

Minutes from meeting in the Council for Development Policy 20 February 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
Director Jan Laustsen, The Danish Agriculture & Food Council
Head of Projects Tine Bork, SMEdenmark
Partner Marina Buch Kristensen, Nordic Consulting Group
Senior Researcher Lars Engberg-Pedersen, Danish Institute for International Studies
Director Mads Bugge Madsen, The LO/FTF Council
International Director Gunvor Bjerglund Thomsen, The Danish Youth Council
- MFA: Martin Bille Hermann, State Secretary for Development Policy
Morten Jespersen, Under-Secretary for Global Development and Cooperation
Nicolaj A. Hejberg Petersen, Head of Department for Technical Quality Support
Mette Brink Madsen, Administrative Officer, Department for Technical Quality Support
- Agenda item 2: Ambassador Mette Thygesen, Special Adviser Åge Sandal Møller and Head of Section Mads Holm, Embassy Addis Ababa
Head of Department Anders Garly Andersen, Chief Adviser Jens Møllenbach Møller and Chief Adviser Katrine Teisen Cramon, Department for Africa
- Agenda item 3: Head of Department Ole Thonke, Deputy Head of Department Lis Rosenholm and Head of Section Sarah Toftedal Vormsby, Department for Growth and Employment
- Agenda item 4: Head of Department Nanna Hvidt and Chief Adviser Lars Christian Oxe, Evaluation of Development Assistance

Agenda item no. 1: Announcements

The State Secretary for Development Policy informed the Council that minor changes had been made to the Council's rules of procedure. Firstly, the appropriation limit for when grants must be presented to the Council had been raised from DKK 37 to DKK 39 million as the limit followed the appropriation limit for presentation of grants with no direct legal basis on the Finance Act to Parliament's Finance Committee. Secondly, the thematic discussions listed in the rules of procedure would no longer be carried out on an annual basis.

Agenda item no. 2: Country Policy Paper for Ethiopia, 2018-2022

For discussion and recommendation to the Minister

(Embassy Addis Ababa & Department for Africa, AFR)

Summary:

Based on a dual assessment of Ethiopia's geo-political situation and its major national and regional challenges, the first country policy paper for Ethiopia provides an overall political and strategic orientation and objectives for Danish-Ethiopian relations. The paper sets out the vision for the Danish engagement with and in Ethiopia and presents four focal areas for engagement: (1) Fight against climate change: green energy and strengthened resilience; (2) Strengthened commercialisation and economic opportunities in the agriculture sector; (3) Good governance, strengthened protection of rights and participation of civil society; (4) Support to durable solutions in relation to refugees and migrants. The first two will mainly be covered through long-term development cooperation (country programme for Ethiopia 2018-2022), whereas the latter two will mainly be addressed through other instruments, including earmarked financing, horizontal approaches and via partners. The paper develops three possible scenarios for the country's future development and considers the robustness and flexibility of the proposed country policy to be adequate.

The Council for Development Policy recommended the policy paper for approval by the Minister for Foreign Affairs and the Minister for Development Cooperation.

The Embassy gave a short introduction to the country policy paper and a brief update on recent political developments in Ethiopia.

The Council appreciated the country policy paper, considered it a well-balanced document and agreed with the paper's overall assessments and orientation, including with the four proposed focus areas for engagement with and in Ethiopia.

In view of the fact that Denmark is a relatively small partner to Ethiopia, the Council asked about the added value of the proposed Danish engagement and whether a more focused country policy could bring more value. In this regard, the Council further found it important to reflect the link between the Danish and the EU engagements in order to strengthen synergy, complementarity, and efficiency.

The Council commented upon a number of fundamental policy issues, dilemmas and paradoxes, which should be addressed in a new country policy and recommended the policy paper to be

clear on these issues. The Council commented upon the fact that some of the four proposed focus areas will not be directly covered by the upcoming country programme for Ethiopia and recommended that the policy paper clearly described how these other areas were covered and by which instruments. A similar description should be incorporated in the upcoming country programme, which was currently under formulation.

Finally, the Council recommended reflecting on a number of specific issues and topics in the upcoming country programme. These issues included assessments of the country's political economy, business climate, corruption, and its potential impact on Danish interests.

The Embassy shared its view on comments and concerns raised by the Council, including the need for focus. Although Denmark represents a small fragment of total development assistance to Ethiopia, the Danish engagement often provides access to Ethiopian policy-making in specific sectors – in particular, when development aid is combined with institutional capacity building. Detailed formulation of the country programme would commence soon and the programme was expected to be presented to the Council in September 2018. The country programme document would further address a number of the Council's comments, including on gender, SRHR, youth, human rights, CSO-support, migration, and job-creation.

The Chair concluded that the Council supported the proposed country policy paper for Ethiopia and its overall orientation and proposed focus areas. It was recommended to further clarify the added value of the Danish activities in Ethiopia and to further develop the paper's description of the inherent dilemmas facing Ethiopia's development partners in relation to their engagement with Ethiopia. The promotion of democracy and human rights faces a difficult time in the Ethiopian environment.

Agenda item no. 3: Thematic discussion: Support to Sustainable Growth and Development

For discussion

(Department for Growth and Employment, VBE)

Summary:

Denmark works to promote market driven inclusive growth as a driver for the fulfilment of the SDGs. The Department for Growth and Employment (VBE) manages partnership instruments aimed at mobilising the private sector on the SDG agenda. Three instruments facilitate public-private partnerships: Danida Market Development Partnerships (DMDP), Danida Business Explorer (DBE) and Partnering for Green Growth and the Global Goals 2030 (P4G). Two financial instruments secure investments to involve the private sector in development projects. The Investment Fund for Developing Countries (IFU) invests in developing countries through share capital, loans and financial guarantees. From May 2018, a large share of IFU's investments will go through the new SDG Fund. The other finance instrument is Danida Business Finance (DBF), which supports infrastructure projects. A final instrument, Strategic Sector Cooperation (SSC), facilitates sector authority cooperation to improve framework conditions in developing and growth countries. Currently, VBE coordinates 29 SSC projects in 14 different countries.

Overall, the Council agreed on the need for private sector engagement, but also underlined that there should still be focus on development impact.

The Council appreciated the presentation from the VBE department, however, it would have welcomed if the summary of the different partnership instruments had contained information about the different actors engaged, the types of projects each instrument facilitated and supported, the results achieved as well as the scope. Regarding the types of actors engaged, the Council expressed a concern as to whether the right actors on the ground were reached, e.g. actors in the informal economy.

The Council called for clear criteria for measuring the development impact of the partnership instruments, also in terms of the positive impact of specific projects. The Council expressed a wish that the VBE department measured the impact and results of the instruments. Specifically, it was recommended to make a review of DBF and the Council further asked whether the SSC had ever been reviewed. In addition, the Council expressed a concern that the new SDG Fund would be launched before IFU had been consolidated and evaluated.

The Council discussed the involvement of SMEs. The Council found that the SDGs appealed to companies as they could improve company image on social responsibility and present a new business model. The Council agreed on the necessity of private sector involvement and on the fact that companies that were different in size and expertise should be involved. The determining criteria should be the company's seriousness in terms of capacity and business development – and not whether it was a SME or not. However, the Council encouraged more involvement of SMEs in the partnership instruments. The Council suggested that VBE could engage more with the Danish Export Credit Agency. Furthermore, the Council asked about the possibility of scaling projects and having large integrated projects in the long term.

The Council asked about the possible synergies at country level between the different partnership instruments, e.g. whether SSC projects could be linked to DMDP projects or whether the sector counsellors could work more closely with other instruments. In addition, the relation to the Trade Council was mentioned.

Lastly, the Council suggested a stronger link between the Danish partnership instruments and the research community as it found that research on concrete projects, reviews and evaluations could strengthen the Danish knowledge base on how to engage the private sector in the fulfilment of the SDGs. The involvement of the Danish research community was also mentioned as a way to identify success criteria for public-private partnerships as well as measures for evaluation and review. Furthermore, such research could help clarify the benefits of using the SDGs as a framework for partnerships.

The VBE department noted that the topics of the Council's discussion fitted well with the internal discussions in VBE. Regarding the scaling partnerships, the hope was that both DMDP, DBE and P4G would be able to generate knowledge and international networks for businesses in order to help partnerships develop and grow.

VBE was well aware of the need for creating synergies at country level between the partnership instruments and underlined that progress was being made in this regard. VBE further acknowledged the Council's notion on involving SMEs, and added that progress had been made - many of the applicants, which were granted funding for DMDP projects in 2017 were SMEs. Furthermore, VBE was planning to initiate a dialogue with SMEs regarding their involvement. However, VBE stressed the importance of acknowledging that not all SMEs wanted to and were able to engage in development projects. Involving the Danish Export Credit Agency was being explored, but VBE highlighted that the Agency was mainly commercially oriented.

VBE underlined that the consolidation of IFU would happen through the new SDG Fund. The SDG Fund would be divided into two - one would handle investments and the other loans. Furthermore, discussions had started on the possibility of broadening the DBF instrument to more flexible loans, e.g. to countries or financial institutions.

The State Secretary for Development Policy added that the instruments mentioned by VBE were not the only modalities for involving the private sector in Danish development aid. The Ministry also involved the private sector through country programmes and programmes with the World Bank, including those targeting the informal sector in the developing countries. The State Secretary supported VBE's efforts to engage in dialogue with the Danish business community and other actors on private sector involvement and suggested exploring other initiatives.

The Chair concluded that the Council agreed on the importance of private sector involvement, but underlined the Council's concern regarding the clarification of success criteria for private sector involvement. The Chair highlighted the dilemma of assessing the success of private sector involvement based on decent profit criteria. Furthermore, the Chair concluded that determining which companies to involve in development projects should be based on the specific company's seriousness with respect to development. In addition, the Chair highlighted the tension between involving large, international businesses versus involving SMEs. Finally, the Chair concluded that the benefit of private sector involvement in development and the SDGs as the framework for public-private partnership could be further explored.

Agenda item no. 4: Thematic discussion: Development Research

For discussion

(Evaluation of Development Assistance, EVAL)

The paper presented by EVAL was a summary of experiences gathered with the new arrangement for development research introduced in the autumn of 2016. In its introductory remarks the EVAL department underlined some of the dilemmas in the current support to development research, which was delivered mainly through collaborative research projects (so-called FFU-projects) and through the programme Building Stronger Universities. Following a temporary freeze and the relaunch of development research in 2016, a second window of competitive research projects had been introduced in growth and transition economies with links to the programme "Partnering with Denmark". As a consequence, other researchers and more applied research had received support in 2017 under this new window, compared to projects formulated on the basis

of priorities from "the World 2030", which were generally broader in scope. EVAL emphasised the importance of observing the balance between the two windows of support. Maintaining the opportunity for collaborative research projects led by Ghanaian and Tanzanian researchers was considered a valuable supplement to the Danish-driven research projects. In 2017, only two such projects had been approved, despite a high number of applications, and this was not likely to increase in the future unless funds were earmarked for these projects.

The Council expressed its appreciation of the possibility to have a strategic discussion of support to development research. In a world of changing development cooperation, it was obvious that development research should also change. The future rationale and shape of development research had still to be defined – in both a Danish and an international context - and the paper from EVAL did in that respect not represent a complete rethinking of the area. The Council was positively inclined in relation to the suggestions put forward of introducing a multiannual allocation, of reintroducing support to international research organisations and of considering ways to engage in EU co-funded development research.

The Council furthermore discussed the issue of who should benefit from development research knowledge and how to promote a wider uptake of knowledge in the Ministry of Foreign Affairs. A long-term funding frame for development research was considered important both for maintaining and for developing research capacity in Denmark and in partner institutions. The role of development research in promoting new forms of partnerships and thereby linking up to the wider efforts to promote Danish solutions and core competencies was considered important by some members of the Council, whereas others emphasised that narrowly pre-defined research projects constituted less interesting research. In the longer term, these projects might not provide the same benefits as a broader research agenda could.

The Council concluded that new types of engagement in development research, possibly involving comparative research, would be welcomed – naturally within the boundaries of DAC-definitions of support. The initiatives suggested by EVAL were welcomed, but considering the available level of funding for development research, care should be taken not to spread the support across too many initiatives. The utility of development research should continuously be considered and discussed

Agenda item no. 5: AOB.

The Council discussed possible topics for future thematic discussions and the following topics were suggested:

- Development cooperation through multilateral organisations including a discussion of core contributions vs. earmarked contributions to multilateral organisations
- Migration and the link to development assistance
- The humanitarian-development nexus
- The role of the Paris Declaration on Aid Effectiveness in development cooperation today

- Principles applied when phasing-out
- Public Private partnerships
- Implementation of gender equality in Danish development cooperation
- Crosscutting issues such as HRBA, gender equality, anti-corruption etc.

The State Secretary mentioned that the Ministry had commenced the process of designing the concept for the next generation of country programmes, which was also suggested as a topic for discussion.

Based on the suggestions above, it was decided to have a thematic discussion of the role of multilateral organisations in development cooperation including a discussion of core contributions versus earmarked contributions. The discussion could possibly involve the multilateral representations in New York and Geneva and be put on the agenda in May. Furthermore, it was decided to have a thematic discussion on migration including activities in support of addressing root causes of migration, capacity to handle mass migration, as well as considerations on readmissions. This discussion could be scheduled for June. It was further suggested to include a thematic discussion on the humanitarian-development nexus, as well as a discussion of the next generation of country programmes during the fall.

Finally, it was decided that short discussion papers would be prepared as a basis for the discussions.