Project Document (Annex A format)

E2 - Facility for Partnerships on Business and Development

Business Instrument E2 under the overall Danish Business Support Initiative

DRAFT

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Acronyms

DAC	Development Assistance Committee
DGBP	Danida Green Business Partnerships
DIBE	Danida Innovation and Business Explorer
DMDP	Danida Market Development Partnerships
EIFO	Danmarks Eksport- og Investeringsfond
EU	European Union
GAPEED	Government's Action Plan for Effective Economic Diplomacy
GSDC	Government's Strategy for Development Cooperation
HRBA	Human Rights Based Approach
IFDK	ImpactFund Denmark
ILO	International Labour Organisation
LNOB	Leave no-one behind
MFA	Ministry of Foreign Affairs
MTR	Mid-term review
NEFCO	Nordic Environment Finance Corporation
NGO	Non-government organisation
OECD	Organisation for Economic Co-operation and Development)
OSS	One Stop Shop
SDG	Sustainable Development Goals
SME	Small- and medium scale enterprises
SSC	Strategic Sector Cooperation
TOC	Theory of Change

1. Introduction

This document describes the Facility for Partnerships on Business and Development (E2), henceforth the "partnership facility", 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.

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

The partnership facility aims at strategic objective 2 in the Strategic Framework, "A scaleup in commercially viable engagements enabled by partnerships between businesses and non-commercial actors that contribute to sustainable and inclusive development and decent job creation". To this end, the facility supports partnerships between commercial and non-commercial actors on business ventures that help tackle development challenges in the Global South. It focuses on cases where multi-actor partnerships are essential for ensuring a viable business case and development results. The facility builds on results and lessons from the previous Danida Green Business Partnerships (DGBP) and Danida Market Development Partnerships (DMDP). With this reformed facility, focus will be more directly on sustainable growth and inclusive development. Also, concerns that partnership projects are solidly based on a viable business case will be a strong requirement.

The five instruments under the new initiative are mutually coherent and will be designed and managed to ensure synergies. DIBE (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 uses 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, main actors, rationale and justification

2.1 Context – main development challenges and opportunities for partnerships to address them

In the years since COOVID-19, many developing and emerging economies have resumed growth and the Global South as a whole assumes an increasingly significant place in the global economy. The rapidly expanding emerging economy markets mean better opportunities for growing business and investment alliances between international actors and local partners in developing countries, including ventures that prioritize development effects in those countries.

Despite the resumed global growth, the world is off track to achieve the Sustainable Development Goals (SDGs). Massive job shortages, poor income and working conditions, climate and environmental crisis, and low access to social services, safe water, health, and education persist. The estimated SDG financing gap of around USD 4 trillion per year encapsulates these challenges.

Businesses and investors play a central role in closing the SDG-gaps. The private sector contributes importantly through investments and job creation, climate-smart solutions, knowledge and solutions to societal and environmental challenges, and by engaging in the multi-actor partnerships necessary for tackling the often multidimensional and complex SDG problems. Businesses also play essential roles in ensuring responsible business conduct and sustainability across their value chains, an area with much improvement even if challenges remain. That contribution to tackling the SDGs is critical to leverage further, not least through better linking businesses in developing markets into global, sustainable value chains and strengthening local value chains through sourcing.

Against this potential, businesses engaging in low income developing country markets in particular – but also middle-income countries - face challenging investment contexts: Private capital is prohibitively expensive, and international companies find market-entry and investments to be high risk. Often private investors and development finance institutions favor companies with proven business models and familiar markets, making it difficult to raise funding for new business models or products, even if they have proven successful in other markets. Here public support may help reduce private investors' risks through support to investment financing, market information, business case development, and tackling key gaps in the market and enabling environment for the business case to be viable.

Specifically, companies pursuing commercial ventures that address the SDGs in the Global South are often constrained by market gaps that they as companies are not able to tackle themselves – such as regulatory barriers, lack of technical skills in the work force, low awareness, or weak local institutions. To address such constraints requires capacities and resources that sit outside a company's core mission or business model. This is the space in which the partnership facility will operate: The facility aims to facilitate partnerships with non-commercial actors – Non-government Organisations (NGOs), think tanks, business member organisations, public authorities, or others – with mandates and capacities to tackle exactly these external constraints for making the business cases viable and realise the intended development effects. Civil society and other non-commercial partners can complement with their focus and competences on strengthening the enabling environment, managing social and environmental concerns; provide insights in local contexts and networks; identify development opportunities of commercial projects; manage local supply-networks; train and build capacity of work force; and develop market solutions that contribute to development and mitigate risks to local communities.

Facilities such as DGBP/DMDP have shown how partnerships can bring together these complementary resources, capabilities and knowledge which can foster innovative business models capable of promoting both commercial and development objectives. In the past years there has been a significant interest among businesses for DGBD/DMDP funding to partnerships with non-commercial actors. As the 2025 Mid-Term Review[1] (MTR) shows, applications rose by 50% from 2022 to 2024, and DGBP only funds around 20-25% of the received compliant applications every year. DMDP/DGBP has also shown strong demand from local commercial partners in the developing countries for engaging in these partnerships.

[1] Mid-Term Review of DMDG and *DGBP*, Danida, 2025

The basic challenge addressed is that businesses generally lack the experience, networks, knowledge, and models to engage in these multistakeholder-partnerships. That means too few partnerships materialize relative to the potential. The business may not have resources to invest in tackling external constraints and find it too risky to engage on their own. The new Partnership Facility will focus on supporting effective partnerships that deliver significant commercial and development results, and which also demonstrate and provide models and lessons to encourage wider development of such partnerships.

2.2 Key policy and strategic considerations

The new business support initiative follows from the Government's Strategy for Development Cooperation (GSDC), "A Changing World - Partnerships in Development", with its focus on job creation, economic growth, and trade and investments in the Global south. The aim is to reform, upgrade and expand new business instruments to make it easier and more attractive for businesses to engage in developing markets. The facility supports the ambition to realise the potential for more Danish actors, especially the private sector, to engage and contribute to the Danish development ambitions. These goals are reflected in the facility's objective and outcomes.

The partnership facility responds to the GSDC´s aim to mobilise the private sector in development in ways that generate both commercial and development results. It is one among five instruments in a new overall business support initiative which establishes a targeted and coherent palette of Danish instruments to deliver capital, reduce risk and provide technical advisory through partnerships, pilot projects and business instruments. Along with the four parallel instruments, the partnership facility provides for stronger interplay between Danish development assistance and Economic Diplomacy, as cornerstones of Danish interests and for mutual benefit for Denmark and partner countries. A Strategic Framework for the new Danish business support initiative specifies how the partnership facility will interact with parallel instruments to deliver on the Danish policy priorities.

The facility also delivers on the ambition in Government's "Action Plan for an Active and Effective Economic Diplomacy" (GAPEED) that MFA partner with the Danish private sector partner to promote the internationalization of Danish businesses. The facility implements the Action Plan's aim to use business instruments in support of partnership projects that strengthen Danish companies' commercial engagement and job creation in emerging markets (reflected in proposed Outcome 1 and 3). The facility contributes to the Danish ambitions on sustainable value chains, leveraging Danish companies' products and solutions that promote sustainable development, as reflected in the proposed Outcome 2 (section 3.1).

The facility will not be restricted to specific sectors or themes. But especially outreach, communication, and technical support resources will be focused on the sectors highlighted in the Government's Action Plan, such as energy, food and agriculture, health/life science, water, and environment, in order to optimise results through focused use of resources and by better enabling synergies in networks and knowledge sharing.

The facility's core focus is on SDG 8[2] (inclusive growth, decent employment), reflected in Outcomes 1 and 2 (see section 3.1). The facility also focuses directly on SDG 17[3] (partnerships for sustainable

[2] Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

[3] (Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development)

development), reflected in its Outcome 3 and its efforts to encourage effective public, public-private and civil society partnerships.

In addition, the facility will contribute importantly to other SDGs, as determined by the focus of the partnership projects. Not every project should necessarily contribute to other SDGs, and it will be optional which other SDGs they focus on. The facility's important contribution to the wider set of SDGs will be captured in a combined Outcome 4. These include especially SDG 13 (climate action) and SDG 6 (clean water and sanitation), but also others.

2.3 Main actors – private commercial businesses and non-commercial actors

The international commercial actors cover a diverse group of private businesses and investors sharing a focus on social or environmental improvements through their business ventures. All aim first and foremost for a commercially solid business case. They include large companies with already well-established positions in developing countries. But they also include medium and smaller companies, some of which are already present in developing countries, and some that are new to such markets – or just new to the specific developing/emerging partners they target in their applications. The facility will however not engage with micro and very early upstart companies where the core business case of company has yet to be solidly shown (other facilities cater to these). The variety means that the focus, support needs, and opportunities in the partnership projects vary across the portfolio. Small/medium scale companies often come with new technologies or new solutions which can contribute to establish new value-chains, and larger companies provide scale in market and development outcomes. The companies will need support for testing a product or solution in a new market where consumer demands, local partners and distribution networks, or regulations are not well-known and involve risks and testing. Many, but not necessary all, are Danish businesses within the Danish strong-hold sectors.

Some projects will have local commercial companies as important partners. They will typically be small or medium-size enterprises who are suppliers or distributors in the value chain. Some have weak capacity on the management-side, or their staff and workers may need additional training to perform their roles in the joint-business venture. Many local businesses will not have processes or knowledge to ensure responsible business practices or environmental sustainability. The partnership projects will typically contribute to tackling local commercial partners' constraints, including capacity for business management and development and strengthening their responsible and sustainable business practices.

The non-commercial partners also include a diverse mix, including both Danish and international NGOs. think-thanks, public sector actors, business member organisations, and other relevant non-commercial actors. The non-commercial partners will contribute with a wide range of resources and capacities that supplement the commercial partners to make the business case viable and deliver development effects. However, compared to DGBP sharpened capacity requirements will apply to the non-commercial partners under the partnership facility. The non-commercial partners should continue to have clear missions and solid capacities focused on – as relevant for the project - livelihoods, agriculture, social development, or natural resources and environment in developing countries. All should still have good country experience, knowledge and networks. All should have good project management, implementation, and reporting capacity. But stronger requirements will apply to the non-commercial partner having capacities and experiences of working with private sector development in addition to possessing the relevant technical thematic competences for the project. Especially, the non-commercial partner should have a robust understanding and commitment to the commercial objectives; be committed to synchronize activities to match development in the business case; and avoid parallel implementation tracks. This reflects the MTR's recommendation to prioritise non-commercial partners with business experience and proven ability and missions to cooperate with commercial partners.

Working in a consortium. A partnership project will comprise a consortium of the above different types of partners. They will come in different forms depending on needs of the project. Some will be narrow consortia with few partners, whereas others will comprise a wider range of stakeholders involved in the relevant sector. Multiple private companies may be involved in the project with complementary business cases. Beyond the basic requirements to partnership composition, the partnership facility will be open to a variety of constellations.

2.5 Results and lessons learned

The Partnership Facility builds on the results and lessons of DGBP and DMDP, with DGBP itself supporting more than 45 projects since 2022, and applications and projects under implementation increasing every year. This demonstrates the clear interest among commercial and non-commercial actors in partnering and the solid demand for support to such projects. As documented in the DGBP Annual Results Report and 2025 Mid-Term Review (MTR), the projects have delivered results across a range of areas, including jobs and income opportunities, climate and environment, responsible business models, innovative solutions, and wider improvements in market conditions. The MTR found that the programme over the years has secured results in terms of jobs and income opportunities while also succeeding with business results.

The MTR also found a robust case for continuing the core elements of the programme, leveraging the solid platform of processes and procedures that has evolved over nearly a decade. For that reason, the many elements that have proven effective and are well-tested under DGBP/DMDP will be continued in the new Partnership Facility. The MTR however also recommended MFA to revise the programme with focus on inclusive growth partnerships and a broader thematic focus reflecting Danish competencies and demands from the Global South especially job generation, with increased emphasis on core commercial viability and inclusive economic growth. This reformed partnership facility delivers on this.

A wide set of lessons have been learned and documented[4], including the below strategic ones which guide the design of the partnership facility:

- The commercial case as main driver. The partnership projects must be driven by the commercial business case and commercial partner to ensure the ventures are ultimately viable and sustainable, also in terms of the development effect. The new facility will include a mix of adjustments to place the commercial case more firmly in the driver's seat in projects (see page 15).
- Skin in the game by the commercial partner is a must. The project must be commercially significant to the commercial partner; it's not enough if it is mainly an add-on activity under a corporate social responsibility-agenda. An own contribution of 25% will be required. And more focus on project-maturation where significance and viability of the business case to the commercial partner will be tested and developed.
- Special effort needed to align partners' views on project success criteria. While NGOs tend to focus on reaching the poor, commercial partners focus on ensuring the viable business case which typically involves securing the turnover and reaching consumers with purchasing power.

[4]Lessons learned note by DMDP/*DGBP* Secretariat; 2025 DMDP/*DGBP* Mid-Term Review; etc.

This difference can pull projects apart. The new facility will put major emphasis on early alignment of focus and shared project-development between partners via maturation-support.

- Flexible mechanisms to ensure agile adjustments. The complex settings and multiple actors under which projects are implemented require solid plans and systems, but also agility to shift course when things do not evolve as expected. Experience shows that unforeseen events inevitably occur - pandemics, regulatory delays, late mobilization of local producers - and project startup tends to be much longer than expected. Here there can be misalignment in partnerships between NGOs' plan-driven approach and slower adjustment versus businesses' faster reactions to shifts in markets, immediate needs, and challenges. The new facility will ensure the flexibility and agility for projects to adjust more quickly to developments in the contexts and needs. The progress of the business case will be the main driver for the implementation.
- Use opportunities to improve wider market constraints. While the projects mainly aim for "project-level" results, many examples exist where projects have positive effects on an overall sector or value chain. Such wider results should be pursued proactively in project design, but without derailing the business focus of the projects.
- Need to outsource fund management. While project management of DGBP/DMDP has been placed with a consultancy, fund management including disbursement and results reporting for the individual projects have been maintained with MFA. This has strengthened MFA's knowledge and mutual relations and networks with the companies. But the fund management burden is excessive and not well-placed with MFA whose core focus is policy, strategy, and high-level programing. The MTR recommends transfer of the fund management to an external actor, which will be the arrangement for the new facility.
- A more simple and singular entry-point to Danish business instruments. A wide set of initiatives exists from which businesses can get support for their internationalisaion efforts. It has occasionally been difficult for businesses to know what type of support they can get and where to go. There may be cases where businesses did not receive the most relevant support. The One-Stop-Shop (OSS) established by MFA will play key roles for the partnership facility, both for information and outreach and to ensure deal traction and leveraging synergies with other business instruments. Coordination across instruments will be a strong priority.

3. Objectives, outcomes, TOC, key assumptions

3.1 Objectives and outcomes

Together with the other four instruments, the Partnership Facility on Business and Development follows the overarching Strategic Framework's high-level objective, "an upscaled and strengthened private sector contribution to sustainable development, job creation, and inclusive growth in the Global South".

The **strategic objective** of E2, the partnership facility, is:

- A scaleup in commercially viable engagements enabled by partnerships between businesses and non-commercial actors that contribute to sustainable and inclusive development and decent job creation (strategic objective 2 in the Strategic Framework)

At facility-level, the focus will be on four main outcomes (outlined below). These should be understood as the high-level results that will be in focus at the level of the facility in its implementation, monitoring and learning, and results reporting. The facility-level results framework (section 4) reflects these outcomes.

- **Outcome 1:** Creation of decent jobs and sustainable income opportunities. A core result of the facility, focusing on creation of decent jobs and income opportunities for populations in the countries, directly or indirectly, through the supply chains (inclusive growth effect).

- **Outcome 2:** Expansion in commercially viable and environmentally sustainable and responsible business ventures. Another core result, focusing on the businesses' commercial results linked to turnover or business development, achieved in environmentally sustainable and responsible ways (commercial effect).

- **Outcome 3:** Business and development partnerships that are effective and encourage additional SDG partnerships through models and lessons. A result envisaged mainly at facility-level, focusing on the value to the wider ecosystem of the models, learnings, and demonstrations achieved from the totality of the partnerships supported – for encouraging further inspiration and growth in effective partnerships (partnership effects).

- **Outcome 4:** Wider market, environmental, or social improvements realized. This outcome consolidates the results of the many projects with development effects arising from the commercially delivered services, solutions, or products, and any improvements in wider market conditions arising from the individual projects that can also benefit other businesses. Not every project may produce such results, but they are nevertheless essential to report, as they support the facility's aim to mobilise the private sector in tackling development challenges at large (wider market and development effects)

A partnership project-level, each project will each have its own specific objective, outcomes/outputs, and results framework. Each project will contribute to and align with above facility-level outcomes but is only required to reflect and report on two of the four outcomes: Every project should focus and report in relevant ways to 1) growth/jobs and 2) commercial/sustainability/responsibility. Outcome 3 (partnership models/lessons) will be reported mainly at facility-level. Outcome 4 will be reported on at project-level to the extent a project contributes to this in a relevant way (section 4 gives further guidance).

3.2 Target countries

The target countries are defined for the overall initiative as countries eligible for Overseas Development Assistance (ODA) under the Development Assistance Committee (DAC) with a Danish representation. Upper-middle income countries are included, but stronger requirements for confirming the additionality will apply to partnership projects here, since they typically involve higher risks of low additionality. A maximum of 3 new projects per country/year will be approved to avoid an excess concentration of partnership projects in some countries. Synergies and coherence at individual country-level with other Danish instruments and initiatives will be pursued.

3.3 Partners and partnerships – roles and requirements

The partnerships should be consortia with at least 1) one Danish or international commercial partner, 2) one non-commercial partner, and 3) and one (or more) local partner(s) who can be either commercial or non-commercial actors, such as a business organisations, NGO, municipality or other public authority.

The commercial partner should lead the business case and drive the focus and implementation of the partnership project, based on the needs of the business case. The commercial partner can also be administrative lead (provided EU de mini mis rules are complied with), which is relevant especially at the project maturation stage where the core business case is being developed, but also during the acceleration stage. The commercial partner(s) should have a multi-year business plan that integrates the partnership project with funding and resources. The commercial partner should contribute with 25% of total project budget in own time/resources.

The non-commercial partner's roles are: 1) To address the particular social or sectoral dimensions that will make the business case viable, and/or provide the input - outside the commercial partner's role and capacity - that ensures the expected social or environmental effect of the business venture. 2) On larger/full-scale projects, the non-commercial partner is administrative lead on the project. This administrative change may require the non-commercial partner to align workplans with the non-commercial partner to ensure streamlining with the implementation of the commercial side.

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

The Partnership Facility will integrate concerns for corporate responsibility and environmental and social sustainability in all its partnership projects, including the rights of women and children. The international commercial partner should have established principles and procedures for responsible and sustainable business conduct. These should ensure that the companies supported 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. Among others, the new EU regulation requires companies to report on sustainability,[5] take responsibility for human rights and environment in the entire value chain, and ensure deforestation-free products. Companies should also comply with the UN Guiding Principles on Business and Human Rights and the UN global compact's 10 principles. The lead commercial partners should have principles and processes in place for ensuring the environmental sustainability of the projects.

Commercial partners should be in compliance with national legislation from the start of the partnership project. While international commercial partners should meet the requirements for responsible and sustainable business conduct at project start, local partner companies should as minimum have in place an agreed plan for complying with responsible and environmentally sustainable business principles during the support period. This may in many cases pose additional demands compared to national legislation. The development and implementation by the local commercial partner of a plan for responsible and environmentally sustainable business conduct are among the key results of the Partnership Facility. The projects should where needed include support for strengthening the local commercial partner's responsible and environmentally sustainable business conduct.

The partnership projects should emphasise inclusion of women and youth and reflect this in the project selection criteria. At facility level, the results framework has targets for women and youth inclusion, with the aim that half the jobs created in commercial partners will be filled by women and at least one-fourth by young people (below 25 years). The same requirements apply to training activities under the programme. The partnership project descriptions should state the aims and approaches to including women and youth.

[5]The main new EU regulation to observe include the Corporate Sustainability Reporting Directive (CSRD), Corporate Sustainability Due Diligence Directive (CSDDD), and the EU Deforestation Regulation (EUDR)

3.6 Theory of change – key assumptions

The Theory of Change (TOC) builds on the assessment that international businesses have significant potential to contribute to development results in the Global South, especially to creation of jobs and incomes. But gaps in local market contexts, which they are not equipped to tackle, stop the businesses from taking the relevant business cases forward. And opportunities for reaching a wider market and set of beneficiaries may not be realized by businesses only utilizing own resources, capacities, and networks. Such gaps and opportunities can be addressed by partnerships with non-commercial actors with the right missions and competences. However, lack of experience, models, and resources to engage in such partnerships are an obstacle for forming them. This partnership facility tackles this obstacle by providing the resources, models, and platforms that will make a critical number of partnership projects possible.

In summary, the TOC is described in the following main pathways (a graphic illustration shown in appendix 1).

By MFA providing funding for partnerships and acting to establish the partnership facility, then:

- A well-functioning and effective facility will be in operation for support to partnerships on business and development
- And then a significant number of value-creating partnerships not realized otherwise will be implemented as actual projects
- And then private sector investments and engagement in Global South will be expanded
- Which will lead to companies developing new markets and expand and develop their business
- Which will lead to expansion in the number of available jobs, increase in incomes and, through this, improved livelihoods for the targeted population

In addition,

- Commercially viable, sustainable, and responsible business ventures will be scaled up
- And commercial actors' capacity in business management and sustainable and responsible business conduct will be strengthened
- Which will scale up commercial gains for international and local businesses in a sustainable and responsible way
- And amplification of the development results arising from more sustainable and responsible business practices

And by focusing on providing common platforms for learning and technical support, then:

- Demonstrations of opportunities and models and lessons for effective and value-creating commercial/non-commercial partnerships will be shared
- And awareness and understanding of the potential value and ways to establish partnerships disseminated
- Which will further improve the viability of existing partnerships and inspire the initiation of new partnerships, funded outside the facility

In addition, by focusing support to partnerships on business cases that tackle constraints in the market or address social or environmental needs, then:

- A scale-up will happen in commercially provided goods or services that improve the environment, climate or meet low-income groups' social needs
- Or critical wider market gaps will be removed to enable small-scale, local commercial actors with better possibilities to engage in the market
- Which will lead to improved environmental conditions, social improvements, and expansion in growth and job-creation of local small businesses

The main assumptions are:

- A basic interest and demand exist among enough international businesses for commercial ventures in the Global South
- An adequate number exists of interested non-commercial actors with relevant competences to partner with the businesses
- Alignment of project success criteria and solid projects can be achieved largely through stronger focus on project preparation and placing the commercial focus in front
- The income opportunities created through the partnership projects will reach low-income groups and jobs will add to overall employment (not substitute jobs)
- Where businesses refrain from acting on commercial opportunities, this is mainly due to specific, manageable gaps in the local context, such as lack of trained labor, gaps in regulation, etc.
- A substantial number of interested businesses produce goods or services that are significant for low-income populations' social standards, environmental sustainability, or climate action.

4. Results framework

Facility level result framework: The results framework below defines the preliminary indicators and targets for results monitoring and reporting at facility level. The results framework will be further developed by the Fund Manager in the start-up phase and approved by MFA. Outcomes 1 and 2 will mainly be reported by aggregating project level results. Outcome 3 will be measured both based on aggregation of relevant project level results and by qualitative assessment of how the combination of lessons and models from partnerships across the projects contribute to inform the wider ecosystem. Outcome 4 will be measured by aggregating the results from those projects for which any of the indicators are relevant.

NB: comments in italics will be deleted in final version of the document

Project	**Facility for Partnerships on business and development**
Project Objective	A scaleup in commercially viable engagements enabled by partnerships between businesses and non-commercial actors that contribute to sustainable and inclusive development and decent job creation

Outcome 1		**Creation of decent jobs and sustainable income opportunities.**	
Outcome indicator 1.1		Number of decent jobs created with commercial partners (total/female/youth) S*ame as DGDP*	
Baseline	Year	2025	0
Target	Year	2029	Tbd
Outcome indicator 1.2		Number of people with opportunities for increased income and/or improved livelihoods (total/female/youth) *Same as DGBP*	
Baseline	Year	2025	0
Target	Year	2029	Tbd

Outcome 2		**Expansion in commercially viable and environmentally sustainable and responsible business ventures**	
Outcome indicator 2.1		Number of viable business cases sustained at the end of the project period. S*ame as DGBP*	
Baseline	Year	2026	0
Target	Year	2029	25
Outcome indicator 2.2		Share of local partner companies following EU standards for responsible business conduct. *Largely similar to DGBP*	
Baseline	Year	2026	0
Target	Year	2029	80%
Outcome indicator 2.3		Share of local partner companies following EU standards for environmental sustainability. *Largely similar to DGBP*	
Baseline	Year	2026	Tbd
Target	Year	2029	80%

Outcome 3		**Business and development partnerships that are effective and encourage additional SDG partnerships through models and lessons**	
Outcome indicator 3.1		Number of partnerships that achieve their targeted results at outcome level *New indicator – to be finally developed*	
Baseline	Year	2026	0
Target	Year	2029	25
Outcome indicator 3.2		Number of partnerships integrating models and lessons from the facility to strengthen their added value and effectiveness *New indicator – need to specify guidance how to count this. This will be measured at Partnership facility level. Results from activities of the facility to monitor and document lessons across projects, events for sharing lessons, conceptualising models for partnerships, etc.*	
Baseline	Year	2026	45
Target	Year	2029	45+30 new partnership projects + 10 external partnerships=85

Outcome 4		**Wider market, environmental or social development improvements realised**	
Outcome indicator 4.1		Number of partnership projects reporting effects on the wider market environment that will benefit business cases of additional local small-scale commercial actors *New indicator, but DGBP annual report included this generally. Partnership projects are not required to include this in their results framework, but they are encouraged to do so if relevant for their project focus*	
Baseline	Year	2026	0
Target	Year	2029	25
Outcome indicator 4.2		Number of vulnerable persons/households with strengthened resilience to climate change as an effect of the partnership projects *Same as for DGBP. Partnership projects are not required to include this in their results framework, but they are encouraged to do so if relevant for their project focus*	
Baseline	Year	2026	0
Target	Year	2029	Tbd
Outcome indicator 4.3		Number of project cases reporting effects that improve environmental sustainability (including more efficient use of water, energy, materials and/or other natural resources, reduced amounts of polluting substances released to soil, water bodies and/or air) *Same as for DGBP. Partnership projects are not required to include this in their results framework, but they are encouraged to do so if relevant for their project focus*	
Baseline	Year	2026	0
Target	Year	2029	15
Outcome indicator 4.4		Number of beneficiaries benefitting from social improvements as result of the facility (to be further defined) *New indicator. Partnership projects are not required to include this in their results framework, but they are encouraged to do so if relevant for their project focus*	
Baseline	Year	2026	0
Target	Year	2029	Tbd

Many of the targets in the results framework are indicative, reflecting that the Partnership Facility is a challenge fund where the type and level of results ultimately achieved are determined by the focus in applications and how the commercial projects fare. The risk inevitably involved in any commercial venture means that results cannot be planned to the same extent as in programmatic interventions. The results framework nevertheless signals the main areas where results should be expected and how they should be measured.

While the facility should achieve measurable results at outcome-level (as defined), measurable results will not be expected at impact level. Although the facility will contribute to impacts linked to sustainable and inclusive development, its projects will be too scattered and attribution too challenging to establish to meaningfully attempt to measure the facility's overall impact.

In addition, the Partnership Facility-level results measured in the above results framework will mainly be the sum of the individual partnership projects' results. This reflects the nature of the Partnership Facility as a collection of individual small-scale partnership projects implemented in separate contexts. There will however be efforts to deliver and record results that go beyond the mere sum of the projects. Especially, outcome 3 covers results linked to the wider learning and encouragement of multistakeholder partnership projects. And outcome 4 also covers positive effects on general market conditions in cases where projects - in support of the business case - tackle certain market gaps that also constrain other commercial actors. This underlines the potential synergies with the bilateral support programmes and SSC managed by the Embassies whereby the partnership facility could help tackle isolated market gaps also relevant to these programmes.

<u>Project level results framework</u>: The reporting at project level should be as simple and lean as possible; this should be ensured through the guidelines developed by Fund Managers during startup. The individual projects' results frameworks will reflect their specific project focus and designs. All will include result indicators linked to the core Outcomes 1 (inclusive growth) and 2 (sustainable/responsible commercial gains), but if and what indicators they use to report on Outcomes 3 and 4 depends on the specific project focus. For instance, all projects should aim to tackle a gap in the market to make the business case viable and should include indicators to reflect and report this. A project may have environmental effects, but no measurable health effects; hence it should measure and report in relation to indicator 4.2 but not 4.4.

It is to be expected that a number of partnership projects will fail, since any commercial initiative involves a risk, with especially early-stage business ventures such as many of those to be supported being "higher-risk". A ratio of commercially failed projects will not be seen as poor success of the facility overall, since lessons will be learned and they will be compensated for overall through the success of other projects. If no project fails it can be argued that the Partnership Facility has not been sufficiently risk willing – a delicate balance to strike. Failures are part of learning and developing market-based solutions and are expected in a programme of this nature.

5. Outline of instrument

The partnership facility is a challenge fund that supports partnerships between commercial businesses and non-commercial actors. The partnership project must pivot around the business case of the commercial partner and have clear development effects. The long-term viability of the project lies in a commercially viable business case. Commercial projects can very well generate social or environmental benefits without involving a non-commercial actor. The Partnership Facility targets commercial projects where tackling constraints beyond the capacity and resources of the commercial actor are critical for making it viable, both in commercial and development terms.

5.1 Funding windows

The Partnership Facility has three windows to match different stages of a commercial project's trajectory. This structuring of windows is made to enable partners to transition smoothly between the options of support that best match the exact maturity and needs of their project. Each window is summarized below, with details to be developed in the guidelines during implementation:

- **Maturation**, for early-stage business cases that show promise but require further development and partnership design, with purpose of developing these into full-scale projects. A maturation project may for instance focus on testing and/or adapting a technology/solution in the market, fully develop a business case, and/or develop the partnership to the level where it is adequately matured for full-project implementation. To ensure the business cases drive the projects from the start, the commercial partner should preferably be administrative lead on partnerships at the maturation-stage. This set-up will comply with the de minimis-regulation[6]. This means there will be flexibility for partnerships to move from maturation stage into full-scale projects, based on readiness and results. The grant ceiling will be DKK 1.5 million over 18 months.

- **Full-scale project**, for business cases that are confirmed and fully developed, with purpose to enable their implementation and delivery of the business and development results. The window provides support for addressing especially the non-commercial dimension that is needed to make the project commercially viable and achieve its development effect, for instance, vocational training of workers in the supply chain, training/managing networks of smallholders/suppliers, etc. This can fund the full implementation of a business case, such as producing or marketing a new product or solution in the local market. The non-commercial partner will be administrative lead on full-scale projects, but the commercial actor will continue as lead on the business case driving the project. Successfully completed maturation projects will be considered positively. The grant ceiling is DKK 10 million for up to 5 years. Commercial partners can receive funding up to the ceiling of the De Mini mis rules.

- **Acceleration**, for full-scale projects that show potential for further scale-up or consolidation of commercial and development sustainability with limited additional support. Approval will be based on results from the full project phase and good prospects for commercial sustainability or significant scale up within an additional 1-3 year period. The commercial partner can be lead applicant and receiver of funds when in compliance with de minimis. The grant ceiling is DKK 5 million over 2 years.

As the overall Strategic Framework provides for, strong synergies exist and will be leveraged between the five instruments including the partnership facility. DIBE (E1) complements E2 by supporting business case development at the early exploration stage which may become a candidate for funding, for instance,

[6] According to De Minimis rules a commercial partner can receives a maximum EURO 300.000 over a 3-year rolling period. As such the commercial partner can within the De Minimis rules receive funding for the maturation phase as well as first part of the "full project"-phase, where the non-commercial partner would be lead.

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, for instance, after completing the "full project" or "acceleration" stages. There are moreover strong linkages between E2 and E4; they vary mainly in E4's requirement to include a public authority in the partnership, while both will follow more or less the same general processes for criteria, application, selection, and fund management (see appendix 3).

Expenses eligible for support. Details on items eligible for support will be developed during implementation, based on the following: Consultants can be funded to a limited extent. Equipment and investments can be funded to a limited extent and in compliance with the EU de minimis, but not larger scale investments and infrastructure. Communication, awareness raising, and dissemination of lessons and models for inspiring broader application and rollout of partnerships can be funded. Work on responsible or sustainable business conduct, including responsible/sustainable value chain studies and awareness raising can be funded. An admin fee of 7% will apply to the administrative partner (the NGO).

The grant can cover up to 75% of the total partnership project budget. The remaining 25% should be funded by the commercial partner(s) in cash or in kind (staff time, travel, investments, and other financing).

Ensuring the commercial business case drives the projects. A mix of levers will be used to ensure the commercial case and commercial partner drive the projects, based on the below (to be further developed and operationalized during the start-up period).

- Scaled-up early outreach to businesses. This should early on expand awareness among businesses about the facility with the aim that more partnerships are formed with the commercial partner being the proactive part in initiating it. Focus: Communicate about models, achievements, and lessons from partnerships. Target the outreach towards types of SMEs with best potential, i.e. considering minimum size, business model based on exports or sourcing, etc. The budget for E2 includes an allocation for outreach/communication managed by the Fund Manager. In addition, the OSS will play a significant role in the outreach, marketing, and deal sourcing.
- Increased emphasis on early-stage partnership preparation. Where relevant, possibilities will be provided for special support to preparation through the maturation window. The focus should be on clarifying the business case and developing a business plan, aligning partners' understanding of target beneficiaries/stakeholders, clarifying shared project success criteria, examine feasibility issues, and define partner roles and contribution.
- Leaned and simplified application-, project-, and reporting formats. The volume of guidelines will be reduced; formats for project descriptions and results reporting will be simplified; ways will be explored to shape formats to fit more closely with commercial actors' planning formats and work practices while maintaining accountability requirements for the public funds. Ways will be explored to fit budget and planning formats closer to practices and formats of businesses, while maintaining an adequate basis for accountability. Explore boundaries in formats between private sector and Danida/ODA requirements.
- A more prominent position of the commercial actor. Active role for commercial actor in presenting concepts for interviews. Principle instated in guidelines that planning, budgeting, and implementation of the projects should follow progress and needs of the commercial elements. Increased influence of commercial actor on annual budget planning and budgeting. Commercial partner submits application.

- Mechanisms for adapting to developments in the projects. Introduce possibilities to adjust funding commitment to a project so it better matches how the commercial venture develops on the ground; ensure flexibility in implementation to avoid the NGO's implementation pace and delivery runs ahead of the commercial side.
- Exit. Early on, ensure projects and partnerships are designed and implemented to be able to continue after the exit of the non-commercial partner.
- Explore options for results-based partnership modalities. Focus on models for structuring grant financing where the commercial and "development" result are more closely aligned. Consider support to (impact)investors exploring instruments that link commercial incentives and returns with social delivery-outcomes (such as in development impact bonds) and involve non-commercial partners for delivering the social services.

5.2 Project selection criteria and application process

All partnership projects should meet two fundamental criteria, namely:

- Aim for commercial viability, whether directly or by generating wider commercial effects
- Generate development effects, whether direct or indirect creation of decent jobs or income opportunities, *or* services, products, or solutions that benefit poor and vulnerable groups including environment and climate action.

The two fundamental criteria will be broken down into operational and detailed criteria for guiding the selection process of partnership projects. The operational criteria will include project quality, considerations on the project portfolio mix, and the OECD/DAC development effectiveness principles.

There may be trade-offs in the potential projects between the commercial and development effects. Guidance will be developed for how to manage this balance in the selection of partnership projects.

Table 1 indicates the operational selection criteria and how they will be used in the four main steps of screening and selecting projects from the point where the applications are received up to the final choice of projects. The specific guidelines will be developed during the first part of 2026 by the fund manager.

Table 1: Screening and selection criteria for partnership projects

Category	Criteria	Screening step and result
Basic eligibility criteria	Partnerships meet basic requirements, such as consist of commercial+non-commercial partners; meet basic solidity and capacity requirements; application documents are compliant; country experience, etc.	Administrative screening => Vetted list of eligible applications
Strategic fit* (relevance)	Does the project idea meet the fundamental criteria? • The project has a clear commercial focus and drive • The project includes a core focus on tackling social or sectoral constraint for the business case to be viable, or the commercial good/service has relevant social or environmental benefits	Technical assessment => A shortlist of relevant applications, having both a clear commercial and relevant development focus
Quality (effectiveness + (efficiency)	Is the project description adequately clear and solid? • Project focus, strategy/TOC, logic, operationable • Contextual needs and risks considered • Results clearly defined • Partnership division of roles clear; joint vision and commitment; management, administrative and technical capacity	Technical assessment=>A list of relevant applications divided into project concepts with quality issues that are too significant to immediately handle and project concepts with adequate quality to be able to proceed.

	• Women and youth considered	This assessment may happen together with above assessment of "strategic fit"
Final selection criteria	What final mix of applications are fundable within the budget and meets priorities for the overall portfolio? • Total annual budget allocation vs. project budgets • Country concentration • Thematic spread • Balance of low/high risk • Etc.	Final sorting and ranking => specific set of projects proposed for approval (to MFA) (assuming that not all projects shortlisted as relevant and adequate quality can be funded)

*link to strategic objective and outcomes

The **application process** will have two annual calls to allow for better flow and to be able to respond to partners' needs. Each call will cover all the maturation and full project windows to allow a coherent assessment and prioritization across all received applications, while applications for acceleration will build on successfully completed full projects and performance assessment of the results. It will be considered before the first call in 2026 if/how successful projects under the current DGBP may be eligible for support under the new partnership facility's acceleration windows. The criteria (Table 1) will apply to all three windows but will be further detailed and tailored to each window during start-up. Lighter criteria will apply to the maturation window, but approval for full-scale and acceleration projects will consider the results and track-record from the maturation stage and prospects for further business case development.

The **main steps** in biannual application process will be developed by the Fund Manager during the start-up phase (and approved by MFA). The process will largely build on the same as DGBP, including: Initial submission of concept notes; the Fund Manager conducts the initial technical screening and scoring and proposes the short-list of candidates for approval to MFA; interviews of partners and selection of concept notes; subsequent preparation of full project documents; quality assurance and final approval of project documents by the Fund Manager and MFA. Inputs from Embassies will be included to ensure coherence and focus. Outreach activities targeting relevant businesses will precede the annual calls well in advance. This will be coordinated and co-managed with the OSS who will play a key role in communicating and informing private sector actors about the business instruments.

A Committee with members from the business associations, relevant NGOs, and others to be determined will be appointed with the roles to review the short-list and advice on partnerships for approval. MFA approves the final proposed partnerships. The title of the Committee is to be determined. The final role and setup of the committee will be defined based on an assessment of lessons from DGBP before the first call in 2026.

5.3 Communication

To contribute directly to the GSDC's aim of increasing Danish private sector actors' engagement in the Global South, the partnership facility will carry out focused outreach and communication activities. The outreach and communication will ensure coverage of Danish small- and medium scale enterprises with most interest and potential for further internationalizing their businesses through stronger focus on the Global South. The Fund Manager will play the main operational role in this, but coordinating with MFA, especially the OSS. A budget-line is allocated for the outreach/communication to be managed by the Fund Manager. Communication and messages will focus on case stories, lessons learned, and models and advice on way forward including information on options for support.

6.Budget[7]

Budget										
	2026	**2027**	**2028**	**2029**	**2030**	**2031**	**3032**	**2033**	**2034**	**Total**
Partnership projects*	55	105	110	110						380
Maturation										
Fullscale										
Accelerate										
Outreach	0.5	0.75	0.75	0.5						2.5
Fund management	2	4	4	4	3	3	2	2	2	26
Inception review; mid-term review; audit; ad hoc studies		0.5	0.5	0.5						1.5
Total										410
*Allocation between windows made in annual budgets										

The annual allocations for partnership 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.

A total of at least 25-30 partnerships are expected during the support period across the three windows, but possibly more. This considers that a partnership could in theory receive a total of up to DKK 15 million under the facility if it passes through each of the three windows over the course 8-9 years. In practice a higher number of partnership projects is expected since not every partnership may apply for the maturation or acceleration-window. The budget breakdown across windows will be made annually (based on a proposal by the Fund Manager) by considering a balanced portfolio that allows both for new relevant partnerships and graduation of existing well-performing partnerships from one window to the next.

The allocation for fund management considers that more functions and tasks have been added to that role compared to DGBP. Especially, the full fund management role involves the main additional responsibility of managing payments to partnerships including financial management and controls. More resources are also included for monitoring, incl. onsite visits to projects across all windows, learning and sharing of partnership lessons/models, results reporting and management, and overheads. The allocation for the start-up year 2026 is smaller. The allocations for 2027-2029 reflect these are the years where tasks include both management of calls and backstopping/monitoring, while during 2030-2034 only the backstopping/monitoring task will continue, and for a declining number of projects over that period.

The special allocation for outreach and communication (administered by the fund manager) reflects the strong emphasis on upfront outreach to create awareness and mobilize the interests of businesses in the possibilities under the facility and, through this, more strongly business case-driven partnerships.

The allocations for inception- and mid-term review, audit, and strategic monitoring, studies, lessons will be managed by the MFA. In addition to the compulsory mid-term review, the allocation allows MFA to

[7] The budget is not outcome-based (results-based) in the way of a programmatic budget, since the modality is a challenge-fund where the level of results depends on the focus and content of applications received. Every partnership project will however contribute across at least three outcomes.

initiate relevant ad-hoc monitoring and studies for strategic level adjustments and MFA risk management.

7. Management arrangements

Governance and management. MFA is overall responsible for the facility including policy- and strategic decision-making, monitoring risks, and strategic dialogue and coordination across MFA and with stakeholders at strategic level.

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 E2, 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 E2 as well as other business instruments.

A Fund Manager will be responsible for the implementation and administration of the Partnership Facility including overall management and reporting and disbursements to partnerships of the funding for the partnership projects. The Fund Manager will have operational responsibility for the facility delivering on objectives and results. The tasks include technical sparring and coaching on project development, business development support, and learning and results monitoring. Box 2 summarises the division of responsibilities between MFA and the Fund Manager (Appendix 3 specifies the division of tasks).

Box 2: Overall roles and responsibilities

MFA	Fund manager/institution
• Policy setting, strategic decision making and adjustments, including budget reallocations • Define main criteria for partnership project selection • Approve partnerships for support based on recommendations from advisory committee/fund manager • Overall accountability, lessons learned, adjustment and reporting of partnership facility and results • Strategic dialogue with private sector actors and associations • Directing, contracting, and overseeing performance of fund manager • Payments to fund manager	• Implement partnership application process, including issuing calls, assessing applications, operational communication with applicants, and recommending projects for approval • Administer funds, including disbursing to partnerships, financial management, and receiving and reviewing financial reports • Preparation of necessary technical and administrative guidelines and formats • Monitor partnership project implementation, including receiving and reviewing reports, conducting monitoring visits, and provide technical quality assurance inputs to projects • Outreach and communication on partnership facility • Results monitoring incl. preparation of annual consolidated results report and financial report for MFA • Preparing lessons learned and recommendations for adjustments to the Partnership Facility

The OSS will play a key role in informing and guiding companies towards the partnership facility and to facilitate relevant linkages and cross-overs to/from the other four instruments as well as with especially, EXPORT, trade council, OKODIP, and embassies and other Danish business support initiatives.

Monitoring and reporting. The Fund Manager will be responsible for overall results monitoring of the partnership projects (across all windows), including quality assuring results reporting and consolidating results at facility level. In addition, the Fund Manager will conduct annual monitoring missions to a limited number of projects for technical quality assurance, lessons learned, risks, and results progress. The partnerships will individually report progress based on their specific results frameworks. The Fund Management should allocate resources for ensuring financial monitoring visits to mitigate risks and ensure compliance at the partner level during implementation, as emphasized in the MTR.

The Fund Manager will prepare an annual consolidated results report for the facility for submission to MFA, based on the results framework, including overall lessons, risks, and proposed strategic adjustments. The annual results report will represent MFA's single results reporting documentation at the level of the facility. MFA will review, discuss, and approve the report.

A bi-annual Fund Management Performance report will be prepared by the Fund Manager with focus on status, progress, performance, and issues linked to the Fund Management contract specifically. This will focus on performance criteria defined in the contract.

MFA will conduct an inception review during 2027 which should be coordinated and possibly combined with planned reviews of the other four instruments under the new business initiative. In addition, an outcome-based evaluation should be considered (managed by MFA) in response to the MTR's recommendation on evaluation of commercial and developmental outcomes and sustainability. This could best focus on outcome-harvesting before the end of the facility in order to enable results and lessons to inform the further implementation (possibly timed to inform the mid-term review). A mid-term review (obligatory) will be conducted in 2029 with the task, among others, to inform the considerations about any possible next phase or exit.

Implementation modalities and phasing. Given its similarities especially with E1 and E4, E2 will be managed by the same Fund Manager as E4 and potentially E1. The Fund Manager should also ensure the relevant linkages from E1, E2, and E4 to E3 and E5, even if these are managed in a separate setup. Especially, E1 can feed in importantly both to E2 and E3, which should be ensured.

Overall, the first year of 2026 will be a transition period where a new management arrangement will be implemented; new guidelines/processes developed, tested, and fine-tuned; and a first call prepared and launched. That requires the following transitory solutions to accomplish these tasks:

The selection and appointment of the Fund Manager will be implemented during 2026 based on a tender. The Fund Manager should be selected and commence the contract early in the second half of 2026. The organization appointed should have established the required leadership, management and technical capacity to take on the Fund Management responsibility.

The first call will be announced in early 2026. This should respond to the immediate priority to meet current demands for support and avoid interrupting the momentum of DGBP. The aim is to initiate new partnership projects under the facility already in 2026. To accomplish this, the first call will be managed through a short-term consultancy contract for a "Temporary Fund Manager" until the main Fund Management institution is appointed and able to take over.

By late 2026 the processes and formats will be reviewed and adjusted based on lessons from the first call. The proposed funding allocation for 2026 is smaller than for the subsequent years to allow for this gradual startup.

In summary, the main activities to undertake following the approval of the grant are as follows.

- Issue call for proposal for joint-Fund Manager (MFA) for E2, E4 and possibly E1: January/February 2026
- Outreach activities by MFA /OSS targeting relevant business segments: March
- Select and contract Temporary Fund Manager (MFA): February 2026
- Establish Fund Management setup (Temporary Fund Manager): March/April 2026
- Prepare/finetune criteria, formats, and selection process: April/May 2026
- Launch of tender for recruitment of Fund Manager: May
- Announce call – communication activities (Temporary Fund Manager): May
- Receive/review/recommend concept notes (Temporary Fund Manager): August
- Approve concept notes (MFA): August/September
- Sign contract with Fund Manager: December
- Review, lessons learned, and adjustments: (Fund Manager, MFA): December
- Decide and plan way forward for implementation modality 2027-2029

8. Financial management

Financial management of the partnership projects will be the responsibility of the administrative partners for each project including all accounting and reporting. The financial management will follow Danida requirements. The partnership should submit annual audited financial reports to the Fund Manager.

The Fund Manager is responsible for overall financial management of the funds it has been delegated to manage and ensuring compliance with Danida requirements. This includes checking financial management and accounting of the partnership projects. The Fund Manager submits an annual financial report and accounting for the funds the MFA.

9. Risk management

The Fund Manager will undertake risk management of the portfolio of partnership projects overall. The main risks are below. The Fund Manager will annually update the risk matrix and reflect on developments in strategic-level risks and suggest mitigation measures in connection with its annual results report and dialogue meeting with MFA.

Main risks are as follows (see annex 2 for full risk matrix):

Context

- Escalating global trade war with tariff increases and geopolitical fragmentation, pushing European including Danish companies' trade and investment focus towards local/regional markets.

- Conflict, climate shocks, and rising costs disrupt global supply chains and multiply costs and time of global transport/freight and uncertainty. This reduces the appetite and potential viability of international/Danish commercial actors in investments and sourcing in the Global South.

- Country level conflict and destabilasation, with some beneficiary countries of partnerships facing heightened risks of political instability and pockets of insecurity and fragility, which disrupt national markets and implementation of the commercial projects.

Programmatic

- Too few business case-driven applications, since it may remain an inherent challenge to balance the commercial and non-commercial concerns in such projects and the non-commercial partner will continue to receive the main share of the budget and act as admin lead.

- Workable balance not established between concerns of commercial actors and non-commercial partners/and or requirements attached to ODA

- Commercial projects fail, since some may be early-stage and higher than normal risk, and market developments not fully predictable.

Institutional

- Non-compliance to the Responsible Business Conduct (RBC), incl. violation of human rights and occupational safety and health standards, or environmental damages from the commercial activities

- Misuse, corruption and fraud by companies involved in projects and investments, with corruption being widespread in most developing countries and subjects any project in the Global South to risks of corruption and mismanagement of funds.

- Private sector approach to development not delivering as expected, should the projects not deliver the envisaged development effects regardless of their commercial success, in turn challenging the trust in the strategy of mobilizing the private sector for achieving the SDGs.

14. Exit and sustainability

The last call for applications under the present contribution is expected in 2029, which implies there will be partnership projects continuing possibly until 2034 (assuming 3-5 years duration). 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 during for the entire duration of the projects, which the budget for E2 reflects.

The inception review in 2027 will take stock of lessons and MFA's updated strategic considerations and make recommendations for adjustments in the the facility for the remaining support period. A mid-term review in 2029 will (among other tasks) assess the rationale and provide recommendations regarding a possible new allocation, or for the strategy for exit and sustainability of the project results.

The partnership projects' results will be sustained in the long-term to the extent the underlying business cases are commercially viable and sustained. The strategy that underpins the facility to put the commercial case more clearly in the driver's seat should therefore also strengthen the scope for the continuation of the projects' commercial and development results. Moreover, by putting the commercial case more clearly in the driver's seat – while requiring compliance with sponsible business conduct and ESG standards – the facility aims to ensure that development effects are embedded in viable business models rather than dependent on temporary grant funding That means the commercial partners should after the partnership projects terminate be expected to continue deliver the development effects as integrated element in their business plan and inspire new partnerships for change. All projects will be required to submit completion reports and final financial statements.

Appendix 1: Detailed Results Framework and TOC

NB: comments in italics will be deleted in final version of the document

Project		**Facility for Partnerships on business and development**	
Project Objective		A scaleup in commercially viable engagements enabled by partnerships between businesses and non-commercial actors that contribute to sustainable and inclusive development and decent job creation	

Outcome 1		**Creation of decent jobs and sustainable income opportunities.**	
Outcome indicator 1.1		Number of decent jobs created with commercial partners (total/female/youth) S*ame as DGBP*	
Baseline	Year	2025	0
Target	Year	2029	Tbd
Outcome indicator 1.2		Number of people with opportunities for increased income and/or improved livelihoods (total/female/youth) *Same as DGBP*	
Baseline	Year	2025	0
Target	Year	2029	Tbd

Outcome 2		**Expansion in commercially viable and environmentally sustainable and responsible business ventures**	
Outcome indicator 2.1		Number of viable business cases sustained at the end of the project period. S*ame as DGBP*	
Baseline	Year	2026	0
Target	Year	2029	25
Outcome indicator 2.2		Share of local partner companies following EU standards for responsible business conduct. *Largely similar to DGBP*	
Baseline	Year	2026	0
Target	Year	2029	80%
Outcome indicator 2.2		Share of local partner companies following EU standards for environmental sustainability. *Largely similar to DGBP*	
Baseline	Year	2026	Tbd
Target	Year	2029	80%

Outcome 3		**Business and development partnerships that are effective and encourage additional SDG partnerships through models and lessons**	
Outcome indicator 2.1		Number of partnerships that achieve their targeted results *New indicator*	
Baseline	Year	2026	0
Target	Year	2029	25
Outcome indicator 2.2		Number of SDG partnerships integrating models and lessons from the facility to strengthen their added value and effectiveness *New indicator – need to specify guidance how to count this. This will be measured at Partnership facility level. Results from activities of the facility to monitor and document lessons across projects, events for sharing lessons, conceptualising models for partnerships, etc.*	
Baseline	Year	2026	45
Target	Year	2029	45+30 new partnership projects + 10 external partnerships=85

Outcome 4		**Wider market, environmental or social development improvements realised**	
Outcome indicator 4.1		Number of partnership projects reporting effects on the wider market environment that will benefit business cases of additional local small-scale commercial actors *New indicator, but DGDP annual report included this generally. Partnership projects are not required to include this in their results framework, but they are encouraged to do so if relevant for their project focus*	
Baseline	Year	2026	0
Target	Year	2029	25
Outcome indicator 4.2		Number of vulnerable persons/households with strengthened resilience to climate change as an effect of the partnership projects *Same as for DGDP. Partnership projects are not required to include this in their results framework, but they are encouraged to do so if relevant for their project focus*	

Baseline	Year	2026	0
Target	Year	2029	Tbd
Outcome indicator 4.3		Number of project cases reporting effects that improve environmental sustainability (including more efficient use of water, energy, materials and/or other natural resources, reduced amounts of polluting substances released to soil, water bodies and/or air) *Same as for DGDP. Partnership projects are not required to include this in their results framework, but they are encouraged to do so if relevant for their project focus*	
Baseline	Year	2026	0
Target	Year	2029	15
Outcome indicator 4.4		Number of beneficiaries benefitting from social improvements as result of the facility (to be further defined) *New indicator. Partnership projects are not required to include this in their results framework, but they are encouraged to do so if relevant for their project focus*	
Baseline	Year	2026	0
Target	Year	2029	Tbd

Output 1.1		Effectively functioning facility for support to partnerships on business and development [attractive]	
Output indicator		a. #compliant applications received b. #of applications including Danish commercial partners	
Baseline	2024		a. 90 (*DGBP* b. Tbd
Target	2026		a.90 b.Tbd
Target	2027		a.90 b.Tbd
Target	2028		a.90 b.Tbd
…	2029		a.90 b.Tbd
Output 1.2		Partnership projects based on viable business cases with development effects/[implemented]	
Output indicator		a. #approved projects under the maturation window b. #approved projects under the full-scale project window c. #approved projects under the acceleration window	
Baseline	2024		a. 7 *DGBP* b.10 *DGBP* c. n.a.
Targets below are preliminary – see footnote for assumptions[8]			
Target	2026	2026	a.4 b.6 c.1 (total 11)
Target	2027	2027	a.6 b.8 c.1 (total 15)
Target	2028	2028	a.6 b.8 c.2 (total 16)
…	2029	2029	a.4 b.10 c.4 (total 18)

[8]

	Maturation	Full scale	Acceleration	
	1.5	**10**	**5**	DKKmillior
2026	4	6	1	71
2027	6	8	1	94
2028	6	8	2	99
2029	4	10	4	126
				390

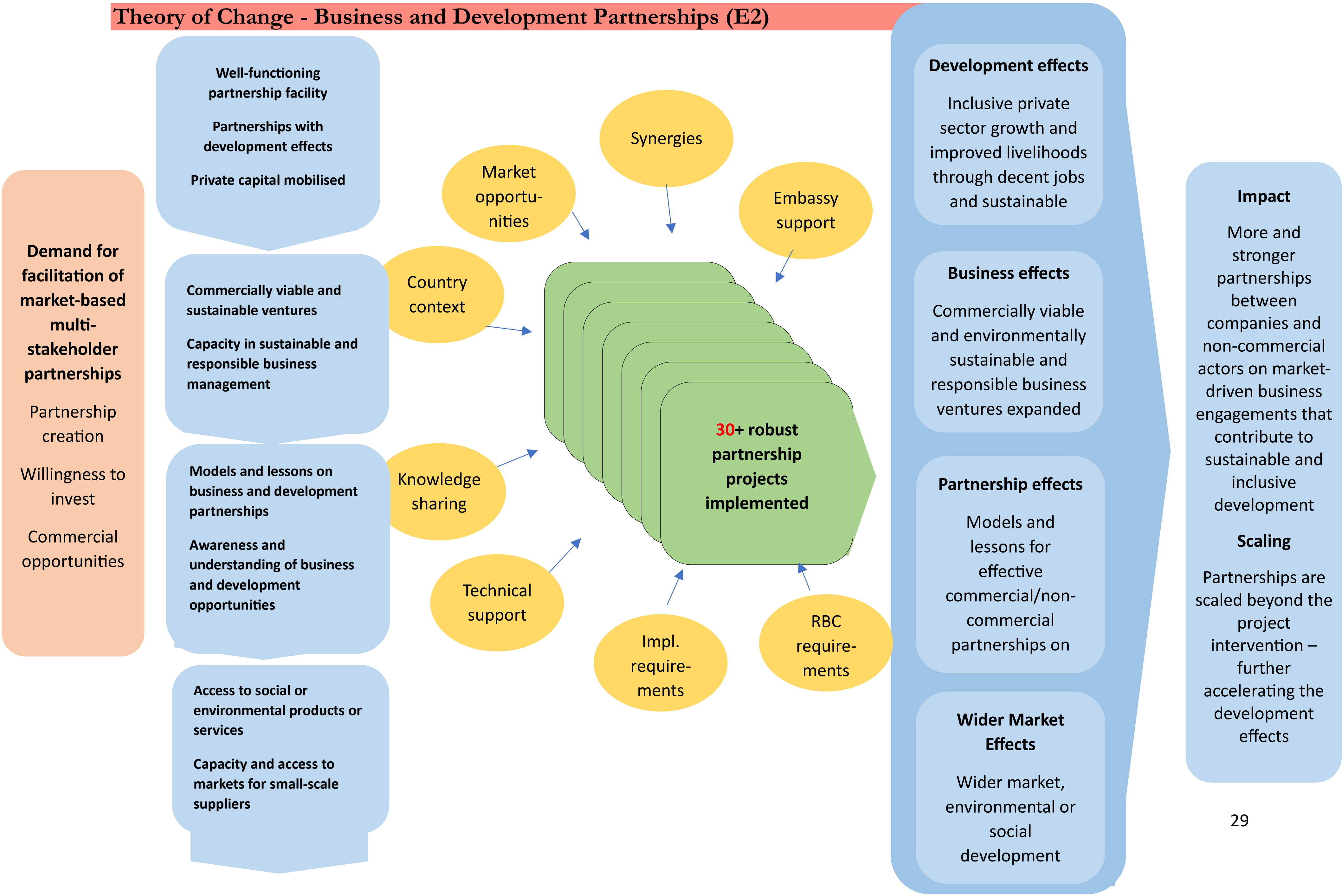
Output 1.3		Private capital mobilised under partnership projects	
Output indicator		Matching the partnership project funding i.e. approx. DKK 390 mil. at 50% mobilisation-rate	
Baseline	2024	DKK mil.	Tbd
Target	2026		70
Target	2027		95
Target	2028		100
…	2029		125

Output 2.1		Viable, responsible and sustainable business cases implemented/supported	
Output indicator		Number of partnership projects where commercial partner is/was administrative lead during maturation or acceleration stage and based on adequate business plan	
Baseline	2024		Tbd
Target	2026		11
Target	2027		15
Target	2028		16
…	2029		18
Output 2.2		Capacity of commercial partners in business management and sustainable and responsible business conduct	
Output indicator		Number of local commercial partners with credible plans under implementation for managing social and environmental sustainability	
Baseline	2025	2024	Tbd
Target	2026		4
Target	2027		8
Target	2028		14
…	2029		16

Output 3.1		Models for partnering on business and development available for replication	
Output indicator		Number of consolidated presentations of lessons learned and/or models for replication across partners/externally	
Baseline	2025	2025	
Target	2026		
Target	2027		
Target	2028		
…	2029		
Output 3.2		Increased awareness and understanding of opportunities in business and development partnerships among more businesses	
Output indicator		Number of knowledge sharing and networking events/outreach activities	
Baseline	2025	2025	
Target	2026	2	
Target	2027		
Target	2028		
…	2029		

Output 4.1		Increased access of low-income populations to products or services significant for social or environmental improvement	
Output indicator		a. Number of units sold….b….?	
Baseline	2025	2025	
Target	2026	2	
Target	2027		
Target	2028		

…	2029		
Output 4.2		Increased capacity and access to markets for small-scale suppliers	
Output indicator		a. Number of suppliers trained b. Number of suppliers reached	
Baseline	2025	2025	
Target	2026	2	
Target	2027		
Target	2028		
…	2029		



Theory of Change - Business and Development Partnerships (E2)
Demand for facilitation of market-based multi-stakeholder partnerships
Partnership creation
Willingness to invest
Commercial opportunities
Well-functioning partnership facility
Partnerships with development effects
Private capital mobilised
Commercially viable and sustainable ventures
Capacity in sustainable and responsible business management
Models and lessons on business and development partnerships
Awareness and understanding of business and development opportunities
Access to social or environmental products or services
Capacity and access to markets for small-scale suppliers
Market opportu-nities
Synergies
Embassy support
Country context
Knowledge sharing
Technical support
Impl. require-ments
RBC require-ments
30+ robust partnership projects implemented
Development effects
Inclusive private sector growth and improved livelihoods through decent jobs and sustainable
Business effects
Commercially viable and environmentally sustainable and responsible business ventures expanded
Partnership effects
Models and lessons for effective commercial/non-commercial partnerships on
Wider Market Effects
Wider market, environmental or social development
Impact
More and stronger partnerships between companies and non-commercial actors on market-driven business engagements that contribute to sustainable and inclusive development
Scaling
Partnerships are scaled beyond the project intervention – further accelerating the development effects

Appendix 2: MFA Risk Matrix

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Escalating global trade war	Almost certain	Major	Continue the focus on providing risk reducing measures and support awareness, information, and exploration of business opportunities in the Global South including through E1 and E3.	Major	Global trade war with tariff increases and geopolitical fragmentation pushes European including Danish companies' trade and investment focus towards local/regional markets. This could lower the number of business cases including with development effects pursued by these companies that target the Global South. Counteracting this could be shift from European/Danish business ventures from China towards other Global South countries including in Africa.
Global conflict disrupts supply chains	Likely	Major	As above - continue the focus on providing risk reducing measures and support awareness, information, and exploration of business opportunities in the Global South including through E1 and E3.	Major	Conflict, climate shocks, and rising costs disrupt global supply chains and multiply costs and time of global transport/freight and uncertainty. This reduces the appetite and potential viability of international/Danish commercial actors in investments and sourcing in the Global South.
Country level conflict and destabilasation	Likely	Minor	Careful risk assessment upfront of individual partnership project proposals. Fund Manager and KLIMA maintain ongoing monitoring and dialogue with relevant Danish country-representation to decide specific risk management approach and measures. Fund Manager to focus on managing overall project portfolio's risk profile.	Minor	Some of the potential beneficiary countries of the partnerships face heightened risks of political instability and pockets of insecurity and fragility. Such instability may disrupt national markets and implementation of the commercial projects. This is most likely to be confined to individual countries without affecting progress of the facility overall.

Programmatic risks (for bilateral programmes at the country level, it has to be filled out for the portfolio under each strategic objective)

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Too few business case-driven applications of good quality	Likely	Major	Active pre-call outreach to commercial partners and strong emphasis on the commercial partner as lead at maturation stage; review success after 1st call and adjust. Mobilise embassies in nurturing interest. Ensure linkages and transition with other instruments especially E1.	Minor	Experience from the *DGBP* is that ensuring projects are driven clearly by the business case has in many cases been a challenge. The partnership facility is designed with focus on putting the commercial case and partner in the lead. Since NGOs tend to systematically monitor and proactively pursue funding from the partnership facility, the risk remains that some partnerships may not have adequately be based on a solid business case. Moreover, the refocus on inclusive growth/jobs will expand the pool of relevant proposals. Quality of preparation may be weak especially if a commercial partner with less routine in proposal formulation leads.
Divergence between the commercial and non-commercial partners' specific priorities and concerns is too wide for the partners to align around a common result of the project.	Likely	Major	Ensure strong upfront focus under the maturation window on establishing a solid commercial business case and a process for jointly developing and aligning the focus of the commercial and non-commercial partners.	Minor	A lesson learned is that for some projects the business and non-commercial partners have had diverting views on what should define success of the project – such as reaching low income beneficiaries or securing a financially solid business case. This has made it difficult for projects to focus on a shared result.
Misalignment between partners on views of project success and coordination	Likely	Major	Strong emphasis on thorough early stage project preparation in the maturation stage led by the commercial actor to clearly set the commercial case in front as basis for the non-commercial to align with. Fund manager to diligently focus on checking coordination between commercial and non-	Minor	Experience shows that partner may have different focus and understandings of what is project success. Experience also shows there can be misalignment between implementation of the commercial activities and the activities managed by the non-commerecial partner.

			commercial activities when approving annual workplans and budgets. On going support from Fund Management on monitoring, cross-partnership knowledge sharing and support for establishing solid partnership engagements.		
Commercial failure of individual project business cases and no upscaling	Likely	Minor	Fund manager will be diligent and systematic in conducting due diligence of project proposals including financial analysis with focus on commercial viability; regular risk assessment and proactive risk management of project-business case during implementation. Focus on ensuring commercial and developmental success of the project E2 project portfolio as a whole in spite of individual project-failures.	Minor	The market developments and maturation processes of the projects are highly complex and can be volatile, making predictability more than usually difficult despite due diligence and good programme monitoring. There is an inherent risk of failure in any commercial activity.

<u>Institutional risks</u>

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Non-compliance to the Responsible Business Conduct (RBC), incl. violation of human rights	Unlikely	Major	Project applications approved should comply with international social and environmental	Minor	Experience from the predecessor of the programme, DMDP, shows a high compliance with RBC and motivation to apply high standards in this regard. Any possible violation

and occupational safety and health standards			responsibility and sustainability standards. Integrated in support that local commercial partners receive support for ensuring sustainability/responsible business behaviour. Fund Manager ensure focus on RBC through regular monitoring and ensures follow-up to any major risks.		will have a negative effect on employees and will undermine the objectives of the project.
Misuse, corruption and fraud by companies involved in projects and investments					As generally recognized and demonstrated through the International Transparency Index, corruption is widespread in most developing countries, which subjects any project in the Global South to risks of corruption and mismanagement of funds. Project implementation can be seriously damaged from any mismanagement of funds, shift resources away from the intended commercial and developmental results, and hurt the social contract and integrity in the communities. It can damage the trust in development assistance being effectively and orderly spent.
The projects do not deliver the envisaged development effects regardless of their commercial success which in turn challenges the trust in the strategy of mobilizing the private sector for achieving the SDGs.	Likely	Major	KLIMA to include focus on overall strategy for private sector engagement to tackle the SDGs in mid-term review and learn from and adjust strategy accordingly.	Minor	Many commercial cases may not be viable or relevant for tackling some of the critical social and environmental SDG challenges. The positive job- and income-creation effects of projects may not benefit low-income/vulnerable groups; and/or may be too few, isolated, and off-set by other effects to create any significant overall impact, especially in absence of wider sectoral reforms.

Appendix 3: Division of responsibilities - MFA/KLIMA and Fund Manager

Function/task	MFA	Manager
Call process		
Set policy/strategic priorities	X	
PAP preparation		X
PAP approval	X	
Appoint expert panel	X	
Launch and promote call		X
Assess concept note applications – business case and development case		X
Prepare shortlist		X
Approve shortlist	X	
Conduct interviews		X
Recommend candidates for approval		X
Approve candidates	X	
Communicate approvals and rejections		X
Relevant administrative communication		X
Guide on project development, QA, sparring		X
Assess project descriptions		X
Approve project descriptions	X	
Communicate approval and feedback		X
Consolidate lessons and areas to adjust		X
Discuss and decide lessons and adjustments	X	
Implementation		
Receive/assess requests for disbursements		X
Disbursements		X
Results monitoring plan and monitoring visits	(x)	X
[MFA DIALOGUE WITH COMMERCIAL ACTORS]	X	
Establish lessons learned, conduct learning events		X
Review/approve annual partnership project reports		X
Prepare consolidated Annual Report		X
Discuss and approve consolidated Annual Report	X	
Contract management		
Receive/review/approve partnership projects [quarterly] reports		X
Receive/review/approve partnership projects annual reports		X
Receive/review/approve partnership projects financial statements		X
Prepare consolidated financial report		X
Review and approve consolidated financial report	X	
Monitor, review, and follow-up on manager's performance vis a vis contract deliverables	X	