Minutes from the meeting in the Council for Development Policy on 26 October 2023

Members:	Professor Anne Mette Kjær, University of Aarhus (Chair) Director for Global Development and Sustainability Marie Gad Hansen, Confederation of Danish Industries (DI) Director for Nutrition Line Damsgaard, The Danish Agriculture & Food Council 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 Ketil Karlsen, Department for Africa, Policy and Development, APD (Agenda items 1, 2 and 3) 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 Head of Section Caroline Busk Ullerup, Department for Evaluation, Learning and Quality, ELK
Agenda item 2:	Acting 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 Chief Advisor Line Friberg Nielsen, Department for Migration, Stabilisation and Fragility, MNS
Agenda item 3:	Acting 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 Head of Section Marie My Warborg Larsen, Department for Migration, Stabilisation and Fragility, MNS
Agenda item 4:	Deputy Head of Department Lars Von Spreckelsen-Syberg, Department for European Neighbourhood, EUN Team Leader Anne Kahl, Department for European Neighbourhood, EUN Chief Advisor Dorrit Skaarup Jensen, Department for European Neighbourhood, EUN

Head of Section Jasmin Frentzel Sørensen, Department for European Neighbourhood, EUN
Deputy Head of Mission Jens Martin Alsbirk, Danish Embassy in Kyiv (Online)
Head of Unit Allan Pagh Kristensen, EU Anti-Corruption Initiative (Online)

Agenda item 5: Deputy Head of Department Mads-Emil Stærk, Department for Green Diplomacy and Climate, GDK
Chief Advisor Merete Villum Pedersen, Department for Green Diplomacy and Climate, GDK
Head of Section Lone Bøge Jensen, Department for Green Diplomacy and Climate, GDK
Deputy Head of Department Henrik Silkjær Nielsen, Centre for Global Climate Action, Danish Ministry of Climate, Energy and Utilities
Head of Section Andreas Møller Iversen, Centre for Global Climate Action, Danish Ministry of Climate, Energy and Utilities

Agenda item 6: Deputy Head of Department Simon Wandel-Petersen, 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
Chief Advisor Lasse Møller, Department for Green Diplomacy and Climate, GDK

Agenda item 7: Head of Department Marie-Louise Koch Wegter, Department for Multilateral Cooperation, MUS
Chief Advisor Jonas Nyrop Henriques, Department for Multilateral Cooperation, MUS

Agenda Item No. 1: Announcements

The Under-Secretary for Development Policy announced that the situation in Palestine was presently high on the Ministry's agenda. Danish development cooperation with the country had been halted, but humanitarian aid continued. An additional DKK 50 million had been donated to Palestine the previous week. As mentioned at the previous meeting, the Department for Evaluation, Learning and Quality (ELK) and the Department for Grant Management, Finance and Support (FRU) were in the process of going through Denmark's development portfolio in Palestine and investigating the risks related to the engagements where disbursements were still outstanding. A more comprehensive orientation about the situation in Palestine would be given at the meeting in November. The discussion of the Annual Stocktaking of the Cooperation in Palestine would also be postponed, most likely to the meeting in February 2024.

Members of the Council asked if there were any news regarding humanitarian corridors into Gaza. The Under-Secretary for Development Policy confirmed that 52 trucks had made their way into Gaza with humanitarian supplies but he could not give a further indication of the materialisation of humanitarian corridors.

The Under-Secretary for Development Policy also gave a brief update of the situation in the Sahel region. In Mali, Burkina Faso and Niger, anti-Western and pro-Russian narratives were gaining ground, and the transitional governments' promise of holding fair elections was unconvincing. Denmark was still actively engaged in the region, but no longer working directly with national governments. Instead, programmes – such as the water sector programme in Burkina Faso – were being reorganised to ensure their execution with other partners. The possibility to work with local government on issues related to water and climate change was currently being considered. Humanitarian assistance was still provided to all three countries.

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. There were no conflicts of interest.

Agenda Item No. 2: Organisation Strategy for Education Cannot Wait 2023-2026

For discussion and recommendation to the Minister
DKK 340 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 Education Cannot Wait (ECW) 2023-2026. It forms the basis for the Danish financial contributions and is the platform for dialogue with ECW. The strategy outlines Danish priorities for ECW performance within the framework established in ECW's own strategy for 2023-2026.

The Council for Development Policy recommended the Organisation Strategy for Education Cannot Wait (ECW) for approval by the Minister for Development Cooperation and Global Climate Policy. The need to establish a hosting agreement for ECW and to clarify coordination issues between ECW and the Global Partnership for Education (GPE) was underlined.

The Council appreciated the Organisation Strategy, acknowledging the importance of investing in education in emergencies. The Council particularly commended the transparent and honest approach to the presentation of challenges and gaps in intended results and found that the strategy was well-grounded in existing evaluation findings.

Members of the Council referred to findings in the 2022 evaluation of Education Cannot Wait (ECW), commissioned by ECW and undertaken by Mokoro Ltd. The evaluation had pointed to shortfalls in achieving expected results, e.g. regarding nexus, internally displaced persons (IDPs), coordination at country level and with Global Partnership for Education (GPE). Members of the Council further enquired as to how these shortfalls had informed the choice of strategic priorities. Both gender and climate change were considered important priorities, but could the reasons for selecting them be elaborated upon? And could other topics be more pertinent? Localisation, for example, was only lightly referenced in the strategy, despite it being critical to ECW's mission and a key priority for Danish development cooperation. Given that ECW identified it as a priority in their strategic plan 2023-2026, localisation could have been a separate strategic priority in the

Danish engagement with ECW. It would also be relevant to hear how IDPs were considered in the strategy.

Regarding climate change as a strategic priority, Members of the Council pointed out that this was not a primary focus for ECW and wondered how it would work in practice when the Ministry of Foreign Affairs' (MFA) and ECWs priorities were not aligned. Had this priority been chosen in order to attract funding? The Council was, however, generally positive about the focus on climate change and noted the importance of not only investing in climate-resilient educational facilities, but also in educational programmes that equipped children and youth with knowledge and tools that enabled them to contribute to climate change mitigation and adaptation. Such programmes should include not only academic learning, but also practical and technical skills, as well as a business oriented focus. Members of the Council further stressed the important role that children and youth played in climate action, encouraging MFA to promote the participation and voice of children and youth in ECW. The importance of investing in children's readiness to learn was equally underlined, and Members of the Council encouraged MFA to promote a holistic approach to learning in ECW.

The Council asked about the role of ECW and other actors in building educational capacity in partner countries, not least in light of bridging humanitarian and development efforts and building a sustainable educational sector. A clarification of ECW's main purpose would be appreciated, including whether it was to support partner countries' own plans for the education sector. More information about ECW's exit strategy would likewise be welcomed. Members of the Council also enquired about the relationship between ECW and the Global Partnership for Education (GPE). How were ECW and GPE coordinating efforts and would it be beneficial to merge the two funds? Could a focus on fragility simply be added to GPE's portfolio? And where would Denmark focus its efforts in the future?

With regard to ECW's relationship with UNICEF, the Council stressed the importance of addressing the missing formalised hosting agreement, probing whether it was in the best interest of ECW to be hosted by UNICEF in the long term.

Members of the Council also noted that the Theory of Change (ToC) could be strengthened in the organisation strategy as well as in ECW's own strategy.

Denmark had previously had a considerable bilateral education engagement, resulting in deep knowledge and insight at country level. Members of the Council wished to know to what extent this informed MFA's current work on education, and whether Denmark still had value to add in the education sector. While being a large donor to ECW, it was questioned whether there was sufficient capacity in MFA to handle the education sector. Members of the Council also noted that ECW had had mixed results in mobilising additional resources to education in emergencies, pointing to the need for Denmark to focus on this as part of the strategic engagement.

Considering Denmark's large contribution to ECW, Members of the Council wanted to know how Denmark would leverage this to gain influence. Could Denmark, for instance, influence ECW to go in a certain direction in terms of country selection? And considering that the LEGO Foundation also had a significant role in the education space, could Denmark and the LEGO Foundation work together to advance certain shared priority areas in the partnership with ECW?

Lastly, Members of the Council asked whether there would be a review of the ECW Organisation Strategy, and if it might be more relevant to evaluate the overall Danish support to education across existing partnerships and programmes.

The Head of the Department for Migration, Stabilisation and Fragility (MNS) appreciated the Council's reflections, comments and questions.

She explained that ECW, supported by the Executive Committee (ExCom), was about to revise its Operational Manual in line with the 2022 evaluation findings to ensure that the issues preventing ECW from delivering on its mission, were effectively addressed. The Chief Advisor added that an exit strategy would also be presented. The organisational areas for improvement would be addressed continuously as part of the regular work of the ExCom, where Denmark had a seat. While primary and secondary education was the focus of ECW, the Acting Head of MNS added that ECW indeed did take a holistic approach to education, whereby it also delivered support to early learning (pre-primary) as well as vocational training for adolescents. Further, Denmark supported vocational training for young people through other partners as well, including UNHCR and civil society partners.

The Head of MNS acknowledged the Danish prioritisation of localisation, pointing out that localisation was considered part of the focus on ECW's work across the Humanitarian, Development and Peace (HDP) nexus. She stressed that ECW, at country level, was represented in the Education Cluster and the Local Education Groups (LEGs), through which the role of civil society and local actors was emphasised and strengthened.

Regarding climate change, the Head of MNS emphasised that the approach included both a focus on educational infrastructure, in terms of resilience and preparedness, as well as the role of education in terms of equipping children and youths with the knowledge and tools that enable them to contribute to mitigation and adaptation. ECW shared Denmark's focus on climate change and had started applying the Rio markers. It was recognised that a focus on the role of children and youth in climate action could be encouraged.

Regarding readiness to learn, the Head of MNS mentioned that ECW partnered with organisations with specialised capacity in the area of food security and nutrition, which was vital for children's ability to learn. World Food Programme was one such partner.

It was explained that the parallel partnerships with ECW and GPE demonstrated MFA's deliberate intention to strengthen the HDP nexus approach in education. GPE's support to long-term structural change was complementary to ECW's response in protracted crises and emergencies. Being a considerable partner to both funds, enabled Denmark to promote and encourage cooperation and synergies across the two.

The Head of MNS agreed that the lack of a formal hosting agreement with UNICEF was problematic. A draft agreement was expected to be presented before the end of the year. The hosting agreement would be reviewed and subject to approval by the ECW ExCom. The Head of MNS reminded the Council that in the absence of a hosting agreement, the legal framework of the standard agreement between donors and UNICEF, as host of ECW, applied, and that the ECW Operational Manual had also served to clarify terms and conditions.

The Head of MNS agreed with the Council that the LEGO Foundation was key to MFA's ambitions regarding education, adding that the partnership with the LEGO Foundation was very active, yielding several types of results, including match-funding, to deliver on shared objectives specific to education.

The Head of MNS acknowledged that the decision (in 2012) to phase out bilateral education programmes and solely deliver contributions to multilateral education partners, had implications for the type of knowledge and insights that could be harnessed. That said, global level engagement provided opportunities to promote change at scale across the education sector. As for country-level insights on what ECW implementation looked like, the Head of MNS explained that Denmark leaned on a few embassies and a number of its civil society partners. Denmark also did pursue opportunities for bilateral support to education, where there was a particularly strong political commitment and where needs were significant.

Finally, the Head of MNS noted that MFA would perform a mid-term review of the ECW organisation strategy.

The Chair of the Council concluded that the Council recommended the Organisation Strategy for Education Cannot Wait 2023-2026 for approval by the Minister for Development Cooperation and Global Climate Policy, but also stressed the need to establish a hosting agreement for ECW and to clarify coordination issues between ECW and GPE.

Agenda Item No. 3: Organisation Strategy for GAVI 2023-2026
For discussion and recommendation to the Minister
DKK 100 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 Gavi, the Vaccine Alliance (Gavi) 2023-2026. It forms the basis for the Danish financial contributions and is the platform for dialogue with Gavi. It outlines Danish priorities for Gavi's performance within the framework established in Gavi's own strategy.

The Council for Development Policy recommended the Organisation Strategy for Gavi, the Vaccine Alliance 2023-2026 for approval by the Minister for Development Cooperation and Global Climate Policy. The Council expressed concerns about Gavi's vertical approach and about its co-financing requirement.

The Council commended MNS for a well-written and comprehensive Organisation Strategy. Members of the Council particularly appreciated the focus by Gavi, the Vaccine Alliance's (Gavi) on climate change both in the organisation and in their programmes.

The Council pointed to the relatively small Danish contribution to Gavi compared to other donors, such as Norway. Denmark's contribution only amounted to 0.1% of total pledges. While Gavi's mission was important, what were the reasons to support Gavi if Denmark was only going to donate such a humble amount? And what were the repercussions of this small donation on Denmark's ability to influence strategic decision making in Gavi? Considering the small contribution, it could be beneficial to focus on only one priority instead of three. Members of the Council also questioned why Denmark would donate more funds to Gavi in light of the current debate about whether the COVID-19 Vaccines Global Access (COVAX) had received too much funding. As such, information on Gavi's financial needs was requested.

Members of the Council highlighted the importance of synergies with other Danish support for the health sector and asked for an elaboration of the collaboration with other Danish supported organisations. In many countries, other health risks were more urgent, so a holistic approach to supporting the health sector was vital. Members of the Council emphasised the need for Gavi to define its role in the international vaccine set-up and to contribute to the framework for the vaccine market in the global south. They further enquired if Gavi was involved in the discussions in WHO regarding a Pandemic Treaty.

Members of the Council expressed concerns about Gavi's vertical approach, not only in terms of the general health sector but also with regard to gender equality. To ensure that women would accept offers of vaccination for themselves and their children, a series of conditions had to be in place, including safe roads to the vaccination point. But how were such conditions ensured when Gavi applied a vertical approach? Members of the Council further wondered if overall trust in vaccinations had improved.

Concerns were also raised regarding Gavi's policy of requiring co-financing. While acknowledging that the co-financing model was an attempt to ensure sustainability of the vaccine programmes, the model had not always proven effective. Perhaps the requirement of co-financing should be removed for the poorest countries. Members of the Council also questioned if there were issues of transparency in the vaccination industry.

Regarding the countries where Gavi was phasing out operations, Members of the Council wondered if this happened due to a rise of socio-economic conditions or perhaps because well-functioning vaccination programmes had been established. They further enquired as to whether and how Gavi was keeping track of the vaccination rate in countries where operations had been discontinued.

Members of the Council also suggested that the application procedure would benefit from becoming more agile, especially with regard to refugee populations. An increased focus on fragile contexts would also be relevant, and an elaboration of how Gavi worked with countries affected by conflict and crises was requested.

Finally, Members of the Council enquired about the decision making structure in Gavi, and specifically whether decisions were still predominantly taken in the Global North.

The Acting Head of the Department for Migration, Stabilisation and Fragility (MNS) thanked the Council for good reflections, comments and questions. She underlined the importance of focusing on climate change, not least because climate change could trigger the development of new diseases. Denmark would closely follow the focus on climate change in Gavi's next strategy.

Experiences from the Covid-19 pandemic had illustrated just how important it was for Denmark to be represented in global health policy discussions and decisions. The Danish contribution to Gavi gave Denmark a seat in a large and influential health policy organisation. Regarding the resource mobilisation for COVAX, Gavi had tried to ensure that they had sufficient resources to respond to the Covid-19 pandemic, also considering the changes in vaccine recommendations during the pandemic. Gavi was working to integrate COVAX into Gavi's general work and organisation.

The Head of MNS acknowledged the Council's concerns about Denmark's small contribution to Gavi and highlighted that this was why Denmark had re-joined the Nordic+ Constituency. This membership gave Denmark the opportunity to be represented in board meetings and other decision-making bodies, thereby increasing Denmark's influence on Gavi's work and ensuring that Danish priorities were heard. The Nordic+ Constituency was consensus driven and together the members gave substantial contributions to Gavi.

The Head of MNS further acknowledged the concerns about Gavi's vertical approach and highlighted that strengthening the overall health system was gaining importance in Gavi's programmes. She also highlighted the collaboration between Gavi, WHO, UNICEF, and the World Bank, as well as Denmark's support to several organisations which had developed new vaccines for some of the diseases that primarily affected developing countries.

The Head of Section used the example of the Memorandum of Understanding (MoU) between the African Union Commission (AUC) and Gavi to highlight Gavi's commitment to support the vaccine development in the African Union. The MoU aimed to increase access and accelerated uptake of life-saving vaccines across member states of the African Union. Furthermore, Gavi was working on establishing the African Vaccine Manufacturing Accelerator (AVMA), an instrument to provide time-limited financial support to accelerate the expansion of commercially viable vaccine manufacturing in Africa.

Regarding the co-financing mechanism, the Head of Section underlined that the national contribution did not need to be substantial, it could even be as little as 1 cent. Nonetheless, it was required to ensure that the vaccination programmes were reflected in the partner countries' national budgets.

The Head of MNS elaborated on Gavi's 'Fragility, emergencies and displaced populations policy' which enabled Gavi to prioritise countries that were affected by chronic fragility, acute emergencies and had a large number of displaced persons. The policy enabled differentiated support and engagement models for countries to ensure that immunisation programs were sustained and that all children were reached. Regarding country selection, the Head of MNS emphasised that it was the country itself that had to apply to become part of the programme, and Denmark could therefore not decide which countries were to be supported.

The Chair of the Council concluded that the Council recommended the Organisation Strategy for Gavi, the Vaccine Alliance 2023-2026 for approval by the Minister for Development Cooperation and Global Climate Policy. She also stressed the Council's concerns about Gavi's vertical approach and its co-financing requirement.

<u>Agenda Item No. 4: EU Anti-Corruption Initiative in Ukraine, Phase III (2023-2027)</u>
For discussion and recommendation to the Minister
DKK 59.7 million
Department for European Neighbourhood, EUN

Summary:
The EU Anti-Corruption Initiative (EUACI) in Ukraine 2024-2027 aims to achieve progress in preventing and countering corruption, ensuring coherent and systemic anti-corruption activities of all state and local government bodies, as well as promoting a proper process for Ukraine's post-war recovery. The strategic objectives are focused on: 1) reduction of corruption, 2) advancement of anti-corruption reform, and 3) implementation of reconstruction with a framework that incorporates transparency, accountability, and integrity.

The Council for Development Policy recommended the EU Anti-Corruption Initiative in Ukraine, 2024-2027 for approval by the Minister for Development Cooperation and Global Climate Policy.

The Council commended the Department for European Neighbourhood (EUN) for a well-written and relevant programme. The country focus, both at local and national levels, gave a broad and deep thematic focus on corruption. The focus was, however, more on an anti-corruption flow and less on the systemic issues and the culturally ingrained elements of corruption which demanded a longer transition, including the layer of corruption in the political top. It was found important to analyse interests and incentives at various levels (e.g. the court system, oligarchs, petty corruption etc.) as a basis for addressing corruption at each of the levels, including "de-oligarchisation".

Members of the Council underlined the importance of the use of anti-corruption instruments in the reconstruction process, not least in terms of planning and procurement. The importance of promoting long-term plans for capacity building of key partners, motivated by the prospect of EU integration, was also highlighted, given the limitations in terms of resources which such a programme naturally has.

Noting that the engagement was a very hands-on approach from the Danish side, which was not only very expensive but also less sustainable, Members of the Council asked how long MFA would continue the approach. Members also asked about synergies with the Danish Eastern Neighbourhood Programme and asked why the EU Anti-Corruption Initiative (EUACI) was not part of the global programme on national resource mobilisation and anti-corruption (discussed under agenda item 7).

Members of the Council underlined that there were many good partners in Ukraine, including in the private sector which should be part of the anti-corruption engagement. It was pointed out that small-and medium enterprises (SMEs) were facing challenges of corruption in their daily work, and the Federation of Employers in Ukraine was mentioned as an example of an organisation which would be highly motivated to contribute as agents of change in this area. Members highlighted a need for a private sector programme and a focus on compliance.

Finally, Members of the Council inquired about the visibility of the EUACI programme, not least at the local level.

On the systemic approach, the Deputy Head of EUN agreed that there was currently a price to pay on sustainability as EUACI had taken over some operational processes from relevant institutions in order not to lose momentum during this very difficult time. The Head of EUACI also agreed that "de-oligarchisation" needed to be addressed in several sectors, but that this currently was beyond the scope and capacity of EUACI.

The Deputy Head of EUN further underlined synergies with other Danish engagements in Ukraine. As a new intervention area of the programme, reconstruction was a key thematic area. In this regard, EUACI was directly connected to the Danish engagement on reconstruction. Also, synergies with other Danish programmes focusing on decentralisation, media, and other engagements under the Danish Eastern Neighbourhood Programme were highlighted. The Chief Advisor, EUN further noted that a particular focus on sustainable capacity building, both of government institutions and main civil society actors, was included in this third phase of the programme, but that it was necessary to be realistic in terms of how far this single programme could move that agenda.

The Head of EUACI agreed that there were interests and opportunities to pursue with the private sector which to some extent were also included in the programme. There was, however, also a need to focus interventions of the programme. A large scale inclusion of the private sector would require new partnerships and a bigger programme which would probably be more suitable to consider for the reconstruction engagements.

The Deputy Head of EUN clarified that the programme technically was an EU initiative implemented by Denmark. To merge this with the global programme on national revenue mobilisation and anti-corruption was therefore not an option. The Head of EUACI noted that the programme was working on visibility at the local level, although the majority of activities were being implemented at national level.

The Deputy Head of the Danish Embassy in Kyiv stressed the Ukrainian gratitude for the Danish implementation of EUACI. It was highlighted that EUACI was playing a significant role in the anti-corruption reform and was known and used at the highest level of government and in the City of Mykolaiv.

The Chair of the Council concluded that <u>the Council recommended the EU Anti-Corruption Initiative in Ukraine, Phase III (2023-2027) for approval</u> by the Minister for Development Cooperation and Global Climate Policy.

<u>Agenda Item No. 5: Support to the NDC Partnership 2023-2030</u>
For discussion and recommendation to the Minister
DKK 70 million
The Department for Green Diplomacy and Climate, GDK

Summary:
Nationally Determined Contributions (NDCs) are national climate plans to reduce national emissions and adapt to the impacts of climate change in accordance with commitments in the Paris Agreement. The NDC Partnership was launched in 2016 at COP22 in Marrakesh to facilitate collaboration between developed and developing country governments, international institutions, and non-state actors to provide timely support for accelerated climate

action and to increase the level of ambition in the Action Plans on NDCs. The Partnership brings together more than 200 members, including more than 120 developing and developed nations and more than 90 implementing partner institutions (UN organisations, multilateral development banks (MDBs) and analytical and advisory organisations, such as International Renewable Energy Agency (IRENA) and World Resources Institute (WRI)). The Partnership responds to country requests, including by funding technical assistance through the Partnership Action Fund (PAF). Denmark will take on the 2-year Co-Chairmanship from January 2024. The other Co-Chair is currently Rwanda and after 2024 it will be another developing country. Denmark has supported the NDC Partnership since its establishment, and the present proposal builds upon the results achieved and lessons learned through previous Danish support.

The Council for Development Policy recommended the support to the NDC Partnership 2023-2030 for approval by the Minister for Development Cooperation and Global Climate Policy. The Council would like to see the results of the MFA stocktaking of the NDC Partnership planned to take place in 2025.

The Council found that the support to Nationally Determined Contributions (NDC) Partnership was relevant and timely. It was important to support climate action at national level, and the political dimension of the new grant was obvious in light of the Danish role in the Global Stocktaking on Paris Agreement commitments to take place at COP28 in late November. Considering its importance, Members of the Council wondered why only DKK 70 million over seven years should be granted to the Partnership.

Referring to the independent evaluation of NDCs, Members of the Council mentioned that the quality of NDCs appeared to differ a lot. It was noted that some NDCs seemed to be formulated to obtain a better position in the COP negotiations and less on fact-based analysis of what was needed. Members of the Council enquired about the selection process when the Partnership was responding to requests for support from countries. Questions were asked about the recipient government's interest and incentives to participate and about how the Partnership could help improve a whole-of-government approach and consultations with stakeholders. A whole-of-society approach would be crucial for implementation of NDCs in most countries. Furthermore, it was pointed out that the Partnership should reflect the fact that in developing countries, NDCs were constructed with unconditional climate targets (unconditional of external assistance) and conditional targets (depending on external support).

Members of the Council asked if NDCs were primarily focused on mitigation or adaptation. It was suggested that the Loss and Damage agenda should be integrated into the work of the NDC Partnership.

The Council requested further explanation and justification of the rather complex institutional set-up of the NDC-Partnership, which could imply heavy bureaucratic structures and high overhead cost. It was raised as a concern that emphasis might be too much at headquarters level and less at country level.

Finally, it was requested that the Council should be informed about the planned Danish stocktaking exercise in preparation of the NDCP work plan 2026-2030.

The Deputy Head of the Department for Green Diplomacy and Climate (GDK) thanked the Council for the positive response and underscored the importance of the NDC Partnership as the key mechanism for supporting developing countries increasing their ambitions and implementing their NDCs – not least in light of the upcoming Global Stocktaking. The Mid-Term Review had been delayed but preliminary findings indicated that the work of the NDC Partnership was highly relevant and aligned with the Paris Agreement, but mostly for small countries and less for middle-income countries. Preliminary findings also stressed the neutral and unifying role of the Partnership.

The challenge of having a high number of partners in the Partnership was acknowledged. More were likely to join – and the number of requests were increasing as most NDCs needed financing for implementation. Denmark was supporting the Partnership directly and also through the contribution to some of the other institutional partners such as the International Renewable Energy Agency (IRENA), where an earmarked contribution (presented to the Council in May 2023) catered for IRENA assistance to all energy sector requests of the Partnership.

Concerning the balance between mitigation and adaptation activities in NDCs, The Deputy Head informed that approximately 30 per cent were mitigation, 25 per cent adaptation, and the remaining 45 per cent were a mix with emphasis on adaptation, reflecting that more than half of the countries were low-income countries and Small Island Developing States (SIDS).

The Chief Advisor, GDK, stressed that the Partnership was not primarily a funding mechanism but offered technical advice with a view to improve the quality of NDCs.

She explained that it was a challenge to inspire governments and civil society to engage in the process of formulating NDCs and planning for implementation. To address the issue, the Partnership would further increase the support at country level, including by deployment of embedded advisors in ministries, including in the Ministry of Finance. The Partnership had two focal points in each country, one from Ministry of Environment/Climate and one from Ministry of Finance or equivalent. Furthermore, the Partnership country facilitators assisted with the country partnership planning processes.

The institutional set-up was complex, but this also had its advantages. The World Research Institute (WRI), United Nations Framework Convention on Climate Change (UNFCCC) and United Nations Office for Project Services (UNOPS) each had their strengths and represented different affiliations.

The Chief Advisor stressed that Loss & Damages had been on the NDC Partnership agenda since the last COP.

Finally, she agreed that the Council could be informed about the results of the planned Danish stocktake in 2025.

The Deputy Head of International Office, Ministry of Climate, Energy and Utilities, mentioned that one of the Danish priorities during the coming co-chairmanship was to explore how the Partnership, when selecting NDCs for support, could start prioritising interventions with most impact.

The Chair of the Council concluded that the Council recommended the support for the NDC Partnership (2023-2030) for approval by the Minister for Development Cooperation and Global Climate Policy. The Council would like to see the results of the Ministry of Foreign Affairs (MFA) stocktaking of the NDC Partnership planned to take place in 2025.

Agenda Item No. 6: Blended Finance for Energy Transition (BFET)
For discussion and recommendation to the Minister
DKK 100 million
The Department for Green Diplomacy and Climate, GDK

Summary:
Blended Finance for Energy Transition (BFET) is an initiative involving the Danish Ministry of Foreign Affairs, the Investment Fund for Developing Countries (IFU), USAID, and the US Special Presidential Envoy for Climate (SPEC). It aims to leverage catalytic donor capital for mobilisation of USD 1 billion of private capital to energy transition in high-emitting emerging markets with a primary focus on Just Energy Transition Partnership (JETP) countries, i.e. India, Indonesia and Vietnam. The catalytic donor capital will reduce the risk for private investors and will be deployed by fund managers who will integrate it into fund structures and mobilise private capital for climate mitigation investments. A competitive process is underway and due diligence with two winning fund managers is currently being conducted by the US Climate Finance for Development Accelerator (CFDA) in cooperation with IFU.

Recognising the urgency of the grant, the Council for Development Policy recommended the Blended Finance for Energy Transition (BFET) for approval by the Minister for Development Cooperation and Global Climate Policy with some conditions. The Council had substantial reservations concerning the grant and stressed that it viewed BFET as a pilot on MFA engagements in blended finance transactions, which the Council wanted to be updated about sometime in the future. The Council's approval was on the condition that in its coming meeting on 23 November, there should be an orientation about the status of the BFET preparation process and content. This should include an updated results framework with indicators on job creation, an explanation about the role of ILO in the arrangement, IFU's financial model for participating in BFET as well as the financial and impact additionality of the MFA contribution. When the inception review had been undertaken, the Council would like to have a presentation of main findings and recommendations

The Council pointed out that Blended Finance for Energy Transition (BFET) had a commendable purpose from climate reasons, but assessed on development policy criteria, the Council had a number of concerns. The BFET was focussing primarily on Asian countries and less on Africa, although Africa was the main continental priority in the development policy strategy. Furthermore, the programme document explicitly mentioned that it did not have a poverty reduction objective. Reference was made to the Programme Committee which had raised these and other issues as concerns but it was found that the recommendations by the Committee were not sufficiently reflected in the programme document.

Concerning the impact of BFET, Members of the Council found it difficult to assess the potential since there was no indication in the programme document about the kind of projects to be supported. At this stage, where the two fund managers had not yet been selected, the content of the support appeared completely open. Members of the Council strongly recommended that future documents concerning blended finance should explain in more details what type of activities the grant was expected to support and should also further elaborate on modalities, including requirements to fund managers.

Members of the Council noted the ambition of BFET to create quality jobs, including jobs for women but found that the link between green investments and job creation should be better explained. Since the results framework was not yet finalised, the operationalisation of job creation indicators was not clear from the document and it was requested that this should be clarified. Members of the Council also wanted more explanation about the role of the International Labour Organisation (ILO) in the arrangement and asked how the ILO's decent job indicators would be included in the two funds' impact reporting. It was suggested that job training should be a key indicator, and it was stressed that gender considerations should go beyond job creation for women.

Furthermore, Members of the Council asked if partner countries' own priorities would be considered or if overall American and Danish climate diplomacy interests would be decisive. Related to this, it was asked how partner countries' long-term plans for addressing climate change would be considered in the support.

The leverage factor of the Danish contribution in relation to private capital mobilisation was questioned. The document stated a preliminary expected leverage factor for mobilisation of private capital of 4-6 across the two funds. Members of the Council found this to be an unusually high leverage ratio, considering that Development Financial Institutions (DFIs) often mobilised only 1:1. If the leverage factor indeed turned out to be very high, the financial additionally was considered questionable, since this would suggest a very conducive investment climate in the countries in question.

Regarding the financial model of the Investment Fund for Developing Countries (IFU), Members of the Council found it unclear what IFU's incentive to engage could be, given the short timeframe and limited opportunity to shape the process and content of BFET. Furthermore, it was noted that the arrangement where IFU did not receive a management fee, but instead received the invested capital back as well as any other returns resulted in an unhealthy incentive structure where IFU had an incentive to limit risk and maximise capital returns rather than maximise climate and development impact. Concern was raised about whether IFU had sufficient human resources to undertake the expected role, and Members of the Council wanted more information about the role of IFU in the overall governance structure of the arrangement. While it was understood that Denmark played a limited role in overall decision making, it was found that a 'first loss' cover contribution from Denmark would warrant more influence. Members of the Council asked whether the speed of the process required IFU to lower its due diligence standards to participate in BFET, hence if due diligence was mainly undertaken by US Climate Finance for Development Accelerator (CFDA). Adding to this, Members of the Council asked for more information about the choice of IFU as manager of the Danish investment in BFET, including considerations about whether other financial capable institutions could have been chosen. It was asked whether the organisational set-up of the financing mechanism was not too complex and whether it was possible to avoid redundance and duplication.

Finally, Members of the Council noted that this kind of project contradicted the EU position in the ongoing UN climate talks, where EU stressed that loss and damage financing should be prioritised for the most vulnerable countries, and that Danish climate finance directed to emerging economies thus undermines the EU position.

Responding to the comments from the Council, the Chief Advisor, Department for Green Diplomacy and Climate (GDK) explained that the strategic backdrop for the Danish participation in BFET was the political priority to support Just Energy Transition Partnerships (JETP's) in Vietnam, Indonesia, South Africa and the strong Danish commitment and collaboration with India on the green agenda. The development policy priority of fragile countries primarily in Africa and the green policy priority of adaptation did not imply that all Danish development cooperation should have these priorities. Supporting mitigation was also a strong political and strategic focus, and the largest reductions were obtained by focusing on high-emitting countries and mobilisations of as much private capital to climate finance as possible. BFET was a pilot blended finance transaction which would demonstrate that this could be done at speed and scale. It was the intension to prioritise African countries in future similar transactions. Although mobilising private capital for higher risk/frontier countries would be more difficult, it was considered important to seek to catalyse development funds through blended finance also in these countries.

The Chief Advisor, GDK, recognised that the results framework was at a preliminary stage as it was based on the information available in the tendering documentation with a focus on green energy transition, quality job creation, and gender equality. As the due diligence process for BFET was ongoing under a non-disclosure agreement with the tentative winning fund managers, the proposals could not be shared in their full content to inform the results framework. It was, however, agreed with CFDA and IFU that it would be possible to share an anonymised framework of indicators with the Council in its meeting on 23 November. This would give a better picture of the impact additionality of BFET and of the priorities of MFA and IFU.

Concerning the leverage factor, IFU had confirmed the initial calculations of a leverage factor of 4-6 for mobilising private capital across the two funds. This was based on the OECD-DAC calculation method of mobilised private capital towards development and pointed to a level of mobilised Danish climate finance of DKK 400-600 million in addition to the approximately DKK 7 billion of annual climate finance. The Chief Advisor, GDK, offered to provide an illustration as part of the information to the Council in its meeting on 23 November. This would show the 'capital stack' depicting the combination of private and public capital.

The Chief Advisor, GDK, went on to explain that the financial model for IFU was based on a capital preservation contribution meaning that IFU did not receive an administrative fee for developing and managing BFET. IFU did also not request that the financial model in BFET should lead to a financial return on the investment, but IFU would, if all went well, get a return of the DKK 100 million after the investment period. The amount would then go into IFU's core capital.

Concerning due diligence procedures, IFU was following normal due diligence processes and did not cut corners. The process was faster than usual because it could build on the due diligence already undertaken by CFDA. The interest of getting a return of the DKK 100 million was a clear incentive for IFU to conduct thorough due diligence and participate in the governance diligently to ensure the viability of the investments conducted by the winning asset managers. The Deputy Head of GDK added that the Board of IFU would have to approve the investment according to normal procedures.

Responding to the concern about IFU's capacity to manage BFET, the Chief Advisor, GDK, highlighted IFU's vast experience in impact fund management from more than 40 active fund investments. Because BFET's initial stages were moving at a high pace, IFU was considered the only viable option as a partner in BFET. Denmark had entered the process at a late stage, but the fast decision by IFU to participate made it possible for IFU to influence the second round of the tendering process and to insist that the impact focus should also include quality job creation. It also allowed IFU to provide governance advice to CFDA on impact fund management and through these negotiations, the arrangement had been improved.

Recognising the urgency of the grant, the Chair of the Council concluded that <u>the Council recommended the Blended Finance for Energy Transition (BFET) for approval</u> by the Minister for Development Cooperation and Global Climate Policy, with some conditions. The Council had substantial reservations concerning the grant and stressed that it viewed BFET as a pilot on MFA engagements in blended finance transactions, which the Council wanted to be updated about at one of the upcoming meetings of the Council. The Council's approval was on the condition that in its coming meeting on 23 November, there should be an orientation about the status of the BFET preparation process and content. This should include an updated results framework with indicators on poverty, job creation, an explanation about the role of ILO in the arrangement, IFU's financial model for participating in BFET as well as the financial and impact additionality of the MFA contribution. When the inception review had been undertaken, the Council would like to have a presentation of main findings and recommendations.

<u>Agenda Item No. 7: Resource Mobilisation for Development: Programme for Anti-Corruption and Domestic Resource Mobilisation (2023 – 2026)</u>
For discussion and recommendation to the Minister
DKK 369 million
Department for Multilateral Cooperation, MUS

Summary:
The Resource Mobilisation for Development programme encompasses Danish support for international anti-corruption efforts and domestic resource mobilisation (DRM) for the period 2023-2026. The programme delivers on Denmark's commitment on support to DRM in line with the Addis Tax Initiative (ATI) Declaration 2025. The programme is a first of its kind combining the two thematic areas financed through allocations for the period 2023-2026 of DKK 269 million for DRM and DKK 100 million for international anticorruption efforts. With its eight primary partners, the programme seeks to increase domestic resources in developing countries for investments in sustainable development. The programme has two interlinked programme level outcomes: 1. To reduce resources lost to corruption, tax evasion and avoidance, and illicit financial outflows, and 2. To increase domestically-raised resources for development through capacity building, policy development, and strengthening of the social contract.

The Council for Development Policy recommended the Resource Mobilisation for Development programme for approval by the Minister for Development Cooperation and Global Climate Policy.

Members of the Council commended the efforts of exploring synergies between the two thematic areas of anti-corruption and domestic resource mobilisation (DRM) by merging support for the two areas into one programme. The holistic approach covering both norm setting and work on the ground on global, regional, and national levels appeared both ambitious and complex.

Members noted that it would require significant efforts by the Ministry of Foreign Affairs (MFA) to ensure that the programme developed into more than just a pool of projects. It was noted as a benefit, however, that the programme management was anchored within the ministry.

Members of the Council expressed the wish that MFA would do much more both to support domestically-mobilised resources and anti-corruption efforts in partner countries.

Members of the Council found that the anti-corruption perception reflected in the programme document was mainly focused on the potential for increasing domestic revenues as a product of reduced corruption. Other equally relevant aspects of anti-corruption such as access to justice were to a lesser extent covered by the programme narrative which raised the question as to whether anti-corruption had a place in this programmes title at all. Furthermore, there were other crucial aspects such as lack of capacity not to mention issues like democracy, human rights, and poverty.

The programme document included considerations on how the programme contributed to Danish cross-cutting priorities, but Members of the Council noted that these were not reflected in the programme indicators. It was mentioned that increased taxation in low-income countries bore the risk of having regressive effects and could risk pushing businesses into the informal sector. As the support was mainly provided as core funding, Members of the Council asked how strategic direction would be given to the partners in order to ensure that the programme contributed to promoting Danish policy priorities such as poverty reduction.

Members of the Council noted that the number of partners was high, and asked what the rationale had been for bringing in new partners, whether the ambition was to bring partners together, and if any partners had been deselected during programming. The number of partners could further increase with the activation of the unallocated funds. As for the unallocated funds, Members of the Council found it useful that preliminary thoughts on allocation were included in the programme document.

Members of the Council asked how experience from bilateral engagements on anti-corruption and DRM had been taken into account. The programme was dealing with sensitive issues, where an understanding of the technical character of the problems addressed by the programme had to be supplemented by a broader contextual understanding of e.g. cultural aspects. Members of the Council further asked if there was a role to play for Danish embassies in pushing for national political will in areas related to the programme as well as promoting donor coordination in an area in risk of donor crowding.

Members of the Council stressed the need to ensure proper coordination, especially in the DRM field as it was the impression that there were numerous actors engaging in supporting DRM, sometimes leading to instances of lack of coordination not only between development partners but also among various national authorities.

The inclusion of support to accountability stakeholders was commended by Members of the Council. They further noted the importance of engaging with the private sector and pointed to the Global Compact Network as a potential interlocutor.

The Head of Department for Multilateral Cooperation (MUS) acknowledged that it was an ambitious endeavour to merge the thematic areas of anti-corruption and DRM into one programme. The rationale had been to pursue a more strategic approach to the support for the two areas, to ensure an overview of the partners supported, and to reflect the fact that a number of partners were involved in both these areas. Presenting the programme within a consolidated frame, significantly enhanced the potential for identifying synergies and complementarities. The potential for synergies – which should not be overestimated - would require a consolidated effort by programme management at the level of the Ministry through regular engagement with partners and through a planned mid-term learning/strategy event. The process of formulating a joint programme had already strengthened the cross-cutting policy analysis in the ministry which had concretely materialised in Denmark contributing to EU council conclusions on anticorruption with language on illicit financial flows, anti-money laundering, tax evasion, asset recovery and beneficial ownership transparency.

The Chief Advisor of MUS agreed that the programme document tended to focus on the potential contributions of anti-corruption to increasing the availability of domestic resources. The anticorruption efforts supported by the programme were, however, much broader and included normative, institutional, democratic and accountability aspects of anti-corruption as well as implications for private sector development.

The Chief Advisor of MUS further acknowledged that increased taxation in low-income countries would not per se contribute to Danish cross-cutting priorities such as poverty reduction and equality. The programme included technical assistance to strengthen tax administrations in order to contribute to DRM, including with a view to developing fair and just tax systems, but the level of progressivity in the tax systems was ultimately a national political question. The programme would therefore support progressive tax systems by supplementary support to accountability stakeholders that could monitor revenue collection and spending and advocate for progressivity. Further, the support to the largest partner of the programme, World Bank's Global Tax Program, was supplemented by Danish efforts in the World Bank Board to ensure that the Bank's strong analytical work on tax progressivity was reflected in the DRM work across World Bank lending. As the support to all but one partner was provided as core support, relevant Danish priorities would continue to be promoted vis-à-vis each partner.

The Head of MUS noted that the relatively high number of partners reflected the complexity of the thematic areas covered by the programme. The Chief Advisor, MUS explained how partner selection had been informed not just by evaluations, reviews, and previous experience with the partners, but also with input from Danish civil society actors and from other development partners, including Norway.

The Head of MUS further explained that experience from previous bilateral cooperation had influenced the design of the programme. Lessons from previous Danish bilateral engagements had been mixed but confirmed that successful activities required solid analytical capacity and a degree of political impact. Multilateral partners had better potential for supporting not just strengthened capacity of tax administrations but also the development of norms, standards and best practices. Furthermore, multi-donor engagements would address risks of donor crowding, and provide platforms for strengthened donor coordination. Information on national engagements through the multilateral partners would continue to be shared with Danish embassies as would opportunities for benefitting from U4 anti-corruption resources, and Danish embassies would be asked for inputs to monitor results.

The Chair of the Council concluded that the Council recommended the Resource Mobilisation for Development: Programme for Anti-Corruption and Domestic Resource Mobilisation (2023 – 2026) for approval by the Minister for Development Cooperation and Global Climate Policy.

Agenda Item No. 8: Any Other Business

Members of the Council brought up an issue experienced at a recent international meeting, where staff of UN organisations admitted that they were not prioritising sustainability in procurement processes. It was understood that lack of pressure from donors was an important reason for disregarding sustainability, and it was mentioned that in some cases, there even seemed to be an actual push away from sustainability as a priority in procurement. Informally, staff of some of the UN organisations had called for donors to start putting pressure on their organisations to consider issues of climate change, sustainability, and human rights in procurement processes. A commitment would be tabled at the COP28 in late November for sustainable procurement, both highlighting the criteria of climate and Corporate Social Responsibility (CSR).

Finally, the Council wanted to discuss quality assurance processes in MFA. This discussion was tabled for the coming meeting in the Council for Development Policy on 23 November 2023.