

Udenrigsministeriet

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Consultation response from World Diabetes Foundation regarding Danida Business Initiative – Strategic Framework and E5 Impact Investor Partnership

World Diabetes Foundation (WDF) welcomes the opportunity to provide input to the new **Danida Business Initiative** and especially instrument E5: the **Impact Investor Partnerships**. We are pleased to see that philanthropic actors with an ambition to engage in impact investment are recognised as relevant partners in mobilising private capital for impact in emerging markets and developing economies (EMDEs). To advance this ambition, WDF has established the Diabetes Investment Accelerator and has already deployed catalytic capital to impact-first investments focused on SDG outcomes in EMDEs.

We recognise that the Ministry of Foreign Affairs (MoFA) is developing this facility in a context where many different stakeholders, investor types and development priorities need to be taken into account. At the same time the facility is responding to a new development context where EMDEs demand a move from traditional aid and aid dependency towards investment and more equal partnerships, as also recognised and reflected in the Danish Government Strategy for Development Cooperation (GSDC). WDF strongly supports the overall objective of leveraging Danish impact investors, philanthropic actors, family offices and other private capital owners to invest for impact in EMDEs. We also welcome the recognition that some high-impact investments (such as innovative health solutions) cannot be made on a fully commercial basis and therefore require concessional capital, grants or other risk-sharing mechanisms.

Our main comments and recommendation to the new facility is to remain focused on addressing the financing gap for the SDGs by **facilitating private sector engagement, local ownership and catalytic impact-focused investments**. This can be done by strengthening the strategic partnership window and make it more operationally concrete, with a clearer pathway for impact driven actors that already have investment strategies, sector expertise and networks, investment pipelines and catalytic capital available. In our view, this would increase the likelihood that the facility can deliver results, mobilise additional impact driven capital and demonstrate a scalable and sustainable partnership model between MoFA, Impact Fund Denmark (IFDK) and relevant impact investors.

1. Demand from EMDEs and local ownership clearly reflected

As currently proposed, the facility is primarily framed around the mobilisation of Danish capital owners, philanthropic foundations, family offices and Danish-linked fund managers. This is understandable given the purpose of the instrument, but it creates a risk that the facility becomes too supply-driven. We would encourage to strengthen the demand-side perspective in the proposal.

From an impact-first perspective, the starting point should not only be whether Danish investors are willing to invest in EMDEs, but also whether there are clearly articulated needs and demand from the relevant countries, local companies, local entrepreneurs, and markets. The proposal rightly identifies that companies in EMDEs, especially SMEs, unlisted companies, and social enterprises are capital constrained and often struggle to access finance. However, it could be made clearer how the facility will ensure that investments respond to locally identified needs and opportunities rather than externally developed solutions looking for markets.

Locally founded and locally embedded companies have a stronger understanding of the opportunities and needs in the market, but lack access to patient and risk-willing capital. Impact driven investors should seek to support these types of companies, if they are also addressing an identified development need.

We therefore recommend that the facility includes a clearer principle of **local entrepreneurship, innovation, relevance, and ownership**. This should not exclude Danish companies, non-profits or other actors, where they bring relevant technology, capital or expertise. However, the facility should prioritise investments that are anchored in a documented local need, have strong local partnerships, and contribute to building local companies, capabilities and markets. This is closely linked to impact additionality. Investments should not only mobilise more capital into EMDEs; they should mobilise capital into companies and models that are wanted, needed and embedded locally. This would strengthen both impact and sustainability and would help ensure that the facility supports market-based solutions that are developed with, and not merely for EMDEs.

2. Instrument size, prioritisation and operational clarity aligned with the mobilisation ambition

We welcome the ambition of E5 to mobilise Danish private and philanthropic capital for impact investments in EMDEs. However, we are concerned whether the overall size of the instrument, and the allocation between its different windows, is sufficient to achieve the intended mobilisation effect.

There are three workstreams in the proposed instrument: 1) strategic partnership focused on co-creation and co-investment with capital owners (philanthropic and/or private) and 2) De-risking to mobilise, a concessional investment facility supporting Danish fund managers to mobilise further private investors and 3) Ecosystem strengthening. The facility has a total budget of DKK 150 million and with DKK 30 million to strategic partnerships, including co-creation and co-investment, while DKK 90 million is allocated to concessional investments, TA and other risk mitigation for Danish Fund Managers.

In our view, the relatively limited size of the strategic partnership window may constrain the ability of the instrument to create real scale, particularly if the ambition is to bring new actors into the market and encourage philanthropic actors and other impact-first investors to commit significantly more capital. This is especially relevant if the strategic partnership budget is expected to cover both co-investments, due diligence, technical assistance and potentially management-related costs. We have the concern that the allocation split will replicate existing commercial blended finance models, instead of creating space for genuinely catalytic philanthropic capital models.

It would be preferred if E5 was more clearly geared towards unlocking impact first capital and less on supporting fund managers seeking commercial returns. Preference could be given to co-investment partnerships based on catalytic, patient capital with lower financial return expectations and higher impact ambitions than regular commercial investments. It could be that the facility would apply a differentiated mandate for such partnerships, reflecting impact-first objectives, higher risk tolerance and patient capital; and that the facility could support transaction costs, due diligence, technical assistance and impact measurement where these are necessary to make high-impact investments viable.

It is also noted that E5 appears relatively broad and operationally complex and unclear. The instrument seeks to serve philanthropic foundations, family offices, impact investors and fund managers within the same facility. While this breadth may create flexibility for IFDK to select the right partners, it is not clear how the balance between these different types of actors will be operationalised in practice, and which selection criteria will be applied. This is particularly relevant given that the proposal states that the facility is only expected to support two to three fund managers in total. We understand that prioritisation will be necessary. However, we would recommend that it is clarified how such prioritisation will take place, including how MoFA and IFDK will assess development additionality, impact-first orientation, financial additionality,

mobilisation potential, local relevance, fund manager incentives and the risk that public concessional capital primarily subsidises commercial fund economics.

In our view, it is essential that the facility is designed to complement and facilitate new actors in the impact investment market, especially actors with an impact-first approach. Public catalytic capital should prioritise models that mobilise genuinely additional, patient and risk-willing capital for underserved markets and populations. It should not primarily support actors seeking commercial returns while also obtaining public coverage of management costs, management fees or carried interest, unless there is a clearly demonstrated and proportionate development additionality.

We do not suggest that commercial fund managers should be excluded. They can play an important role in mobilising private capital and building the Danish impact investment ecosystem. However, the facility should include safeguards to ensure that concessional public funding does not become an implicit subsidy to asset managers without sufficient impact additionality. This could include clear requirements on fee transparency, carry structures, investor return expectations, risk-sharing arrangements, local value creation, impact targets and the proportion of public support that reaches investee companies versus intermediary structures.

Such clarification would make the instrument more credible, more transparent and more attractive to philanthropic foundations and other actors that are willing to commit impact-first capital.

3. The results framework should better capture development outcomes

The proposed results framework includes relevant indicators such as Danish private capital committed, collaborative investment processes, jobs supported, and people reached with essential goods and services. These indicators are useful, but they may not fully capture the development value of impact-first investments. Several targets are either listed as “TBD” or focus primarily on the number of partnerships, collaborative investment processes, supported fund managers or capital committed. These are useful operational indicators, but they are not sufficient to assess whether the facility delivers meaningful development impact.

It is suggested to link the results framework more closely to SDG related outcomes. The success of the instrument should not only be measured by whether Danish capital is mobilised, or whether a small number of Danish-linked fund managers are supported. It should also be measured by whether capital reaches companies that would otherwise struggle to access finance, whether those companies are locally relevant and embedded, and whether they generate measurable benefits for underserved populations. This would help ensure that the facility remains focused on its development purpose and does not measure success primarily through the creation of partnerships, funds or investment processes.

Concluding remarks

WDF strongly welcomes the ambition behind the Danida Business Initiative and especially the Impact Investor Partnerships facility. We believe the facility has the potential to become an important new instrument for mobilising Danish philanthropic and private capital for development impact in EMDEs.

For this potential to be realised, however, we believe the strategic partnership window should be more clearly prioritised, adequately capitalised and operationally clarified. The instrument should be designed to respond to locally identified needs in EMDEs, support locally relevant companies and solutions, and measure success not only by capital mobilised or partnerships established, but by development outcomes achieved for underserved populations.