

Minutes from meeting in the Council for Development Policy 12 April 2018

Present:

- Members:** Professor Emeritus Georg Sørensen, University of Aarhus (Chair)
Vice Secretary-General Tania Dethlefsen, The Danish Family Planning Association (vice chair)
Thomas Bustrup, Confederation of Danish Industries (except agenda item 5-7)
Director Jan Laustsen, The Danish Agriculture & Food Council
Head of Projects Tine Bork, SMEdenmark
Partner Marina Buch Kristensen, Nordic Consulting Group (Except agenda item 5-7)
Senior Researcher Lars Engberg-Pedersen, Danish Institute for International Studies
Associate Professor Michael Wendelboe Hansen, Copenhagen Business School
International Director Gunvor Bjerglund Thomsen, The Danish Youth Council
General Secretary Birgitte Qvist-Sørensen, DanChurchAid
- MFA:** Martin Bille Hermann, State Secretary for Development Policy
Nicolaj A. Hejberg Petersen, Head of Department for Technical Quality Support
Lotte Machon, Head of Department for Development Policy and Financing
Mette Brink Madsen, Adviser, Department for Technical Quality Support
- Agenda item 2:** Head of Department Ole Thonke and Head of Section Lone Bøge Jensen, Department for Growth and Employment
Ambassador Mette Thygesen and Special Adviser Åge Sandal Møller, Embassy Addis Ababa
Investment Director Tina Kollerup Hansen and Investment Director Annelise Boysen, The Investment Fund for Developing Countries, IFU
- Agenda item 3:** Head of Department Ole Thonke and Chief Adviser Jørn Olesen, Department for Growth and Employment
- Agenda item 5:** Ambassador Carsten Staur and Attaché Christian Bundegaard, UN mission Geneva
- Agenda item 6:** Head of Department Nanna Hvidt, Chief Adviser Lars Christian Oxe, Special Adviser Marianne Vestergaard and Senior Adviser Mike Speirs, Evaluation of Development Assistance

Agenda item no. 1: Announcements

There were no announcements.

Agenda item no. 2: Danida Business Finance - Assela Wind Farm Ethiopia

For discussion and recommendation to the Minister

DKK 727.3 million

(Investment Fund for Developing Countries, IFU & Department for Growth and Employment, VBE)

The project is a Danida Business Finance (DBF) loan to the Ethiopian Electric Power authority for a 100MW wind farm to be situated approximately 150 km south of Addis Ababa. The Government of Ethiopia (GoE) has ambitious goals of bringing the country to middle-income status by 2030 by means of targeted development initiatives, among which the power sector is a key priority. Expanding the availability and predictability of power generation will contribute to successful implementation of the GoE's connectivity plan that will allow 70 million Ethiopians access to electricity and support industrialisation of the country. The energy sector is based almost entirely on hydropower, making the country vulnerable to long periods of drought because of climate changes in the region. By introducing other green energy sources, the GoE wants to establish an energy mix that will sustain development.

The Council for Development Policy recommended the programme for approval by the Minister for Development Cooperation.

The Council noted the substantial investment under consideration and asked about the nature of Danida Business Finance, the loan vs. cash grant and how the level of concessionality had been decided. Furthermore, the Council raised concerns regarding Ethiopian Electric Power (EEP) as the main partner of the project, including the financial capability of the organisation and the technical capacity to run and maintain a wind farm. Council members proposed that DBF consider extending the contractors' operation and maintenance contract to ensure high levels of production and more time for training of local staff. The level of demand for electricity and consumers' ability to pay for the electricity were other issues of concern alongside the political will of the Government to reform the power sector, including increasing the tariffs and prepare the sector for future independent power producers.

The Council commended the preparation process for including the issue of resettlement and compensation from the very beginning. In this regard, the Council noted that the number of families, which would be affected by resettlement, seemed relatively small, and the Council further recommended keeping focus on the issues of resettlement and land acquisition. The Council noted that the feasibility study and the appraisal process had focused on compliance with the IFC standards and the Danish resource base, in form of the Danish 92 group, had been consulted. However, some concerns remained regarding the ability of the procurement consultancy to facilitate a proper process of compensation and the local community's access to some of the benefits of the project (e.g. electricity and jobs).

The Council found that the project was a good example of how DBF could be involved in poor countries, which were considered high risk by commercial investors. However, it was not clear to all Council members that commercial wind farms would not be viable in the near future. Moreover, the level of concessionality seemed high given ongoing activities to provide a basis for independent power producers. The Council found that a strong engagement by the Embassy, integration of the project in the country programme and in the bilateral cooperation between the Danish and Ethiopian energy authorities (financed by the Climate Envelope) was a strong platform for synergy in the future. However, the Council called for elaboration on a wider coordination set-up with other donors in the energy sector and with relevant government entities.

The Department for Growth and Employment (VBE), the Embassy and IFU responded to the concerns raised by the Council regarding the status of the reform process and the capacity of EEP by mentioning the context of poverty and climate changes challenging the existing dominance of hydro-power, the need for including the vast population in development even if it had to be with strongly subsidised power fees. The Ethiopian Government had started reforms toward commercialisation of the energy market and important steps had been taken at policy level and in the form of test cases regarding independent power producers (IPP). Furthermore, an IPP unit had been established in EEP, and Danish supported capacity building for tendering energy projects and technical assistance for integration of wind energy into the grid had been included. However, it was expected that this reform would take several years to materialise. The assessment of EEP's capacity to handle the wind project was based on experience from the two existing wind farms in the area, and the Council's advice of extending the operation and maintenance contract would be considered.

Regarding the tender and procurement consultant, IFU explained that the consultancy would include a technical profile, a procurement profile and a community development profile with expertise in compensation and resettlement issues. It was further explained that the Danish support to the energy sector tackled one of the main risks of the project by providing technical assistance to integration of wind power into the grid. The programme gave access to both the policy and operational level of EEP, which was considered sufficient also in order to promote the issue of curtailment of the wind sector, which had been another concern during the project preparation. Finally, it was explained that the wider coordination set-up for donors in the energy sector consisted of the Energy Sector Working Group in which the Danish Embassy is co-chair together with the EU. Finally, the nature of the DBF grant was explained. DBF would cover all interest and expenses of the loan as well as give a "cash grant", which would bring the total subsidy to 50 pct. of the contract sum.

In conclusion, the Chairman noted that there was a number of challenges related to the implementation of the programme in Ethiopia regarding the economy of the project and the large grant element, resettlement and land acquisition, the capacity of EEP and EEP as partner, the Government's commitment to the programme and the synergy with other Danish programmes. However, the Chairman found that Council's questions had been well answered.

Agenda item no. 3: Capital commitment to African Guarantee Fund

For discussion and recommendation to the Minister

DKK 100 million

(Department for Growth and Employment, VBE)

Summary

Denmark is one of the three founders of the African Guarantee Fund (AGF), which was established as an outcome of the Danish Africa Commission. The objective of AGF is to promote economic development and employment – in particular for youth – by addressing the mismatch between supply and demand for financing to small and medium-sized enterprises (SMEs). AGF facilitates African SMEs' access to finance on the basis of partial credit guarantees to Partner Financial Institutions (PFIs). AGF also provides capacity building to PFIs and SMEs. The performance of AGF has so far been successful. AGF need to raise additional capital to address strong demand. Special focus is on attracting Development Finance Institutions like IFU due to their financial capacity, commercial orientation and experience. The MFA capital contribution of DKK 85 million will therefore be provided to IFU, which will add DKK 15 million of own funds and totally invest DKK 100 million in AGF. The remaining MFA funds (DKK 15 million) will be allocated directly to the AGF's capacity development trust (DKK 13 million) and for internal AGF capacity development in green investments and implementation of sustainability standards (DKK 2 million).

The Council for Development Policy recommended the programme for approval by the Minister for Development Cooperation.

The Department for Growth and Employment introduced the project including the rationale for AGF's registration in Mauritius, and informed that the operational activities of AGF would be taxable in Kenya.

The Council appreciated the proposal and the promising performance and results of AGF according to the available data. The Council found that AGF was a good showcase and that the story should be communicated to the public.

The Council took note of the ambitious capital mobilisation plans and asked to what extent AGF had managed to mobilise capital from other donors and Development Finance Institutions (DFIs). In this regard, the Council asked about Danish influence when AGF was getting new investors. The Council asked whether the return expectations of the DFIs could challenge AGF. The Council noted that the recorded losses on the guarantee portfolio had only been about one per cent and in this regard questioned whether AGF were willing to take risks. Furthermore, the Council asked to what extent the guarantees generated additionality and how this could be measured.

The Council acknowledged that it was difficult for SMEs to access credit and invest, and the Council expressed some concern whether adequate funds had been allocated for capacity development of PFIs and SMEs. The Council suggested that Denmark should consider developing a new broad based SME instrument for the future.

The Council found it appropriate to allocate the capital contribution through IFU in order to engage IFU as investor. Furthermore, it was appropriate that the MFA in the future would prepare plans for a gradual exit and transfer of shares to IFU.

The Council asked about the definition of decent jobs and asked whether AGF had an anticorruption policy and whether more should be done in relation to the human rights agenda. The Council suggested establishing a more systematic monitoring in relation to the SDGs. Finally, the Council recommended conducting more specific evaluation studies, e.g. evaluations at country level and the performance of women owned/led SMEs.

VBE informed the Council that Denmark would remain an important and committed investor in AGF and that a number of other donors and DFIs had finalised due diligence processes in relation to possible future investments, and the prospects were promising. VBE informed that the blended finance arrangements could possibly satisfy the DFIs return expectations. It was envisaged that AGF in the future would be able to mobilise capital from certain groups of private investors including philanthropic funds.

VBE informed that AGF applied the ILO definition of decent jobs. However, it was still challenging for AGF to apply international sustainability standards considering that it was working with a large number of PFIs and SMEs in countries with diverse contexts. For that reason, the project included a grant of DKK 2 million to AGF to strengthen its capacity to deal with standards for responsible business conduct and green investments.

VBE stated that it was still too early to assess the loss percentage. The majority of the loans that were guaranteed were at an early stage of repayment, and AGF was - to an increasing degree - also guaranteeing tier 2 and tier 3 banks, which could be a more risky client group. It was difficult to assess the additionality, but the fact that about 90 per cent of the SMEs were first time borrowers was a strong indication of the additionality and the added value of such a programme.

VBE agreed that AGF was a good story, which should be told to the public, and VBE further agreed that it would be relevant to conduct more specific evaluations, e.g. on gender impact and impact at country level.

The Chairman concluded that the project was commended by the members, and that issues and details regarding taxation and the economy in AGF had been clarified by VBE. The Council had noted the potential future donors, which would ensure the sustainability of the fund. The Chairman further concluded that the Council would like to have a broader discussion about future SME support.

Agenda item no. 4: Status on the implementation of Denmark's Strategy for Development Cooperation and Humanitarian Action "The World 2030"

Discussion with the Minister for Development Cooperation

(Department for Development Policy and Financing, UPF)

Summary:

In January 2017, the Danish Government presented a new strategy for development cooperation and humanitarian action, "The World 2030". A broad political majority in the Danish Parliament adopted the strategy. With the strategy, Danish development cooperation and humanitarian action was combined in one strategy for the first time. The strategy has four strategic objectives: security and development, migration and development, inclusive, sustainable growth and development and freedom and development – democracy, human rights and gender equality. Other key areas of the strategy are youth and TechVeloPMENT.

The Minister for Development Cooperation presented the status on the implementation of Denmark's Strategy for Development Cooperation and Humanitarian Action "The World 2030" to the Council.

The Council appreciated the Minister's presentation and commended the Minister and the MFA on the strategy and the implementation so far. The Council noted the strategy's strengths related to the strong cross sector integration and applauded the combined approach to humanitarian action and development assistance as well as the implementation hereof. The Council noted with concern the many global challenges and expressed concerns regarding "shrinking civic space", corruption and deteriorating conditions for democracy, freedom of speech and human rights in many countries. The Council applauded the strategic partnerships and added that the civil society organisations were revising their strategies accordingly.

The Council emphasised the importance of long-term development and highlighted Denmark's commitment and good track record regarding efficient long-term development cooperation. The Council encouraged continued investments in long-term development and brought to attention the risk of increasing focus on humanitarian aid on the expense of long-term development. The Council also called for a long-term approach in relation to the next generation of country programmes and underlined the importance of building relationships, knowledge and trust at country-level. In continuation, the Council encouraged continued cooperation with those countries, where the country programmes were being phased out, in order to maintain the good bilateral cooperation.

The Council noted that the private sector cooperation was well functioning, however, one had to bear in mind that this type of cooperation took time. The Council commended the MFA for its willingness to accept risk regarding private sector involvement. The Council asked if the Danish approaches to private sector engagement and migration were well received and echoed in the EU. The Council noted the TechVeloPMENT initiatives and the many potentials within this area; however, the Council suggested a stronger focus on meta-level and not only on apps.

The Council commended the Minister's strong focus, leadership and efforts regarding gender equality and empowerment of women. The Council applauded the involvement of local organisations and focus on cooperation across different UN organisations. The Council also encouraged further involvement of the private sector in relation to ensuring gender equality.

The Council appreciated the implementation and integration of the SDGs in the strategy and in Danish development cooperation, but expressed concern regarding integration at the local level in partner countries. The Council asked what Denmark could do bilaterally to increase national ownership of the SDGs in partner countries.

The Council commended "The World 2030" for communicating concrete priorities to the Danish public and asked if enough attention was given to communication of the importance of and link between development and achieving the SDGs globally as well as securing Denmark's future and continued prosperity.

The Council expressed appreciation for the strong focus on youth in the strategy and implementation, but called for further integration of youth in the Danish line ministries. Finally, the Council addressed the increasing demands regarding partner organisations' reporting on results and data and encouraged a simplistic approach.

The Minister responded that she agreed with the Council's view on the state of the world – there were reasons for concern, but she remained optimistic. The Minister agreed that the long-term approach to development was important and assured the Council that it was prioritised in Danish development cooperation. Regarding the humanitarian development nexus, she provided examples from projects in Bangladesh and Uganda.

The Minister noted that the SDGs were well integrated within the Danish population, especially within Danish youth and the private sector. The Minister agreed that the Danish population's perception of development aid was in general characterised by uncertainty and doubt as to the effectiveness of development aid. The Minister agreed with the need for increased efforts towards communicating the mutual benefits of fulfilling the SDGs in Denmark and globally.

The Minister underlined that Denmark would continue cooperation with countries where Danish development cooperation was being phased out through, among other things, trade and the Partnering with Denmark Initiative. Vietnam and Ghana provided good examples of continued cooperation. The Minister took note of the Council's concerns regarding the demands of reporting on results and data. Finally, the Minister noted that the Danish approaches to development, private sector engagement and migration were well received in the EU and the UN, and that Danish expertise and experiences were in high demand.

Agenda item no. 5: Information regarding extension of organisation strategy for the Office of the High Commissioner for Human Rights, OHCHR, and organisation strategy for the International Committee of the Red Cross, ICRC

For information

(UN mission Geneva)

Summary:

Due to the delay of the new organisational management plan from OHCHR, elaboration of a new Organisation Strategy on cooperation between Denmark and OHCHR had been delayed. The Mission expected the strategy to be ready during the fall of 2018, which would correspond to Denmark's membership of the Human Rights Council from January 2019.

From 2018, the Danish annual core contribution to ICRC's budget had increased from DKK 20 to 40 million. A current Organisation Strategy "light" would expire in December 2018. Work on a new Organisation Strategy would commence in May 2018, for presentation to the Council during the fall of 2018.

The Council took note of the extension of the organisation strategies for OHCHR and ICRC.

The Mission briefed the Council on the broader international discussion around human rights within the UN system, especially in relation to OHCHR and the Human Rights Council (HRC). In this regard, four issues stood out

- 1) The term of office for the High Commissioner for human rights, Zeid Ra'ad Al Hussein, would expire by August and the UN Secretary General were to appoint a new High Commissioner within the next few months. Zeid had proved a man of principle with a strong impact on a range of issues. Given the current international, political climate and the need for the UN Secretary General to strike political balances, it would be interesting to see whether Zeid's successor would be a person of the same mould – or with a very different profile.
- 2) As stated by American diplomats, the US still had to clarify its future engagement with the HRC given their strong dissatisfaction with what they considered a political bias of the Council against Israel. It was expected for the US to clarify their position no later than in June 2018.
- 3) A group of primarily non-democratic/authoritarian member states were challenging the accepted human rights norms and standards and the emphasis on individual human rights and the relationship between individual and state. In recent years and as an observer in the Council, Denmark had focused on a limited range of important policy issues – gender/SRHR, torture and indigenous peoples' rights – but with the expected change from observer status to membership of the HRC, Denmark would have to broaden this focus, not least in respect of issues pertaining to human rights defenders and civil society space.
- 4) Finally, OHCHR constantly found itself in a difficult financial situation, increasingly dependent on voluntary contributions from a few donors and subject to cutbacks in conference servicing costs.

The Council appreciated the informative briefing. The Council asked questions regarding the need for a broadening of Denmark's clear focus on a limited number of issues, and wondered how alliances among likeminded member states from "the global South" could provide a helpful pathway into positioning Danish interests in keeping the human rights narrative intact. Furthermore, the role of civil society was mentioned.

The Mission responded that such alliances were constantly sought, but would have to be carefully tailored to respective themes and concrete situations. However, even alliances "within the European family" could often be challenging to establish, as internal differences within the EU were emerging more frequently, and pointed especially to the difficult relationship between the Hungarian Government and the outspoken High Commissioner, which had been challenging in the process of drafting EU statements in the HRC.

On the budget, the Mission underlined that the Nordic countries contributed with almost ¼ of total voluntary contributions to OHCHR. For the High Commissioner, the balance between criticising some member states for their human rights challenges one moment, and asking the same states for contributions to the work of OHCHR the next, was not easy, but that was the situation with most of the organisation's operational budget being raised extra-budgetary.

Agenda item no. 6: Evaluation Programme 2018-2019

For discussion

(Evaluation of Development Assistance, EVAL)

Evaluation of Development Assistance (EVAL) introduced the evaluation programme for 2018 and 2019 by describing some of the challenges in relation to evaluating past interventions in a context of changing priorities for development cooperation. Evaluations should provide relevant lessons learned regarding the new strategic aims of Denmark's Strategy for Development Cooperation and Humanitarian Action "The World 2030", despite the fact that programmes evaluated were planned and implemented in a different context. Furthermore, EVAL distributed a study soon to be published on lessons learned across four recently finalised country programme evaluations (Vietnam, Nepal, Bolivia and Mozambique). EVAL finally provided an overview of the system for communication and follow-up activities of evaluations, including the semi-annual meetings headed by the State Secretary for Development Policy in which the responsible units provided a follow-up to the recommendations of past evaluations.

The Council acknowledged the evaluation programme and found it useful. The Council discussed various aspects of the evaluation function and of the proposed evaluation programme. Based on EVAL's presentation, the Council found it evident that the challenges of identifying new ways to evaluate the SDGs and the new development strategy had not yet been fully resolved. The discussion focused on ownership of evaluations and other analytical work in the MFA. The Council asked to which extent other units than EVAL was participating in or leading generation of knowledge, analysis and gathering of lessons learned. The Council further asked whether there was capacity for analysis and learning in the organisation and whether the volume of evaluations

and analytical work was comprehensive enough, considering what the Council found to be a modest budget (DKK 15 million).

The Council questioned whether the links between evaluation and research were being explored sufficiently. Regarding communication, the Council called for information on how evaluation findings were included in MFA's communication of results. Finally, the Council discussed a number of ideas for future evaluative work, including blended finance and private sector development, the Grand Bargain and experiences in humanitarian assistance with the localisation agenda.

In response, EVAL found that there was generally a broad interest in knowledge and learning within the Ministry, but particularly thematic evaluations were difficult to anchor in a specific unit leading to a lack of clarity regarding ownership. EVAL recognised that the evaluation budget was low compared to the overall Danish ODA-budget and to other like-minded donors. However, EVAL would not be able to do more evaluative work with the current staff level or without exploring new ways of out-sourcing. It was important for the Ministry to strengthen its work with external knowledge partners – be it civil society, research and consultants – and thereby strengthening the knowledge base related to development cooperation. In relation to evaluation of the SDG's, EVAL was following the discussions in international fora, which had not yet resulted in clear recommendations. The communication department in the MFA had recently initiated a cooperation with EVAL regarding the feeding of more evaluation findings into public communication from the Ministry.

Finally, the State Secretary for Development Policy underlined that the evaluation budget was far from the only funding available for analytical work.

Agenda item no. 7: AOB.

The Chair informed the Council members that the Council – in accordance with the Act on the Danish Institute for International Studies - had been asked to appoint two members to the board of the Danish Institute for International Studies. The appointment to the board would be with a mandate from 1 July 2018. It was decided that the Council members could suggest possible candidates to the Chairmanship, which would then decide on the appointment.