Minutes from meeting in the Council for Development Policy 5 September 2017

Present:

Members:	Professor Emeritus Georg Sørensen, University of Aarhus (chair) Vice Secretary-General Tania Dethlefsen, The Danish Family Planning Association (vice chair) Deputy Director General Thomas Bustrup, Confederation of Danish Industries Director Jan Laustsen, The Danish Agriculture & Food Council Head of Projects Tine Bork, The Danish Federation of Small and Medium-sized Enterprises Partner Marina Buch Kristensen, Nordic Consulting Group Associate Professor Michael W. Hansen, Copenhagen Business School Senior Researcher Lars Engberg-Pedersen, Danish Institute for International Studies General Secretary Birgitte Qvist-Sørensen, DanChurchAid Director Mads Bugge Madsen, The LO/FTF Council
MFA:	Minister for development cooperation Ulla Tørnæs (agenda item 4) 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 Finance Mette Brink Madsen, Department for Technical Quality Support
Agenda item 2:	Head of Department Ole Thonke and Chief Adviser Jørn Olesen, Department for Growth and Employment, VBE
Agenda item 3:	Head of Department Nanna Hvidt and Chief Adviser Lars Christian Oxe, Evaluation of Development Assistance, EVAL
Agenda item 4:	Deputy Head of Department Signe Skovbakke Winding Albjerg, Chief Adviser Mette Bech Pilgaard and Head of Section Mirja Matilde Crone, Department for Development policy and Finance, UPF
Agenda item 6:	Head of Department Henriette Ellermann-Kingombe and Chief Adviser, Jesper Segelcke Thomsen, Department for Multilateral Cooperation and Climate, MKL

Agenda item no. 1: Announcements

There were no announcements.

Agenda item no. 2: SDG investment fund
DKK 100 million
For discussion and recommendation to the Minister
(Department for Growth and Employment, VBE)

Summary
The SDG Investment Fund aims at contributing to the achievements of the SDGs in developing countries by enhancing development relevant, inclusive and sustainable investments in affordable and clean energy, climate, industry, food and agribusiness and other SDG key areas. The SDG fund is expected to have a size of DKK 5-6 billion of which institutional investors are expected to contribute 50%. The capital will be invested over a four-year period. The investments of the funds will promote the mobilisation of additional private capital from other sources by an estimated factor 7. The estimated outcomes of the Fund include: Total mobilisation of DKK 30 billion of private capital, the creation of about 30,000 direct decent jobs for women and men, and an additional 30,000-60,000 indirect jobs, a comprehensive installation of renewable energy, a comprehensive reduction of green-house gas emission from sustainable energy investments, considerable annual local tax contribution, and compliance with international standards for responsible business conduct.

The Council for Development Policy recommended the project for approval by the Minister for Development Cooperation. However, the Council agreed that a separate note should be prepared to clarify the following issues:

- The linkage between the indicators of the SDG Investment Fund and the UN adopted indicators for the SDG targets
- The future role of "IFU classic" within IFU's governance structure
- The transparency of the reporting and communication on processes and results on responsible business conduct

The note will be annexed to the project document and inform the Minister in the approval process.

The Council found the SDG Investment Fund proposal relevant and fully justified, and the Council expressed that it would be interesting to follow the progress and performance of the Fund. The Council also found that IFU had the required capacity to manage the Fund, but some members emphasised the importance of monitoring whether IFU's sustainability department had the right capabilities, including mandate to object to projects, which were not able to demonstrate SDG benefits. The Council noted that the Fund would invest in relatively large projects, and that the Fund on average would invest DKK 100 million in each project. The Council asked if there would be an adequate pipeline of relevant bankable investment projects. The Council noted that the Fund in particular would invest in economic and environmental SDGs, but wanted to know to what extent the Fund would be able to invest in health and education.

The Council noted that the Fund was based on several new elements including the size of the Fund, the size of the individual projects and blending. In this respect the Council expressed some concern whether IFU continuously would be able to allocate the required resources to "IFU classic". The Council requested more details on how IFU's contribution to the Fund would be financed and emphasised that sufficient funds should be reserved for "IFU classic". The Council also indicated that the risks related to the Fund's investment projects may be higher than indicated in the project document, e.g. because large investment projects may be associated with relatively higher political risks. The Council further asked whether there was a risk that there would not be enough Danish investors.

The Council indicated that the project document did not provide a clear linkage between the indicators of the SDG Investment Fund and the UN adopted indicators for the SDG targets, and that the project document should have been formulated within a SDG framework. The Council also noted that IFU's Development Impact Model and the associated indicators were possibly not sufficient to capture development effects. Some members underlined that the SDGs are interrelated and that it is important that co-benefits and impact studies are considered for investment decisions.

The Council acknowledged that the project document explicitly addressed responsible business conduct, but the Council asked for more information on how the transparency of the Environmental, Social, Governance (ESG) action plan, as well as reporting and communication would be strengthened. The Council acknowledged that IFU was working with sensitive commercial information from individual companies but asked whether IFU could produce a more generic annual report on implementation of its ESG action plan including an overview and analysis of the outcome of the complaints received through the IFU grievance mechanism. The Council further noted the importance of IFU's sustainability board, but emphasised that the sustainability board only had an advisory role and not a monitoring role. The Council also suggested a stronger focus on the involvement of civil society organisations in relation to the investment projects. Finally, the Council noted that different job terms were applied in the project document and wanted to know whether the job terms were based on ILO's definition or another definition.

The VBE department informed that IFU was well aware of the importance of developing an adequate pipeline of bankable investment projects. IFU was continuously strengthening its co-operation with international and local project developers. In 2016, IFU's project development capacity had been addressed through a project development appropriation to IFU in order to promote the preparation of bankable projects. VBE informed that generally it would be challenging to identify commercially based projects within health and education, but that new business models gradually might enable such investments. New business models had e.g. facilitated commercial investments in renewable energy.

VBE informed that there has been a strong focus on risk mitigation. The investments would be conducted in different countries and sectors, and profit and loss would be based on the entire portfolio. IFU was also exploring opportunities to access relevant commercial and political risk guarantee products. VBE underlined that IFU would still give priority to "IFU classic", which typically would comprise investments in projects that were too small or too risky to be financed under the SDG Investment Fund, and adequate financial resources would be reserved for "IFU classic". The Ministry of Foreign Affairs and IFU would also give continued high priority to the specific facility for Danish SMEs.

VBE mentioned that much effort had been made to establish a linkage between the SDG Investment Fund indicators and the indicators for the SDG targets. However, with the exception of a few SDGs it had proved to be very difficult to establish an operational linkage to the SDG indicators. VBE mentioned that the Ministry and IFU would continue to focus on sustainability and responsible business conduct in its reporting and communication. Finally, VBE informed the Council that jobs were defined in accordance with international standards for decent work as defined under relevant ILO standards.

The Chairman concluded that it was a relevant project, however, there was a need for additional information on a number of key issues, including the link between the SDG investment Fund and the indicators for the SDG targets, the future of "IFU classic" and the transparency of the reporting and communication on processes and results on responsible business conduct. In conclusion, it was decided that a written response should be drawn up and annexed to the project documentation as well as serve as information to the Minister upon presentation of the project for final approval. Finally, it was recommended that the Council get an opportunity to revisit the SDG Investment Fund after the midterm review in order to be informed on progress, results and lessons learned.

Agenda item no. 3: Building Stronger Universities (BSU), Phase III
DKK 90 million
For discussion and recommendation to the Minister
(Evaluation of Development Assistance, EVAL)

Summary:
Building Stronger Universities (BSU) aims at increasing the capacity of African universities in terms of their teaching, research and outreach. BSU will support collaboration between six universities in Tanzania, Ghana and Uganda and consortia of Danish universities within specific thematic areas. The third phase of BSU runs from 2017 to 2021 with a total budget of DKK 90 million.

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

The Council found the programme relevant and useful. Continuing to build university capacity through partnerships with Danish universities holds the potential for future collaboration under other research funding and the Council found the peer-to-peer model interesting – also for other areas of support.

The Council noted that the programme had previously experienced some weaknesses regarding the ownership of the partnerships. Furthermore, during the first phase the programme was heavy on Danish initiatives, while in the second phase it was heavy on South-driven initiatives. In this regard, the Council raised questions regarding the motivation and possibilities for Danish researchers to participate in the largely South-driven partnerships.

The Council commended that the third phase would cover four years, as the earlier two -year phases had made it difficult to get the partnerships up and running before they ended. Due to the long-term nature of university capacity building, the Council was concerned about the sustainability aspects of the partnerships when BSU would end, and asked whether a further continuation, scaling up or duplication was envisaged.

The Council noted that fewer countries were included in this new phase and questioned whether it would be possible to expand the programme to other countries in the future. The Council recommended paying attention to the fact that there was a huge technological gap between Denmark and the countries in question.

The Council recommended involving the private sector, civil society and social partners in university outreach. Finally, the Council asked questions regarding the risk of implementing BSU in an environment of deteriorating freedom for research in some countries, as well as how the Danida alumni could be used actively in the interest of Danish policy objectives and trade in the countries.

The Evaluation Department underlined that sustainability would be an issue that required attention throughout the implementation and emphasised the possibilities for other Danish funding through competitive research grants. For this third phase of the programme, a consolidation building upon the good experience of the second phase was emphasised and a possible continuation or replication of BSU partnerships would be considered in the light of the results from this coming phase of support. Several of the partnerships included support not only to promote the use of research results, but also to strengthen consultation with private sector and government partners in relation to setting research agendas and transforming the university education to being research-based. The freedom of universities was indeed under pressure. However, this had not so far seemed to have any repercussions for BSU in these countries and the involved universities, but the risk should continuously be observed. The Evaluation Department furthermore explained the work of Danida Fellowship Centre in relation to using Danida alumni (who can be counted in the thousands) more actively in the countries with Danish research collaboration.

In conclusion, the Chairman noted that the programme was a consolidation of existing partnerships under BSU, Phase 2, with an enhanced focus on fewer thematic areas of cooperation. The programme was likely to continue to meet some challenges in its implementation, notably in relation to overall linkages to competitive research grants, the Danish researchers' motivation to participate, as well as how PhDs under the programme were identified and counselled. Finally, the programme could be seen as a good example of using partnerships to strengthen capacity, which could potentially leverage other funding.

Agenda item no. 4: Information regarding the Finance Act proposal for 2018

Information from the Minister for Development Cooperation followed by Q&A

(Department for Development Policy and Financing, UPF)

The Minister for Development Cooperation expressed satisfaction with the increased budget for Danish development assistance in the Government's Finance Act proposal for 2018. The Government allocated a total of DKK 15,878.2 million to development assistance, equalling 0.7% of GNI. The budget under § 6.3 Development assistance to developing countries would increase by approximately DKK 2.6 billion compared to the Finance Act for 2017. The increase was mainly attributed to the reduced in-donor refugee cost due to the reduced number of asylum seekers in Denmark and to the economic growth as expressed by an increase in GNI for 2018.

The four strategic objectives in Denmark's strategy for development cooperation and humanitarian action constituted the overall framework for the Government's financial prioritisation of its development cooperation in 2018. The Government particularly plans to increase efforts to improve the situation in countries and regions affected by war and conflict i.e. through enhanced coherence between humanitarian assistance and development cooperation. A record high budget of DKK 2.5 billion was allocated to humanitarian assistance. In addition to the humanitarian assistance, other budget posts would contribute to improve the situation in countries and regions affected by war and conflict. This included DKK 150 million allocated to the Regional Development and Protection Programme in Lebanon, Jordan and Northern Iraq, DKK 325 million allocated to the Peace- and Stabilisation Fund, DKK 200 million to the Danish-Arabic Partnership Programme and DKK 160 million to the Neighbourhood Programme for Ukraine and Georgia.

Moreover, the Government would strengthen the focus on migration including the readmission of developing countries' own citizens without a legal permission to stay in Denmark. A budget of DKK 450 million was earmarked to the handling of migration, including DKK 300 million for replenishment of the European facility for refugees in Turkey, a DKK 25 million contribution to the International Organisation for Migration, DKK 50 million addressing migration issues, and DKK 75 million was earmarked to return and readmission.

The Government further planned to increase development financing, especially for sustainable growth and employment by mobilising private capital and bringing Danish knowledge and competences into play. DKK 490 million was reserved for innovation, technology and financing, including DKK 325 million for Danida Business Finance, DKK 80 million for Danida Market Development Partnerships, and DKK 60 million for promoting innovation and application of new technologies. Moreover, Partnering for Green Growth and the Global Goals (P4G) would succeed 3GF and be given an annual budget of DKK 45 million.

Finally, the Government would invest DKK 700 million through multilateral initiatives to improve the sexual and reproductive health and rights of women and girls - the highest amount ever to be allocated to this area in the Finance Act. This included a strengthened support for hiv/aids activities; DKK 40 million in support of UNAIDS and DKK 150 million to The Global Fund to Fight AIDS, Tuberculosis and Malaria in both 2018 and 2019. Stressing that education was important for equality and girls' rights, not least in fragile states and situations, the annual contribution to the Global Partnership for Education would increase to DKK 250 million.

In addition to the four strategic objectives, the Government would prioritise young people and would strengthen young people's opportunities to participation and influence their own societies and international politics.

The Council welcomed the increased financial frame for development assistance in 2018 and the clear link between the strategy for development cooperation and humanitarian action and the priorities in the Finance Act. The Council found the focus on improving sexual and reproductive health and rights of women and girls positive and asked for a status of this agenda in a global perspective. In this regard, it was also recommended not to forget the rights of men and boys. The Council recognised the strong focus on assistance to countries and regions affected by war and conflicts. Similarly, it was noted that migration was more prominent in the Finance Act and the Council asked for guidance on its role regarding this matter. One important aspect of addressing migration was to focus on root causes of migration, and other aspects included the role of remittances. The Council inquired about the new ambassador for migration and the application of the more-for-more approach.

The Council appreciated the reorganisation of civil society support and expressed high expectations towards the new partnerships. Likewise, the focus on inclusive sustainable development was acknowledged. It was recommended not focussing solely on large projects while forgetting small and medium sized actors. The importance of a variety of activities and approaches was stressed. Finally, the Council inquired about Denmark's influence on the European Union's development policy as Danish contributions through the EU budget amount to approximately DKK 2 billion in 2018.

Regarding sexual and reproductive health and rights of women and girls, the Minister stressed that this agenda was under an increased political pressure, not only due to the changed US administration but also within the EU. However, the agenda was a key priority for the Government and Denmark would continue to be vocal in the fight for gender equality. The Minister further informed about "The New European Consensus on Development" which was approved in spring 2017. The Consensus was in line with the Danish strategy for development cooperation and humanitarian action, and Denmark had succeeded in putting clear fingerprints on the Consensus.

Agenda item no. 4: Peace and Stabilisation Response 2018-2022

The programme had been taken off the agenda and would be presented to the Council at the meeting scheduled for 26 September 2017.

Agenda item no. 5: Organisation Strategy for Denmark's engagement with the Global Green Growth Institute (GGGI) 2017-2019

For discussion and recommendation to the Minister
(Department for Multilateral Cooperation and Climate, MKL)

Summary:

The new Danish organisation strategy for Global Green Growth Institute (GGGI) will form the basis for the Danish engagement with GGGI in the period 2017-2019. Denmark's core support to GGGI in this period will be DKK 60 million. GGGI is dedicated to a global transformation to green growth and its mission is to support developing and emerging countries in demonstrating new pathways to climate resilient and pro-poor economic growth that simultaneously targets transformational aspects of economic performance, social inclusion and environmental sustainability. GGGI advises governments in establishing frameworks for green growth, and thereby paving the way for the financial sector and financing institutions to provide funding for capacity development and investments.

Based on the draft Organisation Strategy, the Council for Development Policy recommended the core support to GGGI for approval by the Minister for Development Corporation.

The Council welcomed the organisation strategy for GGGI and noted that the organisation had put past administrative problems behind and that sound financial management systems had been put in place. The Council asked questions regarding GGGI's comparative advantage and the possible synergy with other Danish initiatives as well as the main risks faced by GGGI.

The Council asked about the solidity of the donor base, including why there were so relatively few OECD donors, the prospect of membership from China or other BRICS countries, and whether it was considered likely that the EU would join GGGI. The Council stressed the importance of the private sector, including linking up with Danish companies. In this regard, a Danish secondment could possibly be helpful. The Council found it important that GGGI sharpened its profile and became better at formulating what they could offer private companies. The Council further enquired about the concept of green jobs and noted that social partners were not mentioned. The council also asked about GGGI's concrete results, including its experiences with bankable projects and climate financing, and further asked questions regarding the GGGI approach of embedding staff directly in the ministries.

The Council underlined the importance of consolidation and inquired how this was possible with the expansion of staff and new countries. The Council asked about how Denmark would follow the developments in GGGI, when it was no longer a member of the board. Finally, the Council found it positive that GGGI had adopted a gender strategy, however, the Council asked questions regarding its implementation and how it fitted into the results framework.

The MKL department responded that GGGI, through its focus on green growth, had a specific position in the global climate architecture. The main risk for the success of the Danish grant to GGGI was that the organisation would not be able to deliver transformational green growth within a short time-span. However, the fact that GGGI was directly embedded in relevant ministries gave it a comparative advantage. Examples of GGGI's work and results with climate finance were cited.

MKL agreed with the Council that consolidation would be crucial to deliver these results. Denmark was currently discussing a secondment to GGGI within the private sector, which also should strengthen collaboration with Danish companies and other Danish initiatives. It was explained that Denmark pushed for a broadening of the donor base to reduce risks, and GGGI collaborated with Germany, the Netherlands, Luxembourg and Italy, which could be a first step towards membership. Discussions regarding EU-membership were on going and GGGI had also engaged with China and India. Finally, it was stressed that even when Denmark, as expected, steps down from the GGGI Council seat, Denmark would continue to follow GGGI's development and seek to influence it.

In conclusion, the Chairman stressed the importance of ensuring consolidation of GGGI, securing an increased role for the private sector as well as keeping an eye on the organisation's donor base.

Agenda item no. 7: AOB.

Following up on the discussion with the Minister for Development Cooperation, the State Secretary for Development Policy suggested having a thematic discussion on migration, including activities in support of addressing root causes of irregular migration, capacity to handle irregular mass migration, as well as considerations on readmissions. Furthermore, a discussion with the Minister for Development Cooperation on the implementation of the strategy for development cooperation and humanitarian action was suggested. In this regard, the Council asked for a discussion of development cooperation in a more long-term perspective.