

Strategic Framework Document

Danish Business Initiative

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Ministry of Foreign Affairs
Department for Green Diplomacy and Climate (KLIMA)

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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
DSDC	Denmark's Strategy for Development Cooperation
EIFO	Danmarks Eksport- og Investeringsfond
EMDE	Emerging Markets and Developing Economies
EU	European Union
GAPEED	Government's Action Plan for Effective Economic Diplomacy
HRBA	Human Rights Based Approach
IFDK	Impact Fund Denmark
ILO	International Labour Organisation
LMIC	Low and Middle-Income Countries
MFA	Ministry of Foreign Affairs
NEFCO	Nordic Environment Finance Corporation
OECD	Organisation for Economic Co-operation and Development)
OSS	One Stop Shop
RBC	Responsible Business Conduct
SDG	Sustainable Development Goals
SME	Small- and medium scale enterprises
SSC	Strategic Sector Cooperation

1. Introduction

Denmark's Strategy for Development Cooperation (DSDC), *A Changing World - Partnerships in Development (2025)*, presents the vision that private companies and investors should engage and invest more in low- and middle-income countries, helping to bridge gaps in achieving the Sustainable Development Goals (SDGs), including climate action.

That is because businesses, as they invest and expand their engagements, are significant for national development agendas – helping to create jobs, income opportunities, strengthen local value-chains, and economic and social spin-offs like innovation, higher productivity, tax revenue, in addition to being key actors in ensuring sustainable social services and environmental management.

The DSDC declares a proactive effort to achieve such strengthened commercial and development engagement by businesses in the targeted countries. This Strategic Framework outlines the long-term and comprehensive initiative for a set of instruments operating at company-level to leverage the engagement of businesses in commercial ventures with relevant development effects.

The Strategic Framework lays out the objectives, principles, and rationale which will guide Ministry of Foreign Affairs (MFA)'s selection, design and adaptive management of the business instruments under the overall initiative, with focus on effective delivery of results, accountability, coherence, and learning-based adaptation. The initiative will be implemented through individual instruments, each described and approved through separate project documents.

The strategic initiative responds to a fundamentally changed global context. Geopolitical fragmentation, climate crisis, capital market volatility, global value chain and trade realignments as well as declining development assistance have reshaped how development outcomes can be achieved. Traditional aid instruments alone were always insufficient to provide the scale of capital, innovation and execution capacity required. In this context, the Strategic Framework provides for strategic use of development assistance to catalyze commercially viable and development-focused contributions of businesses to the SDGs. It involves a shift from the past set of business-level instruments - few and working in isolation - to a more comprehensive and coherent portfolio of instruments, managed under a shared strategic focus.

The ambition behind the initiative is to contribute to sustainable development, job creation and inclusive growth in low- and middle-income countries by enabling an upscaled and strengthened contribution from businesses, investors and partnerships operating with a primary development purpose.

To follow the DSDC and Government's Action Plan for Effective and Economic Diplomacy (GAPEED), the initiative will leverage the shared space between development cooperation and economic diplomacy. It will promote engagements of businesses in developing partner countries that generate development effects in form of jobs, income opportunities and environmental benefits in ways that are advantageous both for partner countries and Denmark.

Support under the instruments will be available in countries eligible for official development assistance (ODA), based on the criteria of the Organisation of Economic Cooperation and Development (OECD)'s Development Assistance Committee (DAC), and with a Danish representation. This covers a mix of

mainly low- but also a few middle-income countries, with some invariably also classified as emerging Markets and Developing Economies (EMDEs), hereafter be referred to as the eligible target countries.

The instruments aim to make it more attractive for companies to engage in emerging and developing markets, by reducing risks, clarifying market potentials and scaling business through support for market studies, partnerships, pilot projects, co-investment financing, and technical advice. They provide an expanded palette of mutually complementary instruments that also link with other existing Danish initiatives for promoting businesses' investments and engagement in the eligible target countries.

The Strategic Framework will, as a starting point, guide the establishment of five new and reformed business instruments through an allocation of DKK 850 million during 2026-2029 (summarized in Annex 1). The five instruments may in future be scaled up, adjusted, and supplemented by additional instruments within the Strategic Framework, based on progress, lessons learned, and emerging priorities.

The One Stop Shop (OSS), anchored in the MFA, will be the primary entry point to provide support coordination and information to companies on business instruments, ensure a coherent outreach across business instruments, and provide a structured link to Danish representations abroad.

Section 2 defines the Strategic Framework's objectives and overall logic. Section 3 outlines the context in terms of development challenges and businesses' opportunities and challenges. Section 4 describes the rationale, including policy, lessons learned, and principles guiding all instruments. Sections 5-7 describe the budget, management, and risk management.

2. Strategic framework – objectives and narrative

The initiative is based on the principle that sustainable development outcomes are most likely to emerge when business engagement is aligned with partner-country priorities and informed by local needs, stakeholders and market realities. Different instruments will apply this principle differently, but local relevance, leadership and ownership remain important considerations across the portfolio.

Overall, the transformation strategy is to leverage businesses' contribution to development by supporting the commercial viability and development effects of business cases that show strong potential to tackle SDG challenges and generate inclusive jobs, incomes, and social and environmental benefits in eligible countries.

To this end, the initiative supports companies to engage in such commercial activities within their core business that relevantly address local challenges and opportunities to reach the Sustainable Development Goals (SDGs).

The overall **objective** is:

An upscaled and strengthened contribution by businesses to sustainable development, job creation, and inclusive growth in low- and middle-income countries

To achieve the objective, the initiative is built around **three complementary strategic approaches** that in varying degrees are integrated across the instrument portfolio:

- *Promote investments in ventures with relevant development effects*, like jobs and incomes, by tackling a variety of company-level constraints to investing in eligible countries. Key elements: Business case development, addressing special market-gaps, facilitating small-ticket size investment financing, leveraging philanthropic financing, and others.
- *Leverage private sector knowledge and solutions to SDGs problems*, by tackling constraints facing business cases for products or solutions with potential to tackle local SDG challenges. Key elements: Exploration of market potentials for innovative business ideas, demonstration of SDG-relevant solutions and products, leveraging the knowledge and approaches of businesses and foundations to contributing to development, and others.
- *Promote multi-actor partnerships that tackle SDG challenges*, by facilitating such partnership formations and models where they are critical for ensuring business cases that are viable and able to address multifaceted development challenges. Key elements: Establishing and developing models and sharing lessons from partnerships between businesses, civil society, public authorities, or private sector foundations in support of the SDGs.

The initiative will be implemented through a portfolio of business instruments. Each instrument targets distinct opportunities and challenges for businesses to engage commercially in ways that contribute to local development. While most instruments engage directly with companies and partnerships, others may operate through financial intermediaries or investment vehicles where this provides the most effective means of mobilizing private capital for sustainable development. Each instrument integrates these three strategic approaches in varying degrees and addresses different market gaps and stages along the investment continuum.

In addition to the three complementary strategic approaches, the instruments are designed with the following cross-cutting strategic principles

1. **Demand-driven and opportunity-based.** The business instruments are demand-driven and opportunity-based. They respond to partner-country priorities, local market opportunities and the needs of businesses and other stakeholders, while maintaining flexibility across eligible countries and sectors. The starting point is a commercially viable business case that addresses a market opportunity while contributing to a relevant local development challenge. The themes and sectors supported will therefore vary according to context and business opportunity, reflecting the many ways businesses can contribute to the Sustainable Development Goals (see Section 3). Support will focus on business cases with the potential to deliver significant development effects. Individual business cases are not expected to address development challenges in all their dimensions, which will often require broader sector programmes and policy reforms beyond the scope of the business instruments.
2. **Local relevance, ownership and equal partnerships.** Supported engagements will be informed by partner-country priorities, local needs and relevant local stakeholders. While the instruments are demand-driven and depend on viable commercial engagement, projects will demonstrate how local actors, authorities, communities, workers, suppliers or partners are meaningfully considered in design and implementation. Partnerships are encouraged where they strengthen sustainable

development outcomes and commercially viable business models. This does not imply uniform partnership models across instruments, but a common expectation that supported engagements are locally relevant and avoid one-sided, externally defined solutions.

3. **Capitalize on Danish strengths and opportunities to achieve development impact through market-based solutions.** The instruments are designed to build on successful elements and results from previous Danish business instruments. The initiative also draws on Danish and international experience, relevant research and evaluations, while applying adaptive management to ensure that lessons are interpreted and applied in light of different country and sector contexts. The initiative is not intended to substitute broader systemic interventions at sector or policy level. Rather, supported engagements may contribute to market creation by testing commercially viable solutions, demonstrating new partnership models and technologies, strengthening local value chains, reducing specific market barriers, and generating lessons for companies, public authorities, embassies, fund managers and other development actors. The portfolio will evolve over time, with existing instruments refined and new instruments introduced in response to lessons learned and identified gaps.
4. **Sustainability, environmental, social and governance (ESG) considerations will be integrated** throughout the lifecycle of supported activities and applied proportionately to their size, nature and risk profile. The initiative will support resilient business cases aligned with evolving international market requirements without imposing unnecessary administrative burdens. Corporate sustainability and responsible business conduct are recognised as contributing not only to effective management of ESG risks across value chains, but also to resilience, access to finance and markets, supply chain robustness, innovation and long-term competitiveness, supporting both development outcomes and commercially sustainable business models.
5. **Mutual complementarity and coherence.** The instruments will be managed to optimise mutual complementarity and ensure relevant strategic coherence with existing Danish public financing initiatives in the eligible countries. The OSS supports coordinated access to the wider financing ecosystem and facilitates navigation between advisory services, financing instruments and relevant public actors.
6. **Adaptive management and learning.** This involves prioritizing resources toward the instruments that best address key constraints, prevent duplication, and optimize additionality to the overall objective. Management and monitoring of the instruments will follow an adaptive, learning-based, and results-focused approach, focused on achieving results aligned with the objectives: MFA at policy- and strategic level, and implementing agents at implementation-level. Both levels will integrate concerns for ensuring sustainable and responsible business conduct in working with the companies.

The initiative will commence with five initial instruments that represent the Government's immediate action to deliver on the ambitions outlined in the DSDC. Annex 1 summarises these five instruments. The strategic objectives of the five instruments address distinct constraints facing businesses at different stages of their internationalization process, while also being mutually supportive.

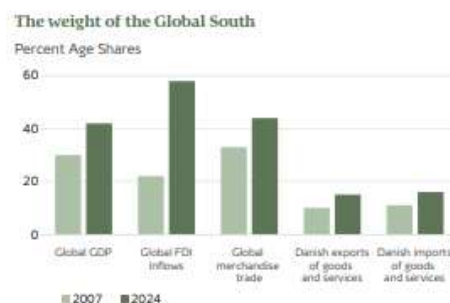
3. Context – development challenges and needs for businesses' engagement

The world has returned to a positive economic growth path after the Covid-period. Developing countries assume an increasingly significant economic place, and many have grown rapidly with burgeoning middle classes. Economic conditions for tackling the SDGs have improved, especially job- and income creation. The expanding emerging markets mean better opportunities for new business alliances between international commercial actors and the local businesses in developing countries.

But the world has also become geopolitically more unstable. Traditional alliances are in upheaval. Global trade war is disrupting international trade and investment flows and agreements, with businesses and investors looking towards new markets and realigning global value chains to secure access to supply chains and markets. This has underlined the importance for companies and investors in EU to diversify and scale their businesses and partnerships with private sector actors in the low- and middle-income countries.

At the same time, low- and middle countries in particular remain off track to achieve the SDG by 2030, despite global growth. Strained public budgets constrain the many debt-burdened developing countries and hamper governments to meet development needs. Development assistance is declining. Against this background, it's essential to leverage the potential of private commercial actors to contribute to these countries catching up with and closing the gaps, through investments, innovative solutions, and partnerships. Businesses, including the Danish private sector, play potentially significant roles in tackling some of the most **fundamental SDG problems** outlined below:

- **Massive job shortages and poor income opportunities** in developing countries, especially among youth, which challenge SDG8. Private commercial actors will generate most new jobs, especially its numerous small and medium-scale enterprises (SMEs). International businesses can contribute significantly through investments, commercial partnerships, and trade, developing sustainable and inclusive value-chains and market spinoffs.
- **Poor working conditions** confront millions of workers in low- and middle-income countries¹, underscoring those jobs created must be decent and of good quality for the sake of SDG8. International businesses can contribute by ensuring responsible and sustainable business standards in supply chains. Danish companies, attuned to the Danish model and labor standards, are well placed to advance labor rights and decent jobs through partnerships and investments.



Source: Unlocking the Eligible low- and middle-income countries: Potential, Promises and Strategic Pathways, IFDK/EIFO

¹ <https://www.ilo.org/resource/news/poor-working-conditions-are-main-global-employment-challenge>

- **Poverty reduction advances are in reverse**, with one in ten living in extreme poverty and heavy concentration in low-income countries, especially Africa², due to covid impacts, economic instability, climate shocks, and conflict. Job and income creation are essential, but also action to raise social protection coverage and close social service gaps in developing countries, targeting the most vulnerable. Basic social protection in low/middle-income countries (LMICs) requires extra 1.4 trillion USD/year³. Private philanthropies and impact investors can contribute with new and supplementary financing to public programmes.
- **The climate and environmental crisis** and too slow progress on the Paris Agreement's "1.5°C"-target put the world off-track on SDG13. CO2 reductions and the green transition must accelerate. While high-income countries need to carry the main effort to reach reduction targets, a green transition is essential especially in middle-income countries. Almost half the total SDG investment-need concerns climate, with almost half the gap to be met through private finance. Danish companies are world leaders in sustainable energy.
- **Lack of access to safe water** faces more than 2 billion people globally, despite being a human right, and SDG6 is off track. The private sector can contribute with investments, technical solutions, know-how, and innovative water provision through public-private partnership. The Danish private sector is well-positioned to contribute with expertise and solutions in water provision systems.
- **Several other SDGs are far off-track.** Universal **health** coverage remains a distant target and prevalence of non-communicable diseases is rising in middle income countries. SDG4 on **education** is significantly behind target, with almost 800 million illiterate people in developing countries, the majority women, and millions of children not in school. Governments remain main funders and providers in social sectors, but businesses and philanthropies are increasingly active, funding and experimenting with new financing models for providing social services. Danish foundations in health and education are active and interested players.
- **A massive SDG financing gap** estimated at USD 4 trillion extra per year⁴ for the developing countries encapsulates the above development challenges. Public sector capacity and funding is insufficient to cover these gaps. The financing gap for Micro, Small and Medium Enterprises (MSME) in low and lower-middle income countries has been estimated to approx. USD 1 trillion and just below USD 2 trillion⁵ in upper-middle income countries. It underlines the anticipated role of the private sector to contribute with a major share, especially in large-investment areas with clear commercial potential, like energy and transport – but businesses and investors also increasingly complement with investment financing in key SDG areas like small-scale agribusiness, health, and education

² <https://blogs.worldbank.org/en/opendata/how-has-the-profile-of-extreme-poverty-changed-over-the-last-dec>

³ The Sustainable Development Goals Report 2025, United Nations.

⁴ https://unctad.org/system/files/official-document/diaemisc2023d6_en.pdf The figure estimates capital expenditure gaps only, not operational/recurrent funding, based on a needs-perspective (not demand-based). The energy sector accounts for more than 50%.

⁵ MSME Finance Gap Report, 2025, IFC. NB: The data and calculations used are for 2019.

4. Rationale - policy priorities, complementarities, and lessons learned

4.1 Danish and country-level policy priorities

The initiative follows the DSDC, by focusing on the SDGs and inclusive, sustainable economic development. In line also with **Government's Action Plan for Effective Economic Diplomacy**, the initiative further delivers on the aim to integrate development cooperation and economic diplomacy to promote Denmark's international engagement and interests. The initiative aims to unlock the potential of private business to contribute to these ambitions through solutions that both support development agendas and open new markets and investment opportunities for Danish companies.

The initiative delivers on the Government's priority of development cooperation based on mutual interests and equal partnerships with different stakeholders in the Eligible low- and middle-income countries, by responding to partner countries' demands to move from aid to trade and to better access skills, technologies, and larger flows of investments and finance.

It follows the **Government's strategy for strengthened Danish engagement with African Countries, *Africa's century*** in maintaining a focus on African countries, while responding to the DSDC's commitment to engage where relevant and interaction between economic diplomacy and foreign policy, by being open to low and lower middle-income countries in Asia and Latin America with relevant development challenges the private sector can help tackle.

4.2 Poverty reduction and crosscutting issues

Initiatives supported should contribute significantly to addressing relevant and specific societal or environmental challenges. The SDG challenges addressed should be of critical importance for sustainable and inclusive development in the local contexts.

Initiatives should benefit people living in poverty, even if they do not fully or exclusively do so. The interventions under the initiative will address **poverty in its multidimensional sense**⁶. The instruments will individually specify the relevant poverty focus and approach, including criteria and screening processes. Typically, the instruments will contribute to improving people's *resources* through job- and income generation and/or improving skills and qualifications. The instruments will in some business cases improve people's *opportunities and choices*, for instance, by improving access to clean water or health for low-income communities. Most often the instruments - typically supporting small-scale project-interventions - will be best suited to directly tackle poverty reduction at local level as opposed to sector- or structural level.

Where relevant, supported engagements may contribute to strengthening local value chains, including through locally anchored partnerships, improved supplier development, skills and capacity development, and responsible sourcing. Such improvements can enhance productivity, resilience and long-term development impact while also reinforcing commercial viability. While engagements will focus on

⁶ MFA follows the multi-dimensional poverty definition defined as: Resources; opportunities and choices; voice and influence; personal security. How-to-Note on Poverty Reduction.

inclusive and sustainable development in their primary objective, cases that also entail risks of negative social or environmental impacts will require appropriate management. Companies' environmental, social and governance (ESG) due diligence processes and responsible business conduct (RBC) frameworks will serve as key mechanisms for managing their social and environmental impacts, in alignment with the Human Rights Based Approach (HRBA)

In designing and implementing engagements, the initiative will take into account evolving international sustainability standards and EU regulatory frameworks, recognising their growing importance for market access, investment flows and long-term business resilience. IFC's Performance Standards on Environmental and Social Sustainability will also apply where relevant.

All projects should mainstream and describe the approach to **gender** and the **meaningful inclusion of youth and people with disabilities (PWDs)**. There are likely important issues to address on women, youth and PWDs both in projects focused jobs creation and access to services (water, health, education). Danida's How to Notes will be followed.

4.3 Main actors, stakeholders, and target groups and countries

The initiative will engage with a wide ecosystem of businesses, investors and non-commercial actors. The variety of actors can add value in different ways. The actors face varying constraints and support needs. The Danish private sector includes many larger Danish companies that may act as growth-drivers and potentially pull along smaller firms in alliances. But the vast majority are SMEs that have significant potential through internationalization to contribute to growth, jobs, and trade, but may be at early stages of their internationalization journey, with needs for product and business development. The initiative will complement existing Danish support mechanisms for the internationalisation processes of the business to better match their full variety of needs.

The target businesses are companies that aim to invest or conduct business in the eligible low- and middle-income countries with products, services or investments that contribute importantly to sustainable development and inclusion in the countries. There will be flexibility on company size and type, but emphasis will be placed on companies that embark on new investments, including small- and medium-size enterprises (but not infant-stage businesses). The target group includes companies in low- and middle-income countries.

The private sector also includes philanthropic foundations, family offices, and impact investors, these actors may engage through intermediary investment structures and partnerships rather than through direct company support, complementing the broader portfolio of business instruments. It is a diverse group with a variety of roles, business models, and challenges, but all sharing an interest to engage in the eligible low- and middle-income countries. The field is emerging, with market exploration, experimentation, and developing models still on-going, including testing impact investing and various social investment financing models. Opportunities exist to develop common agendas and help strengthen the emerging field.

Non-commercial actors include non-governmental organisations (NGOs), who amplify development impact by keeping partnerships inclusive, accountable, and grounded in the local context. As partners, NGOs can connect companies with communities, cooperatives, and local producers, drawing on long-

standing presence, partnerships, and development expertise to build the trust and legitimacy needed to operate, while helping ensure that development impact also reaches the most vulnerable groups. Their presence on the ground also helps anchor projects in broader structural change, strengthening the conditions for development at the national, regional, and global level, while their capacity to monitor results ensures learning and administration in line with reporting requirements. NGOs can also help communicate development results, ensuring that local voices, leadership, and agency are reflected. Beyond the formal partnership, NGOs can represent the concerns of rights holders, acting as independent advisers and watchdogs ensuring standards such as the UN Guiding Principles on Business and Human Rights (UNGPs).

Non-commercial partners also include public authorities. Many development bottlenecks sit at the intersection of regulation, markets, and service delivery, calling for closer collaboration between public and private actors. Through partnerships with commercial actors, public institutions gain a better understanding of what is technically and operationally possible, aligning regulatory frameworks with private sector solutions and delivering public goods and services, such as water, sanitation, and energy, to their citizens.

Rights holders in partner countries, especially people living in poverty, will benefit from commercial engagements through job and income generation, improved skills, new market opportunities for small businesses, or better access to services such as clean water and health, even if these benefits are not exclusive to them.

4.4 General eligibility and compliance criteria

All immediate and future instruments and interventions under the Strategic Framework will follow the previous strategic principles as well as complementary general eligibility requirements as outlined below:

- **Viable business cases and commercial commitment.** Any engagement supported should first and foremost be driven by a viable business case demonstrated through a clearly articulated pathway to financial self-sustainability without continued public subsidy, even if no guarantee can be made that all engagements in the end will be commercially successful.
- **ODA eligibility.** The projects and engagements supported should in all cases comply with the OECD/DAC ODA-eligibility requirements, which means outcomes and objectives should show they are provided for a primary developmental purpose in developing countries.
- **Geographic coverage.** Support under the instruments will be available for activities in ODA-eligible (OECD/DAC criteria) countries with a Danish representation.
- **State subsidy considerations.** All instruments involve a level of direct or indirect government support to companies. Support will be provided in accordance with applicable EU State Aid rules (i.e. EU de minimis) and relevant national subsidy requirements.
- **Tying of support.** OECD/DAC's recommendations on untied aid will be followed as the general principle, with specific qualifications for each instrument. For instance, Business Explorer (E1) will be tied to Danish actors, given the grant size below DKK 500.000. Both Impact Accelerator (E3) and Impact Investor (E5) will have a link to Danish interests.

- **Sustainable and responsible business conduct.** Companies supported shall comply with applicable requirements and international recognized standards for sustainability and responsible business conduct.⁷
- **Additional instrument specific requirements.** Additional eligibility criteria, implementation requirements and compliance obligations may apply to individual business instruments and are specified in the respective Project Documents and Operational Guidelines.

4.5 Danish business instruments – coherence, results, and lessons learned

The initiative adds to the existing system of Danish support mechanisms targeting private sector actors by providing for new and reformed instruments that fill gaps and better exploit synergies and mutual linkages. The expanded palette of instruments should allow better responsiveness to national and international businesses' demands for support to take viable business cases forward while contributing to the SDGs in the targeted low- and middle-income countries. The OSS facility's role will be to ensure coordination across instruments for coherence.⁷ The OSS provides information, communication and navigation across the business instrument portfolio but does not participate in funding decisions or project approval processes. While not formally restricted by sector, outreach and portfolio management will prioritise Danish sector strongholds, broadly aligned with GAPEED, to maximise synergies, knowledge sharing and development impact.⁸

The initiative builds on **results** from the existing set of Danish business instruments. As such, the Danida Market Development Partnership (DMDP) and Danida Green Business Partnership (DGPB) have established a track-record of successful commercial/non-commercial partnerships which have enabled more Danish companies to engage in the Eligible low- and middle-income countries with projects supporting development and established well-functioning mechanism. The Danida Innovation and Business Explorer (DIBE) has helped expand the pool of Danish companies that pursue business opportunities in the Eligible low- and middle-income countries.

More widely, the initiative integrates the following general **lessons** from Danish business instruments, across all five new instruments:

- Essential that projects are driven by a viable business case led by the commercial partner – and this requires a special effort to ensure
- There is clear interest in the private sector community for engaging in the Eligible low- and middle-income countries, but Danish businesses often find it more challenging and time/resource demanding to be successful; yet perceived risks and knowledge gaps can be addressed through appropriate instruments

⁷ For instance, the E3/Enterprise support fund will close the gap in the Danish business instruments below DKK 25 million ticket size. Business cases developed through E1/DIBE2 or E4 can seek financing from the Enterprise Fund, Africa Facility, IFU Impact, or other relevant.

- Business instruments have focused too little on the long-term, been too ad hoc, and worked in silos. Need a sharpened, more long-term focus within a coherent framework, and systematic and active follow-up to leverage synergies
- A gap exists at the lower level of investment-funding support, below Impact Fund Denmark's typical ticket size. This "missing middle" can be addressed through risk-willing capital and support for companies, including those in early-stage ventures, and needing smaller ticket sizes (up to DKK 25 mil.)
- Low awareness and knowledge among Danish companies about support options. Businesses need a single entry-point and proactive communication to see the full picture instruments available.

The initiative also draws on relevant experience from bilateral donors, development finance institutions, OECD-DAC work on private sector engagement and blended finance, relevant research and independent evaluations. These experiences will inform adaptive management and future refinement of the instrument portfolio.

5. Budget

Table 1 – Overview of business instruments

Strategic Outcomes	Instrument	DKK (mil.)	Period
Expanded pool of viable business cases for commercial engagements contributing to inclusive and sustainable development	Business Explorer (E1)	50	2026-2029
More and strong partnerships between businesses and non-commercial actors on commercial engagements contributing to inclusive and sustainable development	Business Partnerships (E2)	410	2026-2029
A scale-up of commercial engagements that contribute to inclusive and sustainable development	Impact Accelerator (E3)	150	2026-2028
Demonstrated benefits from public authorities' greater use of locally anchored, scalable private sector solutions to SDG problems, delivered through partnerships between local authorities and private sector companies	Innovation Bridge (E4)	90	2026-2029
Leveraging Danish impact investors, philanthropic foundations, and family offices with interests in investing more in developing countries	Impact Investor (E5)	150	2026-2029
	Total	850	

In the Finance Act 2026 § 06.38.02.12, a budget of DKK 200 million has been allocated for 2026 and an additional DKK 650 million is foreseen for the following three years.

The five instruments are all dependent on demand from companies and private partners. The proposed budget split between the five instruments could be adjusted depending on realized demand. The MFA KLIMA Department (hereinafter MFA/KLIMA) will be responsible for maintaining an overview of spending and commitments across the five instruments. Reallocations between the five instruments will follow standard MFA procedures for reallocations of a Finance Act budget line (see section 6).

6. Management

The MFA retains overall responsibility for the strategic oversight, governance and coherence of the initiative. Operational implementation and administration of individual instruments may be delegated to competent and competitively procured Fund Managers acting on behalf of the Ministry. Fund Managers are responsible for implementing the instruments in accordance with applicable programme rules, contractual requirements and relevant EU State Aid provisions, while MFA retains overall responsibility for strategy oversight, quality assurance and compliance. The roles and responsibilities of KLIMA and the Fund Managers are outlined below.

Strategic management. KLIMA will be responsible for strategic management of the initiative, including to identify and formulate instruments, follow progress on results of instruments and policy priorities, review and address strategic issues, assess lessons, and undertake strategic-level adjustments and budget reallocations among instruments, based on progress, lessons, and risks. KLIMA identifies, establishes agreements with, and manages and supervises the implementing agents.

KLIMA will undertake an annual stocktaking meeting as the main occasion for the review of progress, lessons, strategic issues across instruments, and to discuss adjustments including budget reallocations between instruments, all with focus on achieving the objectives, priorities, and principles in this Strategic Framework. Additionally, to strengthen this further, KLIMA will ongoingly have working-level consultative engagements with the fund managers both bilaterally and in a joint forum.

KLIMA will oversee the efforts to promote coherence and synergies between instruments and in relation to other Danish private sector-related engagements and activities. This includes integration of cross-cutting corporate sustainability and RBC considerations in a manner that supports commercial viability while safeguarding development objectives.

While KLIMA will retain strategic responsibility for portfolio coherence, learning and policy alignment across the initiative, the One-Stop-Shop (OSS) will support this role by serving as a coordinated primary entry point for companies and other relevant stakeholders, providing clear information on available instruments, supporting proactive communication, linking companies with Danish representations abroad, and helping ensure that lessons are fed back into strategic management. The OSS will be anchored in the MFA.

Implementation. The implementation of instruments under the Strategic Framework will be delegated to implementing agents who will be responsible for operational management; agreements with

grantees/sub-partners; fund management; guidance and engagement with supported actors in accordance with the applicable programme rules, contractual requirements and relevant EU State Aid provisions; results monitoring, reporting, and financial management, and overall achievement of defined objectives and results in an effective and accountable way, based on agreements with MFA.

The type of implementing agent, sourcing approach, and contractual relationship will vary by instrument. The specific arrangements will be defined for each instrument in the project documents as MFA's formal authority and powers will vary.

Monitoring and reporting. The instruments under the Strategic Framework will each have their designated results framework and results monitoring mechanism, all described in the project documents. The results frameworks of the individual instruments will follow the relevant Strategic Framework objective and principles. The instruments will report results at outcome- and output-levels (but not impact-level). The instruments will use lean procedures and documentation for application, management, and reporting to minimize the workload for companies while ensuring accountability for public development funds.

KLIMA will prepare a short annual strategic stock taking summarising portfolio progress, lessons learned, and any strategic adjustments considered necessary, based on annual stocktaking of the business instruments.

An obligatory mid-term review is planned for the five instruments in 2029 which is envisaged to be combined into a single major review covering the full initiative. In addition, MFA/KLIMA may undertake technical reviews during 2027 and 2028 to follow and address issues relating to the start-up and development of the instruments considering a number of them are new.

7. Risk management

The implementing agents will be responsible for day-to-day risk management of the instruments, including updating the instrument-level risk matrixes and identifying and preparing/acting on risk mitigation measures. MFA/KLIMA will be responsible for high-level risk management and especially pay attention to institutional risks. Three main categories of risk require particular attention:

- **Contextual:** Shifting global investment market leading to declining global investments in critical sectors for the green transition and inclusive sustainable development, like water and energy; foreign direct investments not increasing in low and lower middle income developing countries.
- **Programmatic:** Despite the instruments tackle critical constraints on investment risks, knowledge, and networks, the private investors and businesses - including Danish companies - see too limited business opportunities for “SDG projects” in the low and lower middle-income countries, or are already engaged to their limits in other markets. This leads to fewer than expected projects under the instruments. Mitigation: Maintain flexibility in budget allocations between instruments at strategic framework level; integrate review- and adjustment-processes.
- **Institutional:** Corruption or mismanagement of funds under the commercial partnerships and investments with local partners in the target countries; The business engagements turn out to

have critical negative social or environmental impacts that were bypassed under the ESG screening processes; Too limited development-effects of the private sector engagement, leading to reputational risk by questioning of the private sector-focused strategy to close the SDG gaps.

Across all three categories, the instruments will be managed with an explicit learning approach, so that risk incidents and near-misses are systematically captured and feed into adjustments of guidelines, eligibility criteria and portfolio steering. Given the initiatives catalytic nature, a degree of project-level failure is expected and accepted.

Annex 1: Overview of First Five Business Instruments

Box 1: Summary of individual objectives of the initial set of instruments

Instrument-level objectives	Five instruments	Interactions/linkages
Expanded pool of viable business cases for commercial engagements contributing to inclusive and sustainable development	E1- Business Explorer Promotes early pipeline development by stimulating a larger pool of businesses to develop commercial, investment and market engagement plans in the eligible low- and middle-income countries. Provides support for market scoping, opportunity identification, targeted market studies, supply chain/sourcing assessment and partner identification.	Prepares business cases with potential for further market engagement with possible support under the E2, E3, E4, or relevant IFDK facilities or other funding sources.
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	E2 – Business Partnerships Strengthens the essential role of partnerships between businesses and non-commercial actors for achieving business cases that are viable and socially and environmentally sustainable and contribute to jobs and development. Supports the establishment and development of partnerships as well as models and awareness to further scale up effective multiactor partnerships.	Business cases with proven commercial viability based on successful partnerships can be scaled up through funding from possibly E3, or in some cases E5 – or other investment funding sources.
A scale-up of commercial engagements that contribute to inclusive and sustainable development.	E3 - Impact Accelerator Scales up investments and business engagements in support of the SDGs by improving incentives and risks balance through risk-tolerant, low-ticket investment financing and technical assistance for companies	Can fund early-stage (E1) business cases or scale-up of proven business cases (E2, E4).
Public authorities in developing countries adopt locally anchored and scalable private sector-delivered solutions that improve their capacities and service provision to promote sustainable and inclusive growth, job creation, and a competitive green transition.	E4 – Innovation Bridge Mobilizes the contribution of private sector solutions and know-how to public SDG problems by demonstrating scalable and innovative solutions for adoption by public authorities, delivered through partnerships between local authorities and private sector companies. Support for feasibility studies and demonstration projects-	Successfully demonstrated private sector-solutions adopted by public authorities may be scaled up with support from funding under E3 or other investment financing sources, such as IFDK, multilateral development banks, or other.
Leveraging Danish impact investors, philanthropic foundations, and family offices with interests in investing more in developing countries	E5 – Impact Investor The instrument strengthens the contribution from private and philanthropic capital and initiatives to tackle SDG problems by incentivising and leveraging partnerships.	May in limited cases mobilise investors interested in investing in projects and companies under E2 and E3.

Figure 1 provides an overview of the instrument-level objectives that are mutually complementary with and supports to achieve the overall objective of upscaling and strengthening private sector contributions to sustainable development, jobs, and inclusive growth in the low- and middle-income countries. The

instruments produce **outputs** that interact - mutually and with other business initiatives - to achieve the overall strategic objective.

Annex 1: Overview of first five business instruments

	E1 – Business Explorer	E2 – Business Partnerships	E3 – Impact Incubator	E4 – Innovation Bridge	E5 – Impact Investors
Target businesses and organisations	Danish companies (Single or multi-partner)	Companies + NGOs (Multi-partner)	MSMEs with DK link (Single or multi-partner)	Companies + public authorities + non-commercial partner (Multi-partner)	Danish impact investors, philanthropic foundations, and family offices (Single or multi-partner)
Main purpose	Explore opportunities	Develop, test and mature business cases	Grow MSMEs & DK–EMDE value chains	Test & demonstrate new technologies & solutions	Mobilise private impact capital
Funding type & amount	Matching grant: DKK < 500.000 Top-up DKK < 250.000	Grant: Maturation DKK < 1.5m. Full Scale DKK < 15m. Acceleration DKK < 1m.	Concessional soft loan: Up to DKK 15m	Grant: Feasibility study DKK < 750.000 Demonstration plant: DKK < 6m.	Concessional investment & grants: Capacity Building grants: DKK 100.000 - 1m. Investments: DKK 10 – 30m.
Geography	OECD-DAC w/ DK presence	OECD-DAC w/ DK presence	OECD-DAC w/ DK presence	OECD-DAC w/ DK presence – sector capacity at Embassy	All OECD-DAC (LIC/LMIC focus)
Activities	Market studies, scoping	Business dev., business model testing	Capex, working capital	Feasibility & demos	First-loss funds, capacity
Role in pipeline	Upstream	Early–mid	Midstream	Bridge	Downstream
Total amount allocated to instrument	DKK 50m.	DKK 410m.	DKK 150m.	DKK 90m.	DKK 150m.

Note: Table 1 provides an overview of the instrument-level objectives that are mutually complementary with and supports to achieve the overall objective of upscaling and strengthening private sector contributions to sustainable development, jobs, and inclusive growth in the low- and middle-income countries. The instruments produce outputs that interact - mutually and with other business initiatives - to achieve the overall strategic objective.

Figure 1: Overview of strategic framework for the Danish business initiative based on initial set of instruments

