Minutes from meeting in the Council for Development Policy
on 23 November 2023

Members:	Professor Anne Mette Kjær, University of Aarhus (Chair) Deputy CEO and International Director Jarl Krausing, CONCITO (Deputy Chair) (Agenda items 1, 2, 3, 4, 6, 7 and 8) 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 Secretary General Charlotte Slente, Danish Refugee Council (DFC) Director Charlotte Flindt Pedersen, Danish Foreign Policy Society Chief Advisor Mattias Söderberg, DanChurchAid *Director for Global Development and Sustainability Marie Gad Hansen, Confederation of Danish Industries (DI) had shared written comments to agenda items 2, 3 and 5 but did not take part in the meeting*
MFA:	Under-Secretary for Development Policy Ole Thonke Head of Department Ketil Karlsen, Department for Africa, Policy and Development, APD (Agenda items 1 and 2) Head of Department Tove Degnbol, Department for Evaluation, Learning and Quality, ELK Deputy Head of Department, Henrik Larsen, Department for Evaluation, Learning and Quality, ELK Team Leader, Anette Aarestrup, Department for Evaluation, Learning and Quality, ELK (Agenda items 4, 5, 6 and 7) Head of Section, Caroline Busk Ullerup, Department for Evaluation, Learning and Quality, ELK
Agenda item 2:	Head of Department Karen Grønlund Rogne, Department for Migration, Stabilisation and Fragility, MNS Team Leader Jacqueline Tara Hasz-Singh Bryld, Department for Migration, Stabilisation and Fragility, MNS
Agenda item 3:	Chargé d'Affaires Frederik Petersen, Embassy in Bamako (Online) Deputy Head of Mission Vibeke Gram Mortensen, Embassy in Bamako (Online) Team Leader Gregers Juel Jensen, Embassy in Bamako (Online) Special Advisor Maike Hebogård Schäfer, Embassy in Bamako (Online) Deputy Head of Department Fenja Yamaguchi-Fasting, Department for Africa, Policy and Development, APD
Agenda item 4:	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 Jesper Hilsted Andersen, Department for Green Diplomacy and Climate, GDK
Agenda item 5:	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 Jesper Hilsted Andersen, Department for Green Diplomacy and Climate, GDK
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 Team Leader Jacob Strange-Thomsen, Department for Green Diplomacy and Climate, GDK Chief Advisor Jens Fugl, Department for Green Diplomacy and Climate, GDK
Agenda item 7:	Under-Secretary for Development Policy Ole Thonke Head of Department Tove Degnbol, Department for Evaluation, Learning and Quality, ELK Deputy Head of Department Henrik Larsen, Department for Evaluation, Learning and Quality, ELK
Agenda item 8:	Head of Department Birgitte Nygaard Markussen, Department for Humanitarian Action, Civil Society and Engagement, HCE Team Leader Tue Kristoffer Westhoff, Department for Humanitarian Action, Civil Society and Engagement, HCE Chief Advisor Søren Vøhtz, Department for Humanitarian Action, Civil Society and Engagement, HCE

Agenda Item No. 1: Announcements

The Chair of the Council thanked Members of the Council and representatives of the Ministry of Foreign Affairs (MFA) for a useful discussion with the Minister for Development Cooperation and Global Climate Policy which took place the day before[1].

[1] Minutes from the Council of Development Policy's meeting with the Minister for Development Cooperation and Global Climate Policy on 22 November 2023 can be found here: https://um.dk/en/danida/about-danida/danida-transparency/danida-documents/council-for-development-policy/meeting-in-the-council-for-development-policy-on-22-november-2023.

The Under-Secretary for Development Policy echoed the Chair, noting that the Minister had also appreciated the meeting and that it would be possible to further discuss the plan for Denmark's engagement with countries in Africa at the next meeting attended by the Minister.

He went on to give a brief orientation about the Minister's recent travels to Nigeria, Sierra Leone, and Ghana. The trip had illustrated the diversity of the three West African countries. In Nigeria, peace, security and employment had been in focus. The delegation had met with Danish companies which saw potential in further expanding the trade cooperation. In Sierra Leone, the new government clearly saw a strong link between climate and development and was invested in dealing with environmental issues. Highlights from the visit to Ghana had been the signing of a green partnership agreement and the delegation's useful discussions with civil society, including about LGBT issues.

The Under-Secretary informed the Council about organisational changes in the MFA that would be implemented in the new year. Three new embassies in Moldova, Bosnia-Hercegovina, and Malaysia would be opened, and the embassy in Tanzania would not be closed contrary to previous announcements. The new programme portfolio in Tanzania was still to be defined. At the MFA Headquarters in Copenhagen, four new entities would be established, including a Secretariat for Strategic Sector Cooperation, as well as a Department for Geopolitics, a Department for Economic Security, and an independent MFA Academy which was to strengthen diplomatic and other skills for all employees.

Members of the Council pointed out that it would be beneficial to hire more people with experience from civil society organisation (CSOs), to which the Head of Department for Evaluation, Learning and Quality (ELK) confirmed that previous work experience was an important factor in the recruitment process of new employees to MFA.

The Under-Secretary briefly mentioned the current situation in Palestine, noting that the scheduled four-day ceasefire was a positive development and that Denmark had increased humanitarian aid to the country. The publishing of the investigation of Denmark's development portfolio in Palestine had to await coordination with EU and Nordic countries and was expected to happen soon.

Finally, the Under-Secretary mentioned that the replenishment of the African Development Fund was being discussed in the Finance Committee, and that two new grants had been given to Education Cannot Wait (ECW) after the Council had recommended the organisation strategy for ECW for approval at the previous meeting. The two grants would go to ECW's country programme in Niger and to ECW's climate appeal.

The Deputy Chair of the Council was asked to give a brief summary of a conference arranged by the Confederation of Danish Industry on 9 November 2023. The conference had focused on the role of the private sector in the realisation of the plan for Denmark's engagement with countries in Africa. The conference had highlighted the important role of the private sector in supporting green development, creating jobs, advocating for labour rights, supporting women in the labour market, and fostering investments. It was important to build stronger partnerships with African actors and provide an investment alternative to China. The expectation from participants to MFA was an increased focus on supporting framework conditions for the private sector in African countries and, if possible, opening more embassies.

With reference to the Rules of Procedure for the Council for Development Policy, the Chair of the Council asked if members had any conflicts of interest related to the agenda items. Jarl Krausing announced a conflict of interest in relation to item 5 due to his membership of the Board of the Investment Fund for Developing Countries (IFU).

<u>Agenda Item No. 2: Organisation Strategy for AmplifyChange 2024-2028</u>
For discussion and recommendation to the Minister
DKK 400 million
The Department for Migration, Stabilisation and Fragility, MNS

Summary:
The new organisation strategy outlines strategic considerations and specific goals for Denmark's engagement with AmplifyChange 2024-2028. It forms the basis for the Danish financial contributions and is the platform for dialogue with AmplifyChange. It outlines Danish priorities for AmplifyChange's performance within the framework of AmplifyChange's own strategy for the period 2021-2025.

The Council for Development Policy recommended the Organisation Strategy for AmplifyChange 2024-2028 for approval by the Minister for Development Cooperation and Global Climate Policy.

The Council appreciated the organisation strategy, acknowledging the importance of investing in sexual and reproductive health and rights (SRHR) as well as the modality of the fund supporting local organisations, which was fully in line with the Danish focus on localisation.

It was a concern that Denmark continued to be the primary donor to AmplifyChange and that the donor base remained limited after 10 years. The Council wondered what reasons were behind this, and to what extent this was a risk to the sustainability of AmplifyChange's work?

Considering AmplifyChange's strong focus on advocacy, Members of the Council asked what kind of political leverage followed from the support. For instance, did AmplifyChange and the organisations they funded ensure dialogue about SRHR issues in the countries in which they worked? And were they able to push the SRHR agenda forward? Members of the Council asked for elaboration of the decision to support AmplifyChange rather than bilaterally supporting SRHR and have embassies engaging in the sensitive dialogue with partners at country level.

Members of the Council enquired as to why AmplifyChange was not on the OECD Development Assistance Committee (DAC) list of organisations eligible for official development assistance (ODA) if the grant was 100% "DAC'able".

Furthermore, information was requested on how AmplifyChange placed itself in the SRHR landscape in relation to other organisations, on how AmplifyChange was coordinating with multilateral organisations at country level as well as on how synergies were secured between activities of AmplifyChange and those of other Danish programmes at country level.

As much as climate change was a relevant topic to be integrated across Danish development cooperation, Members of the Council noted that the grant to AmplifyChange might not be the most relevant place to address this intersection. On the contrary, maintaining a strong focus on SRHR would allow for greater impact.

Members of the Council noted that AmplifyChange was actively engaged in a number of fragile contexts, including Afghanistan, and requested an elaboration on how AmplifyChange was working in these difficult contexts.

Members of the Council noted that the previous Council had requested a presentation of the inception review but that this seemed not to have happened. A request was made to receive a presentation of the next mid-term review which was due in 2026.

Finally, Members highlighted that AmplifyChange managed a large number of grants, and they wanted to better understand how AmplifyChange was able to keep track of the many grantees and ensure the necessary absorption capacity of what appeared to be an increase of Danish funds.

The Head of the Department for Migration, Stabilisation and Fragility (MNS) appreciated the Council's reflections, comments, and questions. She clarified that Denmark had not increased the yearly support to AmplifyChange but that the new organisation strategy was designed for a five-year period instead of three years in order to be better aligned with AmplifyChange's own strategy.

She then highlighted that AmplifyChange was making progress in attracting additional donors. Cooperation with the other current donors was solid, and Denmark was actively working to increase the donor group through dialogue with potential donors and philanthropic organisations. This was done, among others, through bilateral talks with potential donors such as Norway and Canada. Denmark was also supporting an application by AmplifyChange to be admitted to the OECD DAC list of organisations eligible for ODA. Hopefully, being admitted to the list would also help attract additional donors.

According to the Head of MNS, AmplifyChange had already established a unique position within the global SRHR architecture. It was an important organisation in terms of funding small civil society organisations (CSOs) promoting, among other topics, human rights of lesbian, gay, bisexual, transgender, and intersex (LGBTI) people in developing countries. AmplifyChange was able to reach much wider both thematically and geographically than Denmark could with bilateral support, but there was a good cooperation between the Danish embassies and AmplifyChange's grantees. To support this cooperation, MNS was sending out a list of new grantees to relevant offices and embassies after each round of grants.

Regarding the question on climate change, the Head of MNS underlined that this would not become a primary focus of AmplifyChange's grantees. Nonetheless, it was natural for partners to engage in the intersection between climate change and SRHR, considering that all regions of the world were increasingly exposed to the impacts of climate change – in particular women, girls, and marginalised groups.

As to working in fragile contexts, the Head of MNS explained that working in countries like Afghanistan was of course challenging but that experience from implementing partners showed that local organisations in particular were best placed to implement activities in their local context.

The Team Leader of MNS agreed that creating long-term impact could be a real challenge partly due to the size of the grants as well as the fact that achieving political change took time. Therefore, it was important that AmplifyChange was working to create social movements in countries as this could facilitate a stronger and more coordinated political voice from the grassroots organisations.

The Head of MNS added that AmplifyChange was collaborating with other MFA partners, e.g. UNFPA, WHO, and the International Planned Parenthood Federation.

The Head of MNS regretted that the inception review had not been shared as promised. The MFA would indeed perform a mid-term review of the AmplifyChange organisation strategy, and MNS would present this to the Council when it was available.

Finally, the Head of MNS explained that AmplifyChange had a very professional grant management system as well as advisors placed in several countries with the aim of assisting AmplifyChange in their grant management.

The Chair of the Council concluded that <u>the Council recommended the Danish Organisation Strategy for AmplifyChange 2024-2028 for approval</u> by the Minister for Development Cooperation and Global Climate Policy.

<u>Agenda Item No. 3: Mali Transition Framework 2024-2027</u>
For discussion and recommendation to the Minister
DKK 500 million
The Embassy in Bamako

Summary:
Denmark's bilateral engagement with Mali is anchored in a transition framework reflecting the ambition to remain engaged while conditions for a fully-fledged cooperation, including with national authorities, are not in place. The transition framework also covers a shorter period of time (three years compared to previously five years), contains fewer projects and will not include any support to the central government. The transition framework has three strategic objectives; (1) contribute to stability, inclusive peacebuilding, and a strengthened civil society, (2) promote socioeconomic and inclusive development, and (3) strengthen locally-led and conflict sensitive climate adaptation, food security, and resilience.

The Council for Development Policy recommended the Mali Transition Framework 2024-2027 for approval by the Minister for Development Cooperation and Global Climate Policy.

The Council highly commended the Embassy for a very well-written transition framework for Mali, not least with regard to the analyses, scenarios, overview of Danish instruments, and the focus on localisation. The Council, furthermore, found it a wise choice to call it a transition framework and agreed that the proposed objectives and instruments were suitable under the current extremely difficult circumstances in Mali. The Council was pleased to learn that Danish engagements in Mali still continued and provided positive impact.

Members of the Council noted the very bleak scenarios and requested the Embassy's opinion on the most likely scenario for the future developments and how this would affect Denmark's engagement. Council Members further requested reflections on the necessary restructuring of the embassy's portfolio (suspension of engagements with central government), as well as reflections on how to incorporate learning throughout implementation. Council Members inquired about what an appropriate number of partners was and whether it was possible to engage actively with the chosen partners. Further, Members of the Council asked how learning from working in this difficult environment was secured.

Considering the politically complex environment in Mali and Denmark's focus on the Malian people, Members of the Council asked how the population was targeted and how their needs were identified, especially considering the many different interests. Also, the general mood towards Denmark as a development actor was inquired about by Members of the Council. Denmark had a good reputation in Mali, but Council Members asked whether this would be possible to maintain in light of the general negative attitude towards western countries.

Members of the Council asked how the Embassy's Youth Sounding Board had been involved in the formulation and implementation. With regard to engagements in decent job creation, Members of the Council asked about lessons learned from the vocational training programme as well as whether local authorities could be involved in a more structural approach as seen in for example Ghana and Sierra Leone. Concerning the Fonds d'Appui aux Creations des Enterprises par des Jeunes (FACEJ), it was asked how many of the enterprises were well-established.

The Chargé d'Affaires, Embassy of Bamako thanked the Council for the positive feedback. Concerning the most likely scenario for the future in Mali, the Chargé d'Affaires indicated that it currently was very difficult to provide a clear answer, but that it was likely that the transition would be delayed due to postponement of elections. Developments the previous week, with takeover by government forces of the strategically important city of Kidal in the north, following the withdrawal of the United Nations Multidimensional Integrated Stabilisation Mission in Mali (MINUSMA), had potential to increase tensions in the northern regions between the Malian military and Tuareg armed groups. Until now, Bamako had been calm, but there was a risk that the northern conflict would affect the capital region in the months to come.

The Chargé d'Affaires further clarified that, currently, there was no direct dialogue with the Malian transitional government, but that Denmark was still taking government priorities into consideration and informing about planned Danish engagements. The Malian Ministry of Foreign Affairs had acknowledged the Danish focus on Malian priorities for youth and employment as well as efforts in the water sector.

The Chargé d'Affaires underlined that Denmark's engagement in the current context was built on pragmatism and flexibility and entailed a reduction in the number of engagements and corresponding budget. This also meant lower ambitions and lower expectations with regard to longer-term impact. Nonetheless, Denmark's engagement responded to massive needs in Mali and was in line with engagements of most likeminded donors, including the EU, with the exception of France that had completely ended all support to Mali. Working in "politically complex environments" with non-constitutional regimes entailed both an increase in a variety of costs, but also an increase in risks, including reputational risks. The Chargé d'Affaires, however, confirmed that Denmark had a good reputation in Mali and mentioned the example of local recognition of Denmark's efforts in securing access to clean water in the southern city of Sikasso (with a population of 130.000).

With regard to prioritisation, the Chargé d'Affaires acknowledged that consultations with the Youth Sounding Board had become more difficult but he also mentioned that the two flagship projects, FACEJ and Fonds d'appui aux Moteurs de Changement (FAMOC), gave access to dialogue with the youth. In addition, the Embassy had dialogue with a variety of development partner coordination groups and with the Danish CSOs present in Mali. On FACEJ and FAMOC, it was added that these projects were very robust and could continue to operate even if the security situation would deteriorate further. Lessons learned from the first phase of support provided the basis for the continued support to the two projects.

The Deputy Head of Department for Africa, Policy and Development (APD) informed that there was an ongoing initiative to gather learning at EU level from working in similar contexts to continuously improve engagements, spanning from humanitarian aid to long-term development cooperation with central government.

The Chair of the Council concluded that <u>the Council recommended the Mali Transition Framework 2024-2027 for approval</u> by the Minister for Development Cooperation and Global Climate Policy.

<u>Agenda Item No. 4: Orientation regarding further preparation of Blended Finance for Energy Transition (BFET)</u>
For information and discussion
The Department for Green Diplomacy and Climate, GDK

No minutes are included for this agenda item, as the orientation was confidential because the tender process concerning the two fund managers had not yet been finalised.

The Head of the Department for Green Diplomacy and Climate, GDK, informed that an update about this and other engagements anchored in the Investment Fund for Developing Countries (IFU) would be provided in a meeting during the spring.

<u>Agenda Item No. 5: Guarantee Instrument: Subsidies, Technical Assistance, and Administration 2023-2025</u>
For discussion and recommendation to the Minister
DKK 135 million
The Department for Green Diplomacy and Climate, GDK

Summary: The Guarantee Instrument was initiated in 2022 for a pilot phase until the end of 2025 with a guarantee frame established by the Government of DKK 2,000 million. The present grant supports the *establishment of the instrument adding DKK 135 million in grant to risk premium subsidies and technical assistance in connection with guarantees and covering administrative costs at the Investment Fund for Developing Countries (IFU) until the end of 2025. Building on the experience from the first year of establishing the instrument and the collaboration with the Swedish International Development Cooperation Agency (Sida), the instrument will align to the strategic priorities of IFU aiming for 50% green guarantees, 50% of guarantees in Africa and at least 30% of the guarantees in Least Developed Countries (LDCs). In addition, IFU will start building capacity to conduct risk assessments in-house to broaden the scope of the guarantee pipeline in addition to the Sida pipeline.*

The Council for Development Policy recommended the Guarantee Instrument: Subsidies, Technical Assistance and Administration 2023-2025 for approval by the Minister for Development Cooperation and Global Climate Policy.

The Chair of the Council and the Under-Secretary for Development Policy explained that the project document had gone through substantial rewriting following the appraisal. Therefore, the recommendations from the programme committee and the appraisal were of less direct relevance for the discussion in the Council which should instead take the revised version of the document as its starting point. The Under-Secretary highlighted the thorough quality assurance process, and the Chair noted that the project document had been improved and now provided a well-written presentation of the proposed grant. She added, though, that the Council still had many questions.

Members of the Council welcomed the guarantee instrument as an interesting new instrument in Danish Development cooperation. It was appreciated that the Investment Fund for Developing Countries (IFU) now had an instrument suitable for low-income markets. However, Members also found the instrument technically difficult to grasp. Members found that the presentation in the project document focused more on the big picture and on providing technical assistance and guarantees to the banks than on the individual end users or beneficiaries. It was difficult to follow from the provision of guarantees to the banks and onwards to the potential borrowers in need of a loan. Did the support mainly have the purpose of strengthening the capacity of local banks? Members looked forward to future reports documenting the development additionality.

The provision of technical assistance was applauded, and Members asked if the borrowers would be provided technical assistance or only the banks, what share of the total technical assistance would go to the borrowers, and how the technical assistance would be organised, including the role of the IFU? They also enquired what would happen to a borrower who defaulted on a loan backed by a guarantee to the bank. Members of the Council noted that the premium was quite high and questioned if this cost risked to de facto be levied on the borrowers. Members also asked how to monitor actual loan sizes given that the guarantees were not supposed to cover the entire loan, i.e. the additional lending beyond the amounts covered by the guarantees. They further asked about the DAC-ability of the instrument and how much could be reported as Official Development Assistance (ODA), noting that Least Developed Countries (LDCs) kept a close eye on this issue.

Members queried how to make sure that instrument would lead to more private sector jobs and asked if the instrument also provided opportunities for the informal sector? Concerning the job creation, the Council was interested in how the number of created jobs would be measured in practice. The Council appreciated the presentation of decent jobs in the project document, but asked for more and better indicators on decent jobs created. Members probed if the instrument provided any opportunities for involvement of Danish small and medium-sized enterprises (SMEs).

Members pointed to the difficulty of attracting private capital to climate adaptation and the need for indicators and close monitoring of the actual results within this area, given the target of 50% for adaptation. How much of the access to finance guarantees could be expected to focus on lending for investments in adaptation and climate resilience and whether the instrument could have been directed solely towards mobilising private capital for adaptation.

Members of the Council requested more information on the two tracks of the guarantee instrument, mobilisation of climate finance and access to finance, respectively. This included a focus on the potential for the instrument to leverage private capital in varying country contexts and thematic contexts beyond the large green infrastructure investments. The importance of the access track was emphasised, and the need for a mobilisation track in this instrument needed more explanation, also taking into consideration other Danish instruments aiming at mobilisation of climate finance. Members asked for the Swedish experience with the two tracks, and how incentives to maintain focus on the most difficult interventions could be developed.

Members of the Council noted that banks would have varying capacities and varying lending criteria towards end-users. In this regard, the instrument's criteria for selecting the participating banks were important, as this would impact likely end users. Members asked if, at this moment of time, it was possible to look at the technical assistance with this in mind, and also suggested that technical assistance should feature more in the results framework.

Finally, Members of the Council requested more information about the selection criteria for the countries in the portfolio of access to finance guarantees. Why was Tanzania not on the list, while Kenya, Rwanda, and Burkina Faso were in the scope of the pipeline? Had countries in West Africa been considered?

Responding to the comments from the Council, the Chief Advisor, Department for Green Diplomacy and Climate (GDK) explained that the technical assistance was meant to improve the capacity of local banks to assess both the potential borrower's (such as Small and Medium-sized Enterprises, SMEs) capacity and business plans as well as the new and higher risk willingness in the lending products supported by the guarantees. The technical assistance would also improve the banks' risk willingness in putting in its own funds, as the guarantees would never take 100% of the risk in increased lending, but it would be necessary to ensure the proper interest of the bank in quality assuring the lending by adding 'skin in the game' for the banks. Technical assistance could also focus on borrowers' acumen and capacity to present business plans to the banks, thereby ensuring better borrowers more qualified for guarantee backed loans. In addition, the technical assistance could also be used to improve the banks reporting to IFU on impact indicators e.g. on adaptation relevant lending. Indicators on the technical assistance in the results framework were mentioned as examples, including number of bank employees trained and number of new loans to SMEs.

Regarding job creation and beneficiaries, the Chief Advisor, GDK, replied that SMEs would fill in a form when applying for a loan. This would include a business plan, including estimates of the number of jobs created. Figures from approved loan applications would be aggregated within the bank and shared in reports to IFU based on predefined reporting measures between the banks and IFU. This would form the basis of IFUs reporting to the Ministry of Foreign Affairs (MFA) on job creation. Beyond fair wages, IFU's indicators on decent job creation included other aspects such as on the job training and the right to organise. Building capacity of SMEs to apply for loans, increasing transparency in the application process and lowering collateral requirements based on the guarantees would all help lift the number of SMEs able to go through the loan application process and as such would help lift informal actors into the formal sector and create decent jobs.

On the technical aspects and potential of the guarantees to leverage private capital, the main driver of the leverage factor was the country risk profile. When operating in middle income countries, e.g. with green infrastructure financing, a leverage of five times the guarantee amount would often be possible. When operating in LDC's, e.g. with access to finance, the leverage could be expected in the area of one-three times with an element of risk premium subsidy to facilitate the guarantee and avoid pushing the additional risk premium onto the SME lenders.

With respect to the informal sector, only one third had a bank account. However, by working with the banks and increasing information and transparency, the hope was to draw more SMEs from the informal to the formal sector in the long run.

The mobilised private capital would be reported as part of IFUs regular annual reports to MFA on climate finance where mobilised private capital was part of the reported figures. MFA included the IFU figures on private capital mobilisation in the annual reports to OECD-DAC and the European Union.

Regarding the potential of guarantees to mobilise private capital for adaptation, it was a key focus area for the guarantees. As stated in the project document, 50% of the guarantee frame would be targeted towards climate, 50% towards Africa and at least 30% towards LDCs. This strategic alignment with IFU's priorities implied a significant focus on adaptation. This was especially relevant in the LDCs in Africa, where the access to finance would focus on SMEs of which a large share could be expected to operate in the agricultural sector. Indicators on this would be incorporated into the bank loan applications and into reports to IFU on green lending to SMEs. At the same time, guarantees were highly efficient at mobilising mitigation investments in middle income countries, resulting in larger leverage factors with no subsidies. As mitigation was also a key political priority, a balance between mitigation and adaptation could be expected from the pipeline of the guarantees.

Lastly, the current pipeline of access to finance guarantees was building on the preliminary studies completed by the Swedish International Development Cooperation Agency (Sida) and the UN on the banking sectors in Burkina Faso on agriculture value chains and in consultation with the Embassy of Denmark. In Kenya and Rwanda, IFU was invited to participate in a guarantee under development by Sida where preliminary studies of the banking sector were already completed.

The Council thanked for the comprehensive and informative responses and had a few additional comments. Firstly, that it was important that the technical assistance ensured that guarantees were not used to back lending leading to maladaptation, and secondly, that it was important to inform the governments in the countries about this new facility and explain how it supported the countries' national plans.

The Chair of the Council concluded that <u>the Council recommended the Guarantee Instrument: Subsidies, Technical Assistance and Administration for approval</u> by the Minister for Development Cooperation and Global Climate Policy.

<u>Agenda Item No. 6: Discussion of development grants anchored in GDK</u>
For information and discussion
The Department for Green Diplomacy and Climate, GDK

Summary:
The Department for Green Diplomacy and Climate (GDK) presented an overview of development grants for the period January 2020 to April 2023, divided on larger grants (>DKK 39 million) and smaller grants (<DKK 39 million). The presentation focused on the volume of funding within various categories (sectors, modalities, geography). In general, the full portfolio of GDK within the period reflected the role of GDK as the 'green' department within MFA with app. 90% of investments placed within 50-100% green interventions, mainly on climate, energy and water. Important modalities are global funds and other finance instruments, but still with nearly half of investments in specific countries.

The Head of Department for Green Diplomacy and Climate (GDK) and the Team leader, GDK gave a brief introduction to GDK-led investments above and below the former DKK 39 million threshold for presentations to the Council for Development Policy (the threshold has recently been increased to DKK 43 million). The full portfolio of GDK within the period investigated illustrated the role of GDK as the 'green' department within the Ministry of Foreign Affairs (MFA) with approximately 90% of investments placed within 50-100% green interventions, mainly on climate, energy and water.

The Team Leader, GDK noted that during the period 2020-23, GDK had become heavily influenced by an increasingly 'green' finance bill, e.g. with tangible targets on climate change interventions and energy. There was a strategic focus on Africa but also on climate-vulnerable countries in other parts of the world, including middle-income countries (MICs). The share of GDK investments going to Africa was not easy to assess from the available statistics as only half of the engagements could be related to particular countries, while the rest were global/regional initiatives. The global funds for climate and environment were important modalities for GDK, and there were efforts, together with Danish representations, to create synergies between these global activities and Danish bilateral engagements at country level.

The presentation also highlighted efforts to restructure support to larger organisations that were holding a multiplicity of smaller projects. The Head of GDK stated that closing small projects (<DKK 39 million) and avoiding opening new ones was a continuous effort. Currently, 28 smaller projects were in the process of being phased out.

The Council found the presentation of GDKs bigger and smaller engagements very informative and strongly supported the ongoing work to "sanitise" and focus the portfolio with reference to the general international concern about fragmentation of aid, it was noted that the allocation of DKK 1 billion to the many very small projects was a lot.

Members of the Council indicated a need to keep a watchful eye on how much of the support was being allocated to the poorest countries. Members also noted that the overall statistics illustrated that some areas could benefit from more investments. This especially concerned climate adaptation and biodiversity. It would be relevant to increase attention to the importance of nature capital as a crucial element within solutions for climate change and sustainable development.

Council Members also raised concerns as to whether this large and diverse portfolio was too much for GDK to manage. A question was posed as to how Denmark achieved influence in the many organisations supported as it would not be possible to work actively in the many boards and other governance structures.

Members of the Council further raised questions on the use of the Rio Markers, which was the key instrument to target green priorities in the portfolio and monitor whether these were in fact realised. It was noted that the practical use of the Rio Markers could be complicated and that, especially for smaller projects, it could be quite a challenge for the case worker.

The Head of GDK acknowledged the Council's reflections, comments and questions. GDK had an ambitious agenda for climate and green growth, but also believed this to be manageable with the continuous streamlining of the portfolio. The engagement in global funds was a key priority for GDK and a major part of the investments were going in this direction, but GDK also had to be realistic about Denmark's power of influence. There was an ongoing prioritisation of which boards and steering committees, Denmark could be present in, and in cases with well-known partners and many likeminded donors in the boards, it was decided to use staff resources elsewhere. Danish engagements, however, stood strongly in the global landscape of green/climate funds and Denmark was often a first-mover, e.g. with the new Loss and Damage facility.

The Head of GDK also agreed that there would be increasing focus on climate adaptation and biodiversity in the years to come. Even though GDK for the period in question had a relatively modest portfolio on climate adaptation (compared to climate mitigation/energy), this should be seen in the context of climate adaptation being broadly prioritised across the development cooperation portfolio, also outside GDK. It was confirmed that the systematic and correct use of the Rio Markers was challenging, and that there were ongoing efforts to improve this.

The Chair of the Council concluded that the presentation and discussion had been most useful and would be helpful for future discussions on green priorities.

<u>Agenda Item No. 7: Discussion of quality assurance of the preparation of new grants and the role of the Council for Development Policy</u>

For discussion

The Department for Evaluation, Learning and Quality, ELK

Summary:
In its meeting on 26 October, the Council announced that it wanted to discuss quality assurance processes in the Ministry of Foreign Affairs (MFA). MFA initiatives to ensure better use of the quality assurance tools were presented to the Council.

Following up on the request by the Council to discuss quality assurance processes in the Ministry of Foreign Affairs (MFA), the Under-Secretary for Development Policy gave a brief presentation of ongoing considerations. He welcomed the Council's engagement in a discussion about quality assurance of the documents prepared by MFA and described two initiatives which would be introduced to ensure a more appropriate amount of time between presentation of a draft programme document to the Programme Committee, the appraisal, and presentation of the grant document to the Council. Firstly, a process plan should be prepared as soon as a new grant was being considered. This would allow for a better timing of each of the steps in the quality assurance process, including dialogue on possible needs for early technical support to the formulation process. Secondly, a more strategic use of staff resources for quality assurance, e.g. by outsourcing appraisals of less complicated grants to external consultants, while internal technical staff resources could concentrate on providing more thorough support to complex programmes and programmes in new thematic areas, including in the form of pre-appraisals at an early stage. Thus, it should not be an automatic practice that internal technical staff undertook all appraisals of grants of more than DKK 43 million.

In addition, the Under-Secretary informed the Council that as part of the general consolidation of MFA following the approval of the Finance Bill, it was planned to strengthen departments working on compliance matters.

Finally, the Under-Secretary assured the Council that the elaborate comments from its meeting had a significant impact both on overall priorities of development cooperation and on ensuring good quality of individual grants. He winded up by giving a number of specific examples of the influence by the Council.

Members of the Council responded to the presentation by asking about the attention of the MFA management to the issue of quality assurance. They also wanted to know when in the preparation process internal technical staff could be most useful. and whether it could for example be feasible to delay presentations of new grants to the Council until all recommendations from appraisals and the Programme Committee had been sufficiently integrated into the documents. Finally, reference was made to the practice of requesting inception reviews after the first six months of implementation if deficiencies had been found in the documents.

The Under-Secretary for Development Policy stressed that appropriate quality assurance was a key concern of MFA management The role of internal technical staff and the timing of their input should depend upon the complexity of a programme. Delaying presentations of new grants to the Council with a view to improving quality happened all the time. Management had reservations against using inception reviews as a standard solution when the Council was not entirely pleased with the programme documents, because inception reviews were time-consuming and tied up resources which were then not available for quality assurance of other new grants.

The Chair of the Council thanked for the discussion and requested for the topic to be revisited after a year.

Agenda Item No. 8: Support to the International Working Group for Indigenous Affairs (IWGIA) 2024-2027

For discussion and recommendation to the Minister
DKK 72 million
The Department for Humanitarian Action, Civil Society and Engagement, HCE

Summary:
Under this development engagement, the International Working Group for Indigenous Affairs (IWGIA) 2024-2027 will support protection and promotion of the rights of Indigenous Peoples within four thematic areas (climate & biodiversity, Land Defence, Women & Girls, Global Governance) aligned with its Institutional Strategy. The development engagement builds on previous cooperation with IWGIA.

The Council for Development Policy recommended the Support to the International Work Group for Indigenous Affairs (IWGIA) 2024-2027 for approval by the Minister for Development Cooperation and Global Climate Policy.

The Council welcomed a well written project document and stressed the high relevance and expertise of the International Work Group for Indigenous Affairs (IWGIA). In particular, IWGIA's capacity to work locally while also doing international advocacy was highlighted as important. The four project document outputs were considered pertinent, and it was suggested to consider an increase in funding for later phases of support.

Considering the increased donor diversification and that Danish funding now comprised of 40 percent of IWGIA's funding, Members of the Council asked whether there was still a wish to attract additional donors.

Members of the Council made reference to the Denmark's special guardianship vis-à-vis Indigenous rights as well as the many interlinkages of the climate crises and Indigenous rights (extractive industries, biodiversity, environmental degradation). Much in the Indigenous Peoples' way of life was in harmony with nature and of relevance for broader society. This could be more strongly communicated, possibly through engagement activities, to the benefit of the Indigenous Peoples.

Regarding the increased number of country-engagements, the Council was concerned that there was a risk of spreading the effort too thinly at the cost of more in-depth impact. Did IWGIA have the capacity to keep track of so many projects and needs of the many communities of Indigenous Peoples? And did they keep continuously informed about the status of Indigenous Peoples around the world? Catering for a higher number of partners implied more implementation and a higher administrative burden.

Members of the Council asked if IWGIA was following national legislation of importance to Indigenous Peoples in the countries where they were working and if IWGIA was supporting the voice of Indigenous Peoples. It was specifically asked how IWGIA could contribute to the improved inclusion of Indigenous women's voices in response measures by governments and the private sector (e.g. green energy projects).

Apart from the support to IWGIA, Members of the Council asked whether Denmark was supporting Indigenous Peoples in other ways. And how did the experience with IWGIA feed into other programmes? It would also be interesting to learn how IWGIA was interacting with other actors working with Indigenous rights.

Members of the Council took note of the described lessons learned regarding the challenges with respect to the previously set targets regarding the Green Climate Fund projects and the African Commission on Human and Peoples' Rights (ACHPR). They asked if it was possible to include representatives of Indigenous Peoples in IWGIA's board.

Members of the Council observed that IWGIA's activities were more related to mitigation than to adaptation. The Rio Marker should be re-classified in the Appropriation Cover Note.

Finally, Council Members enquired about limitations to activities with respect to the OECD Development Assistance Committee (DAC) regulations.

The Head of the Department for Humanitarian Affairs, Civil Society and Engagement (HCE) appreciated the Council's comments and questions. She emphasised that IWGIA was playing an important and unique role compared to other civil society organisations due to its focus on Indigenous Peoples' rights.

In response to the risk of IWGIA spreading their capacity too thinly across an increased number of country engagements, IWGIA had proven to have a sound administrative capacity as concluded by the recent appraisal. In terms of funding levels, IWGIA was generally pleased with the present financial format as it supported the organisation's own strategy. IWGIA would welcome further funding which could be considered in a future phase of collaboration. The share of Denmark's funding in IWGIA's total budget had been reduced from 48% in 2018 to 40% in 2022. The Head of HCE underlined that the Danish support for Indigenous Peoples was earmarked and not core funding and adhered to the list of eligible countries under the OECD-DAC list, thus it did not support activities in the North Atlantic area.

The Head of HCE confirmed that the Indigenous Peoples supported were active at country level, including in dialogue on national legislation. Support to Indigenous women was both a cross-cutting and a special effort.

The challenges concerning IWGIA's interaction with the ACHPR should be seen in light of the challenges of the ACHPR of securing compliance with and ratification of its otherwise strong politically agreed framework and conventions. The advancement of the Indigenous Peoples' rights was often not reflected by ratification of policies at the national level in the individual African Union Member States.

The Head of HCE said that the classification of the Rio Marker was complex and had been considered thoroughly in relation to the IWGIA-support. Based on the comments received, HCE would revisit the issue.

The Chief Advisor, HCE added to the explanation given on the number of countries that IWGIA needed a wide presence globally in order to have a strong knowledge base from where to draw experience and to be considered a valued partner.

The Chair of the Council concluded that the Council recommended the Support to the International Work Group for Indigenous Affairs (IWGIA) 2024-2027 for approval by the Minister for Development Cooperation and Global Climate Policy.

Agenda Item No. 9: Any Other Business

No issues were raised under this agenda item.