PUBLIC

NORDIC DEVELOPMENT FUND

SMALL GRANTS FACILITY PROPOSAL FOR FINAL CONSIDERATION

Project Fact Sheet

GLOBAL - CLIMATE RESILIENCE AND ADAPTATION FINANCE AND TECHNOLOGY TRANSFER FACILITY (CRAFT)	
Partner Agency	Global Environment Facility (GEF)
Executing Agency	Lightsmith Group L.P.
Sector	Industrial development (Climate Change adaptation and resilience) CRS Code: 32120
Region	Global
Indicative Budget NDF GEF Other investor(s) **Other Investors** Lightsmith Group Global Innovation Lab Conservation International **Total Budget**	**USD 2,185,000** **EUR 500,000** = ~USD 585,000[1] USD 1,000,000 USD 600,000 **USD 850,000** USD 600,000 USD 150,000 USD 100,000 **USD 3,035,000**
Project Period	November 2017 - December 2018
Mode of Finance	Grant
Previous Support to Country	Grants: EUR 311 million (NDF climate portfolio)
Rio Markers	Adaptation: 2 = principal objective Mitigation: 1 = significant objective
Gender Marker	1 = significant objective
Climate Screening	Yes

[1] USD/EUR exchange rate 1.17.

Environmental and Social Policy	Classification: Financial Intermediary; Risk Rating: Low; Qualification: No; Monitoring: No.
Processing Schedule	Final - October 2017 Agreement - November 2017 Disbursement - December 2017

NORDIC DEVELOPMENT FUND

PROJECT SUMMARY

NDF grant EUR 500,000
Project Period: November 2017 - December 2018
Implementing Partner: Lightsmith Group L.P.

Objective

The project consists of financing the costs of preparation and establishment of the Climate Resilience and Adaptation Finance and Technology Transfer Facility (CRAFT), the first global commercial investment vehicle dedicated to expanding the availability of technologies and solutions for climate adaptation and resilience in developing and developed countries. The CRAFT concept has been developed by the Lightsmith Group.

CRAFT will be structured as a private equity fund, managed by the Lightsmith Group, investing growth capital and providing strategic support to private companies that offer climate resilience products and services. CRAFT will target commitments from both private and public investors for a total amount of USD 500 million. Capital commitments to the Fund will be divided between a window for investments targeting private companies operating in developed countries and another window for investments targeting companies operating in developing countries. A complementary USD 10-20 million Technical Assistance Facility will be established to enable the provision of technical support to companies in developing countries through grants.

The proposed NDF small grant support will be used to finance specific preparation activities that will bring the CRAFT concept into execution. The fund preparation activities include two main components, namely the formal establishment of the Fund and capital mobilization through active fundraising, targeting a first closing of the Fund in mid-2018.

Financing

The total cost of the CRAFT preparation activities is estimated to be USD 2.2 million. The proposed NDF grant facility to the Lightsmith Group amounts to EUR 500,000. The Global Environment Facility is preparing a grant for USD 1.0 million. A third investor is in the early stage of assessing a potential grant financing of USD 0.6 million.

The investments relating to the preparation of CRAFT realized before October 2017 have been estimated to amount to USD 0.9 million, including a contribution by the Lightsmith Group of USD 0.6 million, a contribution by Global Innovation Lab of USD 0.2 million and a contribution by Conservation International of USD 0.1 million.

RECOMMENDATION FOR MANAGEMENT RESOLUTION

Management approved grant financing of up to EUR 500,000 to the project CRAFT FUND PREPARATION FACILITY.

Helsinki, 30 October 2017

Isabel Leroux
Country Program Manager

Approval of grant financing of up to EUR 500,000 to the project CRAFT FUND PREPARATION FACILITY.

Helsinki, 30 October 2017

Pasi Hellman
Managing Director

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ABBREVIATIONS

ADB	Asian Development Bank
AfDB	African Development Bank
BOAD	West African Development Bank
CAF	Development Bank of Latin America
CI	Conservation International
CRAFT	Climate Resilience and Adaptation Finance and Technology Transfer Facility
DBSA	Development Bank of Southern Africa
EBRD	European Bank for Reconstruction and Development
ESG	Environmental, Social and Governance
EUR	Euro
FECO	Ministry of Environmental Protection of China
FUNBIO	Brazilian Biodiversity Fund
GARI	Global Adaptation and Resilience Investment Working Group
GEF	Global Environment Facility
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IUCN	International Union for Conservation of Nature
MDB	Multilateral Development Bank
NCF	Nordic Climate Facility
NDF	Nordic Development Fund
SGF	Small Grant Facility
TAF	Technical Assistance Facility
UNEP	United Nations Environment Program
USD	United States Dollar
WB	World Bank
WWF	World Wildlife Fund

1. INTRODUCTION AND PROJECT BACKGROUND

This proposal seeks approval from NDF Management for a Small Grant Facility (SFG) of **EUR 500,000** to finance the costs of preparation and establishment of the **Climate Resilience and Adaptation Finance and Technology Transfer Facility** (CRAFT or Fund), developed and managed by the Lightsmith Group (Fund Manager).

CRAFT will be the first dedicated commercial investment vehicle to focus on expanding the availability of technologies and solutions for climate adaptation and resilience both in developing and developed countries. CRAFT will be structured as a private equity fund that invests growth capital and strategic support into private companies that offer climate adaptation and resilience products and services. CRAFT will target commitments from both private and public investors for a total amount of USD 500 million. Capital commitments to the Fund will be divided between a window for investments targeting private companies operating in developed countries and another window for investments targeting companies operating in developing countries. A complementary USD 10-20 million Technical Assistance Facility (TAF) will be established to enable the provision of technical support to companies in developing countries through grants.

The proposed NDF grant will be used to finance specific preparation activities that will bring the CRAFT concept into execution. The fund preparation activities include two main components, namely the formal establishment of the Fund and capital mobilization through active fundraising, targeting a first closing of the Fund in mid-2018. The preparation activities are expected to be completed in 15 months, by the end of 2018.

The Fund Manager has estimated that the total costs of the planned fund preparation activities will amount to approximately USD 2.2 million. In addition to the proposed NDF grant, the Fund Manager has applied for a USD 1.0 million grant from the Global Environment Facility (GEF) and a USD 0.6 million grant from a third investor[2]. As GEF's Project Agency, Conservation International has supported the Lightsmith Group in relation to the GEF grant application process[3].

Excluded from the aforementioned cost estimate of the fund preparation activities are investments made by the Lightsmith Group during the past 18 months relating to the preparation of CRAFT. These realized investments amount to an estimated USD 0.6 million. The final contribution of the Lightsmith Group to the preparation of CRAFT will range between USD 0.6-1.2 million, depending on the final amount of secured external financing.

NDF engagement in the fund preparation activities is expected to prepare the way for NDF participation in the Fund. The potential NDF investment in the Fund would be directed to the window for developing countries and the possibility of providing a grant to the TAF would be explored during the due diligence process.

[2] Due to the early stage of discussions, information relating to the third potential investor is currently not disclosed.
[3] For more information relating to GEF and Conservation International, see Annex A.

2. RELEVANCE AND RATIONALE

2.1. Project Relevance

The economic and social impacts of climate change have consistently gained more attention among policy-makers, international development institutions, private investors and the public media. During the last decade, both the number and the intensity of climate-related disasters have increased significantly and the caused economic losses have reached an estimated yearly average of USD 300 billion. Floods, droughts and tropical storms caused 90% of these damages and losses, and these are expected to increase in frequency and intensity in the coming years[4].

Different economic sectors have varying exposure to the impacts of climate change. In developing countries, it is estimated that the agriculture sector absorbs 25% of the losses caused by climate related shocks. Beyond production losses, these shocks can have a significant impact along the food value chain, affecting the cost of agricultural commodities and sectoral growth. Non-resilient infrastructure increase vulnerability and hamper the recovery capacity of disaster-stricken countries, causing further economic and social losses and costs. For example, interruptions in power sector services, due to damages in generation and distribution infrastructure, have large scale and potentially long-term consequences in the overall economy.

The United Nations Environment Programme (UNEP) has estimated that yearly costs related to adaptation to climate change in developing countries could amount to an estimated USD 100 billion in the coming years[5]. Studies show that adaptation costs in developing countries increase significantly under higher emissions scenarios, and these could be as high as USD 500 billion per year by 2050. These estimates reinforce the notion that mitigation actions are highly complementary to adaptation measures.

According to the latest official figures, global climate finance amounted to an estimated USD 392 billion in 2014[6]. Of these climate-related investments, only USD 27 billion was invested in climate adaption activities, representing 7% of the total, and approximately USD 23 billion targeted specifically developing countries. These figures show the magnitude of the so-called "adaptation finance gap", which is particularly critical in developing countries, where adaptation capacity is the lowest and needs are the highest.

All of the tracked adaptation-related investments presented above were undertaken by public institutions, such as bilateral and multilateral development finance institutions. These figures do not include investments by private sector actors, not because there were no such investments, but because private sector adaptation-related investments are difficult to identify and monitor. Private companies often integrate climate-resilience activities into business development investments and activities, and therefore rarely stand-alone. Furthermore, existing climate finance tracking systems have been built to service public institutions and not private entities.

Despite the data gaps mentioned above, the private sector plays a key role in climate adaptation and resilience. The increasing risks and economic losses from climate change are creating a growing need of services and solutions to help countries, both developed and developing, in assessing and managing these risks and reducing costs and losses. This need translates into a significant market opportunity for companies that already have climate risk analysis and

[4] FAO (2015). The Impact of Disasters on Agriculture and Food Security.
[5] UNEP (2016). The Adaptation Finance Gap Report 2016.
[6] Climate Policy Initiative (2016). Climate Finance Landscape.

capabilities, and offer products and solutions that increase and improve climate resilience. Consequently, the private sector is increasingly being recognized as an important source of knowledge and innovative solutions in the context of climate adaptation and resilience.

In this context, The CRAFT concept is innovative, since it tackles the adaptation finance gap from two different directions. First, CRAFT will invest in privately owned companies that have proven technologies and solutions for climate resilience, but need growth capital and strategic support to expand their operations into new sectors and geographies. In addition to developing the market for climate resilient products and services, by actively supporting technology transfer through the TAF, these investments will directly contribute to the scale-up and diffusion of adaptation and resilience activities to developing countries. Secondly, the planned blended structure of the Fund will help attract private investors to activities traditionally dominated by public financiers. By providing two separate investment windows, the Fund will enable private investors to channel financing to climate adaptation activities and contribute to alleviating the adaptation finance gap.

2.2. Relevance to NDF's Mandate and Strategy

The project is well aligned with NDF Climate Change Mandate and NDF Strategy, touching directly on multiple strategic focal areas including **Catalytic Role and Leverage**, **Preparatory Funding** and **Support for Innovation, Private Sector Development** and **Identification of Emerging Climate Change Issues**.

Justification for this preparation grant as an **Adaptation Activity** is based on CRAFT's planned activities, which are investments and grants to private companies producing and developing products and services related to adaptation and climate resilience. These investments are expected to impact positively on the supply of adaptation solutions and services in developed and developing countries. Many of the potential investee companies have activities that are not limited to adaptation, and in fact include **mitigation activities**, such as energy efficiency.

NDF grant support to the preparation and establishment of CRAFT will contribute directly to resource mobilization, confirming NDF's **Catalytic Role and Leverage**. Following the success at the Global Innovation Lab for Climate Finance, CRAFT has received positive feedback and interest from a number of private and public investors, including development agencies and finance institutions. For both public and private investors considering investing in CRAFT, the NDF participation at the early stage will be a seal of approval and validation of the CRAFT concept.

The proposed grant support is explicitly **Project Preparatory Funding** that will potentially lead at a later stage to a NDF investment in the Fund. The concept of CRAFT is to establish a new innovative financing facility that will provide capital to a market segment that has been largely underserved, and targeting specifically private sector companies. Therefore, the project is directly linked to NDF Strategic Focal Areas of **Support for Innovation** and **Private Sector Development**.

CRAFT recognizes that there is a pool of companies, operating in developing and developed countries, with existing resilience services and products that are not being marketed and supplied in sectors and geographies with existing demand. The ultimate goal of CRAFT is to mainstream the use of privately developed and produced services in the context of adaptation and resilience.

By supporting CRAFT, NDF will contribute to identify the aforementioned **Emerging Climate Change Issue**.

3. THE PROPOSED PROJECT

3.1. Objectives

The key objectives of the proposed project are to establish formally CRAFT and to mobilize capital, from both private and public investors, by implementing an active fundraising plan. Following a successful execution of the aforementioned activities, the Lightsmith Group expect to achieve a first closing in mid-2018.

The Lightsmith Group

The concept of CRAFT has been developed by The Lightsmith Group, a company established in the United States of America in November 2016. The company is formed by two partners, Mr. Jay Koh and Mr. Sanjay Wagle. Both partners have extensive investment experience in technology and climate businesses from both the private sector (Carlyle, VantagePoint) and the public sector (OPIC, IFC), and they have also experience from government entities such as the United States Department of Energy and the Supreme Court. The Lightsmith partners are the founders and act as Chair of the Global Adaptation & Resilience Investment Working Group (GARI), an investor working group launched at COP-21, in conjunction with the UN Climate Resilience Initiative[7]. Over the past few years, the Lightsmith Group's partners have actively participated in high-level discussion forums relating to climate adaptation and resilience and private sector engagement, such as discussions relating to the Proadapt program.

In 2016, the Lightsmith Group presented the initial CRAFT concept at the Global Innovation Lab for Climate Finance Competition (the Lab), and CRAFT was selected as winner, out of 175 submissions. The Lab is a high-level forum that supports the identification and piloting of cutting edge climate finance instruments[8]. The Lab Competition process is based on an open call for innovative sustainable investment solutions, of which the most promising ideas are selected by the Lab members for an extensive due diligence analysis and endorsed for implementation. Winners of the Lab Competition are chosen based on their innovation, actionability, financial sustainability, and catalytic potential.

Following the success in the Lab Competition, the Lightsmith Group underwent an intensive due diligence process with the Lab team, composed by various climate change technical and finance experts. The final report of the Lab due diligence is a public document and it has been reviewed by NDF, in relation to the due diligence of the proposed grant. As a direct result of this process, the Lightsmith Group was able to develop the CRAFT concept to its current stage. In addition to the technical support and in-kind contribution provided by the Lab team, estimated to amount to USD 150,000, CRAFT has received significant visibility in various events related to the Lab and exposure to potential private and concessional investors.

The CRAFT Concept

CRAFT will be structured as a single global private equity fund, managed by the Lightsmith Group, with two legally and financially separate windows, one for developed countries and

[7] For more information, see https://garigroup.com/.
[8] For more information, see Annex A.

another for developing countries. Each investment window is targeting USD 250 million of capital commitments, for a total fund size of USD 500 million. The planned structure of the Fund will enable the participation of a diverse set of investors, such as development finance institutions, including concessional and non-concessional arms of MDBs, institutional investors, and commercial investors.

For the developed country window, the Fund is targeting USD 250 million of commercial equity investment. For the developing country window, the Fund is targeting USD 100 million of concessional investment and USD 150 million of commercial investment. The two investment windows will be completed with a separate Technical Assistance Facility (TAF) of USD 10-20 million, which will be used specifically to strengthen the support to investee companies in expanding technological capacity and solutions in developing countries. The TAF will be financed by concessional investors. With this planned structure, every committed USD of concessional capital is expected to catalyse commercial commitments by a multiple of 3. During the fund preparation activities, the most efficient structure that will maximize the catalytic effect of the concessional financing, will be determined.

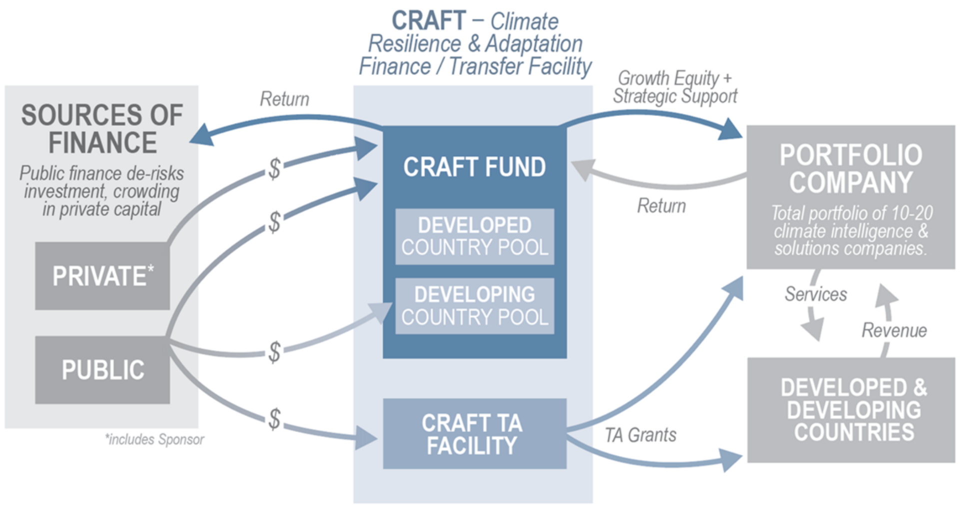
The objective of CRAFT will be to create a diversified portfolio of investments in private companies developing and producing products and solutions that help assess and manage the physical risks and impacts of climate change. The Fund will target investments in two types of companies:

i. **Resilience intelligence companies** providing data analytics, modelling, forecasting, engineering, consulting, or other actionable, asset-specific information that helps assess and manage risks and impacts of climate change, and help companies become more resilient. Resilience intelligence includes climate and catastrophe risk modelling, weather modelling and forecasting, precision agriculture data analytics, water efficiency analytics, supply chain management software, and infrastructure risk analysis, among others.

ii. **Resilience products & services companies** help address and manage the risks and impacts of climate change. This category includes flood abatement equipment and services, precision agriculture sensors and equipment, micro-grid and energy storage systems for companies, communities and critical infrastructure like hospitals, business continuity services, and insurance services, among others.

CRAFT will invest growth capital and provide strategic support to 10-20 private companies, already offering climate intelligence products and solutions. A minimum criteria for identifying eligible companies will be clearly defined in the Fund’s investment strategy. Eligible companies will have the majority of revenues come from climate adaptation and resilience solutions, they will be established businesses, with ready to scale activities, and they must present strong commitment to ESG best practices. The developing country sleeve will invest both in companies based in developing countries, as well as in companies based in developed countries where the Fund’s investments will be specifically used for expansion of operations into developing countries. Detailed investments guidelines will be defined and documented during the fund preparation activities.

The planned structure of CRAFT is presented in detail in the figure below.



The Fund Manager will follow an active and hands-on approach in managing the investment portfolio and potential synergies between investee companies will be systematically pursued to efficiently transfer adaptation and climate-resilient technology and solutions to developing countries. The Fund will target 20-25% gross returns, consistent with growth equity investor expectations. The main general terms of the Fund are in line with consolidated market practices: the term of the Fund will be ten years from final closing, with two one-year extensions, and the investment period will be five years from final closing. As General Partner of the Fund, the Lightsmith Group will invest 1% of total capital commitments and an annual management fee of 2.5% will be charged on committed capital during the investment period, and on net invested capital thereafter. The specific terms and conditions of the Fund will be defined and documented during the fund preparation activities.

3.2. Project Activities

The preparation activities of CRAFT, to be partly financed with the proposed NDF grant, include the following elements:

(i) establish the management team;
(ii) formalize the operations of the Fund and the TAF;
(iii) engage third-party service providers needed to set up and operationalize the Fund; and
(iv) develop and implement fundraising strategy and plan.

Expenses related to the establishment of the management team include securing the Lightsmith Group's two partners, and recruiting an associate and an executive assistant to support the partners in the fund preparation activities, and an investment principal focusing in developing potential investment proposals and deal pipeline. This core team will prepare marketing material for fundraising, namely a formal Investment Memorandum and a Due Diligence Questionnaire for investors, and complete the Fund's investment and TA strategy and guidelines. Moreover, the team will prepare the Fund's ESG management system, development impact metrics and evaluation approaches. Finally, the team will continue developing the Fund's deal pipeline and maintain ongoing discussions with potential investee companies. The management team will be completed with additional recruitments, once the fund preparation activities reach the stage of the first closing of the Fund.

Third-party service providers to be engaged will include a law firm and a regulatory advisor to formally structure the Fund and establish it as a legal entity, which will enable the management team to progress to formal fundraising. Key legal documents will be drafted, including a Private Placement Memorandum, Limited Partners Agreement, Management Company Agreement, Advisory Board Agreements and the legal setup of the TAF. Providers of services relating to tax, accounting, audit, and fund administration will be sourced and engaged to set up and operationalize the Fund and to comply with regulatory and investor reporting requirements.

By implementing CRAFT's fundraising strategy, the team will conduct fundraising meetings with potential public and private investors and focus actively in securing anchor investor(s) needed to achieve the targeted first closing in mid-2018. The Fund Manager plans to engage a placement agent to assist with the fundraising process. The detailed deliverables and planned timeline of the fund preparatory activities are presented in Annex B.

3.3. Cost Estimates and Financing Plan

The Fund Manager has estimated that the total costs of the fund preparation activities will amount to approximately USD 2.2 million. In addition to the proposed NDF grant, the Fund Manager has applied for a USD 1.0 million grant from the Global Environment Facility (GEF) and a USD 0.6 million grant from a third investor[9].

As GEF's Project Agency, Conservation International has supported the Lightsmith Group in relation to the GEF grant application process[10]. According to GEF financing guidelines, GEF Project Agencies create project proposals and then manage and monitor these projects. These agencies help eligible governments, non-governmental organizations (NGOs) and private entities to develop, implement and execute their projects. Conservation International was chosen by GEF as Project Agency to the CRAFT project due to their experience with similar projects and the availability of relevant resources. The support provided to the Lightsmith Group by Conservation International during the GEF grant application process has been significant, with an estimated in-kind contribution of USD 100,000.

During the past year and half, the Lightsmith Group has invested an estimated amount of USD 0.6 million in the preparation of CRAFT, including the partners' working time, costs related to travel (conferences, Lab events, European roadshow in Q2/2017), legal expenses relating to the establishment of the company, and other out-of-pocket expenses. The final contribution of the Lightsmith Group to the preparation of CRAFT will range between USD 0.6 - 1.2 million, depending on the final amount of secured external financing, namely the tranche planned to be financed by the third investor.

[9] Due to the early stages of discussions, information relating to the third potential investor is currently not disclosed.
[10] For more information, see Annex A.

In addition, during the due diligence process that resulted from CRAFT winning the Lab Competition, the technical support and in-kind contribution provided by the Lab team has been estimated to amount to USD 150,000.

The financing structure of the planned and presented fund preparation activities (see 3.2. Project Activities), amounting to USD 2.2 million, is presented in the table below[11]. In addition, the realized investments (as of end of October 2017) by the Lightsmith Group, the Lab and Conservation International are also presented in the table, bringing a total budget for the preparation of CRAFT to USD 3.0 million.

Preparation activities	**USD**	**Share of Total**
NDF (EUR 0.5 million)	585 000	27 %
GEF	1 000 000	46 %
Third investor	600 000	27 %
Total preparation activities	**2 185 000**	100 %
Realized investments		
Lightsmith Group	600 000	
Global Innovation Lab	150 000	
Conservation International	100 000	
Total Indicative budget	**3 035 000**	

In the second week of October 2017, the Lightsmith Group submitted to GEF a formal grant application. GEF has indicated that a final decision can be expected within a month, and pending a successful approval process, a grant agreement would be completed in December 2017, and funds would be available at the beginning of 2018. As GEF's Project Agency, Conservation International will be in charge of drafting and executing the grant agreement on behalf of GEF.

The grant discussions between the Lightsmith Group and the third investor are at an early stage, and a potential grant could be realized at the earliest during the first quarter of 2018. In case that a third grant donor, is not secured, the Lightsmith Group will cover necessary costs, and service agreements with the engaged third-party service providers will be negotiated, so that payments are deferred until the first-closing of the Fund is achieved, which would be in line with common business practice.

The planned budget by source and timing of financing is presented in the table below.

[11] USD/EUR exchange rate 1.17.

Preparations costs by source, USD	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	**Total**
NDF	284 000	132 000	123 000	23 000	23 000	585 000
GEF	0	206 000	204 000	281 000	309 000	1 000 000
Third investor / Lightsmith Group	141 000	146 000	157 000	135 000	21 000	600 000
Total	425 000	484 000	484 000	439 000	353 000	**2 185 000**
Share of total	19 %	22 %	22 %	20 %	16 %	100 %

An indicative breakdown of the costs of the planned preparation activities, as presented in the previous section (3.2. Project Activities), is presented in the table below.

Preparation costs by activity	**USD**	**Share of total**
Management team costs	1 100 000	50 %
Travel costs	140 000	6 %
Regulatory fees	75 000	3 %
Other operating costs	170 000	8 %
Service provider costs	700 000	32 %
Total	**2 185 000**	100 %

Management team costs relate to securing and establishing the management team (two partners, associate, executive assistant and investment principal), and travel costs relate to fundraising activities. Regulatory fees are the estimated costs of registration fees paid to regulatory authorities in the United States and Europe. Other operating costs include market studies, resources for deal pipeline development, communication, such as marketing material, webpage development and office resources, among other. Service provider costs are the costs of third-party service providers, including legal and regulatory advisors and accounting, tax, audit, and fund administrations services providers.

3.4. Nordic Interest

The planned Fund is well in line with global priorities endorsed by the Nordic shareholders including Sustainable Development Goal 13, which calls for urgent action to combat climate change and its impacts. Relating to CRAFT's network of partners, the Fund Manager is planning to sustain continued discussions with potential Nordic investors, private and public, and Nordic companies with climate resilience solutions. NDF will support the Lightsmith Group in establishing and progressing with potential Nordic partners, and in this context potential partnerships with companies that have been financed by the Nordic Climate Facility (NCF) will be assessed.

3.5. NDF's Added Value and Comparative Advantage

The added value of NDF participation in the preparation and establishment of CRAFT is significant. Given the limited availability of fund preparatory financing in the market, the proposed grant facility represents a crucial opportunity for the Lightsmith Group to progress with the implementation of the CRAFT concept. In relation to other grant donors, NDF's participation will catalyze additional fund preparatory financing in the planned timetable. GEF guidelines emphasize the importance of co-financiers, and consequently, the proposed NDF grant supports the GEF approval process. In the absence of NDF grant support, the implementation of the planned preparation activities would be delayed indefinitely, potentially jeopardizing the final execution of the Fund.

The NDF contribution and value added is not limited to the preparation and establishment phase of CRAFT. Given NDF's experience and knowledge related to supporting and mobilizing adaptation and climate resilience financing will be a valuable input during CRAFT's operational phase, particularly in the management of the TAF. Through the ProAdapt Program, NDF has acquired substantial experience in supporting financing activities related to the development of the private sector's role in the context of climate resilience. By supporting CRAFT at such an early stage, there is an opportunity to consolidate NDF's role in building and mainstreaming the business case of climate adaptation and resilience. Finally, NDF will support CRAFT in developing their portfolio management systems to be in line with NDF guidelines, with a particular focus on gender issues.

4. IMPLEMENTATION ARRANGEMENTS

4.1. Technical Aspects

The main technical aspects of CRAFT will be defined and implemented during the planned fund preparation activities. The Fund's technical structure and domicile will be determined following the planned legal and regulatory assignments. Given the interest of the European development finance institutions to potentially become investors in the Fund, it is likely that a Luxembourg-based vehicle will be established. Following the preparation activities, detailed operational guidelines for the Fund and the TAF, E&S management systems and Fund governance guidelines will be in place.

4.2. Institutional Aspects and Project Organization

The planned preparation activities will be directly implemented by the Lightsmith Group. NDF will closely follow the completion of milestones and deliverables that will be defined in the formal grant agreement between NDF and the Lightsmith Group. NDF will also provide assistance and support in relation to activities targeting Nordic investors, companies and potential partners, and any other possible issues.

4.3. Procurement and Contract Structure

The initial CRAFT idea was originated by the Lightsmith Group. With the support of the Lab process, the Lightsmith Group developed and defined the concept to the current stage, and presented CRAFT to potential grant financiers including NDF and GEF. Due to this development process, the Lightsmith Group has not been procured as executing agency of the fund preparation activities and fund manager of the forthcoming Fund through a formal procurement process.

NDF and the Lightsmith Group will sign an agreement covering the proposed grant, and detailing deliverables, reporting requirements, and other relevant terms and conditions. Conditions relating to disbursements, specifically the timing and amount of each disbursement will be determined in the grant agreement. Given that Conservation International is GEF's Project Agency, Conservation International will be in charge of drafting and executing the grant agreement on behalf of GEF. The NDF agreement will be aligned with the GEF/Conservation International grant agreement in relation to the main terms and conditions.

During the project appraisal process, the possibility to structure the NDF grant as either a reimbursable grant or a convertible grant was assessed. Given the difficulty to legally structure the aforementioned instruments, in relation to a company with no current operational activities and revenue streams, and given that future revenue streams will be allocated specifically to operations related to fund management activities, it was concluded that a non-reimbursable grant would be the appropriate instrument for the preparation activities. Furthermore, the proposed NDF grant is line with the planned GEF grant, and therefore the position of NDF is aligned with the other grant provider(s). Finally, during the NDF approval process, it was established that the proposed grant instrument is appropriate for the preparation activities of CRAFT, given that it will be key in unlocking and catalyzing future commitments from both private and public financing sources towards climate adaptation and resilience investment activities in developing countries.

4.4. Monitoring and Evaluation

The Lightsmith Group will be responsible for reporting to NDF on the progress and completion of milestones and deliverables, which will be defined in the NDF grant agreement. The preliminary list of deliverables and milestones is presented in Annex B.

4.5. Risk Analysis

An analysis of potential risks and mitigation measures is presented in table below.

Risk Category	Description	Classification	Mitigation measures
Financial	Delays due to difficulties in sourcing additional financing for fund preparation activities.	Low	i. NDF and GEF have agreed to cooperate in completing their respective grant approval processes successfully. ii. The Rockefeller Foundation has initial interest in providing the balance of necessary preparation funds. iii. Approx. 1/3 of total preparation costs relate to service providers, whose payments can be agreed to be deferred and settled once an anchor investor has been secured.
	Delays in completing the Fund's first closing, planned for mid-2018.	Moderate	i. In connection to the Climate Lab Endorsement, CRAFT has received significant exposure to potential investors, both public and commercial. The overall responses have been very positive. ii. The Fund Manager's fundraising plan is clear and executable.
Implementation	Delays in agreed deliverables and completion of fund preparation activities.	Low	i. The plan for the fund preparation activities is prepared and ready to be executed, once financing has been secured. ii. Candidates for management team recruitments and third-party service providers have been shortlisted. iii. The planned timeline is realistic.
Operational	Difficulties in the implementation of the CRAFT concept due to problems in executing investments as planned in developing countries.	Moderate	i. The Lightsmith Group has developed an extensive database of companies with operations in developing countries, and companies with significant potential or plans to extend operations to developing countries. ii. The TA Facility will support investments in developing countries.
	Lightsmith Group is a first-time fund manager.	Moderate	i. Both Lightsmith partners have extensive experience in growth investment, company management, climate finance and government. ii. The management team will be completed with professionals that have substantial and relevant expertise and experience. iii. High quality service providers will be engaged in relation to fund establishment and regulation compliance.
Environmental and social	Inadequate attention to social and environmental safeguards in fund investment policy.	Low	CRAFT's E&S standards and management systems will be in line with the IFC E&S Procedures. During the preparation phase, NDF will monitor progress, assuring that ESG management systems are in line with NDF guidelines.

5. ECONOMIC AND SOCIAL ASPECTS

5.1. Economic Justification

The main purpose of establishing CRAFT is to answer to the growing need of solutions and systems that will support and build climate resilient economies and countries. CRAFT will tackle the so-called "adaptation finance gap" in a two-fold manner. First, with the planned blended investment vehicle, CRAFT will provide an investment opportunity to both concessional and commercial investors, and therefore support the supply of climate adaptation finance. Secondly, CRAFT will provide capital to private companies that require additional financing in the form of growth equity to finance expansion and business development, consequently responding to the demand of climate adaptation finance.

The investee companies targeted would typically offer proven resilience technologies and business models and have demonstrated market demand and revenue, but require additional financing in the form of growth equity to fund expansion and business development. By implementing a hands-on portfolio management approach, the Fund will target 20-25% gross returns. The return profile for CRAFT investors is in line with common private equity business practices: investors will receive returns until a 6% hurdle rate of return is achieved, after which returns will be distributed at a ratio of 80% to limited partners and 20% to the Fund Manager. Concessional equity investors will receive repayment and returns after commercial investors.

The TAF will be available only to companies in the Fund's developing country window and it will have a separate governance structure from the Fund. The TAF will provide grants for three possible categories of technical assistance: market studies, preparation and implementation support activities, and knowledge and capacity building. These grants will be funded by concessional investors to support the preparation and implementation of commercially-driven projects or business operations that leverage further investment in developing countries.

5.2. Environmental and Social Aspects

According to NDF Environmental and Social Policy and Guidelines, the preparation activities of CRAFT have been classified as Financial Intermediary, low risk. The planned activities will include the preparation of the ESG policies and management systems of the Fund and the TAF. The resulting ESG management systems and compliance standards will be in line with IFC Environmental and Social Procedures. NDF will support the Fund Manager in the aforementioned processes, assuring that the final management systems satisfy NDF's guidelines, particularly relating to gender issues.

No specific environmental and social monitoring or qualifications have been defined for the preparation activities. The Lightsmith Group will be responsible of reporting to NDF on the progress of pre-defined ESG milestones and deliverables. The review of the ESG aspects of the Fund and the TAF will be completed during the due diligence of a possible NDF investment to these specific vehicles.

6. CONCLUSION

The proposed NDF grant will partly finance the fund preparation activities of CRAFT, the first global private equity fund focusing specifically in financing and developing the market of climate adaptation and resilience products and services. The main target of CRAFT is to provide growth capital to private companies operating in a market segment that has been largely underserved. The expected value added of NDF participation in the project is significant. The proposed NDF grant will contribute directly to resource mobilization, both from private and public investors, by providing a seal of approval to the CRAFT concept. In addition to leveraging additional financing, NDF will contribute to the development of the TAF and support the inclusion of gender focus in the Fund's management systems.

By supporting CRAFT in the early-stage phase, NDF has the opportunity to consolidate its leading role in the context of building the business case of climate adaption and resilience and private sector engagement in developing countries. Participating in the preparation of CRAFT, and possibly later in the operational phase of the Fund, will strengthen NDF's institutional capacity and add to the experience related to adaptation finance that has been built over the years in other adaptation related projects, and particularly in the ProAdapt program.

Annex A: Project Partners

The Global Environment Facility (GEF) was established on the eve of the 1992 Rio Earth Summit to help tackle the most pressing global environmental problems. The GEF unites 183 countries in partnership with international institutions, civil society organizations, and the private sector to address global environmental issues while supporting national sustainable development initiatives. Since 1992, the GEF has provided over USD17 billion in grants and mobilized an additional $88 billion in financing for more than 4,000 projects in 170 countries. The GEF also serves as financial mechanism for the following conventions: Convention on Biological Diversity (CBD), United Nations Framework Convention on Climate Change (UNFCCC), UN Convention to Combat Desertification (UNCCD), Stockholm Convention on Persistent Organic Pollutants (POPs), and Minamata Convention on Mercury.

The GEF has a governing structure organized around:

- the Assembly, composed by all 183 member countries;
- the Council, main governing body composed by 32 members appointed by constituencies of member countries;
- the Secretariat reports directly to the Council and Assembly and ensures that their decisions are translated into effective actions;
- 18 Project Agencies, the operational arm of the GEF;
- the Scientific and Technical Advisory Panel (STAP) provides GEF with scientific and technical advice on policies, operational strategies, programs and projects; and
- the Evaluation Office, reports directly to the Council.

GEF Agencies work closely with project proponents — government agencies, civil society organizations and other stakeholders — to design, develop and implement GEF-funded projects and programs. The GEF works with18 agencies including the main MDBs (ADB, AfDB, EBRD, IDB, WB), regional development banks (CAF, DBSA, BOAD), UN Agencies (IFAD, UNDP, UNEP, UNIDO), NGOs (Conservation International and WWF), and other international and national agencies (FAO, FECO, FUNBIO, IUCN).
For more information on GEF, see https://www.thegef.org.

Conservation International (CI) is an American non-profit environmental organization established in 1987 and headquartered in Arlington, Virginia. Its goal is to protect nature as a source of food, fresh water, livelihoods and a stable climate. The foundation of CI's work is "science, partnership and field demonstration." The organization has scientists, policy-workers and other conservationists on the ground in more than 30 countries, and it on an extensive network of thousands of local partners. As a GEF Project Agency, CI's leverage is based on their scientific approach, experience in innovative finance and community-based solutions as well as their network of partnerships to implement effective in the focal areas of biodiversity, climate change adaptation and mitigation, land degradation and international waters.
For more information on Conservation International, see https://www.conservation.org.

The **Global Innovation Lab for Climate Finance** (the Lab) was established in 2014 by the United Kingdom, the United States and Germany in partnership with several climate finance donor governments – Denmark, France, Japan, the Netherlands and Norway – major development finance institutions, and key private sector actors, and philanthropic partners, the Rockefeller Foundation and Bloomberg Philanthropies, as well as developing country government representatives like Rwanda, quickly recognized concentrated opportunities and investment needs in certain countries. In 2015 a sister initiative, the India Innovation Lab for Green Finance, was launched in coordination with the Indian, US, and UK governments. The Brasil Lab was launched in 2016 under the auspices of the Brazil-U.S. Climate Change Working

Group, led by the Brazilian Ministry of Foreign Affairs and the U.S. Department of State. The Climate Policy Initiative serves as Secretariat to the Lab.

The Lab aims to identify and develop innovative instruments that could drive private for climate mitigation and adaptation in developing countries. The Lab process includes five steps:

1. Call for Ideas - Open call for innovative sustainable investment solutions;
2. Selection - Lab Members select the most promising ideas;
3. Development - Selected ideas for India, Brazil, and Global Labs benefit from analysis, stress-testing, and guidance from experts and investors;
4. Endorsement & Launch - Lab Members vote to launch the ideas for piloting, based on their innovation, actionability, financial sustainability, and catalytic potential;
5. Implementation - The ideas move into action, fundraising to launch pilots, with continued support from the Lab network.

Successful ideas are selected by Lab Members and other experts based on the following criteria:

- Actionable - Identifies (1) the type of entity(ies) that could implement it, (2) the pathway towards implementation, including the timeframe, activities, and key milestones, and (3) possible challenges to implementation and related management strategies.
- Innovative - Demonstrates the ability to address, directly or indirectly, barriers to private climate finance that (1) have not yet been addressed or (2) that will be addressed more effectively compared to other instruments in the market.
- Catalytic - Demonstrates potential to (1) mobilize private climate capital within a sizeable market, (2) be scaled up or replicated in other contexts and, (3) achieve socioeconomic, development, and environmental impacts.
- Financially Sustainable - Identifies (1) a strategy to phase out public financial support, thereby achieving market viability and (2) possible challenges to achieving its intended objectives and related management strategies.

For more information on the Lab, see https://www.climatefinancelab.org.

Annex B: CRAFT Fund preparation plan - Deliverables and Timeline

Activity	Output	Timeline for Deliverables Q4 2017 Oct-Dec	Q1 2018 Jan-Mar	Q2 2018 Apr-Jun	Notes
Component 1: CRAFT Fund Operationalization					
1.1 - Develop Investment Strategy					
1.1.1	Detailed investment theses (4)	2	**4**		Output 1.1.1: Detailed investment theses for 4 of the 20 target market segments developed (incl. mapping additional companies in each area and defining climate resilience impacts)
1.2 - Develop Investment Pipeline					
1.2.1	Add companies to database (+250)	125	**250**		Output 1.2.1: 250 additional climate resilience companies identified and added to company database
1.2.2	Investment discussions with companies (5	2	**5**		Output 1.2.2: Discussions held with at least 5 companies that represent active potential transactions
1.3 - Develop Impact and Technical Assistance Strategy					
1.3.1	Impact, metrics and ESG strategy	Impact	Metrics	**ESG**	Output 1.3.1: Impact strategy, Environmental, Social and Governance (ESG), and metrics document prepared
1.3.2	TA strategy	TA Outline	TA Draft	**TA Final**	Output 1.3.2: TA Facility strategy and operations documents (investment strategy, grant guidelines, impact measurement, and operating procedures) prepared
Component 2: CRAFT Fund Resource Mobilization					
2.1: Prepare Key Marketing Documents					
2.1.1	Key marketing documents	Presentation & 1-pager	PPM	**DDQ**	Output 2.1.1: Key marketing documents prepared and ready to share with investors and the public, including marketign presentation, Private Placement Memorandum and Due Diligence Questionnaire
2.1.2	Website and data room	Website		**Data Room**	Output 2.1.2: Website and online data room completed
2.2 - Prepare Fundraising Strategy and Launch Fundraising					
2.2.1	LPs in database (200)	**200**			Output 2.2.1: 200 Limited Partners (LP) investor candidates (public and private) identified and prioritized
2.2.2	Placement agent		**Placement Agent**		Output 2.2.2: Placement agent candidates identified and discussions held; placement agent selected, if appropriate
2.2.3	LP discussions (25)	10	20	**25**	Output 2.2.3: Discussion meetings with at least 25 investor candidates held
2.2.4	First-close LP discussions ($20M)	$10M	$20M	**$50M**	Output 2.2.4: Potential first-close investors brought into due diligence stage with total potential commitments of at least $20 million
Component 3: CRAFT Fund Legal Setup					
3.1 - Define Legal Structure and Prepare Fund Documents					
3.1.1	Fund structuring approach	**Structuring**			Output 3.1.1: Fund structuring approach, meeting EU/US and public/private investor requirements, defined
3.1.2	Key Fund legal documents		**Legal Docs**		Output 3.1.2: Key Fund legal documents drafted
3.1.3	TA legal documents			**TA Legal Docs**	Output 3.1.3: TA Facility key legal documents drafted
3.2 - Prepare Fund Regulatory Plan					
3.2.1	Regulatory compliance plan (US & EU)	**Regulatory Plan**	Implementation Begun		Output 3.2.1: Regulatory compliance plan for US, EU, and multilateral/others defined

Annex C: NDF Project Screening Template

	Question	Clarification	Answer options (drop-down menus)	Comments and/or elaborations
Core project criteria				
	Will the project pass NDF's climate screening criteria?	Climate Relevance - based on the 50% and 10% tests for adaptation and mitigation respectively, for projects or components as appropriate.	Yes	Planned NDF grant support is EUR 500,000 and the project rating is Adaptation 2 and Mitigation 1. The project will serve to co-finance the preparation and establishment of a Fund (CRAFT), which will invest in companies producing and developing climate adapatation and resilience products.
	Is the project economically justifiable?	Justification in terms of economic impact; economic benefits derived from project compared to BAU scenario; does it satisfy standard cost-benefit tests such as the IRR?	Yes	The Fund will target 20-25% gross returns. The return profile for CRAFT investors is in line with common private equity business practices: investors will receive returns until a 6% hurdle rate of return is achieved, after which returns will be distributed at a ratio of 80% to limited partners and 20% to the Fund Manager. Concessional equity investors will receive repayment and returns after commercial investors.
Strategic criteria				
High	Materiality of the focal area: Catalytic role and leverage			
	Is the project expected to leverage additional private and/or public finance?	Private finance	Yes	The planned Fund will have a blended structure that will attract both public and private investors by providing different return profiles.
		Public finance	Yes	
High	Materiality of the focal area: Project preparatory funding			
	Will the project result in replication or upscaling?	Potential for replication (=exporting key structural elements of the programme or project elsewhere within the same sector/other sectors, regions or countries)	Yes	CRAFT will target a diversified portfolio of investments in private companies developing and producing solutions that help assess and manage the physical risks and impacts of climate change. CRAFT will provide financing to an underserved and under-developed market segment. The goal is to mainstream the business case of companies producing climate adaptation and resilience services and products.
		Potential for upscaling (=expanding the scale and impact of the proposed programme or project)	Yes	Expected long-term outcomes of the Fund are the global diffusion of climate resilience products and services and the consolidation of the role of the private sector in building climate resilient economies and countries.
	Will the project build the recipient countries' capacity to produce concrete investment projects?	The ability of the project to build recipient countries' capacity to produce concrete investment projects for potential follow-up investment and/or enhance the enabling environment for climate compatible investments.	No	The project is a preparation facility for a private sector fund and not likely to impact public institutional capacity.
	Has NDF been able to add value by contributing to project design and planning input?	Contribution is relevant for increasing focus on climate change, potential for follow-up investment/replication/up-scaling, and building enabling capacity in recipient countries. Assess and describe also if/how Nordic know-how adds value to the intervention.	Yes	In addition to supporting the preparation activities of CRAFT, NDF's contribution will be significant during the operational phase of the Fund, and specially in the design and management of the TA Facility. Specifically, experience from the ProAdapt program will be valuable. NDF will support the development of management systems that take into account gender issues in a satisfactory manner to NDF.
High	Materiality of the focal area: Support for innovation			
	Does the project enable NDF to test innovative financing mechanisms?	Evaluate the novelty, uniqueness and/or creativity of the project.	Yes	CRAFT will be the first dedicated commercial investment vehicle to focus on expanding the availability of technologies and solutions for climate adaptation and resilience both in developing and developed countries.
	Does the project enable NDF to test an innovative partnership or approach?	Evaluate the novelty, uniqueness and/or creativity of the project.	Yes	The project will be a new partnership between NDF and the Lightsmith Group.
	Does the project enable NDF to diffuse a technology and/or approach which is new in the eligible country?	Evaluate the novelty, uniqueness and/or creativity of the project.	Yes	The investment rationale of CRAFT will be to finance the expansion and diffusion of climate resilience products and services to new geographies and sectors. The TA Facility will be used specifically to strengthen the support to investee companies in expanding technological capacity and solutions in developing countries.
High	Materiality of the focal area: Support for private sector development and linkages between the public and the private sectors			
	Does the project support the development of the private sector in partner countries?	Directly (e.g. through guarantee schemes, loans/loan facilities, or technical assistance, where the end beneficiary is a private sector actor)	Yes	CRAFT will invest in private companies operating both in developing and developed countries.
		Indirectly (e.g. through capacity building or other technical support for the public sector in order to improve enabling frameworks and private sector capacity - end beneficiary is a public sector actor)	No	The Fund will target exclusively the private sector.
Medium	Materiality of the focal area: Piloting of interventions with a high risk level			
	Does the project enable NDF to pilot climate interventions with a particularly high risk level e.g. due to the proposed technology, approach or partnership?	Describe the overall risk profile of the proposed climate compatible solution, in comparison to existing/BAU solutions.	Yes	The proposed grant will finance the preparation a new type of investment vehicle that will implement a new approach that has not been commercially proven. Nevertheless, investee companies will be relatively mature, with solid business record, needing growth capital to expand their activities. Demand for resilience services and products has been proven to be high, therefore the probability of success of the Fund investments should be relatively high.
High	Materiality of the focal area: Identification of emerging climate change issues			
	Does the project enable NDF to explore emerging climate change issues and/or interlinkages/synergies with other development priorities?	Evaluate if and to what extent the project aims to explore emerging climate change issues, to harness in a creative manner synergies between different development goals, and/or contribute to prevent or solve rising climate and development challenges in a novel way.	Yes	The investment operations of CRAFT will target the mainstreaming of the use of privately developed and produced services in the context of adaptation.

Other project-level aspects			
Will the project contribute to poverty alleviation?	"No Poverty" is one of the SDGs which NDF emphasizes in its screening. Ways that project can contribute include (among others): setting poor people as a target group, enabling poor people to participate in the project, improving the lives of the poor through livelihood development.	Yes	By providing adpatation and resilience solutions, CRAFT will contribute to decreasing vulnerability and enhance capacity to respond to climate-related impacts in developing countries. Increased resilience will directly have a porverty alleviating impact.
Will the project contribute to gender equality?	"Gender Equality" is one of the SDGs which NDF wishes to emphasize in its screening.	Significant objective	ESG management systems and procedures will follow IFC E&S Procedures, therefore gender related indicators will be explicitely monitored and reported. NDF will support the inclusion of relevant gender indicators and targets.
Will the project positively impact the country's fulfilment of the other SDGs?	Select other SDGs (max 3-5) that are the most relevant to the project and describe how the project will impact these in the comments field.	Climate Action	CRAFT's main purpose is to take "urgent action to combat climate change and its impacts".
Does the project demonstrate consistency with national development plans?	This should also consider the (Intended) Nationally Determined Contributions (NDCs) and include relevant climate action plans and strategies for mitigation and adaptation.	Yes	The most attractive sectors for the Fund to focus on are water, agriculture, health, and disaster risk management. These sectors are mentioned most by the Fund's target countries that have included adaptation goals in their NDCs.
Is the project aligned with other similar projects in the target area/country/region?	Alignment with national development projects/activities?	Yes	Preliminary target countries have been taking into account both the level of vulnerability and investment environment.
	Alignment with multilateral development projects/activities?	Yes	The Fund is targeting concessional investments from MDBs for an amount of USD 100 million. A number of MDBs have indicated intitial interest in the Fund (i.e. EIB and IDB).
	Alignment with bilateral development projects/activities?	Yes	Various bilateral DFIs have indicated initial interest in the Fund (i.e. DFID/CDC, KfW/DEG, IFC, etc)
Is there any evidence of ownership /commitment by co-financing partner and/or national executing agency?	E.g. by financial contribution or other commitments	Yes	The Lightsmith Group has invested USD 0.6 million in the preparation of CRAFT and the final contribution could go up to USD 1.2 million. Plus, Lightsmith Group will invest 1% of total commitment to the Fund.
Does the implementing agency have the institutional capacity to manage/implement the project?	Including administrative structures, human resources, financial sustainability, general absorptive capacity.	Yes	Resources of the Lightsmith Group have been assessed to be appropriate for the implementation of the fund preparation activities.
Are there any project risks?	Summarise the main risks by selecting the most relevant risks from the list (maximum of 5) and include comments.	Other risk	Financial - potential risks related to delays in fundraising, both for the preparation actitivities and the Fund's targeted first close. CRAFT has received positive attention in a number of forums and the Lightsmith Group has sufficient capacity to materialize this attention into commitments.
		Implementation risk	Related to positive results of the preparation activities in the planned timetable. The work plan is executable and timetable is realistic.
		Other risk	Operational - related to the execution of investments in developing countries, by a first time fund manager. Investments will target companies with proven track record and opportunities in developing countries will be complemented with TA Facility.
		Other risk	Environmental and social - CRAFT's E&S standards and management systems will be in line with the IFC E&S Procedures.
Does the project reflect Nordic interests ?	Commercial Nordic interest –for example, support for sectors or activities in which Nordic companies or institutions have particular competence.	Yes	CRAFT has identified a number of Nordic companies that have particular competence in the targeted sectors and that could be interesting partners in the Fund's investment activities.
	Political Nordic interest – including relationships with Nordic bilaterals and policy-related interests (e.g. links to joint Nordic climate development initiatives).	Yes	The fundraising plan will cover active engagement with all relevant Nordic bilateral institutions.
Is the project aligned with the NDF's and partners' policies?	NDF's operational policies and guidelines	Yes	No issues have been identified during the due diligence.
	NDF's partner safeguard policies (incl. impact analyses)	Yes	GEF is progressing with the approval process. NDF and GEF have agreed to co-operate during project implementation and monitoring.

Implementation			
What is the preferred mode of co-financing?	Parallel	Yes	NDF grant will sign an agreement with Lightsmith group for the grant facility. GEF wil have its own agreement and due to timing, NDF grant will most probably be disbursed prior to GEF.
	Joint	No	
Is the project set-up satisfactory from NDF's point of view?	Administrative costs, M&E arrangements, legal structure, procurement arrangements, special accounts, number of contracts, timetable etc.	Yes	Project set-up has been assessed in detail during due diligence and found to be satisfactory.
Is the project's timeframe reasonable?	Project readiness – what is needed to get the project going? Approvals, agreements, procurement plan, timetable etc.	Yes	The preparation activities of the Fund will be completed in approximately 15 months and the planned timetable is realistic.