

Minutes from meeting in the Council for Development Policy 26 March 2019

Present:

- Members:
- Professor Emeritus Georg Sørensen, University of Aarhus (Chair)
 - International Director Gunvor Bjerglund Thomsen, The Danish Youth Council (Vice Chair)
 - Head of Projects Tine Bork, SMEdenmark
 - Director Jan Laustsen, The Danish Agriculture & Food Council
 - General Secretary Birgitte Qvist-Sørensen, DanChurchAid
 - Associate Professor Michael Wendelboe Hansen, Copenhagen Business School
 - General Secretary Rasmus Stuhr Jakobsen, CARE Danmark
 - Senior Researcher Lars Engberg-Pedersen, Danish Institute for International Studies
 - Director Thomas Bustrup, Confederation of Danish Industries (agenda item 1-3)
 - Partner Marina Buch Kristensen, Nordic Consulting Group (agenda item 4-6)
- MFA:
- State Secretary for Development Policy Trine Rask Thygesen
 - Head of Department Mikael Hemniti Winther, Technical Quality Support
 - Adviser Mette Brink Madsen, 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 Rolf Holmboe and Chief Adviser Bente Schiller, Embassy Islamabad
 - Investment Director Tina Kollerup Hansen and Investment Director Rina Stender Sapru, The Investment Fund for Developing Countries, IFU
- Agenda item 3:
- Head of Department Mikael Hemniti Winther, Chief Adviser Søren Davidsen and Head of Section Adwan Mostafa Mohamad, Department for Technical Quality Support
- Agenda item 4:
- Head of Department Nanna Hvidt and Special Adviser Marianne Vestergaard, Department for Evaluation of Development Assistance
- Agenda item 5:
- Head of Department Mette Thygesen and Thomas Nikolaj Hansen, Department for Humanitarian action, migration and civil society

Agenda item no. 1. Announcements

Incl. a follow-up on discussion of future thematic discussions

As a follow-up on the discussion at the previous Council meeting regarding future thematic discussions, the MFA had, in collaboration with the Chairmanship, decided to pursue three of the suggested topics: Civic space, the SDGs, and private sector engagements. Furthermore, it had been decided that the Council would revisit a topic discussed in the Council in October 2018 on future programming, which was currently being addressed as “Doing development differently”. The first thematic discussion, civic space, was already on the agenda at the current meeting, while both the discussions of the SDGs and “Doing development differently” were scheduled for the Council meeting in June. Finally, the thematic discussion on the role of the private sector would take place during the fall, probably at one of the meetings in October.

It was agreed that, if the Council members had specific wishes or angles they would like to be covered in the thematic discussions, they could inform the MFA and the Chairmanship well in advance of the scheduled thematic discussions in order to prepare the discussions properly.

The State Secretary for Development Policy informed the Council that additional resources had been granted to the Ministry, which had made it possible to recruit new development specialists as well as new financial officers. The main part of the new staff would be posted at Headquarters, however, there would probably also be reinforcements at a few embassies.

Agenda item no. 2. Danida Business Finance: Wastewater Treatment Plant, Faisalabad, Pakistan

For discussion and recommendation to the Minister

DKK 435.8 million

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

The project is a Danida Business Finance (DBF) loan of DKK 972.1 million to the Water and Sanitation Agency (WASA) in Faisalabad for construction and 5 years operation of a wastewater treatment plant in the eastern part of Faisalabad city. The plant will have a capacity of 200.000 m³/day and will clean wastewater from 765,000 people as well as industrial and commercial units. Faisalabad is the third largest city in Pakistan with a population of 3.2 million, and 3000 industrial units (textile, fertilizer, chemicals, pulp and paper). Today less than 10 pct. of the city's wastewater is being treated. Based on a masterplan for water supply, sewerage and drainage (financed by JICA 2018) a development plan for all of Faisalabad area is being prepared. The wastewater treatment plant is the first out of four plants. The French Development Agency has indicated interest in financing the second wastewater treatment project also for the eastern part of the city. The same donor has already financed a treatment plant for drinking water, and is planning another drinking water plant. Final approval of the latter depends on the DBF approval, as the DBF wastewater treatment plan will deliver intake of water to the new drinking water plant.

<p>The Council for Development Policy recommended the project for approval by the Minister for Development Cooperation.</p>

The Council noted the project's strong developmental impact on health and environment and that the wastewater treatment plan was part of a larger masterplan for the water and sewerage management of the city, which was also supported by other donors. In that regard, the Council called for information on the involvement of, and contributions from, other donors, not least in relation to the other three planned wastewater treatment plants. The Council noted that there was a number of risks related to the project and that it represented a substantial allocation of funds. The Council asked for clarification regarding Pakistan's status in Danish development cooperation. The Council further asked why this particular project had been selected and whether it was linked to water being considered a potential trigger of conflict in between Pakistan and India.

The Council expressed concerns regarding the financial sustainability of the project, as the existing level of tariffs was not sufficient to ensure operation and maintenance of the new plant. The Council asked for an analysis of who benefits from the current tariff structure, whether the design of the project included a plan B in case tariffs remained insufficient, and if the planned tariff increase would be differentiated across income groups. The Council also asked for measures ensuring that the project was internationally competitive in terms of costs and quality although it was tied to Danish suppliers.

The Council called for information on the outcome of the environmental impact assessment. The Council further asked how DBF would ensure that the peasants presently using the polluted water from the channel for irrigation would stop the illegal practice - and if the peasants would be offered alternative sources for irrigation. In this regard, the Council also questioned whether it was expected that information campaigns would be sufficient in order to change the peasants' practice of using the water.

The Council asked questions regarding compensation issues related to the construction of the plant and on how to ensure that WASA and the Pakistani authorities would comply with IFC standards. The Council found that human rights and social impact could be strengthened in the project. Regarding relevant human rights issues, the Council recommended that labour unions were invited to monitor labour conditions during construction and operation of the plant.

The Council noted that one of the main assumptions in the project was that new industries should be situated outside of the city centre in order to avoid increasing industrial pollution. However, the project document did not explain how this would affect the capacity of the plant.

The Council further questioned the capacity of WASA, as this agency had limited experience with managing wastewater treatment plants. However, it was acknowledged that the five years of operation and training of WASA staff by the contractor was an adequate risk response.

Finally, the Council asked for an assessment of the prospects of finding Danish companies with sufficient capacity and technological capability to engage in the project.

In collaboration, the Department of Growth and Employment, the Embassy, and IFU responded that Pakistan was included in the Danish strategy for Development Cooperation and Humanitarian Action as one of the countries, with an economy in transition and growth, prioritised by Denmark. As bilateral cooperation had ceased, bilateral trade had increased and several Danish companies operated in the country. The limited resources of freshwater in the region was an underlying source of conflict between Pakistan and Kashmir/India and the project would serve the purpose of demonstrating how to recycle water.

The financial capacity of the project was subject to thorough analysis in the preparation process. Tariffs for the industry had been raised by 50 pct. in 2016. A new increase for both households and industries was approved in 2018. In parallel, Punjab provincial government had provided subsidies to WASA and was considering a substantial increase in subsidies for 2019. In case the revenue from tariffs did not reach a level that could sustain operation and maintenance of the plant in 2028, the government of Punjab would have to provide the needed subsidies. The latter would be discussed as a possible precondition in the “Buyer’s Declaration”, to be part of the final loan agreement.

The illegal habit of using polluted water from the channel (the intake to the plant) for irrigation had been a concern of health and food authorities and the police for several years. Part of the DBF project was to cover the channel with concrete slaps to prevent this practice. It was the responsibility of the irrigation department and WASA to ensure that the peasants would have adequate alternatives for irrigation. DBF would ensure that the detailed design of the project included an analysis of what was needed in order to make the peasants comply with the law and regulations and possible irrigation alternatives such as the construction of groundwater wells.

The possible land compensation issues, which were related to the construction of the plant, would be settled according to the IFC’s performance standard for land acquisition and resettlement. This would be a precondition described in the “Buyer’s Declaration”, as would the government of Punjab’s final approval of Environmental Impact Assessment.

According to the law, establishment of new industries in Faisalabad city was prohibited. In the future, new industries would be placed outside the city in an industrial zone. The authorities in Faisalabad had also started a campaign in order to move existing industries to the industrial zone - or to have them investing in pre-treatment plants. The initiative was expected to limit the existing number of industries and thereby reduce the polluted wastewater from industry. The wastewater treatment plant was designed to handle the existing level of industrial pollution together with an increase in wastewater from households. When the industrial pollution was reduced, the plant would be able to adjust operations and save cost of operation and maintenance.

During the preparation process, IFU/DBF had consulted with relevant Danish companies, which either alone or in a joint venture/consortium would have capacity to implement the project, and it was the impression that the companies had both capacity and interest in the project.

Summing up, the Chairman noted that the main concerns of the Council had been focused on sustainability and capacity – both among Danish companies and in Pakistan, where the government’s support was required. Furthermore, the peasants living along the channel needed to accept alternative sources of irrigation. The Chairman recommended DBF to invite the relevant labour union to participate in monitoring labour conditions during construction and operation of the plant.

Agenda item no. 3. Anti-corruption Programme 2019-2022

For discussion and recommendation to the Minister

DKK 100.0 million

(Department for Technical Quality Support, KFU)

Summary:

The Anti-corruption Programme 2019-2022 addresses one of the priorities of Denmark’s strategy for development cooperation and humanitarian action - The World 2030. Based on both existing and new partners, the programme applies a multi-stakeholder approach to fighting corruption by engaging with both multilateral organisations, civil society organisations, academia and the private sector. The programme opens up for synergies across thematic areas and sector-based approaches. Furthermore, the programme will follow up on the outcome of the 18th International Anti-Corruption Conference hosted by Denmark in 2018. The programme will be implemented over four years with an annual budget of DKK 25 million amounting to DKK 100 over the programme period.

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

The Council welcomed the well-written programme document and the programme in light of the importance of fighting corruption in order to deliver on one of the main objectives of Denmark’s development cooperation. The Council found the choice of partners relevant and highlighted the merits of involving the different types of partners in applying a holistic approach to curbing corruption. Involvement of the private sector in the form of the Maritime Anti-Corruption Network was emphasized in this regard.

The Council saw the programme as a natural continuation of Denmark’s ambitions under the international anti-corruption agenda as also expressed through the hosting of the 18th International Anti-Corruption Conference in 2018.

The Council asked about how issues of anti-money laundering, promotion of beneficial ownership transparency, and tax evasion were addressed as part of the programme. The Council supported the suggested approach focussing on sector-specific characteristics of corruption.

The Council found it positive that resources had been allocated for elaboration of learning notes. Reflecting over the relation between corruption and economic growth, the Council highlighted how research could draw a complex picture stating that corruption, under given circumstances, could promote economic activity. Against this backdrop, the Council suggested a nuanced approach focusing on the clearly negative aspects of corruption.

The Council highlighted the importance and potential of using new technologies as tools of anti-corruption. Tech solutions could be an efficient avenue for preventing and fighting corruption, which would be relevant to explore through the programme. It was further noted that Denmark could play a particular role regarding the use of such technology. Furthermore, in engaging youth in the anti-corruption agenda as agents of change, the use of new technologies could offer special potential.

The Department for Technical Quality Support (TQS) responded that issues related to policies of foreign governments were addressed through the partnership with UNODC in supporting the second review cycle of the United Nations Convention against Corruption (UNCAC). Furthermore, Denmark intended to support UK's initiative to establish a Beneficial Ownership Leadership Group (BOLG), which aimed at gathering support for beneficial ownership transparency at political level. The BOLG was scheduled to be launched under the Open Government Partnership Global Summit in Ottawa in May 2019.

TQS highlighted how corruption in development cooperation was viewed as clearly negative referring to how the long-term systemic effects of corruption have always had detrimental effects on society. For that reason, issues of corruption were routinely addressed in the governance programmes of Denmark's development cooperation.

Finally, TQS agreed on the importance of technology as a tool for anti-corruption. Digital solutions were already demonstrating how the risk of corruption could be mitigated through technological means. Use of technologies would be explored by the partners as part of the anti-corruption programme.

Summing up, the Chairman noted that the main concerns of the Council had evolved around the choice of partners, Denmark's comparative advantages regarding technological solutions, and the possibilities as well as barriers in relation to fighting corruption internationally.

Agenda item no. 4. Evaluation Programme 2019-2020

For discussion

(Department for Evaluation of Development Assistance, EVAL)

The Department for Evaluation of Development Assistance (EVAL) presented the Evaluation Programme for 2019-2020. In the presentation, special emphasis was put on how EVAL had worked on the uptake of evaluations, a point which the Council for Development Policy had enquired about in the discussion of the previous years' Evaluation Programme. EVAL mentioned two recently published evaluations, which had gathered significant public interest; "The Evaluation of the Ghana-Denmark Partnership" and "The Evaluation of Water, Sanitation and Environment Programmes in Uganda". Both evaluations had focused on Denmark's role in the partnership, and both were examples of what long-term presence in partner countries could achieve. The two evaluations presented a history of Danish approaches to development cooperation, encompassing flexibility and predictability as well as an adaptive approach to partnerships. EVAL

also noted that the upcoming publication of the IFU-evaluation was likely to generate interest and discussion.

EVAL explained that the 2019-2020 Evaluation Programme would focus on five overall themes and mentioned the focus on addressing the challenge of evaluating multilateral partnerships, taking into account the good donor-ship principles governing the relationship with our multilateral partners. EVAL also emphasized the programme's focus on development finance, as well as on climate change.

The Council commended EVAL for an interesting and ambitious programme with relevant themes. The Council noted that the budget set aside for evaluations was relatively small in comparison with like-minded donors. In this regard, the Council asked how this ambitious programme would be implemented with the resources available for evaluation.

While thematic evaluations were very relevant, the Council also found it positive that there was room for evaluations of longer-term, country specific engagements. Regarding thematic evaluations, the Council warned against looking isolated at specific themes as some of them should often be seen in relation to other themes. One such example was civil society. Another relation, which could be interesting to investigate, would be that between climate change and migration. The Council acknowledged the difficulties of evaluating funds channelled through multilateral institutions, but underscored the importance of holding these institutions accountable with respect to their performance.

The Council noted that, while three of the four strategic aims in the strategy for development cooperation and humanitarian action seemed to be covered by the proposed Evaluation Programme, the strategic aim of democracy, human rights and gender equality seemed to be missing. It was further noted that the programme did not include evaluations of development cooperation with neither Afghanistan nor Tanzania, which both seemed to be very relevant to evaluate at the present moment. The Council inquired whether there could be a role for the Council in the systematic follow-up on the recommendations two years after each evaluation. The Council further asked whether EVAL could possibly take on a task of comparing different development instruments and look into their comparative efficiency. It was further questioned whether the SDG indicators could be used in the evaluations.

The Council had taken note of the focus on disseminating results of evaluations, remarking on the increased visibility of evaluations in the general debate and through initiatives taken by EVAL. The Council emphasized the importance of disseminating results and encouraged EVAL to continue its focus on this. The Council further recommended enhancing focus on communicating the outcome of evaluations broadly and in this regard considering whether collaboration with other stakeholders could be relevant. The Council further recommended investigating whether evaluations could play a stronger role in decisions on future development trends and initiatives.

EVAL responded that the programme was based on an assessment of what is possible with the current resources available. On the issue of gender and human rights, EVAL responded that the evaluation of Denmark's support to protection and promotion of human rights portfolio had

been published in 2018, and that EVAL had conducted evaluations of gender equality and SRHR. Furthermore, an evaluation of the Danish UNSCR 1325 National Action Plan was ongoing. EVAL also noted that Afghanistan had been evaluated extensively a few years back and that Tanzania had been subject to thematic evaluations, for example of PASS Tanzania, a private sector agricultural programme.

Summing up, the Chair thanked EVAL for presenting the programme, praised the dissemination efforts undertaken and requested to revert to the issue of evaluation at a future occasion.

Agenda item no. 5. Thematic discussion: Civic-space

For discussion

(Department for Humanitarian Action, Migration and Civil Society, HMC)

The Department for Humanitarian Action, Migration and Civil Society (HMC) briefed the Council on how the Ministry works to address shrinking space for civil society. Key dilemmas were highlighted in relation to engaging with authorities, supporting civil society, promoting the role of private sector, and addressing opportunities and challenges related to modern technology.

The Ministry found the timing of the discussion highly relevant, on the backdrop of the international conference “Claiming Civic Space Together” organized by civil society with support of the Ministry in the beginning of March 2019. The conference had resulted in a list of recommendations for joint action across sectors. Several eyewitness accounts had provided compelling evidence on the need to address shrinking space and a high number of participants and considerable network- and relations building had contributed to support the ambition of close collaboration. Finally, the conference demonstrated that the pressure on civil society had led to a strong counter-pressure and increased attention on the value of a free civil society.

The Council complemented the Ministry for an informative briefing and a strong and timely effort to address shrinking civic space. It was noted that the Ministry had strengthened its engagement in this area. The Council recognised the dilemmas outlined by the Ministry. In addition, the Council found that the use of the rather technical expression “civic space” could be counter-productive. Instead, emphasizing the rights to speech, association and assembly would be more accurate and make the area more accessible for a broader range of actors.

The Council agreed that there was a sensitive balance to strike between speaking up against repressive governments without losing access to dialogue. The Council asked how Denmark approached this difficult balance, where decisions would always depend on the specific context.

Regarding support to civil society, the Council recommended establishing a rapid response mechanism and enabling flexible funding also to informal civil society movements; actions that were also part of the recommendations resulting from the recent conference. The Council appreciated the close collaboration with Danish civil society organisations, not least related to specific cases and countries of concern. The Council further added that civil society also included actors not supporting democracy and human rights, which made a nuanced view necessary.

On increasing engagement of the private sector, the Council suggested building capacity of private sector actors based on how this sector could engage. It was important to stress how vibrant civil societies contributed to more stable societies and thus conducive business climates. Specifically, the Council suggested that Danish embassies would address this when briefing companies, about business climates in different countries.

However, the Council noted that the role of labour market parties needed attention. Workers' rights to assembly and association was an area witnessing a high degree of shrinking space. The Council supported focusing on issues related to modern technology. Today, social media were a key arena for shrinking space and it was important to stress the right to digital assembly.

Other recommendations included linking civic space to other agendas, including women's rights and SRHR, and anti-corruption; considering cooperation with key regional actors; and collaboration with the research sector. China was highlighted as an influential country and Denmark could attempt to establish further dialogue with China regarding the shrinking space issues. The Council found that governments, civil society organisations and other global actors should express solidarity with civil society actors facing serious attacks.

The HMC Department appreciated the Council's constructive comments and recommendations. HMC agreed with the need to use more commonly known language and especially wished to address space in relation to development and the Sustainable Development Goals.

In relation to engagement with authorities, HMC explained that Denmark was using different instruments in addressing civic space concerns. EU dialogue was a key instrument since concerted action of likeminded countries had more impact than Denmark acting alone.

On the need for a rapid response mechanism, HMC highlighted that Denmark had provided a 2-year grant to the organisation *Front Line Defenders* in December 2018, supporting emergency assistance to female human rights defenders. In addition, the EU had different modalities that were not always well known. Denmark would encourage the EU to share information at country level about available modalities and mechanisms.

HMC appreciated the positive comment on the collaboration with Danish NGO partners. This reflected a clear ambition of the Ministry, not least related to strategic partners. HMC welcomed the useful comments on how to strengthen engagement of private sector. HMC further agreed that workers' rights was an important area that could have been explicitly included in the briefing. The area of Workers' rights was addressed through different modalities, including partnerships with the Labour Market Consortium; support to ILO through core support and project agreements in Ukraine and Georgia; and bilateral country engagements including in Bangladesh and Myanmar.

Summing up, the Chair underlined that the Council had been pleased with the briefing and the Danish engagement in the area, and that there had been a constructive discussion on different challenges. The Council would welcome a later opportunity to re-visit the area.

Agenda item no. 6. AOB.

No points were raised.