

Minutes from meeting in the Council for Development Policy
on 25 November 2021

- Members: Professor Anne Mette Kjær, University of Aarhus (Chair)
International Director Jarl Krausing, CONCITO (Vice Chair)
Senior Researcher Lars Engberg-Pedersen, Danish Institute for International Studies
Head of International Department Jens Kvorning, SMEdenmark
Executive Director Rasmus Stuhr Jakobsen, CARE Denmark
Vice President Bente Sorgenfrey, Danish Trade Union Confederation
Head of Department Kenneth Lindhardt Madsen, The Danish Agriculture & Food Council
General Secretary Birgitte Qvist-Sørensen, DanChurchAid
- MFA: Under-Secretary for Development Policy Stephan Schønemann
Head of Department Signe Skovbakke Winding Albjerg, Department for Africa, Policy & Development, APD
Head of Department Tove Degnbol, Department for Evaluation, Learning and Quality, ELK
Special Advisor Anne Marie Sloth Carlsen, Department for Evaluation, Learning and Quality, ELK
Head of Section Josephine Mittag, Department for Evaluation, Learning and Quality, ELK
Student Assistant Ida Meldgaard Justesen, Department for Evaluation, Learning and Quality, ELK
- Agenda item 2: Deputy Head of Department Søren Davidsen, Department for Evaluation, Learning and Quality, ELK
Chief Advisor Marina Buch Kristensen, Department for Evaluation, Learning and Quality, ELK
Chief Advisor Susanne Wendt, Department for Evaluation, Learning and Quality, ELK
- Agenda item 3: Head of Department Marianne Kress, Department for Migration, Stabilization and Fragility, MNS
Head of Section Kristine Dyregaard Nielsen, Department for Migration, Stabilization and Fragility, MNS
- Agenda item 4: Deputy Head of Department Adam Sparre Spliid, Department for Green Diplomacy and Climate, GDK
Chief Advisor Lasse Møller, Department for Green Diplomacy and Climate, GDK

Agenda Item No. 1: Announcements

The Under-Secretary for Development Policy briefed the Council about the current situation in Afghanistan and Ethiopia and the dilemmas facing international humanitarian assistance and development cooperation in accommodating basic human needs and safeguarding development gains.

The Under-Secretary also informed the Council that the Minister for Development Cooperation had approved an additional allocation of DKK 75 million to the Primary Health Care Support Programme in Kenya. The additional grant would ensure a more gradual phase out of Danish support to the health sector in Kenya over a longer period of time (end-2025 rather than mid-2024). This would improve the preconditions for a sustainable financial transition, especially in the light of COVID-19, which had exacerbated the pressure on the already weak health systems and fiscal space.

The Chair of the Council thanked the Under-Secretary for the information and the briefings, which were regarded as timely and important for the work of the Council.

Agenda Item No. 2: How-to-Note: Fattigdom

For information and discussion

Department for Evaluation, Learning and Quality, ELK

The Council discussed and commented on an internal draft note on fighting poverty and inequality intended to guide the implementation of the new strategy “The World We Share” along with a range of notes about other key issues also being drafted. The Council supported the idea of having a specific note on poverty reduction and inequality, especially in the light of the recent recommendation by the Organisation for Economic Co-operation and Development (OECD)’s Development Assistance Committee (DAC) peer review of Denmark’s development assistance to sharpen the poverty focus.

Agenda Item No. 3: The UN Mine Action Service (UNMAS) Organisation Strategy 2022-2025

For discussion and recommendation to the Minister

DKK 60 million

Department for Migration, Stabilization and Fragility, MNS

Summary:

Denmark has for a number of years supported the global role played by the UN Mine Action Service (UNMAS) in maintaining a rapid response capability enabling it to deploy to emergencies in fragile states and conflict areas. Denmark will provide a total funding of DKK 60 million for the budget of UNMAS in 2022-25 to ensure its continued lead in the global coordination of mine action. The overall objective of Denmark’s support to UNMAS is twofold and aims to 1) enhance the protection of civilians and make a particular effort to promote and protect the rights of girls and women through mine action efforts and 2) protect internally displaced people and, in turn, contribute to preventing forced displacement and irregular migration by delivering safety through mine action efforts.

<p><i>The Council for Development Policy recommended the UNMAS Organisation Strategy 2022-2025 for approval by the Minister for Development Cooperation.</i></p>

The Council found the UN Mine Action Service (UNMAS) Organisation Strategy 2022-2025 relevant and important. The Organisation Strategy was considered well written.

Members of the Council noted that mine action efforts were vital in fragile and conflictual contexts, though it could be difficult to distinguish between a conflict and a post-conflict situation, and, thus, hard to tell whether mine action was a humanitarian or a development effort.

Members of the Council noted that it should be reflected in the strategy that Denmark was a party to a number of relevant mine action conventions and treaties such as e.g. the Anti-personnel Mine Ban Convention (Ottawa Convention) and the Convention on Cluster Munitions (CCM). By highlighting the commitment to these treaties in the strategy, Danish core funding to UNMAS would signal the commitment of Denmark to contributing to global mine action activities.

Members of the Council also noted that UNMAS was in transition from mine clearance to a new, broader and not yet well-described role and that it was difficult to see if there were overlapping roles with others. It was suggested that ensuring coordination could maybe be a relevant Danish priority, underlining that it would be important for UNMAS to strengthen its cooperation and coordination with mine action organisations and NGOs. In this context, it was pointed out that Danish organisations such as Danish Refugee Council/Danish Demining Group and DanChurchAid were principal and leading actors within the field of international mine action.

Members of the Council also stressed the importance of localization and coordination with local and national partners and authorities in UNMAS's programme activities. At the same time, Members of the Council reminded that those who remove weapons/mines often ceased to be perceived as neutral to the conflict.

Members of the Council discussed whether the suggested correlation in the second strategic objective, which stated that safety delivered through mine action efforts would protect internally displaced people (IDPs) and in turn contribute to preventing forced displacement and irregular migration, was accurate. It was suggested that mine action activities (e.g. removal of mines) which would enhance mobility, could actually contribute to increasing irregular migration. At the same time, it was noted that mine action activities by clearing land would very importantly allow for refugees and internally displaced people to return to their homes and could therefore potentially reduce irregular migration. Members of the Council recommended to distinguish more clearly between refugees, IDPs and migration.

Finally, Members of the Council asked about the decreasing level of core funding to UNMAS, which was one of UNMAS' main challenges. Furthermore, Members of the Council asked if it had been considered to increase the Danish core contribution to UNMAS and/or to encourage the EU to contribute.

The Head of the Department for Migration, Stabilisation and Fragility (MNS) welcomed the remarks and questions from the Members of the Council. First, she underlined that conflicts rarely followed a linear progression, and because of this, UNMAS played a vital part in the whole spectrum of the HDP-nexus with mine action efforts facilitating and coordinating both humanitarian, developmental and stabilization efforts.

Concerning localization, the Head of MNS acknowledged the remarks by the Members of Council and agreed that the necessity of localization and cooperation with local and national partners and authorities could be made clearer in the strategy, e.g. in one of the priority areas. Furthermore, she agreed that it should be pointed out in the strategy, that Denmark is a state party to the relevant international treaties regarding mine action.

The Head of MNS further commented on the discussion between the Members of Council regarding the correlation between mine action efforts and internal displacement and irregular migration. She underlined, that mine action efforts created opportunities for internally displaced people and refugees and thus was an enabler for these groups to return to their homes and restore their livelihoods. She also pointed out that vis-à-vis the matter of irregular migration the strategy merely stated that mine action efforts protected internally displaced people and in turn contributed to preventing irregular migration.

Next, the Head of MNS clarified that the suggested level of core funding to UNMAS was mandated in the Danish Finance Act. Furthermore, she explained that the decreasing levels of core funding from donors unfortunately was a global trend and accordingly, UNMAS was not the only UN organisation facing this challenge. Consequently, UNMAS greatly appreciated the core contribution from Denmark. Regarding mobilization of EU in the field of mine action, it was mentioned, that France would assume the chairmanship of the Mine Action Support Group (MASG) from 2022, which would coincide with the French Presidency of the Council of the EU in 2022. In this regard, France had expressed intent to put mine action on the European agenda at the latest MASG-meeting in October 2021.

The Chair thanked the Members of the Council for their good and relevant comments and questions on such a specialized topic as mine action. It was concluded that the Council recommended the UNMAS Organisation Strategy 2022-2025 for approval by the Minister for Development Cooperation.

Agenda Item No. 4: Capital Contribution to IFU to replenish and expand the High Risk High Impact Initiative

DKK 100 million

For discussion and recommendation to the Minister

Department for Green Diplomacy and Climate (GDK)

Summary:

Least developed and fragile countries find it difficult to attract much needed finance and investments to achieve the Sustainable Development Goals (SDGs) and the Paris Agreement. The High Risk High Impact Initiative (HRHI) responds to a need for the Investment Fund for Developing Countries (IFU) to increase investments in projects with a challenging risk-return balance in lower income countries in Africa using blended concessional finance. The replenishment of DKK 100 million will allow IFU to scale up the initiative and continue mobilizing impactful investments in low income countries in Africa with a special focus on job creation (SDG 8), green growth (SDGs 6 and 7) and climate action (SDG 13). An initial capital contribution of DKK 200 million by MFA for the HRHI was recommended by the Council for Development Policy (UPR) in October 2019 and approved by the Minister for Development Cooperation. A mid-term review of HRHI was finalized in September 2021, when the original contribution had been fully committed and a pipeline of new projects had been developed. The

review concluded that the HRHI had proved highly relevant and recommended that the initiative be continued and that opportunities for scaling the initiative be explored by MFA and the IFU.

The Council for Development Policy, keeping in mind the noted concerns, recommended the Capital Contribution to IFU to replenish and expand the High Risk High Impact Initiative for approval by the Minister for Development Cooperation.

One Member of the Council, Jarl Krausing, left the meeting during this agenda item with reference to the Rules of Procedure for the Council for Development Policy regarding conflict of interest. Jarl Krausing is Member of the Board of the Investment Fund for Developing Countries (IFU).

The Council acknowledged the need for increasing high risk investments in lower income countries and welcomed the replenishment document and the Mid-Term Review of the initially allocated DKK 200 million development funds to the High Risk High Impact Initiative (HRHI). The Council recognized that the HRHI-initiative was a response to the need for more focus by IFU on development impact in challenging countries and environments and encouraged that the success stories of previous IFU investments be conveyed more by IFU and the MFA.

At the same time, however, the Council also raised a number of questions and concerns about the HRHI-initiative. These related to the blending of the capital leveraged by the initiative and the application of the notion of high risk as well as to the type of projects selected for investment. They also related to the documentation of the initiative's development impact, to circular thinking and sustainability, poverty orientation, notion of decent work, and the indicators chosen for measuring success.

Members of the Council requested more clarification regarding the leverage ratio of 1:5 on mobilization of additional capital, noting with concern that the leveraged capital was sourced from IFU and other development finance institutions (DFIs) and not from private capital. In this connection, Members of the Council recalled the findings by the Organisation for Economic Co-operation and Development (OECD) regarding blended finance in the context of development, e.g. the challenges regarding mobilizing private finance as well as ensuring the development dimension of the investments. Members of the Council observed that the mid-term review had pointed to the fact that the first contribution of 2019 was in support of a pilot initiative and that there was a certain risk to IFU's credibility if it did not succeed. Members of the Council asked if this meant that the new allocation would have to be continuously granted?

Members of the Council also noted that some investments under the HRHI had been committed to existing Danida supported projects in South Africa, Zambia and Uganda and suggested that high risk funding should rather be used to pioneer investments in new areas.

Members of the Council called for documented development effects of the HRHI investments. The evaluation of IFU (2019) and the recommendation for the institution to both generate financial surplus and development effects was recalled. Members of the Council underlined that development funds were intended for development results and requested more transparency about the results of IFU's investments.

The Council recognized the intention of HRHI to push more investments into poor, challenging countries and environments but questioned if IFU as an organization had the appropriate mindset to manage such an initiative. Members of the Council asked for more focus on how HRHI-investments could be designed to reach and benefit poorer segments, the bottom of the pyramid, the informal sector, and on interventions for e.g. vocational training, facilitation of mobility and transport, efficient and hygienic markets, and business concept development.

A more explicit focus on youth was also called for along with a more explicit focus on decent jobs. A description of the types of jobs created was suggested, and it was pointed out that the number of jobs created could be meaningless, as one new job created by a HRHI-investment could have outranked jobs elsewhere. It was also noted that, as an indicator “people reached” through micro finance, for instance, was only one short-term dimension of impact, as it was no success if the recipient could not repay the loan.

Finally, Members of the Council suggested that circular thinking and sustainability should come out stronger and actually be part of the decisions to appropriate funding. Regarding the notion of ‘green transition’, Members of the Council highlighted that the term ‘just transition’ would be broader and more appropriate.

The Deputy Head of the Department for Green Diplomacy and Climate (GDK) explained that the HRHI should be seen in the broader context of the new strategy for development cooperation and the planned reform process of IFU. More focus was now placed on capital mobilization, green transition and climate investment with concrete targets, for instance that 80% of all investments by the private sector instruments must be green by 2023. The focus of the strategy on impact and least developed and fragile countries also implied that IFU should focus more on these contexts, and the HRHI was an instrument to incentivize IFU to move in this direction.

The Deputy Head of GDK provided more details on several of the committed investments while emphasizing that the end beneficiaries would include poor women in West Africa, Small and Medium-sized Enterprises (SMEs) in Somalia, small farmers in Uganda, and clients in need of finance in the Democratic Republic of the Congo. The leverage ratio of five times the total investment of DKK 278 million was explained, and it was mentioned that the capital mobilized from IFU and other DFIs had been provided on a commercial basis which was an important step towards attracting commercial capital from private investors. The rationale for investing in some projects already supported by Danida also represented a step towards the end goal of commercializing the institutions and enabling them to operate independently of support from donor agencies. This would in many cases be an ideal approach towards an exit.

The Deputy Head of GDK acknowledged the need to closely monitor, document, report and communicate the development impact of HRHI while ensuring a continued focus on mobilizing commercial capital and on youth, women and poor segments of end beneficiaries as well as on circular economy and the environment. The suggestion to better describe the types of jobs that was expected as a result of the investments – including ‘just transition’ understood as the creation of decent, green jobs – was also welcomed.

The Head of the Department of Africa, Policy and Development (APD) explained that the follow-up to the evaluation of IFU included appointment of a new board and a number of new

requirements for the way IFU managed their investments. To pull the institution in the right direction, it would be necessary for a while still to use development funds from §6.3 of the financial act. IFU was on a journey and MFA would welcome further discussions with the Council for Development Policy.

The Chair of the Council welcomed a thematic discussion on development financing in the Council in the near future. She emphasized the importance of documenting the development impact of the specific projects and the need for more transparency in this regard. The Chair concluded that the Council recommended the Capital Contribution to IFU to replenish and expand the High Risk High Impact Initiative for approval by the Minister for Development Cooperation.

Agenda Item No. 5: Any Other Business

No issues were raised under this agenda item.