**Minutes from meeting in the Council for Development Policy 1 July 2020**

Present:

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| Members: | Professor Anne Mette Kjær, University of Aarhus (Chair)<br>International Director Jarl Krausing, CONCITO (Vice Chair)<br>General Secretary Birgitte Qvist-Sørensen, DanChurchAid<br>General Secretary Rasmus Stuhr Jakobsen, CARE Denmark<br>Senior Researcher Lars Engberg-Pedersen, Danish Institute for International Studies<br>Head of International Department Jens Kvorning, SMEdenmark<br>Vice president Bente Sorgenfrey, Danish Trade Union Confederation<br>Private Adviser Morten Lisborg, Migration Management Advice<br>Head of Department Kenneth Lindhardt Madsen, The Danish Agriculture & Food Council<br>Director for Global Development and Sustainability Marie Gad, Confederation of Danish Industries |
| MFA: | Under-Secretary for Development Policy Stephan Schönemann<br>Head of Department Nanna Hvidt, Department for Evaluation, Learning and Quality<br>Head of Department Lotte Machon, Department for Africa, Policy and Development<br>Deputy Head of Department Søren Davidsen, Department for Evaluation, Learning and Quality<br>Adviser Mette Brink Madsen, Department for Evaluation, Learning and Quality |
| Agenda item 2: | Head of Department Henriette Ellermann-Kingombe, Chief Adviser Anne Brolev Marcussen and Head of Section Rose Marie Arvid Larsen, Department for Multilateral Cooperation, MUS |
| Agenda item 3: | Head of Department Mette Thygesen, Chief Adviser Kit Clausen and Chief Adviser Thomas Thomsen, Department for Humanitarian Action, Civil Society and Engagement, HCE |
| Agenda item 4: | Head of Department Signe Skovbakke Winding Albjerg and Head of Section Lone Bøge Jensen, Department for Sustainable Investments, Jobs and Equal Opportunities, GJL<br>Ambassador Mette Knudsen, Embassy Nairobi<br>Vice President Morten Elkjær, Investment Director Tina Kollerup Hansen and Investment Director Annelise Boysen, Investment Fund for Developing Countries, IFU |
| Agenda item 5: | Ambassador Tomas Anker Christensen |

**Agenda item no. 1. Announcements**

Following up on the previous Council meeting, the Chair referred to the discussion of the support to C40. Due to the fact that the Council had raised its concerns regarding C40's implementation capacity, the Chair called for a possibility for the Council to revisit the programme in the middle of the implementation period.

The Under-Secretary for Development Policy briefly informed the Council about the Covid-19 response and increased collaboration among the Nordic ministers and within the EU, where emphasis was put on 'building back better and greener'. The Under-Secretary referred to the Minister for Development Cooperation's recent meeting with the Chair of OECD-DAC, who had underlined the importance of gathering knowledge and experiences across different Covid-19 related initiatives. This was not least important in a future scenario with decreasing levels of ODA due to decreasing GNI.

**Agenda item no. 2. Organisation Strategy for the African Development Bank Group 2020-2024**

*For discussion and recommendation to the Minister*
(Department for Multilateral Cooperation, MUS)

*Summary:*
*The Organisation Strategy for the African Development Bank forms the basis for the Danish contributions to the African Development Bank (AfDB) Group from 2020-2024 with a total amount of DKK 1,230 million. The main priorities for Danish support to the AfDB Group are: 1) inclusive growth and job creation for youth, 2) climate change and green growth, 3) fragility, and 4) gender equality, with the cross-cutting issue of countering the development impact of Covid-19 in Africa.*

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| The Council for Development Policy recommended the Organisation Strategy for the African Development Bank for approval by the Minister for Development Cooperation. |

The Council for Development Policy agreed that the African Development Bank (AfDB) is a unique and central development actor in Africa. The Council underlined the importance of continued Danish support to the Bank. In particular, the Council supported the Danish priority of inclusive growth and jobs for youth as an area in which the Bank had a comparative advantage. However, the Council observed that the Strategy did not appear particularly foresighted as regards current climate and Covid-19 challenges. The Council discussed whether the Strategy's focus on growth appropriately reflected the current situation in Africa. With the negative effect of Covid-19 and the simultaneous locust crisis, governments could be less concerned with economic growth and more concerned with providing health services, social protection and food security. As regards the latter, the importance of the agricultural sector for jobs in Africa was highlighted, with suggestions to include agriculture and food security as Danish priorities due to importance in advancing climate adaptation capabilities for the rural poor and in addressing push-factors for migration.

The Council expressed concern about the Bank's institutional shortcomings, especially relating to anti-corruption measures. The Council highlighted the importance of addressing these shortcomings, asking for information on the corruption allegations against the president of the African Development Bank. Further, the Council noted the need for AfDB to follow SDG principles in terms of life cycle costs and making sure due process was followed along the entire value chain.

The Council expressed concern about China's role as a big investor and implementer of infrastructure projects in the Bank, despite its limited shareholding. The Council noted that the AfDB could potentially play a role in ensuring that Chinese infrastructure projects live up to necessary safeguards and workers' rights.

Members of the Council underlined the potential for increasing business opportunities for Danish companies in relation to AfDB projects and discussed how the Ministry of Foreign Affairs could promote these opportunities. The Council encouraged increased cooperation between the Bank and the Investment Fund for Developing Countries (IFU) as well as the Export Credit Fund, and with other relevant MDBs (e.g. through, for instance, the Climate Investment Funds) in order to leverage and scale financing for climate and other SDGs. The Council recommended working for closer involvement of civil society in relevant aspects of the Bank's work, not merely as a dialogue partner. The Council also stated that the Bank was not necessarily the best actor to promote gender equality in Africa. Instead, there should be more focus on the institutional role of the Bank in its cooperation with governments. Finally, the Council asked for further clarification on the decision to finance a secondment in the energy sector vis-à-vis other areas in the Bank.

The Department for Multilateral Cooperation (MUS) responded that the AfDB had come a long way in its institutional development. However, the Bank still had institutional shortcomings, as exemplified by the handling of current allegations against President Adesina. Together with other likeminded countries, Denmark had successfully pushed for an independent investigation of the allegations, which was now being carried out. Furthermore, the case had resulted in a decision to evaluate and review the Bank's procedures for addressing such allegations.

MUS noted the Council's concerns about China, commenting that Denmark and the Nordic countries were working to improve the Bank's procurement rules and strengthen safeguards. Furthermore, MUS expressed openness to increasing the engagement with Danish companies regarding business opportunities in the AfDB. MUS appreciated the Council's comments regarding civil society, and agreed to work for more substantive engagement going forward.

MUS explained that the secondment in the energy sector of the AfDB was chosen in light of Denmark's SDG-7 leadership and due to Denmark's strong engagement with the Bank on renewable energy. MUS explained that the Bank was very engaged in the agricultural sector, where infrastructure and capacity building projects aimed at increasing the general productivity of the sector. However, the Organisation Strategy reflected the need to prioritise the sectors, in which Denmark is most actively engaged.

Finally, MUS underlined that the Bank was helping countries respond to the Covid-19 crisis by providing governments with significant support for health systems, social safety nets, and general budget support. African economies were at risk of losing hard-won development gains, not least due to the global economic crisis.

The Chair concluded that the Council could recommend the Organisation Strategy for approval by the Minister. However, the Council encouraged the Ministry to follow up on some of the issues raised and provide an update to the Council in a year's time on the impact of Covid-19 and the priorities in the Organisation Strategy.

**Agenda item no. 3. Organisation Strategy for United Nations Office for the Coordination of Humanitarian Affairs, OCHA**

*For discussion and recommendation to the Minister*

Department for Humanitarian Action, Civil Society and Engagement, HCE)

*Summary:*

*The strategic objective of support for the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) is to contribute to the achievement of Agenda 2030's commitment to 'leave no one behind' and to the achievement of relevant Sustainable Development Goals, in particular SDG 1 (no poverty), 2 (no hunger) and 17 (partnership for the goals). Danish priorities are to promote coordination and funding of the global humanitarian system that responds to the needs for early, efficient and effective action; to promote protection of people in humanitarian situations through global advocacy and facilitation of humanitarian access; and to promote strengthened organisational efficiency and effectiveness of OCHA. Denmark will furthermore focus on women and girls in humanitarian action, improved data, as well as promoting ways of working that take into account the humanitarian-development-peace nexus.*

The Council for Development Policy recommended the Organisation Strategy for the United Nations Office for the Coordination of Humanitarian Affairs for approval by the Minister for Development Cooperation.

In its introductory remarks, the Department for Humanitarian Action, Civil Society and Engagement (HCE) explained the current backdrop for the cooperation with OCHA: The rise in humanitarian conflicts (from 36 last year to 41 this year), the fact that humanitarian crises, on average, now lasted for more than 9 years, and that hunger was on the rise. On top of this, the Covid-19 crisis had been added. At the beginning of 2020, the humanitarian needs were estimated at USD 28.8 billion; by now the estimate was USD 36.6 billion.

OCHA was the crown jewel of the humanitarian system, aiming its activities at three core functions: 1) Coordination of needs analyses and humanitarian action, 2) Advocacy for the victims of conflict, for example through briefings to the Security Council on humanitarian consequences of ongoing crises, and 3) Financing, including through the Central Emergency Relief Fund, CERF, which provided funding for forgotten and underfunded crises like the ones in Chad and Cameroun; and for immediate relief in sudden-onset emergencies such as the cyclones Idai and Kenneth in Southern Africa. Financing was also provided through the Country-Based Pooled Funds, which provided support for e.g. local and international civil society organisations.

Denmark was continuously among the top-10 donors for OCHA and had recently entered into a strategic partnership-agreement on funding for OCHA amounting to almost a billion DKK. Following up on the Organisation Strategy, Denmark would push for OCHA to take action faster, earlier and in a more anticipatory way; Denmark would support OCHA's advocacy role with a focus on humanitarian access and gender-based violence; and Denmark would keep pushing for OCHA to become even more efficient.

The Council agreed that OCHA was a key partner for global humanitarian action. The importance of its advocacy role was demonstrated when for instance the head of OCHA briefed the Security Council on the situation in Syria. Some members of the Council were of the opinion that parts of the UN system were rigid and did not always reflect what was happening in the field. This included the ability to provide relevant capacity at local level. There was a need for a more responsive and adaptive approach that was lean, faster and more efficient. There was some concern whether OCHA provided enough staff resources for management of funds in a situation with increasing budgets and growing humanitarian challenges. The Council pointed to the very volatile situations that OCHA was involved in and to the need for OCHA to work on risk profiles and risk management.

The Council underlined that it was important that Denmark continued to push for the commitments of the Grand Bargain, not least with a focus on ensuring the highest possible level of localisation. The importance of OCHA accepting responsibility for the localisation agenda was emphasised. The range of partners for OCHA in-country ought to be less traditional, and could, for example, include small, local private companies. The Council emphasised that transparency was important in the choice of local partner organisations for OCHA. Furthermore, it was underlined that localisation could also be a way to ensure better early warning systems by utilising local partners' knowledge on the situation in-country.

Members of the Council stressed that humanitarian coordination had to be inclusive of organisations outside of the United Nations. The Country-Based Pooled Funds should include civil society organisations in their Advisory Boards, and the way funding was managed in-country should be harmonised – the approach differed too much from country to country, for example when it came to inclusion of direct and indirect costs in project budgets.

The Council found that, currently, most of the funds allocated through the CERF were provided to UN-agencies. Only a smaller part was provided for civil society organisations. The CERF Advisory Group could possibly be a place to push for better and earlier involvement of a broader range of partners. The recent Covid-19 related opening of the CERF to provide funding to civil society organisations was something to learn from. During the Covid-19 crisis there had been some criticism of the CERF for being too slow in getting financing to the field level.

The Council noted that, currently, it was too difficult for private companies to get access to the UN-system. Private companies were eager to help, not only by providing funding, but also by helping develop new types of solutions to humanitarian challenges, solutions that would lead to a more efficient use of funds. Water purification technologies and income-developing activities were mentioned as examples. The Council referred to the 2016 Boston Consulting Group functional review of OCHA that had pointed to lack of efficiency and lack of trust between staff and management. The Council asked about the extent to which these issues had been sufficiently addressed.

The Council expressed concern about the chronic underfinancing of humanitarian action and asked about OCHA's strategies for dealing with this, as well as how Denmark could be of support. Innovative financing models were needed - Denmark had models to offer, and it was important to get more donors on board. Finally, the Council pointed to the discrepancy between limited OCHA staff resources, having to manage more funds and the call by donors for OCHA to take on more activities, e.g. on gender issues. These contradictory demands could potentially be a challenge for the efficiency of OCHA.

HCE agreed that OCHA had an important role in the implementation of the Grand Bargain, including in relation to localisation. At the recent Grand Bargain Annual Meeting, a future, leaner model for the Grand Bargain had been discussed. The Country-Based Pooled Funds were important vehicles for localisation. Their funding for civil society organisations' humanitarian action was on the rise, for example in Syria. Accountability mechanisms were important in this context. The involvement of the private sector in OCHA's activities had great potential, but would require some work. This potential included both cooperation on finance and on innovative solutions.

HCE agreed on the importance of innovative approaches, but also highlighted that there was not always agreement on issues such as anticipatory finance and early action among donors. Denmark would continue to work with likeminded countries on this and OCHA was already working on anticipatory approaches in relation to e.g. droughts and flooding.

Regarding the 2016-review, OCHA was previously not a well-functioning organisation. At that time, there was criticism of the management of funds, and there were concerns about the conflicts between OCHA and other humanitarian organisations that did not accept OCHA's coordinating role. The present head of OCHA had worked on these issues and given high priority to the management of funds. OCHA had come far in its reorganisation efforts including through decentralisation of funds and staff, through better management and more efficient disbursement of funds. Positive changes had also been achieved when it came to the number of women in management positions.

Qatar's upcoming chairmanship of the OCHA Donor Support Group was an expression of donor diversification. Denmark would continue to support OCHA in involving more donors. The same applied to the inclusion of more civil society organisations and local partners - there had already been some progress at country level.

Summing up, the Chair concluded that the Council fully recommended the Organisation Strategy for approval by the Minister. It was emphasised that Denmark should keep focus on the organisational agility of OCHA, work on better use of early action-approaches and innovative financing, and work to promote localisation.

**Agenda item no. 4. Danida Sustainable Infrastructure Finance: Thika and Githunguri Water Supply and Sanitation Projects, Kenya**

*For discussion and recommendation to the Minister*
DKK 486.0 million
(Department for Department for Sustainable Investments, Jobs and Equal Opportunities, GJL)

*The projects will improve access to water and sanitation for populations in Thika and Githunguri towns located near Nairobi. In 2030, an estimated 250,000 people will have access to clean and affordable water and 126,000 people will be connected to piped sewage. The projects will provide public water service for the expected population growth up until 2043. The project will improve environmental sustainability and climate resilience. During construction and operation, the project will provide jobs, training and income to people living in the area. Danida Sustainable Infrastructure Finance (DSIF) finances critical large-scale public infrastructure that cannot be financed on commercial terms. As Kenya is a lover middle-income country, the project will be financed by a loan with 35 percent conditionality.*

The Council for Development Policy recommended the DSIF project for Thika and Gitunguri Water Supply and Sanitation for approval by the Minister of Development Cooperation.

The Council commended the project for being an efficient way of using aid by mobilising funds for 2/3 of total budget costs. The Council paid special attention to the introduction of apprenticeship and recommended searching for models on how to integrate this concern into future DSIF projects. The concept of 'Life Cycle Cost' was appreciated for being an efficient way to ensure that the project was sound and cost-efficient over time. The concept was relatively new, and other development partners were also trying to introduce the concept. The Council wanted to know if IFU was sharing knowledge and experience on how to apply the concept e.g. with the African Development Bank.

At a more project specific level, the Council asked about the institutions involved – in particular AWWDA and its cooperation with the water companies in Thika and Githunguri. The Council called for information on whether there were unsolved environmental and social problems in the project, and called for a calculation of carbon footprint of the project as part of IFU's broader climate efforts. The Council noted that the issue of land ownership in Kenya was conflict-ridden, however, the issue appeared to be well handled in the preparation process. The Council called for clarification on the status of the indicators in the result frame, which, compared to the previous DSIF project in Uganda, were much more elaborated. The Council called for further clarification on the package of technical assistance regarding the seemingly overlap of tasks between the 'DSIF Monitoring and Verification Consultant' and the 'DSIF Process Consultant for Monitoring of Results'.

Due to the considerable amount from the development budget to each DSIF project, the Council called for further information on the DSIF project pipeline and the frequency of presentations of DSIF projects to the Council. Subsequently, the Council asked whether debt settlement of existing DSIF loans was problematical.

The Council asked if it was possible to strengthen the collective Danish engagement in the water sector in Kenya through a strategic sector cooperation, including a sector advisor at the embassy. The Council called for further information on the possible Danish bidders on the project. Finally, the Council was interested in knowing whether DSIF was reaching out to the Danish resource base in order to promote and encourage more Danish companies to participate in the tender process.

The Department for Sustainable Investments, Jobs and Equal Opportunities (GJL) underlined that DSIF projects always had a purpose of job creation - and in this project, there was a specific focus on youth in jobs and apprenticeship. This would be further elaborated during the design phase.

IFU informed that dialogue with the Danish resource base on how to apply the concept of 'Life Cycle Cost' was ongoing. On the concrete projects, the challenge was to find the right balance between the best technological solution and the capacity of the partner to operate and maintain the water plant. Currently, IFU was not involved in dialogue with other Development Financial Institutions on how to define the concept.

DSIF had regular meetings with relevant Danish companies during preparation of projects. New meetings were planned leading up to the tender and four Danish companies had indicated interest in the project. The smaller project in Githunguri could also be of interest to smaller companies, with less capacity and experience from working in developing countries.

Regarding the institutional setup, management arrangement would need thorough coordination and cooperation between the government agency, AWWDA, and the water companies in Thika and Githunguri. It would be necessary to involve all three parties during preparation and construction. All three institutions would receive targeted technical assistance from consultants as part of the project.

A preliminary Social and Environmental Impact Assessment had been prepared and preliminary permits issued. Outstanding environmental issues, e.g. the two retaining walls, would be assessed by the authorities in the process of obtaining the final permits. Issues related to the competing interest of access to the water in the river during dry seasons would be handled by AWWDA according to Kenyan legislation, in which provision of public drinking water had priority over commercial interest.

IFU explained that both the 'DSIF Monitoring and Verification Consultant' and the 'DSIF Process Consultant for Monitoring of Results' referred directly to DSIF. Based on experience, separate contracts for overseeing technical issues and social and environmental aspects were required.

IFU explained that AWWDA's indicator system was quite elaborated and evaluated as being sufficient, which the project document reflected. IFU agreed that a measure for carbon foot print for the whole project could be relevant to consider, but, at present, it was not included.

The frequency of DSIF project approvals was normally one project per year. All loan agreements under DSIF had so far been honoured. However, due to the economic impact of Covid-19, Zambia had recently requested a moratorium in payments, and more countries could possibly follow.

The Danish ambassador to Kenya closed by placing the DSIF projects in the overall context of the Danish cooperation with Kenya. The projects were complementary to both the ongoing engagement in rural water in the Arid and Semi-Arid Lands and dry areas of Kenya, the new Covid-19 response with AWWDA as partner, and the promotion of Danish commercial interests.

Summing up, the Chair concluded that the Council could recommend the project for approval by the Minister. Some of the many aspects of the discussion were summarised, e.g. life cycle costs, carbon foot print, project pipeline, apprenticeships, etc. The question of tied vs. untied aid could potentially serve as a thematic discussion on another occasion.

**Agenda item no. 5. Thematic discussion: Introduction to the international climate agenda**
*For discussion*
(The Climate Ambassador)

The Climate Ambassador gave an introduction to the Danish positions on the international climate agenda. The Danish Government had committed to reaching the 1.5 degree curve and the ambition was to try to make sure that other countries pursued the same goal.

The recent Covid-19 crisis had affected emissions of greenhouse gases with a projected decrease of 6-8 per cent in 2020. However, this only corresponded to the annual decrease which was required if the ambition of reaching the 1.5 grade curve in 2030 should be achieved. Furthermore, emphasis was put on 'building back better and greener'. If the USD 15 trillion, which would be spent on re-establishing the global economy, was not being tied to green conditionality, it would be impossible to change the curve, which currently projected an increase of 4-5 grades. However, the USD 15 trillion also presented an obvious possibility to actually make huge changes within a short time frame. That was also the reason why Denmark had engaged very actively the EU's policy on economic re-establishment.

However, when looking at emissions of greenhouse gases, the main problem was not to be found within Europe as China alone accounted for 30 per cent of the global emissions. While Africa only accounted for 2 per cent of global emissions, 60-65 per cent of emissions were still from countries, which were considered developing countries.

While Denmark accounted for less than 1 per cent of the world's population and 0.1 per cent of global emissions, Denmark was engaged in energy cooperation with countries, which accounted for more than half of the world's population and 62 per cent of global emissions. Therefore, Denmark was working on a global climate strategy. In that regard, the Minister for Development cooperation had underlined that the part of the climate strategy, which was linked to development cooperation, was to be defined within the framework of the upcoming new strategy on development cooperation.

The climate strategy focused on four areas: 1) climate ambitions i.e. increasing global reductions, 2) accelerate the green transition and reduction of emissions, 3) climate adaptation and sustainable development, and 4) mobilising financing. The necessary tools would be climate diplomacy, strategic sector cooperation, private sector and climate partnerships, export drive, development cooperation, global financing, and involvement of civil society.

One of the major challenges was fossil fuels. Phasing out coal would be a theme on next year's COP, which Denmark would actively engage in. Political dialogue with countries such as China, India, Japan and Korea was required in order to increase a green transition. Finally, it was underlined that IRENA had made some calculations on green transition's effects on jobs and had found that a global green transition would lead to 20 million jobs while only 5-8 million jobs would be lost in the black industry.

The Council appreciated the opportunity to discuss climate in a broader international development context. The Council underscored the critical need to support emission reduction and green growth. However, this focus had to be balanced with efforts to boost adaptation, not least in the LDCs, which were already now disproportionally affected by climate change. In that regard, the Council recommended increasing focus on food production.

The Council recommended strengthening linkages between fighting climate change and development cooperation and to the highest extent possible building climate elements into all development efforts, for example by enhancing resilience and promoting green transition.

With the strong focus on green transition and the phasing out of fossil fuels, the Council underlined the importance of securing that such transition should be considered socially fair by those involved, not least the many millions employed in the fossil fuel industry.

The Council noticed that some countries and organisations had used the covid-19 crisis to argue for a lowering of ambitions on climate change and slowing down the green transition. Furthermore, some of the 'building back' efforts, which had begun, were in fact not green but black.

The Council called for more information on the four priorities and on whether they were linked to specific countries or regions. Following the Minister for Development Cooperation's emphasis on jobs and skills training, the Council underlined the importance of ensuring enough green jobs. While some members agreed on the need to urgently phase out fossil fuels, other members questioned why Denmark could not support technologies, which aimed at improving existing coal plants.

The Council recognised the need for political dialogue with some of the big emitters, such as China and India, but questioned how Denmark would engage in such a dialogue with e.g. China. The Council also asked whether dialogue was only at country level or whether dialogue with some of the bigger businesses or enterprises engaged in fossil fuels should also be intensified.

The Council commented on the issue of financing and Denmark's future role in negotiations on financing. Finally, the Council also found that it would be interesting to discuss how donors could support a sustainable structural transformation in developing countries.

In a short response to the Council's many comments, the Climate ambassador recognised that adaptation was of course important, and that this would be elaborated further in the coming process with establishing a new development strategy. Regarding the Danish priorities, they were currently not linked to specific countries or regions. However, the countries, with whom Denmark had strategic sector cooperation on energy, provided a good indication of possible countries. The strategic sector cooperation would possibly also provide a basis for the required political dialogue just as the strategic sector cooperation aimed at capacity building, which was very much in line with the Paris Agreement. The Climate ambassador agreed that attention should be paid to ensure a socially fair transition and to the many millions of people employed in the fossil fuel industry. Finally, it was underlined that the issue of climate change needed to be tackled if the costs of achieving the SDGs should not become too high.

**Agenda item no.6. AOB**

The Chair noted that it was Mette Brink Madsen's last Council meeting, and used the opportunity to thank her for her excellent work and assistance to the Council.