

Project Document (Annex A format)

E1 - Early Exploration Facility

Business Instrument E1 under the overall Danish Business Support Initiative

DRAFT

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Acronyms

DAC	Development Assistance Committee
DANIDA	Danish International Development Assistance
DIBE	Danida Innovation and Business Explorer
DKK	Danish Kroner
E1	Emerging Market Explorer (Early Exploration Facility)
E2	Partnership Development Facility (under the Danida Business Initiative)
E3	Direct Enterprise Facility (under the Danida Business Initiative)
E4	Demonstration of scalable project facility (under the Danida Business Initiative)
E5	Impact investor partnerships (under the Danida Business Initiative)
EIFO	Export and Investment Fund of Denmark
EME	Emerging Market Explorer
HRBA	Human Rights-Based Approach
IFDK	Impact Fund Denmark
KLIMA	Department for Green Diplomacy and Climate, Ministry of Foreign Affairs of Denmark
MFA	Ministry of Foreign Affairs of Denmark
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OSS	One-Stop Shop
SDGs	Sustainable Development Goals
SMEs	Small and medium-sized enterprises
SSC	State-to-State Cooperation
TOC	Theory of Change
UN	United Nations

1. Introduction

This document describes the Early Exploration Facility (E1) – henceforth the “Emerging Market Explorer” - one of five instruments under a new overarching business support initiative to achieve the Danish Government’s ambitions on greater engagement by the private sector in the Global South, as stated in Government’s Strategy for Development Cooperation (GSDC) and Action Plan for Effective Economic Diplomacy (GAPEED).

The overarching initiative follows from the vision that Danish private sector engagement can be of mutual benefit in terms of development and growth both for beneficiaries in the Global South and in Denmark. But a proactive effort is called for to achieve this scaled-up Danish businesses’ engagement in the Global South. The new initiative represents this proactive effort. A Strategic Framework document lays out the specific objectives and umbrella that will guide the five instruments and future related efforts under the initiative. Box 1 lists the five instruments.

The Emerging Market Explorer facility aims at strategic objective 1 in the Strategic Framework, “Expanded pool of viable business cases for commercial engagements contributing to inclusive and sustainable development”, and builds on the experience of the Danida Innovation and Business Explorer (DIBE). E1 provides matching grants for time-bound exploration activities to commercially established Danish companies, regardless of size, with organisational capacity and readiness to assess concrete commercial engagement in emerging markets in the Global South. The facility applies to exploration activities in OECD DAC-listed ODA-eligible countries with Danish representation. E1 is positioned as an upstream, catalytic facility enabling Danish private sector actors to make informed and evidence-based decisions on viability and means of further market engagement.

The five instruments under the new initiative are mutually coherent and will be designed and managed to ensure synergies. The Emerging Market Explorer (E1) complements E2 by supporting business case development at the early exploration stage which may become a candidate for funding, for instance, under the E2 maturation window. E3 or E5 also complement E2 by offering investment financing windows for business cases that have proved their commercial viability. Strong direct linkages exist between E2 and E4 which both support multi-actor partnerships: E4 involves a public authority and use private sector-solutions for delivering public sector functions; E2 involves a wider set of non-commercial actors to support viable commercial business models with a development effect.

2. Context, policy alignment, main actors, lessons learned and landscape

2.1 Context and policy alignment

Reflected in the severe gaps in reaching the Sustainable Development Goals (SDGs) by 2030, countries in the Global South continue to face a range of interrelated development challenges including insufficient job creation, particularly for rapidly growing youth populations, limited income opportunities, inadequate working conditions and climate change increasingly affect economic stability and livelihoods. As internationally recognised, public resources alone are insufficient to meet the scale and complexity of current development needs. Private sector engagement is therefore recognized as an important complementary driver of economic activity, employment, innovation and the provision of goods and

Box 1 – Five instruments under the new Danish overall business support initiative

- E1 – Early exploration facility
- E2 – Partnerships on Business and development facility
- E3 – Enterprise support facility
- E4 – Demonstration support facility
- E5 – Impact investor facility

services that respond to development priorities. When undertaken responsibly, and aligned with local needs and regulatory frameworks, private sector engagement can contribute to inclusive growth, technology transfer, strengthened value chains and improved resilience to economic and environmental shocks.

Despite this potential, private sector engagement in many developing and emerging markets remains limited, particularly at early stages of market engagement and in higher-risk contexts. Danish companies considering commercial engagement in the Global South often face multiple challenges including limited access to reliable market information, uncertainty regarding local market demand and supply chain capacity, unfamiliar regulatory and institutional environments and difficulties in identifying suitable local partners. Although companies may foresee commercial engagements that align with partner countries' development priorities, without support mechanisms that reduce information gaps and early-stage risks, companies are unlikely to engage in the markets without adequate understanding of local conditions. Hence the early exploration phase constitutes a critical stage of private sector engagement.

The Strategic Framework for the Danida Business Initiative sets the strategic focus and umbrella for E1, based on the Danish Government's ambitions outlined in its Strategy for Development Cooperation (GSDC) and the Action Plan for Effective Economic Diplomacy. The Strategic Framework provides a coherent framework for a set of five instruments, including E1, that address different stages of private sector engagement. Within this framework, E1 is positioned as an upstream instrument focusing on early exploration, complementing other instruments that support partnership development, feasibility and demonstration activities, and investment readiness. While Danish companies possess relevant competencies aligned with partner countries' development needs, many opportunities are not explored due to early-stage risks and uncertainty. By enabling structured and evidence-based early-stage market exploration, E1 provides a catalytic use of development assistance to improve readiness and incentive for Danish companies to make informed and development-relevant commercial engagement decisions in emerging markets. Through this approach, support to companies functions as a means to mobilise private sector capabilities and resources in support of partner countries' development priorities, rather than an end in itself.

2.2 Main Actors

Danish private sector companies constitute the target group of E1. The facility targets commercially driven companies, regardless of size, that possess sufficient organisational capacity and readiness to explore concrete commercial engagements linked to their core business activities in developing and emerging markets. Participation under E1 is premised on the existence of demonstrated commercial operations, established business activities and a credible commercial rationale for exploration and the capacity to undertake structured assessment of market opportunities.

Small and medium-sized enterprises are expected to represent a significant share of participating companies, reflecting their importance within the Danish business landscape and their relatively higher exposure to early-stage risks and capacity constraints. Larger companies may also engage under E1 where exploration of new markets, value-chain configurations or sourcing opportunities requires structured assessment prior to further commitment. Under E1, companies retain full responsibility for commercial decision-making, including decisions to proceed, adapt or discontinue engagement based on the outcomes of exploration activities. Such decisions must be taken in consultation with the fund manager, and any decisions with budgetary implications are subject to approval by the fund manager.

Local commercial actors in the focus countries are targeted indirectly in so far as the Danish company envisage to partner with these in the business case being explored. The potential for locally-grounded commercial partnerships will be considered positively in the assessment of applications. Other potential **stakeholders** can include public authorities, NGOs, investors and philanthropic foundations, such as those who can be engaged as potential partners, if the Danish companies further engage the market through E2, E3, E4 and E5. None of these stakeholders will be receive support provided by E1.

The **One-Stop Shop (OSS)**, anchored within the Ministry of Foreign Affairs, serves as the primary entry point for companies engaging under Denmark's development and economic diplomacy framework. In relation to E1, the OSS will support coordination, information sharing and coherent outreach across business instruments, in alignment with the strategic mandate of the Danida Business Initiative. The OSS is not involved in project selection or commercial decision-making. The OSS will provide guidance on the outreach process to companies on E1 as well as other business instruments. A detailed description of OSS is provided in Appendix 1.

2.3 Results and Lessons Learned

The design of the E1 builds on the results and experiences from the Danida Innovation and Business Explorer (DIBE), as well as insights gathered through consultations with DIBE-supported companies and Danish representations. In general terms the support mechanism of DIBE have shown to be useful for the companies exploring new markets. However, lessons also indicate a clear need for refinements in technical assistance, clarity, flexibility and alignment with a view to better activate the potential demand for the support. The specific lessons are outlined below:

- a. **Pipeline Inadequacy:** Experience from DIBE indicates that while early-stage exploration support can generate knowledge about markets, the resulting pipeline of opportunities has not always been sufficiently mature to transition into downstream instruments. This highlights the need for an upstream facility that strengthens the quality and coherence of early-stage exploration, thereby contributing to a more qualified pipeline of opportunities that, where viable, can be further developed through E2–E5 under the Danida Business Initiative.
- b. **Effectiveness:** User experience of DIBE demonstrates that early-stage exploration support constitutes an important enabling factor for Danish companies considering engagement in developing and emerging markets. In a context where competition exists in traditional markets, and where engagement in higher-risk markets is associated with significant uncertainty and upfront costs, targeted support at the exploration stage can enable companies to assess opportunities that would otherwise not be pursued. Without such support, many potentially relevant commercial engagements aligned with development priorities are unlikely to be explored.
- c. **Balanced Approach:** Danish representation experience shows that developing and emerging markets differ significantly in terms of market maturity, institutional capacity and development needs. While some markets are characterised by relatively advanced commercial ecosystems, others present stronger development challenges alongside higher commercial risks. This highlights the need for an exploration instrument that allows flexibility across diverse contexts, while remaining aligned with Denmark's development cooperation priorities and ODA eligibility requirements.
- d. **Outreach and Information Dissemination:** Feedback from DIBE-supported companies indicates that awareness of DIBE has been uneven among potential applicant companies, limiting the potential reach of the instrument. There is a need for clear, consistent and accessible information regarding

eligibility criteria, scope of support and application procedures, particularly for small and medium-sized enterprises with limited administrative capacity. For effectiveness, potential outreach for E1 should be adhere to the strategic outreach mandate for all business instruments by One-Stop-Shop (Appendix 1).

- e. **Streamlined Guidelines and Technical Assistance:** While DIBE has been perceived as relatively accessible compared to other business instruments, user experience shows that many companies face capacity constraints in preparing applications and conducting structured exploration activities. Upfront costs, uncertainty regarding eligibility and limited internal resources may act as barriers to participation. In addition, companies may benefit from technical assistance during the exploration phase to support interpretation of findings and assessment of appropriate next steps.
- f. **Adaptive Financial Modalities:** User experience also highlights the importance of proportional flexibility in financial modalities. While existing co-financing ceilings have generally been appropriate for initial exploration, there have been cases where additional limited exploration activities would be required to reach a well-founded decision on further engagement. At the same time, experience confirms that decisions not to proceed in a given market constitute a valid and efficient outcome of early exploration, underscoring the value of instrument's flexibility.
- g. **Refined Financial Thresholds:** User experience from DIBE points to the need for refinement of eligible cost categories to encourage companies to use resources effectively during market exploration. Certain eligibility rules have, in some cases, constrained companies' ability to organise exploration activities efficiently, particularly where engagement requires use of consultants and existing foreign subsidiary staff. This highlights the importance of calibrating financial thresholds while remaining within applicable Danida and state aid requirements.

2.4 Coherence and synergies

E1 is designed to be coherent with and complement the range of wider instruments and services existing to support Danish private sector engagement internationally, including trade promotion, export support, partnership facilitation and investment-oriented instruments. These instruments play complementary roles across different stages of internationalization and market engagement and reflect a broader approach to combining development cooperation and economic diplomacy in support of sustainable

growth in partner countries. Within this landscape, existing services such as Trade Council advisory services, the Green Accelerator, and regional facilities including NOPEF primarily support later stages of market engagement. These instruments typically focus on export promotion, feasibility studies, demonstration activities, investment preparation or project development within specific sectors, including energy and green transition. Trade Council services, in particular, provide commercial advisory support on a fee-based basis, while other instruments support defined downstream activities linked to project development or investment readiness.

	E1	NOPEF	Green Accelerator	Trade Council
User	Danish large, SME and startup companies	Nordic SMEs	Danish SMEs	Danish companies
Purpose	Co-finance exploration of commercial opportunity that contributes to development in partner countries of DK	Fund feasibility and preparation for internationalization / establishment / pilot outside EU/EFTA with climate/environment benefits	Grants to upscale export-ready green projects (market maturity / export scaling)	Advisory and export/investment promotion services for Danish companies expanding abroad
Geography	OECD DAC countries with Danish representation	Markets outside EU/EFTA (not "developing countries" per se)	Not inherently "DK partner countries"; oriented to export markets for green solutions	Global presence via embassies/consulates
Impact	Explicit development (SDG & Paris) alignment, trade-led development for DK partner countries	Climate/environmental benefit focus through commercial projects	Green transition focus of Danish exports, not ODA-driven	Commercial diplomacy; no explicit development additionality
Funding Type	Grant (co-financing)	Conditional loan → grant	Grant reimbursement	Fee based service
Fund Mechanism	Up to DKK 500,000 (50%)	Up to EUR 50,000 (50%)	Up to DKK 1.5m+ (70-80%)	n/a
Activities Funded	Market/business case/partner assessment	Feasibility studies	Upscaling, export acceleration	Advisory services, matchmaking
Incentive	Direct cost-sharing for early market exploration	Small-ticket support for feasibility and pilots	Export-ready green SMEs: larger tickets, later stage	Local market support services depending on willingness to pay

Fig: Landscape Analysis

E1 will address the lesson that many Danish companies face significant barriers at an earlier stage of engagement, particularly in OECD DAC-listed countries. These markets are often perceived as high risk, difficult to explore, and characterised by limited availability of reliable market information. As a result, concrete commercial opportunities aligned with development priorities may remain unidentified or insufficiently assessed. Other instruments and services generally are not targeted at providing risk-sharing support for early-stage market exploration, nor address uncertainty at the point where companies are still assessing whether a viable commercial engagement exists.

Here E1 has a distinct role in the existing support landscape by focusing specifically on early-stage exploration of concrete commercial engagements in developing and emerging markets. Unlike export promotion or investment-oriented instruments, E1 supports time-bound exploration activities aimed at reducing information gaps and uncertainty that impacts decision-making on development-related market engagement. In doing so, E1 provides support at an initial stage where commercial engagement is perceived as high risk by Danish companies.

E1 is therefore complementary to existing Danish and Nordic instruments and services. E1 does not duplicate Trade Council advisory services or downstream support by other instruments. Rather, E1 operates upstream of these mechanisms by enabling companies to identify, assess, and qualify potential commercial engagements that may, where viable, be pursued further through other instruments or

commercial channels. The OSS (Appendix 1) will play a key role in ensuring E1's coherence with these other instruments.

E1 will work in conjunction with the four parallel instruments (E2-E5) supporting the overall objective of Danida Business Initiative. E1 will contribute in building a pipeline of business cases with potential for further market engagement with possible support under E2-E5, Africa Facility, SDG fund II or other funding sources.

3. Objectives, outcomes, TOC, key assumptions, Target Countries

3.1 Objectives and outcomes

Together with the other four instruments, the facility contributes to the Strategic Framework's high-level objective, "Sustainable development, job creation, and inclusive growth in the Global South through an upscaled and strengthened private sector contribution"

The **strategic objective** of E1, the Early Exploration Facility, is:

- Expanded pool of viable business cases for commercial engagements contributing to inclusive and sustainable development (strategic objective 1 in the Strategic Framework).

E1 has one main **outcome**:

- Improved readiness and incentives for Danish companies to make informed and development-relevant commercial engagement decisions in emerging markets, by enabling structured and evidence-based early-stage market exploration.

In practical terms, E1 addresses an important gap in the existing business support landscape by supporting Danish companies at the stage where concrete commercial engagements are still being identified and assessed. Companies supported by E1 are expected to improve their readiness and incentives to engage responsibly in developing and emerging markets. Improved access to information and reduced early-stage uncertainty strengthen companies' ability to determine appropriate next steps, including whether to proceed with further engagement, adapt market approach or discontinue exploration where conditions are assessed as non-viable. Over time and where viable, engagements are pursued beyond the exploration phase that translate into strengthened private sector contributions to sustainable development outcomes. These impacts materialize beyond the implementation period of E1 and are therefore assessed at contribution level, recognizing the upstream and exploratory nature of the facility.

3.2 Theory of Change and Key Assumptions

E1's Theory of Change is based on a causal relationship between development challenges in partner countries, market failures affecting private sector engagement and targeted upstream intervention to address these constraints. E1 is designed to address these constraints by reducing information gaps and early-stage risks, thereby enabling more informed and development-relevant commercial decision-making. Through this logic, E1 contributes to improved readiness for private sector engagement and to broader development outcomes beyond the exploration phase supported.

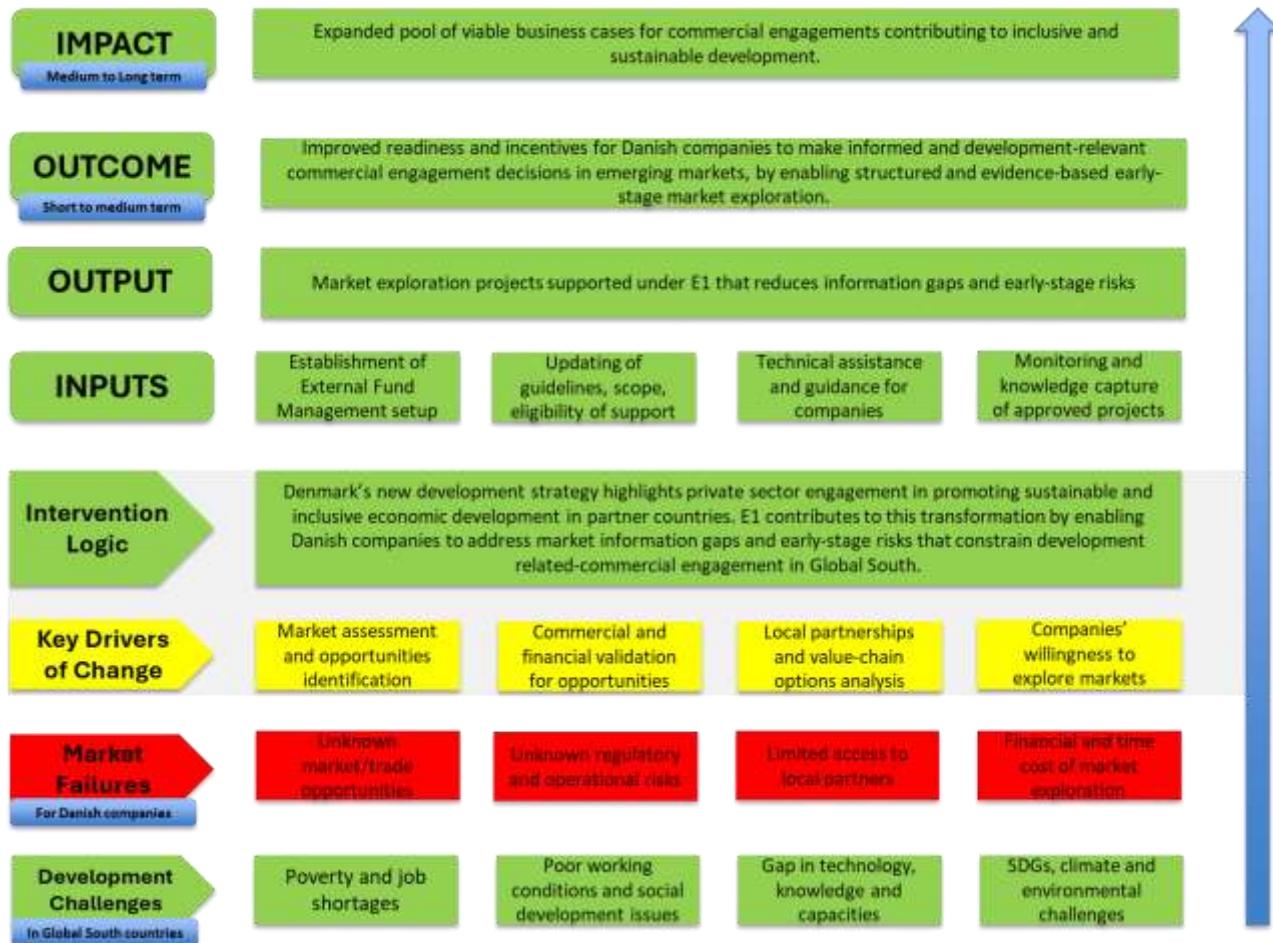


Figure: Theory of Change

Development challenges, market failures, and key drivers of change - Developing and emerging markets face persistent development challenges. At the same time, private sector engagement that could contribute to addressing these challenges is often limited by market failures affecting companies at the exploration stage. Key drivers of change include improved market assessment and opportunity identification, commercial and financial validation of opportunities, analysis of partnership and value-chain options and increased willingness of companies to explore emerging markets when early-stage risks are reduced.

Intervention logic and expected results - E1 responds to these challenges by providing targeted, time-bound support for early-stage exploration activities. Through an established fund manager, updated guidelines/scope/eligibility of support, access to technical assistance and systematic monitoring and knowledge capture, E1 will support market exploration projects that reduce information gaps and early-stage risks. This will improve the readiness and incentives of companies to make informed decisions on development-related commercial engagements. The overall impact of E1 aims to achieve is expansion of viable business cases that can contribute to inclusive and sustainable development, potentially further supported by other business instruments.

Key Assumptions

The Theory of Change for E1 is based on the below stated set of assumptions related to private sector behavior, market conditions, and partner country contexts.

- Danish companies are willing to explore emerging markets when early-stage information gaps, market risks and exploration costs are reduced.
- Political, regulatory and security conditions in selected markets remain sufficiently stable to allow early-stage exploration activities to take place.
- Relevant local partners, suppliers or value-chain actors can be identified in partner countries, allowing companies to assess realistic engagement and collaboration options.
- Access to structured market, regulatory, and feasibility insights enables companies to make more informed and development-relevant engagement decisions, including justified decisions not to proceed.

3.3 Target countries

The target countries for E1 will be OECD Development Assistance Committee (DAC) listed Overseas Development Assistance (ODA)-eligible countries with a Danish representation. This approach expands on the practices of DIBE support available in Low Income and Lower Middle-income countries (World Bank classification). The OECD DAC approach ensures closer alignment with Denmark's strategic development priorities and coherence with other Danida business instruments. By focusing on DAC countries with a Danish representation, E1 ensures Danish companies can leverage embassy networks for local market insight.

3.4 Responsible and sustainable business, HRBA, and other cross-cutting concerns

The E1 Facility will integrate concerns for corporate responsibility and environmental and social sustainability in all its approved projects, including the rights of women and children. Companies should adhere to principles and procedures for responsible and sustainable business conduct. These should ensure that the companies supported should live up to their responsibility to avoid and address human rights violations towards their employees, contracted workers, workers in the supply chain, local communities or consumers. Companies should also comply with the UN Guiding Principles on Business and Human Rights and the UN global compact's 10 principles.

4. Results framework

Project	E1 facility – Emerging Market Explorer (EME)
Project Objective (Impact)	Expanded pool of viable business cases for commercial engagements contributing to inclusive and sustainable development.
Impact Indicator ^a	The impact of the facility is assessed based on documented qualitative evidence that E1 supported market explorations enable private sector actors to make informed decisions regarding subsequent engagement contributing to sustainable development outcomes in partner countries.

Outcome		Improved readiness and incentives for Danish companies to make informed and development-relevant commercial engagement decisions in emerging markets, by enabling structured and evidence-based early-stage market exploration that reduces information gaps and early-stage risks.	
Outcome indicator ^b		% of supported projects completing exploration and resulting in documented decisions on viability and means of further market engagement	
Baseline	Year	2025	None
Target ^c	Year	2026	60% of approved exploration projects result in documented decisions on viability and means of further market engagement.
Target ^c	Year	2028	75% of approved exploration projects result in documented decisions on viability and means of further market engagement.

Output		Market exploration projects supported under E1 that reduces information gaps and early-stage risks	
Output indicator		Number of individual E1 projects supported annually.	
Baseline	Year	2025	0
Target ^c	Year 1	2026	14
Target ^c	Year 2	2027	22
Target ^c	Year 3	2028	34
Target ^c	Year	2029	10 (80 accumulated)

- a. Given the upstream and exploratory nature of E1, impact indicators are assessed qualitatively and at contribution level, recognizing that downstream development impacts materialize through follow-on engagement beyond the project's direct control.
- b. Documentation will include, project completion reports submitted by the companies, that includes information on assessment of market, customers, partners, supply chain, regulations or other analytical outputs generated at the end of exploration phase.
- c. It is important to note that annual number of projects supported on E1 will depend on the demand of using the instrument for market exploration by Danish companies. The targets will be reviewed periodically during implementation and, where relevant, adjusted based on portfolio-level learning and implementation experience.

5. Description of E1 instrument

The E1 facility is an upstream, time-bound facility supporting Danish companies in the early exploration of concrete commercial engagements in developing and emerging markets in the Global South. The instrument focuses on the phase where companies assess the commercial viability and development relevance of a specific business opportunity prior to any decision on market entry or further engagement.

Building on experience from the predecessor DIBE instrument, E1 is designed to strengthen the quality of evidence-based commercial decision-making in higher-risk markets, while ensuring proportional use of public funds. The design of the instrument reflects lessons learned regarding focus, flexibility and the importance of strong upfront assessment of company capacity and commercial robustness.

5.1 Scope and nature of support

E1 provides matching grants to Danish companies to undertake clearly defined and time-bound exploration activities linked to a specific business opportunity in a defined market. Supported activities focus on generating the knowledge and analytical basis required to assess commercial viability and development relevance. Typical activities include market and demand assessments, value-chain and

partner identification, regulatory and standards analysis and other analytical work directly linked to the identified opportunity.

Lessons learned from DIBE indicate that early-stage exploration support is most effective when it remains tightly focused on opportunity specific analysis. As a result, E1 is explicitly limited to the exploration phase. The instrument does not support demonstration, piloting or commercial deployment nor does it support acquisition of equipment or assets. Similarly, general market activities such as branding, marketing or broad promotional efforts are excluded, as experience shows that such activities dilute focus and do not contribute materially to improved decision-making at the exploration stage.

To ensure sufficient managerial focus and depth of analysis, companies may only be supported for one exploration project at a time. Experience demonstrates that early-stage exploration requires dedicated strategic attention, and that parallel explorations reduce the quality of assessment and learning outcomes.

5.2 Funding modality and flexibility

E1 provides support of up to 50 percent of eligible exploration costs, capped at DKK 500,000 per project. Experience from DIBE shows that this level of support has generally been sufficient to enable companies to conduct robust exploration activities while maintaining strong commercial ownership and commitment. Maintaining this ceiling supports proportionality and ensures effective use of public funds.

Lessons learned also indicate that some exploration processes require additional analytical work in order to reach a well-founded decision for further market engagement. To address this, E1 introduces a conditional top-up mechanism. Subject to documented progress and justification, companies near completion of an initial exploration phase may apply for an additional grant of up to DKK 250,000. Approval of such top-up support is contingent on submission of an interim exploration report demonstrating a credible business rationale for further exploration and the need for additional analysis to conclude on engagement. This approach is intended to improve decision quality without extending support indiscriminately.

Detailed conditions, documentation requirements and approval procedures related to funding modalities and flexibility will be specified in the operational guidelines developed during implementation.

5.3 Eligibility and assessment approach

Eligibility under E1 is based on a two-stage assessment approach, reflecting lessons learned regarding the need to strengthen upfront screening and improve alignment between company capacity and project ambition.

The first stage assesses the applicant company's organisational and financial capacity, including commercial track record, strategic intent and ability to undertake structured exploration activities. Experience from DIBE shows that insufficient upfront assessment of company capacity can lead to weak exploration outcomes, regardless of the relevance of the proposed business case. E1 therefore targets commercially established companies with the capacity and readiness to engage in structured exploration and provides early clarity on eligibility before project-level assessment.

The second stage assesses the proposed exploration project. Project-level assessment applies a dual focus on commercial viability and development relevance, reflecting both the exploratory nature of the instrument and its role within Denmark's trade-led development cooperation. Assessment considers whether the proposed exploration project addresses a credible commercial opportunity linked to the

applicant's core business, while also examining the relevance of the opportunity to partner country development priorities, including contributions to the Sustainable Development Goals and/or climate objectives.

This assessment approach is designed to ensure that E1 supports exploration projects with a realistic potential to assess viable engagement decisions, while maintaining coherence with Denmark's development cooperation priorities. Detailed eligibility requirements, assessment criteria and scoring methodologies will be further specified in the operational guidelines developed during implementation.

5.4 Cost eligibility and use of expertise

E1 supports a range of cost categories directly linked to exploration activities, including company staff time, external consultancy and travel associated with market exploration. Lessons learned from DIBE show that companies often require access to specialised expertise and local knowledge to conduct meaningful exploration. To address this, E1 allows limited use of staff resources from foreign subsidiaries or affiliated entities where such expertise is directly relevant to the exploration activity, subject to defined ceilings.

Similarly, experience indicates that the use of external consultants is often necessary to address regulatory, technical or market-specific complexities. E1 therefore allows a higher but controlled proportion of consultancy costs within the project budget. Detailed cost eligibility rules, ceilings and rates will be specified in operational guidelines developed during implementation, ensuring clarity while retaining flexibility at instrument level.

5.5 Outreach, technical assistance and learning

Experience from DIBE has demonstrated that awareness of early-stage exploration support among Danish companies has been uneven, particularly among small and medium-sized enterprises. E1 will disseminate information on the usability of the instrument, coordinated by the Fund Manager under guidance of OSS (Appendix I) ensuring coherence with the collective outreach mandate across all instruments.

In addition, E1 will provide technical assistance and guidance to applicants during both application preparation and implementation. Lessons learned show that such support improves the quality of exploration activities and strengthens companies' ability to interpret findings and determine appropriate next steps. Targeted market visits and delegations may be organised where relevant to support companies' understanding of specific market contexts and to increase awareness of opportunities aligned with development priorities.

The scope, modalities and prioritization of outreach, technical assistance and learning activities will be further defined in the operational guidelines developed during implementation.

6. Budget

<i>(Amounts are in mio. kr.)</i>					
E1 budget components	2026	2027	2028	2029	Total
Project funding	7.5	15	15	7.5	45
Outreach and Technical Assistance	0.25	0.25	0.25	0.25	1
Fund Manager	0.875	0.875	0.875	0.875	3.5

Mid-term review, audit, studies/analysis.		0.25		0.25	0.5
Total	8.625	16.375	16.125	8.875	50

- Overall, the annual allocations for exploration projects will be flexible to make it possible to respond to lessons learned and adjust to the demand among companies and the markets they operate in. A lower allocation is planned for 2026 where the new facility is still in the early stage of being established. Also, a lower allocation is planned for 2029 when the facility ends and planning closure.
- DKK 45 million is the total budget allocated for projects under E1 for the period 2026-2029. A total of at least 80 exploration projects will be expected during the support period across the three windows, but possibly more projects can be supported based on demand.
- DKK 4 million is allocated for external fund management. The allocation for fund management considers that more tasks in addition to fund administration have been added to that role including outreach activities, technical assistance and knowledge management.
- DKK 1 million is allocated for outreach and technical assistance (streamlining of guidelines/other templates, outreach and technical assistance for applicants and project companies). The Fund Manager will carry out these activities ensuring coherence with OSS's strategic outreach mandate and alignment with outreach activities of other business instruments.
- DKK 0.5 million is earmarked for mid-term review, audit, and strategic monitoring, studies, lessons will be managed by the MFA/KLIMA. In addition to the compulsory mid-term review, the allocation allows MFA/KLIMA to initiate relevant ad-hoc monitoring and studies for strategic level adjustments and MFA risk management.

7. Management arrangements

7.1 Governance and overall responsibilities

The Ministry of Foreign Affairs, through KLIMA, holds overall responsibility for the E1 facility during the initial phase, including policy direction, strategic oversight and alignment with Denmark's development cooperation and economic diplomacy priorities. MFA ensures that the facility operates in coherence with the Danida Business Initiative and following MFA guidelines.

Experience from the predecessor DIBE instrument has shown that while close engagement between MFA and supported companies adds value at the strategic level, the operational management of a scaled-up exploration facility benefits from dedicated implementation capacity. The management arrangements for E1 therefore combine strong policy ownership by KLIMA with a transition towards implementation by an external Fund Manager.

Danish embassies and missions in partner countries play a supporting role by contributing contextual knowledge, sector insight, and understanding of local regulatory and institutional environments relevant to E1-supported exploration activities. Embassy engagement supports alignment with local development priorities and facilitates dialogue with relevant stakeholders, without assuming responsibility for commercial assessments or outcomes. However, commercial advisory services provided by the Trade Council are not financed under E1 and are offered separately on a fee-based basis.

The One-Stop Shop, MFA (Appendix 1) supports information sharing, coordination, and awareness of available instruments and entry points for companies, including E1, without involvement in project

selection or commercial decision-making. Facilitated through the OSS, other supporting actors, including Danish business associations and relevant public business support institutions, may contribute to outreach, information dissemination, and knowledge sharing related to E1.

7.2 Initial management by KLIMA and transition to external Fund Manager

During the initial phase, E1 will be managed by KLIMA, building on existing structures and experience from the management of DIBE. This initial arrangement will ensure continuity, enable early launch of the instrument and allow further refinement of operational elements based on first implementation experience.

In line with the overall management approach of the Danida Business Initiative, E1 will subsequently transition to implementation by an external Fund Manager. The transition reflects lessons learned regarding efficiency, scalability and the need for specialised operational capacity as the volume and diversity of supported exploration activities increase. KLIMA will retain its role as policy owner and strategic overseer throughout the implementation period.

The external fund manager will be responsible for day-to-day administration of the facility in accordance with the policy framework and oversight arrangements defined by MFA. The external fund manager, in collaboration with OSS (Appendix 1), will be responsible for outreach and technical assistance activities ensuring Danish companies are well informed and received adequate guidance on E1.

Given the similarities in fund management work processes and focus especially with E2 and E4, E1 will potentially be managed by the same Fund Manager as E4 and E2. However, the Fund Manager should ensure the relevant linkages from E1 also to E3 and E5, even if these are managed in a separate setup.

The timing and modalities of the transition will be determined by KLIMA, ensuring continuity of operations and minimal disruption to supported companies.

7.3 Roles and responsibilities

MFA/KLIMA holds overall responsibility for the E1 facility and acts as policy owner. Key responsibilities include:

- Setting the strategic direction, priorities and budget allocations for E1 within the Danida Business Initiative.
- Approving the overall design of the instrument, including eligibility principles and assessment frameworks.
- Providing strategic oversight, including review of annual results, financial reporting and lessons learned
- Deciding on instrument-level adjustments based on monitoring, learning and mid-term review findings
- Directing, contracting, and overseeing performance of fund manager
- Payments to fund manager
- Overall accountability for results, learning, and risk management
- Ensures compliance to MFA guidelines

Under delegated authority from KLIMA, the external Fund Manager, once engaged, is responsible for day-to-day implementation of E1. Key responsibilities include:

- Managing calls for applications, receiving and assessing proposals in accordance with approved criteria
- Contracting grant recipients and administering grant disbursements
- Providing outreach, communication and guidance to potential applicants, in collaboration with the One-Stop Shop
- Offering technical assistance to supported companies during application preparation and exploration
- Organising targeted information sessions for potential applicants and awarded project companies
- Monitoring implementation of supported exploration activities and consolidating reporting
- Capturing and synthesising knowledge and lessons learned across the E1 portfolio
- Preparing technical and administrative guidelines, formats, and templates
- Preparing annual audited financial statement as per MFA guidelines
- Preparing annual consolidated results and financial reports for MFA

7.4 Role of the One-Stop Shop and coordination mechanisms

The OSS will play a key role in supporting coherence and accessibility across Denmark's business instruments. In relation to E1, the OSS will contribute to outreach, information sharing and guidance to companies on available support options, without involvement in project selection or operational decision-making.

Close coordination between the Fund Manager and the OSS/KLIMA will be ensured to support effective implementation, avoid duplication and facilitate knowledge sharing. Danish embassies and missions will continue to provide contextual insight and market knowledge, contributing to informed assessment and implementation, while not assuming responsibility for commercial decisions or project management.

7.5 Monitoring, reporting and learning

The Fund Manager will be responsible for monitoring the implementation of supported exploration projects and for consolidating results and financial reporting at facility level. Reporting will focus on progress, use of funds, and documented outcomes of exploration activities, including decisions regarding further engagement or discontinuation.

An annual consolidated results report will be prepared by the Fund Manager for submission to KLIMA. The report will include an overview of supported activities, key lessons learned, emerging risks and recommendations for potential adjustments to the instrument. KLIMA will review and approve the annual report as part of its overall oversight responsibilities.

A mid-term review will be conducted during the implementation period to assess performance, relevance and effectiveness of E1, including the management arrangements. Findings from the review will inform decisions regarding potential adjustments, continuation or exit strategies.

7.6 Operational guidelines

Detailed procedures related to roles, responsibilities, application processes, assessment criteria, outreach activities, technical assistance modalities, monitoring and reporting will be further specified in operational guidelines developed during implementation and approved by KLIMA.

7.7 Main implementation activities following grant approval

The initial implementation of E1 will follow a sequenced set of activities, aligned with the establishment of the Danida Business Initiative and reflecting the transition from initial management by MFA/KLIMA to implementation by an external Fund Manager managing E1, E2 and E4.

Indicative implementation milestones are outlined below:

- Continuing management of applications under DIBE (MFA/KLIMA): January – October 2026
- Prepare and issue call for proposals for external Fund Manager (MFA/KLIMA): January – June 2026
- Evaluate proposals and contract external Fund Manager (MFA/KLIMA): June-September 2026
- Establish Fund Management setup, including staffing, systems and coordination arrangements (Fund Manager): October–December 2026
- Prepare and fine-tune operational guidelines, eligibility criteria, assessment frameworks, formats and selection processes (Fund Manager, with approval by MFA/KLIMA): October–December 2026
- Launch first call for applications and communication activities (Fund Manager, in collaboration with OSS): January 2027
- Receive, assess and recommend applications for support (Fund Manager): February 2027 onwards
- Approve exploration projects (MFA/KLIMA): March 2027 onwards
- Commence first E1-supported exploration projects (Grant recipients): March-April 2027 onwards
- Initial stock-taking of implementation experience, lessons learned and outreach effectiveness (Fund Manager, MFA/KLIMA): November–December 2027
- Decide and plan adjustments to implementation modalities and operational focus for the period 2027–2029 (MFA/KLIMA): December 2027

8. Financial management

Financial management of the E1 shall follow the Ministry of Foreign Affairs of Denmark's financial management requirements for development assistance and applicable grant conditions.

Grant recipients under E1 are responsible for the financial management of funds received, including maintaining adequate accounting records and documentation in accordance with approved budgets and grant agreements. Grant recipients shall submit a final financial report and financial statements upon completion of E1-supported exploration activities. Where required under the grant conditions or Danida guidelines, audited financial statements or an auditor's report shall be provided, consistent with existing practice under the Danida Innovation and Business Explorer.

The external fund manager, once engaged, is responsible for overall financial management of the E1 facility under delegated authority from the Ministry of Foreign Affairs. This includes reviewing financial reporting from grant recipients and consolidating financial information. The fund manager shall submit an annual financial report to the Ministry and may be subject to audit where required.

The Ministry of Foreign Affairs may request additional financial documentation or audit assurance as necessary to ensure accountability and compliance with Danida financial management requirements.

9. Risk management

Risk management for the E1 facility follows a portfolio-based approach, reflecting the upstream and exploratory nature of the instrument. Risks are primarily related to contextual uncertainty, early-stage private sector engagement and programme implementation rather than large-scale financial exposure.

The Fund Manager is responsible for identifying, monitoring, and mitigating risks at both portfolio and activity level under delegated authority from MFA/KLIMA. Key risks and mitigation measures are reviewed on an ongoing basis and reflected in annual reporting and dialogue with MFA/KLIMA. The E1 risk matrix is presented in Appendix 3.

- **Contextual risks** include geopolitical instability, macroeconomic volatility, climate-related shocks, and country-specific political or regulatory changes that may affect the feasibility or relevance of exploration activities. These risks are mitigated through country screening, close dialogue with Danish embassies, portfolio diversification, and flexibility in adapting or discontinuing activities
- **Programmatic risks** relate to insufficient demand for high-quality exploration proposals, limited absorption capacity among participating companies, mainly SMEs and potential misalignment between commercial incentives and development relevance. Mitigation measures include proactive outreach, clear eligibility and selection criteria, structured guidance, and screening for development relevance and responsible business conduct.
- **Institutional and fiduciary risks** include non-compliance with responsible business conduct standards and misuse of funds. These risks are mitigated through due diligence, grant conditions, financial reporting requirements, audits where required and oversight by the Fund Manager in accordance with Danida requirements.

10. Exit and sustainability

The last call for applications under the present contribution is expected in 2029, which implies there will be exploration projects continuing possibly until 2030 (assuming a maximum 12 months duration for an exploration project). A setup for Fund Management will remain in place at least until that time, however, the level of resources for Fund Management will be adjusted to match a lower management burden in case there are new calls to manage after 2029. [The Fund Management contracts should include management for the entire duration of the projects].

The mid-term review in 2027 will take stock of lessons and MFA's updated strategic considerations and make recommendations for the continuation of the facility under a new allocation, or for the strategy for exit and sustainability.

The results of exploration projects will be sustainable to the extent that subsequent commercial engagement is assessed as viable based on evidence generated during the exploration phase. The facility's focus on placing informed commercial decision-making at the centre of early-stage engagement is therefore expected to strengthen the sustainability of both commercial and development-relevant outcomes. This implies that participating companies, following completion of E1-supported exploration activities, are expected to base any further engagement on the findings generated, including decisions to proceed, adapt or discontinue engagement. Where viable opportunities are identified, further engagement may be pursued as an integrated part of companies' business strategies and through relevant follow-on instruments or market-based arrangements. All E1-supported activities will be required to submit final reports upon completion.

Appendix 1: One Stop Shop Overview

The proposed One-Stop Shop is designed to serve as the primary entry point for companies seeking support and engagement under Denmark's development and economic diplomacy framework. The overall purpose of OSS is to create a coherent, integrated approach that aligns development policy instruments with economic diplomacy efforts, both domestically and internationally.

The One-Stop Shop will function as a motor for internal coordination within the Ministry of Foreign Affairs, ensuring stronger alignment between headquarters and overseas representations. OSS will play a central role in scoping, advising and safeguarding meaningful private sector involvement in strategic development policy considerations, effectively acting as a general development policy key account manager for businesses.

Domestic Service (Headquarters Level)

This setup ensures that companies receive coordinated guidance locally and that development and commercial objectives are addressed in a mutually reinforcing manner.

At the domestic level, the One-Stop Shop brings together three core functions:

- Strategic integration, including structured cooperation with Danish business organisations to ensure coherence across instruments and policies.
- Economic diplomacy, providing sector-specific expertise that supports companies' international engagement.
- Development policy instruments, including the management of business instruments and knowledge sharing of available financing options.

Foreign Service (Embassy Level)

At the international level, the One-Stop Shop connects closely with Danish embassies and missions abroad. The foreign service contributes:

- Local market knowledge and networks, enabling companies to navigate country-specific contexts more effectively.
- Integration of efforts across trade sections, country programmes, authority-to-authority cooperation, and bilateral political dialogue, ensuring that business engagement is embedded across Denmark's broader development and foreign policy activities.

Overall, the One-Stop Shop strengthens coherence, improves accessibility for companies and enhances the strategic use of development policy instruments to support sustainable business engagement in partner countries.

Appendix 2: Risk Matrix

Contextual Risks				
Risk factor	Likelihood	Impact	Risk response	Residual risk
Geopolitical instability and trade fragmentation	Likely	Moderate	Portfolio diversification; time-bound exploration; flexibility to suspend activities	Moderate
Country-level instability, conflict or climate shocks	Likely	Minor	Country screening; embassy dialogue; adaptive portfolio management	Minor

Programmatic Risks				
Risk factor	Likelihood	Impact	Risk response	Residual risk
Insufficient number of high-quality applications	Likely	Moderate	Targeted outreach via OSS, embassies and business associations	Minor
Limited absorption capacity among SMEs	Likely	Moderate	Guidance and simplified reporting formats	Minor
Misalignment between commercial incentives and development relevance	Possible	Moderate	Clear eligibility and screening criteria	Minor

Institutional Risks				
Risk factor	Likelihood	Impact	Risk response	Residual risk
Non-compliance with responsible business conduct standards	Unlikely	Major	Due diligence; grant conditions; monitoring	Minor
Misuse of funds or weak financial management	Unlikely	Major	Financial reporting; audits where required; fund manager oversight	Minor

Strategic Risks				
Risk factor	Likelihood	Impact	Risk response	Residual risk
Overestimation of downstream engagement and impact	Possible	Moderate	Clear communication of E1's upstream scope; recognition of no-go decisions	Minor