

Project Document (Annex A format)

Business Explorer Facility

Business instrument (E1) as part of the Danish Business Initiative

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

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Acronyms

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

1. Introduction

This document describes the Business Explorer Facility (E1), one of five instruments under a new overarching Danish Business Initiative to achieve the Danish Government's ambitions on greater engagement by the private sector in the low- and middle-income countries, as stated in Denmark's Strategy for Development Cooperation, *A Changing World - Partnerships in Development* (2025), and Action Plan for Effective Economic Diplomacy (GAPEED).

The overarching initiative follows from the fundamental principle that private sector engagement can be of mutual interest in terms of development and growth both for partner countries and for Denmark. A proactive effort is needed to scale-up engagement of Danish businesses' engagement in the low- and middle-income countries. The new initiative represents this effort. The Strategic Framework document lays out the overall objective and strategic approaches and principles that will guide the five instruments and future related efforts under the initiative. Box 1 lists the five instruments.

Box 1 – Five instruments under the Danish Business Initiative

- E1 – Business Explorer
- E2 – Business Partnerships
- E3 – Impact Accelerator
- E4 – Innovation Bridge
- E5 – Impact Investor

The Business Explorer facility pursue the strategic objective in the Strategic Framework, and particularly to enable an “Expanded pool of viable business cases for commercial engagements contributing to inclusive and sustainable development”, and builds on the experience of the Danida Innovation and Business Explorer (DIBE). E1 provides matching grants for time-bound exploration activities to commercially established Danish companies, with organisational capacity and readiness to assess concrete commercial engagement in emerging markets in the low- and middle-income countries. E1 is positioned as an upstream, catalytic facility enabling Danish private sector actors to make informed and evidence-based decisions on viability and means of further market engagement contributing to development priorities of partner countries.

The five instruments under the new initiative are designed and managed to ensure synergies and complement each other, with focus on coherence both mutually and with the wider set of Danish supported private sector engagement measures at country-level.

Support under the instruments will be available in countries eligible for official development assistance (ODA), based on the criteria of the Organisation of Economic Cooperation and Development (OECD)'s Development Assistance Committee (DAC), and with a Danish representation. This covers a mix of mainly low- but also middle-income countries, with some invariably also classified as Emerging Markets and Developing Economies (EMDEs), hereafter be referred to as eligible low- and middle-income countries.

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

2.1 Context and policy alignment

In the years since COVID-19, many developing and emerging economies have resumed positive growth. Low- and middle-income countries as a whole now assume an increasingly significant place in the global economy. The rapidly expanding emerging markets mean better opportunities for growing business and

investment alliances between international actors and local partners in developing countries, including ventures that prioritize development effects in those countries.

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

Reflected in the severe gaps in reaching the Sustainable Development Goals (SDGs) by 2030, countries in the low- and middle-income countries continue to face a range of interrelated development challenges, including insufficient job creation, particularly for rapidly growing youth populations, limited income opportunities, inadequate working conditions, and climate change – all of which increasingly affect stability and livelihoods. As long recognised, public resources alone are insufficient to meet the scale and complexity of current development needs. Private sector engagement is therefore recognized as an important complementary driver of economic activity, employment, innovation and the provision of goods and services that respond to development priorities. When undertaken responsibly, aligned with partner-country priorities, local needs and regulatory frameworks, private sector engagement can contribute to inclusive growth, technology transfer, strengthened value chains and improved resilience to economic and environmental shocks.

Despite this potential, private sector engagement in many developing and emerging markets remains limited, particularly at early stages of market engagement and in higher-risk contexts. Danish companies considering commercial engagement in the low- and middle-income countries often face multiple challenges including: Limited access to reliable market information, uncertainty regarding local market demand and supply chain capacity, unfamiliar regulatory and institutional environments and difficulties in identifying suitable local partners.

It means even where companies see potential commercial opportunities that would support partner countries' development priorities, they are unlikely to engage before acquiring a better initial understanding of local market conditions. Hence, this early exploration phase constitutes a critical stage of private sector engagement, and support mechanisms that reduce such information gaps and early-stage risks may be fundamental for them to move forward on their business cases.

While Danish companies possess relevant competencies aligned with partner countries' development needs, many opportunities are not explored due to such early-stage risks and uncertainty. By enabling structured and evidence-based early-stage market exploration, E1 provides catalytic support to improve the readiness and incentives of Danish companies to make decisions on commercial engagements¹ in emerging markets that are informed and development-relevant. Through this approach, support to mobilising private sector capabilities and resources will also support partner countries' development priorities in addition to the commercial benefits. Where relevant, exploration activities may also contribute to broader market development by identifying commercially viable opportunities,

¹ In the context of E1, development relevance refers to the extent to which the commercial engagement being explored is aligned with partner country development priorities and, if implemented beyond the exploration phase, has the potential to contribute to sustainable development outcomes, including, where relevant, economic inclusion, job creation, climate and other SDG-related objectives.

strengthening local value chains, testing partnership models and generating knowledge that can reduce barriers for future engagement and investment.

The Business Explorer is positioned as an upstream instrument focusing on early exploration, complementing other instruments that support partnership development, feasibility and demonstration activities, and investment readiness.

2.2 Main Actors

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

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

Local commercial actors in the focus countries are targeted indirectly in so far as the Danish company envisages to partner with these in the business case being explored. The potential for locally grounded commercial partnerships, local stakeholder engagement and tackling of local development challenges will be considered positively in the assessment of applications.

Other potential **stakeholders** can include public authorities, NGOs, investors and philanthropic foundations, such as those who can be engaged as potential partners, if the Danish companies further engage the market through some of the other business instruments.

The **One-Stop Shop (OSS)**, anchored within the Ministry of Foreign Affairs, serves as the primary entry point for companies engaging under Denmark's development and economic diplomacy framework. In relation to E1, the OSS will support information sharing and coherent outreach across business instruments to companies, including SMEs, in alignment with the mandate of the Danida Business Initiative. The OSS is not involved in project selection or commercial decision-making. The OSS is further referenced in the Danish Business Initiative Strategic Framework.

2.3 Results and Lessons Learned

The design of the Business Explorer builds on the results and experiences from the Danida Innovation and Business Explorer (DIBE), complemented by relevant international experience and lessons from comparable business support and private sector engagement initiatives. In general terms DIBE has proved useful for the companies exploring new markets. However, lessons also indicate needs for refinements in technical assistance, clarity, flexibility and alignment to better activate the potential demand for the support. The specific lessons are outlined below:

- a. **Pipeline Inadequacy:** Experience from DIBE indicates that while early-stage exploration support can generate knowledge about markets, the resulting pipeline of opportunities has not always been sufficiently mature to transition into downstream instruments. This highlights the need for the new facility to focus more sharply on strengthening the quality and coherence of the early-stage exploration to build a more robust pipeline of opportunities that, where viable, can be further developed beyond the exploration phase.
- b. **Effectiveness:** User experience of DIBE demonstrates that early-stage exploration support constitutes an important enabling factor for Danish companies considering engagement in developing and emerging markets. In a context where competition exists in traditional markets, and where engagement in higher-risk markets is associated with significant uncertainty and upfront costs, targeted support at the exploration stage can enable companies to highlight opportunities that would otherwise not be pursued. Without such support, many potentially relevant commercial engagements aligned with development priorities are unlikely to be explored.
- c. **Balanced Approach:** Experience shows that developing and emerging markets differ significantly in terms of market maturity, institutional capacity and development needs. Some markets are relatively advanced commercially, others present stronger development challenges and commercial risks. This highlights the need for the exploration instrument to allow flexibility across diverse contexts, while aligning with Denmark's development cooperation priorities and ODA eligibility requirements.
- d. **Outreach and Information Dissemination:** Feedback from DIBE-supported companies indicates that awareness of DIBE has been uneven among potential applicant companies, limiting the potential reach of the instrument. There is a need for clear, consistent and accessible information regarding eligibility criteria, scope of support and application procedures, particularly for small and medium-sized enterprises with limited administrative capacity. For effectiveness, potential outreach for E1 should adhere to the outreach mandate for all business instruments by the OSS.
- e. **Streamlined Guidelines and Technical Assistance:** While DIBE has been perceived as relatively accessible compared to other business instruments, user experience shows that many companies face capacity constraints in preparing applications and conducting structured exploration activities. Upfront costs, uncertainty regarding eligibility and limited internal resources may act as barriers to participation. In addition, companies may benefit from technical assistance during the exploration phase to support interpretation of findings and assessment of appropriate next steps.
- f. **Adaptive Financial Modalities:** User experience highlights the importance of more flexibility in financial modalities. Existing co-financing ceilings have generally been appropriate for the initial exploration, but often additional limited exploration activities would be required to be able to fully decide on a further engagement. At the same time, experience confirms that decisions not to proceed in a given market are valid and efficient outcomes of the exploration, underscoring the importance of the instrument being flexible.
- g. **Refined Financial Thresholds:** User experience from DIBE points to the need for refinement of eligible cost categories to encourage companies to use resources effectively during market exploration. Certain eligibility rules have, in some cases, constrained companies' ability to organise exploration activities efficiently, particularly where engagement requires use of consultants and existing foreign subsidiary staff. This highlights the importance of calibrating financial thresholds while remaining within applicable Danish and state aid requirements.

2.4 Coherence and synergies

Business Explorer is designed to be coherent with and complement the range of wider instruments and services existing to support Danish private sector engagement internationally, including trade promotion, export support, partnership facilitation and investment-oriented instruments. These instruments play complementary roles across different stages of internationalization and market engagement and reflect a broader approach to combining development cooperation and economic diplomacy in support of sustainable growth in partner countries. Within this landscape, existing services such as Trade Council advisory services, the Green Accelerator, and regional facilities including NOPEF primarily support later

Figure 1: Landscape Analysis

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

stages of market engagement. These instruments typically focus on export promotion, feasibility studies, demonstration activities, investment preparation or project development within specific sectors, including energy and green transition. Trade Council services, in particular, provide commercial advisory support on a fee-based basis, while other instruments support defined downstream activities linked to project development or investment readiness.

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

Here Business Explorer has a distinct role in the existing support landscape by focusing specifically on early-stage exploration of concrete commercial engagements in developing and emerging markets. Unlike export promotion or investment-oriented instruments, E1 supports time-bound exploration activities

aimed at reducing information gaps and uncertainty that impacts decision-making on development-related market engagement. In doing so, Business Explorer provides support at an initial stage where commercial engagement is perceived as high risk by Danish companies.

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

Business Explorer will contribute to developing a pool of business cases that, where viable, can be further pursued through other Danish Business Initiative instruments, while recognising that such engagement will not always necessarily follow a linear progression across the instruments.

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

3.1 Objectives and outcomes

Together with the other four instruments, the facility contributes to the Strategic Framework's overall objective, "an upscaled and strengthened private sector contribution to sustainable development, job creation, and inclusive growth in the low- and middle-income countries".

The **strategic objective** of Business Explorer, is:

- Expanded pool of viable business cases for commercial engagements contributing to inclusive and sustainable development

It has one main **outcome**:

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

The Business Explorer addresses an important gap in the existing business support landscape by supporting Danish companies at the stage where concrete commercial engagements are still being identified and assessed. Improved access to information and reduced early-stage uncertainty will strengthen companies' ability to determine appropriate next steps, including whether to proceed with further engagement, adapt market approach or discontinue exploration where conditions are assessed as non-viable.

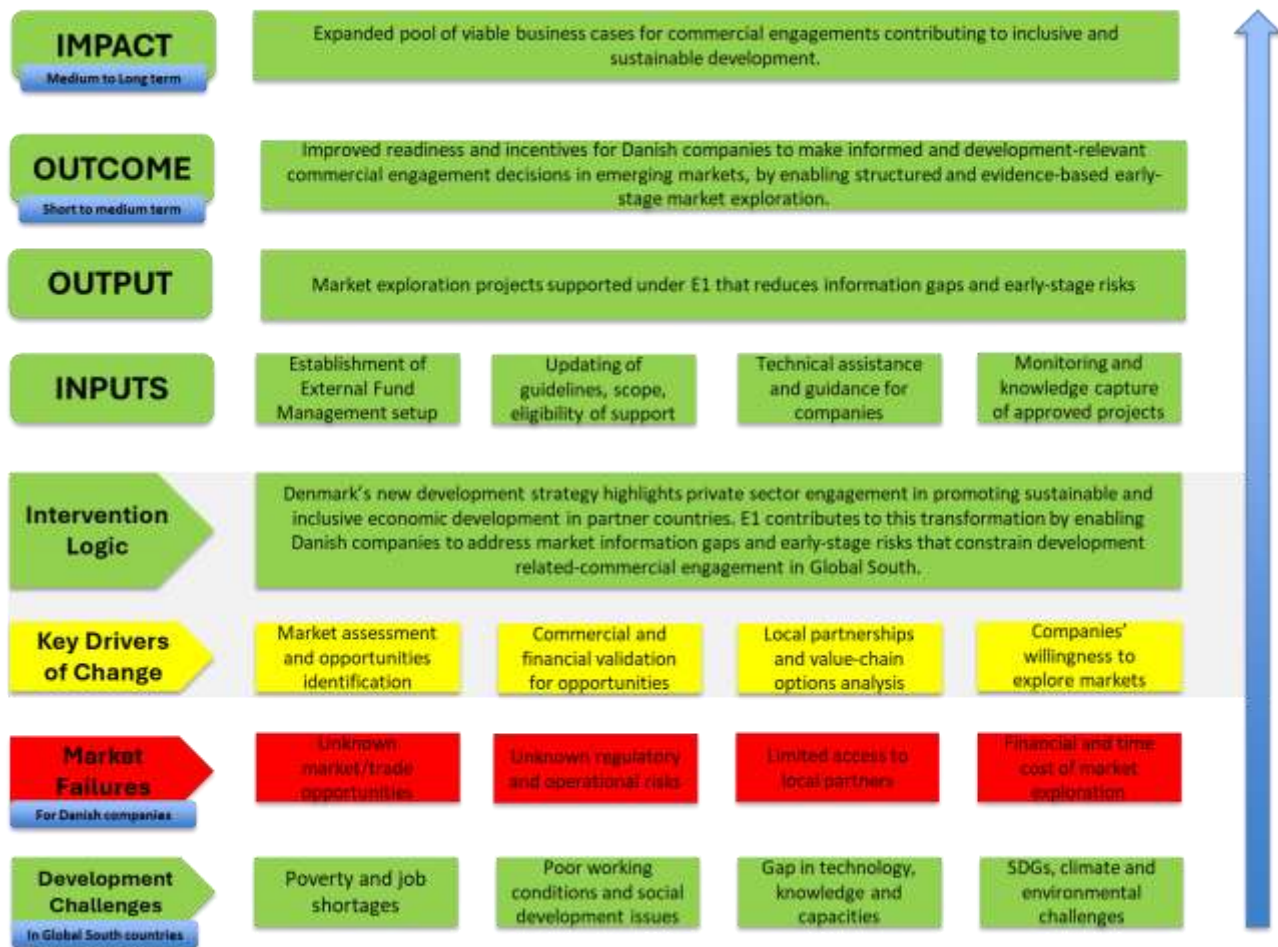
Over time, viable, engagements pursued beyond this exploration phase are expected to translate into strengthened private sector contributions to sustainable development outcomes. However, these impacts materialize beyond the implementation period and scope of outcome, which means the facility will not attempt to assess and measure these as part of the results framework. This recognises the upstream and exploratory nature of the facility. Development relevance, including considerations related to job creation and economic inclusion, will be assessed at project level and reflected in documented exploration outcomes.

Companies supported by the business Explorer are expected to improve their readiness and incentives to engage responsibly in developing and emerging markets.

3.2 Theory of Change and Key Assumptions

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

Figure 2: Theory of Change



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

Intervention logic and expected results - The Business Explorer responds to these challenges by providing targeted, time-bound support for early-stage exploration activities. Working in combination, an established fund manager, updated guidelines, strengthened scope of support, access to technical

assistance, and systematic monitoring and knowledge capture, will reduce companies' information gaps and early-stage risks. This will improve the readiness and incentives of companies to make informed decisions on development-related commercial engagements. And this in turn will lead to expansion in pool of viable business cases that contribute to inclusive and sustainable development, potentially further supported by other business instruments.

Key Assumptions

The Theory of Change is based on the below assumptions.

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

3.3 Target countries

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

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

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

4. Results framework

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

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

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

- Given the upstream and exploratory nature of the Business Explorer, impact indicators are assessed qualitatively and at contribution level, recognizing that downstream development impacts materialize through follow-on engagement beyond the project's direct control.
- Documentation will include, project completion reports submitted by the companies, that includes information on assessment of market, customers, partners, supply chain, regulations or other analytical outputs generated at the end of exploration phase. Project completion report will also outline the potential development relevance of the explored commercial engagement, including possible contributions to economic inclusion and job creation if pursued beyond the exploration phase.
- It is important to note that annual number of projects supported on under this instrument will depend on the demand of using the instrument for market exploration by Danish companies. The targets will be reviewed periodically during implementation and, where relevant, adjusted based on portfolio-level learning and implementation experience.

5. Description of the Business Explorer

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

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

5.1 Scope and nature of support

This instrument provides matching grants to Danish companies to undertake clearly defined and time-bound exploration activities linked to a specific business opportunity in a defined market. Exploration

activities will be focused and provide the analytical basis for well-founded decisions on further market engagement, including, where relevant, identification of viable next steps.

Supported activities focus on generating the knowledge and analytical basis required to assess commercial viability and development relevance. Typical activities include: Market and demand assessments, value-chain and partner identification, regulatory and standards analysis and other analytical work directly linked to the identified opportunity

The early-stage exploration support will be sharply focused on opportunity specific analysis and limited to the exploration phase, based on lessons from DIBE. The instrument will not support demonstration, piloting or commercial deployment, nor does it support acquisition of equipment or assets. Market activities such as branding, marketing or broad promotional efforts are excluded.

Companies can only be supported for one exploration project at a time to ensure sufficient strategic and managerial focus and depth of analysis.

5.2 Funding modality and flexibility

The Business Explorer provides support of up to 50 percent of eligible exploration costs, capped at DKK 500,000 per project, which experience from DIBE shows as sufficient for conducting robust exploration activities while maintaining strong commercial ownership and commitment.

Subject to documented progress and justification, companies near completion of an initial exploration phase may apply for an additional grant of up to DKK 250,000. Approval of such top-up support will require a short interim exploration report describing (i) status and preliminary results, (ii) rationale for top-up grant (including business rationale and why the additional work cannot be covered within the original grant scope, and (iii) the additional planned activities under the top-up grant. The use of the top-up mechanism is expected to be applied on a case-by-case basis rather than as standard practice across all applicants.

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

5.3 Eligibility and assessment approach

Eligibility under the instrument is based on a two-stage assessment approach, distinguishing between initial eligibility screening and subsequent project-level assessment forming the basis for funding decisions.

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

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

applicant's core business, while also examining the expected development effects of the potential business case, including contributions to the Sustainable Development Goals and/or climate objectives. In the context of Business Explorer, expected development effects refer to the extent to which the commercial engagement being explored is aligned with partner country development priorities and has the potential to contribute to sustainable development outcomes if taken forward beyond the exploration phase. Assessment of development relevance will consider the potential of the commercial engagement being explored to contribute to economic inclusion and job creation, where such engagement is pursued beyond the exploration phase.

Detailed eligibility requirements, assessment criteria and scoring methodologies will be further specified in the operational guidelines developed during implementation. Verification of eligibility and compliance with applicable programme requirements will be completed prior to grant award in accordance with the operational guidelines.

5.4 Cost eligibility and use of expertise

Business Explorer supports a range of cost categories directly linked to exploration activities, including company staff time, external consultancy and travel associated with market exploration. It allows limited use of staff resources from foreign subsidiaries or affiliated entities where such expertise is directly relevant to the exploration activity, subject to defined ceilings, enabling companies to access specialised expertise and local knowledge to conduct meaningful exploration.

The instrument allows a higher but controlled proportion of consultancy costs within the project budget, for instance, for support to address regulatory, technical or market-specific complexities.

Detailed cost eligibility rules, including applicable cost categories, ceilings and rates, will be specified in operational guidelines prior to implementation, ensuring clarity while retaining flexibility at instrument level.

5.5 Outreach, technical assistance and learning

Disseminate information on the usability of the instrument, through a targeted and coordinated outreach strategy, will be implemented by the Fund Manager in collaboration with OSS (Appendix I) and under guidance of KLIMA.

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

6. Budget

Budget - E1										
	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total
Project funding	7.5	15	15	8						45.5
Outreach		0.5	0.25	0.25						1
Fund management		1	1	1						3
Mid-term review, audits, studies analysis.		0.25		0.25						0.5
Total										<u>50</u>

- Overall, the annual allocations for exploration projects will be flexible to make it possible to respond to lessons learned and adjust to the demand among companies and the markets they operate in. A lower allocation is planned for 2026 where the new facility is still in the early stage of being established. Also, a lower allocation is planned for 2029 when the facility ends and planning closure.
- DKK 45.5 million is the total budget allocated for projects under Business Explorator for the period 2026-2029. A total of at least 80 exploration projects will be expected during the support period across the three windows, but possibly more projects can be supported based on demand.
- DKK 3 million is allocated for external fund management. The allocation for fund management considers that more tasks in addition to fund administration have been added to that role including outreach activities, technical assistance and knowledge management.
- DKK 1 million is allocated for outreach and technical assistance (streamlining of guidelines/other templates, outreach and technical assistance for applicants and project companies). The Fund Manager will carry out these activities ensuring coherence with OSS's strategic outreach mandate and alignment with outreach activities of other business instruments.
- DKK 0.5 million is earmarked for mid-term review, audit, and strategic monitoring, studies, lessons will be managed by the MFA/KLIMA. In addition to the compulsory mid-term review, the allocation allows MFA/KLIMA to initiate relevant ad-hoc monitoring and studies for strategic level adjustments and MFA risk management.

7. Management arrangements

7.1 Governance and overall responsibilities

The Ministry of Foreign Affairs, through KLIMA holds overall responsibility for the facility including policy direction, strategic oversight and alignment with Denmark's development cooperation and economic diplomacy priorities.

A Fund Manager will from late 2026 be responsible for the operational implementation and administration of the E1 facility, including receiving/processing applications, contracts, disbursements, technical guidance, reporting, monitoring and financial management (section 7.3 details the roles/responsibilities). However, during 2026 the implementation and administration of Business Explorer will continue to be undertaken by KLIMA (as in case of DIBE).

The Fund Manager will be responsible for assessing and promoting opportunities for relevant linkages and complementarities between E1, E2 and E4, both mutually and the relevant linkages of these to E3

and E5 managed by Impact Fund Denmark. The Fund Manager will promote the coordination and complementarities with Impact Fund Denmark through MFA/KLIMA.

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

With the One-Stop Shop, MFA supports information sharing and awareness of available instruments and entry points for companies, including SMEs, without involvement in project selection or commercial decision-making. Facilitated through the OSS, other supporting actors, including Danish business associations and relevant public business support institutions, may contribute to outreach, information dissemination, and knowledge sharing.

7.2 Initial management by KLIMA and transition to external Fund Manager

From late 2026 transition to implementation by an external Fund Manager is expected. KLIMA will retain its role as policy owner and strategic overseer throughout the implementation period. Approval responsibilities and key decision points will be clearly defined to ensure transparency and accountability throughout implementation.

Given similarities in the management functions, instruments E1, E2, and E4 will be managed by the same Fund Manager. However, the Fund Manager should ensure the relevant linkages to other instruments, even if these are managed in a separate setup. The Fund Manager will be selected through a public tender process during 2026. Based on the tender process, it is expected the Fund Manager should be selected and be able to commence the contract by late 2026.

The external fund manager will be responsible for day-to-day administration of the facility in accordance with the policy framework and oversight arrangements defined by MFA. The external fund manager, with KLIMA's guidance and in collaboration with OSS, will be responsible for targeted outreach and technical assistance activities ensuring Danish companies are well informed and receive adequate guidance on Business Explorer.

Consequently, the year 2026 will be a transition period. The new fund management arrangement will be established; new guidelines and processes developed; and a first call prepared and launched in the second half of 2026 to meet on-going demands for support, and to avoid interrupting the momentum of DIBE. The timing and modalities of the transition will be determined by KLIMA, ensuring continuity of operations and minimal disruption to supported companies. The transition will include a structured handover of responsibilities, documentation and portfolio information from KLIMA to the Fund Manager to ensure continuity and consistency in implementation, including alignment of processes and documentation standards.

7.3 Roles and responsibilities

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

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

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

- Managing calls for applications, receiving and assessing proposals in accordance with approved criteria, including assessment of requests for additional funding under the top-up mechanism.
- Verifying, prior to grant award, that support is provided in accordance with applicable EU State Aid rules, including relevant documentation and declarations from applicants where required under the operational guidelines.
- Contracting grant recipients and administering grant disbursements, applying lean and standardised verification procedures focused on eligibility and completion of agreed exploration outputs, with risk-based checks where appropriate.
- Providing outreach, communication and guidance to potential applicants, in collaboration with the One-Stop Shop
- Offering technical assistance to supported companies during application preparation and exploration
- Organising targeted information sessions for potential applicants and awarded project companies
- Monitoring the implementation and quality of supported exploration activities and consolidating reporting, including ensuring coherence of exploration outputs to support well-founded decisions on further market engagement.
- Capturing and synthesising knowledge and lessons learned across the portfolio
- Preparing technical and administrative guidelines, formats, and templates
- Preparing annual audited financial statement as per MFA guidelines
- Preparing standardised and proportionate reporting formats, including annual consolidated results and financial reports for MFA

7.4 Role of the One-Stop Shop and coordination mechanisms

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

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

7.5 Monitoring, reporting and learning

The Fund Manager will be responsible for monitoring the implementation of supported exploration projects and for consolidating results and financial reporting at facility level. Reporting will focus on progress, use of funds, and documented outcomes of exploration activities, including decisions regarding further engagement or discontinuation. Monitoring will include documentation of assessment decisions and identified risks to support transparency and portfolio-level learning.

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

A mid-term review will be conducted during the implementation period to assess performance, relevance and effectiveness of E1, including the management arrangements. Findings from the review will inform decisions regarding potential adjustments, continuation or exit strategies. At the end of the E1 implementation period, or prior to any subsequent new E1 phase, a desk review will be conducted to assess outcomes, document lessons learned and evaluate overall results of the E1 facility.

Additionally, to further strengthen learnings across the instruments, KLIMA will ongoingly have working-level consultative engagements with all fund managers both bilaterally and in a joint forum.

7.6 Operational guidelines

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

7.7 Main implementation activities following grant approval

In summary, indicative implementation milestones are outlined below - following the approval of the grant are as follows:

- Management of applications under Business Explorer (MFA/KLIMA): August – October 2026
- Issue call for proposal for joint-Fund Manager (MFA) for E1, E2, and E4: Ongoing
- Outreach activities by MFA /OSS targeting relevant business segments: Ongoing
- Approve E1 application concept notes (MFA): October/November 2026
- Sign contract with Fund Manager: November/December 2026
- Commence first E1-supported exploration projects (Grant recipients): November/December 2026
- Decide and plan way forward for implementation modality 2027-2029

8. Financial management

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

Grant administration shall be undertaken in accordance with applicable programme rules and relevant EU State Aid requirements. Detailed verification, documentation and record-keeping procedures will be specified in the operational guidelines and grant agreements.

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

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

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

9. Risk management

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

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

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

10. Exit and sustainability

The last call for applications under the present contribution is expected in 2029, which implies there will be exploration projects continuing possibly until 2030 (assuming a maximum 12 months duration for an

exploration project). A setup for Fund Management will remain in place at least until that time, however, the level of resources for Fund Management will be adjusted to match a lower management burden in case there are new calls to manage after 2029.

The mid-term review in 2029 will take stock of lessons and MFA's updated strategic considerations and make recommendations for the continuation of the facility under a new allocation, or for the strategy for exit and sustainability.

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

Appendix 1: Risk Matrix

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

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

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

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