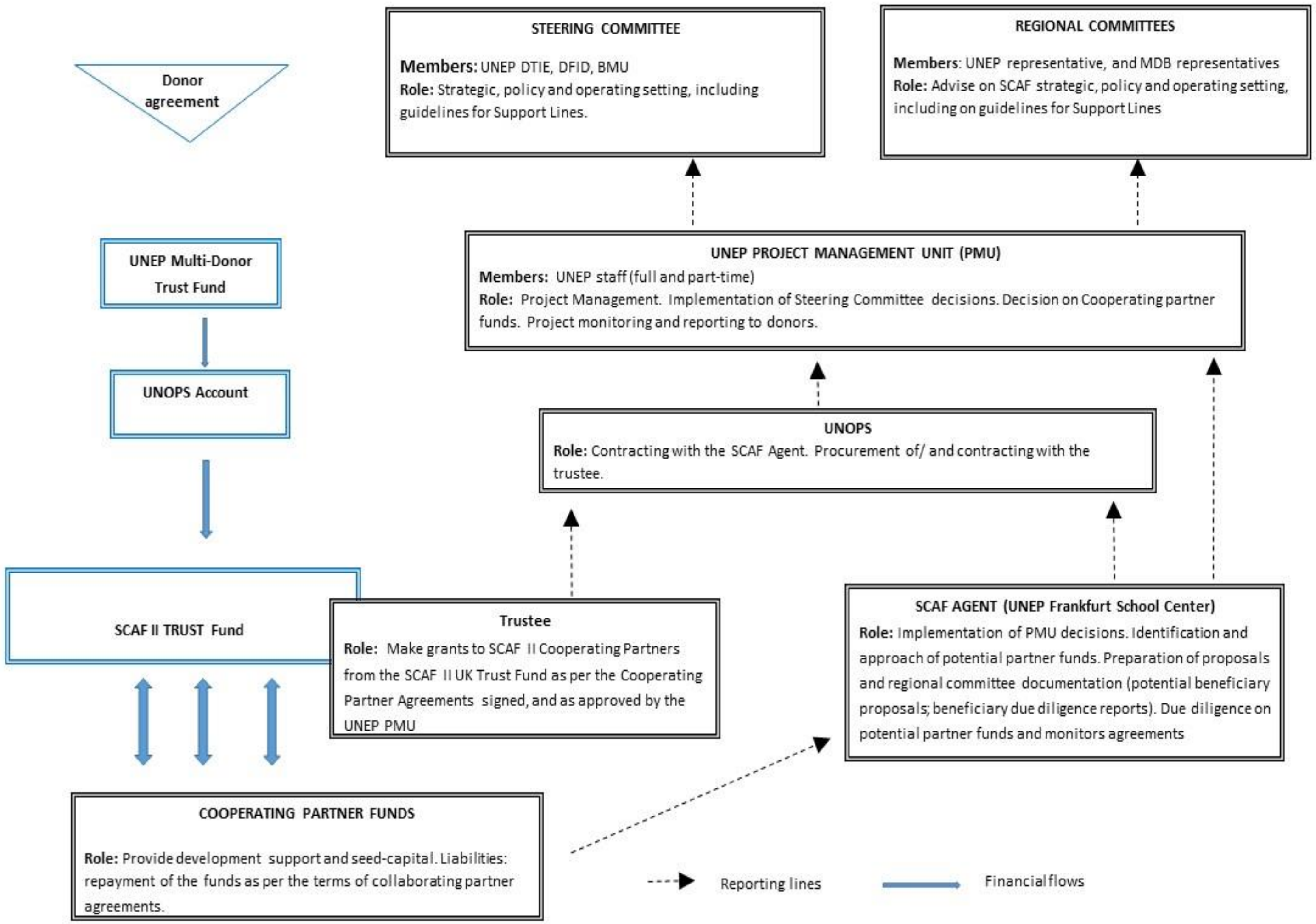
A: Previously approved planned budget (from the last revision)	USD 26,000,000
B: Previously secured budget (from IMIS) [sum of (i)+(ii)+(iii)	USD 13,718,018
i) BMUB	USD 3,658,537
ii) DFID	USD 6,391,166
iii) DFID	USD 3,668,375
C: Total change of secured budget	--
D: Total revised secured budget (B+C)	USD 13,718,078
E: Unsecured budget (F-D)	USD 7,075,000
F: New total for proposed planned budget	USD 20,793,078
G: In Kind contributions- Previously Secured	--
H: Revised total in kind secured contributions	USD 373,092
I: Total revised planned budget: Planned + In Kind (F+H)	**USD 22,252,795**[100]

Actual Secured Income by Year (to date)

2014	2015	2016
USD 10,049,703	0	USD 3,668,375

[100] A mathematical error is noted here as the sum of F+H equals 21,066,170.

Figure 1: Project Implementation Structure



6. Implementation Issues

13. The project experienced delays in procuring a trustee and reports being six to 12 months behind schedule. The project reports that this delay has not significantly delayed the Cooperating Partner pipeline development process because this role has been fulfilled by the Implementing Partner and SCAF Agent (Frankfurt School UNEP Collaborating Centre) pending the appointment of the Trustee (Frankfurt School Financial Services).

14. Issues that are common to almost all potential Cooperating Partners' proposals and the project's responses to these recurring issues are identified in the project's 2015 annual report as:

Pipeline: To get a better picture of the applicant partner's deal pipeline and status of potential projects, the Regional Committee has requested that parts of the due diligence specifically focus on the partner's deal pipeline and site visits to potential or already realized projects are conducted whenever possible. Finally, external references are consulted in order to validate the pipeline.

Financial strength of potential partner Development Companies: to make sure that SCAF partners with DevCos with an adequate risk profile, financial statements of potential DevCos are analysed in-depth before and during due diligence. A commitment letter is required from any potential partner DevCo to provide additional comfort with regards to avoiding the possibility of underfunding of the partner.

Additionality: To maximize the additionality of the Facility, SCAF has used a variety of tools. These include:

i) Impact/Eligibility. On the one hand, the geographical restrictions ensure that only low carbon projects with a catalytic effect and high developmental impact are supported. On the other hand, Cooperating Partners need to demonstrate that they apply an Environmental and Social Safeguards policy that is in line with international standards. A scoring template of potential partners is used to account for impact and eligibility.

ii) Additionality. At SL2-supported project level, Cooperating Partners have to disclose any type of donor support they receive and projects are only supported in cases where additionality can be maintained.

Section 2. OBJECTIVE AND SCOPE OF THE EVALUATION

7. Key Evaluation Principles

15. Evaluation findings and judgements should be based on **sound evidence and analysis**, clearly documented in the evaluation report. Information will be triangulated (i.e. verified from different sources) as far as possible, and when verification is not possible, the single source will be mentioned (whilst anonymity is still protected). Analysis leading to evaluative judgements should always be clearly spelled out.

16. **The "Why?" Question.** As this is a Mid-term Evaluation particular attention should be given to identifying implementation challenges and risks to achieving the expected project objectives and sustainability. Therefore, the "*Why?*" question should be at the front of the Evaluation Consultants' minds all through the evaluation exercise and is supported by the use of a theory of change approach. This means that the Evaluation Consultants need to go beyond the assessment of "*what*" the project performance was, and make a serious effort to provide a deeper understanding of "*why*" the performance was as it was. This should provide the basis for the lessons that can be drawn from the project.

17. **Baselines and counterfactuals**. In attempting to attribute any outcomes and impacts to the project intervention, the Evaluation Consultants should consider the difference between *what has happened with, and what would have happened without, the project*. This implies that there should be consideration of the baseline conditions, trends and counterfactuals in relation to the intended project outcomes and impacts. It also means that there should be plausible evidence to attribute such outcomes and impacts to the actions of

the project. Sometimes, adequate information on baseline conditions, trends or counterfactuals is lacking. In such cases this should be clearly highlighted by the Evaluation Consultants, along with any simplifying assumptions that were taken to enable the evaluator to make informed judgements about project performance.

18. **Communicating evaluation results.** A key aim of the Mid-term Evaluation is to encourage reflection and learning by UN Environment staff and key project stakeholders, including the donors. The Evaluation Consultants should consider how reflection and learning can be promoted, both through the evaluation process and in the communication of evaluation findings and key lessons. Clear and concise writing is required on all evaluation deliverables. Draft and final versions of the main evaluation report will be shared with key stakeholders by the Evaluation Office. There may, however, be several intended audiences, each with different interests and needs regarding the report. The Evaluation Manager will plan with the Evaluation Consultants which audiences to target and the easiest and clearest way to communicate the key evaluation findings and lessons to them. This may include some or all of the following; a webinar, conference calls with relevant stakeholders, the preparation of an evaluation brief or interactive presentation.

8. Objective of the Evaluation

19. In line with the UN Environment Evaluation Policy101 and the UN Environment Programme Manual[102], the Mid-term Evaluation of the project is undertaken approximately half way through project implementation to analyze whether the project is on-track, what problems or challenges the project is encountering, and what corrective actions are required. The Mid-term Evaluation will assess project performance to date (in terms of relevance, effectiveness and efficiency), and determine the likelihood of the project achieving its intended outcomes and impacts, including their sustainability. The evaluation has two primary purposes: (i) to provide evidence of results to meet accountability requirements, and (ii) to promote operational improvement, learning and knowledge sharing through results and lessons learned among UN Environment, donors DFID and BMUB and implementing partners. Therefore, the evaluation will identify lessons of operational relevance for future project formulation and implementation (especially for the remainder of the project).

9. Key Strategic Questions

20. As this is a mid-term evaluation, the focus will be on findings and recommendations that can be of use in refining the project as it goes forwards. In addition to the evaluation criteria outlined in Section 10 below, the evaluation will address the **strategic questions** listed below. These are questions of interest to UN Environment, DFID and BMUB and project stakeholders and to which the project is believed to be able to make a substantive contribution:
The questions of specific interest to DFID and BMUB, below, will be rationalised with those of interest to UNEP during the inception phase and presented in consolidated form in the Inception Report.

Questions of specific interest to DFID and BMUB:

a) Did SCAF 1 and SCAF 2 achieve key objectives – diversifying the private equity markets for Low Carbon in developing countries/emerging markets by supporting new entrants (funds and devcos?)
b) Is the support provided across SL0/1 and 2 valued by recipients, did it prove critical in reaching financial close?
c) How are we best able to assess

[101] http://www.unep.org/eou/StandardsPolicyandPractices/UNEPEvaluationPolicy/tabid/3050/language/en-US/Default.aspx
[102] http://www.unep.org/QAS/Documents/UNEP_Programme_Manual_May_2013.pdf . This manual is under revision.

  - the additionality of the funding overall - i.e. are the projects supported by SCAF additional?
  - by type of support line: across SL0-2 and which of the support lines were most effective and why (understanding that SL1 is a grant)
  - by type of project: Does the additionality vary across type of project, for example with geothermal compared to other types of RE

d) Did the Fund Manager build a good pipeline and establish a network that generated the right opportunities for SCAF II? In connection with this, were the investments transformational, and if they were, what were the other contributing factors?

e) What is the share of renewable energy projects in the portfolio of the cooperating partners?

f) Were ESG standards incorporated and how was implementation monitored by cooperating partners?

g) Lessons for future roll out – what should be improved/ refined – I,.e. an expansion on the first question above – is there a better way to meet the objectives ?

h) Role of UNEP – has this been effective?

Questions of specific interest to UNEP *(largely to be covered while addressing the standard evaluation criteria)*

i) <u>Impact of new features:</u> To what extent have the new features introduced in SCAFF II brought discernible benefits103 to the project. These include: SL0 as support for the establishment of new funds; repayment features of SL0 and SL2; adequacy of the support given to Cooperating Partners under SL1 and SL2 vis-à-vis their needs and support to DevCos as well as the changes to the project implementation structure (i.e the inclusion of UNOPS as described in para 4c of the ProDoc, Sept 2016 revision).

j) <u>Selection processes:</u> To what extent, and in what ways, are the SCAF processes for selecting and approving Cooperating Partners and, in case of SL2, projects: a) effective and b) insure compliance with Environmental, Social and Governance safeguards?

k) <u>Communication:</u> How effective are the plans and tools for communication with regard to: a) extending the outreach of the intervention (namely, website, brochures, press releases and annual report), b) in communicating with potential Cooperating Partners and/or donors and c) in supporting the mainstreaming of investment funds?

l) <u>Scaling Up:</u> How well is the current SCAF approach suited to further scaling up? In addition, how well-prepared is the SCAF intervention to respond to potential interest in replication within other areas (e.g. SMEs operating in clean technology space, land management and forest projects)? What are the key project intervention features, if any, that are bringing a multiplier effect to investment in clean energy?

10. Evaluation Criteria

21. All evaluation criteria will be rated on a six-point scale. Sections A-I below, outline the scope of the criteria and a link to a table for recording the ratings is provided in Annex 1). A weightings table will be provided in excel format (link provided in Annex 1) to support the determination of an overall project rating. The set of evaluation criteria are grouped in nine categories: (A) Strategic Relevance; (B) Quality of Project

[103] Benefits are understood as greater achievement of direct outcomes, improved cost-effectiveness or greater likelihood of sustainability etc.

Design; (C) Nature of External Context; (D) Effectiveness, which comprises assessments of the achievement of outputs, achievement of outcomes and likelihood of impact; (E) Financial Management; (F) Efficiency; (G) Monitoring and Reporting; (H) Sustainability; and (I) Factors Affecting Project Performance. The Evaluation Consultants can propose other evaluation criteria as deemed appropriate.

A. Strategic Relevance

22. The evaluation will assess, in line with the OECD/DAC definition of relevance, '*the extent to which the activity is suited to the priorities and policies of the target group, recipient and donor*'. The evaluation will include an assessment of the project's relevance in relation to UN Environment's mandate and its alignment with UN Environment's policies and strategies at the time of project approval. Under strategic relevance an assessment of the complementarity of the project with other interventions, both UN Environment projects and those initiatives delivered by other organisations, addressing the needs of the same target groups will be made. This criterion comprises four elements:

i. *Alignment to the UN Environment Medium Term Strategy[104] (MTS) and Programme of Work (POW)*

23. The evaluation should assess the project's alignment with the MTS and POW under which the project was approved and include reflections on the scale and scope of any contributions made to the planned results reflected in the relevant MTS and POW.

ii. *Alignment to UN Environment /Donor Strategic Priorities*

24. Donor strategic priorities will vary across interventions. UN Environment strategic priorities include the Bali Strategic Plan for Technology Support and Capacity Building[105] (BSP) and South-South Cooperation (S-SC). The BSP relates to the capacity of governments to: comply with international agreements and obligations at the national level; promote, facilitate and finance environmentally sound technologies and to strengthen frameworks for developing coherent international environmental policies. S-SC is regarded as the exchange of resources, technology and knowledge between developing countries.

iii. *Relevance to Regional, Sub-regional and National Environmental Priorities*

25. The evaluation will assess the extent to which the intervention is suited, or responding to, the stated environmental concerns and needs of the countries, sub-regions or regions where it is being implemented. Examples may include: national or sub-national development plans, poverty reduction strategies or Nationally Appropriate Mitigation Action (NAMA) plans or regional agreements etc.

iv. *Complementarity with Existing Interventions*

26. An assessment will be made of how well the project, either at design stage or during the project mobilization, took account of ongoing and planned initiatives (under the same sub-programme, other UN Environment sub-programmes, or being implemented by other agencies) that address similar needs of the same target groups. For example this may include the UN Environment project Renewable Energy Performance Platform, the Sustainable Energy Fund for Africa project, implemented by the African Development Bank, or the development fund of the Climate Investor One funded by the Netherlands Development Finance Company (FMO). The evaluation will consider if the project team, in collaboration with Regional Offices and Sub-Programme Coordinators, made efforts to ensure their own intervention was

[104] UN Environment's Medium Term Strategy (MTS) is a document that guides UN Environment's programme planning over a four-year period. It identifies UN Environment's thematic priorities, known as Sub-programmes (SP), and sets out the desired outcomes, known as Expected Accomplishments (EAs), of the Sub-programmes.

[105] http://www.unep.org/GC/GC23/documents/GC23-6-add-1.pdf

complementary to other interventions, optimized any synergies and avoided duplication of effort. Examples may include UN Development Assistance Frameworks or One UN programming. Linkages with other interventions should be described and instances where UN Environment's comparative advantage has been particularly well applied should be highlighted.

27. *Factors affecting this criterion may include:* stakeholders' participation and cooperation*;* responsiveness to human rights and gender equity and country ownership and driven-ness.

B. Quality of Project Design

28. The quality of project design is assessed using an agreed template during the evaluation inception phase, ratings are attributed to identified criteria and an overall Project Design Quality rating is established. This overall Project Design Quality rating is entered in the final evaluation ratings table as item B. In the Main Evaluation Report a summary of the project's strengths and weaknesses at design stage is included.

29. *Factors affecting this criterion may include (at the design stage):* stakeholders participation and cooperation and responsiveness to human rights and gender equity, including the extent to which relevant actions are adequately budgeted for.

C. Nature of External Context

30. At evaluation inception stage a rating is established for the project's external operating context (considering the prevalence of conflict, natural disasters and political upheaval). This rating is entered in the final evaluation ratings table as item C. Where a project has been rated as facing either an Unfavourable or Highly Unfavourable external operating context, the overall rating for Effectiveness may be increased at the discretion of the Evaluation Consultants and Evaluation Manager together. A justification for such an increase must be given.

D. Effectiveness

31. 16. The evaluation will assess effectiveness across three dimensions: achievement of outputs, achievement of direct outcomes and likelihood of impact.

i. Achievement of Outputs

32. The evaluation will assess the project's success in producing the programmed outputs (products and services delivered by the project itself) and achieving milestones as per the project design document (ProDoc). Any *formal* modifications/revisions made during project implementation will be considered part of the project design. Where the project outputs are inappropriately or inaccurately stated in the ProDoc, a table should be provided, for transparency, showing the original formulation and the amended version. The achievement of outputs will be assessed in terms of both quantity and quality, and the assessment will consider their usefulness and the timeliness of their delivery. The evaluation will briefly explain the reasons behind the success or shortcomings of the project in delivering its programmed outputs and meeting expected quality standards.

33. *Factors affecting this criterion may include:* preparation and readiness and quality of project management and supervision[106].

ii. Achievement of Direct Outcomes

34. The achievement of direct outcomes is assessed as performance against the direct outcomes as defined in the reconstructed[107] Theory of Change (TOC). These are the first-level outcomes expected to be achieved as an immediate result of project outputs. As in 1, above, a table can be used where substantive amendments to the formulation of direct outcomes as necessary. The evaluation should report evidence of attribution between UN Environment's intervention and the direct outcomes. In cases of normative work or where several actors are collaborating to achieve common outcomes, evidence of the nature and magnitude of UN Environment's contribution should be included.

35. *Factors affecting this criterion may include:* quality of project management and supervision; stakeholders' participation and cooperation; responsiveness to human rights and gender equity and communication and public awareness.

iii. Likelihood of Impact

36. Based on the articulation of longer term effects in the reconstructed TOC (i.e. from direct outcomes, via intermediate states, to impact), the evaluation will assess the likelihood of the intended, positive impacts becoming a reality. Project objectives and goals should be incorporated in the TOC, possibly as intermediate states or long term impacts. The Evaluation Office's approach to the use of TOC in project evaluations is outlined in a guidance note available on the EOU website, web.unep.org/evaluation and is supported by an excel-based flow chart called, Assessment of the Likelihood of Impact Decision Tree (see Annex 1). Essentially the approach follows a 'likelihood tree' from direct outcomes to impacts, taking account of whether the assumptions and drivers identified in the reconstructed TOC held. Any unintended positive effects should also be identified and their causal linkages to the intended impact described.

37. The evaluation will also consider the likelihood that the intervention may lead, or contribute to, unintended negative effects. Some of these potential negative effects may have been identified in the project design as risks or as part of the analysis of Environmental, Social and Economic Safeguards.[108]

38. The evaluation will consider the extent to which the project has played a catalytic role or has promoted scaling up and/or replication[109] as part of its Theory of Change and as factors that are likely to contribute to longer term impact. Ultimately UN Environment and all its partners aim to bring about benefits to the environment and human well-being. Few projects are likely to have impact statements that reflect such long-

[106] In some cases 'project management and supervision' will refer to the supervision and guidance provided by UN Environment to implementing partners and national governments while in others it will refer to the project management performance of the executing agency and the technical backstopping provided by UN Environment.

[107] UN Environment staff are currently required to submit a Theory of Change with all submitted project designs. The level of 'reconstruction' needed during an evaluation will depend on the quality of this initial TOC, the time that has lapsed between project design and implementation (which may be related to securing and disbursing funds) and the level of any changes made to the project design. In the case of projects pre-dating 2013 the intervention logic is often represented in a logical framework and a TOC will need to be constructed in the inception stage of the evaluation.

[108] Further information on Environmental, Social and Economic Safeguards (ESES) can be found at http://www.unep.org/about/eses/

[109] *Scaling up* refers to approaches being adopted on a much larger scale, but in a very similar context. Scaling up is often the longer term objective of pilot initiatives. *Replication* refers to approaches being repeated or lessons being explicitly applied in new/different contexts e.g. other geographic areas, different target group etc. Effective replication typically requires some form of revision or adaptation to the new context. It is possible to replicate at either the same or a different scale.

term or broad-based changes. However, the evaluation will assess the likelihood of the project to make a substantive contribution to the high level changes represented by UN Environment's Expected Accomplishments, the Sustainable Development Goals[110] and/or the high level results prioritised by the funding partner.

39. *Factors affecting this criterion may include:* quality of project management and supervision, including adaptive project management; stakeholders participation and cooperation; responsiveness to human rights and gender equity; country ownership and driven-ness and communication and public awareness.

E. Financial Management

40. Financial management will be assessed under three broad themes: *completeness* of financial information, *communication* between financial and project management staff and *compliance* with relevant UN financial management standards and procedures. The evaluation will establish the actual spend across the life of the project of funds secured from all donors. This expenditure will be reported, where possible, at output level and will be compared with the approved budget. The evaluation will assess the level of communication between the project manager and the fund management officer as it relates to the effective delivery of the planned project and the needs of a responsive, adaptive management approach. The evaluation will verify the application of proper financial management standards and adherence to UN Environment's financial management policies. Any financial management issues that have affected the timely delivery of the project or the quality of its performance will be highlighted.

41. *Factors affecting this criterion may include:* preparation and readiness and quality of project management and supervision.

F. Efficiency

42. In keeping with the OECD/DAC definition of efficiency, the evaluation will assess the cost-effectiveness and timeliness of project execution. Focusing on the translation of inputs into outputs, cost-effectiveness is the extent to which an intervention has achieved, or is expected to achieve, its results at the lowest possible cost. Timeliness refers to whether planned activities were delivered according to expected timeframes as well as whether events were sequenced efficiently. The evaluation will also assess to what extent any project extension could have been avoided through stronger project management and identify any negative impacts caused by project delays or extensions. The evaluation will describe any cost or time-saving measures put in place to maximise results within the secured budget and agreed project timeframe and consider whether the project was implemented in the most efficient way compared to alternative interventions or approaches.

43. The evaluation will give special attention to efforts by the project teams to make use of/build upon pre-existing institutions, agreements and partnerships, data sources, synergies and complementarities with other initiatives, programmes and projects etc. to increase project efficiency. The evaluation will also consider the extent to which the management of the project minimised UN Environment's environmental footprint.

44. *Factors affecting this criterion may include:* preparation and readiness (e.g. timeliness); quality of project management and supervision and stakeholders participation and cooperation.

G. Monitoring and Reporting

45. The evaluation will assess monitoring and reporting across three sub-categories: monitoring design and budgeting, monitoring of project implementation and project reporting.

[110] A list of relevant SDGs is available on the EO website www.unep.org/evaluation

i. Monitoring Design and Budgeting

46. Each project should be supported by a sound monitoring plan that is designed to track progress against SMART[111] indicators towards the achievement of the projects outputs and direct outcomes, including at a level disaggregated by gender or groups with low representation. The evaluation will assess the quality of the design of the monitoring plan as well as the funds allocated for its implementation. The adequacy of resources for mid-term and terminal evaluation/review should be discussed if applicable.

ii. Monitoring of Project Implementation

47. The evaluation will assess whether the monitoring system was operational and facilitated the timely tracking of results and progress towards projects objectives throughout the project implementation period. It will also consider how information generated by the monitoring system during project implementation was used to adapt and improve project execution, achievement of outcomes and ensure sustainability. The evaluation should confirm that funds allocated for monitoring were used to support this activity.

iii. Project Reporting

48. UN Environment has a centralised Project Information Management System (PIMS) in which project managers upload six-monthly status reports against agreed project milestones. This information will be provided to the Evaluation Consultants by the Evaluation Manager. Some projects have additional requirements to report regularly to funding partners, which will be supplied by the project team. The evaluation will assess the extent to which both UN Environment and donor reporting commitments have been fulfilled.

49. *Factors affecting this criterion may include:* quality of project management and supervision and responsiveness to human rights and gender equity (e.g. disaggregated indicators and data).

H. Sustainability

50. Sustainability is understood as the probability of direct outcomes being maintained and developed after the close of the intervention. The evaluation will identify and assess the key conditions or factors that are likely to undermine or contribute to the persistence of achieved direct outcomes. Some factors of sustainability may be embedded in the project design and implementation approaches while others may be contextual circumstances or conditions that evolve over the life of the intervention. Where applicable an assessment of bio-physical factors that may affect the sustainability of direct outcomes may also be included. The evaluation will ascertain that the project has put in place an appropriate exit strategy and measures to mitigate risks to sustainability.

i. Socio-political Sustainability

51. The evaluation will assess the extent to which social or political factors support the continuation and further development of project direct outcomes. It will consider the level of ownership, interest and commitment among government and other stakeholders to take the project achievements forwards. In particular the evaluation will consider whether individual capacity development efforts are likely to be sustained.

ii. Financial Sustainability

52. Some direct outcomes, once achieved, do not require further financial inputs, e.g. the adoption of a revised policy. However, in order to derive a benefit from this outcome further management action may still be needed e.g. to undertake actions to enforce the policy. Other direct outcomes may be dependent on a continuous flow of action that needs to be resourced for them to be maintained, e.g. continuation of a new

[111] SMART refers to indicators that are specific, measurable, assignable, realistic and time-specific.

resource management approach. The evaluation will assess the extent to which project outcomes are dependent on future funding for the benefits they bring to be sustained. Secured future funding is only relevant to financial sustainability where the direct outcomes of a project have been extended into a future project phase. The question still remains as to whether the future project outcomes will be financially sustainable.

iii. Institutional Sustainability

53. The evaluation will assess the extent to which the sustainability of project outcomes is dependent on issues relating to institutional frameworks and governance. It will consider whether institutional achievements such as governance structures and processes, policies, sub-regional agreements, legal and accountability frameworks etc. are robust enough to continue delivering the benefits associated with the project outcomes after project closure.

54. Factors affecting this criterion may include: stakeholders participation and cooperation; responsiveness to human rights and gender equity (e.g. where interventions are not inclusive, their sustainability may be undermined); communication and public awareness and country ownership and drivenness.

I. Factors and Processes Affecting Project Performance

55. These factors are rated in the ratings table, but are discussed as cross-cutting themes as appropriate under the other evaluation criteria, above.

i. Preparation and Readiness

56. This criterion focuses on the inception or mobilisation stage of the project. The evaluation will assess whether appropriate measures were taken to either address weaknesses in the project design or respond to changes that took place between project approval, the securing of funds and project mobilisation. In particular the evaluation will consider the nature and quality of engagement with stakeholder groups by the project team, the confirmation of partner capacity and development of partnership agreements as well as initial staffing and financing arrangements. (Project preparation is covered in the template for the assessment of Project Design Quality).

ii. Quality of Project Management and Supervision

57. In some cases 'project management and supervision' will refer to the supervision and guidance provided by UN Environment to implementing partners and national governments while in others it will refer to the project management performance of the executing agency and the technical backstopping and supervision provided by UN Environment.

58. The evaluation will assess the effectiveness of project management with regard to: providing leadership towards achieving the planned outcomes; managing team structures; maintaining productive partner relationships (including Steering Groups etc.); communication and collaboration with UN Environment colleagues; risk management; use of problem-solving; project adaptation and overall project execution. Evidence of adaptive project management should be highlighted.

iii. Stakeholder Participation and Cooperation

59. Here the term 'stakeholder' should be considered in a broad sense, encompassing all project partners, duty bearers with a role in delivering project outputs and target users of project outputs and any other collaborating agents external to UN Environment. The assessment will consider the quality and effectiveness of all forms of communication and consultation with stakeholders throughout the project life and the support given to maximise collaboration and coherence between various stakeholders, including sharing plans,

pooling resources and exchanging learning and expertise. The inclusion and participation of all differentiated groups, including gender groups, should be considered.

iv. Responsiveness to Human Rights and Gender Equity

60. The evaluation will ascertain to what extent the project has applied the UN Common Understanding on the human rights based approach (HRBA) and the UN Declaration on the Rights of Indigenous People. Within this human rights context the evaluation will assess to what extent the intervention adheres to UN Environment's Policy and Strategy for Gender Equality and the Environment.

61. The report should present the extent to which the intervention, following an adequate gender analysis at design stage, has implemented the identified actions and/or applied adaptive management to ensure that Gender Equity and Human Rights are adequately taken into account. In particular, the evaluation will consider to what extent project design (section B), the implementation that underpins effectiveness (section D), and monitoring (section G) have taken into consideration: (i) possible gender inequalities in access to and the control over natural resources; (ii) specific vulnerabilities of women and children to environmental degradation or disasters; (iii) the role of women in mitigating or adapting to environmental changes and engaging in environmental protection and rehabilitation.

v. Country Ownership and Driven-ness ***(This factor is not applicable for this project, given its delivery modalities)***

62. The evaluation will assess the quality and degree of engagement of government / public sector agencies in the project. The evaluation will consider the involvement not only of those directly involved in project execution and those participating in technical or leadership groups, but also those official representatives whose cooperation is needed for change to be embedded in their respective institutions and offices. This factor is concerned with the level of ownership generated by the project over outputs and outcomes and that is necessary for long term impact to be realised. This ownership should adequately represent the needs and interests of all gender and marginalised groups.

vi. Communication and Public Awareness

63. The evaluation will assess the effectiveness of: a) communication of learning and experience sharing between project partners and interested groups arising from the project during its life and b) public awareness activities that were undertaken during the implementation of the project to influence attitudes or shape behaviour among wider communities and civil society at large. The evaluation should consider whether existing communication channels and networks were used effectively, including meeting the differentiated needs of gender or marginalised groups, and whether any feedback channels were established. Where knowledge sharing platforms have been established under a project the evaluation will comment on the sustainability of the communication channel under either socio-political, institutional or financial sustainability, as appropriate. In addition, the evaluation will consider whether collaboration with the UN Environment Communications Division (formerly DCPI) has complemented the outreach strategy?

Section 3. EVALUATION APPROACH, METHODS AND DELIVERABLES

64. The Mid-Term Evaluation will be an in-depth evaluation using a participatory approach whereby key stakeholders are kept informed and consulted throughout the evaluation process. Both quantitative and qualitative evaluation methods will be used as appropriate to determine project achievements against the expected outputs, outcomes and impacts. It is highly recommended that the Evaluation Consultants maintains close communication with the project team and promotes information exchange throughout the evaluation implementation phase in order to increase their (and other stakeholder) ownership of the evaluation findings. Where applicable, the Evaluation Consultants should provide a geo-referenced map that demarcates the area covered by the project and, where possible, provide geo-reference photographs of key intervention sites (e.g. sites of habitat rehabilitation and protection, pollution treatment infrastructure, etc.)

65. The findings of the evaluation will be based on the following:

(a) A **desk review** of:

- Relevant background documentation, inter alia; SCAF Manual; Support Lines guidelines; scoring tables; Steering Committee presentations; Annual Meeting presentations; contractual agreement between UN Environment and UNOPS; UNOPS SCAF Agent agreement; UNOPS SCAF Trustee agreement, and UNOPS procurement documentation and powerpoint slides on the new (2016) project implementation structure;
- Project design documents (including minutes of the project design review meeting at approval); Annual Work Plans and Budgets or equivalent, revisions to the project (Project Document Supplement), the logical framework and its budget;
- Project reports such as six-monthly progress and financial reports, progress reports from implementing partners, quarterly reports from Cooperating Partners, meeting minutes (including Steering Committee minutes, Annual Meeting minutes and Annual Reports), relevant correspondence etc.;
- Project outputs, including project website www.scaf-energy.org
- Mid-term review of the Seed Capital Assistance Facility, Phase I.

(b) **Interviews** (individual or in group) with:

- UN Environment Project Manager (PM);
- Project management team;
- UN Environment Fund Management Officer (FMO);
- Sub-Programme Coordinator;
- Project partners, including; UNOPS, Frankfurt School UNEP Collaborating Centre, Frankfurt School Financial Services, SCAFF II Cooperating Partners (JCM Capital, DI Frontier, The Blue Circle, Zoscales, Greenwish and Sindicatum)
- Relevant resource persons.

(c) **Surveys** *(to be determined)*

(d) **Field visits** (Details to be determined based on the distribution of Cooperating Partners and in conjunction with the travel requirements of the Terminal Evaluation of SCAF Phase I)

(e) **Other data collection tools** *(to be determined)*

11. Evaluation Deliverables and Review Procedures

66. The evaluation team will prepare:

- **Inception Report:** (see Annex 1 for links to all templates, tables and guidance notes) containing an assessment of project design quality, a draft reconstructed Theory of Change of the project, project stakeholder analysis, evaluation framework and a tentative evaluation schedule.

- **Preliminary Findings Note:** typically in the form of a powerpoint presentation, the sharing of preliminary findings is intended to support the participation of the project team, act as a means to ensure all information sources have been accessed and provide an opportunity to verify emerging findings. In the case of highly strategic project/portfolio evaluations or evaluations with an Evaluation Reference Group, the preliminary findings may be presented as a word document for review and comment.
- **Draft and Final Evaluation Report:** (see links in Annex 1) containing an executive summary that can act as a stand alone document; detailed analysis of the evaluation findings organised by evaluation criteria and supported with evidence; lessons learned and recommendations and an annotated ratings table.
- **Evaluation Bulletin:** a 2-page summary of key evaluation findings for wider dissemination through the EOU website.

67. Review of the draft evaluation report. The evaluation team will submit a draft report to the Evaluation Manager and revise the draft in response to their comments and suggestions. Once a draft of adequate quality has been peer-reviewed and accepted, the Evaluation Manager will share the cleared draft report with the Project Manager, who will alert the Evaluation Manager in case the report contains any blatant factual errors. The Evaluation Manager will then forward revised draft report (corrected by the evaluation team where necessary) to other project stakeholders, for their review and comments. Stakeholders may provide feedback on any errors of fact and may highlight the significance of such errors in any conclusions as well as providing feedback on the proposed recommendations and lessons. Any comments or responses to draft reports will be sent to the Evaluation Manager for consolidation. The Evaluation Manager will provide all comments to the evaluation team for consideration in preparing the final report, along with guidance on areas of contradiction or issues requiring an institutional response.

68. Based on a careful review of the evidence collated by the Evaluation Consultants and the internal consistency of the report, the Evaluation Manager will provide an assessment of the ratings in the final evaluation report. Where there are differences of opinion between the evaluator and the Evaluation Manager on project ratings, both viewpoints will be clearly presented in the final report. The Evaluation Office ratings will be considered the final ratings for the project.

69. The Evaluation Manager will prepare a **quality assessment** of the first and final drafts of the main evaluation report, which acts as a tool for providing structured feedback to the Evaluation Consultants. The quality of the report will be assessed and rated against the criteria specified in template listed in Annex 1 and this assessment will be appended to the Final Evaluation Report.

70. At the end of the evaluation process, the Evaluation Office will prepare **a Recommendations Implementation Plan** in the format of a table, to be completed and updated at regular intervals by the Project Manager. The Evaluation Office will track compliance against this plan on a six monthly basis.

12. The Evaluation Consultants' Team

71. For this evaluation, the evaluation team will consist of a Team Leader and one or two Supporting Consultants who will work under the overall responsibility of the Evaluation Office represented by an Evaluation Manager, Janet Wildish, in consultation with the UN Environment Head of Unit, Francoise d'Estais, Fund Management Officer, Amanda Lees, and the Climate Change Sub-programme Coordinator, (to be appointed). The Evaluation Consultants will liaise with the Evaluation Manager on any procedural and methodological matters related to the evaluation. It is, however, the Evaluation Consultants' individual responsibility to arrange for their visas and immunizations as well as to plan meetings with stakeholders, organize online surveys, obtain documentary evidence and any other logistical matters related to the assignment. The UN Environment Project Manager and project team will, where possible, provide logistical support (introductions, meetings etc.) allowing the Evaluation Consultants to conduct the evaluation as efficiently and independently as possible.

72. The Team Leader will be hired over the period 1st September 2017 to 28th February 2018 and should have: an advanced university degree in environmental sciences, international development or other relevant political or social sciences area; a minimum of 15 years of technical / evaluation experience, including of evaluating large, regional or global programmes and using a Theory of Change approach; a very good understanding of finance and investment/private sector matters and renewable energy; excellent writing skills in English; team leadership experience and, where possible, knowledge of the UN system, specifically of the work of UN Environment. One or two Supporting Consultants will be hired over the period 1st September 2017 to 28th February 2018 and should have: an undergraduate university degree in environmental sciences, international development or other relevant political or social sciences area; a minimum of 15 years of technical/monitoring/evaluation experience; a good understanding of finance and investment/private sector matters and/or renewable energy; with excellent writing skills in English and, where possible, knowledge of the UN system, specifically of the work of UN Environment. Experience in managing partnerships, knowledge management and communication is desirable for all evaluation consultants.

73. The Team Leader will be responsible, in close consultation with the Evaluation Manager, for overall management of the evaluation and timely delivery of its outputs, described above in Section 11 Evaluation Deliverables, above. The Supporting Consultant(s) will make substantive and high quality contributions to the evaluation process and outputs. The consultants will ensure together that all evaluation criteria and questions are adequately covered.

74. Specifically, the Team Leader will ensure the following steps are followed, as/where appropriate:

Inception phase of the evaluation, including:

- preliminary desk review and introductory interviews with project staff;
- draft the reconstructed Theory of Change of the project;
- prepare the evaluation framework;
- develop the desk review and interview protocols;
- draft the survey protocols (if relevant);
- develop and present criteria for country and/or site selection for the evaluation mission;
- plan the evaluation schedule;
- prepare the Inception Report, incorporating comments until approved by the Evaluation Manager

Data collection and analysis phase of the evaluation, including:

- conduct further desk review and in-depth interviews with project implementing and executing agencies, project partners and project stakeholders;
- (where appropriate and agreed) conduct an evaluation mission(s) to selected countries, visit the project locations, interview project partners and stakeholders, including a good representation of local communities;
- ensure independence of the evaluation and confidentiality of evaluation interviews;
- regularly report back to the Evaluation Manager on progress and inform of any possible problems or issues encountered and;
- keep the Project/Task Manager informed of the evaluation progress and engage the Project/Task Manager in discussions on emerging findings throughout the evaluation process.

Reporting phase, including:

- draft the Main Evaluation Report, ensuring that the evaluation report is complete, coherent and consistent with the Evaluation Manager guidelines both in substance and style;
- liaise with the Evaluation Manager on comments received and finalize the Main Evaluation Report, ensuring that comments are taken into account until approved by the Evaluation Manager and;
- prepare a Response to Comments annex for the main report, listing those comments not accepted by the Evaluation Consultant and indicating the reason for the rejection.

Managing relations, including:
- maintain a positive relationship with evaluation stakeholders, ensuring that the evaluation process is as participatory as possible but at the same time maintains its independence;
- communicate in a timely manner with the Evaluation Manager on any issues requiring its attention and intervention.

13. Schedule of the Evaluation

75. The table below presents the tentative schedule for the evaluation.

Table 3. Tentative schedule for the evaluation

Milestone	Tentative Dates
Inception Mission	Dates to be agreed during Inception
Inception Report	
Evaluation Mission	
Telephone interviews, surveys etc.	
Powerpoint/presentation on preliminary findings and recommendations	
Draft report to Evaluation Manager (and Peer Reviewer)	
Draft Report shared with UN Environment Project Manager and team	
Draft Report shared with wider group of stakeholders	
Final Report	
Final Report shared with all respondents	

13. Contractual Arrangements

76. Evaluation Consultants will be selected and recruited by the Evaluation Office of UN Environment under an individual Special Service Agreement (SSA) on a "fees only" basis (see below). By signing the service contract with UN Environment/UNON, the consultants certify that they have not been associated with the design and implementation of the project in any way which may jeopardize their independence and impartiality towards project achievements and project partner performance. In addition, they will not have any future interests (within six months after completion of the contract) with the project's executing or implementing units. All consultants are required to sign the Code of Conduct Agreement Form.

77. Fees will be paid on an instalment basis, paid on acceptance by the Evaluation Office of expected key deliverables. The schedule of payment is as follows:

78. Schedule of Payment for the Team Leader:

Deliverable	Percentage Payment
Approved Inception Report *(as per annex document 7)*	30%
Approved Draft Main Evaluation Report *(as per annex document 13)*	30%
Approved Final Main Evaluation Report	40%

79. Schedule of Payment for the Support Consultant(s):

Deliverable	Percentage Payment
Approved Inception Report *(as per annex document 7)*	30%
Approved Draft Main Evaluation Report *(as per annex document 13)*	30%
Approved Final Main Evaluation Report	40%

80. Fees only contracts: Air tickets will be purchased by UN Environment or in accordance with UN Environment self-ticketing policy. 75% of the Daily Subsistence Allowance for each authorised travel mission will be paid up front. Local in-country travel will only be reimbursed where agreed in advance with the Evaluation Office and on the production of acceptable receipts. Terminal expenses and residual DSA entitlements (25%) will be paid after mission completion.

81. The Evaluation Consultants may be provided with access to UN Environment's Programme Information Management System (PIMS) and if such access is granted, the Evaluation Consultants agree not to disclose information from that system to third parties beyond information required for, and included in, the evaluation report.

82. In case the Evaluation Consultants are not able to provide the deliverables in accordance with these guidelines, and in line with the expected quality standards by the UN Environment Evaluation Office, payment may be withheld at the discretion of the Director of the Evaluation Office until the Evaluation Consultants have improved the deliverables to meet UN Environment's quality standards.

83. If the Evaluation Consultants fail to submit a satisfactory final product to UN Environment in a timely manner, i.e. before the end date of their contract, the Evaluation Office reserves the right to employ additional human resources to finalize the report, and to reduce the Evaluation Consultants' fees by an amount equal to the additional costs borne by the Evaluation Office to bring the report up to standard.

Annex 1 : Tools, Templates and Guidance Notes for use in the Evaluation

The tools, templates and guidance notes listed in the table below, and available on the Evaluation Office website (www.unep.org/evaluation), are intended to help Evaluation Managers and Evaluation Consultants to produce evaluation products that are consistent with each other and which can be compiled into a biennial Evaluation Synthesis Report. The biennial summary is used to provide an overview of progress to UN Environment and the UN Environmental Assembly. This suite of documents is also intended to make the evaluation process as transparent as possible so that all those involved in the process can participate on an informed basis. It is recognised that the evaluation needs of projects and portfolio vary and adjustments may be necessary so that the purpose of the evaluation process (broadly, accountability and lesson learning), can be met. Such adjustments should be decided between the Evaluation Manager and the Evaluation Consultants in order to produce evaluation reports that are both useful to project implementers and that produce credible findings.

Document	Name	URL link
1	Evaluation Process Guidelines for Consultants	Link
2	Evaluation Consultants Team Roles *(Team Leader and Supporting Consultant)*	Link
3	Evaluation Ratings Table	Link
4	Weighting of Ratings (excel)	Link
5	Evaluation Criteria *(summary of descriptions, as in these terms of reference)*	Link
6	Matrix Describing Ratings by Criteria	*(under development – search 'Working With Us' on website)*
7	Structure and Contents of the Inception Report	Link
8	Template for the Assessment of the Quality of Project Design	Link
9	Guidance on Stakeholder Analysis	Link
10	Use of Theory of Change in Project Evaluations	Link
11	Assessment of the Likelihood of Impact Decision Tree (Excel)	Link
12	Possible Evaluation Questions	Link
13	Structure and Contents of the Main Evaluation Report	Link
14	Cover Page, Prelims and Style Sheet for Main Evaluation Report	*(under development – search 'Working With Us' on website)*
15	Financial Tables	Link
16	Template for the Assessment of the Quality of the Evaluation Report	Link

Annex X. Quality Assessment of the Evaluation Report

Evaluation Title:

Seed Capital Assistance Facility, Phase II (Mid-Term Evaluation0

All UN Environment evaluations are subject to a quality assessment by the UN Environment Evaluation Office. This is an assessment of the quality of the evaluation product (i.e. Main Evaluation Report).

	UN Environment Evaluation Office Comments	Final Report Rating
Substantive Report Quality Criteria		
Quality of the Executive Summary: The Summary should be able to stand alone as an accurate summary of the main evaluation product. It should include a concise overview of the evaluation object; clear summary of the evaluation objectives and scope; overall evaluation rating of the project and key features of performance (strengths and weaknesses) against exceptional criteria (plus reference to where the evaluation ratings table can be found within the report); summary of the main findings of the exercise, including a synthesis of main conclusions (which include a summary response to key strategic evaluation questions), lessons learned and recommendations.	Final report: Complete and concise summary.	6
I. Introduction A brief introduction should be given identifying, where possible and relevant, the following: institutional context of the project (sub-programme, Division, regions/countries where implemented) and coverage of the evaluation; date of PRC approval and project document signature); results frameworks to which it contributes (e.g. Expected Accomplishment in POW); project duration and start/end dates; number of project phases (where appropriate); implementing partners; total secured budget and whether the project has been reviewed/evaluated in the past (e.g. mid-term, part of a synthesis evaluation, evaluated by another agency etc.) Consider the extent to which the introduction includes a concise statement of the purpose of the evaluation and the key intended audience for the findings?	Final report: Complete and concise	5
II. Evaluation Methods	Final report: Adequate section given the approach. Limitations well described.	5

This section should include a description of how the *TOC at Evaluation*[112] was designed (who was involved etc.) and applied to the context of the project? A data collection section should include: a description of evaluation methods and information sources used, including the number and type of respondents; justification for methods used (e.g. qualitative/quantitative; electronic/face-to-face); any selection criteria used to identify respondents, case studies or sites/countries visited; strategies used to increase stakeholder engagement and consultation; details of how data were verified (e.g. triangulation, review by stakeholders etc.). The methods used to analyse data (e.g. scoring; coding; thematic analysis etc.) should be described. It should also address evaluation limitations such as: low or imbalanced response rates across different groups; extent to which findings can be either generalised to wider evaluation questions or constraints on aggregation/disaggregation; any potential or apparent biases; language barriers and ways they were overcome. Ethics and human rights issues should be highlighted including: how anonymity and confidentiality were protected and strategies used to include the views of marginalised or potentially disadvantaged groups and/or divergent views.		
III. The Project This section should include: • *Context:* Overview of the main issue that the project is trying to address, its root causes and consequences on the environment and human well-being (i.e. synopsis of the problem and situational analyses). • *Objectives and components*: Summary of the project's results hierarchy as stated in the ProDoc (or as officially revised) • *Stakeholders:* Description of groups of targeted stakeholders organised according to relevant common characteristics • *Project implementation structure and partners:* A description of the implementation structure with diagram and a list of key project partners • *Changes in design during implementation:* Any key events that affected the project's scope or parameters should be described in brief in chronological order	Final report: Clear and complete.	5

[112] During the Inception Phase of the review process a *TOC at Design* is created based on the information contained in the approved project documents (these may include either logical framework or a TOC or narrative descriptions). During the review process this TOC is revised based on changes made during project intervention and becomes the *TOC at Review*.

• *Project financing:* Completed tables of: (a) budget at design and expenditure by components (b) planned and actual sources of funding/co-financing		
IV. Theory of Change A summary of the project's results hierarchy should be presented for: a) the results as stated in the approved/revised Prodoc logframe/TOC and b) as formulated in the TOC at Evaluation. *The two results hierarchies should be presented as a two column table to show clearly that, although wording and placement may have changed, the results 'goal posts' have not been 'moved'.* The TOC at Evaluation should be presented clearly in both diagrammatic and narrative forms. Clear articulation of each major causal pathway is expected, (starting from outputs to long term impact), including explanations of all drivers and assumptions as well as the expected roles of key actors.	Final report: Establishing a single, agreed results framework was a challenge throughout this evaluation and led to a clear recommendation to rectify this. Developing the Theory of Change was similarly challenging. The final report has some discussion of the project's intended replication/catalytic effect.	5
V. Key Findings **A. Strategic relevance:** This section should include an assessment of the project's relevance in relation to UN Environment's mandate and its alignment with UN Environment's policies and strategies at the time of project approval. An assessment of the complementarity of the project with other interventions addressing the needs of the same target groups should be included. Consider the extent to which all four elements have been addressed: v. Alignment to the UN Environment Medium Term Strategy (MTS) and Programme of Work (POW) vi. Alignment to UN Environment/GEF/Donor Strategic Priorities vii. Relevance to Regional, Sub-regional and National Environmental Priorities viii. Complementarity with Existing Interventions	Final report: Well elaborated.	5
B. Quality of Project Design To what extent are the strength and weaknesses of the project design effectively summarized?	Final report: The discussion of the quality of project design is adequate, given this is a second phase of the project and the same evaluation team carried out the Terminal Evaluation of Phase I under the same contract.	5
C. Nature of the External Context For projects where this is appropriate, key external features of the project's implementing context that may have been reasonably expected to limit the project's performance (e.g. conflict, natural disaster, political upheaval) should be described.	Final report: The description of the context provides a useful background to the evaluation event thought this criterion was originally intended to capture unfavourable external contexts.	5

D. Effectiveness **(i) Outputs and Direct Outcomes:** How well does the report present a well-reasoned, complete and evidence-based assessment of the achievement of a) outputs, and b) direct outcomes? How convincing is the discussion of attribution and contribution, as well as the limitations to attributing effects to the intervention.	Final report: A detailed section, providing a valuable summary at this mid-point stage.	6
(ii) Likelihood of Impact: How well does the report present an integrated analysis, guided by the causal pathways represented by the TOC, of all evidence relating to likelihood of impact? How well are change processes explained and the roles of key actors, as well as drivers and assumptions, explicitly discussed?	Final report: Evaluation report provides a helpful reflection on the performance against KPIs	5
E. Financial Management This section should contain an integrated analysis of all dimensions evaluated under financial management. And include a completed 'financial management' table. Consider how well the report addresses the following: • *completeness* of financial information, including the actual project costs (total and per activity) and actual co-financing used • *communication* between financial and project management staff and	Final report: Clear and concise. Adequate information provided.	5
F. Efficiency To what extent, and how well, does the report present a well-reasoned, complete and evidence-based assessment of efficiency under the primary categories of cost-effectiveness and timeliness including: • Implications of delays and no cost extensions • Time-saving measures put in place to maximise results within the secured budget and agreed project timeframe • Discussion of making use of/building on pre-existing institutions, agreements and partnerships, data sources, synergies and complementarities with other initiatives, programmes and projects etc. • The extent to which the management of the project minimised UN Environment's environmental footprint.	Final report: A balanced discussion of efficiency is provided.	5
G. Monitoring and Reporting How well does the report assess: • Monitoring design and budgeting *(including SMART indicators, resources for MTE/R etc.)* • Monitoring implementation *(including use of monitoring data for adaptive management)* • Project reporting *(e.g. PIMS and donor report)*	Final report: All relevant content is covered, albeit not under the three headings recommended.	4
H. Sustainability How well does the evaluation identify and assess the key conditions or factors that are likely to undermine or	Final report:	5

contribute to the persistence of achieved direct outcomes including: • Socio-political Sustainability • Financial Sustainability • Institutional Sustainability *(including issues of partnerships)*	Good analysis given that this is at the mid-point.	
I. Factors Affecting Performance These factors are not discussed in stand-alone sections but are **integrated in criteria A-H as appropriate**. To what extent, and how well, does the evaluation report cover the following cross-cutting themes: • Preparation and readiness • Quality of project management and supervision[113] • Stakeholder participation and co-operation • Responsiveness to human rights and gender equity • Country ownership and driven-ness • Communication and public awareness	Final report: Adequate discussion.	4
VI. Conclusions and Recommendations **i. Quality of the conclusions:** The key strategic questions should be clearly and succinctly addressed within the conclusions section. It is expected that the conclusions will highlight the main strengths and weaknesses of the project, and connect them in a compelling story line. Conclusions, as well as lessons and recommendations, should be consistent with the evidence presented in the main body of the report.	Final report: The funding partners provided a large number of strategic questions, which are addressed in a separate section (section 6). This includes substantial work on 'Additionality', which is not a criterion in UN Environment's standard approach. The report provides a solid analysis from the perspective of Additionality, which will help the project team as they move forwards.	6
ii) Quality and utility of the lessons: Both positive and negative lessons are expected and duplication with recommendations should be avoided. Based on explicit evaluation findings, lessons should be rooted in real project experiences or derived from problems encountered and mistakes made that should be avoided in the future. Lessons must have the potential for wider application and use and should briefly describe the context from which they are derived and those contexts in which they may be useful.	Final report: This section is concise and sufficient.	5
iii) Quality and utility of the recommendations: To what extent are the recommendations proposals for specific actions to be taken by identified people/position-holders to resolve concrete problems affecting the project or	Final report:	5

[113] In some cases 'project management and supervision' will refer to the supervision and guidance provided by UN Environment to implementing partners and national governments while in others, specifically for GEF funded projects, it will refer to the project management performance of the executing agency and the technical backstopping provided by UN Environment.

the sustainability of its results. They should be feasible to implement within the timeframe and resources available (including local capacities) and specific in terms of who would do what and when. Recommendations should represent a measurable performance target in order that the Project Manager/Head of Branch/Unit can monitor and assess compliance with the recommendations.	Useful recommendations provided and discussed with the project team.	
VII. Report Structure and Presentation Quality		
i) Structure and completeness of the report: To what extent does the report follow the Evaluation Office guidelines? Are all requested Annexes included and complete?	Final report: The report is well structured, concise and informative. The additional section on Additionality is appreciated. Final report:	5
ii) **Quality of writing and formatting:** Consider whether the report is well written (clear English language and grammar) with language that is adequate in quality and tone for an official document? Do visual aids, such as maps and graphs convey key information? Does the report follow Evaluation Office formatting guidelines?	Final report: The report is well written.	5
OVERALL REPORT QUALITY RATING		**5**

A number rating 1-6 is used for each criterion: Highly Satisfactory = 6, Satisfactory = 5, Moderately Satisfactory = 4, Moderately Unsatisfactory = 3, Unsatisfactory = 2, Highly Unsatisfactory = 1. The overall quality of the evaluation report is calculated by taking the mean score of all rated quality criteria.

At the end of the evaluation, compliance of the evaluation process against the agreed standard procedures is assessed, based on the table below. *All questions with negative compliance must be explained further in the table below.*

Evaluation Process Quality Criteria	**Compliance**	
	Yes	**No**
Independence:		
1. Were the Terms of Reference drafted and finalised by the Evaluation Office?	**Y**	
2. Were possible conflicts of interest of proposed Evaluation Consultant(s) appraised and addressed in the final selection?	**Y**	
3. Was the final selection of the Evaluation Consultant(s) made by the Evaluation Office?	**Y**	
4. Was the evaluator contracted directly by the Evaluation Office?	**Y**	
5. Was the Evaluation Consultant given direct access to identified external stakeholders in order to adequately present and discuss the findings, as appropriate?	**Y**	
6. Did the Evaluation Consultant raise any concerns about being unable to work freely and without interference or undue pressure from project staff or the Evaluation Office?		**N**
7. If Yes to Q6: Were these concerns resolved to the mutual satisfaction of both the Evaluation Consultant and the Evaluation Manager?		
Financial Management:		
8. Was the evaluation budget approved at project design available for the evaluation?	**Y**	
9. Was the final evaluation budget agreed and approved by the Evaluation Office?	**Y**	

10. Were the agreed evaluation funds readily available to support the payment of the evaluation contract throughout the payment process?	**Y**	
Timeliness:		
11. If a Terminal Evaluation: Was the evaluation initiated within the period of six months before or after project operational completion? Or, if a Mid Term Evaluation: Was the evaluation initiated within a six-month period prior to the project's mid-point?		
12. Were all deadlines set in the Terms of Reference respected, as far as unforeseen circumstances allowed?	**Y**	
13. Was the inception report delivered and reviewed/approved prior to commencing any travel?	**Y**	
Project's engagement and support:		
14. Did the project team, Sub-Programme Coordinator and identified project stakeholders provide comments on the evaluation Terms of Reference?	**Y**	
15. Did the project make available all required/requested documents?	**Y**	
16. Did the project make all financial information (and audit reports if applicable) available in a timely manner and to an acceptable level of completeness?	**Y**	
17. Was adequate support provided by the project to the evaluator(s) in planning and conducting evaluation missions?	**Y**	
18. Was close communication between the Evaluation Consultant, Evaluation Office and project team maintained throughout the evaluation?	**Y**	
19. Were evaluation findings, lessons and recommendations adequately discussed with the project team for ownership to be established?	**Y**	
20. Did the project team, Sub-Programme Coordinator and any identified project stakeholders provide comments on the draft evaluation report?	**Y**	
Quality assurance:		
21. Were the evaluation Terms of Reference, including the key evaluation questions, peer-reviewed?	**Y**	
22. Was the TOC in the inception report peer-reviewed?	**Y**	
23. Was the quality of the draft/cleared report checked by the Evaluation Manager and Peer Reviewer prior to dissemination to stakeholders for comments?	**Y**	
24. Did the Evaluation Office complete an assessment of the quality of both the draft and final reports?	**Y**	
Transparency:		
25. Was the draft evaluation report sent directly by the Evaluation Consultant to the Evaluation Office?	**Y**	
26. Did the Evaluation Manager disseminate (or authorize dissemination) of the cleared draft report to the project team, Sub-Programme Coordinator and other key internal personnel (including the Reference Group where appropriate) to solicit formal comments?	**Y**	
27. Did the Evaluation Manager disseminate (or authorize dissemination) appropriate drafts of the report to identified external stakeholders, including key partners and funders, to solicit formal comments?	**Y**	
28. Were stakeholder comments to the draft evaluation report sent directly to the Evaluation Office	**Y**	

29. Did the Evaluation Consultant(s) respond to all factual corrections and comments?	**Y**	
30. Did the Evaluation Office share substantive comments and Evaluation Consultant responses with those who commented, as appropriate?	**Y**	

Provide comments / explanations / mitigating circumstances below for any non-compliant process issues.

Process Criterion Number	**Evaluation Office Comments**