Minutes from the meeting in the Council for Development Policy
on 12 October 2023

Members:	Professor Anne Mette Kjær, University of Aarhus (Chair) Deputy CEO and International Director Jarl Krausing, CONCITO (Deputy Chair) (Agenda items 2, 3, 4, 5, 6, 9) Director for Global Development and Sustainability Marie Gad Hansen, Confederation of Danish Industries (DI) Director for Nutrition Line Damsgaard, The Danish Agriculture & Food Council Head of Secretariat Lone Ilum Christiansen, The Danish Trade Union Development Agency (DTDA) Political Consultant and Project Officer of DAPP Lucas Højbjerg, The Danish Chamber of Commerce Senior Researcher Adam Moe Fejerskov, Danish Institute for International Studies (DIIS) Secretary General Charlotte Slente, Danish Refugee Council (DFC) Director Charlotte Flindt Pedersen, Danish Foreign Policy Society Political Director Jonas Manthey Olsen, Danish Youth Council (DUF) Chief Advisor Mattias Söderberg, DanChurchAid
MFA:	Under-Secretary for Development Policy Ole Thonke Head of Department Tove Degnbol, Department for Evaluation, Learning and Quality, ELK Chief Advisor Anette Aarestrup, Department for Evaluation, Learning and Quality, ELK Head of Section Caroline Busk Ullerup, Department for Evaluation, Learning and Quality, ELK
Agenda item 2:	Deputy Head of Department Darriann Riber, Department for The Middle East and Northern Africa, MENA Chief Advisor Kurt Mørck Jensen, Department for The Middle East and Northern Africa, MENA
Agenda item 3:	Head of Department Henrik Winther, Department for European Neighbourhood, EUN Deputy Head of Department Lars Von Spreckelsen-Syberg, Department for European Neighbourhood, EUN Chief Advisor and Team leader Anne Kahl, Department for European Neighbourhood, EUN Chief Advisor Mogens Blom, Department for European Neighbourhood, EUN Special Advisor Karin Nielsen, Department for European Neighbourhood, EUN Deputy Head of Mission Jens Martin Alsbirk, Embassy of Denmark in Kyiv (Online)

Agenda item 4:	Head of Department Henrik Winther, Department for European Neighbourhood, EUN Deputy Head of Department Lars Von Spreckelsen-Syberg, Department for European Neighbourhood, EUN Chief Advisor and Team leader Anne Kahl, Department for European Neighbourhood, EUN Chief Advisor Mogens Blom, Department for European Neighbourhood, EUN Special Advisor Karin Nielsen, Department for European Neighbourhood, EUN Deputy Head of Mission Jens Martin Alsbirk, Embassy of Denmark in Kyiv (Online)
Agenda item 5:	Chief Advisor Jonas Helth Lønborg, Department for Africa, Policy and Development, APD
Agenda item 6:	Head of Department Karin Poulsen, Department for Green Diplomacy and Climate, GDK Team leader Henning Nøhr, Department for Green Diplomacy and Climate, GDK
Agenda item 7:	Head of Department Karin Poulsen, Department for Green Diplomacy and Climate, GDK Team Leader Jakob Tvede, Department for Green Diplomacy and Climate, GDK Chief Advisor Lasse Møller, Department for Green Diplomacy and Climate, GDK
Agenda item 8:	Head of Department Karin Poulsen, Department for Green Diplomacy and Climate, GDK Team Leader Jakob Tvede, 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 gave a brief orientation about the decision by the Government to pause development cooperation with the Palestinian territories following the Hamas attack on Israel on 7 October. Humanitarian assistance was not affected and would continue.

In 2023, a total of DKK 235.5 million were expected to be disbursed to Palestine. Of this, DKK 72 million (under the bilateral country programme) should have been disbursed during October-December but had now been temporarily stopped.

A team of staff from the departments of Evaluation Learning and Quality (ELK) and Grant Management, Finance and Support (FRU) had been tasked with an investigation of the risks related to each of the engagements where disbursements were still outstanding. It was expected that the investigation would allow disbursements of some of the funds. The study was coordinated with the EU and the Nordic countries.

Members of the Council asked if Denmark would increase Danish humanitarian assistance to Gaza and also wanted to know if Denmark was involved in negotiations concerning a humanitarian corridor for the inhabitants in Gaza. The Deputy Head of the Department for the Middle East and Northern Africa (MENA) responded that Denmark was looking at possibilities for increasing the humanitarian assistance. She did not have news concerning a humanitarian corridor.

As a consequence of the situation, the stocktaking of the cooperation with Palestine had been postponed to the Council Meeting in February 2024.

In previous meetings, the Council had enquired about the time horizon for Danish development cooperation with China. Referring to recent information from OECD/DAC, the Under-Secretary for Development Policy informed the Council that China, despite speculations, would not graduate to a higher Middle-Income Country by January 2024. The threshold was defined as BNI per capita at USD 13,845 in 2022, while China's BNI per capita was USD 12,850 in 2022. The next assessment would be made by OECD/DAC in late 2026, and if it was found at that time that China had passed the threshold, development cooperation could continue another three years, hence China could continue as a Danish development cooperation partner until the end of 2029.

With reference to the Rules of Procedure for the Council for Development Policy regarding conflict of interests, Jarl Krausing announced a conflict of interest in relation to items 7 and 8 due to his membership of the Board of the Investment Fund for Developing Countries (IFU).

Several Members of the Council brought up that they might have a conflict of interest in the discussion of item 2 Stocktaking of the Danish-Arab Partnership Programme (DAPP) or item 3 Stocktaking of the Cooperation in the Eastern Neighbourhood Programme. The Members either potentially had a personal conflict of interest due to involvement in one of the two programmes, or they had an organisational conflict of interest because their organisations were involved. After thorough discussion, it appeared that very few members would be left in the room to discuss the two agenda items, hence it did not make sense to pursue a presentation and discussion if normal procedures for handling of conflict of interest were followed. On this background, the Council decided that all Members of the Council should stay and participate in the dialogue. The minutes of the two agenda items should be read with this in mind.

Agenda Item No. 2: Annual Stocktaking of the Danish-Arab Partnership Programme (DAPP)

For information and discussion

Department for The Middle East and Northern Africa, MENA

Summary:
The objective of the Danish-Arab Partnership Programme (DAPP) (2022-2027) is to support civil society and other organisations in Denmark and in the Middle East and Northern Africa (MENA) region to reach the programme's objectives of supporting human rights and job creation for youth in line with Danish foreign policy interests. The programme is led by two consortia; the job creation consortia (YEE) led by PlanBørnefonden and the human rights consortia (HRIC) led by Dignity.

The Council commended the Danish-Arab Partnership Programme (DAPP) team for an interesting and well written annual stocktaking report.

Members of the Council expressed concern about the contextual development and wondered if the economic and human rights related difficulties in the DAPP countries affected the implementation of the programme, especially with regard to the security matters faced by the Human Rights and Inclusion Consortium (HRIC). In this regard, Members of the Council wondered if Denmark was able to positively affect the human rights situation through the programme.

Members of the Council were also concerned about the high number of local implementing partners and wanted to know whether this negatively affected programme implementation, and whether it had led the DAPP team to reconsider the use of the consortia model. In particular, the absence of country representation and the use of virtual country management teams in the HRIC was worrisome, as this could limit the potential for localisation.

It was pointed out in the stocktaking report that the tender process of the new phase of DAPP had increased competition and innovation among applicants. In response to this, Members of the Council argued that market dialogue, rather than competition, enabled innovation in tender processes. Members of the Council further noted the lack of space for localisation in the EU tender process.

Members of the Council noted with regret the delay in activities involving the Investment Fund for Developing Countries (IFU). The general decrease of investments in the region was not considered a satisfactory reason for this delay.

Regarding the Youth Employment and Entrepreneurship (YEE) Programme, Members of the Council asked about the strategic initiatives in the programme, including green jobs and women in the workforce. The focus on youths was commended by Council Members who encouraged a proactive use of the Youth Sounding Boards. Members highlighted the importance of involving youth as active change agents rather than beneficiaries and asked if any projects under DAPP were youth-led.

Highlighting the Danish Egyptian Dialogue Initiative's (DEDI) importance as a forum for bilateral dialogue and stating previous results, Members of the Council asked to be informed about the reasons for the decision to move DEDI to a new host organisation.

It was noted that the region was vulnerable towards climate related hazards, and it was asked if efforts to promote climate adaptation could be integrated in the programme, for example in IFU supported investments.

Finally, Members of the Council asked about the new DAPP communication set-up and the experiences so far.

The Deputy Head of Department for The Middle East and Northern Africa (MENA) thanked the Council for constructive comments and questions and provided a brief overview of the two consortia, highlighting the difference in safety concerns and potential risks related to working with human rights versus job creation agendas. The Chief Adviser elaborated that there was in fact space for human rights work by civil society organisations and pointed to examples of constructive dialogue with state actors in Morocco and Jordan. In spite of the changing circumstances, civil society organisations could still work in Tunisia and - although to a more limited extent - also in Egypt. The Chief Advisor, however, expressed concern over the deteriorating economic situation in Tunisia which would most definitely affect the results of the job creation programme.

Regarding the HRIC set-up, the Chief Advisor informed that both programmes had the same budget and resources for secretariats to lead the consortia and agreed with Members of the Council that a HQ-led set-up was not ideal, and resources should preferably be used for programme coordination at country level. The exception to this principle was security, which the HRIC partners argued was worsening and on this basis were asking for a further reduction in country presence. The Chief Adviser clarified that it had been an ambition to reduce the number of Danish partners, whereas it had not been attempted to limit the many local implementing organisations who collaborated with the Danish partners and subcontractors in each consortium. The Chief Adviser ensured that the MENA DAPP team would continuously monitor the organisational set-ups of the two consortia.

Regarding the delay in bringing IFU on board under the job creation programme, the Chief Adviser pointed to the challenges IFU was presently facing, most importantly the lack of financial liquidity. However, if the current action plan for on-boarding IFU was maintained, it would still align well with the activities of PlanBørnefonden and UNDP, as UNDP's acceleration of small and medium-sized Enterprises (SMEs) needed to be established before IFU's financial contribution.

In response to the appreciation by Members of the Council of the Youth Sounding Boards, the Chief Advisor further praised the youths' high level of engagement and quality of their input while emphasising that they were engaged on a voluntary basis.

Regarding DEDI, the Chief Adviser explained that the restructuring of DEDI was in compliance with requirements in the Danish Aid Management Guidelines to phase out project implementation units. The DAPP team was presently working together with the Egyptian Foreign Ministry on a new set-up for DEDI involving UNDP Cairo as a host organisation.

When presenting the new DAPP communication set-up, the Chief Adviser referred to previous discussions on the need to innovate communication. In response to this, a new DAPP Communication Unit had been established with annual calls for thematic communication by Danish communication and media experts and organisations.

The Chair concluded that the discussion of the Annual Stocktaking Report had been very useful.

<u>Agenda Item No. 3: Annual Stocktaking of the Cooperation in the Eastern European Neighbourhood (2022)</u>
For information and discussion
Department for European Neighbourhood, EUN

Summary:
The 2022 Stocktaking report for the Neighbourhood Programme covers the first year of the current phase of the Neighbourhood Programme 2022-2026. The Neighbourhood Programme is financed through an annual commitment and new engagements are therefore approved continuously through the whole programme period and not as one programme starting in 2022. Danish-funded projects and programmes in Ukraine were adjusted following the full-scale Russian invasion of the country in February 2022, but all projects were continued and the initial objectives of the project were still found to be relevant.

Members of the Council commended the ability of the Neighbourhood Programme to keep a focus on the entire Neighbourhood region despite the war in Ukraine. Nonetheless, Members of the Council also noted that priority was given to Ukraine, Georgia and Moldova and inquired about the remaining three countries. What was the status of cooperation with Belarus, Armenia and Azerbaijan? And what role did the New Democracy Fund play, e.g. in Belarus?

Members of the Council wished to know more about the programme implementation in Georgia, where a Danish Embassy had been established since the launch of the programme. It was noted that decentralisation of political power had been in conflict with the interests of the Government of Georgia, and Members of the Council therefore enquired specifically about the status of the Danish-supported UNDP programme on decentralisation. Members of the Council also wondered about the current status of civil society support in Ukraine and Georgia, e.g. through UNDP and the Europe Foundation, and noted that Danish long-time support to civil society in Ukraine had proven very successful.

Members of the Council pointed to the sector-specific thinking, which guided the Danish reconstruction effort. It was found important to involve knowledge organisations in the reconstruction process, as well as to focus on job creation, including for small and medium-sized enterprises (SMEs).

The applied flexibility in design and implementation of the Neighbourhood Programme was feasible, but Members of the Council wished to learn more about how risks were addressed and whether monitoring the programme was proving difficult. Finally, Members of the Council enquired about the status of Danida Sustainable Infrastructure Finance (DSIF) investments in Ukraine since the invasion.

The Head of Department for European Neighbourhood (EUN) stressed the relevance of maintaining all six countries within the Neighbourhood Programme. Despite individual differences, they shared the challenges of all being neighbours to both the EU and Russia, and cooperation with each of them should be based on different strategies. It was emphasised that Belarus had taken a different road than Ukraine, but that Belarus had not been *forgotten* and was included in Denmark's activities and networks in the region. Many important civil society actors from Belarus also found themselves outside of the country.

The Head of EUN stressed that funding to Ukraine during war time was high risk, and various measures were applied to mitigate the risks. Selection of partners was essential, and Denmark cooperated with large and experienced partners with well-established monitoring systems in place. No funds went directly to Ukrainian authorities. During the past six months, EUN had started to conduct monitoring visit to Ukraine, which would strengthen the possibility to more closely follow the implementation of projects. In addition, the establishment of an Embassy Office in Mykolaiv would improve the possibility to facilitate visits to the city and thereby improve monitoring as well as cooperation with other initiatives, including the Danish led anti-corruption programme (EUACI).

As for the sector-specific thinking, the Head of EUN confirmed that the energy sector was a priority and the broader Danish engagement within this sector was expected to grow. The Danish involvement in the energy sector under the Peace Formula was one sign of this engagement. This would be followed by other initiatives, including support to and development of the energy sector.

The Chief Advisor and Team Leader of EUN informed that in relation to the decentralisation programme in Georgia, a follow-up with the UNDP was currently ongoing in terms of preparing a new programme. An area-based approach was applied, taking the point of departure in the specific local contexts.

With regard to civil society, a new phase of the UNDP-led programme in Ukraine had started in December 2022 with a focus on supporting civil society development and promotion of human rights. This was to help ensure transparency in the reconstruction effort. In Georgia, various civil society projects were supported, both through International Media Support (IMS), the New Democracy Fund and Kvinfo. As such, Danish civil society support had increased in Georgia. Furthermore, ten grants had been approved since 2021 for implementation in Belarus through the New Democracy Fund.

Referring to the question regarding DSIF, the Chief Advisor of EUN informed that two DSIF-funded pilot projects, approved in 2021, had been suspended due to the war. Funds had been reallocated to supply emergency heating (boilers) in the same region.

The Chair concluded that the discussion had been useful, not least as a basis to discussing the revised strategic framework for the Danish Neighbourhood Programme, which was the next item on the agenda.

Agenda Item No. 4: Revised strategic framework for the Danish Neighbourhood Programme

For discussion and recommendation to the Minister
DKK 1.25 billion
Department for European Neighbourhood, EUN

Summary:
The Revised Strategic Framework for the Danish Neighbourhood Programme for the period 2023-2026 covers Denmark's cooperation with the six eastern Neighbourhood countries; Ukraine, Georgia, Moldova, Belarus,

Armenia and Azerbaijan. The revision has encompassed the changed context, challenges and needs in Ukraine and the region following the full-scale Russian invasion of Ukraine in February 2022. The strategic objectives of the Framework are focused on: 1) conflict management, building resilience and addressing acute and humanitarian needs as we are supporting reconstruction; 2) Reform and EU integration, development of democratic institutions and processes; and 3) Sustainable and just growth, green transition and increased energy independence.

The Council for Development Policy recommended the Revised Strategic Framework for the Danish Neighbourhood Programme for approval by the Minister for Development Cooperation and Global Climate Policy. The Chair of the Council stressed the continued concern that development funds used in the neighbourhood region would be missing elsewhere and she emphasised the importance of including a learning component to the framework, which could collect learning from other relevant contexts of importance to the region

The Council commended the Department for European Neighbourhood (EUN) for a well written and honest strategic framework. EUN was, however, invited to share their assessment of the three scenarios presented in the Framework, in which the first (and most optimistic) scenario seemed slightly utopic. Members of the Council found the strategic objectives to be relevant but wondered if the framework could be strengthened by focusing on fewer countries and by establishing a hierarchy among its many priorities. Members of the Council also wondered how Denmark was coordinating activities with other donors so as to maximise impact. It was noted that Denmark was among the largest donors of unearmarked funding and Members of the Council asked if this would continue to be the case, or if multi-bi interventions would increase in the future. If so, Members of the Council recommended EUN to take into consideration the findings of the soon to be published evaluation of multi-bi support. It was also emphasised that civil society organisations should be encouraged to cooperate to reach common goals.

While addressing elements of the Neighbourhood Programme covering all six neighbourhood countries, the discussion primarily focused on the Danish reconstruction support to Ukraine. In this regard, Members of the Council pointed to earlier reconstruction efforts in other post-conflict situations and experience with the humanitarian-development-peace (HDP) nexus approach, and encouraged EUN to learn from this experience. The importance of ensuring synergy and coordination in the reconstruction process was highlighted. It was further emphasised that the reconstruction process provided an opportunity to promote accountability (anti-corruption efforts) and democracy by using it as a platform to practise the involvement of civil society. Overall, the development of democracy and a strong civil society in the six countries was considered a goal in itself, not least to protect against the increasing influence from oligarchs. A stronger civil society could also eventually lead to a stronger integration with the EU, but a future EU membership should not be the only motive for strengthening the role of civil society. That being said, the strong wish to become an EU member could provide the political incentive to truly address the structural problem with oligarchs.

Members of the Council noted that Denmark had recently implemented a municipal reform and that it would be beneficial to include Local Government of Denmark in the decentralisation effort in Ukraine and Georgia.

Members of the Council acknowledged the allocation of substantial Danish financial support to Ukraine but asked how this contribution would be funded, also in the coming years. Would it continue to be funded by development funds or would additional funding be considered? Would the Investment Fund for Developing Countries (IFU) be able to provide more funding in the future and what would this mean for remaining IFU funding for Least-Developed Countries in e.g. Africa? While the Council acknowledged the importance of supporting the region, it had to be considered where funding was being taken from, and in which cases other types of funding or support could be used instead.

In terms of the private sector, Members of the Council asked how it was ensured that support did not end up in the hands of oligarchs. At the same time, Members of the Council pointed out that not all enterprises were associated with oligarchs and that private sector involvement in the reconstruction and economic development of Ukraine was vital. It would also be beneficial to involve employers' associations and unions and provide opportunities for vocational education and training, including for veterans in Ukraine. In Moldova, for example, there was an urgent need for job creation as youth were migrating out of the country and region. The reconstruction of the Ukrainian economy was crucial, and agriculture production was essential for the Ukrainian economy as well as for global food security. Georgia and Moldova, too, were in need of support for their agricultural sectors. While recognising the importance of decent work and economic growth, Members of the Council asked if EUN was mindful that there could be a trade-off between this and e.g. the goal of combatting climate change and its impact. In terms of green transition and energy, Members of the Council wondered why EUN was not working with relevant civil society organisations in Denmark.

The framework was commended for its focus on youth, but Members of the Council expressed concern about the risk of a 'youth drain' in the region as young men go to war and young women leave. It was of utmost importance to mainstream the involvement of youth in all relevant activities and not limit the focus on youth to organisations working specifically on youth-related matters. Members of the Council asked what was done to implement UN resolution 1325 on Women, Peace and Security and UN resolution 2250 on Youth, Peace and Security.

Members also stressed the importance of several specific areas; promotion of labour-market rights (in Moldova), provision of support (treatment, jobs) to vulnerable people (e.g. veterans, traumatised persons), creation of jobs, and demining, which was a precondition for normalisation of many areas in Ukraine, not least rural areas. Reference was also made to the Danish focus on the city of Mykolaiv, and Members of the Council enquired if this could cause conflict or unbalance with other parts of Ukraine.

Finally, Members of the Council emphasised the need for a strong communication effort to ensure continued support among the Danish public. It would also be relevant to include a learning component in the framework.

The Head of EUN thanked the Council for their questions and comments. He opened by acknowledging that the most optimistic scenario was not considered realistic. Instead, scenario 2, which described a continuation of the war but conclusion of a peace agreement or ceasefire within 1-3 years, was seen as the best possible development. There was a risk of a move towards scenario 3 describing that conflict and war will freeze, with Russia gradually obtaining a stronger military position. All programming of Danish support would be based on this assessment and designed accordingly.

Despite the difficult prospects, it should also be noted that there seemed to be a strong motivation for change in a large part of the Ukrainian society, not least a will to further combat corruption. These forces, led by the strong Ukrainian civil society, should be supported, since the war had also created negative incentives for economic gains (oligarchs, corruption) which could revitalise and strengthen the existence of structural corruption. It was essential to work through the legal system to prevent and pursue corruption – and to urge the Ukrainian Government to pursue this path when handling individual cases.

The Head of EUN agreed that coordination of donor efforts was essential, and acknowledged that this was still a challenge. Efforts were made within the G7 forum, and the EU was also setting up mechanisms, but an effective coordination of the enormous influx of funds was still not fully in place. Ukraine also had its own coordination mechanisms in cities such as Mykolaiv, at regional and national level.

Concerning private sector cooperation, Danish companies were already engaged in Ukraine in large numbers with funding additional to development cooperation funds. Both IFU and the Export and Investment Fund of Denmark (EIFO) could facilitate Danish private sector engagement.

Civil society organisations were invited to calls related to reconstruction efforts. The Team Leader, EUN added that in Mykolaiv, where 60% og the reconstruction efforts were focused, citizen groups in rural areas were involved in the efforts. Also the anti-corruption programme EUACI had a role in the reconstruction.

The Head of EUN agreed that green transition could be better described in the framework document and said that it would be highly relevant to ensure the involvement of Danish civil society in this field.

The Chief Advisor, EUN, elaborated on the ambition to ensure learning and research. It was the hope of EUN that learning from Mykolaiv with regard to reconstruction and anti-corruption could be applied elsewhere, and it was also relevant, as suggested by Members of the Council, to study the experience from other contexts which could inform activities in Ukraine. The EUN would look for a way to ensure a learning/research component of the programme.

The Team Leader, EUN, informed that Denmark is working specifically with the operationalisation of UN resolution 1325 on Women, Peace and Security and UN resolution 2250 on Youth, Peace and Security.

The Head of EUN agreed on the importance of demining and promised that all other remarks by Members of the Council would also be considered.

The Deputy Head of Mission, Embassy of Denmark in Kyiv, explained that the geographic focus on Mykolaiv and the thematic focus on anti-corruption and energy were responding to requests by the Ukrainian Government. Despite the ongoing war, there were pockets of commercial possibilities in the country, and IFU and EIFO were valuable facilitators of the engagement of the private sector. While oligarchs were indeed involved in some of the largest national enterprises, Denmark could help counter their influence by supporting democratic institutions and civil society. Brain drain was considered a serious challenge, especially in Moldova, but the employers' associations showed engagement in finding solutions.

The Under-Secretary for Development Policy found that the reallocation of DSIF funding to secure the establishment of emergency district heating was a good example of the applied flexibility.

The Chair concluded that the Council recommended the Revised Strategic Framework for the Danish Neighbourhood Programme for approval by the Minister for Development Cooperation and Global Climate Policy. She stressed the continued concern that development funds used in the neighbourhood region would be missing elsewhere and she emphasised the importance of including a learning component to the framework, which could collect learning from other relevant contexts of importance to the region.

Agenda Item No. 5: Orientation about the government's proposal for the Finance Act for 2024

For information and discussion

Department for Africa, Policy and Development, APD

The Chief Advisor, Department for Africa, Policy and Development (APD) informed the Council about the key figures concerning the budget for development cooperation on the Finance Bill for 2024. The expected budget for development cooperation would be DKK 23.0 billion, which was the highest amount allocated in one year so far. Of this, DKK 2.5 billion would be used for adjustments of allocations in 2022 and 2021 with a view to ensure that Denmark had achieved the 0.7% target for the share of development cooperation measured against BNI in all years. Thus, DKK 2.1 billion would be used for adjustment of the 2022 allocations, while DKK 0.4 billion would be used for partial adjustments of 2021 allocations as already initiated in 2023.

Approximately DKK 800 million would be used for expected expenditures related to in-donor-refugee costs during 2024. To take account of a possible extension of the law on refugees from Ukraine, an additional DKK 1.2 billion was reserved for possible additional expenditures related to such an extension. The amount of DKK 1.2 billion was budgeted as a reserve within §6.3 in the Finance Bill and would be adjusted when updated figures were available as part of the technical adjustments of the Finance Bill. Hence, up to DKK 2 billion was allocated for in-donor refugee costs but expenditures could turn out to be less.

Members of the Council challenged the calculation of the expected costs for refugees and suggested that fewer people were likely to arrive to Denmark and ask for asylum. The Under-Secretary for Development Policy responded that data on the expected number of refugees and expected costs were received from the relevant authorities. The purpose of operating with a reserve was to avoid sudden adjustments in planned activities in developing countries, if a larger than expected number of refugees arrived.

The Chief Advisor, APD, went on to explain the main priorities for development cooperation on the Finance Bill for 2024. A total of DKK 9.0 billion, corresponding to 53% of the budget on §6.3, was allocated for activities in Africa. Of this, DKK 1.5 billion was dedicated to bilateral country programme activities.

The support for 'green activities' (climate change adaptation and mitigation, biodiversity, environment) would be increased to 35% of the total budget for development aid in developing countries (§ 6.3.) in 2024, up from 30 % in 2023. This amounts to approximately DKK 6 billion, which represented an increase of DKK 2 billion compared to 2023.

With DKK 1.5 billion, Ukraine would continue to be the largest recipient of Danish aid in 2024.

Humanitarian development nexus would receive an additional DKK 450 million. Another DKK 700 million would be allocated to migration and regions of origin.

Members of the Council enquired about a possible budget line for Loss & Damage and were informed that there was not one but several budget lines such as e.g. the budget line for nexus activities and the budget line for support to energy and water resources from which such initiatives could be funded. A decision on the proposed Loss & Damage Fund had not yet been taken. Members of the Council also asked if an increased running cost budget for the Ministry of Foreign Affairs was reflected in the draft Finance Act and if so how this was expected to materialise. The Under-Secretary for Development Policy responded that this would be communicated when the Finance Act has been approved by Parliament. Finally, Members of the Council pointed out that allocations which had not been increased from 2023 to 2024 were de facto reduced in real terms, since inflation was not accounted for. This was confirmed by the Chief Advisor, APD.

Agenda Item No. 6: Organisation Strategy for the Global Green Growth Institute (GGGI) 2023-2025

For discussion and recommendation to the Minister
DKK 60 million
Department for Green Diplomacy and Climate, GDK

Summary:
The Organisation Strategy for GGGI 2023-25 continues the Danish core funding to the organisation, initiated in 2011. The Danish priority to increase the support and engagement in Africa will continue, with an increasing focus on climate adaptation. This involves engagement with National Adaptation Plans (NAPs) and also building capacity in Least Developed Countries to access climate funding, e.g. from the Green Climate Fund. From a challenging start a decade ago, GGGI has expanded and consolidated its activities and significantly increased its mobilisation of funding for green investments. In this perspective, the next three years will be used to prepare a phase out of the Danish core funding for GGGI after 2025. This will be supported by a review end 2024.

The Council recommended the Organisation Strategy for GGGI 2023-25 for approval by the Minister of Development Cooperation and Global Climate Policy.

Members of the Council acknowledged the positive development experienced by GGGI in recent years. It was the impression that GGGI had built a good reputation and had been successful with several of its strategic priorities. The importance of GGGI's support to National Adaptation Plans (NAPs) was particularly highlighted.

Other Members of the Council expressed concern that GGGI had still not moved very far on adaptation, increasing the number of African member states, and on the attempts to get more core funding donors. It was also pointed out that the recent mid-term review had noted challenges of consolidating results and maintaining focus. Furthermore, it was mentioned that GGGI's activities appeared to be fairly similar to those of many of the other green organisations supported by Denmark, hence the risk for complexity and overlap instead of efficiency of the support.

The Council found it difficult to see from the Organisation Strategy that the proposed grant was expected to be the last from Denmark. While Members of the Council questioned the Danish phasing after 2025 and worried that other donors might not fill the gap, other Members of the Council found the decision appropriate, given the long Danish engagement with GGGI and the lack of buy in from other donors.

The Council also raised the risk that GGGI, being a global membership organisation, over time could drift into other priorities if funders with less focus on the least developed countries became dominating. Thus, there were concerns that GGGI might have difficulties reaching the target of 60% of annual budget in 2025 allocated to vulnerable countries. The membership base was a mixture of low- and middle-income countries of varied vulnerability, and with decreased core funding and increasing earmarked funding, GGGI could have fewer opportunities to steer budget allocations to specific vulnerable countries.

It was asked to what extent GGGI had succeeded to engage with the private sector and hereby raise supplement funding for country level investment. On partnerships, Members of the Council also wanted to know how GGGI worked with civil society and how it ensured proper inclusion of stakeholders and gender concerns in project activities.

Members of the Council found that the description of Doing Development Differently (DDD) in the Organisation Strategy was generic and did not explain how GGGI was addressing the need for flexibility and adaptability in their operations, particularly when working in difficult and fragile contexts. It was pointed out that several of GGGIs member countries were currently suffering from a weak governance structure, impacts of military coups, internal armed conflicts, and humanitarian crises.

The Head of the Department for Green Diplomacy and Climate (GDK) explained that in the new phase of the Organisation Strategy, Denmark would continue the core funding to GGGI. It was the assessment that GGGI had matured and found a justified and strong position in the global structure of international organisations working with green development and climate. It was estimated that in 2022, GGGI globally mobilised USD 1.4 billion for green investments, of this app. USD 600 million from the private sector. On this background, it was found appropriate that the support during 2023-25 would be ending the period with Danish funding. The structure and modalities for the phasing out would be informed by a mid-term review in late 2024.

The collaboration between Denmark and GGGI was expected to continue in new ways after 2025. In Africa, GGGI would continue dialogue with Danish representations and engagements in Danish-funded activities. Also for the Green Climate Fund (GCF), where Denmark had just replenished new support of DKK 1.6 billion, GGGI would (as an accredited partner) be an important implementing actor.

Responding to the question about the risk of overlapping activities among GGGI and other green organisations, the Head of GDK highlighted the complementarity among key players, and mentioned that GGGI had several collaborations with organisations such as e.g. UNEP, IUCN and WRI. She acknowledged, though, that some competition due to overlapping capabilities might occur.

The Team Leader, GDK stressed that Denmark was playing a significant role for GGGI presence in Africa. A large part of the Danish core funding was allocated to activities in countries like Ethiopia, Kenya, Uganda, and Burkina Faso, where there were also strong Danish bilateral engagements. GGGI had contributed to Danish-financed projects on green financing and solar powered irrigation in e.g. Uganda and Ethiopia.

On the risk of a "mission drift" away from focus on developing countries, it was the assessment that the current GGGI strategy 2030 and the Road Map 2021-25 would persist. The planned Core Replenishment Drive was of key importance, as increased core funding would provide GGGI with flexibility and adaptability in its operations.

For Denmark, the focus during the coming years (2023-2025) would be on ensuring 60% of investments in 2025 for vulnerable countries, continue the work on gender mainstreaming and social inclusion, including poverty as an explicit related outcome, strengthening the quality and the transformative impact of services and products produced, and improve the ability to capture and communicate impacts of GGGI. Denmark would work for the integration of conflict resolution, security and vulnerability analyses into country programmes, and for GGGIs attention to core DDD principles.

It was confirmed that Denmark would work to promote an increased focus on civil society.

The Chair of the Council concluded that <u>the Council recommended the Organisation Strategy for GGGI 2023-25 for approval</u> by the Minister of Development Cooperation and Global Climate Policy.

<u>Agenda Item No. 7: Reform of the Investment Fund for Developing Countries (IFU) towards 2030</u>

For information and discussion

Department for Green Diplomacy and Climate, GDK

With reference to the Rules of Procedure for the Council for Development Policy regarding conflict of interests, Jarl Krausing did not participate in the discussion of this agenda item due to a conflict of interest as he is member of the Board of the Investment Fund for Developing Countries (IFU).

Summary:
GDK presented the reform of the Investment Fund for Developing Countries (IFU) and highlighted the objectives, the amount of new funding, as well as the instructions to IFU by the Minister for Development Cooperation and Global Climate Policy as per the new Ownership Document for IFU.

The Head of the Council welcomed the Department for Green Diplomacy and Climate (GDK) and appreciated the opportunity to have a general discussion on the reform of the Investment Fund for Developing Countries (IFU) prior to the discussion of the new capital contribution to IFU under agenda item 8.

The Team Leader, GDK, presented the reform based on a slide deck distributed to the Members of the Council before the meeting. He highlighted that the ongoing reform process had been approved by the government's Finance Committee ('Økonomiudvalget') in September 2023. The objective of the reform was to enable IFU to deliver significantly increased climate finance, more investments in Africa, poor and fragile countries, including Ukraine, as well as raise a new Sustainable Development Goals (SDG) Fund with co-financing from Danish pension funds. The underlying mechanism for IFU's higher activity level was mobilisation of private capital by leveraging risk-willing development funds.

The reform would add new funding to the amount of DKK 20.2 billion to IFU's balance sheet during the period of 2024-2030 comprising capital contributions of DKK 500 million per year, access to a state lending facility of DKK 7.5 billion for green loans, DKK 0.8 billion for IFU's contribution to the new SGD fund, DKK 5.4 billion for taking over the lending facility of Danida Sustainable Infrastructure Finance (DSIF), as well as DKK 3 billion from institutional investors to the new SDG Fund.

Due to the reforms, IFU's total assets under management would increase from presently DKK 15.6 billion to DKK 36.2 billion by 2030. Without the reforms, the same figure would be 24.4 billion. Thus, IFU would be strengthened significantly, the aim being more and better instruments, including a strong lending facility towards private companies, a new SDG Fund and a more efficient DSIF. Together, this would provide IFU with strategic flexibility across instruments.

The reform would enable IFU to deliver more impact on government priorities. The target for investments in climate finance was expected to increase by 137%, investments in Africa would increase by 60%, and investments in poor and fragile states including Ukraine was expected to increase by 59%.

The Team Leader, GDK, emphasised that IFU had been through a change process since 2017, including untying from Danish enterprises, establishment of the SDG Fund, and establishment of the High Risk High Impact Initiative (HRHI) funds. The reform would take these steps further and abide to a vision of "establishing one IFU, with a set of complementary instruments, a stronger organisation and more long term strategic planning", which would enable IFU "to deliver more effectively on the sustainable development goals and the climate targets in the Paris agreement".

The Team Leader, GDK, explained that the Ministry had strengthened its supervision of IFU through a new Ownership Document, which contained the Minister's instructions to IFU. The document included specific targets for climate finance, investments in Africa and in poor and fragile countries, including Ukraine, as well as instructions to mobilise private investors, develop new projects, and strengthen communication of development results more broadly. The Ownership Document was publicly available from IFU's webpage. The Team leader from GDK finally briefly presented the distribution of IFU's present project portfolio on country categories.

The Under-secretary of State for Development explained that according to the Ownership Document, IFU was expected to reinvest up to DKK 50 million of its dividends rather than returning it to the Danish state. It was within the Minister's mandate to decide the policy for handling dividends.

The Council appreciated the presentation of the reform of IFU and noted that it would set the frame for the discussion of the proposed capital contribution to IFU under agenda item 8. Members of the Council also asked for an update on the ongoing recruitment process for a new CEO at IFU.

Agenda Item No. 8: Capital Contribution to the Investment Fund for Developing Countries (IFU)

For discussion and recommendation to the Minister
DKK 115 million
The Department for Green Diplomacy and Climate, GDK

With reference to the Rules of Procedure for the Council for Development Policy regarding conflict of interests, Jarl Krausing did not participate in the discussion of this agenda item due to a conflict of interest as he is member of the Board of the Investment Fund for Developing Countries (IFU).

Summary:
The support builds on many years of government ownership of the Investment Fund for Developing Countries (IFU) with regular capital contributions and should be seen as part of the reform of IFU during the period of 2024-2030. The capital contribution is un-earmarked and will enter IFU's balance sheet as part of IFU's existing capital base. IFU will allocate the funds across its financial instruments according to IFU's Investment Policy, priorities and relevant policy documents, including the Climate Policy. As such, the capital contribution will underpin the overall strategic impact goals and targets for IFU as specified in the Ownership Document as well as in IFU's own policy documents.

The Council for Development Policy recommended the Capital Contribution to the Investment Fund for Developing Countries (IFU) for approval by the Minister for Development Cooperation and Global Climate Policy. The Council remarked that the Department for Green Diplomacy and Climate in their follow-up with IFU should pay special attention to development expertise, measurable indicators for development impact, including gender equality and adaptation, and prepare for annual consultations with the Council for Development Policy on IFU's progress during the reform process.

Members of the Council pointed to the magnitude of the reform and stressed that a reform process was not only about providing more funds but also about improving performance and developing the organisation both at management and operational level. Reforms relating to the financial size of the Investment Fund for Developing Countries (IFU) should be accompanied by reforms relating to organisation, capacity, and instruments, and also by a plan for how to achieve and sustain the results of such a major change. A much larger IFU delivering on the three ambitious targets for climate finance, Africa, and poor and fragile countries, including Ukraine would require much more staff with development expertise, including at management level. Members of the Council underlined that the three targets were not impact per se, and they stressed that mobilisation of funds itself was not enough to ensure impact. They asked how the reform would generate increased impact of IFU in terms of poverty reduction, gender equality, adaptation, and social inclusion. Members of the Council pointed to the argument presented in the appraisal report in terms of the need for IFU to unfold impact indicators e.g. in relation to climate adaptation. How IFU would develop its organisation to be able to shoulder the significantly increased responsibilities that the reform would entail. This should also be seen in the light of the new leadership that IFU was in the process of recruiting.

Members of the Council asked for the underlying analysis and the evidence for choosing IFU, which they mentioned, was pointed out in the appraisal report as well. Further, they questioned if the same effect could be achieved with less administrative cost through other international development finance institutions such as e.g. African Guarantee Fund (AGF) and International Finance Corporation (IFC). They asked why Denmark needed its own development finance institution (DFI) of this size rather than entering into close cooperation with other DFIs and if Denmark thereby risked contributing to further fragmentation. Concerns related to crowding out of private funds were raised, as DFIs sometimes take the market from private investors. Members of the Council also asked how IFU would document additionality. They underlined that sustainable finance was a challenging issue and asked if IFU could develop its operations further on sustainability and become a role model for other financial institutions. IFU should also become better at supporting other development finance initiatives and mobilising other funds, including more investments from Danish companies and institutions apart from the Danish pension funds in the SDG Fund.

Members of the Council noted that the reform opened new possibilities for IFU but also entailed significantly increased responsibilities. They asked why IFU did not have a target regarding mobilisation of Danish companies and questioned how IFU would continue to engage with Danish companies. Concerns were raised that the incentive structure in IFU had changed in favour of large investments at the expense of smaller deals, and that this would work against involving small and medium-sized enterprises. Likewise, Members of the Council noted that pension funds expected high returns, which worked against taking risks. Members of the Council asked if the Department for Green Diplomacy and Climate (GDK) expected that geopolitical developments would make it harder to mobilise pension funds in the future.

Members of the Council raised concerns that IFU had not been good at working with poverty in in the past, as also highlighted in the evaluation of IFU. Concerns were raised with respect to the likelihood of the shift towards Africa and poor and fragile countries expressed by the new targets and if this turn was already reflected in IFU's pipeline, and what kind of expectations came with non-Official Development Assistance (ODA) funds. Members of the Council underlined that proper framework conditions were a precondition for achieving impact in poor and fragile countries, and they asked how work on improving framework conditions was taking place alongside IFU's focus on investments. Members of the Council noted the increase in IFU's contribution to climate finance and highlighted the importance of working with adaptation and the need to ensure alignment with national plans in partner countries. The importance of paying close attention to the limits to DAC-ability was also stressed. Members of the Council also pointed to the importance of clarifying the concept of decent work, and they stressed the need to include indicators that would focus on decent job creation. It should be clear how UN guiding principles on Business and Human Rights were operationalised.

Members of the Council asked about the future of DSIF: Was it still tied to Danish companies? Was there sufficient interest among Danish companies to respond to DSIF tenders? What about the quality of the DSIF projects? Would DSIF grants continue to be assessed by the Council?

Members of the Council noted IFU's engagement in Ukraine and stressed that Ukraine was not among the poorest countries. What would be sacrificed when IFU needed to invest in Ukraine? Members also asked about the process and time frame for hiring a new CEO of IFU.

Members of the council asked about the future accounting of loans and guarantees, in relation to international commitments to mobilise climate finance. It was pointed out that a shift away from the current Danish policy, to only count grants, would be noted by developing countries, who were generally concerned about the large number of loans within international climate finance.

Finally, Members of the Council appreciated the recommendation of the appraisal that IFU and GDK should engage with the Council on a regular basis in relation to the progress of the reform, not least to be able to assess development impact.

The Head of GDK thanked the Council for the questions and comments. Concerning the choice of IFU, she explained that the Minister had expressed a clear indication of support to IFU through the reform and also a need for visible Danish footprints in the development finance landscape going forward. IFU should become a front runner on climate finance and mobilise private capital by gearing ODA. She explained that the reform was at the same time a modernisation of IFU. The aim was to drive IFU in a well-defined direction. The indicators mentioned by Members of the Council were used by the IFU Board when assessing individual investments.

IFU would continue to work with international partners including development finance institutions like IFC and AGF. On the questions related to impact, the Head of GDK informed that IFU had strengthened its capacity and expertise on impact management and measurement, with nine man-years engaged in the Sustainability & Impact Team, which were involved in all phases of the investment process. The Head of GDK explained that IFU itself also recognised the magnitude of the lift in IFU's financial resources, and that the associated growth in terms of employees should to a large extent happen outside Denmark in countries where IFU was investing. She encouraged the Members of the Council to consult the latest Annual Report of IFU (2022), which focused on impact. She welcomed the idea of having the Council as a strategic sparring partner to IFU. IFU could prepare a strategic framework, and the Council could challenge IFU on this as well as on the Ownership Document and on development issues.

On the questions related to DSIF, the Head of GDK explained that the Ministry was in the process of following up on the evaluation of DSIF. This should also be seen in light of the critical views on DSIF in the media. Until a new model for DSIF was agreed, the Department for Evaluation, Learning and Quality (ELK) had offered to comment on the Terms of References for feasibility studies and conduct appraisals (the latter had not yet happened).

The Head of GDK acknowledged the challenge of developing IFU's organisation alongside the reform and underlined the close consultation and engagement that GDK had with IFU. On the question of a new CEO, the Head of GDK explained that the process was managed by the Chair and the Deputy Chair of the IFU Board and that the proposed candidates were subject to decision by the Government's employment committee ('ansættelsesudvalg').

The Team Leader, GDK, found that IFU had demonstrated better results and more additionality vis-à-vis other actors since the untying in 2017. When it came to the lower risk willingness of pension funds, he stressed that this was just one IFU instrument among many. For example, he expected IFU's upcoming guarantee facility instrument to balance the less risk-willingness of pension funds by enabling more risk-willing activities, i.e. access to credit for women and youth. He agreed, though, that it was more difficult to mobilise pension funds now than in the past.

The Team Leader, GDK, referred to the SME-facility mentioned in the Ownership Document, which was in need of revitalisation. Finally, he underlined that IFU was still able to work with Danish companies in spite of being untied in 2017. He stressed that GDK would consult with Export and Investment Fund of Denmark (EIFO) and Danish business organisations to clarify the need for support to Danish companies in emerging markets and also clarify the division of responsibilities between IFU and EIFO.

The Under-Secretary of State for Development added that the most important thing was the assessment of the individual investments, also in view of the new EU requirements, which IFU has to adhere to. He strongly supported that IFU could be invited to explain to the Council how they selected and managed individual investments. He explained that IFU cooperated with Agricultural Business Initiative (aBI-Trust in Uganda), Private Agricultural Sector Support (PASS in Tanzania), African Guarantee Fund (several countries) and more and that gearing with private capital was central to saving ODA. However, it was also essential for IFU to increase its focus on adaptation.

The Chair of the Council thanked GDK for the clarifications and invited Members of the Council for a second round of short comments. A member noted that aBI-Trust, PASS etc. were always used as examples and asked if other cases could be mentioned. It was noted that nine staff focusing on sustainability and impact in IFU was not impressive, given the size of the task.

Members of the Council asked about the incentives in IFU, repeating the present bias towards large investments, big companies, and minimising risks. If too few staff had to handle the increased volume of IFU as a result of the reforms, this would further add to these challenges. Thus it was not only about incentives but also about capacity. Basically, there was a need for a culture and a capacity change in IFU. Members of the Council repeated the question about the complementary support to development of framework conditions.

The Head of GDK explained that the growth in IFU would be supported by IFU's new strategy, which would be presented to IFU's Board in late October 2023.

While the Chief Adviser, GDK, said that mobilisation of climate finance with high leverage factors through the reform of IFU was an efficient way of delivering on Denmark's international climate finance obligations with a minimum amount of ODA, he also acknowledged that it was important for IFU to become better at documenting additionality and development impact.

The Chair of the Council concluded that the Council recommended the capital contribution to IFU for approval by the Minister for Development Cooperation and Global Climate Policy with the remark that GDK in its follow-up with IFU should pay special attention to development expertise, measurable indicators for development impact including gender equality and adaptation, and prepare for annual consultations with the Council on IFU's progress during the reform process.

Agenda Item No. 9: Any Other Business

No issues were raised under this agenda item.