

Minutes from meeting in the Council for Development Policy 28 March 2017

Present:

- Members: Professor Emeritus Georg Sørensen, University of Aarhus (Chair)
Deputy Director General Thomas Bustrup, Confederation of Danish Industries (agenda item 1-3)
Director Jan Laustsen, The Danish Agriculture & Food Council
Head of Projects Tine Bork, The Danish Federation of Small and Medium-sized Enterprises
Associate Professor Michael W. Hansen, Copenhagen Business School
Senior Researcher Lars Engberg-Pedersen, Danish Institute for International Studies
General Secretary Birgitte Qvist-Sørensen, DanChurchAid
International Director Gunvor Bjerglund Thomsen, The Danish Youth Council (except agenda item 4)
Director Mads Bugge Madsen, The LO/FTF Council (except agenda item 4)
- MFA: Martin Bille Hermann, State Secretary for Development Policy (agenda item 1-4)
Morten Jespersen, Under-Secretary for Global Development and Cooperation
Nicolaj A. Hejberg Petersen, Head of Department for Technical Quality Support
Erik Brøgger Rasmussen, Head of Department for Development policy and Finance
Mette Brink Madsen, Department for Technical Quality Support
- Agenda item 2: Ambassador Mogens Pedersen, Deputy Head of Mission Majbrit Holm Jakobsen, Special Adviser Lise Abildgaard Sørensen and Special Adviser Søren Høgsbro Larsen, Embassy Kampala
Head of Department Anders Garly Andersen, department for Africa
- Agenda item 3: Ambassador Winnie Estrup Petersen and Special Adviser Fenja Yamaguchi-Fasting, Embassy Bamako
Head of Department Anders Garly Andersen, department for Africa
- Agenda item 4: Deputy Head of Department Nikolaj Harris, Chief Adviser Jette Samuel Jeppesen, Chief Adviser Kurt Mørck Jensen and Head of Section Simon Wandel-Petersen, Department for Middle East and North Africa
- Agenda item 5: Head of Department Morten Elkjær, Chief Adviser Marie Wibe and Chief Adviser Niels Egerup, Department for Growth and Employment, VBE
- Agenda item 6: Head of Department Morten Elkjær and Chief Adviser Niels Egerup, Department for Growth and Employment, VBE
Executive Vice President Torben Huss, Investment Fund for Developing Countries, IFU

Agenda item no. 1: Announcements

There were no announcements.

Agenda item no. 2: Country policy paper for Uganda 2018-2022

For discussion

(Embassy Kampala /Department for Africa, AFR)

Summary:

The vision for Denmark's partnership with Uganda is to contribute to the continued development of a stable and democratic Uganda, heading for middle income status through sustainable and inclusive economic growth, while playing a stabilising role in the region. Denmark will promote this vision by following three strategic objectives where Uganda and Denmark have clear converging interests and objectives: 1) Contribute to the poverty reduction through inclusive and sustainable economic development, 2) Promote democracy, good governance and human rights and 3) Support Uganda's stabilising role in the region.

The Council welcomed the paper, supported the outlined objectives and welcomed the consultative manner in which the paper had been developed. While acknowledging the limits of the new more lean country policy paper format, the members of the Council asked for more information in relation to opportunities for Danish companies in Uganda, the framework conditions for the private sector as well as the framework conditions in the agricultural sector. The Council found it positive that Denmark would continue its engagement within agriculture with a focus on value chains and value addition in Uganda. The Council asked for a clarification on how human rights and UN's Guiding Principles on Business and Human Rights would be integrated in interventions supported by Denmark. The Council asked for information on lessons learned from providing sector budget support as well as information on the strength of Ugandan financial management systems, including audit functions.

The Council asked for information on how youth and women would be specifically targeted and who were considered agents of change in Uganda. The Council asked to what degree interventions on climate change had been considered. The Council asked for a clarification of the areas of convergence of Danish and Ugandan interests and priorities, in particular on the SDGs and the likelihood of a democratic political transition leading to more stability and development. Finally, it was underlined that it would be essential to address the challenge of the huge number of refugees in Uganda in order to support stabilisation.

The Embassy underlined that most of the issues raised by the Council would be addressed in more details in the country programme, which would be presented to the Council in October. Issues of human rights, youth, women and corruption would be directly addressed in the thematic programmes of the country programme. Danish business interests in Uganda were still relatively limited but increasing and experiences showed that it was possible to do business in Uganda, but it required a good analysis and understanding of the realities on the ground. The political interference in the agricultural sector was still significant and continued to necessitate focusing on private sector efforts. The country programme would specifically address the hu-

manitarian-development nexus by promoting livelihood and agricultural interventions for both refugees and host communities in Northern Uganda. Climate change adaptation would be an explicit focus in the country programme with funding from the Climate Envelope. While a more democratic development in Uganda in the short and medium term might create some instability, in the long run democracy was desirable, also in order to promote inclusive economic growth.

The Chairman concluded that the Council agreed with the priorities as outlined in the paper. The Council would welcome more information and analysis in the country programme document on the role of agriculture in reducing inequality and increased employment, the political framework conditions for the private sector as well as the role of youth and women in Uganda.

Agenda item no. 3: Country Programme for Mali 2017-2022

760 million DKK

For discussion and recommendation to the Minister

(Embassy Bamako)

Summary:

The country programme for Mali will contribute to the vision set out in the country policy paper of sustainable peace and development underpinned by an inclusive and legitimate state with respect for human rights through three thematic programmes: 1) Peaceful co-existence, 2) Decentralisation and 3) Private sector development where youth and women will be strong cross-cutting actors and beneficiaries. The programme will be robust and flexible to respond to the changes in the fragile context and with a strong focus on results.

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

The Council found that the proposed country programme was based on a solid and appropriate analysis of the Malian context, that the document was thorough and that the approach was coherent with an adequate balance between stabilisation and development. The Council recognised the difficult context and the many challenges in Mali and welcomed that the programme was flexible in order to adapt to changes in the context. In this regard, the Council commended the focus on re-establishing the social contract between the State and citizens. Furthermore, it found it positive to see a strong focus on donor coordination. The Council commended the focus on youth, however, the Council recommended to keep in mind that youth is a very diverse group and that it was important to make a conscious choice when deciding which representatives from this group to work with and adjust the approach accordingly. The Council recommended considering the importance of working with religious leaders in order to influence norms.

The Council pointed out the risks associated with the decentralisation reform and asked whether support to the decentralisation reform was indeed the right way to strengthen state building in Mali. In addition, the importance of not only focusing on structural and systemic changes when working with decentralisation but also focusing on changing the democratic culture in

connection with the implementation of the reform was pointed out. The Council further questioned the engagement with MINUSMA given that the organisation was not always seen as impartial. Furthermore, the Council questioned the continued relevance of Sikasso as a priority region.

Finally, the Council gave a number of recommendations to the future private sector programme, which was to be presented for approval in 2018. The agriculture based value chain approach was strongly supported, as was the focus on youth and women. The Council pointed to the need to include the large informal part of the economy in the considerations and that it was important to strike the right balance between supporting the medium-sized enterprises and the layer of economic actors below that.

The Embassy acknowledged that the decentralisation reform was a difficult area to enter into, but a very important one too, because of its direct link to the implementation of the peace accord and its potential to address some of the root causes of the conflicts. The Embassy underlined that advisor support to decentralisation would have a focus on strengthening partner capabilities. The Embassy was well aware of the risks associated with the decentralisation sector e.g. related to corruption and that part of the support would assist the Ministry in building up proper control systems. Regarding choice of regions, it was explained that Sikasso had been chosen partly because of the longstanding relations with Denmark and partly because it was the poorest region in Mali.

The Embassy recognised the dilemma regarding MINUSMA's role, but highlighted that there was a fruitful on-going cooperation with MINUSMA in relation to the peace dividend projects. It further underlined that MINUSMA had done a great effort to work with local authorities, organisations and populations in a conflict sensitive way, working under extremely difficult conditions. Regarding youth, the Embassy underlined that it would seek to address youth as actors of change rather than beneficiaries of aid and include resourceful young people as well as the less resourceful. Through an engagement with Centre for Humanitarian Dialogue a network for religious leaders with the purpose of countering radical tendencies would be initiated and support for intra-religious dialogue would continue.

In conclusion, the Chairman underlined that the Council could support the programme including the choice of supporting the decentralisation reform and the choice of MINUSMA as a partner. The Council had commended the strong focus on youth and women. Finally, the Council looked forward to discussing the private sector programme when this would be presented to the Council in 2018 as well as revisiting the country programme after the mid-term review in order to discuss progress and possible needs for adjustments.

Agenda item no. 4: Danish Arab Partnership Programme 2017 – 2021

1,000 million DKK

For discussion and recommendation to the Minister

(Department for Middle East and North Africa, MENA)

Summary:

In line with Danish foreign policy interests, the programme's vision is to promote a democratic and stable MENA region. It is a refocused programme taking on board lessons learned from its previous phase while addressing the changing regional context with its many risks and challenges. The programme is slimmed down to four countries and six engagements under the two thematic programmes of governance and economic opportunities. The programme maintains a regional dimension of networking and knowledge transfer. Danish civil society organisations in partnership with Arab civil society organisations is the key programme modality comprising engagements in human rights, gender equality, free media, labour market reform, youth employment and entrepreneurship.

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

The Council found the programme well documented and found it positive that the scope of the programme had been reduced to four countries. The Council noted that the programme was aligned with the recommendations of the review of the Danish foreign and security policy (from May 2016). The Council asked questions regarding the experiences with the tender process and how the competition among the tenderers had contributed to the quality of the programme. The Council further inquired about how the programme would unfold regional activities considering that the four countries were very different. The Council questioned the very ambitious results framework and further raised concerns regarding the risk assessment – it was obviously a programme with many risks involved, but it was also obvious that the engagements were necessary even though it would be difficult.

The Council agreed that the programme's emphasis on youth and women was very relevant although the document operated with a very broad definition of youth. It would be relevant to highlight the engagements concerning young women. The Council found that job creation would be essential and further asked questions on why SDG 10 on inequality was not included in the programme. There were also questions on how dialogue would be implemented. Questions were asked regarding the content of the budget line on programme support. Furthermore, the Council asked how the partners would cooperate with existing donors in the region. Finally, with reference to a general discussion on Theory of Change, the Council mentioned that while the programme had several relevant assumptions, the connection between outcomes and objectives could be more explicit.

The MENA department found that the tender process has resulted in more qualified and thorough project proposals and in cases where there was only one tender for one engagement the quality of the proposal had been equally raised due to the tender requirements as such and a very comprehensive quality assessment throughout the tender process. However, there was also one complaint case among the tenderers. Regarding the regional aspect, all partners had plans for regional activities, but the main priority was to get the programme running in the four

countries and then from 2018 onwards partners would focus on the regional aspect. The results framework would be re-evaluated and adjusted in the inception phase and the programme would carefully monitor risks. It was explained that programme support covered various specific budget lines including the Youth Innovation Facility, the Danish Egyptian Dialogue Institute, advisors, reviews, efforts on communication as well as secondments. This would be presented with proper budget line headings in the final programme document thus reducing programme support considerably. It was explained that donor coordination mechanisms and regular synergy meetings would be facilitated by the Technical Advisory Offices in the region. Focus on women and equality was fairly straightforward under the governance programme, while under the economic programme a number of new and targeted efforts were being introduced by the partners. It was further emphasised that dialogue would be secured through the partnership approach, and the programme also had a separate communication unit. The new Youth Innovation Facility would also have a dialogue focus.

The Chairman concluded that the Council could support the programme while underlining that there were a number of dilemmas when working in a region with high risks and challenges, that the focus on youth was relevant although it was important to differentiate between different groups of youth and to be aware of the different contexts in which the partners were working. Finally, the Council looked forward to a report after the mid-term review and a discussion of progress and potential needs for adjustments.

Agenda item no. 5: Strategic Partnership Agreement between the International Finance Corporate and Denmark

60 million DKK

For discussion and recommendation to the Minister

(Department for Growth and Employment, VBE)

Summary:

The partnership with IFC focuses on catalysing and scaling-up the private sector's contribution to the SDGs through innovative business models to address climate change and by supporting small and medium-sized enterprises in fragile and conflict situations. A financial contribution allocated to IFC's Advisory Services underpins these efforts. The partnership also sets out to forge a stronger collaboration between IFC and Denmark on issues such as impact measurement, collaboration with the United Nations and exchange of best practices. The Partnership Agreement replaces a Memorandum of Understanding between IFC and the MFA from 2010, which delivered convincing results in several areas.

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

The Council welcomed the proposed partnership with IFC and noted that IFC was a key player in the field of private sector development and a vehicle for job creation in developing countries. The Council further noted that IFC was a partner that could leverage and scale sustainable solutions. The Council welcomed a closer collaboration with IFC, especially considering the Danish strategy for development cooperation and humanitarian assistance, which underlined the importance of mobilising business and investors to implement the SDGs. Regarding the SDGs,

questions were asked as to why the programme were not targeting SDG 16 as this SDG, according to the Danish strategy, was supposed to be cross cutting. The Council found it positive that IFC addressed issues on climate change although references to “just transition” and “green jobs” would have been welcome. Furthermore, the Council noted that there had been good experiences from the Inclusive Green Growth Trust Fund but asked for examples of results.

The Council found that the focus of the partnership (i.e. the focus of the financial support) was well aligned with other Danish priorities. The Council also found the partnership’s focus on enhanced cooperation between IFC and MFA on strategic issues important and welcomed opportunities for the two organisations to cooperate and share best practices more frequently. Finally, the Council also underlined the importance of outreach to Danish companies, investors, the Investment Fund for Developing Countries, relevant civil society organisations etc.

The VBE department informed the Council that funds would be allocated through a new Trust Fund, and it was confirmed that other donors would be able to join the Trust Fund. It was also confirmed to the Council that corporate sustainability was an integral part of IFC’s advisory services. It was considered an important area and one Denmark would continue to pursue in its dialogue with IFC to make sure IFC maintains and builds on its leadership role. Outreach and dialogue with civil society could further support IFC in this regard too.

In conclusion, the Chairman found that the Council could support the strategic partnership, however, the Council recommended IFC to be more willing to take risks and be more innovative.

Agenda item no. 6: The MFA’s strategy for the Investment Fund for Developing Countries (IFU)

200 million DKK

For discussion and recommendation to the Minister

(Department for Growth and Employment, VBE)

Summary:

The objective of MFA’s strategy is that IFU shall promote investments that support sustainable development in developing countries and contribute to the realisation of the SDGs. This objective supports Denmark’s national strategy for development cooperation and humanitarian assistance, which underlines that IFU and its managed investment funds shall mobilise large-scale private funding, including from pension funds, foundations and businesses, with a view to investing in sustainable growth, decent employment and technology transfer, for addressing e.g. the climate and environmental problems in difficult markets in the developing countries.

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

The Council noted that the strategy was well aligned with Denmark’s strategy for development cooperation and humanitarian assistance and found it positive that IFU’s investments could contribute to the implementation of the SDGs, which was confirmed by IFU’s existing track

record. The Council further noted that the strategy would require that IFU had the right organisation in place in terms of capacity and competencies. It was important that IFU in line with its growth strategy made the necessary investments in institutional development and human resource development. The Council noted that IFU would continue its focus on supporting Danish SMEs, i.e. through the SMV facility. Furthermore, IFU was addressing the informal sector and access to finance in the developing countries via its microfinance activities.

The Council found that IFU should increase its cooperation with stakeholders, including civil society organisations, who could assist IFU in developing a sustainable pipeline of bankable projects. The Council recommended IFU to organise multi-stakeholder meetings annually. The Council noted IFU's strong focus on decent jobs and other development impact indicators. However, the Council found that IFU should consider strengthening its focus on women and youth.

The VBE department informed the Council that IFU estimated the growth strategy for 2017-2021 would require around DKK 1,000 million in additional capital, which could be funded by a combination of capital contribution (equity) and debt financing based on state guarantees. The 2017 Finance Act allocated DKK 200 million in capital to IFU, which was envisaged to be complemented with additional appropriations in the coming years.

The Chairman concluded that the Council could support the strategy for IFU, which was considered a central and relevant partner when it came to the involvement of the private sector in development cooperation. The Chair further found that it would be relevant to have a general discussion of the development within the informal sector in the developing countries at a future Council meeting.

Agenda item no. 7: AOB.

No points were raised.