

Ministry of Foreign Affairs – (Department for Green Diplomacy & Climate)

Meeting in the Council for Development Policy on 10 June 2025

Agenda Item No. 3

- 1. Overall purpose:** *For discussion and recommendation to the Minister*
- 2. Title:** IFU Africa Facility
- 3. Amount:** DKK 350 million
- 4. Presentation for Programme Committee:** 25 February 2025
- 5. Previous Danish support presented to UPR:** No, this is the first presentation to UPR

IFU Africa Facility

<p>Key results:</p> <ul style="list-style-type: none"> Increased economic and social inclusion in low-income countries and emerging markets through higher investment volumes that build on African and Danish commercial partnerships. 12-16 investments that strengthen trade, investment and commercial partnerships between Africa and Denmark. <p>Justification for support:</p> <ul style="list-style-type: none"> The Africa Facility supports the implementation of the Danish government's strategy Africa's century. The Facility promotes economic and social development through increased investments in African markets and stronger trade relations between Africa and Denmark. To increase commercial investments in Africa, the Facility will provide risk capital for investments that accommodate a broad range of investment cases including investments of a certain maturity with an approximate minimum ticket-size of DKK 25 million as well as more early-stage investments with an approximate minimum ticket-size of DKK 15 million through IFU's Impact Ventures set-up. It will also provide TA. This will enhance market opportunities for African businesses and boost competitiveness, sustainable economic growth and job creation. The Africa Facility will address information gap and risk perception challenges which constrains Danish investments and commercial partnerships with African businesses. <p>Major risks and challenges:</p> <ul style="list-style-type: none"> That Danish partners not necessarily have the needed experience and know-how to engage in African markets - this will be mitigated through screening for strong business plans. That Danish companies are not sufficiently ready to make immediate use of the facility. This will be mitigated by addressing the information gap in collaboration with other stakeholders and through active engagement with the Danish business member organisations. Increased flexibility in the use of financial instruments will also respond to the specific needs and dynamics of Danish and African companies. 	File No.	24/47730						
	Country	Africa						
	Responsible Unit	KLIMA						
	Sector	Green energy and infrastructure, healthcare, sustainable food systems, financial services, and adjacent sectors.						
	Partner	Investment Fund for Developing Countries						
		<i>DKK million</i>						
	Commitment	2025	2026	2027	2028	2029	2030	Total
		100.0	100.0	100.0	50.0			350.0
	Projected disbursement	50.0	100.0	100.0	100.0			350.0
	Duration	Six years						
	Previous grants	None						
	Finance Act code	§ 06.38.01.11						
	Head of unit	Simon Wandel-Petersen						
	Desk officer	Marie Isacson						
	Reviewed by CFO	Karen Marie Hansen						
Relevant SDGs <i>[Maximum 1 – highlight with grey]</i>								
								
								
								

Objectives

The Africa Facility aims to support economic growth, employment creation, and development in African countries through investments in African countries and increased commercial engagement.

Environment and climate targeting - Principal objective (100%); Significant objective (50%)

	Climate adaptation	Climate mitigation	Biodiversity	Other green/environment
Indicate 0, 50% or 100%		25 %		35 %
Total green budget (DKK)		27,5 million		110,25 million

Justification for choice of partner:

IFU has a long track record with investments in developing countries, including in the African continent. IFU provides ODA-compliant financing with a higher risk tolerance, particularly in low-income countries in Africa. IFU has long-term experience with investing in contexts where regulatory challenges often minimize access to other funding sources. IFU is also experienced at catalysing essential investments in sustainable development sectors and boosting climate resilience.

Summary:

Over the coming years, IFU will significantly increase its capability to support development and climate goals. With the IFU reform, it is expected that IFU will invest up to eight billion DKK in the African continent and mobilise an additional three billion DKK towards 2030. The Africa Facility will complement IFU's existing financial products and services. IFU will relax certain IFU standard requirements on minimum transaction size and returns, which have been identified as challenges setting up a barrier for increasing commercial engagement between African and Danish businesses. The facility will follow IFU's financial and non-financial additionality requirements, contributing to green, social or economic development as well as IFU's investment strategy. With the Africa Facility IFU will engage actively to address the information gap and risk perception challenges to facilitate Danish investments and commercial partnerships with African businesses.

Budget:

IFU Africa Facility – mature window	200 DKK million
IFU Africa Facility – early-stage window (IIV)	115 DKK million
TA and support	28 DKK million
Administration, reviews and studies	7 DKK million
Total	350 DKK million

Ministry of Foreign Affairs

**IFU Africa Facility
2025-2030**

**Programme Document
Submitted to UPR**

21 May 2025

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List of abbreviations

A2i	Access to Innovation
CSDDD	Corporate Sustainability Due Diligence Directive (EU)
CSR	Corporate social responsibility
CSRD	Corporate Sustainability Reporting Directive (EU)
Dansk Erhverv	Danish Chamber of Commerce
DGBP	Danida Green Business Partnerships
DI	Danish Industries
DIBE	Danida Innovation and Business Explorer
DFI	Development finance institution
DKK	Danish Krone
CIP	Clearance in Principles
CSR	Corporate social responsibility
EIFO	Export and Investment Fund
ESG	Environment, social and governance
EU	European Union
FDI	Foreign Direct Investment
FTE	Full-time equivalent
HRBA	Human Rights-Based Approach
IFU	Investment Fund for Developing Countries
ILO	International Labour Organization
IIV	IFU Impact Ventures
IPIM	Indigenous Peoples Impact Mitigation
KYC	Know Your Customer
LMICs	Low- and middle-income countries
MFA	Ministry of Foreign Affairs
MSMEs	Micro, small and medium-sized enterprises
NEET	Not in employment, education or training
NEFO	Nordic Green Bank
OECD-DAC	Organisation for Economic Cooperation and Development, Donor Assistance Committee
ODA	Official Development Assistance
P4G	Partnering for Green Growth and the Global Goals
SDGs	Sustainable Development Goals
SMEs	Small and medium-sized enterprises
UPR	Council for Development Policy
UN	United Nations
US\$	United States Dollar

1 Introduction

The present Programme Document outlines the background, rationale and justification, objectives and management arrangements for development cooperation concerning the Africa Facility (2025 to 2030) as agreed between the Investment Fund for Developing Countries (IFU) (implementing partner) and the Ministry of Foreign Affairs of Denmark (MFA). The MFA has allocated DKK 100 million in 2025 to the Africa Facility and anticipates allocating a total of DKK 350 million from 2025 to 2028.

In 2024, the Danish government launched a new strategy for strengthening Danish engagement with African countries: *Africa's Century*.¹ The strategy has a strong focus on equal partnerships. This includes increasing African and Danish commercial ties and following up on the interest of many African countries in attracting investments and strengthening trade between Europe and Africa. To support this, the strategy launched a financing scheme with two main components to be implemented by IFU and the Export and Investment Fund of Denmark (EIFO).

The first of these is the IFU Africa Facility – the subject of this document – which will promote social and economic development in African countries by investing in partnerships between African and Danish businesses. The facility will draw on IFU's systems, procedures and operational set-up and will complementing IFU's existing financial products and services. This will contribute to positive development impacts and commercially viable investments for the benefit of African countries.

The second component for increased commercial engagement between Denmark and Africa is a new EIFO Africa window that will expand its product offerings to a broader range of countries on the African continent taking higher than usual risk. The Danish Ministry of Industry, Business and Financial Affairs has allocated DKK 150 million to enable export credit financing for high-risk projects (non-ODA funds). These funds will serve as a loss coverage to cover the risk of EIFO export credit financing of approximately DKK 500 million, thereby supporting Danish exports to African countries.

As Denmark's Development Finance Institution (DFI), IFU invests in companies across more than 100 countries in Africa, Asia, Latin America, and Europe. It is an independent government-owned fund that offers risk capital to companies in developing countries and emerging markets. More information on IFU and its role in African markets is presented in Section 2.3.

The Africa Facility will leverage IFU's extensive experience as an impact investor in high-risk environments and to support economic growth, employment creation, and development in African countries by fostering increased commercial partnerships between African and Danish businesses. It will create an attractive framework for Danish-African commercial partnerships by offering flexibility in risk-return and reducing IFU's minimum ticket size.

The Africa Facility comprises investments that accommodate a broad range of investment cases:

- 1) Investments with a reduced ticket-size compared to IFU's core operations, but with a certain maturity and an approximate minimum ticket-size of DKK 25 million.
- 2) More early-stage investments with an approximate minimum ticket-size of DKK 15 million. These will be delivered through IFU's Impact Ventures set-up.

¹ Government of Denmark (2024) *Africa's century. Strategy for strengthened Danish engagement with African countries*, Ministry of Foreign Affairs, Copenhagen.

The facility will work to deepen IFU's engagement with Danish companies in African countries by providing complementary investment services that are more flexible and relevant to the dynamics of potential Danish-African commercial partnerships. Furthermore, IFU will enhance its visibility within the Danish business community, offering perspectives on commercial opportunities in Africa.

2 Context, strategic considerations, rationale and justification

2.1 Development Context

Africa is increasingly seen as the next frontier for global economic development, thanks to its rich natural resources, a growing youth demographic and significant potential for innovation. The continent boasts the world's youngest and fastest-expanding population, alongside rapidly urbanising cities and advancements in areas like fintech and clean energy. Nevertheless, numerous African countries continue to grapple with significant challenges. Approximately 60 per cent of Africa's population lives in poverty, attributed to an average per capita income growth of only 1.1 per cent per year over the past several decades.

The lack of productive and decent jobs remains the largest labour market challenge for young people in Sub-Saharan Africa, where the youth NEET (i.e., not in employment, education, or training) rate was 21.9 per cent in 2023.² Over 61 per cent of Africans experience severe or moderate food insecurity.³ Low productivity across various sectors has contributed to a 35 per cent decline in Gross Domestic Product growth in the last decade.⁴ At the same time, governance and the regional and national institutions that support it, face obstacles in many areas of the continent. Investment in infrastructure and essential social services, such as education and healthcare, has lagged in many countries.

The continent needs substantial investments in renewable energy, sustainable infrastructure and critical minerals management to foster resilience and growth.⁵ Africa's sustainable development and poverty reduction is impeded by interest payments and high inflation, especially in food prices, exacerbating food insecurity.

Though high inflation, mounting debt and climate vulnerabilities persist, economic growth is forecast to improve to 3.7 per cent in 2025 and African countries are growing fast. 11 of the 20 fastest-growing countries in the world are on the African continent. Africa offers diverse investment opportunities across key sectors, such as energy, agriculture, healthcare, and infrastructure. The continent's growing middle class, technological advancements, and untapped resources present promising prospects. Fintech, e-commerce, and renewable energy are emerging as significant growth markets.

² International Labour Organization (2024) *Global Employment Trends for Youth 2024; Sub-Saharan Africa*, August, Geneva: ILO.

³ FAO, AUC, ECA and WFP (2023) *Africa – Regional Overview of Food Security and Nutrition 2023: Statistics and trends*. Accra: FAO.

⁴ McKinsey Global Institute (2023) *Reimagining economic growth in Africa: Turning diversity into opportunity*. McKinsey & Company.

⁵ Brookings Institution (2025) *Foresight Africa; top priorities for the continent 2025-2030*, Africa Growth Initiative, Brookings Institution, Washington DC.

Africa's investment landscape has shown resilience amid global economic challenges in recent years, with notable growth in foreign direct investment (FDI) and climate-focused capital.⁶ However, increased FDI is essential for Africa's development. FDI is a crucial source of capital formation, especially in regions with limited domestic financial resources, where it facilitates economic diversification by enabling investment in sectors beyond traditional extractive industries, such as manufacturing and services. Moreover, FDI creates jobs and enhances local economies by transferring managerial expertise and technology and thus can provide positive solutions to Africa's demographic development. Crucially, FDI helps African countries integrate into global value chains by improving their competitiveness in international markets.

Nine out of ten jobs in Africa are created in the private sector. As African businesses grow and become more profitable, they contribute more to local tax bases, potentially improving public services and welfare. Commercial investments in Africa can increase export earnings for African countries, bolstering their economies, while catalysing additional investments and value chain integration. Private investments often attract further private investments, amplifying the impact of the initial investment. Thus, investments can leverage additional funds from domestic and international sources, increasing the size and impact of the project.

2.1.1 Danish investments and trade with Africa

Denmark's strategy for strengthened Danish engagement with African countries recognises that Danish investment in Africa is too low. Only 1.5 per cent of Denmark's exports went to Africa between 2021 and 2023, while imports from Africa were merely 0.8 per cent. Danish companies face a specific set of challenges when investing in Africa. The strategy highlights the need to "develop instruments and raise risk capital that can assist Danish companies" in conducting business in and with Africa.⁷

By investing in key sectors such as energy, water, agribusiness, and healthcare, Danish companies can enhance their contribution to job creation and economic growth in African countries. Danish solutions in areas such as urbanisation, technological development, and digitalisation can have a lasting, positive impact. One example of a solution within the water sector is Grundfos' solar-powered pumps, a public-private partnership, that provide affordable, clean drinking water while supporting agricultural productivity in drought-prone areas like Kenya and Ghana. Strategic partnerships, such as the National Water Cooperation, a Strategic Sector Cooperation between South Africa and Denmark, provide a framework for sharing experiences and expertise on groundwater management, municipal water efficiency, and public-private collaboration models to enhance resilience. Moreover, Danish investments in renewable energy and cold chain infrastructure also improve food security and energy access.

While the potential is significant, Danish companies face challenges when considering investments in African countries, leading to relatively low engagement. The Danish Industry Foundation's "Africanisation" project addressed these issues by providing strategic guidance, fostering partnerships, and emphasising patience in market penetration. The Danish Industry's emphasis on "patient capital" reflects the need for adaptive strategies in fragmented markets. Successful entry

⁶ United Nations Conference on Trade and Development (2024) *World Investment Report 2024: Regional Trends Africa*, UNCTAD, Geneva.

⁷ Government of Denmark (2024) *Africa's century. Strategy for strengthened Danish engagement with African countries*, Ministry of Foreign Affairs, Copenhagen.

often requires tailored business models, long-term commitments, and collaborations with local actors.⁸

Consultations with the Danish business community in Denmark and Africa have highlighted the following challenges:⁹

- **Diverse, complex markets:** Africa is diverse, consisting of 54 countries with unique economic conditions, regulatory frameworks, and cultural contexts. This diversity makes it challenging for Danish companies to navigate and identify suitable investment opportunities, as each market demands tailored strategies and approaches.
- **Perceived risk:** A substantial level of perceived risk is associated with investing in Africa. Numerous African countries undergo political volatility and economic uncertainty, which can dissuade potential investors. Concerns regarding governance, corruption, and legal frameworks foster a risk-averse mindset among Danish companies.
- **Lack of knowledge:** Many Danish companies lack sufficient knowledge about African markets, including consumer behaviour and local business practices. This gap can hinder their ability to make informed investment decisions.
- **Lack of experience with local partners:** Successful investments often require local partnerships to navigate the complexities of the market. Danish firms may struggle to find reliable local partners or hesitate to engage with unfamiliar entities.
- **Need for networks and experience:** Danish-African partnerships are forged over time through networks with local actors and building upon an understanding of local African contexts and markets. Rather than launching into more significant investments, most Danish companies will slowly increase their exposure to African markets as they build contacts and knowledge. While the Danish Trade Council, various Danish initiatives, and non-government organisations aid this process, there is a need to create a bridge through which early-stage market investments can be connected to larger, mature investments into sustainable and profitable ones.
- **Inadequate infrastructure:** In many African regions, inadequate infrastructure presents significant barriers for foreign investors, affecting logistics, supply chains, and overall business operations.
- **Preference for established and neighbouring markets:** Many Danish companies tend to prioritise investments in more familiar and stable markets, such as Europe or North America, where they have established networks and experience. This preference limits their exploration of opportunities in Africa.

⁸ Hansen, M. W., & Gundelach, H. (2018) *Opportunities and challenges for Danish medium-sized exporters in Africa: Lessons learned from the DI Africanisation project 2016–18*. The Danish Industry Foundation and The Confederation of Danish Industry, Copenhagen.

⁹ Consultations were held from December 2024 to April 2025 in Copenhagen, Nairobi and online with business representative organisations such as Dansk Erhverv, Danish Agriculture and Food Council and the Danish Industry, as well as with various Trade Councils in Africa and directly with Danish companies that are investing in Africa or exploring local African partnerships.

At an international scale, Danish companies are predominantly small, and thus their capacity, measured by free capital and employees to address the above challenges, is more limited. The above factors contribute to a market failure for sustainable African-Danish partnerships. Many reflect the evolving challenges when developing more substantial engagements that lead to long-term, mutually beneficial partnerships.

2.2 Strategic framework and alignment

Denmark's development strategy, *The World We Share*, prioritises sustainable development, poverty reduction and climate resilience in Africa. It focuses on combating poverty, inequality, displacement and irregular migration, while promoting human rights, democracy and gender equality. It also emphasises long-term partnerships with African nations to address the root causes of crises and migration.

The Danish Government's *Action Plan for Economic Diplomacy* focuses on fostering sustainable global growth, enhancing Denmark's economic resilience, and promoting green and socially responsible solutions. The plan emphasises fair and sustainable economic development, benefiting Denmark and the global community. It supports trade and investment promotion, facilitating foreign investment and enhancing Denmark's role as a global trade hub by leveraging its competitive business environment. The Government seeks to ensure a cohesive approach to corporate contributions to the sustainable development of developing countries where publicly funded efforts across business promotion, export promotion, climate initiatives and development work all support and underpin one another. The triple bottom line is a goal for Denmark's economic diplomacy with key partners. It demonstrates that economic growth and the green transition are not mutually exclusive concepts. Denmark has unique opportunities to contribute Danish solutions to global challenges. Danish know-how and solutions must be brought into play for the benefit of a sustainable transition in the world's poorest countries.

Through our diplomacy, and in close collaboration with actors from public authorities with Danish core competencies, civil society, the business community, knowledge institutions, and private foundations, as well as through the EU, we must increase our engagement in African countries.

Africa's Century, p. 8

In 2024, Denmark's new strategy for strengthening Danish engagement with African countries, *Africa's Century*, announced the Africa Facility.¹⁰ The strategy has a strong focus on equal partnerships.

2.3 Investment Fund for Developing Countries

Development Finance Institutions (DFIs) play a crucial role in financing support for economic development in developing countries or underserved regions. DFIs aim to fill funding gaps for projects or sectors deemed risky. They offer financial instruments such as loans, equity investments and guarantees to stimulate sustainable economic growth, create jobs and improve social outcomes.

IFU is Denmark's DFI. Since its establishment in 1967, IFU has invested in around 1,350 companies across more than 100 countries in Africa, Asia, Latin America, and Europe. IFU is an independent government-owned fund that offers risk capital to companies in developing countries and emerging markets. IFU supports sustainable development in developing countries and

¹⁰ Government of Denmark (2024) *Africa's century. Strategy for strengthened Danish engagement with African countries*, Ministry of Foreign Affairs, Copenhagen.

contributes to realising the United Nations (UN) Sustainable Development Goals (SDGs) and the Paris Agreement.

The law for international development cooperation (§9) establishes that IFU's purpose is to promote investments that support sustainable development and contribute to the realisation of the SDGs in these countries. All IFU investments must align with its mandate, as laid out in Danish and EU law, the strategic ownership document, and IFU policies. In addition, IFU operates according to international principles for supporting sustainable private sector operations and the Organisation for Economic Development Cooperation Development Assistance Committee (OECD-DAC) guidelines for private sector instruments, which are observed by all DFIs.

In 2023, the Government approved a reform to enhance IFU's capacity as a leading impact investor to fulfil central Danish development and climate priorities while supporting economic and social development in developing and least developed countries, including with a strong focus on investments in Africa. With the reform, IFU will significantly grow its capital under management, introduce more instruments to engage different segments in various markets and blend these instruments with greater flexibility. The MFA Ownership document establishes that IFU must invest at least 50% of its capital in Africa and it is expected that IFU will invest up to eight billion DKK in the African continent and mobilise an additional three billion DKK in private capital towards 2030. The Africa Facility complements these ambitions by fostering closer, more sustainable commercial partnerships between Denmark and Africa.

To deliver on its ambition in Africa, IFU is expanding its presence on the continent with two offices in Johannesburg and Lagos, in addition to its Nairobi office and current Accra representation. IFU will also add investment professionals to the continent to build the organisation's network and pipeline capabilities. IFU is presented in further detail in Annex 2.

2.3.1 IFU's role in mobilising Danish investment for Africa

The Danish Government regards IFU as a central organisation for promoting increased Danish investment in Africa. IFU has a long track record with investments in developing countries, including on the African continent. IFU provides ODA-compliant financing with a higher risk tolerance. IFU has a track record of engaging in investments where regulatory challenges often deter traditional funding. This approach is vital for fostering private sector development and sustainable growth in regions that struggle to attract capital due to instability and investment risks. IFU is also experienced at catalysing essential investments in sustainable development sectors and boosting climate resilience.

IFU currently has a total portfolio of investments (i.e., equity and loans) in Africa of approximately DKK 3.5 billion in more than 60 companies. This represents around 40 per cent of IFU's investment portfolio. With the 2023 IFU reform, the efforts are further strengthened through the 50 per cent Africa key performance indicator (KPI).

However, IFU was untied from Danish companies in 2017. This meant that IFU was able to significantly boost its overall investment activities and impact in developing countries, including those in Africa. IFU has continued to engage with Danish partners and has, since 2017, invested DKK 1.6 billion in projects with Danish commercial partners.¹¹ Nevertheless, Danish companies is only represented in five per cent of IFU's pipeline of new projects from 2017 to 2024. The Africa Facility will add an important dimension to IFU's engagement on the African continent that differs from the type of engagement planned under IFU's capital contribution. The Africa Facility provides dedicated capital and a coordinated effort across stakeholders (incl. business associations,

¹¹ IFU Capital Contribution 2024-2030 Programme Document.

Ministry of Foreign Affairs and more) to collaborate and raise awareness of the business and financing opportunities in Africa.

2.3.2 IFU Impact Ventures

Within IFU's broader mandate, IFU Impact Ventures (IIV) targets ventures and venture-like SMEs. These are companies with high growth potential and impact strategies that can benefit from IFU funding, expertise, and active ownership.¹² IIV prioritises early investments in innovative companies, primarily in Africa but also Latin America and Asia where risks are high and capital constraints are important, but which can have a significant development and climate effect. IIV supports IFU's overall objective of promoting investments which support sustainable development and realisation of the SDGs in developing countries and global climate goals.

IIV has been established as an integral part of IFU with dedicated staff resources allocated to secure implementation in synergy with IFU's other investments. IIV expands IFU's investment toolbox and allows IFU to target the full capital spectrum from small to large equities, to debt and guarantee instruments, while scaling up investments substantially within priority sectors to deliver results on climate change and development indicators.

IIV has three objectives:

1. Support early-stage companies ("ventures") in emerging markets and developing countries that can become decidedly impactful from a climate and/or inclusive growth perspective (ideally both) through direct investments in such companies and indirect investments in funds that support such companies ("ventures funds").
2. Mature a pipeline of potential high impactful opportunities where IFU can invest its core capital.
3. Increase capacity within IFU for early stage investing such that it becomes an integral part of the organisation's investment focus.

The MFA expects to allocate additional funds to IIV in 2025 to scale-up commercial partnerships between Danish stakeholders and those in developing countries, including Africa.

2.4 Other actors and key stakeholders improving the Danish-African investment ecosystem

While IFU has a substantial footprint in African markets, there are many other Danish financing support agencies and initiatives. However, many Danish companies and investors are unaware of the ecosystem of support services available from Denmark, the European Union (EU), and other sources when considering or entering African markets. Therefore, in partnership with other initiatives, the Africa Facility will support the creation of a more dynamic Danish-African investment ecosystem in which Danish companies and investors are better informed about the resources available and supported in their navigation of these services.

Denmark has established and is in the process of establishing, a range of facilities to support companies in their efforts to explore opportunities for expanding their business into the African continent. Therefore, it is crucial that the Africa Facility adds value to the existing landscape, while complementing other services. There is already a number of financing options that can support partnerships between African and Danish businesses depending on the financing needs such as

¹² SMEs are the bulk of companies in emerging markets; they outnumber large companies and employ the vast numbers of people. Ventures are early-stage companies that aim to scale-up rapidly, often by taking outside capital.

ticket-size and type of commercial partnership. The Africa Facility is therefore designed to support investments of a certain maturity and size whereas other programmes e.g. support initial preparation stages of investing. E.g. The Nordic Project Fund (Nopef) that provides financing for feasibility studies aiming at among other investments. Table 1 provides an overview of key facilities and support services that support the engagement of Danish companies on the Africa Continent.

Table 1. Key Danish actors in the African investment ecosystem

- **EIFO.** Denmark’s national export credit agency supports Danish companies’ growth, internationalisation, and green transition.¹³ EIFO provides risk-tolerant capital, loans, guarantees, and insurance solutions for Danish companies of all sizes. EIFO’s initiatives are mandated to enhance Danish business and industry prospects for export and internationalisation. Its financing must reflect Danish economic interests.
- **Economic Diplomacy and bilateral programmes.** Denmark’s Trade Council, a part of the Danish MFA, promotes Danish economic interests globally. The Trade Council assists Danish companies in expanding their international presence and accessing new markets. The Trade Council is present in East Africa (Kenya, Tanzania and Uganda), West Africa (Ghana and Nigeria), North Africa (Algeria, Egypt and Morocco) and Southern Africa (South Africa). The Trade Council has lowered the hourly rates charged for supporting Danish companies in Africa as part of the strategy for strengthened Danish engagement with African countries. Furthermore, in a number of Danish partner countries Strategic Sector cooperation within dedicated sectors have been established.
- **Business membership organisations.** Danish business membership organisations play a crucial role in supporting and advocating for their members and facilitating engagement in African markets. The Confederation of Danish Industry (DI) is Denmark’s largest business organisation, representing around 20,000 companies across the manufacturing and service sectors. The Danish Chamber of Commerce (Dansk Erhverv) ranks among Denmark’s largest professional business organisations, representing 17,000 companies and 100 trade associations in trade, tourism, business services, information technology, welfare services, and transportation. Meanwhile, the Danish Agriculture and Food Council represents Denmark’s agriculture and food sector, which employs 150,000 people and exports over 100 billion DKK annually.
- **Government programmes and facilities.** A range of government-supported programmes and facilities support increasing Danish investment in Africa. Beyond existing programmes listed below, the Danish MFA is currently working on establishing new facilities to meet the needs identified for especially earlier commercial endeavours.
 - **Partnering for Green Growth and the Global Goals (P4G)** – financial and non-financial support for partnerships implementing innovative business models in various developing countries (in Africa: Ethiopia, Kenya and South Africa).
 - **Danida Green Business Partnerships (DGBP)** – funding and support to market-based projects involving commercial and non-commercial partners addressing climate and environmental challenges while contributing to inclusive growth and improved livelihoods.
 - **Danida Innovation and Business Explorer (DIBE)** – financial support to Danish companies to conduct activities in developing countries such as studies, market research, workshops, testing, and preparing commercial engagement.
 - **Nordic Green Bank (NEFCO)** – offering a range of support opportunities including the Nordic Project Fund’s fast-track loans and scale-up financing.

¹³ Established on 1 January 2023, EIFO is the result of a merger between three state funds: EKF Denmark’s Export Credit Agency, Vækstfonden (The Growth Fund), and the Danish Green Investment Fund.

- **The Nordic Project Fund (Nopef)** – strengthens the international competitiveness of Nordic SMEs by providing grants for demonstration, scale-up and growth of Nordic green and sustainable solutions on global markets.
- **Other programmes and facilities.** Other private and non-government programmes and activities support Danish investment in Africa, including the family foundations and organisations such as Access to Innovation (a2i), Capital for Impact Foundation, Danish Church Aid, and Nordic Impact Funds.

2.5 Lessons learned

Since its establishment, IFU has undergone significant evolution, adapting to shifting global priorities and evolving development needs. IFU has invested across the entire African continent for decades and is an experienced and capable investment organisation. As a result, IFU's understanding of the African market and the challenges and opportunities facing Danish companies has evolved.

Private Danish investment often involves partnerships with local institutions, enhancing capacity building and innovation in organisations that are active in African countries. However, economic and market transformation takes time. Companies and investors need access to patient capital to adopt a long-term perspective that balances risk and return. Because initial investments plant the seeds for lasting change, catalytic support from agencies like IFU can help Danish investments in Africa improve the sustainability of critical sectors and projects.

The Africa Facility is designed on previous experience supporting development finance across Africa and experiences with Danish-African commercial partnerships. This includes the SME Facility, which the MFA supported through an allocation of DKK 60 million. The SME facility encouraged high-quality, better-prepared SME projects, responding to an expectation for IFU to assist with the internationalisation of Danish SMEs. IFU and MFA jointly decided to extend the initial 4-year pilot until 2021 and again until 2024. A central lesson learned from the SME Facility included the importance of how to incorporate the facility into IFU's institutional set-up in order to ensure the right investment expertise is allocated for effective implementation of the instrument. Other lessons learned was the importance of clarifying priorities between IFU and MFA, simplifying procedures, increasing visibility within the Danish business community, and strengthening outreach to identify relevant companies. Contrary to the SME Facility, IFU plans to establish the Africa Facility within the overall institutional arrangements, with clear performance indicators for each sector team in IFU. Additionally, the main accountability for delivery is anchored at the senior level in Copenhagen. Likewise, the IIV team in IFU will be facilitating the delivery of investments of the Africa Facility allocation to IIV.

Looking ahead, the Africa Facility draws on IFU's experiences working with Danish companies and in the African continent:

- While IFU has only received a few investment proposals from Danish companies in recent years, this is considered to be a result of a general lack of awareness of African market opportunities and the investment support instruments available, including from IFU. Thus, there is a promotion and information gap. Many Danish companies and investors need to be better informed about the opportunities and how to navigate the range of services available.
- There is demand for investment projects that are based on partnerships between Danish and African companies.¹⁴ These partnerships typically evolve and grow over time as more

¹⁴ Interview with business organisations and Danish companies engaged in commercial activities in African countries.

experience and trust is built. Thus, the Africa Facility needs to be flexible with the scope for growing and transforming partnership companies thereby supporting longer-term development impacts.

- In recent years, a significant portion of the investment proposals IFU has received from Danish companies has exhibited limited capacity to meet IFU requirements. This may among other be due to a combination of IFUs ticket sizes and risk-return ratio requiring a certain maturity stage, and the degree of experience and commercial viability of the proposals from Danish companies. With the Africa Facility, the ticket-size will be lowered to counter some of often-mentioned barriers. Including accommodating projects of an approximate ticket-size of minimum DKK 25 million with a certain maturity. Likewise, the facility will include support delivered through IIV directed towards smaller early-stage investment of minimum DKK 15 million. This will enhance IFU's capacity to support businesses that have a significant foundation for expanding operations in African countries, or have otherwise demonstrated readiness to invest in African countries.
- Since the untying in 2017, there has been a lack of clarity within the Danish business community over the mandate of IFU vis-à-vis other financing and supporting instruments, which suggests a need for additional outreach and promotional efforts to address the needs of Danish businesses. IFU will engage diligently with proposals from Danish businesses, including those in the lower range of the ticket size bracket for the Africa Facility.
- Danish business associations hold important knowledge about its member companies and their appetite for investing in Africa. The Africa Facility will enable coordinated efforts between business associations, other financing instruments and organisations in mobilizing more, relevant companies as potential investees under the Africa Facility. IFU will engage with business associations and support them in contributing constructively to identifying and developing opportunities for Danish companies in Africa.

2.6 Rationale and justification

The IFU Africa Facility addresses the development problems associated with the low levels of investment in Africa and low levels of international trade, which are tied to the challenges and market failures outlined in the previous sections. The Africa Facility addresses two major challenges:

Lack of risk-willing capital to finance business engagement in Africa. Risk migration instruments are necessary to mitigate the perception of risks and costs that hinder private Danish investments in Africa and trade between Africa and Denmark.

An information gap is preventing Danish companies from understanding the opportunities and risks associated with African engagement and the support services available. This hampers private Danish investments in Africa and trade between Africa and Denmark and the opportunity for Danish companies to contribute to social and economic development in the African continent.

The Facility will promote economic and social development through increased commercial partnerships between Denmark and Africa, stronger trade relations between Africa and Denmark and increased opportunities for African exports to Denmark. This will be achieved through publicly backed risk capital investments, which will foster sustainable commercial relationships

between African and Danish businesses. With the Africa Facility, IFU will, compared to IFU classic investments, provide flexibility on minimum transaction size, the strict sector focus and risk-adjusted returns as well as provide TA. The facility will follow IFU's financial and non-financial additionality requirements, contributing to green or social impacts and IFU's investment strategy. This includes screening for long-term financial sustainability in investments and partner experience and knowledge of doing business in the region. The facility is designed to enhance the aid effectiveness across the OECD-DAC criteria. These criteria are discussed below.

Relevance: *Will the intervention do the right things?* Overall, IFU aims to tackle the challenges of mobilising finance and facilitating investments in developing markets. As Denmark's official DFI, the Government views IFU as the key bilateral partner for encouraging private sector investments in developing countries. The Africa Facility will contribute to the realisation of the ambitions outlined in the Danish government's strategy *Africa's Century*. The Africa Facility will support economic and social development in Africa through increased levels of private investments. Sustainable, commercial Danish-African partnerships will introduce new solutions and technologies, which can contribute to overcoming development challenges. It will help African companies to become more connected to global markets, grow and compete, leading to more jobs and a green transition. Programme relevance is further assured by increased flexibility in the delivery of IFU's investment instruments and a reduction of the minimum ticket size (i.e., respectively minimum DKK 25 million and minimum DKK 15 million). The flexibility is enhanced by the impact venture investments, that accommodate the needs of smaller early-stage investments and offers the even lower minimum ticket size of minimum DKK 15 million.

Coherence: *how well will the intervention fit?* Driven by the Danish government's new strategy for strengthened Danish engagement with African countries, the Africa Facility supports equal partnerships that increase African and Danish commercial ties and follow up on the interest of many African countries in attracting investments and strengthening trade between Europe and Africa. Moreover, the Africa Facility will support the creation of a more dynamic Danish-African investment ecosystem in which Danish companies and investors are better informed about the resources available and help them navigate these services.

IFU will collaborate with government agencies, programmes and initiatives, as well as with Danish business associations and other investment and business development initiatives to bring greater clarity to the availability of financing offerings for Danish companies. In addition, IFU will provide clear digital guidance on own offerings towards Danish companies, as well as direct to other sources, when IFU is not a relevant partner. In parallel the MFA and the Ministry of Industry, Business and Financial Affairs will set up an Africa advisory group that includes government, business and investment community representatives. This group will among other provide a platform for addressing and discussing the new IFU and EIFO Africa facilities. The advisory group will provide regular input into the facilities' approaches. However, the advisory group will not have a direct mandate over the design or execution of the two facilities.

Effectiveness: *how likely will the intervention achieve its objectives?* IFU has a good track record of positively impacting development outcomes and complementing other investors, achieving a moderate return while safeguarding its capital base. It has effectively scaled its impact across various priorities and utilised blended finance to invest also in difficult settings in Africa. With the 2024 capitalisation programme taking effect, IFU is increasing its footprint in Africa and becoming an even more important investor on the African continent. The facility includes support delivered through IIV directed towards smaller early-stage investments. This enhances IFU's capacity to tailor its support for business proposals that have a significant foundation for expanding operations in African countries or have otherwise demonstrated readiness to invest in African

countries. In combination with other Danish support facilities, the Africa Facility will connect Danish companies to a broader set of investment and market-sensitive instruments they can benefit from.

Efficiency: *how well will programme resources be used?* IFU has established screening and approval processes catering to large-scale investments and smaller, high-risk projects. It has demonstrated its capability to invest even in fragile environments and amidst macroeconomic challenges. The comprehensive management system features investment assessment procedures, risk management protocols, and processes for generating financial value and creating impact. The Africa Facility builds onto the proven existing management arrangements, while providing a flexible instrument that meets the identified needs of Danish companies and their African partners. This approach selects the most suitable instrument for each project, providing an optimal balance between risk, returns, and impact.

Impact: *what difference will the intervention make?* Impact lies at the heart of IFU. IFU's investments assist private companies in developing markets by helping them overcome challenges in accessing capital and ultimately to evolve in a more sustainable direction, expand and create jobs in developing countries. Furthermore, increased economic activity of companies can create opportunities for local small-scale suppliers. The Africa Facility focuses on results for Africa's economic development. The Africa Facility facilitates partnerships that contribute to the development of equitable and inclusive African economies through a flexible investment instrument, combined with non-financial support and information services.

Danish-African partnerships supported by the Africa Facility will create significant, long-lasting development impacts in Africa. They will promote the transfer of knowledge, technology, and expertise to African businesses, enhancing new business and worker skills while fostering conditions for increased investments and overall improvements in the productivity and competitiveness of African companies in local, regional, and global markets. Moreover, the Africa Facility will play a vital role in strengthening the Danish-Africa investment ecosystem. It will complement and support other Danish investment agencies and instruments aiding Africa's social and economic development, as well as its green transition, by raising awareness of the services available to Danish companies and investors and generating a more diverse and impactful pipeline of potential Danish partners. Thereby increasing FDI in African countries.

Sustainability: *will the benefits last?* Sustainable development relies on thoughtful investment choices, proactive ownership and responsible exits. The Africa Facility achieves this by focusing on long-term commercial partnerships between Denmark and Africa. The Africa Facility nurtures Danish solutions toward developing equitable and inclusive African economies by applying flexible investment instruments that de-risk projects and non-financial support and information services. IFU's Africa Facility investments will rely on expert underwriting, meticulous structuring, thorough data analysis, and effective risk assessment. IFU's policies and operational methods are designed to support meticulous due diligence, impact assessment, and hands-on management that lead to long-term sustainable outcomes.

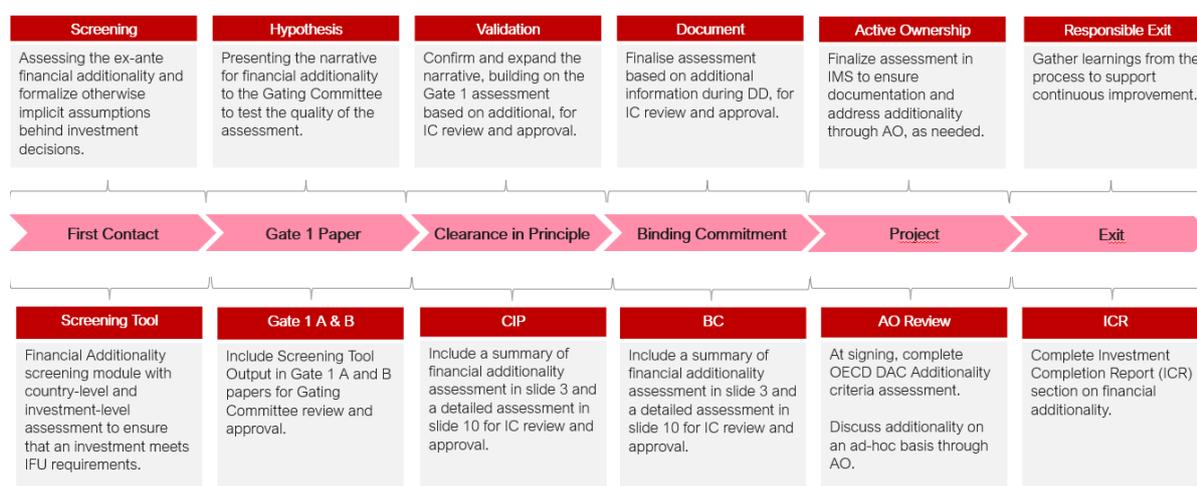
Additionality: As a DFI, it is a requirement for all IFU's investments to have a high likelihood of additionality. Financial additionality is a critical principle in IFU's investment decision-making, ensuring that IFU's participation contributes value beyond what commercial investors would provide. The assessment of financial additionality is integrated throughout the investment process, evolving at different stages to serve distinct purposes.

For all investments, loans, and guarantees, IFU therefore assesses the likelihood of financial additionality and provides a clear, detailed argument for why there is a high likelihood of financial

additionality. IFU relies on a qualitative narrative analysis tailored to each project, combined with a quantitative approach at the country level. The approach is rigorous, systematic, and theory-driven, combining qualitative and quantitative methods for comprehensive analysis. The approach helps formalise and articulate otherwise implicit assumptions behind investment decisions.

The approach includes a quantitative assessment of country-level indicators that contribute to the likelihood of IFU’s investment being financially additional, followed by a deal-level assessment that evaluates the specific deal’s factors contributing to the likelihood of financial additionality. It is equally important to scrutinise the context of each investment opportunity closely, including whether capital is offered at all, in sufficient quantity, and on suitable terms. This is the qualitative part, and it includes assessing whether IFU’s engagement attracts capital that would not otherwise be available, focusing on deal terms and mobilisation of third-party investors. Factors like private investor appetite, commercial terms, and market conditions may be assessed as barriers and so regarded as drivers of financial additionality of an IFU engagement. The diagram below shows how IFU’s assessment of financial additionality is refined through the different stages of the investment process.

Figure 1. IFU Assessment of Financial Additionality



Source: IFU

At a programmatic level the Africa Facility applies additionality to Danish-sourced investment in Africa. It fosters mutually beneficial partnerships between Danish and African firms that catalyse the creation of new jobs, products, services, and further investment in African countries. Denmark follows the OECD-DAC system to determine if an activity qualifies as ODA. All IFU activities must comply with these standards and qualify as ODA.

2.7 Defining the target group for the Africa Facility

Danish companies offer world-class products and technologies, presenting a substantial opportunity to enhance Danish business engagement in Africa, which the Africa Facility will assist to facilitate. There are good examples of Danish companies leveraging their expertise in green technologies and doing business in Africa. This includes investments in renewable energy; for instance, Danish firms are heavily involved in projects like wind and solar energy initiatives in Kenya and South Africa. They also contribute to water management, as Danish expertise in water technology is highly sought after, with companies participating in water infrastructure projects to combat the impacts of climate change, such as droughts and flooding. There are also examples of expansion in key sectors in Africa, such as technology and digital innovation, with Danish

companies investing in Africa's digital transformation, including fintech and e-commerce platforms. In healthcare, companies like Novo Nordisk and Coloplast contribute to tackling Africa's growing healthcare challenges, particularly the rise of non-communicable diseases. Furthermore, Danish businesses contribute to agri-business initiatives, enhancing food security and safety through cold chain solutions and local partnerships.

Danish platforms like Access2innovation facilitate collaborations between Danish SMEs and African businesses, providing funding for innovative solutions tailored to local needs. Danish private sector investments seem to prioritise countries with stable economies and growth potential, such as South Africa and Kenya, which are attracting investments in renewable energy and digital innovation, and Ghana, which is emerging as a hub for industrial growth and sustainable projects.

Aligned with the overall aim of the strategy *Africa's century*, the Africa Facility targets equal partnerships between African and Danish stakeholders to grow trade, collaborate and invest for economic and social development in Africa. The partnerships can take multiple forms depending on the needs and the points of departure of the African and Danish partners. Still, the emphasis is on establishing strengthened linkages and commercial collaboration that promote development in the African countries.

The Africa Facility will primarily focus on inclusive, growth-oriented partnerships between Denmark and Africa of various sizes. This includes SMEs and ventures which will be supported through IIV. It supports the growth of African companies by improving their efficiencies and productivity through new technologies and management systems, and access. At the same time, the facility will adopt a flexible approach toward medium-sized companies or medium-sized investments from larger companies that, while having a track record and a degree of maturity, are actively engaging in African markets. Thus, the facility fills a gap found between typical large-scale IFU financing and SME and venture financing.

Danish companies invest in African markets for different reasons, employing various strategies and pathways to enter the continent. While some firms might view their engagement in Africa through the lens of corporate social responsibility (CSR), partially or entirely, most recognise the growth opportunities arising from participating in these markets. For some, the journey into African markets begins with simple efforts to boost exports or procure supplies. In other cases, Danish companies seek opportunities to leverage their technology and expertise or to establish partnerships with local businesses including sourcing from African companies. Ultimately, Danish companies may choose to establish dedicated sales offices or even processing plants and wider presence in targeted countries. Thus, Danish interests in Africa are diverse and multifaceted. Establishing and sustaining genuine partnerships between African and Danish actors that promote social and economic growth requires flexibility to ensure that the offering of the Africa Facility is tailored to the needs, opportunities, and capabilities of all parties.

Successful delivery of the Africa Facility requires that the investee candidate landscape is wide enough to offer a sufficient set of commercially viable and impactful investment opportunities commensurate with the targeted investment volumes. The Africa Facility will apply a broad perspective when supporting African and Danish partnerships, accommodating a wide range of possible investment opportunities, while it must comply with state-aid rules and ODA requirements.

The following are examples of partnership scenarios being pursued by IFU (see examples in footnotes):

- Investments with Danish companies to establish or expand their business in Africa.^{15 16}
- Investments in local companies developed, managed or funded by Danish partners.¹⁷
- Investments in local companies with commercial ties to Denmark, including:
 - Existing African partners of Danish companies that utilise Danish technologies, know-how, or service (IFU financing is not conditional upon the purchase of Danish goods or services. Any investment decision will be based on commercial viability and development impact).
 - Suppliers of products and services to Danish companies.¹⁸
 - Partners of Danish companies in other ways (e.g., in joint distribution).
- Partnerships with private Danish funds that invest in local companies and institutions.
- Investments in African financial intermediaries who invest in local companies that have commercial ties to Denmark.

The suite of partnership models is wide to allow a broad-based approach to mobilising stakeholders and thereby exploring different avenues for supporting economic and social development. IFU and MFA will continuously be in dialogue to adjust and/or clarify definitions and mature the categories of partnership models.

2.8 Alignment with Danish crosscutting priorities

Several cross-cutting and strategic issues will be directly relevant to the programme and will be addressed. The programme's implementation will be guided by various critical approaches and strategies.

The principles of human rights approaches are often integrated into IFU's practice, which relates to the main Human Rights-Based Approach (HRBA) principles of participation, accountability, non-discrimination, and transparency, as illustrated in the table below.

15 Aller Aqua: IFU provided loan to Aller Aqua Group, a Danish family-owned company, to expand production by establishing new facility for production of fish-feed in Zambia.

16 FL Smidt: Through IFU's SDG Fund, IFU invested in Continental Blue Investments (CBI) Ghana, a company reducing carbon emissions in cement production. Through the investment, IFU FL Smidth, a Danish company supplying CBI Ghana with equipment and services to enable the expansion of production.

17 Haldor Topsøe: IFU co-invested with Haldor Topsøe in Indian fertilizer production facility, Ramagundam Fertilize. Haldor Topsøe provided equipment to local company.

18 Coop: IFU co-invested in African Coffee Roasters, a producer of coffee in Kenya. African Coffee Roasters sources coffee beans from local farmers, roasts them locally and exports the coffee to Coop's Danish supermarkets.

Table 2. Main HRBA principles and integration in IFU

HRBA principle	Visibility in IFU
Participation	Involves companies, their management, and staff in the active ownership process for each company in IFU's portfolio of 170 companies. IFU governance (i.e., board, sustainability committee, etc.) includes various stakeholders from government, civil society, and the private sector. Possible barriers might include women's access to economic activities.
Accountability	Meticulous investment process based on IFU policies (e.g. within sustainability, Leave No-One Behind and safeguarding). IFU governance includes targeted plans for accountability and a strong focus on anti-corruption.
Non-discrimination	Sourcing of projects targets many different markets and sectors, the target group while being inclusive as a general principle, does relate to different groups depending on the different funds and facilities used. To the extent that some groups have no direct access to IFU support, they are often beneficiaries (indirect target group).
Transparency	The IFU communication and data analysis are key components in sharing lessons learnt with a wider audience. Tailor-made strategies for communication with different target groups have been planned.

Normative frameworks are included in most of the phases. From the initial phases, non-discrimination, accountability, participation and transparency questions are explicitly stated in the company framework agreements. Policies related to sustainability, safeguarding and do-no-harm play a key role. During the active ownership process, the Annual Sustainability Report (ASR) contains data on these issues that are reported regularly and make up a basis for IFU involvement with the partners.

Following the 2024 capitalisation of IFU, IFU is focusing on these normative aspects, and the investment process is considered a starting point as a generic model that IFU will use across all its engagements. Consequently, IFU's work as an organisation, along with the flexibility between the instruments and facilities in the future, will integrate core values aligned with the normative HRBA values of the MFA. In turn, these normative aspects are integrated into the working culture of companies, not only during the period of active ownership but throughout the entire process, from the initial contact to the exit process with the company.

IFU adheres to several normative frameworks that are aligned with the HRBA principles. This includes the push for accomplishing the SDGs and climate goals also directly affects the private sector, with the world's leading reporting and standards-setting institutions driving even deeper accountability for environmental, social and governance (ESG) impact. The principle of dynamic or double materiality embraced by these organisations requires companies to consider not just the effects of climate on the company's financials but also the impacts of a company on the climate or any other ESG factor. Adapting the new ESG standards for reporting is expected to reach not only large-scale companies in the coming years but also many businesses in value chains and introduce concepts of social and governance that are like human rights principles.

EU regulation includes an obligation to report on ESG, Corporate Sustainability Reporting Directive (CSRD) and, most recently, the Corporate Sustainability Due Diligence Directive (CSDDD). Hence, environmental standards, social results, and governance are becoming integrated into the working processes that IFU partner companies must follow. In this way, there

is a convergence in the criteria of DFIs, investors, and blended finance towards some of the HRBA principles. Although business plans relate to profitability, the demands on climate, green transition and environmental protection are related to sustainability and human rights questions, even if they are framed differently than the human rights language. Moreover, companies will operate under conditions stipulated by national labour laws, where workers' rights, OSH and obligations related to employers and government are often aligned to the rights-based approach of International Labour Standards.

IFU is part of the OECD additionality criteria for the Indigenous Peoples Impact Mitigation (IPIM) and other international standards covering DFIs.¹⁹ It must also screen for financial and non-financial additionality. IFU's sustainability policy references the UN Guiding Principles on Business and Human Rights and the key International Labour Organization (ILO) conventions regarding workers' rights. All investments must comply with IFU's sustainability policy, which encompasses environmental and social standards, including IFC performance standards and other relevant standards, such as those referring to the (potential) displacement of people (voluntary guidelines on the responsible governance of tenure), as well as IFU's climate policy, which is part of the sustainability policy. IFU leverages the IFC Performance Standards as part of due diligence and the UN Guiding Principles on Business and Human Rights.²⁰ Anti-corruption is key, especially in due diligence and active ownership processes.

IFU has adopted the 2X challenge. The ambition is that at least 30 per cent of investments live up to the 2X criteria. The IFU screening tool further screens for relevant job characteristics, including support for youth, permanent jobs, and skilled jobs. Companies must fulfil at least one of the five criteria to be 2X compliant. DFIs define the 2X challenge, which was launched in 2018 and updated every two years to increase the ambitions over time.

Inclusive sustainable growth, climate change and environmental assessment

IFU must screen all potential investments through IFU's impact screening tool (see below). All investments must live up to the EU Taxonomy for green, focusing on climate mitigation and adaptation. They should also not do any harm in terms of social inclusion (i.e., reducing inequality) and contribute to a more equal society.²¹ Furthermore, all investments must live up to IFU's sustainability policy, which covers environmental and social standards (including IFC performance standards and other relevant standards (e.g., those that refer to the potential displacement of people), voluntary guidelines on the responsible governance of tenure and IFU's climate policy, which is part of its sustainability policy. IFU must also screen for financial and non-financial additionality.

19 The IPIM refers to frameworks and practices that address business activities' impacts on Indigenous Peoples' rights, particularly in alignment with the UN Guiding Principles on Business and Human Rights and the UN Declaration on the Rights of Indigenous Peoples.

20 IFC (2012) *IFC Performance Standards on Environmental and Social Sustainability*, Effective January 1, 2012.

21 See: [EU taxonomy for sustainable activities](#), website.

Figure 2. IFU's Investment Process



Source: IFU

3 Programme objective, theory of change and key assumptions

The objective of the Africa Facility is “Economic growth, employment creation, and development in Africa through a strengthened Danish engagement with African countries.”

Operating within the IFU framework, the Africa Facility will align with IFU’s main impact objective, which is to promote sustainable investments that contribute to the achievement of the SDGs and climate targets in developing countries by supporting the building of just and inclusive economies, focusing on poverty alleviation, gender equality, and job creation in the most vulnerable communities. In addition, the Africa Facility will also have an objective of mobilising private capital into Africa, which supports Danish-African partnerships.

The Africa Facility will report on performance targets focused on promoting collaboration, trade, and investments through African and Danish partnerships that contribute to economic and social development in Africa.

In pursuing the programme objective, the Africa Facility will provide investees with a more flexible, informative and strategically relevant investment mechanism while ensuring compliance with IFU’s mandates, regulations and investment criteria. IFU will work closely with other relevant investment and service providers. Thus, IFU will continue to focus on its main competencies and comparative advantages while investing in an appropriate and impactful manner.

The Africa Facility will recognise the variety of entry points for Danish investment in Africa, adopting a broad and encompassing approach to supporting Danish partnerships in Africa that accommodates a variety of engagement models and approaches.

3.1 The key features of the Africa Facility

Investment standards

The partners and investments under the Africa Facility will live up to the same cross-cutting requirements as standard IFU investments:

- **Financial Additionality.** Contributing to what is available or what is otherwise absent from the market and not crowding out.
- **Crowding-in.** Catalysing market development and the mobilisation of private sector resources.

- **Commercial sustainability.** Supporting the private sector and achieving sustainable impact during and after involvement.
- **Promoting high standards.** Promoting adherence to high standards of conduct in investees.
- **Impact.** Contributing positively to IFU’s impact objectives (i.e., building a green economy and a just and inclusive economy).

The Africa Facility will align with these operating principles to ensure its delivery generates lasting impact and sustainable companies. IFU is responsible for ensuring that its investments are additional, covering both financial and developmental aspects while also upholding high environmental, social, governance (ESG), and human rights standards.

However, for key features in the Africa Facility, IFU will provide flexibility. The key features of the facility are presented in the text box below.

Table 3. Key Features of the Africa Facility

<p>IFU investments with reduced ticket size</p>	<p>With the Africa Facility, IFU will reduce its minimum ticket size from the standard of DKK 75 million to respectively:</p> <ul style="list-style-type: none"> • Investments of a certain maturity with a minimum ticket-size of approximately DKK 25 million. • More early-stage investments of a minimum ticket-size of approximately DKK 15 million. These will be delivered through IFU’s Impact Ventures set-up. <p>The minimum ticket-sizes relate to the total committed amount of the investment. The committed amount may be disbursed in several instalments over a time period, following agreement between investee and IFU.</p> <p>Neither of the ticket-size thresholds are fixed. The focus will be on investing in quality projects, aligned with the objectives and requirements of the Africa Facility mandate, rather than ticket size alone.</p> <p>For all investments, IFU must have a clear exit path at the time of investment, such as through a self-liquidating loan or a pre-defined exit process that IFU can enforce. While the exit path must be clear, with the Africa Facility, IFU agrees to consider longer timelines compared to standard investments if necessary.</p>
<p>Investments with a higher risk tolerance and flexible return requirements</p>	<p>Under the Africa Facility, IFU will provide enhanced flexibility for investments concerning its risk and return requirements. IFU usually seeks fully risk reflecting returns. This means that investments with a relatively higher risk, will equally have a higher targeted return.</p> <p>In the Africa Facility, IFU has flexibility to lower its return requirements below the fully risk-reflecting return target. Specifically, IFU can avoid pricing in country-related risks when setting the return targets for an investment. With country risk premiums in Africa often being around 5-10%, this flexibility results in a large discount on the return targets for investments under the Africa Facility. The flexibility applies for both equity and debt investments.</p> <p>Furthermore, IFU has flexibility around the timing and size of the disbursements of the committed investment under the Africa Facility. A given investment commitment can be disbursed to the investee in multiple rounds and over time.</p>
<p>Flexibility to offer the most suited financing package</p>	<p>IFU always seeks to offer and deploy the financing that is most relevant for the individual investment case; whether this is equity or debt (loans). Since it is not clear what financing the pipeline of the Africa Facility will require, IFU will leave it flexible to which type of financing (debt, equity, etc.) that should be offered under the Africa Facility. IFU is attentive that equity in some cases holds particular potential and IFU</p>

	is open and interested in supporting investments under the Africa Facility with equity and applying IFU's active ownership model.
Supporting a broad spectrum of partnership companies	With the Africa Facility, IFU can invest with a wide range of partners to allow IFU to explore different avenues to strengthen Danish-African partnerships. It will have the capacity to facilitate investments into a broad range of companies, from SMEs to larger companies as well as Danish impact funds. Investments into impact funds and intermediaries can ultimately result in smaller ticket sizes (even below DKK 15 million) to capture any high-potential pipeline at the earliest maturity stage. For all types of partners, IFU investment standards apply.
Expanded sector focus	IFU's four focus sectors (i.e., green energy and infrastructure, healthcare, sustainable food systems, and financial services) will be the core focus of the facility. However, IFU will consider all relevant proposals and accept proposals that are in adjacent sectors, if they live up to other IFU requirements and investment standards.
Technical assistance and supporting due diligence	<p>IFU is committed to provide the best possible foundation for selected investees to succeed through the investment process. Acknowledging IFU's high standards within market and context knowledge, due diligence and ESG, IFU will support investees under the Africa Facility who has undergone appraisal and assessment and passed Clearance in Principles (CIP) with technical assistance. IFU will give guidance to Danish companies on the evaluation process, giving more time to applications that under normal circumstances would otherwise be dismissed.</p> <p>This includes technical assistance for:</p> <ul style="list-style-type: none"> • Investment due diligence and KYC (Know Your Customer), including cost covering of external market and sector due diligence (commercial opportunities, and risks), technical, legal, tax and impact due diligence. • ESG, including support to implement action plans (e.g., environmental, social, business integrity, and impact management and reporting). This is pre-committed ahead of investment. <p>The technical assistance will offer valuable input for Danish companies, with regards to complying with EU regulation across in line with IFU's standards.</p>
Engaging with partners to enhance information	The Africa Facility will engage with relevant organisations to improve the relevance and accessibility of its investment services. Engagements will be forged based on identified areas of mutual interest and complementary mandates and capabilities. Partnerships can include agreements for information dissemination (e.g., investor conferences and expos), investor field tips, and technical advisory services.
Improving information services	<p>With the Africa Facility IFU will strengthen its communications with the Danish business community to provide relevant and accessible information on its investment services. IFU will develop relevant information approaches. Enhancing digital guidance on IFU's offering vis-à-vis other financing instruments, by introducing intuitive guidance on IFU's website.</p> <p>In addition, IFU will work with Danish business membership organisations and other stakeholders in the Danish investment ecosystem to improve the information available to Danish companies of the opportunities and support available for investing in African markets.</p>

Risk tolerance

The Africa Facility will provide a more flexible instrument to help Danish and African partnership companies to mitigate the risk of new and expanded projects. IIV investments of DKK 15 million may have a success rate as low as 25%, where the investments of a higher ticket size of DKK 25 million may have a success rate around 50-60% success rate. The anticipated success rates are

comparable to other investors of similar nature. It is equally expected that certain venture investments have potential to drive high-growth, and thereby contribute positively to the overall portfolio. The overall risk profile however is deemed higher, and thus there must be a higher tolerance for failure under the Africa Facility. However, despite higher risk, financing for these types of investments is important. SMEs and high-growth companies are vital employers and key to creating jobs. The World Bank estimates that SMEs account for 90 percent of businesses and more than 50 percent of employment worldwide. Investments in early-stage enterprises can drive impact through several channels and early-stage companies can help bring, test, and develop new ideas and business models related to climate and inclusion to emerging markets. Early growth stage enterprises in developing countries, have the potential to create significant positive impacts over time, but often face significant costs and hurdles to become viable and sustainable businesses including limited access to finance.

Africa Facility distinctiveness and synergies to IFU portfolio

The features of the Africa Facility that are outlined in Table 3 above are distinctive vis-à-vis IFU’s other facilities and other financing instruments available for Danish businesses. Essential features are that the Africa Facility will address companies in both an early stage and the middle maturity stage, supporting Danish companies seeking early- and later-round venture funding at around respectively DKK 15 million and DKK 25 million to develop and expand their businesses across new markets.

Thus, a key distinctive feature is a lower ticket size than is available for standard IFU investments with a minimum ticket size of DKK 75 million targeting more mature companies, ranging from the latest venture stage to the growth stage.

In contrast, the Africa Facility will mobilise IFU finance to 1) support companies in the middle maturity stage, targeting partnerships involving Danish companies seeking later-round venture funding of approximately DKK 25 million to develop and expand their businesses across new markets; and 2) the lower end of IFU’s investment spectrum through IIV investments, that targets early-stage companies seeking early-round venture funding at the DKK 15 million mark.

Thus, across its different facilities, IFU can engage with and invest in companies of different maturity, need levels and types of funding. While IIV and the Africa Facility both have the capacity to explicitly target commercial partnerships between African and Danish businesses, IFU can also support Danish-African partnerships if they seek a larger amount of capital and adhere to IFU’s policies and investment requirements. Thus, IFU can accommodate a broad spectrum of Danish businesses seeking to engage in viable business projects in Africa (as well as other developing countries). It is further possible for IFU to participate in multiple funding rounds in companies with a positive growth trajectory. For example, a successful IIV investment may receive additional funding from the Africa Facility and thereby continue growing with IFU’s support. The illustration below shows how IFU’s facilities cover different ticket sizes.

Figure 3. IFU facilities in relation to other programmes

Ticket size (DKK million)	0	15	25	75	Beyond
Instrument	Others (e.g., Trade Council, DIBE, DGBP) – see Table 1.				
		IFU Impact Ventures (incl. IIV for Africa Facility)			
			IFU Africa Facility		
				IFU Own Capital, SDG Funds, etc.	

A company's project development and very early seed stages are outside the remit of IFU's investment portfolio and expertise. Table 1 in this document provides a more detailed overview of the synergistic financing instruments available to Danish companies at the lower end of the maturity spectrum.

Support through technical assistance, investment sourcing and promotion

As referenced, the current level of engagement by Danish companies on the African continent is limited. Therefore, there is a need for additional efforts to identify and mobilise a relevant pipeline for the Africa Facility. To achieve this, funding will be allocated towards TA, sourcing activities, stakeholder engagements, and promotional activities and communications.

The objectives of the budget allocations are to:

- Support high-potential investee cases with technical assistance during due diligence or implementation phase (e.g., to facilitate compliance with ESG requirements).
- Build a pipeline for the Africa Facility and, when relevant, other IFU instruments and facilities. Enhance stakeholder collaboration to strengthen Danish private sector engagement in Africa, including partnerships with business associations, financial institutions, impact investors, and other relevant stakeholders.

The objectives are elaborated below.

Technical assistance.

Technical Assistance is in high demand among the target audience of the Africa Facility. DKK 18 million will be allocated towards Technical Assistance to support high-potential investees through both the due diligence process and the implementation process following investment.

The TA grants will be considered, processed, and disbursed based on the standards used for IFU's Sustainability Facility. The TA grants can support companies across:

- **Assessment grants** as part of IFU investments process/due diligence (and KYC): TA-grant to fund an expert assessment of significant sustainability and impact risks or opportunities for an IFU investee and/or with its key suppliers. An initial assessment or identification of needs can also be financed. The grant can also be offered for any assessment that IFU has required or requested in the due diligence process, such as an action environment and social, corporate governance or business integrity action plan
- **Implementation grants** following IFU investment: TA to fund the implementation of sustainability and impact improvements (Environment and Social Action Plans) or the provision of technical assistance to support improvements for the investee (e.g., relevant trainings and skills upgrade) by an external expert or consultancy.
- **Evaluation grants:** Grant to enable in-depth evaluation of investees' performance and impact results following IFU investment, by external expert or consultancy.

Investment sourcing activities. To enable targeted sourcing, IFU can conduct studies to analyse major Danish companies and impact funds engaged on the African continent (e.g., with the support of the Trade Council and other services). IFU will conduct active sourcing for the Africa Facility, with investment teams dedicated to outreach and engagement with Danish partners. The sourcing and performance will be tracked and monitored. Further, IFU will adopt a principle of more thorough screening of all proposals under the Africa Facility by the investment organisation.

Stakeholder engagements. IFU will enhance stakeholder engagements with Danish and African stakeholder groups relevant for private sector investments in Africa – across business associations, the Trade Council, embassies and civil society groups. The aim is to ensure continuous exchange on the IFU offering with potential Danish and African partners through bilateral engagements and joint events. In addition, IFU will further enhance collaboration with EIFO, focusing on the respective investment windows of the Africa Facility to explore potential synergies.

Promotional and communication activities. To ensure solid information of the Africa Facility by the business community, IFU will strengthen communication and promotion activities, promoting awareness about African markets, partnering and network support. This includes activities such as:

- Developing clear, digital guidance on IFU’s offering on IFU’s new website, linking to wider financing opportunities in the ecosystem (i.e., supporting a “one-stop shop” across business instruments) and guiding Danish companies.
- Developing promotional material on the Africa Facility that will be disseminated to Danish business member organisations, embassies, and Trade Councils upon launch.
- Joining webinars, seminars and events held by Danish and African business stakeholders to promote the Africa Facility towards relevant businesses.
- Participating in country meetings, trade visits and events in collaboration with African partners and economic diplomacy actors, to engage with Danish and African stakeholders to explore investment opportunities, better understand local market dynamics and develop contacts.
- Organising dedicated events promoting the Africa Facility event with business member organisations to promote opportunities for Danish businesses in Africa.
- Engaging in other relevant events, which can effectively promote the Africa Facility towards Danish companies (e.g., Folkemødet).
- Enhancing public communication efforts, including through op-eds and social media channels, to showcase the Africa Facility, highlight opportunities for Danish businesses, and emphasise the importance of Danish relations with Africa.

Across these engagements, IFU will seek to help amplify other initiatives serving similar purposes (e.g., by business member organisations or EIFO), and as much as possible, build on synergies between efforts.

3.2 Theory of change

The theory of change for the Africa Facility is built upon the mandate, objectives, and theory of change for IFU’s overall operations. This is based on the premise that by leveraging new and existing capital, technical expertise and structured systems and procedures, IFU can drive impactful investments in developing countries, particularly in Africa, economically disadvantaged and fragile states. By strategically selecting scalable investments in commercially viable businesses, these investments will contribute to economic growth, employment creation, long-term sustainability, gender diversity, and the achievement of climate targets.

The key differentiating factor between the Africa Facility and IFU's other instruments is that the Africa Facility aims to build commercial partnerships between Denmark and Africa by engaging the Danish private sector. To achieve this, the Africa Facility offers bespoke flexibilities, providing development financing for Danish companies entering African markets, and their African partners seeking access to new export markets that is not currently available in the market.

The Africa Facility complements the other IFU offerings, filling a gap by reducing risk and information gaps and fostering collaboration specifically tailored to the target group of companies. Thus, the Africa Facility will increase investments in Africa through commercial partnerships that support the mutual interests and opportunities facing Danish and African companies. This will enhance African competitiveness and productivity while creating local jobs and boosting incomes, government revenue, and market opportunities.

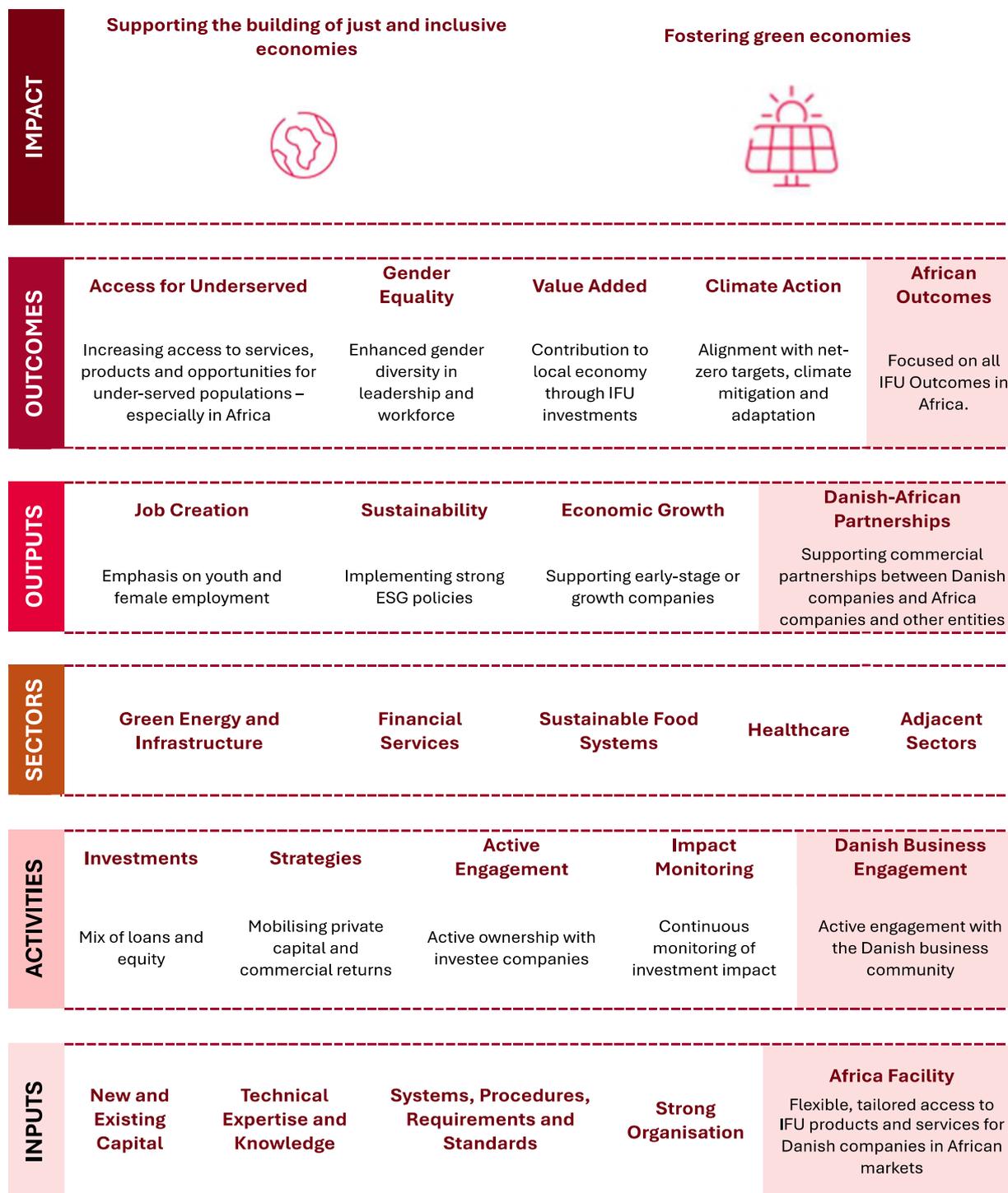
Private sector capital and investments are pivotal in developing and transforming African economies, including aiding the green transition. Denmark's private sector can increase its direct engagement in Africa by bringing private capital, relevant technologies and know-how, helping strengthen local capacity and innovation in Africa, and supporting the achievement of the SDGs. The impact of the Africa Facility extends beyond the development benefits driven by its investments to include the opportunity to establish lasting, impactful commercial partnerships between Danish and African economic actors.

Under the Africa Facility, IFU will collaborate with investee companies whose projects meet the requirements of facilitating partnerships as defined in the mandate. The Africa Facility will support mobilising capital for commercial Danish-African partnerships.

For each investment undertaken, IFU creates a specific and detailed theory of change overview, highlighting how IFU's investment will bring about the expected change and impact, and how it supports sustainable, commercial Danish-African partnerships.

The figure below illustrates the IFU theory of change and incorporates additional elements contained in the Africa Facility.

Figure 4. IFU Theory of Change, incorporating Africa Facility



Input	IFU invests risk capital (i.e., equity, mezzanine and loans) in private companies in African countries who participates in operations with a Danish partnership. The facility shares knowledge and skills drawn from many years of IFU’s experience on the African continent. The Africa Facility provides tailored support to help Danish and African companies forge partnerships, which includes relevant technical assistance (e.g., ESG purposes and due diligence). It increases flexibility for investments concerning its risk and return requirements, lowering its return requirements below the fully risk-reflecting return target. It will also be flexible in the timing and size of the disbursements.
Sector	The Africa Facility supports Danish and African commercial partnerships operating within IFU’s four key sectors or in sectors adjacent to these: green energy and infrastructure, sustainable food systems, financial services, and healthcare. The facility works with African and Danish companies to formulate an impact creation plan based on these partnerships, which includes establishing specific targets for relevant impact indicators like job creation.
Output	The Africa Facility increases the opportunities for businesses in African markets to expand and grow. Including Danish businesses present in African markets as well as African businesses engaged in selling to the Danish market. Similarly, the facility will support the growth of African companies by improving their efficiencies and productivity through new technologies and management systems, and access to European markets. The Africa Facility develops financial value creation plans outlining how the business will grow and enhance their profitability and impact in the African market. IFU follows up on these plans by participating on the boards of the investee companies.
Outcome	<p>The Africa Facility support the growth in businesses in Africa fuelled by increase in capital from IFU and the Danish private sectors, results in improved working conditions and economic growth, reduced inequality, increased climate action, and enhanced gender equality. The impact is represented through IFU’s two overarching impact priorities: contributing to creating a green economy and a fair and inclusive economy.</p> <p>The Danish-African partnerships supported by the Africa Facility will produce deep, long-lasting development impacts in Africa. They will facilitate the transfer of knowledge, technology and know-how to African businesses, nurturing new business and worker skills, while creating the conditions for increased investments and overall improvements in the productivity and competitiveness of African businesses in local, regional and global markets.</p> <p>The Africa Facility will contribute to strengthening the Danish-Africa investment ecosystem. It will complement and support the other Danish investment agencies and instruments supporting Africa’s social and economic development, and its green transition.</p>
Mobilisation	The Africa Facility facilitates private Danish companies and investors to commit to engaging in African countries. The facility will increase Danish businesses direct and indirect exposure to Africa and reduce the information gap, encouraging further engagement in Africa. Thereby, mobilising more Danish private capital into Africa.

3.3 Assumptions

The Theory of Change assumes that the lack of financing in African markets is a major barrier to economic growth, employment development and a green transition. The model further assumes the following:

- The market barriers identified in Section 2.1.1 (e.g., perceived risk, lack of knowledge and experience with local partners, need for networks and experience) can be overcome through tailored information, advisory services and risk-mitigating capital provided by the Africa Facility and IFU.
- Commercial Danish-African partnerships are profitable and sustainable, but currently lack sufficient market funding that the Africa Facility can mobilise through IFU, connecting

with Danish companies and investors and identifying suitable opportunities with input and support from other entities (e.g., Danish business membership organisations).

- The political, regulatory and macroeconomic conditions of African markets allow investments by development finance institutions, such as IFU.
- Investee companies and projects are willing and capable of executing their impact and value-creation plans, and positive returns can be realised despite the inherent risks linked with investing in developing markets.
- Danish companies that adhere to international ESG standards will generate stronger, long-term development impact as they implement projects aligned with IFU’s sustainability goals, particularly in areas related to climate mitigation, adaptation, and circular economy practices.
- Achieving positive financial returns is feasible, despite the risks associated with investing in African markets, if there is a well-defined balance between financial sustainability and impact objectives.

It is recognised that some of these assumptions may only be partially met initially, with varying degrees of fulfilment over time. IFU will document, track, and reassess these assumptions throughout the investment cycle to ensure ongoing alignment with its impact goals.

4 Results framework

The results framework aligns with the overall IFU results framework, with the added stipulation that the capital should be invested in Danish-African partnerships. Following the approval of the capital contribution in 2024, a comprehensive results framework encompassing all IFU was also approved. This framework includes, among others, the investment KPIs (see Table 5 below) established for IFU in its ownership document, along with additional indicators and targets for IFU’s investments.

Table 5: Impact priorities as defined in the ownership document

Priority	Key performance indicators for investments	Target	Results 2023
Climate	At least 50% investments have to qualify as climate investment	50%	75%
Africa	At least 50% of investments have to be in Africa	50%	46%
Poor and fragile countries	At least 30% of investments have to be in countries with GNI below 50% of the World Bank’s definition of lower income countries or which appear on the World Bank’s list of fragile or conflict-affected situations	30%	22%

The key performance indicators count as IFU’s total qualifying investments (i.e., investments from IFU’s own account + loans using state on-lending + SDG funds) in relation to all investments from IFU’s own account (including IFU’s participation in loans using on-lending and SDG funds).

The overall IFU results framework is included in Annex 3.

IFU’s ownership KPIs and many of the targets set in the overall IFU results framework are set relative to IFU’s investment volumes and use of its capital. The capital in the Africa Facility will increase IFU’s total investment volume and use of its own capital; therefore, the capital for both investment ownership KPIs and many results framework indicators will also increase. For example, the Africa Facility will contribute with DKK ~175 million to IFU’s 50% target for climate

investments. Similarly, the facility will influence IFU’s targets for Africa²², gender (or 2X) investment, and net zero pathways.

The investments in the Africa Facility will also contribute to the result framework indicators with fixed targets (e.g., GWh green energy produced, jobs and taxes paid). However, as the facility will make up less than two per cent of IFU’s total volume of new investments towards 2030, excluding guarantees and concessional financing, the targets for these indicators will not be adjusted. In addition to being governed by and contributing to the overall IFU results framework, the Africa Facility will apply specific indicators to measure the output and outcomes of its investments, including the IIV investments.

The results framework builds on IFU’s monitoring of individual investments. The targets reflect an expectation for the results of the aggregated Africa Facility investment portfolio. It is not possible ex-ante to predict the exact composition of the portfolio across the investment period. IFU will adapt to the market needs and demands for the Africa Facility, and pursue the investments that best deliver on the impact priorities and targets. These factors may have an impact on the realisation of projected targets in the results framework. The reviews foreseen over the investment period will take account of these developments and reflect lessons-learned.

The results framework for the facility can be found below.

Programme Title	Africa Facility
Objective	Economic growth, employment creation, and development in Africa through a strengthened Danish engagement with African countries. IFU impact priorities: <ul style="list-style-type: none"> - Supporting the building of just and inclusive economies, focusing on poverty alleviation, gender equality, and job creation in the most vulnerable communities. - Fostering green economies through investments in climate mitigation, adaptation projects, and sustainable infrastructure, particularly in regions most affected by climate change.
Impact indicators	Enhanced regional and local socio-economic development in African countries through increased, sustainable commercial partnerships between African and Danish businesses, contributing to job creation, business growth, and alignment with the UN SDGs.

Priorities	IFU development policy priorities
Priority 1 - Africa	Share of new investments in Africa
Measured on:	a) Percentage share of investments contracted
Target:	a) 100%
Priority 2 – Poor & Fragile	Share of investments in poorer countries (GNI per capita below 50% of the definition of Lower Middle-Income Countries as well as all LDCs) and fragile and conflict-affected situations
Target:	No target for Africa Facility
Priority 3 - Climate	Share of new direct investment volume qualifying as climate finance
Measured on:	a) Share of investments relative to total investments
Target:	a) 25%

Outcome 1	Increased employment creation and economic growth in Africa through a strengthened Danish engagement with African businesses.
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²² One hundred per cent (100%) of the funds under the Africa Facility will be invested in Africa.

Outcome indicator 1.1	Number of direct and indirect employees (FTEs) in all investments.
Measure on:	Number of direct and indirect employees (FTEs) in all investments.
Baseline:	0
Target	<ul style="list-style-type: none"> - 1200 direct jobs (jobs directly on the payroll of investees) - 22.000 indirect jobs (jobs supported as result of investment in investee)²³
Outcome indicator 1.2	Share of Africa Facility portfolio companies with increased business activity
Measure on:	Share of Africa Facility portfolio companies with increased business activity measured as increase in revenue after investment (to measure how we expand Danish business interest in Africa).
Baseline (2025):	0%
Target	80%

Output 1	Africa Facility investments materialise
Output indicator 1.1	<ul style="list-style-type: none"> a) Number of investments of an approximate minimum ticket-size of DKK 25 million made. b) Number of IIV investments with an approximate minimum ticket-size of DKK 15 million made. c) Share of investments in African-Danish partnerships
Baseline (2025):	<ul style="list-style-type: none"> a) N/A b) N/A c) N/A
Targets	<ul style="list-style-type: none"> a) One to three investments annually – total approximately 6-8 investments b) One to two investments annually – total of approximately 6-8 investments c) 100%

Outcome 2	Rise in Danish business awareness, interest and interaction with African markets and opportunities
Outcome indicator 2.1	Change in awareness of IFU Africa Facility and other Danish support for investing in Africa.
Measure on:	<p>Under the framework of the Africa Strategy, IFU, jointly with EIFO, Danish BMOs, the Danish MFA and other stakeholders, aim to raise communication efforts vis-à-vis Danish stakeholders. IFU will engage with other stakeholders to track and measure this outcome jointly.</p> <p>Two surveys will be conducted by an independent survey company assessing Danish business community awareness of the offerings of the Africa Facility and other relevant Danish support for investing in Africa.</p>
Baseline:	A baseline survey will be conducted end-2025.
Target	<p>Survey 1 end-2027 with indicators related to increased awareness for possibilities of African-Danish commercial partnerships that are within IFU's sphere of influence. Including:</p> <ul style="list-style-type: none"> - 20% of Danish companies who have current engagements in EMDEs (or concrete investment plans in EMDEs) are aware of the IFUs offering towards Danish companies incl. Africa Facility.

²³ This indicator estimates the number of full-time equivalent (FTE) jobs created or sustained indirectly as a result of IFU's investments. These are jobs not on the payroll of IFU's investees but generated in their value chains, including suppliers, service providers, distributors, and contractors. These jobs arise due to the investees' business activities, expansion, and procurement demands, and are typically calculated using economic modelling or employment multipliers. Upstream: Jobs at suppliers of goods and services to IFU-supported companies (e.g., raw materials, packaging, transport) Downstream: Jobs in the distribution, retail, or servicing of the company's products (e.g., last-mile agents, logistics staff)

	Survey 2 end-2028 with indicators related to increased awareness for possibilities of African-Danish commercial partnerships that are within IFU's sphere of influence. Including: - 40% of Danish companies who have current engagements in EMDEs (or concrete investments plans in EMDEs) are aware of IFU's offering towards Danish companies incl. Africa Facility.
Outcome indicator 2.2	Level of awareness of Trade Council clients in Africa
Measure on:	Change in the awareness of Danish companies that are clients of the Trade Councils in Africa regarding their knowledge of the Africa Facility. MFA will circulate a template reporting matrix for the Trade Councils in Africa to complete and submit in December each year.
Baseline:	A baseline survey will be conducted end-2025.
Target	Survey 1 end-2027: 20% of the Trade Council Africa clients are aware of IFU's offering towards Danish companies incl. Africa Facility. Survey 2 end-2028: 40% of Trade Council Africa clients are aware of IFU's offering towards Danish companies incl. Africa Facility.

Evaluation of engaging Danish businesses in partnerships with Africa. In addition to monitoring the above indicators, an independent evaluation of the Africa Facility will be conducted to assess its performance, impact, and strategic value over the implementation period (2025–2030).

The evaluation will focus on the Facility's contribution to sustainable development in African countries through commercial partnerships with Danish businesses. Further, it will examine the effectiveness of the Facility's flexible investment mechanism and promotion efforts to enhance the attractiveness of Danish businesses engaging on the continent. This can be measured through e.g., volume and quality of proposals and pipeline and attention to subject of Danish economic interest. This is essential to ensure accountability, inform future Danish development cooperation, and refine approaches to mobilising private sector resources for inclusive growth in Africa.

5 Inputs and budget

The overall commitment budget is DKK 350 million over four years, divided into investment capital and budgets for technical assistance, administration, reviews and studies as well as awareness. The administration, reporting and auditing of the appropriation will follow the MFA's Aid Management Guidelines (AMG) and Financial Management Guidelines (FMG). The investment capital will be given as a capital contribution.

YEAR / (DKK million) * & **	2025	2026	2027	2028	Total
IFU Investment capital	80	50	50	20	200
IIV investment capital	10	40	40	25	115
Technical assistance***	5	5	5	3	18
Promotion and communication****	4	3	3		10
Administration	1	1	1	1	4
Reviews and studies (managed by MFA)		1	1	1	3
Total	100	100	100	50	350

**A standard MFA approach to grantees will be applied, distinguishing between commitment budgets and disbursements.*

*** It is only the budget for 2025 that is approved in the Finance Act. The remaining budget of DKK 250 million is subject to legislative yearly appropriation of the Danish Finance Act.*

**** Technical Assistance provided to investee companies. It must follow the volume of the investment budget*

***** Promotion and communication efforts are frontloaded to enable 1) research and market analysis to become foundation for investment sourcing in full investment period and 2) widespread awareness of the offering towards Danish companies early in the investment period.*

DKK 3 million will be allocated for reviews and studies, including lessons learned from models for facilitating partnerships and engaging Danish businesses on the African continent.

6 Institutional and management arrangements

6.1 Management arrangements

The Africa Facility will be fully integrated in the overall MFA/IFU management arrangements that have been defined in detail in the IFU Capital Contribution document from October 2024. Table 6 below provides a brief overview of management arrangements.

Table 6: A structured dialogue between IFU and MFA

Coordination Forum	Frequency
Meeting the Minister	Yearly
Presentation to the Council for Development Policy	Yearly
Coordination meetings - IFU Chairmanship and MFA State Secretary	Bi-annually
Coordination meetings between IFU management and KLIMA management	Quarterly
IFU Board meeting with representative from KLIMA as observer	Quarterly
MFA representative in Investment committee (Guarantees and DSIF)	Ad-hoc basis
Day-to-day coordination	Ad-hoc basis

6.2 Organisational development

With the new capital contribution and IFU's strategic plan for 2024-2026, IFU has significantly boosted its delivery capacity and anticipates investing more than DKK 2.5 billion in 2025 and exceeding DKK 4 billion in 2030. And as previously stated, IFU will open offices in Lagos and Johannesburg in 2025 to enhance its African engagement. At the management level, IFU has established a new senior team that is well-positioned to implement reforms within IFU and will also prioritise advancing the Africa Facility. The new strategic plan for 2024 to 2026 comprises of four key areas:

1. Organisation, values and culture.
2. Communications.
3. Data and technology.
4. Governance, risk and compliance.

In each of these four areas, gaps that need to be closed have been identified, and detailed plans with specific initiatives have been established to set the direction for the necessary efforts. Strengthening the organisation, values, and culture revolves around growing IFU as a whole.

The strategic plan also includes enhancing the capability of its staff, particularly on the African continent. In 2024, IFU expanded its workforce by 25 employees and plans to hire more than 40 additional staff in 2025. IFU aims to doubling its size by 2030, from approximately 110 at the end of 2023 to between 185 and 225 FTEs. Growth is planned both at the Copenhagen headquarters

and in IFU's regional offices. Generally, the staffing at the regional offices is expected to grow in relative size compared to Copenhagen.

A key focus for growth is building the right competencies within IFU, both through the development of existing employees and recruitment. Maintaining IFU's culture during a period of rapid growth is essential to ensure coherence within the organisation. To support this, IFU has recently conducted a review of its organisational culture. The review confirmed a strong and positive culture and served as the starting point for updating IFU's core values statement, which reflects how IFU should operate to fulfil its ambitions on the journey ahead.

A new central operations unit was launched in 2023, boosting capacity by centralising selected tasks in the investment process. The work will ensure that IFU can meet the reporting requirements set by the new EU regulations, such as the Sustainable Finance Disclosure Regulation and CSRD, and further build IFU's position as a leading impact investor.

Core to IFU performance and achieving the impact priorities set is that IFU across the organisation builds an understanding of development challenges and how to address these to maximise the impact of the IFU investments. For each investment, an investment team is formed consisting of staff from amongst the four sector verticals, the legal department, the financial department and the sustainability team. The representative from the sustainability team will ensure that the investments live up to ESG standards and that a proper results framework is put in place. The sustainability team has been growing, and IFU will continue to ensure that sufficient resources are in place in the sustainability team as the investment portfolio continues to grow. IFU's Sustainability Advisory Board meets to provide advice and insights on relevant and important sustainability issues, relevant for IFU's business. The Sustainability Advisory Board supports IFU in staying informed on the global sustainability agenda, including issues relevant to international organisations, non-government organisations and local community groups.

Africa Facility implementation capacity

IFU will commit to delivering the Africa Facility by allocating relevant resources across the organisation, benefiting from IFU's growing presence and staff in Africa. The successful organisational delivery model for the Ukraine Facility will serve as inspiration for the Africa Facility. The main accountability for delivery is anchored at the senior level in Copenhagen while leveraging the broad sector expertise and country context across the investment organisation.

The Africa Facility investments will cover all IFU's core focus and adjacent sectors, and investment professionals from all IFU's four sector verticals will support the investments. As with other facilities (i.e., SDG Fund, Green Future Fund and India Climate Finance Initiative), IFU will set annual investment targets and review progress frequently. IFU finds this approach optimal for delivering on the investment budgets of individual facilities and maintaining a unified investment process.

The Africa Facility investments made under IFU Impact Ventures, will follow the processes and organisational design of Impact Ventures. IIV deploys a simplified process whereby a high-level, light-touch Theory of Change is developed for each investment, with indicators and targets established and mutually agreed on with investee companies.

With regards to organisation, the IIV team will be responsible for delivering the investments of the Africa Facility allocation to IIV, through the existing staff across Africa and Denmark, and with an anticipated additional staff member supporting the Africa Facility implementation. The IIV team has significant expertise and experience with both SME and venture- and venture-like investments – including on the African continent.

Communication

IFU is improving its communication to create greater awareness of IFU both domestically among Danish companies and investors and in African markets. Proactive communication and increased engagement in public debate will help form a clear profile for IFU and raise awareness around IFU's activities and how they create impact. A clearer position will also aid requirements and awareness among potential investment partners. IFU's communication organisation will support the facility's external promotion by targeting stakeholders in Denmark. IFU's management will also support external engagement activities, including prioritising joint engagements with business organisations to mobilise Danish companies. In addition, IFU will take proactive steps to engage directly with Danish companies to inform them of the opportunities created by the Africa Facility. The Africa Facility will link with other relevant organisations supporting Danish investments in Africa, such as Danish business membership organisations, EIFO and the Trade Council.

6.3 Monitoring and reviews

An **inception review** of the Africa Facility will occur in Q1 2027. Based on its findings, the review will recommend budget adjustments, if required, for the subsequent years (i.e., 2027-28) in light of progress and pipeline build-up. The review scope and assessment will reflect the short time frame from the first funding instalment to the time of the review. Given the time lag from investment to materialised impact, the review will put significant weight on the ability to build pipeline, awareness and partnerships that support future effective deployment of the Africa Facility.

The inception review will evaluate the facility's performance with a focus on, amongst other:

1. The ticket size. Is the minimum ticket size of DKK 25 million for the more mature business cases appropriate for engaging the Danish stakeholders.
2. The interplay with the IIV investments. The market demand and pipeline potential for the two ticket sizes will be assessed allowing for the subsequent years' allocation of funds to IIV to be adjusted.
3. The target group, including the types of projects pursued, and whether this should be adjusted.
4. The organisational anchoring of the Africa Facility in IFU and whether this supports the implementation of the Africa Facility.

The inception review will gather input from relevant stakeholders (e.g., IFU investees, Danish business membership organisations, Danish investors, Trade Councils, and other organisations regarding the relevance and effectiveness of the program). The MFA will commission additional reviews, including financial reviews, if found relevant and necessary.

6.4 Fraud, anti-corruption and ethical behaviour

IFU has a solid anti-corruption policy and a newly established Business Integrity function to operationalise its policies in its investments. IFU has passed and been approved by the EU's Pillar Assessment consisting of a comprehensive analysis of the business procedures, purchase and control procedures and financial instruments. Anti-corruption is a standard aspect of the Clearance in Principle (CIP) format. Upon suspicion or awareness of specific cases of corruption involving staff members and/or implementing partners in programmes and projects, IFU is obliged to notify MFA in accordance with MFA's Anti-Corruption Policy ("Zero tolerance"). No offer, payment, consideration or benefit of any kind, which could be regarded as an illegal or corrupt practice, shall be made, promised, sought or accepted – neither directly nor indirectly – as an inducement or

reward in relation to activities funded under this agreement, including tendering, award or execution of contracts.

IFU and investees that receive MFA grants, either directly or indirectly, must comply with local laws and applicable international instruments, including the UN Convention on the Rights of the Child and International Labour Organisation Conventions. Additionally, all participating partners must possess an approved ethical code that includes stipulations against sexual abuse, among other concerns. IFU will ensure that funds are spent in accordance with IFU policies including its procurement policies.

7 Financial management, planning and reporting

7.1 Financial management, accounting and audits

The administration, reporting and auditing of the appropriation will follow the MFA's AMG and FMG. According to *Vejledning for håndtering af kapitalindskud fra Udenrigsministeriet til IFU*, the MFA contribution to the Africa Facility's investment capital will be earmarked capital contribution. Financial reporting follows IFU's overall financial reporting to the Ministry of Foreign Affairs, reflecting the use of the funds. The capital contribution will be audited as part of the overall audit of IFU accounts. IFU will invest the capital contribution in accordance with its investment mandate and procedures. Reflow of funds from the investments and interests accrued from programme funds, will be integrated as part of IFU's capital and general business activities in line with its overall investment mandate. Based on recommendation from the IFU Board of Directors, the Minister appoints an audit company with international experience, which audits the annual account in accordance with Danish and international audit standards in agreement with the Auditor General (*Rigsrevisionen*). The budget for technical assistance, promotion and communication as well as administration will be provided as a grant and IFU must submit financial reports and audits according to AMG and FMG.

Beyond the regular oversight mechanisms, MFA carries out on a regular basis financial monitoring visits (*tilsynsbesøg*) to go through and assess systems and procedures established.

7.2 Disbursements

MFA will disburse to IFU annually based on a) audited financial accounts from the preceding year b) disbursement, pipeline and liquidity need projections for the coming year and c) if relevant, guidance from the strategic dialogue meetings between MFA and IFU. In accordance with MFA's standard approach to disbursing grants, MFA will ensure that new capital and grants is disbursed to cover actual liquidity needs and that liquidity does not accumulate in the organisation.

7.3 Reporting

IFU will publicly report on the Africa Facility operations and results in the IFU Annual Report. Furthermore, IFU will submit an Annual Progress Report to MFA, which, among other things, presents the results, achievements, challenges, and opportunities of implementing the Africa Facility. The Annual Progress Report will also present an overview of spending on the budget lines, including investments, technical assistance, and awareness, as well as projections for the upcoming year.

8 Risk Management

IFU has and will further enhanced risk management arrangements, as a consequence of the reform processes and the sharp investment increase since the 2024 capitalisation. The Africa Facility mandate further stresses the importance of risk management within IFU.

The major **contextual risks** are related to investing and doing business in Africa. This includes the risks of a macroeconomic downturn across African markets, currency fluctuations, and political unrest, conflicts and wars. These risks are often foremost in the minds of Danish companies and investors. IFU has sound and long-term experience in working in these markets and has incorporated these assessments across its portfolio and with each project. Indeed, one of the major benefits of locating the Africa Facility within IFU is to draw on its experience and competencies in this field. The major **programmatic risk** is the ability to identify projects of sufficient quality in sufficient numbers. Developing stronger networks on the ground, finding partners, cooperating with peers, including other DFIs – working with the advisory group and actively promoting of the facility. The survey and consultation with African and Danish companies noted a number of constraints, including ticket size and cost of finance, that might depress demand.

The major **institutional risk** is that IFU does not allocate sufficient resources to the Africa facility, including supportive functions in the organization. Active ownership with regular consultations between IFU and MFA, engagement with the Advisory Group, and placing responsibility for the Africa Facility at the vice president level contributes to mitigating this. The smaller ticket size on offer and the need for active promotion of the facility will require resources while IFU is under a programme of rapid expansion due to the recent capital contribution increase. IFU must ensure to allocate relevant resources at the right level to promotion, sourcing and implementation of the Africa Facility – and to draw on expertise and relevant support from stakeholders and the Africa Advisory Group in implementing the Africa Facility.

Governance, risk and compliance are issues of growing importance, as IFU expands its lending activity using on-lending and begin managing DSIF's lending. This will demand improved risk assessment and monitoring capabilities. IFU is strengthening its risk management framework and policies, expanding risk assessment capacity and risk and compliance functions. This will allow IFU to maintain high standards for risk management while activity levels increase. IFU will develop a new strategic plan during 2026, which will set the direction for IFU for the remainder of the reform period towards 2030.

9 Closure and sustainability

The Africa Facility will be incorporated into IFU's overall operations. Thus, the Africa Facility will enable IFU to build a portfolio of investments in long-term sustainable Danish-African partnerships. IFU will continue to monitor the impact of the Africa facility, through a) Continued monitoring and reporting on the involvement of Danish investments and company partnerships in Africa. And b) following the activities of the MFA-managed Africa Advisory Group, which will include IFU and representatives of the Danish business community.

As indicated previously, the sustainability of IFU investments through the Africa Facility will be ensured beyond the closure of the programme due to IFU's reliance on thoughtful investment choices, proactive ownership and responsible exits. The Africa Facility investments will rely on expert underwriting, meticulous structuring, thorough data analysis, and effective risk assessment.

IFU's policies and operational methods support meticulous due diligence, impact assessment, and hands-on management, which lead to long-term sustainable outcomes.

An End-of-Programme Evaluation will be conducted in 2030 at the closure of the programme to report on the results of the Africa Facility, identify lessons learned and recommend actions that IFU and MFA can undertake to sustain and expand the long-term involvement of Danish companies in African partnerships.

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Annex 1. Context Analysis

Overall development challenges, opportunities and risks

Africa is projected to grow at three per cent in 2024, up from 2.4 per cent in 2023.²⁴ By 2050, nearly a quarter of the global workforce will reside on the continent, underscoring its strategic importance for long-term investment. The Government of Denmark has prioritised Africa through its new strategy, emphasising trade, investment, and partnerships to address global challenges like climate change and poverty. This aligns with broader international efforts, including the World Bank's focus on sustainable development and infrastructure.

Africa's investment landscape has shown resilience amid global economic challenges, with notable growth in foreign direct investment (FDI) and climate-focused capital. In 2023, FDI inflows dipped slightly to \$53 billion, driven by declines in Egypt and South Africa, though greenfield projects in renewable energy surged.²⁵ The clean energy sector attracted significant interest, including a US\$34 billion green hydrogen project in Mauritania and a US\$6.4 billion electric vehicle battery facility in Morocco.²⁶

By 2024, FDI rebounded sharply to a record US\$94 billion, an 85 per cent year-on-year increase, defying an eight per cent global decline.²⁷ Sub-Saharan Africa saw an 18 per cent rise to US\$44 billion, reflecting steady growth in infrastructure and resource sectors.²⁸ However, private capital activity faced headwinds in 2024, with deal values dropping to US\$1.9 billion amid global uncertainty.²⁹ Climate finance rose 48 per cent from 2019–2022, reaching US\$43.7 billion annually, though this still meets only 23 per cent of Africa's needs for Nationally Determined Contributions. International sources provided 87 per cent of climate funding, underscoring domestic capital mobilisation challenges.

Nine out of ten African jobs are created in the private sector. As African businesses grow and become more profitable, they contribute more to local tax bases, potentially improving public services and welfare. Commercial investments in Africa can increase export earnings for African countries, bolstering their economies while catalysing additional investments. Private investments often attract further private investments, amplifying the impact of the initial investment. Thus, investments can leverage additional funds from domestic and international sources, increasing the size and impact of the project.

Investing in African markets presents challenges due to a range of interconnected issues. These include inadequate infrastructure, lack of capital, complex regulations, and political risks. To overcome these hurdles, it is essential to coordinate efforts through public-private partnerships, regulatory reforms, and targeted investments. Without these systemic improvements, Africa's economic potential will remain limited, hindering its ability to attract sustainable investments and promote inclusive growth.

24 World Bank (2024) [The World Bank in Africa](#), 15 October

25 United Nations Trade and Development Conference (2024) [World Investment Report 2024: Regional Trends Africa](#), UNTAD, Geneva

26 <https://unctad.org/news/africa-foreign-investment-clean-energy-boosts-sustainability-momentum>

27 Egypt dominated with US\$35 billion, mainly due to ADQ's US\$24 billion Ras El-Hekma development, while North Africa's inflows surged 276 per cent to US\$51 billion.

28 DABA (2024) [Foreign Direct Investment Flows to Africa Hit Record \\$94B in 2024](#)

29 AVCA (2024) [Private Capital Activity in Africa](#)

The demand for strategic investments and partnerships

Danish investment and commercial partnerships can contribute to several strategic development themes and sectors in Africa. These are briefly presented below.

Green Energy and Infrastructure in Africa

Africa's transition to green energy and resilient infrastructure is critical for addressing systemic challenges and unlocking sustainable development. With 600 million people lacking electricity and 800 million relying on harmful biomass for cooking, the continent faces urgent energy poverty that stifles economic growth, exacerbates health risks, and deepens gender inequality.³⁰

To align with the Paris Agreement, investments must prioritise Africa's abundant renewable resources. While large-scale projects demonstrate the potential of utility-scale solutions, decentralised systems—such as off-grid solar home solutions and mini-grids—are equally vital for rural electrification, where grid expansion is impractical.

Water scarcity affects 40 per cent of Sub-Saharan Africa, and climate change intensifies droughts and flooding. Solutions like solar-powered desalination and wastewater reuse can enhance access to clean water while reducing pressure on freshwater sources. Projects integrating IoT sensors, like solar pumps mapping groundwater reserves, enable data-driven management to prevent over-extraction.³¹

Rapid urbanisation demands waste recycling and sanitation infrastructure investments to address pollution and health crises. Circular business models—such as converting organic waste to biogas or repurposing plastics—can create local jobs while mitigating environmental degradation. Similarly, improving energy efficiency remains the most cost-effective decarbonisation strategy. Retrofitting buildings, upgrading industrial processes, and promoting efficient appliances can reduce energy demand while freeing resources for renewable expansion. Thus, Africa's green transition hinges on scaling renewable energy, innovating water management, and adopting circular economy principles. By prioritising these areas, Danish investments and commercial partnerships with African firms can catalyse climate-resilient growth, reduce inequality, and position Africa as a leader in sustainable development.

Financial services in Africa

Africa is home to a significant share of the world's 1.7 billion unbanked population, with over 400 million adults lacking access to formal financial services. Micro, small, and medium enterprises (MSMEs)—which employ 80 per cent of Africa's workforce and drive economic growth—face persistent barriers to financing, stifling their potential to scale and adopt sustainable practices.³²

Africa leads globally in mobile money adoption, with 33 per cent of adults in Sub-Saharan Africa using mobile money accounts compared to ten per cent worldwide. Platforms like Kenya's M-PESA have revolutionised financial access, enabling savings, loans, and digital payments for underserved populations. However, challenges persist: only 55 per cent of African adults have

30 Shonibare, W. 2024, [‘The Critical Need for Energy Access in Africa: A Roadmap to Prosperity’](#), *African Development Bank*.

31 Elliott, T. and Godoy, T. (2020) [“High-tech solar pumps and big data could help Africa manage its water”](#), *World Economic Forum*.

32 African Development Bank Group: [Africa Digital Financial Inclusion Facility](#).

formal accounts, and a 12-percentage-point gender gap persists, driven by unequal access to mobile phones and digital literacy.³³

MSMEs are critical to Africa's green transition and climate resilience. Microfinance, particularly for women—who comprise most microfinance clients—enhances livelihood opportunities and strengthens resilience through savings and small loans. While digital financial services (DFS) reduce costs and expand outreach, cybersecurity threats like SIM-swap fraud and ransomware cost Africa US\$4 billion annually.³⁴ Collaborative efforts to integrate security into DFS design are vital to building trust. Thus, Africa's financial inclusion journey hinges on bridging the digital divide, empowering women-led MSMEs, and embedding cybersecurity in DFS. By prioritising these areas, Danish investments and partnerships can catalyse inclusive growth, job creation, and climate resilience across the continent.

Sustainable food systems

Food security is a critical challenge in Africa, where one in five people face hunger due to climate change, conflicts, and economic downturns. With a rapidly growing population, addressing food insecurity requires sustainable solutions that balance increased food production with environmental conservation. Africa's agricultural sector contributes significantly to greenhouse gas (GHG) emissions, yet it holds immense potential for transformation. Investments in climate-smart agriculture, such as drought-resistant crops, efficient irrigation systems, and agroecological practices, can enhance productivity while reducing emissions. Agroecology integrates socio-ecological principles to restore degraded lands, improve soil health, and boost biodiversity. These approaches empower smallholder farmers—who produce 80% of Africa's food—by reducing reliance on external inputs and fostering resilience. Smallholder farmers face challenges like low yields and limited access to markets and infrastructure. Supporting these farmers through fair trade initiatives, access to finance, modern technologies, and capacity-building programs can increase productivity and improve livelihoods. Empowering women and youth within the agricultural value chain is vital for sustainable growth.

Food waste is another pressing issue. In Africa, most waste occurs due to inadequate storage and distribution systems. Investments in food waste management can alleviate pressure on land resources and reduce GHG emissions. Territorial markets—localised food systems—offer a promising solution by connecting producers directly to consumers. These markets foster inclusivity for small-scale farmers and promote culturally relevant diets while reducing intermediaries.

Thus, transforming Africa's food systems through sustainable practices is essential for achieving food security and environmental sustainability. Danish companies can help African partners prioritise climate-smart farming, empower smallholders, reduce food waste, and leverage territorial markets. Africa can build resilient food systems that meet its growing needs while preserving its natural resources.

Healthcare in Africa

Africa faces profound health challenges that hinder economic growth and perpetuate inequality. Over 400 million Africans lack access to essential healthcare, with high out-of-pocket expenses

33 FinDevGateway: *Financial Inclusion in Sub-Saharan Africa*. CGAP.

34 Anthony, A., N. Sambuli and L. Sharma (2024) *Security and Trust in Africa's Digital Financial Inclusion Landscape. Africa leads the world in mobile money adoption while cyber-attacks and fraud are rising. How are new efforts faring to increase security and trust in digital financial inclusion?* Carnegie Endowment for International Peace.

pushing 150 million people into poverty annually. These costs disproportionately affect low-income households, rural communities, and women, exacerbating disparities in maternal and child health outcomes.³⁵ Efforts to expand Universal Health Coverage (UHC) are gaining momentum, with countries like Ghana, Kenya and Morocco implementing national health insurance schemes to reduce financial barriers. However, progress remains uneven.

Danish investments are bridging critical gaps in healthcare infrastructure. For example, the DKK 60 million investment in Hospital Holdings Investment supports new hospitals and clinics in East and Southern Africa, aiming to serve 1.8 million patients annually by expanding from one hospital to five and clinics from 35 to 52. Similarly, €21 million invested in Morocco's *Oncologie et Diagnostic du Maroc* enhances cancer care accessibility, aligning with Morocco's goal of universal health coverage. These projects prioritise underserved regions, reducing reliance on overburdened public systems.

Noncommunicable diseases like diabetes and cancer now account for 37 per cent of deaths in Africa, yet treatment options remain limited. Strengthening primary healthcare systems with diagnostic technologies (e.g., AI-driven tools) and local pharmaceutical production can improve early detection and access to medicines.³⁶ Digital innovations and mobile health apps are bridging gaps in rural healthcare access and improving efficiency by up to 15 per cent. Targeted initiatives—including maternal health programs, chronic disease management, and outreach to underserved regions—are vital for reducing inequality. Supporting patient affordability programs and decentralised care models ensures vulnerable populations benefit from advancements.

Investing in Africa's healthcare necessitates a dual approach to enhance universal healthcare frameworks and address noncommunicable diseases through innovation. Emphasising equitable access, local manufacturing and workforce development enables healthcare systems to bolster economic resilience and save lives. Danish investments can play a crucial role in reshaping Africa's healthcare environment. By funding infrastructure, integrating with insurance systems, addressing NCDs, and encouraging Danish-African partnerships, these initiatives will not only enhance health outcomes but also promote economic growth and job creation. A sustained emphasis on equitable access and technology adoption will further amplify these efforts, ensuring healthcare systems effectively cater to Africa's swiftly expanding population.

Difficulties in the African business and investment environment

Interconnected challenges mark Africa's business environment and investment climate, from infrastructural deficits and capital scarcity to regulatory complexity and political risks. While opportunities exist in growing consumer markets and technological innovation, addressing these barriers requires coordinated efforts—public-private partnerships, regulatory reforms and targeted investments in infrastructure and education. Without systemic improvements, the continent's economic potential will remain constrained, limiting its ability to attract sustainable investment and achieve inclusive growth.

- **Infrastructure deficits.** Africa's infrastructure gaps remain a primary barrier to business operations and investment. Only 38 per cent of the population has reliable electricity access, and only 25 per cent of roads are paved, leading to logistical bottlenecks and increased costs for goods distribution. Unreliable power supplies force businesses to rely

35 WHO Regional Office for Africa (2022) *UHC Day: High health-care costs in Africa continue to push over 150 million into poverty: new WHO report*, WHO.

36 IQVIA (2025) "*Transforming Healthcare in Africa: Key Trends for 2025*", IQVIA.

on expensive alternatives like generators, which inflate operational expenses. Inadequate transportation networks, including ports and railways, add 30 to 40 per cent to trade costs between African nations, stifling intra-regional commerce. These deficiencies deter foreign direct investment (FDI) and limit scalability for local enterprises.³⁷

- **Access to capital and financial constraints.** Securing funding is a persistent challenge, with traditional banks imposing strict credit requirements and high interest rates, particularly for small and medium-sized enterprises (SMEs). Venture capital remains scarce, pushing entrepreneurs to rely on personal savings or informal lenders. African governments also struggle with debt burdens, paying four times more for borrowing than the U.S. and eight times more than Europe, limiting fiscal space for public investments.³⁸
- **Regulatory and bureaucratic hurdles.** Complex regulatory environments hinder business formation and expansion across most of Africa. Lengthy processes for company registration, permits, and tax compliance disproportionately affect SMEs with limited resources. Inconsistent regulations across African countries create trade barriers, while corruption and bureaucratic red tape escalate costs and erode investor confidence. Africa's low rankings in the former Ease of Doing Business Index reflect systemic challenges in enforcing contracts, protecting investors, and navigating administrative inefficiencies.³⁹
- **Political and economic volatility.** Political instability in several nations introduces unpredictability for investors, with sudden policy shifts or governance changes disrupting operations.⁴⁰ Economic volatility, including currency fluctuations and inflation, further compounds risks. For example, high interest rates and inflation in 2024 have slowed private equity inflows, exacerbating capital shortages.⁴¹ These factors deter long-term commitments, particularly in sectors requiring stable regulatory frameworks.
- **Skills shortages and workforce challenges.** A mismatch between workforce skills and industry needs limits innovation and productivity. Inadequate access to quality education and vocational training programs stifles the talent pipeline, particularly in technology and specialised sectors. Businesses face difficulties recruiting skilled personnel, forcing them to invest heavily in training or operate below capacity.
- **Market access and supply chain disruptions.** Saturated local markets and fragmented regional trade networks restrict growth opportunities. Poor infrastructure and regulatory complexity hinder cross-border commerce, while reliance on face-to-face interactions for trust-building complicates logistics in regions with underdeveloped transport systems. Supply chain inefficiencies, exacerbated by unreliable energy and communication networks, increase lead times and costs.
- **Corruption and governance issues.** Corruption remains a critical deterrent, inflating operational costs and undermining transparency. Bribery, lack of accountability in

37 United Nations (2025) *Economic development in Africa report: Unlocking Africa's trade potential: Boosting regional markets and reducing risks*. UNCTAD, Geneva.

38 United Nations (2025) *Economic development in Africa report: Unlocking Africa's trade potential: Boosting regional markets and reducing risks*. UNCTAD, Geneva.

39 AFSIC (2025) *Challenges Facing African Investment Strategies Now*.

40 AFSIC (2025) *Challenges Facing African Investment Strategies Now*.

41 Hawksford (2023) *The future of funds: Opportunities and challenges in the African market* (S. Page)

regulatory bodies, and weak governance frameworks erode trust in public institutions, discouraging foreign and domestic investment alike.⁴²

Extensive consultations were conducted with Danish companies that have been investing in Africa and those considering investments in Africa for the first time. Many of these companies have over 60 years of experience in Africa and have established deep and strategic partnerships with local companies. Companies like Mission Pharma have operated in Africa for over 50 years. Their investments include a factory in Zambia. They describe frequent requests by African companies to help bring their businesses to the next level and become more competitive through improvements in management systems and new technologies. These small brownfield developments demonstrate the potential for Danish companies to partner with African health companies. Other Danish companies described a progressive or phased approach to working with African partners, where projects develop over time, increasing from relatively small-scale engagements to larger, long-term partnerships.

Other Danish companies are investing in African food systems, establishing farms and fresh fruit processing factories for pineapple, mango, passion fruit and avocado across East Africa. These projects are part of a backward integration strategy where the Danish company secures the raw materials needed for its factories in the world while adding more products to its sales portfolio. These activities, says this company, “strengthen our sustainability strategy by creating jobs in some of the poorest parts of the world.”

Larger Danish companies, like Arla, also have a long history of working in African markets and promoting food security, which is a significant challenge across Africa. Arla has built state-of-the-art food production and processing facilities in northern Nigeria, while firms such as Aqua Aller have established production facilities in Algeria, Egypt and Zambia. It is currently looking for local partners in East Africa.

Many of these Danish companies have some understanding of IFU but have not always been successful in obtaining assistance because IFU’s minimum ticket size has been too large (i.e., DKK 75 to 100 million) or because the proposed projects have not been able to meet the broader requirements of IFU support. Many Danish companies spoke of the importance of much lower, smaller ticket size investment support that accommodated the progressive or phased approach described above.

Danish companies described IFU support as important when entering African markets. This is not only because of the risk mitigation that IFU financial instruments provide. It is also because IFU brings with it the official “badge” of the Danish government and can liaise with African country governments and other relevant market operators to enhance the credibility of Danish partnerships and projects. Support from the Trade Council is similarly important in this regard. IFU’s credibility in the development finance community is equally important and is considered as valuable by many Danish companies.

Despite the opportunities, Danish businesses face barriers in African markets, including regulatory complexity, political instability and underdeveloped infrastructure. Small and medium-sized Danish companies often struggle with market entry due to limited local networks and high

42 AFSIC (2025) *Challenges Facing African Investment Strategies Now*.

adaptation costs. The Danish companies consulted in the preparation of this Programme Document indicated that investing in Africa presents several challenges:⁴³

- **Diverse, complex markets.** Africa is diverse, consisting of 54 countries with unique economic conditions, regulatory frameworks, and cultural contexts. This diversity makes it challenging for Danish companies to navigate and identify suitable investment opportunities, as each market demands tailored strategies and approaches.
- **Perceived risk.** A substantial level of perceived risk is associated with investing in Africa. Numerous African countries undergo political volatility and economic uncertainty, which can dissuade potential investors. Worries regarding governance, corruption, and legal frameworks foster a risk-averse mindset among Danish firms.
- **Financing issues.** Access to financing is a significant obstacle. Many Danish companies find it difficult to secure loans and have described the terms offered by institutions like IFU as unfavourable, with high interest rates and complex equity requirements.
- **Time delays.** The pace of business operations in Africa is often slower than in other regions, leading to delays in project implementation. The phrase “this is Africa” reflects the understanding that processes take longer.
- **Corruption.** Widespread corruption poses a challenge, making it difficult for companies to navigate local business environments. This can lead to increased costs and complications in operations.
- **High costs.** The overall costs of doing business in Africa are high, including freight and trucking expenses. These elevated costs can diminish profitability.
- **Regulatory challenges.** Companies face complex regulatory environments with varying compliance requirements across different countries. This includes import restrictions and certification processes that can create barriers to entry.
- **Local authority issues.** Interactions with local authorities regarding registration and ongoing business operations can be cumbersome and fraught with challenges.
- **Market uncertainty.** Political risks, fluctuating currencies, and economic instability contribute to a sense of unpredictability in the investment landscape.
- **Limited support for SMEs.** Many small and medium-sized enterprises (SMEs) feel that the support offered by investment institutions like IFU is geared more toward larger companies, making it difficult for smaller players to engage.
- **Inadequate infrastructure.** In many African regions, inadequate infrastructure presents significant barriers for foreign investors, affecting logistics, supply chains, and overall business operations.
- **Lack of knowledge.** Many Danish companies lack sufficient knowledge about African markets, including consumer behaviour and local business practices. This gap can hinder their ability to make informed investment decisions.

43 Consultations were held from December 2024 to April 2025 in Copenhagen, Nairobi and online with business representative organisations such as Dansk Erhverv, Danish Agriculture and Food Council and the Danish Industry, as well as with various Trade Councils in Africa and directly with Danish companies that are investing in Africa or exploring local African partnerships.

- **Lack of experience with local partners.** Successful investments often require local partnerships to navigate the complexities of the market. Danish firms may struggle to find reliable local partners or hesitate to engage with unfamiliar entities.
- **Need for networks and experience.** Danish-African partnerships are forged over time through networks with local actors and building upon an understanding of local African contexts and markets. Rather than launching into more significant investments, most Danish companies will slowly increase their exposure to African markets as they build contacts and knowledge. While the Danish Trade Council, various Danish initiatives, and non-government organisations aid this process, there is a need to create a bridge through which early-stage market investments can be connected to larger, mature investments into sustainable and profitable ones. African Danish partnerships.
- **Preference for established markets.** Many Danish companies tend to prioritise investments in more familiar and stable markets, such as Europe or North America, where they have established networks and experience. This preference limits their exploration of opportunities in Africa.

The Danish Industry Foundation’s Africanisation project addressed these issues by providing strategic guidance, fostering partnerships, and emphasising patience in market penetration. The Danish Industry’s emphasis on “patient capital” reflects the need for adaptive strategies in fragmented markets. Successful entry often requires tailored business models, long-term commitments, and collaborations with local actors.⁴⁴ Danish investments increasingly align with the SDGs and Africa’s Agenda 2063. Projects prioritise environmental impacts, such as reducing emissions in industrial processes and social outcomes, including job creation and skills transfer.⁴⁵ However, balancing profitability with development objectives remains challenging, necessitating clear metrics for measuring financial returns and socio-economic benefits.⁴⁶

This context underscores a strategic pivot toward Africa, driven by Denmark’s blend of public policy, private sector innovation, and institutional support. While risks persist, aligning Danish competencies with African priorities offers a pathway for mutually beneficial growth.

Political economy and stakeholder analysis

Key stakeholders are closely related to IFU’s role and mandate as an institution in the framework of their ownership by the MFA. Many Danish stakeholders play an important role in the governance of IFU and have done so for many years since its inception in 1967. Hence, it is important to distinguish between the role of stakeholders in the markets IFU operates in and also stakeholders that relate to the role of IFU in relation to development cooperation, impact investment and climate action in Denmark. These two dimensions are not necessarily fully aligned as some stakeholders relate to operational aspects, while others relate to governance and policy development issues in a Danish context.

Building a dynamic investment ecosystem in Africa is crucial for unlocking the continent’s economic potential, tackling pressing challenges, and promoting sustainable development. Africa’s

44 Hansen, M. W., & Gundelach, H. (2018) *Opportunities and challenges for Danish medium-sized exporters in Africa: Lessons learned from the DI Africanisation project 2016–18*. The Danish Industry Foundation and The Confederation of Danish Industry, Copenhagen.

45 IFU (2024) *IFU will invest billions in Africa*, 29 August.

46 Hansen, M. W., & Gundelach, H. (2018) *Opportunities and challenges for Danish medium-sized exporters in Africa: Lessons learned from the DI Africanisation project 2016–18*. The Danish Industry Foundation and The Confederation of Danish Industry, Copenhagen.

investment ecosystem must be adaptable to address its unique issues, such as infrastructure deficits, fragmented markets, and restricted access to finance. A strong ecosystem can attract a variety of investments—public, private, domestic, and foreign—while balancing economic, social, and environmental objectives. For example, sustainable investments are vital for closing Africa’s annual US\$194 billion financing gap to meet the SDGs by 2030. These investments can drive productive transformation, foster social inclusion, and increase resilience to climate change.⁴⁷

Dynamic ecosystems also enable innovation and entrepreneurship. African nations can leverage their youthful population and growing tech sector by fostering local startups through incubators, accelerators and venture capital. This approach creates jobs and addresses gaps in essential services like healthcare, education, and financial inclusion. For example, investments in fintech have revolutionised access to banking in remote areas.⁴⁸ Regional integration is another cornerstone of a dynamic investment ecosystem. Initiatives like the African Continental Free Trade Area harmonise policies across countries, reduce regulatory hurdles, and create larger markets for investors. This integration facilitates cross-border value chains and enhances business scalability.

Local partnerships are vital. African-led collaborations bring market insights and cultural understanding that global investors often lack. Strengthening domestic capital markets and promoting local funding sources like angel investors ensure that investment benefits remain within the continent.⁴⁹ Thus, building a dynamic investment ecosystem in Africa is transformative. It catalyses economic growth, reduces poverty, fosters innovation, and positions Africa as a competitive player in the global economy. By aligning policies with sustainable development goals and leveraging local and global partnerships, Africa can unlock its immense potential for prosperity.

The Africa Facility will target companies with viable, financially sustainable, impactful investment cases to engage in African markets. It is acknowledged that Danish companies also need early-stage business development services, which fall outside the Africa Facility’s scope and IFU’s works more broadly. IFU collaborates with other financial and service offerings in Denmark, such as Danish business associations, when promoting the Africa Facility and its investment services to Danish businesses. Consequently, the Africa Facility will foster connections with other financial and technical service providers, strengthening the investment and advisory services ecosystem available to Danish companies.

Some of the key actors in the African investment ecosystem include:

- **EIFO.** Denmark’s national export credit agency supports Danish companies’ growth, internationalisation, and green transition.⁵⁰ EIFO provides risk-tolerant capital, loans, guarantees, and insurance solutions for Danish companies of all sizes. Specific emphasis is given to facilitating the global green transition, leveraging Denmark’s strength in wind energy and new green technologies while supporting various sectors, including agrifood, energy, and digital platforms. EIFO’s initiatives are mandated to enhance Danish business and industry prospects for export and internationalisation. Its financing must reflect Danish economic

47 African Union (2024) *Latest Africa’s Dynamic Development Report provides evidence-based analysis on investment landscape for sustainable development*, 19 June.

48 Intro Africa: Why invest in Africa: [Episode 1 Exploring the startup ecosystem](#) - A story curated by Change Com.

49 Obonyo, E. and C. Zeisberger (2024) *How Africa can embrace venture capital*, INSEAD Knowledge.

50 Established on 1 January 2023, EIFO is the result of a merger between three state funds: EKF Denmark’s Export Credit Agency, Vækstfonden (The Growth Fund), and the Danish Green Investment Fund.

interests. The 2023 document on reforming IFU outlines how IFU's work intersects with EIFO.⁵¹ IFU's reform document describes how there may be instances where IFU and EIFO can collaborate on joint financing solutions, albeit with differing motivations.

- **Economic Diplomacy.** Denmark's Trade Council, a part of the Danish MFA, promotes Danish economic interests globally. It assists Danish companies in expanding their international presence and accessing new markets. Invest in Denmark serves as the official agency for attracting foreign investments to Denmark while supporting Danish companies in navigating global uncertainties and strengthening Denmark's relations with other countries and international organisations. Trade Councils are present in East Africa (Kenya, Tanzania and Uganda), West Africa (Ghana and Nigeria), North Africa (Algeria, Egypt and Morocco) and Southern Africa (South Africa). Economic Diplomacy has lowered the hourly rates charged for supporting Danish companies in Africa as part of the Africa Strategy.
- **Business membership organisations.** Danish business membership organisations play a crucial role in supporting and advocating for their members and facilitating engagement in African markets. The Confederation of Danish Industry (DI) is Denmark's largest and most influential business organisation, representing around 20,000 companies across the manufacturing and service sectors. The Danish Chamber of Commerce (Dansk Erhverv) ranks among Denmark's largest professional business organisations, representing 17,000 companies and 100 trade associations in trade, tourism, business services, information technology, welfare services, and transportation. Meanwhile, the Danish Agriculture and Food Council represents Denmark's agriculture and food sector, which employs 150,000 people and exports over 100 billion DKK annually.
- **Government programmes and facilities.** A range of government-supported programmes and facilities support increasing Danish investment in Africa. These include:
 - **Partnership for Growth (P4G)** – financial and non-financial support for partnerships implementing innovative business models in various developing countries (in Africa: Ethiopia, Kenya and South Africa).
 - **Danida Green Business Partnerships (DGBP)** – funding and support to market-based projects between commercial and commercial partners addressing climate and environmental challenges while contributing to inclusive growth and improved livelihoods.
 - **Danida Innovation and Business Explorer (DIBE)** – financial support to Danish companies to conduct activities in developing countries such as studies, market research, workshops, testing, and preparing commercial engagement.
 - **Nordic Green Bank (NEFCO)** – Offering a range of support opportunities, including the Nordic Project Fund's fast-track loans and scale-up financing.
- **Other programmes and facilities.** Other private and non-government programmes and activities support Danish investment in Africa, including the family foundations and organisations such as Access to Innovation (a2i), Capital for Impact Foundation, Danish Church Aid, and Nordic Impact Funds.

51 Ministry of Foreign Affairs and Ministry of Finance (2023) *Reform of the Investment Fund for Developing Countries*, 28 September, Ministry of Foreign Affairs, Copenhagen.

Fragility, conflict and resilience

Several countries and situations in Africa are characterised by fragility and conflict. Investments are crucial in these scenarios for building resilience and positioning these economies on a sustainable development path. Establishing trust, security, and strong institutions is essential to supporting fragile and conflict-affected countries in their pursuit of stability. In this context, the role of the private sector becomes increasingly vital. Instead of binary distinctions such as stability and instability or conflict and peace, many situations are more accurately described by varying degrees of intensity along a continuum of fragility and conflict. These countries typically score low on investment climate indicators, particularly regarding infrastructure quality, market size, and institutional trust. Consequently, the level of private investment remains limited.

According to the World Bank, countries with less than \$1,035 GNI per capita are classified as low-income countries (LIC), those with between \$1,036 and \$4,085 as lower-middle-income countries (LMIC), those with between \$4,086 and \$12,615 as upper middle-income countries (UMIC), and those with incomes of more than \$12,615 as high-income countries (HIC).

Table 4. Categories of countries by GNI

GNI	Less than 1,035	1,036-4,085	4,086-12,615	More than 12,615
Category	LIC	LMIC	UMIC	HIC

The location of the different categories of countries is illustrated in the figure below:

Figure 5. World Bank country classifications

World Bank Group country classifications by income level

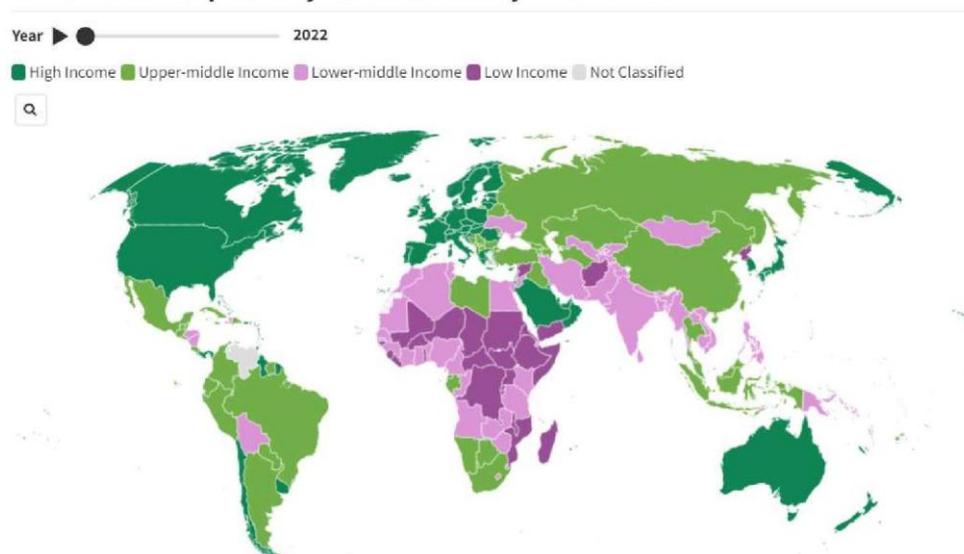


Table 5. FY24 List of Fragile and Conflict-affected Situations in Africa

CONFLICT	INSTITUTIONAL AND SOCIAL FRAGILITY
Burkina Faso	Burundi
Cameroon	Chad
Central African Republic Congo,	Comoros
Democratic Republic of Ethiopia	Congo
Mali	Republic of Eritrea
Mozambique	Guinea-Bissau
Niger	Libya
Nigeria	São Tomé and Príncipe
Somalia	Zimbabwe
South Sudan	
Sudan	
Syrian Arab Republic	
Yemen, Republic of	

SOURCE: World Bank: [Classification of Fragile and Conflict-Affected Situations \(worldbank.org\)](https://www.worldbank.org)

Human rights, gender and youth and applying a human rights-based approach

Although IFU has a different focus, the principles of human rights approaches are often integrated into practice in relation to the main HRBA principles of Participation, Accountability, Non-discrimination and Transparency, as illustrated in the table below.

Table 6. Main HBRA principles and integration in IFU

HRBA principle	Visibility in IFU
Participation	Involves companies, their management, and staff in the active ownership process for each company in IFU's portfolio of 170 companies. IFU governance (i.e., board, sustainability committee, etc.) includes various stakeholders from government, civil society, and the private sector. Possible barriers might include women's access to economic activities.
Accountability	Meticulous investment process based on IFU policies, e.g. within sustainability, LNOB and safeguarding. IFU governance includes targeted plans for accountability and a strong focus on anti-corruption.
Non-discrimination	Sourcing of projects targets many different markets and sectors, the target group while being inclusive as a general principle, does relate to different groups depending on the different funds and facilities used. To the extent that some groups have no direct access to IFU support, they are often beneficiaries (indirect target group).

Transparency	The IFU communication and data analysis are key components in sharing lessons learnt with a wider audience. Tailor-made strategies for communication with different target groups have been planned.
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Normative frameworks are integrated into most phases. From the initial phases, issues of non-discrimination, accountability, participation, and transparency are explicitly outlined in the framework agreements with companies. Policies related to sustainability, safeguarding, and do-no-harm play a crucial role. During the active ownership process, the Annual Sustainability Report (ASR) regularly presents data on these issues, forming the basis for IFU’s involvement with its partners.

Following the 2024 Capitalisation of IFU, IFU is focusing on these normative aspects, and the investment process is considered a starting point as a generic model that IFU will use across all its engagements. Consequently, IFU’s work as an organisation, along with the flexibility between the instruments and facilities in the future, will integrate core values aligned with the normative HRBA values of the MFA. In turn, these normative aspects are integrated into the working culture of companies, not only during the period of active ownership but throughout the entire process, from the initial contact to the exit process with the company. IFU adheres to several normative frameworks that are aligned with the HRBA principles:

- The push for accomplishing the SDGs and climate goals also directly affects the private sector, with the world’s leading reporting and standards-setting institutions driving even deeper accountability for environmental, social and governance (ESG) impact. The principle of dynamic or double materiality embraced by these organisations requires companies to consider not just the effects of climate on the company’s financials but also the impacts of a company on the climate or any other ESG factor. Adapting the new ESG standards for reporting is expected to reach not only large-scale companies in the coming years, but also many businesses in value chains, and introduce concepts of social and governance that are like human rights principles.
- EU regulation includes an obligation to report on ESG, CSRD and most recently, the CSDDD. Hence, standards on environment, social results, and governance are becoming integrated with the working processes that IFU partner companies are obliged to follow. There is in this way a convergence in the criteria of DFIs, investors and blended finance towards some of the HRBA principles. Although business plans relate to profitability, the demands on climate, green transition and environmental protection are related to sustainability and human rights questions, even if they are framed differently than the human rights language.
- Moreover, companies will operate under conditions stipulated by national labour laws, where workers’ rights, OSH and obligations related to employers and government are often aligned to the rights-based approach of International Labour Standards.
- IFU is part of the OECD additionality criteria for IPIM and other international standards covering DFIs. It must also screen for financial and non-financial additionality.
- IFU’s sustainability policy references the UN guidelines for Business and Human Rights and the key ILO conventions regarding workers’ rights. All investments must comply with IFU’s sustainability policy, which encompasses environmental and social standards, including IFC performance standards and other relevant standards, such as those referring to the (potential) displacement of people (voluntary guidelines on the responsible

governance of tenure), as well as IFU's climate policy, which is part of the sustainability policy.

- Anti-corruption is key, especially in due diligence and active ownership processes.
- IFU has adopted the 2X challenge, and the ambition is that at least 30 per cent of investments live up to the 2X criteria (see below). The IFU screening tool (see below) further screens for relevant job characteristics, including support for youth, permanent jobs, and skilled jobs.
- The 2X Challenge plays a key role for IFU. To be 2X compliant, companies must fulfil at least one of the five criteria. DFIs define the 2X challenge, which was launched in 2018 and updated every two years to increase the ambitions over time.
- IFU leverages the IFC performance standards as part of due diligence ([2012-ifc-performance-standards-en.pdf](#)) an UNGP on HR.

Inclusive sustainable growth, climate change and environmental assessment

IFU must screen all potential investments through IFU's impact screening tool (see below). This implies that the investments must live up to the EU Taxonomy for green with a focus on climate mitigation and climate adaptation should also not do any harm in terms of social inclusion (reducing inequality) and contribute to a more equal society. The other investments must fulfil the IFU requirement to contribute to inclusive and sustainable growth while doing no harm concerning the green transition (EU taxonomy). Furthermore, all investments must live up to IFU's sustainability policy, that covers environmental and social standards (including IFC performance standards and other relevant standards e.g. such as those that refer to (potential) displacement of people (voluntary guideline on the responsible governance of tenure) as well as IFU's climate policy (part of the sustainability policy). IFU must also screen for financial and non-financial additionality.

Matching with Danish strengths and interests and seeking synergies.

IFU works with other DFIs and international finance institutions, such as European DFIs, the IFC and regional development banks. Working and co-investing with such institutions mitigates risks and can help improve the likelihood of investment success.

The relationship with other Danish-supported initiatives will continue to evolve. During the last 5-6 years several joint initiatives have been undertaken with Danish embassies, such as in the case of African Guarantee Fund, aBi Finance in Uganda, Rural Development Fund in Ghana, PASS in Tanzania, Kenya Climate Ventures in Kenya, the India Climate Investment Initiative, Ukraine initiatives and more. In these cases, IFU has gradually taken on the responsibility for further developing institutions by investing in them and supporting the business development.

Annex 2. Partner Assessment

Name of Partner	Core business What is the main business, interest and goal of the partner?	Importance How important is the programme for the partner's activity-level (Low, medium high)?	Influence How much influence does the partner have over the programme (low, medium, high)?	Contribution What will be the partner's main contribution?	Capacity What are the main issues emerging from the assessment of the partner's capacity?	Exit strategy What is the strategy for exiting the partnership?
IFU	Impact investment Climate investment	Low to medium Relatively small funds, but strategically important Overall management of the Africa Facility	High through active ownership Same influence in other Funds and Facilities.	Identify and manage investments. Information and awareness. Enable Danish companies to drive processes significantly contributing to Africa's social and economic development.	While IFU's reform and recent capitalisation processes are increasing the demands on the organisation, the Africa Facility is proportionately much smaller and can be managed within existing systems. However, IFU will need to more proactively engage with the Danish business community and other complementary investment promotion and support initiatives.	Exit strategy in place for companies. MFA/IFU – long-term relationship – strong focus on building strong autonomous organization – no exit plan foreseen

Summary of Partner Capacity Assessment

No additional stakeholder analyses have been conducted because IFU is a well-established organisation. The planned commitment will scale operations, but only to a minor extent, affecting IFU's current governance procedures and business activities.

Complementary information about IFU is provided below:

- IFU – an overview
- Thematic sectors
- Framework for identifying, screening and selecting high-impact investments
- IFU Policies and Standards
- IFU Value and impact creation in portfolio

- IFU’s Grievance Mechanism and Whistleblower Policy
- Overview of MFA Contribution to IFU 2012 – 2023

IFU overview

Since its establishment in 1967, 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 IFU has contributed DKK 26 billion. IFU is an independent government-owned fund that offers risk capital to companies in developing countries and emerging markets. Additionally, IFU manages several other investment funds, including the Danish SDG Investment Fund. IFU’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, IFU’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 IFU investments must support the green transition and contribute to poverty alleviation and reduced inequality. Additionally, IFU 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. IFU 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, IFU possesses the necessary capacity and networks to create and implement new instruments. The table below presents IFU investment results from 2017 onwards:

Table: IFU investment activity 2017-2023

DKK million	2017	2018	2019	2020	2021	2022	2023
Investments	640	1.029	1.103	1.965	1.005	1.466	1.347
Total capital under management	9.100	11.400	11.200	12.800	12.600	15.600	15.544
Number of investments	37	37	25	31	15	20	17

Note: Results excluding DSIF and the Danish Guarantee Facility

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, IFU 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. IFU invests in business models and companies focusing on water and water management to enhance sustainable supply and access to water. IFU 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, IFU 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. IFU 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, IFU's investments assist financial institutions in mobilising private capital from the market, thereby multiplying IFU's impact. IFU has also begun offering green loans to financial institutions to promote energy efficiency, solar energy, and more.
- **Sustainable food systems.** Food security is a major challenge in Africa. 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 IFU 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, IFU 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, IFU 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 IFU 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, IFU 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, IFU, besides investing in primary healthcare and hospitals, also has attention to services targeting chronic and non-communicable diseases. Moreover, IFU 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, IFU applies different tools and analysis methods to assess impact creation and ESG risks. When identified, IFU summarises ESG issues and risks in an action plan for implementation.

IFU’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 IFU’s two impact objectives sufficiently. The subsequent steps in the selection and maturation process are presented in the table below:

Table: IFU assessment steps

Process step	E&S	Governance	Impact
To gate 1	Screening against IFU’s exclusion list of activities IFU will not invest in.	Initial screening to check for recorded governance issues.	Initial screening to verify contribution to at least one of IFU’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 IFU - Annual reporting on E&S data through ASR.	Execution of CGAP by company including reporting to IFU. 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.

IFU is continuously fine-tuning and improving the framework and tools for the selection, screening, and management of investments. IFU has come a long way in setting up its systems and procedures. In the coming years, IFU 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 IFU and will be important learning that feeds into the further maturation of the system for selecting and developing new investments.

IFU Policies and Standards

To qualify as an investment, IFU'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 IFU policies

Policy	Description
Sustainability policy	The policy sets out IFU'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	IFU 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	IFU 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	IFU's policy on anti-money laundering and terrorist financing contains IFU's identification, consideration and assessment of relevant risks related to money laundering and terrorist financing as well as IFU'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 IFU has a high level of credibility as an organisation where insider trading does not occur. It protects IFU's employees and board representatives from potential criminal liability.
Whistle-blower policy	This policy provides the requirements and channels for which potential breaches of IFU's policies or relevant regulation can be reported, investigated and sanctioned through a confidential and anonymous process. The policy protects both IFU'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 IFU 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 IFU'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 3. Theory of Change, Scenario and Result Framework

3.1 Theory of Change

The theory of change for the Africa Facility is built upon the mandate, objectives, and theory of change for IFU's overall operations. This is based on the premise that by leveraging new and existing capital, technical expertise and structured systems and procedures, IFU can drive impactful investments in developing countries, particularly in Africa, economically disadvantaged and fragile states. By strategically selecting scalable investments in commercially viable businesses, these investments will contribute to economic growth, employment creation, long-term sustainability, gender diversity, and the achievement of climate targets.

The key differentiating factor between the Africa Facility and IFU's other instruments is that the Africa Facility aims to build commercial partnerships between Denmark and Africa by engaging the Danish private sector. To achieve this, the Africa Facility offers bespoke flexibilities, providing development financing for Danish companies entering African markets, and their African partners seeking access to new export markets that is not currently available in the market.

The Africa Facility complements the other IFU offerings, filling a gap by reducing risk and information gaps and fostering collaboration specifically tailored to the target group of companies. Thus, the Africa Facility will increase investments in Africa through commercial partnerships that support the mutual interests and opportunities facing Danish and African companies. This will enhance African competitiveness and productivity while creating local jobs and boosting incomes, government revenue, and market opportunities.

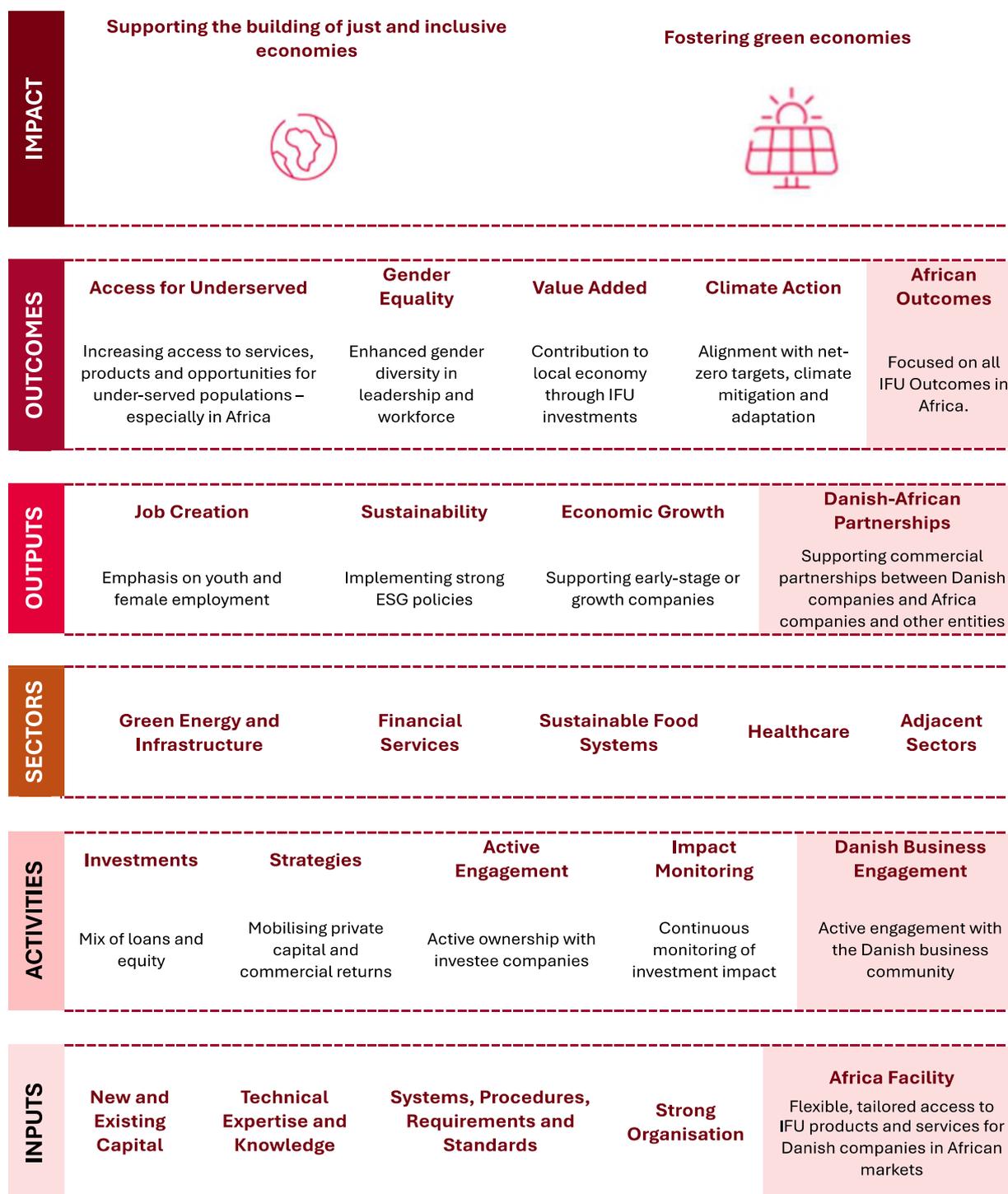
Private sector capital and investments are pivotal in developing and transforming African economies, including aiding the green transition. Denmark's private sector can increase its direct engagement in Africa by bringing private capital, relevant technologies and know-how, helping strengthen local capacity and innovation in Africa, and supporting the achievement of the SDGs. The impact of the Africa Facility extends beyond the development benefits driven by its investments to include the opportunity to establish lasting, impactful commercial partnerships between Danish and African economic actors.

Under the Africa Facility, IFU will collaborate with investee companies whose projects meet the requirements of facilitating partnerships as defined in the mandate. The Africa Facility will support mobilising capital for commercial Danish-African partnerships.

For each investment undertaken, IFU creates a specific and detailed theory of change overview, highlighting how IFU's investment will bring about the expected change and impact, and how it supports sustainable, commercial Danish-African partnerships.

The figure below illustrates the IFU theory of change and incorporates additional elements contained in the Africa Facility.

Figure 6. IFU Theory of Change, incorporating Africa Facility



3.2 Causality and Assumptions

Within the overall logic of IFU operations, the Africa Facilities theory of change is based on the following causality and assumptions.

IF, Africa is facing challenges to addressing the barriers to social and economic development, employment creation and sustainable environment stewardship and climate adaptation, and

IF, Denmark companies have technologies, management systems, know-how, experience, and capital that is relevant, and

IF, if Danish companies can be linked to potential African partners and have access to tailored support with financial and non-financial instruments that can help them manage the (perceived and real) risks of entering African markets.



THEN, Danish and African companies can collaborate on long-term, commercial projects in strategic (and aligned) sectors that are mutually beneficial and allow Danish companies to contribute to Africa's social and economic development.



ASSUMPTIONS

- Commercial Danish-African partnerships can overcome market barriers facing investments in Africa through tailored information, advisory services and risk-mitigating capital provided by the Africa Facility and IFU.
- IFU can identify and act on relevant investment opportunities. Thus, IFU can connect with Danish investors and identify suitable opportunities with input and support from other entities (e.g., Danish business membership organisations).



IF, IFU can interact more frequently with Danish companies, either directly or through the Danish business membership organisations, and

IF, Danish companies become more aware of the support available through IFU and other Danish investment and finance support agencies and programmes, and

IF, IFU can become more flexible in providing tailored investment support instruments to Danish companies that are planning to enter or expand in African markets,

THEN, IFU will increase the number of investees in Africa involving Danish companies,

THEN, over time, Danish companies will strengthen their involvement in Africa, increasing Danish investments in key sectors and markets and boosting the competitiveness of Africa's businesses, providing contributing to job creation, inclusive economic growth, gender equality, and climate resilience.



ASSUMPTIONS

- The market barriers identified in Section 2.1.1 (e.g., perceived risk, lack of knowledge and experience with local partners, need for networks and experience) can be overcome through tailored information, advisory services and risk-mitigating capital provided by the Africa Facility and IFU.
- Commercial Danish-African partnerships are profitable and sustainable, but currently lack sufficient market funding that the Africa Facility can mobilise through IFU, connecting with Danish investors and identifying suitable opportunities with input and support from other entities (e.g., Danish business membership organisations).
- The political, regulatory and macroeconomic conditions of African markets allow investments by development finance institutions, such as IFU.
- Investee companies and projects are willing and capable of executing their impact and value-creation plans, and positive returns can be realised despite the inherent risks linked with investing in developing markets.
- Danish companies that adhere to international ESG standards will generate stronger, long-term development impact as they implement projects aligned with IFU's sustainability goals, particularly in areas related to climate mitigation, adaptation, and circular economy practices.
- Achieving positive financial returns is feasible, despite the risks associated with investing in African markets, if there is a well-defined balance between financial sustainability and impact objectives.

3.3 IFU Capital Contribution Result Framework

Programme Title	IFU Capital Contribution
Objective	<p>Promote sustainable investments that contribute to the achievement of the Sustainable Development Goals (SDGs) and climate targets in developing countries by:</p> <ul style="list-style-type: none"> - Supporting the building of just and inclusive economies, with a focus on poverty alleviation, gender equality, and job creation in the most vulnerable communities. - Fostering green economies through investments in climate mitigation, adaptation projects, and sustainable infrastructure, particularly in regions most affected by climate change. <p>While ensuring that investments are additional, catalytic, and sustainable, by leveraging private capital and mobilizing financial resources in a way that prioritizes financial additionality and delivers measurable development impact across IFU's four thematic areas.</p>
Impact indicators	<ul style="list-style-type: none"> - Contribution to building green economies and thereby moving the world towards the 1.5-degree target (Paris alignment). - Contribution to building just and inclusive economies through increasing human development for underserved populations through improved opportunities for decent jobs and higher incomes, and better access to quality and affordable food, healthcare, energy and financial services for underserved. - Demonstrating financial and value additionality - Increasing mobilisation of private capital towards SDGs

Priorities	Development policy priorities
Priority 1 - Africa	Share of new investments in Africa (three-year rolling period)
Measured on:	<ul style="list-style-type: none"> a) Percentage share of investments contracted a by IFU's own capital b) Percentage share all investments contracted in the year relative to the share of all investments funded by IFU's own capital
Target:	<ul style="list-style-type: none"> a) No target b) Corresponding to 50% of IFU own equity invested in year
Result 2023:	<ul style="list-style-type: none"> a) 23% b) 46%
Priority 2 – Poor & Fragile	Share of investments in poorer countries (GNI per capita below 50% of the definition of LMIC as well as all LDCs) and fragile and conflict-affected situations
Measured on:	<ul style="list-style-type: none"> a) Percentage share of investments contracted a by IFU's own capital b) Percentage share all investments contracted in the year relative to the share of all investments funded by IFU's own capital
Target:	<ul style="list-style-type: none"> a) No target b) Corresponding to 30% of IFU own capital invested in year
Result 2023:	<ul style="list-style-type: none"> a) 19% b) 22%
Priority 3 - Climate	Share of new direct investment volume qualifying as climate finance
Measured on:	<ul style="list-style-type: none"> a) Share of investments relative to total investments b) Percentage share all investments contracted in the year relative to the share of all investments funded by IFU's own capital
Target:	<ul style="list-style-type: none"> a) 50% b) Corresponding to 50% of IFU own capital invested in year

Result 2023:	a) 75% b) 122%
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Outcome 1	Supporting the building of just and inclusive economies
Outcome indicator 1.1	Contribution to local economy measured through value added through IFU's investments. <i>Value added is a concept measured in the Joint Impact Model (JIM), which quantifies the sum of wages, taxes and savings expressed in monetary value and equivalent to gross domestic product.</i>
Measure on:	a) Portfolio contribution total b) Growth in contribution since last year
Baseline:	a) DKK 150bn c) 104%
Target	No target
Outcome indicator 1.2	Increased gender equality in portfolio companies
Measure on:	a) Share of female employees in investments b) Share of investments with more than 40 percent women in senior management
Baseline:	a) 32% female employees in the portfolio in 2022 c) 15% of portfolio companies had in 2022 more than 40 percent women in senior management
Target	a) 2025: 30%; 2027: 30%; 2030: 30% b) No target
Outcome indicator 1.3	Increased access to services for underserved populations
Measure on:	Total aggregated delivered impact for the portfolio (no of people reached) Access will be combined number of people reached across the below four thematic indicators: - MFI customers (Financial Services) - Patients (Healthcare) - Smallholder farmers (Sustainable Food Systems) - People receiving access to energy (Green Energy & Infrastructure)
Baseline:	2022 portfolio Total underserved: 6.6m - MFI customers: 5.2m - Patients: 1.2m - Smallholder farmers: 0.1m - People receiving access to energy: 0.1m
Target	Total underserved: 2025: 10m; 2027: 11m; 2030 14m

Outcome 2	Fostering green economies
Outcome indicator 2.1	Avoided emissions (attributed to IFU's financing)
Measure on:	a) Expected avoidance from new investments b) Realised on total portfolio
Baseline:	a) N/A

	b) 0.263 million tCO ₂ e avoided emissions (attributed), based on GWh of renewable energy produced
Target	a) No target b) 2025: 0.3m tCO ₂ e; 2027: 0.325m tCO ₂ e; 2030: 0.475m tCO ₂ e
Outcome indicator 2.2	Reduced emission intensity of IFU's portfolio and alignment with IFU 2040 net zero pathway
Measure on:	a) Full portfolio emission intensity - alignment with IFU 2040 net zero
Baseline:	a) 111 tCo ₂ e/DKKm in 2022 emission intensity of full portfolio
Target	a) Pathway indicator under development - will be decreasing each year
Outcome indicator 2.2	Production of green energy
Measure on:	GWh produced by the portfolio
Baseline:	5.9m GWh produced by IFU's portfolio in 2022
Target	2025: 9m GWh, 2027: 12m GWh, 2030: 14m GWh
Outcome indicator 2.3	Climate financing delivered in terms of capital directly invested into companies and private capital indirectly mobilised
Measure on:	New investments
Baseline:	DKK 870m in climate financing from direct IFU investments and private capital mobilised by IFU
Target	2025: DKK 4bn, 2027: DKK 5bn; 2030: 7bn (DKK 38 billion in total)

Outcome 3	Increased organisation capacity to identify and invest in high impact additional projects
Outcome indicator 3.1	Portfolio companies live up to and implement sustainability systems and policies.
Measured on	Percent of portfolio companies meeting requirements and share of new investments living up to them. Specifically share of portfolio companies with <ul style="list-style-type: none"> - A sustainability policy - An environmental & social management system - An appointed person responsible for sustainability - An external grievance mechanism - An anti-bribery & corruption policy
Baseline	2023 sustainability performance of portfolio <ul style="list-style-type: none"> - 82% have a sustainability policy - 66% have an environmental & social management system - 90% have an appointed person responsible for sustainability - 73% have an external grievance mechanism - 84% have an anti-bribery & corruption policy
Target	No target

Outcome indicator 3.2	Performance on “impact principles” indicators (impact management) verified by independent assessment done by BlueMark
Measured on	Score on indicators relative to peers and to last report from 2021. Ratings are: <ul style="list-style-type: none"> • Advanced: Limited need for enhancement at present • High: A few opportunities for enhancement • Moderate: Several opportunities for enhancement • Low: Substantial enhancement required
Baseline	2024 BlueMark report 2021 report score: 6 advanced, 2 high, 0 moderate, and 0 low. Score split on indicator: <ol style="list-style-type: none"> 1) Define strategic impact objective(s), consistent with the investment strategy: Advanced 2) Manage strategic impact on a portfolio basis: Advanced 3) Establish the Manager’s contribution to the achievement of impact: Advanced 4) Assess the expected impact of each investment, based on a systematic approach: Advanced 5) Assess, address, monitor, and manage potential negative impacts of each investment: Advance 6) Monitor the progress of each investment in achieving impact expectations and respond appropriately: Advance 7) Conduct exits considering the effect on sustained impact: High 8) Review, document, and improve decisions and processes based on the achievement of impact and lessons learned: High
Target	Maintain or improve score (note: BlueMark continuously increase the requirements for each score level, so maintain a score implies an improve in sophistication compared to previous reviews)
Outcome indicator 3.3	Investees contribute positively to the local economy after receiving capital from IFU Impact Ventures
Measured on	Profitable exit by IFU Impact Ventures or by the funds in which IFU Impact Ventures invested – <i>A proxy for the investee companies having been successful and grown.</i>
Baseline	N/A
Target	15%
Outcome indicator 3.4	IFU Impact Ventures’ investees move on to more commercial sources of finance
Measured on	Share of IFU Impact Ventures’ companies able to raise follow-on capital (debt and/or equity, from IFU or other (direct and indirect (via funds))
Baseline	N/A
Target	2025: 20%; 2027: 25%, 2030: 40%

Output 1	Supporting the building of just and inclusive economies
Output indicator 1.1	Number of direct and indirect employees in all investments (FTEs)
Measured on:	Full portfolio
Baseline (2022):	a) 85.000 jobs directly supported by IFU's portfolio companies b) 1,8 million jobs indirect supported by IFU's portfolio companies
Targets	c) 2025: 140.000 jobs, 2027: 165.000 jobs, 2030: 270.00 jobs d) 2025: 2,5 million jobs, 2027: 3 million jobs, 2030: 5 million jobs
Output indicator 1.2	Share of direct investments that pay more than the national minimum wage
Measured on:	Full portfolio
Baseline (2022):	77% of 2022 portfolio
Target	No target
Output indicator 1.3	Women and youth employed directly (share of total)
Measured on:	Full portfolio
Baseline (2022):	a) 27.000 female jobs directly supported in 2022 by IFU's portfolio companies b) 12.000 youth jobs directly supported in 2022 by IFU's portfolio companies
Targets	a) 2025: 45.000 female jobs, 2027: 50.000 female jobs, 2030: 85.000 female jobs b) 2025: 15.000 youth jobs, 2027: 20.000 youth jobs, 2030: 35.000 youth jobs
Output indicator 1.4	Local taxes paid by investees and IFU
Measured on:	Full portfolio
Baseline (2022):	DKK 8.954 million in 2022
Target	No target
Output indicator 1.5	30% of new investments with a gender equality focus (2X challenge eligible)
Measured on:	New investments made in year
Baseline:	50% of new investments in 2023 were eligible
Target:	30%

Output 2	Fostering green economies
Output indicator 2.1	Total installed capacity of renewable energy investments, including new capacity
Measured on:	Installed capacity in portfolio and expected added capacity from new investments
Baseline:	Portfolio: 2.786 MW in installed capacity in 2022 Expected from new investments: 327 MW from 2023 investments
Target	No target

Output indicator 2.2	GHG sequestered by investments, for example nature-based solutions
Measured on:	Expected sequestering from new investments
Baseline:	None - <i>New indicator under development</i>
Target	No target
Output indicator 2.3	Share of investment volume that qualifies as climate investments split on climate mitigation and climate adaptation (Rio marker 1 and 2)
Measured on:	New investments
Baseline:	None - <i>New indicator under development</i>
Target	Target to be defined for 2026 review
Output 3	Building IFU's organisation
Output indicator 3.1	Strengthened delivery capacity as per IFU 2024 to 2026 strategic plan
Measured on:	IFU to deliver qualitative reporting on the implementation status of the strategic plan: <ul style="list-style-type: none"> - Growing IFU, invest in professional development and harness positive culture - Increase communication efforts to build a stronger profile - Improve data and technology support to increase ability to collect and report on sustainability data, digitalise business processes and improve efficiency - Increase consistency in risk management and strengthen governance and compliance
Baseline:	IFU 2024 to 2026 strategic plan
Target	Progress on strategic plan (reported to and monitored by IFU's board)
Output indicator 3.2	Strengthened delivery capacities as per IFU 2024 to 2026 strategic plan by increasing IFU staff
Measured on:	a) Number of FTEs working in IFU b) Number of FTEs working in Investments (as Investment professionals and with Sustainability and Impact) c) Number of regional offices d) Number of Investments professionals working in regional offices
Baseline 2023:	a) 109 b) 64 c) 5 d) 13
Target	a) 2025: 150 FTEs, 2027: 175 FTEs, 2030: 200 FTEs b) 2025: 85 FTEs, 2027: 105 FTEs: 2030: 125 FTEs c) 2025: 6; 2027: To be defined, 2030: To be defined d) 2025: 26 FTEs; 2027: To be defined, 2030: To be defined
Output indicator 3.3	Strong activity in IFU Impact Ventures
Measured on:	Number of investments committed by IFU Impact Ventures, of which direct and indirect (via funds)
Baseline	N/A

Target (2026):	2025: 4, 2027: 8, 2030: 8
Output indicator 3.4	IFU Impact Ventures' investees able to increase business activity (direct and indirect (via funds))
Measured on:	Share of IIV investees with increased business activity measured as increase in revenue after IIV investment
Baseline:	N/A
Target (2030):	2025: 30%, 2027: 50%, 2030: 80%

Annex 4. Risk Management

Contextual risks					
Risk Factor	Likelihood	Impact	Risk response if applicable	Residual risk	Background to assessment
Macroeconomic downturn across African markets	Medium	Large	IFU generally supports companies with services that are also relevant during a downturn. Economic downturns will not always happen simultaneously	Medium	Overall economic climate has deteriorated in the wake of the Russia-Ukraine war and the rising inflation, interest rate and adverse tariff and trade environment.
Currency fluctuations	High	Medium	Hedge where appropriate, consider currency effects in financial return expectations, hard currency debt transactions (although this may increase the financial costs to clients)	Medium	Currency fluctuations and depreciation are part of investing in developing countries and not less in Africa than other ODA countries, and the risk can never fully be mitigated.
Political unrest, conflicts and wars	Medium	Large	Thorough assessment of the risks is done at the time of investment. IFU has experience with assessing such situations and would also draw upon partners and experts on the ground. Potential to structure deals to allow exits in case of material adverse events.	Medium	The risk of unrest, or full-blown conflicts, increase as economic conditions worsen. IFU's exposure can be mitigated by assessing the risk and structure the deals appropriately in unstable geographies. To some extent the Africa facility will gain in additionality by being able to manage such risks.
Climate shocks	High	Large	Focus on climate change mitigation and adaptation investments in geographies exposed to climate change – assessment of vulnerability and risk is part of the due – diligence.	Medium	Climate shocks will have a negative impact on poorer countries in Africa, but will also increase the attention for green finance, including investments from IFU.
Programmatic Risks					
Risk Factor	Likelihood	Impact	Risk response	Residual risks	Background to assessment
Insufficient demand for investment finance from projects with Danish interest	High	Large	Developing stronger networks on the ground, finding partners, cooperating with peers including other DFIs – working with the advisory group and active promotion of the facility	large	The survey and consultation with African and Danish companies noted a number of constraints including ticket size and cost of finance that might depress demand.
Institutional Risks					

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
That IFU does not allocate sufficient resources to grow the supportive functions in the organization	Medium	Large	Active ownership with regular consultations between IFU and Ministry of Foreign affairs – engagement with the Advisory group – placing responsibility for the Africa Facility at vice president level.	Medium	The smaller ticket size on offer and the need for active promotion of the facility will draw on limited resources whilst IFU is under a programme of rapid expansion due to the recent capital contribution increase.

Annex 5. List of Supplementary Materials

Government of Denmark documents

Government of Denmark (2024) *Africa's century. Strategy for strengthened Danish engagement with African countries*, Ministry of Foreign Affairs, Copenhagen.

— (2022) *The government's action plan for economic diplomacy 2022-2023*, Ministry of Foreign Affairs, Copenhagen, Denmark.

— (2021) *The World We Share: Denmark's Strategy for Development Cooperation*, Ministry of Foreign Affairs, Copenhagen, Denmark.

Ministry of Foreign Affairs (2024) *IFU Capital Contribution 2024-2030, Programme Document*, Ministry of Foreign Affairs, Copenhagen

— (2020) *Review IFU Project Development Programme, Final Draft Report*, Ministry of Foreign Affairs, Copenhagen.

— (2020) *Review IFU SME Investment Facility, Final Report*, Ministry of Foreign Affairs, Copenhagen.

Ministry of Foreign Affairs and Ministry of Finance (2024) *Danida Sustainable Infrastructure Finance (DSIF) 2024-2030, Programme Document*, Ministry of Foreign Affairs, Copenhagen.

— (2023) *Reform of the Investment Fund for Developing Countries*, 28 September, Ministry of Foreign Affairs, Copenhagen.

IFU (2023) *IFU Impact Ventures, Programme Document*, Copenhagen.

— (2022) *High Risk – High Impact Investment in Africa, Programme Document*, Copenhagen.

IFU documents

- IFU (2024) [IFU will invest billions in Africa](#), 29 August.
- Ownership Document for IFU
- ØU-Case Document on reform of IFU
- IFU Strategy 2024-2026
- IFU Annual Reports
- IFU-website: IFU Investeringsskemaet for udviklingslande

Other technical documents and reports

African Union (2024) [Latest Africa's Dynamic Development Report provides evidence-based analysis on investment landscape for sustainable development](#), 19 June.

AFSIC (2025) [Challenges Facing African Investment Strategies Now](#).

Brooking Institution (2025) *Foresight Africa; top priorities for the continent 2025-2030*, Africa Growth Initiative, Brooking Institution, Washington DC.

European Union (2020) [Regulation \(EU\) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation \(EU\) 2019/2088 \(Text with EEA relevance\)](#). Official Journal of the European Union, L 198, pp. 13–43.

Hansen, M. W., & Gundelach, H. (2018) [Opportunities and challenges for Danish medium-sized exporters in Africa: Lessons learned from the DI Africanisation project 2016–18](#). The Danish Industry Foundation and The Confederation of Danish Industry, Copenhagen.

United Nations (2025) [Economic development in Africa report; Unlocking Africa's trade potential; Boosting regional markets and reducing risks](#). UNCTAD, Geneva.

United Nations Trade and Development Conference (2024) [World Investment Report 2024; Regional Trends Africa](#), UNCTAD, Geneva

World Bank (2024) [The World Bank in Africa](#), 15 October

Annex 6. Plan for Communication of Results

Despite IFU’s long track record and growing activity, key stakeholders lack awareness about IFU’s role and value-added. This is particularly true among the Danish business community in Denmark and Africa. Greater visibility and recognition will allow IFU to meet increasing demands for capital deployment and impact creation in Africa.

In the 2024-26 IFU strategy, communication is an attention area with the following elements specified:

- Building a profile in the professional Danish public
- Raising awareness about IFU in the business and financial communities in relevant regions
- Being open and well-prepared for criticism
- Dedicating more resources to communication
- Building an attractive employer brand
- Considering a potential name change

Recommended initiatives	
Area	Considerations
<p>Build a profile in the professional Danish public</p>	<ul style="list-style-type: none"> • Engage in the public debate about development aid through analyses, reports, and IFU spokespersons that can function as thought leaders • Build stronger media relations with selected Danish journalists and collaborate with allies and partners, e.g. through joint ventures, papers, meetings or seminars • Elaborate a public affairs strategy
<p>Raise awareness about IFU in business and financial communities in relevant regions</p>	<ul style="list-style-type: none"> • Establish an organisational setup for closer dialogue between regional offices and the communication unit, incl. delivering communication material to the regions on an ongoing basis • Engage with regional PR agencies to improve communication with local/regional business communities, and develop communication material to be used by regional offices can use without planning
<p>Be open and well-prepared for criticism</p>	<ul style="list-style-type: none"> • Assessment of risks and possible criticism of IFU, and prepare statement papers, including Q&As on relevant and potential issues • Thorough monitoring of the media landscape • Ensure clear, internal communication incl. media training of spokespersons with a focus on relevant scenarios
<p>More resources for communication</p>	<ul style="list-style-type: none"> • A ramp up in communication resources, both spending budget and FTEs, will make it possible to create more case material, improve and increase IFU’s efforts on social media, write opinion pieces, publish reports, etc. • Would also allow for potential investment in paid advertisement on social media to engage more followers
<p>Build an attractive employer brand</p>	<ul style="list-style-type: none"> • Develop a strategy for employer branding incl. a plan for attracting female employees • Consider working on employee advocacy by establishing an advocate corps with people from both Denmark and the regional offices
<p>Potential name change</p>	<ul style="list-style-type: none"> • Assess the pros and cons of a name change, incl. practical requirements • Set the process in motion and uncover which names better capture the work of IFU

Communication strategy

- The communication strategy centres around a number of specific initiatives
- The initiatives are based on identified challenges and aims to support IFU in obtaining the desired position towards each of its key stakeholders

Annex 7. Process Action Plan for Implementation

10 June 2025	Council for Development Policy
June 2025	Final version of PD to be submitted for approval by the Minister for Foreign Affairs, incorporating possible specific comments (if any) from the Council for Development Policy
FOLLOWING APPROVAL	
July/August 2025	Sign Grant Agreement with IFU (KLIMA, IFU, LAERING)
After signing	Register commitment(s) with MFS financial systems within planned quarter (KLIMA)
August 2025	Disbursement of funds to IFU (KLIMA)
Second half of 2026	Inception Review