


















# Impact Investor Partnerships

<p><b>Key results:</b> Philanthropic foundations and other major private investors have invested significant capital (min DKK 150m) in EMDEs for impact. Danish fund managers invest Danish private capital in EMDEs with strong development impact.</p> <p><b>Justification for support:</b> There is a need to mobilise private capital at a larger scale to progress significantly on the SDGs. The Danish impact investment eco-system is far less developed than in e.g. the Netherlands. Danish private investors express an interest in investing for impact in EMDEs but have difficulties managing the risk and identifying suitable fund managers. There are few fund/investment managers in Denmark that invest for impact in EMDEs. There is a potential to help improve such capacity as a means for mobilising more private investors. For some private investors risk is perceived to be too high in EMDEs and knowledge of the markets may be low. They would require grants that provide some risk protection, and capable fund/investment managers to invest (more) in EMDE for impact. Other, larger, private capital owners such as philanthropic funds and family offices are seeking partnerships with MFA or institutions such as IFDK to co-create investment strategies and investment capabilities, and co-invest in high impact, but also high risk areas such as innovative health, education and agricultural solutions. Such investments can not be done on a fully commercial basis, but require grants.</p> <p><b>Major risks and challenges:</b> Private investors may not be satisfied with the risk mitigation that can be offered. Capable fund managers can not be identified. It is not possible for IFDK to agree with private capital owners on joint strategy for investing. Fund managers fail to invest in impactful companies. IFDK do not set aside the necessary resources to manage the programme successfully.</p>	<b>File No.</b>	25/11724					
	<b>Country</b>	Interregional					
	<b>Responsible Unit</b>	KLIMA					
	<b>DAC-CRS code</b>	25010					
	<b>Partner (only one)</b>	Impact Fund Denmark					
		<i>DKK million</i>					
		<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>Total</b>
	<b>Commitment</b>	50	50	50			150
	<b>Projected disbursement</b>	50	50	50			150
	<b>Duration</b>	2026-2029					
	<b>Previous grants (amount, period)</b>	Africa Facility, 350 million, 2025-29 Capital Contribution, 3.6 billion, 2024-30 Somalia green growth, business enabling environment & Jobs DKK 80 million, 2025-2028					
	<b>Finance Act code</b>	§ 06.38.01.11					
	<b>Head of unit</b>	Anne Hougaard Jensen					
	<b>Desk officer</b>	Mikkel Klim					
	<b>Reviewed by CFO</b>	YES: Jacob Strange-Thomsen					
<b>Primary SDG / Primary target(s):</b>							
 No Poverty	 No Hunger	 Good Health,	 Quality Educatio	 Gender Equality	 Clean Water, Sanitation		
 Affordable Clean Energy	 Decent Jobs, Econ. Growth	 Industry, Innovation, Infrastructure	 Reduced Inequalities	 Sustainable Cities, Communities	 Responsible Consumption & Production		
 Climate Action	 Life below Water	 Life on Land	 Peace & Justice, strong Inst.	 Partnerships for Goals			

**Project objective**

Leveraging Danish private impact investors to invest for impact in developing countries, including through Danish-linked fund managers.

<b>Greening overview: completion of Rio markers on climate.</b>	<b>Rio marker: 0, 1 or 2</b>	0 (0%)	1 (50%)	2 (100%)
	Climate adaptation (DKK)	0	0	0
	Climate mitigation (DKK)	0	1	0

**Justification for choice of partner (method of selection):**

Impact Fund Denmark was chosen due to its mandate and its experience and capacity with mobilising private capital investments in EMDEs, including in other fund managers, impact investment management, strong presence in Denmark, procedures and frameworks for monitoring impact and close relationship with other actors. There would be no other Danish institution with such capabilities.

**Summary:**

The project will provide support to co-create investment strategies, investment capabilities and co-investments with larger Danish capital owners, including Danish philanthropic foundations to create impact in market-based companies in EMDEs. The project will provide concessional investment capital for junior tranches in Danish fund managers' investment funds (e.g. first loss tranche) that mitigate risk for private investors, and capacity building for fund managers when needed, thereby increasing mobilisation of private capital into EMDEs. Target investors include private capital owners with an interest in investing for impact in EMDEs, philanthropic foundations and Danish based fund managers that would manage the capital from private impact investors.

**Budget**

DKK

Co-creation and co-investing	30,0 million
Partnership development	100,0 million
Ecosystem development	5,0 million
Implementation	15,0 million
Review and administration	10,0 million
<b>Total</b>	<b>150,0 million</b>

**Ministry of Foreign Affairs**

**Impact Investor Partnerships**

**Project Document**

**Final Draft Submitted to Appraisal**

**25.02.2026**

# Impact Investor Partnership Facility – Key Characteristics

## Purpose

Leveraging Danish impact investors, philanthropic foundations, and other private capital owners to invest for impact in developing countries, including through Danish-based fund managers

Through the project:

- Philanthropic and other major private investors would work in partnership with Impact Fund Denmark resulting in significant investments of their capital in companies in emerging and developing markets for impact in line with their investment strategies.
- Danish fund managers would invest mobilised Danish private capital in EMDEs with impact and financial returns to the satisfaction of private investors.

## Product offering

The project will provide:

- Partnership to co-create investment strategies, implementation modalities and co-investments with larger Danish capital owners, including Danish philanthropic foundations to create impact in market-based companies in EMDEs
- Concessional investment capital for junior tranches in Danish fund managers' investment funds (e.g. first loss tranche) that mitigate risk for private investors, and capacity building for fund managers when needed, thereby increasing mobilisation of private capital into EMDEs.

## Target countries

All DAC countries would be in scope, however, it is the expectation that most investments would be in low and lower middle-income countries, given the preferences of private impact investors.

## The facilities implementation

The facility is structured along three workstreams managed by IFDK:

- 1) **Strategic partnerships.** Co-creation and co-investments with major capital owners (philanthropic and/or private) in expanding their engagement in EMDEs.
- 2) **De-risking to mobilise:** A concessional investment facility offered for Danish fund managers to help them increase their mobilisation or private impact investors in Denmark and elsewhere by offering risk mitigation and some loss coverage.
- 3) **Ecosystem strengthening.** Grant financing available to set agenda, stimulate collaboration and networking amongst investors in Denmark and abroad. Build awareness and capacity on impact investment amongst stakeholders.

## Budget and timing

The facility has a budget of DKK 150 million. The current period is designed to run for 10 years. The expectation is that there could be additional allocations to the facility over time if successful. Part of the funds invested will revolve, but the likelihood of full recovery is deemed low due to the high riskiness of the investments.

## Abbreviations and vocabulary

DAC	Development Assistance Committee
EMDEs	Emerging Markets and Developing Economies, here synonymous with OECD DAC countries, i.e. countries that can receive ODA
EU	European Union
IFDK	Impact Fund Denmark
LMIC	Low and Middle-Income Countries
MFA	Ministry of Foreign Affairs
OECD	Organisation for Economic Co-operation and Development)
ODA	Official Development Assistance
SDG	Sustainable Development Goals
SME	Small- and medium scale enterprises

### Vocabulary

Aktive Ejere	An association of capital owners (including family offices) and investors in Denmark. Aktive Ejere has established an Impact Investment Committee considering how to promote impact investment in Denmark and other markets.
Companies in EMDEs	In this document these companies refer to unlisted companies, i.e. companies that are not listed on stock exchanges and hence are more capital constrained than listed companies.
Concessional capital	Capital offered at more favourable terms than the market (subsidised)
Family Office	A family office is a private company that manages the wealth of one or more families
Financial additionality	An investment in a company is financially additional if no private investor would invest in the company without the financially additional investment
First loss investment/tranche	An investment is first loss if it covers the losses of all investors up to a certain point, e.g. if an investment results in a loss of USD 1m, then this is covered by the first loss investor protecting other investors from losses.
Fund manager	A company that manages capital from individual or other investors receiving a management fee and often a bonus if certain financial return and impact benchmarks are achieved.
Impact investment	An investment that leads to SDG relevant impact, e.g. decent jobs, reduced inequality, improved access to clean affordable energy etc.
Junior investment tranche	An investment tranche that is subordinated to other investment tranches such that if the junior tranche covers the first losses.
Pari passu	Pari passu investors receive the same returns or incur the same losses proportionally to their share of the total pari passu investments.
Social company or business	A company or business that is financially viable, has social impact as its primary objective, does not maximize shareholder return.

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# 1 Introduction

There is a financing gap to reach the SDGs in emerging markets and developing economies, EMDEs of at least USD 4000 billion.<sup>1</sup> Capital is not flowing in sufficient quantities into EMDEs. One reason is market failures. Capital markets are not well developed. Companies, especially SMEs struggle to access finance to grow. The result is under investment. There are other constraints, especially in low and lower middle-income countries, that prevent companies to succeed and attract and private (foreign) investors<sup>2</sup>.

A long range of initiatives are needed to close this gap<sup>3</sup>. Denmark is active in this domain., e.g. supporting the reform of the international financial architecture with the view to mobilise capital and strengthen focus on impact. With government support Impact Fund Denmark (IFDK) has mobilised private capital most significantly from pension funds for equity investments<sup>4</sup>.

More private capital must be mobilised to close this gap, also in view of the drop in ODA. Denmark will expand efforts to do that. Denmark ranks among the top countries in terms of private capital (wealth) per capita. But in contrast to e.g. the Netherlands that ranks lower, Denmark does not have a very mature impact investing environment: investment fund managers and private capital owners with a combination of knowledge of, capacity and commitment to do impact investing in EMDEs.

Mobilising capital (at scale) is not the task of a single actor. It is systemic requiring a range of players in the impact investment ecosystem, from capital owners and fund managers to companies in EMDEs<sup>5</sup>. If the Danish ecosystem was stronger, capital mobilisation from Denmark would be easier. To make the ecosystem stronger, the key actors must be strengthened: capital owners, fund managers targeting EMDEs, private wealth managers and networks and professional bodies, and players in the EMDEs.

The purpose of this project is to develop the ecosystem beyond IFDK. The focus is to mobilise funding from the diversified group of capital owners such as family offices, philanthropic and other foundations and individuals, and to strengthen private Danish fund management capacity. Funding would go into impactful companies in EMDEs that would otherwise not be able to attract private capital. A separate, closely linked project will support knowledge and capacity building of all willing players in the ecosystem.

## 2 Context, main actors, rationale and justification

### 2.1 Main rationale and justification

Mobilisation of private capital for impact investments is a priority in Denmark's Development Cooperation. It is a priority to help foster more Danish fund managers investing in EMDEs for impact and increase knowledge of EMDEs, because this will contribute to better informed investment decisions of Danish savings.

The main rationale for incentivising private capital mobilisation with ODA (public funding) is the potential to increase impact investments in EMDEs, thus contributing to long-term development effects

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<sup>1</sup> See the [Danish Strategy for Development Cooperation 2025](#)

<sup>2</sup> E.g. in these economies, infrastructure is less developed than in developed economies, increasing costs of transport, communication, energy, well educated labour force, and rule of law.

<sup>3</sup> See e.g. outcome document from UN Conference on Financing for Development, 2025, [Sevilla Commitment](#)

<sup>4</sup> This has been through blended structures, such as PE equity funds (SDG Fund I and II) focused on commercial investments in EMDEs with Danish pension funds as key LPs and companies such as African Guarantee Fund which mobilises private banking finance for SMEs. IFDK applies the OECD blended finance principles, including analysis of financial sustainability.

<sup>5</sup> Effective policy makers responsible for an "enabling business environment" are also critical, but not in scope here.

such as decent jobs, higher income/poverty reduction, climate mitigation and adaptation, health, access to clean energy, water etc.

The justification for supporting such efforts with ODA is because very little private finance is flowing to EMDEs, although there is an apparent willingness from Danish private capital owners to do so. The underlying reasons for this include:

- Scarce/asymmetric information<sup>6</sup>. Danish impact investors (capital owners) lack data, experience and familiarity with EMDEs markets and with fund managers, which have such experience and could manage impact investor capital. The lack of familiarity etc. lead to risks being perceived as too high. Fund managers may lack understanding of what impact investor are looking for. Particularity of Danish private investors' preference may be too narrow to match existing investment scope of fund managers or available pipeline. Once private investors have better understanding of markets and can articulate operational strategies that reflect the impact commitment, more impact investments are likely to happen and to be sustained.
- Inefficient management of risk. The inability of private investors to absorb large shocks in concentrated investment that they manage themselves may lead to disproportionately high price of risks, including political, foreign exchange, repatriation, and regulatory risks. Small investment portfolios lead to less diversified investments than pooling funds with other investors, rendering total portfolio risk too high. A large(r) portfolio can reduce this risk because investments can be diversified (not all eggs in one basket). Larger portfolios require larger fund managers.
- Strong positive externalities not priced into the investments. Certain investments may create value, which is not priced into the investment. Subsidising an investment may be an effective way to create public value in addition to private value and to develop markets, facilitating other businesses to thrive.

There is an expressed interest from Danish foundations and family offices to invest more for impact in EMDEs.<sup>7</sup> Different capital owners would have different preferences in terms of sectors/SDGs, geographies, risk appetite and financial return requirements, company size and maturity.

Different fund managers have different strategic investment scope, which may or may not fit the capital owners' priority sectors or geographies. There are few Danish based fund managers, not counting IFDK, that can intermediate finance from capital owners to investees<sup>8</sup>. Few Danish fund managers have capacity and a track record that demonstrate ability to deliver both impact and financial return. They may also lack channels to connect to potential capital owners (investors) showing them the investment opportunities that capital owners look for. It is noticeable that even those fund managers, which have experience and competences are struggling to mobilise investors into new funds<sup>9</sup>. Most fund managers have not delivered the financial returns promised at the time the funds were raised.<sup>10</sup>

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<sup>6</sup> Asymmetric information is a market failure e.g. recognised by EU in its: [state rule legislation, EUR-Lex - 52021XC1216\(04\)](#)

<sup>7</sup> Based on information received in meetings with several Foundations and family offices as well as [Invest for Impact Denmark](#)

<sup>8</sup> There is apparently also a lack of knowledge of international fund managers on the side of capital owners.

<sup>9</sup> It is taking Impact Fund Denmark more time to mobilise institutional and private investors into the SDG equity fund II than it took to raise SDG equity Fund I even though SDG Fund II has a guarantee against some loss for private investors. Private fund managers also struggle to mobilise private capital owners.

<sup>10</sup> According to [Stears](#), African PE's have performed worse than PE Funds in other regions, with more than 50% delivering less the 10% - and 17% less than 0% in internal rate of return.

There is a tendency in the private fund investment-market away from generalist funds to sector, sub-sector or thematic and geographic funds to ensure investment capabilities.<sup>11</sup> This can help match capital owners with a particular strategic focus with strategically matching fund managers.

The SDG impact agenda is broad and there is a need for capital in all SDG areas, even though some may be less commercially viable (provision of clean drinking water, primary education) than others (renewable energy, financial services, sustainable production).

If the objective is to mobilise impact investments, all impact areas and all DAC countries should – in principle – be eligible. Markets which are more developed are generally less risky with higher income levels. This implies that the leverage factor of a concessional (subordinated) investment will be higher in more development market (Upper Middle-Income Countries and some Lower Middle-Income countries) than in lower income countries. The need for a subsidy is smaller. There may also be risk over-subsidising private investors in these markets and breach the requirement of being financially additional.

Experience shows that for a fund manager to be successful, sustain itself, manage investments well in terms of impact, compliance and profits and be commercially – or financially – viable, critical mass<sup>12</sup> of management capacity is needed (in areas like impact, financial and commercial analysis, compliance, environmental, social, governance, business integrity, and legal). Investments in smaller companies, which may be preferred by private impact investors, often turn out to require more management resources per invested amount than investments in larger (more professional) companies, which are more prevalent in larger (richer) markets.

The likelihood of a risk materialising would be bigger in smaller companies, although the potential costs of a risk materialising would be smaller than in larger companies. Private, non-regulated, investors may have a higher tolerance for reputational risk than institutional investors, giving them a comparative advantage compared regulated institutional investors in SME investments.

Understanding the local context in which investee companies operate will improve risk management (and reduce risk). Presence in the market would improve such understanding but may be difficult for smaller fund management teams (managing smaller funds). DFIs are increasingly strengthening their local teams (including IFDK) because of the importance of “boots on the ground”. One way to strengthen local presence is to co-invest with local investors/local fund managers.

The EU system is at present negotiating amendments to the Sustainable Finance Disclosure Regulations 2.0 proposed by the Commission. The ambition would be that the facility would support sustainable funds<sup>13</sup>.

## **2.2 Main Actors**

### **2.2.1 Danish capital Owners**

The Danish capital owners are a very diverse group: pension funds, insurance companies, philanthropic and business foundations, and (high-net-worth) individuals/families some of whom have established “family offices” that invest (part) of their wealth. The pension funds and insurance companies (and banks that manage investment funds) are the most regulated entities. Mobilising their capital for EMDEs requires low risks, and strong risk management expertise. Impact Fund Denmark has mobilised funds

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<sup>11</sup> See e.g. [AVCA 2024 annual report](#) p.5 and p.8.

<sup>12</sup> Critical mass refers to the capabilities/capacities needed to manage implementation of a strategy well. Fund managers are usually paid a percentage of the investment fund they manage (management fee, often 2% for equity funds). Small funds struggle to achieve critical mass, adding to risk of failure.

<sup>13</sup> [Questions and answers on the Sustainable Finance Disclosure Regulation](#)

from pension funds and from some private individual investors in SDG Equity Fund I and II<sup>14</sup>. Fundraising is still ongoing for a second close of SDF Fund II.

Capital owners have generally little exposure to companies in EMDEs, and what they have are often to listed companies in the higher income EMDEs. They have generally little knowledge of the markets and of the opportunities available and risks that are presents and of the requirements for investing in these markets.

Capital owners are a highly diverse group of asset owners, with only a very small segment currently investing in EMDEs. There is diversity in terms of:

- Risk appetite. Some are willing to take high risks, other not
- Financial return. Some can accept losses, other capital preservation or low returns, others again are looking for high (commercial) returns akin to pension funds
- Impact areas (SDGs). Many are focused on particular impact areas (SDGs), few are “SDG agnostic” if there is impact
- Geographies. Some are focused on particular geographies or income levels
- Size of business. Most are focused on MSME, some focused on larger companies
- Management costs/fee. Some are willing to pay more that market standard (1.5-2.5%), some are not.

There is, however, a growing interest and appetite for impact investing, reflected by impact investor networks like Invest for Impact Denmark and Aktive Ejeres Impact Komite<sup>15</sup>. There is also an emerging realisation among capital owners (and fund managers) that collaboration across capital owners (and with fund managers) would be beneficial. There is thus a potential for mobilisation.

### **2.2.2 Fund (asset) managers**

The Danish asset or fund managers have a special role in mobilizing Danish capital. They are closer to the Danish capital owners than foreign fund managers. Few Danish managers have experience in raising and deploying funds in EMDEs, and exiting (selling) investments, returning the proceeds to investors. New actors are emerging, which has led to an increase in products being offered nationally.

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<sup>14</sup> Most of the exposure would be in debt and listed shares.

<sup>15</sup> [Invest for Impact Denmark - Invest for Impact Denmark](#) and [Dansk Impact Komité | Aktive Ejere](#)

## Examples of fund managers according to ticket size of investments.

- Copenhagen Infrastructure Partners (renewable energy, High Growth Middle Income Market) aiming to raise €3bn. Big ticket size. Seeking commercial returns.
- AP Møller Capital (infrastructure, Asia and Africa) is managing 2 infrastructure funds and may still be raising capital for the fund II – managing more than DKK 10bn. Big ticket size. Seeking commercial returns.
- MAJ Invest (microfinance Asia, Latam, Africa) manages microfinance funds and is preparing a new fundraise. Maj invest has raised 3 microfinance funds, totalling around USD 300m. Medium ticket size. Seeking commercial returns.
- Frontier (renewable energy, including hydro, Sub-Saharan Africa) is preparing fundraise for a fund 3 in addition to the 2 funds now under management. Frontier has raised close to USD 300m in 2 funds. Seeking commercial returns. Medium ticket size. Commercial returns.
- X-Solar Systems (renewable energy East Africa) is fundraising for a first fund. Has done some investments in East Africa (industrial off-grid solar), have raised some private finance. Small to medium ticket size. Seeking commercial returns.
- Nordic Impact Funds (SMEs, East Africa) is raising a first fund and has made some investments with some private capital mobilised. Small ticket size. Seeking commercial returns.
- Capital4Impact, Plan Denmark (SMEs in Tunisia, Morocco, Egypt, and Jordan) is yet to start investing; received funding of a first loss tranche to cover losses for other investors and for TA from MFA. Small ticket size. Concessional, less than commercial returns.
- There are initiatives by fund managers or single companies such as Kwera, which is trying to mobilise private impact funding.<sup>16</sup>

There are other asset managers established by companies (philanthropic foundations) that invest their own capital for impact in companies in EMDEs, e.g. World Diabetes Foundation and Bestseller Foundation, which have made investments for some years. Some are in the process of revising their investment strategy with backing from their mother companies (business foundations that own the companies). And some rich individuals have set up family offices that invest (some) of their wealth, including in EMDEs.

World Diabetes Foundation has reached out to MFA with an invitation to engage in a partnership to invest significant capital from World Diabetes Foundation in impactful companies in EMDEs that address non-communicable diseases. Other philanthropic or even individuals (family offices) may also be interested in developing public private partnerships that over time can lead to significant private capital being invested in EMDEs for impact.

Several Danish NGOs have fund management initiatives at various stages of development. These may also be eligible under this facility, as well as other private fund managers (see box). The facility will, however, not be able to engage (invest in) more than a few (2-3) fund managers based on the fund investment criteria (see below) used to select those that have the highest likelihood of creating impact (both qualitatively and quantitatively).

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<sup>16</sup> [Kwera](#) finances higher education for students to help them get better job opportunities or become entrepreneurs. Students repay the loans they get with part of their salary.

### 2.2.3 Impact Fund Denmark<sup>17</sup>

Impact Fund Denmark is of strategic importance for the Danish MFA to create development impact through investment in companies that face difficulties accessing finance and to mobilise private finance into these companies<sup>18</sup>. This facility will be complementary to Impact Fund Denmark's other and investment strategies and facilities.

Impact Fund Denmark mobilises in different ways: Through SDG Funds (fund II), through co-investments in its direct investments into companies and investment funds (e.g. private equity funds) in EMDEs and through the use of state on-lending financed by the sales of Danish state bonds.<sup>19</sup>

The SDG Fund II invest in IFDK's priority sectors (green energy & infrastructure, healthcare, financial services, sustainable food systems) and in all EMDEs with focus on high growth markets. The Fund is an impact fund (highest EU standard for sustainable investment funds). It has a relatively high financial annual return requirement of 12-15% in DKK (net of costs), low management costs, and a low risk appetite. These are needed to attract pension funds and a contributing factor to the big ticket-size investment of DKK 150m-300m.

IFDK also invests its own capital in companies and other investment funds, which fit its investment strategy and return requirements, which are based on IFDK's risk model and return requirements. IFDK's risk appetite for its own capital is higher than for the SDG fund and return expectations lower.

IFDK's Development Guarantee can provide guarantees to funds to mobilise private finance for climate investments and investments in companies that are not able to raise capital in the market, typically in Africa and typically SMEs. A guarantee provided is typically concessional (subsidized with ODA) in African countries. TA can also be provided to improve impact. There is no expectation from MFA that the Development Guarantee generates a surplus for IFDK.

IFDK manages special facilities for investments in Ukraine, and African focused facility where Danish interests need to be observed and a venture capital facility that invests in early-stage businesses. These facilities all have higher risk appetite and low financial return expectations.

IFDK has KPIs on overall investment allocations to climate, Africa and poor and fragile countries<sup>20</sup>.

Impact Fund Denmark has long experience, knowledge and a recognized capability of impact investments in EMDEs<sup>21</sup> with a strong presence of regional offices in Africa, Asia, Latin America and Ukraine. IFDK is well placed to manage this new facility.

### 2.2.4 Other actors

A number of actors play important roles in Denmark's mobilization efforts without necessarily being intentionally involved or having a development impact mandate.

Through its lending and guarantee products, **EIFO** is extending and mobilizing debt financing exports with a Danish interest to EMDEs, mainly through export credit guarantees. The recent Africa Facility at EIFO has enabled the institution to take larger risks and thus engage more in lower middle-income countries in Africa. An allocation of DKK 150 million from the Danish state as first loss is expected to be used to guarantee DKK 750 million in export finance to Africa.

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<sup>17</sup> See annex for an assessment of IFDK

<sup>18</sup> See [Strategisk ejerskabsdokument for IFDK](#)

<sup>19</sup> This indirect way of mobilising private capital is though not recognised by the OECD DAC. See [pdf](#)

<sup>20</sup> See [Strategisk ejerskabsdokument for IFDK](#)

<sup>21</sup> IFDK is recognised by BlueMark as one among the 19 best-in-class impact investors, see [Data and insights - BlueMark](#)

Several **ecosystem actors** service asset owners and asset manager. Invest for Impact Denmark and the Impact Committee under the association Active Owners (Aktive Ejere) are two examples. They seek to organize roundtables, facilitate knowledge sharing and gather best practices. Both have a broader mandate than EMDEs, but a strong interest in contributing to furthering mobilization also for EMDEs.

### 3 Objectives and Intervention Logic

#### 3.1 Overall objective and key outcomes

The overall objective defined in the strategic framework for the Danida Business Initiative is:

*An upscaled and strengthened private sector contribution to sustainable development, job creation, and inclusive growth in the Global South.*

The objective for the Impact Investor Partnership:

*Leveraging Danish impact investors, philanthropic foundations, and family offices to invest for impact in developing countries, including through Danish-linked fund managers*

The key outcomes are:

- Increased mobilisation of Danish private capital for impact investments in EMDEs by impact investors, philanthropic foundations and family offices through collaboration with IFDK
- Danish fund managers successfully raise and manage impact investments in EMDEs

It will also be important to strengthen the impact investing eco-system in general in Denmark to help upgrade knowledge and capacity of Danish capital owners and emerging fund managers. This would over time increase the likelihood of more Danish impact investing. IFDK is not assessed to be well placed to play a role in channelling funds to the impact investment ecosystem. MFA is preparing a project with State of Green which based on its ongoing work on engaging Danish impact investors and their associations are better placed to manage grants for activities that can develop this ecosystem.

#### 3.2 Theory of Change and key assumptions

The overall Theory of Change is the following:

**IF** the facility provides concessional, risk-sharing capital and helps strengthen Danish investors' knowledge and confidence in EMDE impact investments, while supporting Danish fund managers in offering credible, responsible, and impact-oriented investment products, **THEN** Danish capital owners – including philanthropic foundations, family offices, and other private investors – will allocate increased levels of capital to impact investments in EMDEs, and Danish fund managers will strengthen their capacity to raise, manage, and responsibly deploy such capital. This change is expected because concessional capital reduces actual and perceived financial risks, lowers transaction and due diligence costs, and increases trust in EMDE investment opportunities. At the same time, stronger Danish fund managers with clear ESG and impact standards make investment opportunities more accessible and credible to private investors. As a result, information barriers decline, risk-return expectations become clearer, and suitable investment products become available at sufficient scale.

**IF** the facility establishes collaborative partnerships with Danish impact investors, philanthropic foundations, and family offices, including through pipeline sharing, dialogue, and opportunities for joint participation in EMDE impact investments, **THEN** increased mobilisation of Danish private capital for

EMDE impact investments will occur through these partnerships, leading to sustained investor engagement.

**IF** supported fund managers can mobilise additional private capital and invest in companies in EMDEs that would otherwise face financing constraints, and if these investments are managed in line with agreed financial, environmental, social, governance, and compliance standards, then the investments will be additional and responsibly managed. Provided that sufficient investment management capacity is achieved and maintained, and that macroeconomic and political conditions in target countries do not severely disrupt markets, investee companies will be able to expand production, improve productivity, and strengthen business performance. This expansion is expected to lead to development impact in the form of employment opportunities for women, youth, and men; generation of economic value added in EMDE economies; improved access to essential goods and services for underserved populations; and, where relevant, climate mitigation and adaptation benefits.

**IF** investments generate both measurable development impact and financial returns in line with agreed expectations, **THEN** Danish investors are more likely to make repeat or increased allocations to EMDE impact investments, and Danish fund managers are more likely to scale and sustain their impact investment activities. Over time, this contributes to a strengthened and sustained Danish private sector contribution to sustainable development, employment opportunities, and inclusive growth in EMDEs.

### 3.3 Synergies with other instruments

This facility could over time result in development of more companies that would become investment ready for DFIs, including Impact Fund Denmark and able to absorb the ticket sizes that DFIs require, and it would be beneficial to have collaboration with other facilities that operate in the same markets. Impact Fund Denmark would be able to consider investing its other resources in some of the Investment Funds managed by the Danish fund manager, thereby helping support the fund raising. Such IFDK investment would not be covered by loss protection, which will be aimed at private investors. In some markets where Denmark has presence with development cooperation, there may be links between investment activities of a fund manager or a foundation and a Danish funded private sector, value-chain focused activity.

## 4 Results framework

Project Title	<b>Impact Investor Partnerships</b>
Project Objective	Leveraging Danish impact investors, philanthropic foundations, and family offices to invest for impact in developing countries, including through Danish-linked fund managers
Impact Indicators	<ul style="list-style-type: none"> <li>- Number of direct and indirect jobs supported in investee companies</li> <li>- Estimated value added generated by investee companies</li> <li>- Number of people reached with essential goods/services (where relevant)</li> <li>- Amount of greenhouse gas (GHG) emissions avoided or reduced (where relevant)</li> </ul>

\*All impact level indicators are standard IFDK indicators also used in the over capital contribution results framework.

<b>Outcome 1</b>	<b>Increased mobilisation of Danish private capital for impact investments in EMDEs by impact investors, philanthropic foundations and family offices through collaboration with IFDK</b>
Outcome indicator 1.1	Total Danish private capital committed (DKK) (cumulative)

Baseline	Year	2026	0
Target	Year	2027	0
Target	Year	2028	DKKkM 50
Target	Year	2029	DKKkM 100
Target	Year	2030	DKKkM 150
Target	Year	2031	DKKkM 150
Outcome indicator 1.2		Number of collaborative <sup>22</sup> investment processes with Danish impact investors, philanthropic foundations, and family offices related to EMDE impact opportunities	
Baseline	Year	2026	0
Target	Year	2027	1
Target	Year	2028	1
Target	Year	2029	2
Target	Year	2030	2
Target	Year	2031	2
Outcome indicator 1.3		Percentage of investors making repeat or increased allocations	
Baseline	Year	2026	0
Target	Year	2031	TBD
<b>Outcome 2</b>		<b>Danish fund managers successfully raise and manage impact investments in EMDEs</b>	
Outcome indicator 2.1		Number of supported fund managers that have raised funds (including private and concessional capital)	
Baseline	Year	2026	0
Target	Year	2027	0
Target	Year	2028	1
Target	Year	2029	1
Target	Year	2030	2
Target	Year	2031	2
Outcome indicator 2.2		Total capital raised by supported funds (including private and concessional capital)	
Baseline	Year	2026	0
Target	Year	2031	TBD
Outcome indicator 2.3		Percentage of supported funds meeting agreed ESG and impact reporting standards	
Baseline	Year	2026	0
Target	Year	2031	50% (at least 1 fund)
Outcome indicator 2.4		Percentage of supported funds delivering positive returns	
Baseline	Year	2026	0
Target	Year	2031	50% (at least 1 fund)

<sup>22</sup> A collaboration is a structured, two-way engagement progressing beyond initial outreach and involving joint work on an EMDE impact investment opportunity. This may include pipeline sharing, joint screening, participation in due diligence, co-investment discussions, parallel investment consideration, or co-development of investment approaches or strategies, regardless of whether capital is ultimately committed.

## 4.1 Assumptions

1. Sufficient pipeline: There exists a sufficient pipeline of investable and potentially impactful companies in EMDEs that can absorb capital at appropriate risk-return profiles.
2. Fund manager capability: Danish fund managers have, or can develop, the capacity and competence to source, structure, and manage investments responsibly, including financial, ESG, and impact management in line with agreed standards.
3. Investor willingness: Danish capital owners are willing to allocate capital to EMDE impact investments if risk-return expectations are met and credible investment vehicles are available.
4. Financial viability: Supported funds are able to generate financial returns within agreed risk-adjusted expectations over the investment horizon.
5. Macroeconomic and political stability: Macroeconomic, regulatory, and political conditions in target EMDEs do not deteriorate to a degree that fundamentally undermines investment performance

## 5 Summary project description

### 5.1 Brief summary of the instrument

The facility operates three windows:

- 1) **Strategic partnerships to increase engagement.** A co-investment, co-creation and capacity development facility to engage capital owners (philanthropic) in expanding their engagement in EMDEs.

Danish asset owners, who have ambitions to significantly increase investments and be engaged investors may benefit from collaboration to strengthen their knowledge and experience of markets and best practices in impact investing; and develop focused investment strategies and implementation plans.

Support from the IFDK would involve co-creation of an investment strategy and collaboration on a joint investment implementation/management model. The latter could entail establishing a joint management company or a process for selecting appropriate and qualified fund managers in the relevant markets. IFDK would actively work with a philanthropic foundation or major private capital owner sharing good practices. IFDK would also co-invest with the philanthropic investor pari-passu (on the same terms). Some capital (if required) and a facilitation of technical assistance to engage in co-creation (see annex 3).

This facility could contribute to 1) raising private capital in EMDEs and 2) contribute to improving experience and capability to manage direct and indirect investments of philanthropic foundations and major private capital owners with that ambition.

- 2) **De-risking to mobilise.** A concessional investment facility or other risk mitigating facility offered for Danish fund managers to increase their mobilisation of private Danish and other private capital.

Danish fund managers, which have experience; and can raise a sufficient critical mass of capital (including from other investors that are willing to provide subordinated capital) to manage investments at a reasonable cost; and are in the process of or about to start fundraising will have a higher likelihood of mobilisation private capital from Denmark than fund managers with less experience.

Over time successful fund managers could pave the way for others, showcasing good practice and building knowledge and capacity (policies, systems, people) that others can benefit from.

- 1) **Ecosystem strengthening.** Grant financing available to set agenda, stimulate collaboration and networking amongst investors in Denmark and abroad. Build awareness and capacity on impact investment amongst stakeholders.

A dawning ecosystem of impact investors is emerging in Denmark. Ecosystem institutions can operate as disseminators of EMDE-relevant knowledge and opportunities, also linking Denmark to international impact investors and stakeholders. Activities to be initiated to set agenda and build common language, tools, and standards, stimulate collaboration to make EMDE investing more mainstream among Danish investors.

Eligible activities include: capacity building, studies, development of standards, training, workshops, information sharing, study tours etc. This will contribute to making the Danish ecosystem for impact investing stronger and better connected internationally.

## 5.2 Modality and selection criteria

### 5.2.1 Capital owners, strategic partnerships window

The facility will provide support and advice to those philanthropic foundations that would like a partnership with IFDK. The partnership will include co-creation of investment strategy and organisational development to improve the capacity to deploy capital for impact and financial return. Organisational support/advice could involve support to policies, and implementation/investment processes, portfolio management and reporting systems.

In addition, this window could co-invest with the foundations into fund managers as required or companies depending on the strategy and investment management structures that would be established.

Criteria for engaging with philanthropic foundations and private investors (capital owners) in the first window would include:

- Investments to be focused on high impact, high risk sectors and to complement existing IFDK investments and fund investments. This would include investments benefitting SMEs, smallholders, women, people living in poverty, other marginalised groups, nature-based solutions in all SDG-relevant sectors. Preference will be given to low and lower middle-income countries, including LDCs.
- Financial returns could be low, but the investment strategies should target companies, including social companies that have a potential to be able to become financially sustainable in the market. This implies a high risk- appetite and lower financial return requirements than IFDK's SDG Fund II investment strategy.
- The ambition of the capital owner should be to have a sufficient capability to manage its impact investment strategy professionally, whether the strategy is to invest "large" tickets (+DKK 70-100m) or smaller tickets into funds or into (small or social) companies. The investment strategy may be to invest in junior investment classes in other funds to (also) mobilise funding at the fund investee level.
- Minimum commitment from capital owners should be significant to allow for a sufficient impact investment management capacity. A minimum intended (soft) commitment of DKK (50 to

1000m or more) is suggested for investments over a period of 4 years. Some capital owners may have partner investors that could contribute capital and knowledge into the partnership.

- Commitment from capital owners to cover costs of any external advisers/consultants engaged for strategy and organisational development that directly benefit them. IFDK will contribute knowledge on what it takes to be an impact investor.<sup>23</sup>
- Proportional sharing of due diligence costs and other investment management costs related to potential investees (funds or companies in EMDEs) with the facility (see annex 3 for various options/scenarios for strategic partnerships).
- Co-investment on pari-passu terms with the Facility as required.

### **5.2.2 Concessional investment facility – fund managers window**

A concessional (like first loss) investment instrument is well-known and understood in the market. It can take risks and cover losses at fund level or individual investment level. It may thereby increase the returns for a private investor given the risk of the investments or protect the investor from losses

A conditional commitment of a concessional investment in a fund must fall early in the fundraising process, so that the fund manager can present it during fund raising to private investors. It must from the outset be agreed how the concessional investment will cover private investors risks and improve their expected returns. The conditional commitment would be turned into a commitment when a private investor signs an investment agreement.

Criteria for fund manager applicants would include:

- Letters of intent to invest in the fund from private investors,
- A reasonable assurance that a fund would be raised and with a size that is sufficient to finance the necessary management cost.
- Fund manager team has experience with impact investments with track record in terms of managing impactful investments in EMDEs,
- Fund manager capacity. Fund manager has policies, procedures and staffing that live up to or have a plan/intent/potential to live up to international standards (Impact Fund Denmark Standards) regarding sustainability [SFDR 1.0/2.0], environmental, social, governance and business integrity standards, impact standards etc.
- A due diligence of the fund will be carried out by the IFDK, and the conditional investment will only be made if the fund live up to basic standards.
- Close monitoring by the Facility would be needed, including regular operational due diligence (review) (every 3 years) with a scope of work to be approved by the Facility (and funded by the Facility).

A grant (up to DKK 1m) could be considered to help address any capacity gap identified in a due diligence, e.g. ESG BI management system.

Fund manager(s) could be chosen through a call for proposal. However, given IFDK's experience, including in fund investments, and the complexities of assessing fund managers, their capabilities and

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<sup>23</sup> See annex 1 for an assessment of IFDK.

their investment strategies, it would be more appropriate to let IFDK do the selection through a thorough sourcing, screening and investment process.

### 5.3 Roles and responsibilities

The facility will be managed by IFDK which will allocate sufficient staffing for this facility. This would include an estimated equivalent of 2 investment professionals to collaborate with Danish fund managers and to manage the facility.

The team will also be responsible for co-creation with capital owners (such as a philanthropic foundation). There could be significant potential for IFDK to expand collaboration with philanthropic foundations and other private capital owners over the next 5-10 years.

## 6 Crosscutting concerns and requirements

Crosscutting concerns would be built into the instruments and policies of the fund managers that would invest the funding and follow IFDK policies and processes.<sup>24</sup>

## 7 Budget

YEAR/(DKK million) –	2026	2027	2028	2029	2030-2036	Total
<b>Capital contribution</b>						
Strategic partnerships to increase engagement (co-creation and co-investment)	2.00	5.00	10.00	8.00	5.00	30.00
Concessional investments and other risk mitigation	5.00	25.00	30.00	25.00	5.00	90.00
Strengthened ecosystem	0,5	1,5	1	1	1	5.00
Implementation	3	3	3	3	3	15
<b>Subtotal</b>	<b>10.5</b>	<b>34.50</b>	<b>44.00</b>	<b>37.00</b>	<b>14.00</b>	<b>140.00</b>
Administration	2	2	2	2	1,5	9.5
Review and studies		0.5				0.5
<b>Total costs</b>	<b>12.5</b>	<b>37.00</b>	<b>46.00</b>	<b>39.00</b>	<b>15.5</b>	<b>150</b>

The budget is based on several assumptions.

- Strategic partnerships budget covers both co-investments of DKK 30m with capital owners, including management fee for fund managers.
- Concessional investments budget is DKK 90m. Part of these could be set aside as TA. The investments will be committed in the first years.
- The investment team will be fully staffed the first four years and be reduced significantly in 2030 to only focus on managing existing commitments

<sup>24</sup> See annex 1

- Management costs include a team of 2 full time staff and overhead to draw on IFDK resources such as Sustainability and Impact, Legal, HR, facilities etc.
- It is foreseen that one team will implement E3 and E5, thus increasing efficiency.

The capital is generally assumed to have a low return. Strategic partnership with philanthropic funds will tend to focus on high-risk investments with a limited commercial upside. The facility's investments are also likely to take on a relative higher risk than the private investors, e.g. by being later in the distribution of returns. Similarly, the concessional tranche will take on high risk to lower the private investors' risk exposure. Across both investment approaches, the facility is unlikely to return its capital.

The Facility is a pilot to explore new modalities for collaboration amongst a diverse range of partners and stakeholders.

If successful, the facility can be turned into a more permanent vehicle to build a Danish Ecosystem of impact investors. As such, the facility could evolve into a funding vehicle attracting additional funding from MFA. In such a scenario, revolving funds can either be reinvested into additional investments or contribute to financing IFDK management of the facility in the lifetime of the investments. A review in year 3 will inform these processes.

The investments that the facility undertake would likely be into fund structures that would normally be closed end 10-year funds with a 4-year investment period. It could also be evergreen funds where exits could happen regularly according to specific agreements made. It is not unusual that funds get prolonged by 1 or 2 years.

## 8 Management arrangements

The Facility will be governed in a way that enable it to make professional investment and granting decisions, while ensuring proper oversight.<sup>25</sup>

A separate Investment Committee will decide on individual investments and grants.

The Investment Committee will be proposed by IFDK and approved by the existing IFDK Management. Only in exceptional cases will investments or grants in principle be presented to the board, for example when proposed investments or grants fall clearly outside the mandate of the Facility in which case MFA would also be consulted.

In addition to the dedicated investment committee, the Facility will be integrated in the overall MFA/IFDK management arrangements. Specifically, status on the Facility will be provided in the quarterly meetings between KLIMA management and IFDK.

A review will be carried out by MFA to assess progress, results and problems encountered. The review will provide input to decision on a next phase of this initiative.

## 9 Financial management

Funds will be transferred as a capital injection to IFDK and disbursements done annually based on an IFDK budget.

Accounts would be audited as part of IFDK's annual audit.

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<sup>25</sup> The management arrangements described in this section should be coordinated with the management arrangements of the other Danish Business Instruments, in particular the Impact Accelerator.

## 10 Risk management

Risks related to the project include:

- Too few qualified fund managers. This will be mitigated through consultations with capital owners and fund managers and through provision of TA.
- Fund managers cannot mobilise private finance (or not much) due to private investors because they don't meet private investors risk tolerance or impact priorities. This risk will be mitigated through consultations with fund managers and capital owners.
- Fund managers cannot invest the funding within the expected (4-years) investment period. This may be due to adverse developments in the relevant markets, due to lack of sufficient competence in fund manager teams. This will be mitigated through due diligence of Facility investments carried out by the team.
- Investments do not render the expected impact and return. This could be due to lack of competences in fund manager teams, or adverse development in relevant market. This will be mitigated by due diligence of fund managers' capabilities and action plans to help fill gaps.
- Due to nature of the investments in high risk markets and in subordinated tranches, investments losses will likely be high. Further, the longevity of most funds investments (10 years or higher) will mean that funds will not be returned within the lifetime of the instruments and will therefore not be available for reinvestments. This risk is accepted.
- Corruption or breach of environmental and social standards and other compliance happens and is not managed well by IFDK resulting in both losses, lack of or negative impact on people or nature and reputational damage. This is mitigated by IFDK's policies, processes and capacity in assessing risks (including fund managers' risk management systems) in preparation of investments and in monitoring investments.
- Investments are primarily done in 10-year closed end fund. There is a risk that a fund manager team of a closed end fund may not live up to expectations, that fraud arises in the fund manager team with a need to replace such a team. This can be quite burdensome to manage and may result in unforeseen legal costs. This can be mitigated by due diligence and regular operational due diligence (reviews of fund managers every 3-4 years). There may be a need to consider a clause in the agreement between the responsible organisation and MFA whereby MFA commit to allocate funding for extraordinary legal expenditures, with a clause that these would be reimbursed as investments are returned.

Contextual relate to risk of political and economic disruption in markets, which may make it difficult to achieve the planned impact and financial returns.

## 11 Exit and sustainability

As investments are foreseen to be done in close end equity funds with a duration of 10 to 15 years, there is a requirement to have a management team in place for at least 10 years – and possibly longer.

Exit can happen in 2 ways. The default exit is that all funds remaining after the last of the facilities investments have been returned in cash, total funds collected is transferred to IFDK as a capital injection to be used in line with IFDK's mandate as decided by MFA.

The other “exit” would be to make the facility evergreen/permanent. In this case the facility would continue using the returned investments for similar purposes of mobilising private investments and building the Danish ecosystem for impact investments. It would also be expected that new funds would be channelled to the facility from MFA – and potentially from other sources.

## Annex 1. Partner Assessment

<b>Name of Partner</b>	<b>Core business</b> What is the main business, interest and goal of the partner?	<b>Importance</b> How important is the programme for the partner's activity-level (Low, medium high)?	<b>Influence</b> How much influence does the partner have over the programme (low, medium, high)?	<b>Contribution</b> What will be the partner's main contribution?	<b>Capacity</b> What are the main issues emerging from the assessment of the partner's capacity?	<b>Exit strategy</b> What is the strategy for exiting the partnership?
IFDK	Impact investment Climate investment	Low to medium Relatively small funds, but strategically important  Overall management of the Facility	High through hosting of secretariat and influence over funds.  Same influence in other Funds and Facilities.	Define procedures for the Facility.  Management the capital workstream and the partnership workstream.  Enable Danish companies to drive processes significantly contributing to social and economic development in EMDE countries.	While IFDK's reform and recent capitalisation processes are increasing the demands on the organisation, the Facility is proportionately much smaller and can be managed within existing systems. However, IFDK will need to more proactively engage with a) markets and b) the Danish business community and other complementary investment promotion and support initiatives.	Exit strategy in place for companies.  Sustainability depends on additional fundraising i.e top-up.  IFDK will remain under ownership of the Danish government.

### Summary of Partner Capacity Assessment

Significant stakeholder consultations and analyses have been conducted to assess if other organisations could take responsibility of the Facility. This was to ensure that the Facility was managed in a professional manner. The organisations considered included, amongst others, State of Green and NEFCO. IFDK was chosen for the following reasons:

- Experience with investments in EMDEs

- Presence in Denmark
- Strong procedures and frameworks for monitoring impact.
- Close relationship with other actors.

The planned commitment will scale operations, but only to a minor extent, affecting IFDK’s current governance procedures and business activities.

Complementary information about IFDK is provided below, based on the partner assessment carried out in 2023:

- IFDK – an overview
- Thematic sectors
- Framework for identifying, screening and selecting high-impact investments
- IFDK Policies and Standards

### IFDK overview

Since its establishment in 1967, IFDK (previously IFU) has invested in 1,325 companies across more than 100 countries in Africa, Asia, Latin America, and Europe. The total committed investments amount to DKK 235 billion, of which IFDK has contributed DKK 26 billion. IFDK is an independent government-owned fund that offers risk capital to companies in developing countries and emerging markets. Additionally, IFDK manages several other investment funds, including the Danish SDG Investment Fund. IFDK’s investments have contributed to creating and preserving close to one million jobs in host countries and establishing over 2,000 megawatts of renewable energy. Furthermore, IFDK’s presence has facilitated knowledge and technology transfer, provided employee training, accelerated economic activity, and generated income sources, such as taxes, for host countries.

All IFDK investments must support the green transition and contribute to poverty alleviation and reduced inequality. Additionally, IFDK emphasises the importance of corporate social responsibility within project companies to ensure that employees receive proper working conditions, and that production is socially and environmentally sustainable. IFDK provides risk capital and advice to companies seeking to engage in commercial investment activities in developing countries. With strong experience in investments in developing countries, including low-income nations, IFDK possesses the necessary capacity and networks to create and implement new instruments. The table below presents IFDK investment results from 2017 onwards:

**Table: IFDK investment activity 2017-2023**

DKK million	2017	2018	2019	2020	2021	2022	2023	2024	2025
Private Sector Investments	1.308	1.476	1.165	1.966	1.005	1.466	1.342	1.684	2.385
Public infrastructure Finance (PI) – loans & grants	124	1.426	75	1.667	8	294	192	126	1792
Development guarantees (DG)								736	914
Total capital under management	9.100	11.400	11.200	12.800	12.600	15.600	15.544	18.100	24.000*

*\*Initial estimate prior to finalisation of annual accounts.*

## Thematic sectors

**Green energy and infrastructure.** Green energy and infrastructure are crucial for sustainable development. The lack of energy access poses a significant challenge in Africa, where 600 million people lack access to energy. To support sustainable development in line with the Paris Agreement, IFDK prioritises investments in increasing access to clean and affordable renewable energy, ranging from large-scale utility projects to residential solar systems and off-grid solutions. This approach indirectly encourages job creation and business growth and helps mitigate climate change. Water scarcity is prevalent, and clean drinking water is often inaccessible in developing countries. IFDK invests in business models and companies focusing on water and water management to enhance sustainable supply and access to water. IFDK also prioritises waste recycling and management to address urban challenges such as sanitation, congestion, and rising air pollution. It also promotes circular business models that support the green transition and create new local jobs. Across all areas, IFDK emphasises energy efficiency as the most cost-effective method of decarbonising the future economy.

**Financial services.** Globally, 1.7 billion people are unbanked. Furthermore, small and medium enterprises (SMEs) in developing markets often struggle to access finance to grow their businesses. SMEs are the growth engines in African economies and are essential for employment. They provide billions of people with livelihoods and are critical to achieving the SDGs and climate goals. IFDK aims to increase financial inclusion by investing in financial services, driving economic growth and job creation, and reducing inequality. The goal is to collaborate with financial institutions to enhance their contribution to the green transition and to promote the increased adoption of digital technologies that boost resilience and outreach simultaneously. Microfinance offers people access to finance through small loans for livelihood enhancement activities, particularly in rural areas. This improves their living conditions and provides access to savings that strengthen resilience. Most microfinance clients are women who gain empowerment through access to finance. Providing financial support to banks and other financial institutions that serve SMEs is also a priority. This enables more small companies and entrepreneurs to access financial services that facilitate business growth and, in many cases, adopt greener practices. As an equity investor, IFDK's investments assist financial institutions in mobilising private capital from the market, thereby multiplying IFDK's impact. IFDK has also begun offering green loans to financial institutions to promote energy efficiency, solar energy, and more.

**Sustainable food systems.** Approximately 800 million people globally do not have enough food to live a healthy, active life. One in five people in Africa faces hunger due to climate change, conflicts, and economic downturns. With a growing population, food waste must be reduced, and food production needs to increase. The latter will further contribute to global warming, as 30 per cent of global GHG emissions stem from agriculture and food processing. Consequently, a priority for IFDK is to invest in climate-smart farming that can enhance access to healthy and affordable food products with high nutritional value. All investments focus strongly on supporting cultivation and production methods that reduce GHG emissions and increase yields. As developing countries are the most vulnerable and least prepared for climate change, IFDK also emphasises adaptation, including drought-resistant crops and improved irrigation. Smallholder farmers typically are the primary food producers in Africa. However, output per hectare is low, and these farmers often lack access to value-added processing and distribution systems, leading to low-income levels. Therefore, IFDK prioritises investments that enhance living conditions by supporting fair trade and increased productivity. Annually, one-third of all global food production is wasted. In developing countries, most waste arises from inadequate and insufficient storage and distribution systems. A key priority for IFDK is to invest in food waste management, as this will alleviate pressure on land resources and reduce GHG emissions, for instance.

**Healthcare.** Poor health and health inequality continue to limit economic prosperity in developing countries and emerging markets. Around 400 million people lack access to vital healthcare services, which results in high mortality rates, lost productivity and poverty. This is especially the case in developing countries in Africa and South Asia. Healthcare services are often out-of-pocket expenses that have a significant negative impact on accessibility and lead to increased poverty for low-income groups. Against this backdrop, IFDK invests in healthcare to improve access to affordable and high-quality healthcare services, especially for middle and low-income people. Consequently, the focus is on business models supported by universal healthcare programmes or insurance schemes. Noncommunicable diseases like diabetes and cancer are becoming more common in developing countries. However, treatment options are insufficient, and therefore, IFDK, besides investing in primary healthcare and hospitals, also has attention to services targeting chronic and non-communicable diseases. Moreover, IFDK invests in diagnostic technologies and pharmaceutical companies to improve prevention and treatment and provide better access to medicine. One of the impact priorities when investing in private healthcare is to ensure that it complements public healthcare strategies. This can be achieved by introducing new technologies, educating staff, and engaging in outreach activities targeting low-income groups, maternal and child health and people living in rural areas. Upgrading the healthcare system will also make it more attractive for doctors and nurses to stay at home or return from abroad, reducing brain drain.

**Framework for identifying, screening and selecting high-impact investments**

In addition to the theory of change and results framework, IFDK applies different tools and analysis methods to assess impact creation and ESG risks. When identified, IFDK summarises ESG issues and risks in an action plan for implementation.

IFDK’s system for selecting and maturing investment opportunities has been considerably strengthened recently. A first screening allows an initial assessment of whether the investment opportunity will contribute to IFDK’s two impact objectives sufficiently. The subsequent steps in the selection and maturation process are presented in the table below:

**Table: IFDK assessment steps**

Process step	E&S	Governance	Impact
To gate 1	Screening against IFDK’s exclusion list of activities IFDK will not invest in.	Initial screening to check for recorded governance issues.	Initial screening to verify contribution to at least one of IFDK’s two impact priorities and the likelihood of additionality.
To CIP	Preliminary Human Rights assessment.	CPI screening. Expanded search for recorded issues. Review of investee company or organisation’s anti-bribery and corruption (ABC) policies.	Formulation of impact hypothesis and theory of change for how the company creates impact and contributes to SDGs. Assessment of investment’s additionality.

To BC	Full Human rights due diligence. E&S due diligence. Assessment of negative impact.	Assessment of anti-corruption. Assessment of corporate governance.	Validation of impact creation hypothesis and theory of change through impact due diligence. Initial results framework. Assessment of GHG emissions. Assessment of gender policy.
To ownership	Formulation of E&S action plan (ESAP), which investee company must commit to.	Formulation of anti-corruption and corporate governance action plan (CGAP), which investee company must commit to	Formulation of impact creation plan, including results framework, which the investee company must commit to.
To exit	Execution of ESAP by company incl. reporting to IFDK - Annual reporting on E&S data through ASR.	Execution of CGAP by company including reporting to IFDK. Annual reporting on ABC and governance data through ASR.	Reporting and monitoring of impact creation according to plan and results framework. Impact study and evaluation at exit.

IFDK is continuously fine-tuning and improving the framework and tools for the selection, screening, and management of investments. IFDK has come a long way in setting up its systems and procedures. In the coming years, IFDK will further strengthen its system for evaluating projects beyond individual investee companies to better understand the development impact of the investments on the communities and societies in which they are anchored. This knowledge will contribute to documenting the results of IFDK and will be important learning that feeds into the further maturation of the system for selecting and developing new investments.

### IFDK Policies and Standards

To qualify as an investment, IFDK's investee companies must subscribe to several policies. These are in addition to the commitment to executing several activities through the ESAP, CGAP, impact creation plan and results framework. The policies are outlined and described in the table below.

**Table: Core IFDK policies**

Policy	Description
Sustainability policy	The policy sets out IFDK's commitment to invest in good Environmental, Social and Governance (ESG) practices and support green and/or just and inclusive impact. The Sustainability Policy is the overarching policy for ESG and impact, which is supplemented by specific underlying thematic policies, including climate policy, human rights policy, Animal welfare policy, gender equity policy and corporate governance policy

Tax policy	IFDK is committed to a responsible tax practice according to the following three principles 1) Pay taxes in developing countries; 2) Use holding companies responsibly and 3) Be transparent
Anti-corruption policy	IFDK is committed to maintaining a zero-tolerance policy regarding corruption – including bribery, fraud and facilitation payments – in line with the UN Convention against Corruption and the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.
Anti-money laundering and anti-terrorist financing	IFDK’s policy on anti-money laundering and terrorist financing contains IFDK’s identification, consideration and assessment of relevant risks related to money laundering and terrorist financing as well as IFDK’s overall approach and requirements to the procedures and controls related to money laundering and terrorist financing risks.
Sanctions screening guidelines	Ensure compliance with international sanctions regimes, mitigate reputational and financial risks and prevent engagement with entities or individuals involved in prohibited activities or on sanctions lists. These guidelines facilitate thorough identification and screening procedures and partner assessments to identify potential sanctions related risks.
Insider information policy	Safeguards against possible abuse of insider information and ensures that IFDK has a high level of credibility as an organisation where insider trading does not occur. It protects IFDK’s employees and board representatives from potential criminal liability.
Whistle-blower policy	This policy provides the requirements and channels for which potential breaches of IFDK’s policies or relevant regulation can be reported, investigated and sanctioned through a confidential and anonymous process. The policy protects both IFDK’s employees and investee company stakeholders, and it ensures a coherent and thorough investigation and processing of complaints.

### **Applicable international frameworks for sustainability**

#### **International principles, guidelines and standards that IFDK has signed, adopted or acceded to**

IFC Performance Standards (IFC, 2012)

World Bank Group General and Sector-specific Environmental Health and Safety Guidelines

UN Guiding Principles on Business and Human Rights (UN, 2011)

ILO Declaration on Fundamental Principles and Rights at Work (ILO, 1998)

UN Principles for Responsible Investment (UN-PRI, 2005)

UN Global Compact’s 10 Principles (UNGC, 1999)

OECD Guidelines on Multinational Enterprises (OECD, 2011)

OECD Responsible Business Conduct for Institutional Investors (OECD, 2017)

OECD Due Diligence Guidance for Responsible Business Conduct (OECD, 2018)

EDFI Principles for Responsible Financing (EDFI, 2009)

Equator Principles (EPA, 2013)

G20/OECD Principles of Corporate Governance (OECD, 2015)

DFI Corporate Governance Development Framework (CGDF, 2011)

SMART Campaign Client Protection Principles

UN Food and Agriculture Organization's Principles for Responsible Investment in Agriculture and Food Systems (FAO, 2014)

2X Challenge on Gender (2X Global, 2018)

Operating Principles for Impact Management (OPIM, 2019)

OECD-UNDP Impact Standards for Financing Sustainable Development (OECD, 2021)

### **International conventions, declarations and agreements that IFDK's policies are based on Agenda 2030 Development**

UN Sustainable Development Goals (UN 2015)

UNFCCC Paris Declaration (UN 2015)

UN Addis Ababa Action Agenda for Development Finance (UN 2015)

#### **Human rights:**

International Bill of Human Rights (IBHR) covering The Universal Declaration of Human Rights (UN, 1948), including the International Covenant on Civil and Political Rights (UN, 1966) and the International Covenant on Economic,

Social and Cultural Rights (UN, 1966)

UN Guiding Principles on Business and Human Rights (2011)

UN Declaration on the Rights of Indigenous Peoples – UNDRIP (UN, 2007)

#### **Labour rights:**

- ILO Convention 29 on Forced Labour (ILO, 1930)
- ILO Convention 105 on the Abolition of Forced Labour (ILO, 1957)
- ILO Convention 87 on Freedom of Association and Protection of the Rights to Organize (ILO, 1948)
- ILO Convention 98 on the Right to Organize and Collective Bargaining (ILO, 1949)
- ILO Convention 100 on Equal Remuneration (ILO, 1951)
- ILO Convention 111 on Discrimination (Employment and Occupation) (ILO, 1958)
- ILO Convention 138 on Minimum Age (ILO, 1973)
- ILO Convention 182 on the Worst Forms of Child Labour (ILO, 1999)

#### **Environment and climate:**

- Rio Declaration on Environment and Development (UN, 1992)
- Montreal Protocol on Substances that Deplete the Ozone Layer (UNEP, 1999)

- Stockholm Convention on Persistent Organic Pollutants (POPs) (UNEP, 2004)
- The Rotterdam Convention/PIC Convention on Certain Hazardous Chemicals in International Trade (UNEP, FAO, 2004)
- UN Convention on Biological Diversity (UNEP, 1993)
- Kyoto Protocol to the UN Framework Convention on Climate Change (UN, 1997)
- Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal (UNEP, 1992)
- CITES Convention on International Trade in Endangered Species of Wild Fauna and Flora (UNEP, 1975)

**Gender equality and sexual and reproductive health and rights:**

- The Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW) (UN, 1979)
- CEDAW's Optional Protocol (UN, 1999)
- Beijing Declaration and Platform for Action (UN, 1995)
- Convention on preventing and combating violence against women and domestic violence (Istanbul Convention) (2014)
- Cairo Declaration on Population and Development (UN, 1994)

**Anti-Corruption:**

- UN Convention Against Corruption (UN, 2010)
- Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD, 1997)

**Tax:**

- OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes (OECD, 2009)
- EU list of non-cooperative tax jurisdictions (EU, 2017)

## Annex 2: Results Framework

Project Title	<b>Impact Investor Partnerships</b>
Project Objectiver	Leveraging Danish impact investors, philanthropic foundations, and family offices to invest for impact in developing countries, including through Danish-linked fund managers
Impact Indicators*	<ul style="list-style-type: none"> <li>- Number of direct and indirect jobs supported in investee companies (disaggregated by women, youth and men)</li> <li>- Estimated value added generated by investee companies</li> <li>- Number of people reached with essential goods/services (where relevant)</li> <li>- Amount of greenhouse gas (GHG) emissions avoided or reduced (where relevant)</li> </ul>

\*All impact level indicators are standard IFDK indicators also used in the over capital contribution results framework.

<b>Outcome 1</b>		<b>Increased mobilisation of Danish private capital for impact investments in EMDEs by impact investors, philanthropic foundations and family offices through collaboration with IFDK</b>	
Outcome indicator 1.1		Total Danish private capital committed (DKK) (cumulative)	
Baseline	Year	2026	0
Target	Year	2027	0
Target	Year	2028	DKKm 50
Target	Year	2029	DKKm 100
Target	Year	2030	DKKm 150
Target	Year	2031	DKKm 150
Outcome indicator 1.2		Number of collaborative <sup>26</sup> investment processes with Danish impact investors, philanthropic foundations, and family offices related to EMDE impact opportunities	
Baseline	Year	2026	0
Target	Year	2027	1
Target	Year	2028	1
Target	Year	2029	2
Target	Year	2030	2
Target	Year	2031	2
<b>Outcome 2</b>		<b>Danish fund managers successfully raise and manage impact investments in EMDEs</b>	
Outcome indicator 2.1		Number of fund managers that have raised funds (including private and concessional capital)	
Baseline	Year	2026	0
Target	Year	2027	0
Target	Year	2028	1
Target	Year	2029	2
Target	Year	2030	2
Target	Year	2031	2
Outcome indicator 2.2		Total capital raised by supported funds (including private and concessional capital)	
Baseline	Year	2026	0
Target	Year	2027	TBD
Target	Year	2028	TBD
Target	Year	2029	TBD
Target	Year	2030	TBD
Target	Year	2031	TBD
Outcome indicator 2.3		Percentage of supported funds meeting agreed ESG and impact reporting standards	
Baseline	Year	2026	0
Target	Year	2031	50% (at least 1 fund)
Outcome indicator 2.4		Percentage of supported funds delivering positive returns	
Baseline	Year	2026	0
Target	Year	2031	50% (at least 1 fund)

<sup>26</sup> A collaboration is a structured, two-way engagement progressing beyond initial outreach and involving joint work on an EMDE impact investment opportunity. This may include pipeline sharing, joint screening, participation in due diligence, co-investment discussions, parallel investment consideration, or co-development of investment approaches or strategies, regardless of whether capital is ultimately committed.

<b>Output 1</b>		<b>Partnerships established with Danish capital owners and Danish-linked fund managers to facilitate EMDE impact investments</b>	
Output indicator 1.1		Number of engagements <sup>27</sup> with Danish impact investors, philanthropic foundations, family offices, and Danish-linked fund managers - <i>cumulative</i>	
Baseline	Year	2026	0
Target	Year	2027	2
Target	Year	2028	4
Target	Year	2029	6
Target	Year	2030	6
Target	Year	2031	6
Output indicator 1.2		Amount of concessional capital committed (DKKm) - <i>cumulative</i>	
Baseline	Year	2026	0
Target	Year	2027	0
Target	Year	2028	10
Target	Year	2029	20
Target	Year	2030	30
Target	Year	2031	0

<b>Output 2</b>		<b>Investments made in EMDE companies through supported funds</b>	
Output indicator 2.1		Number of companies that fund managers have invested in	
Baseline	Year	2026	0
Target	Year	2027	TBD
Target	Year	2028	TBD
Target	Year	2029	TBD
Target	Year	2030	TBD
Target	Year	2031	TBD
Output indicator 2.2		Total capital deployed to companies (DKK)	
Baseline	Year	2026	0
Target	Year	2027	TBD
Target	Year	2028	TBD
Target	Year	2029	TBD
Target	Year	2030	TBD
Target	Year	2031	TBD

<sup>27</sup> An engagement refers to a substantive interaction beyond initial outreach, such as bilateral investment discussions, pipeline presentations, participation in investment roundtables, or review of specific EMDE investment opportunities. Engagements are counted once per institution per opportunity stage.

## **Annex 3. Co-creation of strategy and implementation model with private/philanthropic investor**

The strategic partnership window is designed to identify and develop long-term collaborations with private impact investors who are seeking to allocate substantial capital toward impact investments. Substantial capital would entail something like DKK 100m or more over a period of 4-5 years.

A few private, including philanthropic capital owners are seeking a strategic partnership with Ministry of Foreign Affairs or Impact Fund Denmark (“strategic investors”). Some may want to play an active role, including in sourcing and screening pipeline, in the due diligence during an investment process and portfolio management etc.

Other investors may not be interested in active participation but have preferences for certain SDG and certain geographies. For these investors window 2 would be more adequate, where an investor invests into a suitable fund manager with an appealing investment strategy and focus, and with the necessary capabilities on the back of some risk mitigation from this facility.

Some “strategic investors” may have developed a strategy for specific SDG investments into relevant companies in EMDE. E.g. World Diabetes Foundation has developed a strategy focused on commercial and social companies in low and lower middle-income countries that help prevent, screen, diagnose and treat non communicable diseases including diabetes among people who don’t have affordable access to such benefits. WDF has done some investments with small ticket sizes into companies with potential to grow and create impact in the market, even though returns would not be sufficient for a commercial oriented private or DFI investor. The justification for such investments is that the economic benefits are larger than the private.<sup>28</sup>

Other private capital owners may focus on less risky but still impactful investments in other markets. A partnership with IFDK could help scale their impact investments as well.

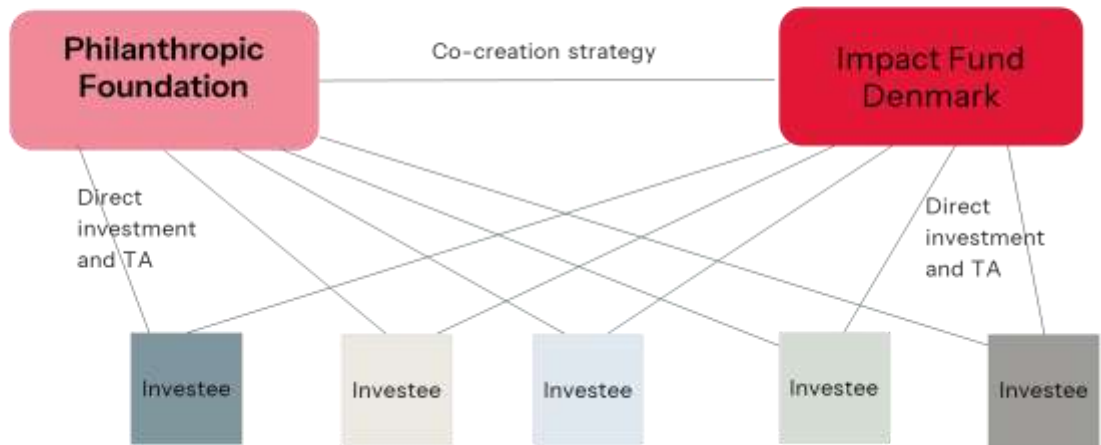
Below are illustrations of 3 modalities for such partnerships. There may of course be more partnership model that would be more suitable. The models illustrate the role of the private capital owner and IFDK. They do not illustrate the structure of the investment agreement. The baseline would be that IFDK and the private capital owners investment would be pari passu. However, it may be possible to consider other models, such as preferred return for the private capital owners, or first or second loss coverage from IFDK combined with IFDK catch up on returns if performance of the investment is beyond a certain return threshold. In investment strategies with low returns (investments in social enterprises with high positive externalities), the philanthropic investor might even be willing to mitigate loss for an IFDK investment of IFDK’s main capital (not the ODA funding in this facility). In a more commercial, higher return investment strategy, IFDK could be willing to invest its own capital without any loss coverage from this facility.

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<sup>28</sup> Closing the NCD SDG funding gap of USD 18bn is estimated to generate economic benefit of USD 2.7 trillion, see NCD Countdown 2030: efficient pathways and strategic investments to accelerate progress towards the Sustainable Development Goal target 3.4 in low-income and middle-income countries. Watkins, David A et al. The Lancet, Volume 399, Issue 10331, 1266 - 1278

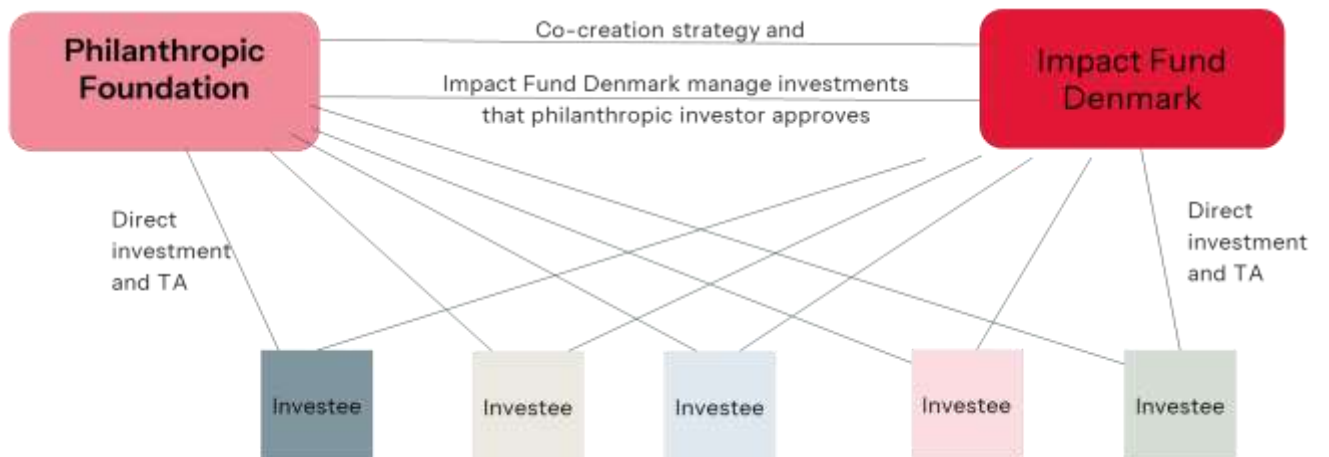
## Direct parallel co-investments

Impact Fund Denmark and a philanthropic foundation co-create an investment strategy and co-invest directly into companies with impact potential and market viability in emerging and development market.



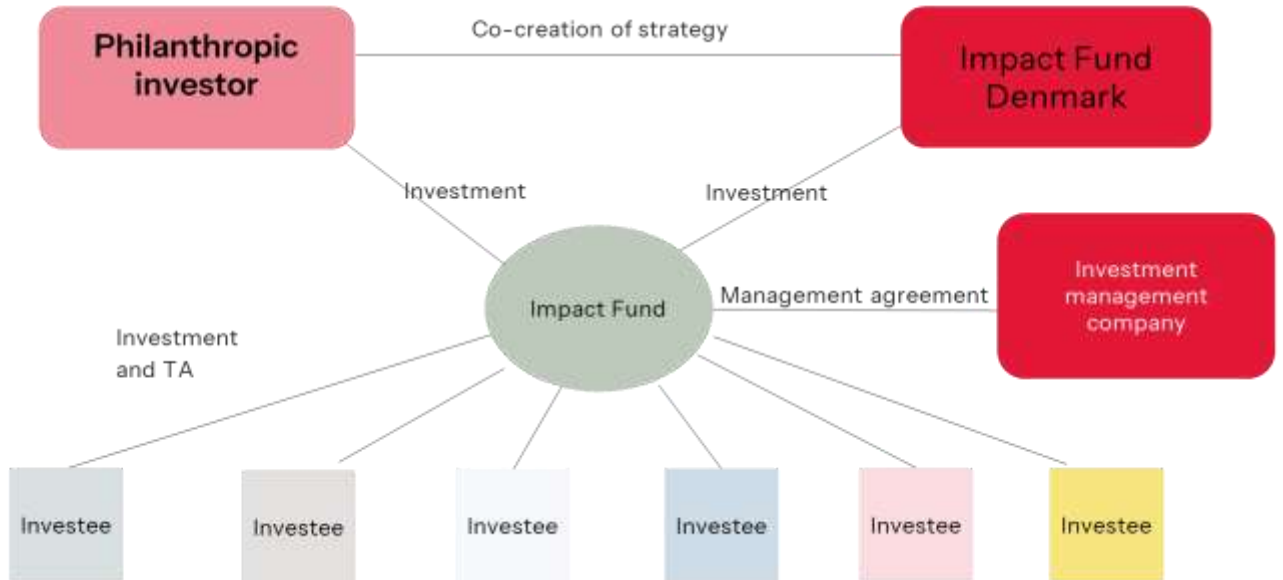
## Direct delegated co-investments

Impact Fund Denmark and a philanthropic foundation co-create an investment strategy and co-invest directly into companies with impact potential and market viability. Philanthropic foundation approves each investment, but delegate management to Impact Fund Denmark.



## Indirect co-investments into fund

Impact Fund Denmark and a philanthropic foundation co-create an investment strategy and co-invest into a fund managed by a management company. Management company could be Impact Fund Denmark, a joint venture with the philanthropic foundation or third party. The fund invests into companies with impact potential and market viability in emerging and development market.



## Annex 4. Process Action Plan

Date	Milestone	Responsible
Appraisal	March 2026	DK MFA
External Panel	April 2026	DK MFA
Minister Approval	June 2026	DK MFA
Agreement with IFDK	July 2026	IFDK
Launch	August 2026	IDFK
First investments	Jan-June 2027	IFDK