

Strategic Framework Document

Danida Business Initiative

Final Draft for Appraisal

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Acronyms

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

1. Introduction

The Danish Government's Strategy for Development Cooperation (GSDC), A Changing World, sets the vision that private companies and investors should engage and invest more in the Global South, helping to bridge the gaps in achieving the Sustainable Development Goals (SDGs), including climate action.

That is because businesses, as they invest and expand their engagements, can make significant contributions to national development agendas – helping to create jobs, income opportunities, sustainable local value-chains, and economic and social spin-offs like tax revenues, innovation, new technologies, higher productivity, and expansion in services.

The GSDC declares it will take a proactive effort to deliver such strengthened private sector engagement in the Global South. The present Strategic Framework outlines this long-term and comprehensive effort, also involving a budget contribution for five initial instruments to be implemented during 2026-2029 and set in motion the initiative on the ground.

The strategic initiative responds to a fundamentally changed global context. Especially since 2020, geopolitical fragmentation, climate urgency, capital market volatility, and declining development assistance have reshaped how development outcomes can be achieved. Traditional aid instruments alone were always insufficient to provide the scale of capital, innovation and execution capacity required. In this context, the Strategic Framework provides for strategic use of development assistance to catalyze commercially viable and development-focused private sector engagement to accelerate its contributions towards achieving the SDGs. It involves a shift from the past set of instruments - that were few and working in isolation - to a more comprehensive and coherent portfolio of instruments, managed under a shared strategic focus.

The overall objective of the initiative is **an upscaled and strengthened private sector contribution to sustainable development, job creation, and inclusive growth in the Global South.**

Following the GSDC and Government's Action Plan for Effective and Economic Diplomacy (GAPEED), the initiative will leverage the shared space between development cooperation and economic diplomacy. It will promote private sector engagements in developing partner countries that generate jobs, economic growth and development, as well as social and environmental benefits that are advantageous for partner country and Denmark.

The Strategic Framework will, as a starting point, guide the establishment of five new and reformed business instruments through an allocation of DKK 850 million during 2026-2029. The instruments focus on making it more attractive for companies to engage in emerging and developing markets, by reducing risks, clarifying and testing market potentials and scaling business. The instruments will, amongst other, support market studies, partnerships, pilot projects, and co-investment financing and loans as well as technical advice. Together the five instruments provide an expanded palette of instruments that are mutually reinforcing and complement existing Danish instruments in promoting the businesses' investments and engagement in the Global South. The five instruments may in future be scaled up, adjusted, or supplemented by other instruments within the Strategic Framework, based on progress and lessons learned.

The new instruments target key constraints for the private sector to engage in support of the high-level objective, namely on: 1) Early pipeline development to enlarge the pool of viable business cases; 2) Development, testing, and launching of inclusive and sustainable business models through partnerships between businesses and non-commercial actors; 3) Access to finance, better enabling companies to invest and do business in Global South markets; 4) Demonstrating scalable, private sector-developed solutions with and for public authorities; 5) Leveraging private and philanthropic capital.

A One-Stop Shop (OSS) is established and anchored in the Ministry of Foreign Affairs (MFA) as primary entry point for companies engaging under Denmark's development and economic diplomacy framework. The OSS will support coordination, provide information to companies on business instruments, ensure a coherent outreach across business instruments, and provide a structured link to Danish representations abroad.

The Strategic Framework lays out the overall priorities, objectives, principles, and rationale for the initiative. It will serve as basis for MFA's follow-up and strategic management of implementation of the initiative for effective delivery of results, coherence, and overall learning and adjustments. The instruments are described and approved based on separate project documents.

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

2. Strategic framework – objectives and narrative

Overall, the initiative focuses on addressing gaps in the Sustainable Development Goals (SDGs) in the Global South which the private sector is well-placed to contribute to address. The initiative will support companies that address SDG challenges through activities the companies view as their core business to undertake.

The business support initiative's overall **objective** is:

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

The initiative furthermore lays out five strategic objectives (listed in Box 1) that guide the interventions towards supporting commercial engagements in the Global South that tackle the SDG challenges.

The strategic objectives set the direction for the initial five instruments that represent Government's first action to deliver on the ambitions outlined in the strategies. The five strategic objectives are mutually supportive and address distinct constraints facing businesses at different stages of their internationalization process. Each instrument has its core focus, but will also contribute to the others.

The MFA will strategically manage and adjust the initiative based on results and lessons learned, prioritising resources toward the instruments that best address key constraints, prevent duplication, and optimize additionality to the overall objective.

The MFA will strategically manage the initiative with focus on adaptation based on results and lessons, with prioritization of resources to instruments that best address significant constraints, avoid duplication, and maximise additionality for the overall objective. Box 1 summarises the five instruments and their mutual interactions to address identified gaps in mobilizing the private sector’s engagement in the SDGs.

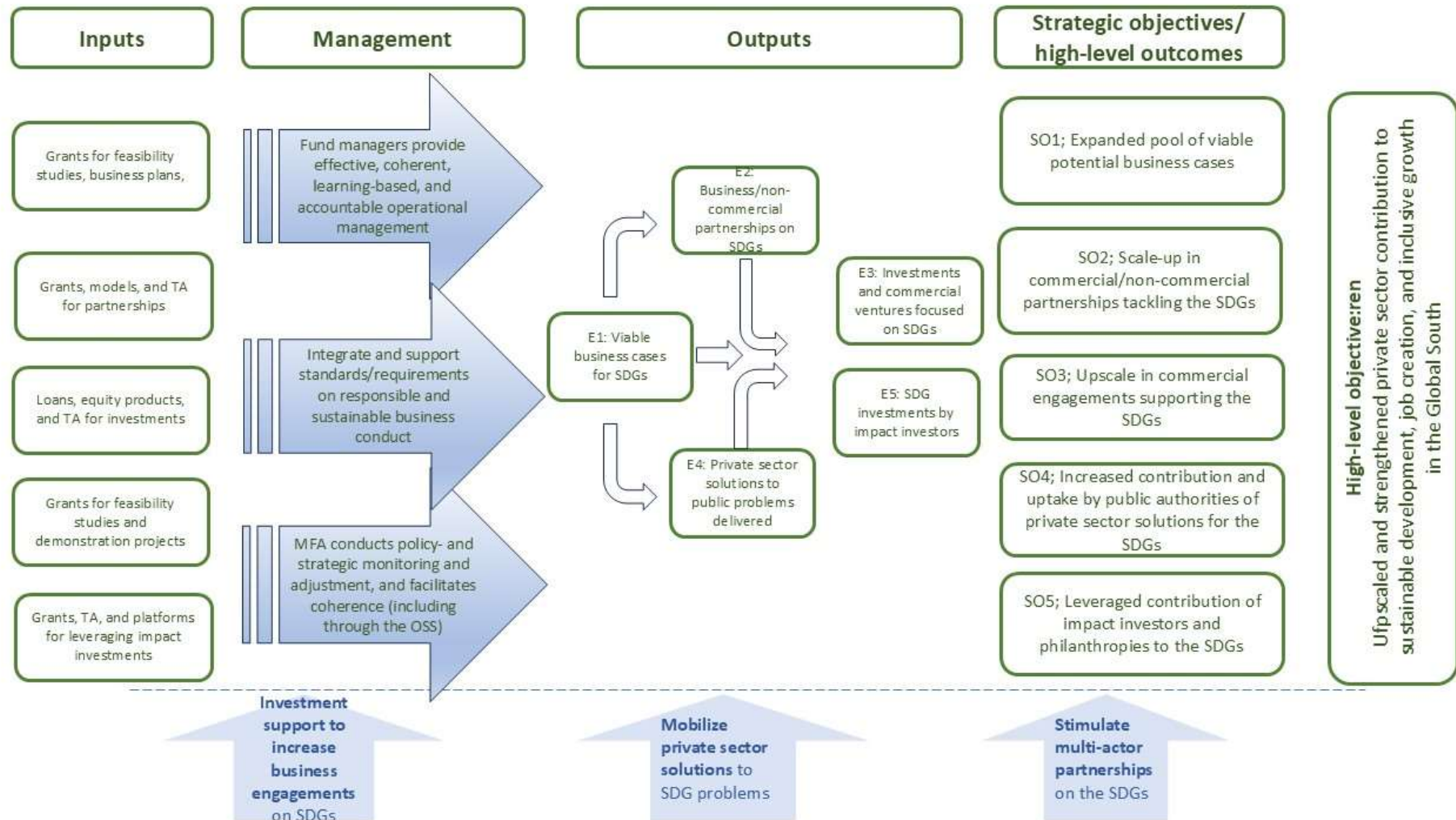
Box 1: Strategic objectives and initial set of instruments

Five strategic objectives	Five instruments	Interactions and linkages
<p>Strategic objective 1: Expanded pool of viable business cases for commercial engagements contributing to inclusive and sustainable development</p>	<p><u>E1- Business Explorer</u> Promotes early pipeline development by stimulating a larger pool of businesses to develop commercial, investment and market engagement plans in the Global South, by supporting market scoping, opportunity identification, targeted market studies, supply chain/sourcing assessment and partner identification.</p>	<p>Prepares business cases with potential for further market engagement with possible support under the Business Partnership (E2), Impact Incubator (E3), Innovation Bridge (E4), IFDK, including Africa Facility, SDG fund II or other funding sources.</p>
<p>Strategic objective 2: A scaleup in commercially viable engagements enabled by partnerships between businesses and non-commercial actors that contribute to sustainable and inclusive development and decent job creation</p>	<p><u>E2 – Business Partnerships (“DGBP 2.0”)</u>. Strengthens the key role of business/non-commercial partnerships for developing viable business cases that are socially and environmentally sustainable and contribute to jobs and development, through support for establishing and developing models and awareness on such effective partnerships.</p>	<p>Business cases with proven commercial viability based on successful partnerships can be scaled up through funding from possibly the Impact Incubator (E3), or in some cases impact investments (E5) – or other investment funding sources.</p>
<p>Strategic objective 3: A scale-up of commercial engagements that contribute to inclusive and sustainable development.</p>	<p><u>E3 - Impact Incubator</u> Scales up investments and business engagements in support of the SDGs by improving incentives and risks balance through risk-tolerant, low-ticket investment financing and technical assistance for companies in Global South markets</p>	<p>Can fund early-stage (E1) business cases or scale-up of proven business cases (E2, E4).</p>
<p>Strategic objective 4: To promote sustainable economic growth, job creation and competitive green transition in developing countries and emerging economies by developing and testing locally anchored, improved and scalable solutions (Public authorities adopt locally anchored, scalable private sector-solutions to SDG problems)</p>	<p><u>E4 – Innovation Bridge (new)</u>. mobilizes the contribution of private sector solutions and know-how to public SDG problems by demonstrating scalable and innovative solutions for adoption by public authorities, delivered through partnerships between local authorities and private sector companies</p>	<p>Successfully demonstrated private sector-solutions adopted by public authorities may be scaled up with support from funding under E3 or other investment financing sources, such as IFDK, multilateral development banks, or other.</p>
<p>Strategic objective 5: Leveraging Danish impact investors, philanthropic foundations, and family offices with interests in investing more in developing countries</p>	<p><u>E5 – Impact Investor (new)</u>. The instrument strengthens the contribution from private and philanthropic capital and initiatives to tackle SDG problems by incentivising and leveraging.</p>	<p>May in limited cases mobilise investors interested in investing in projects and companies under E2 and E3.</p>

The initiative will integrate proportionate sustainability considerations across the instrument lifecycle, ensuring that supported business cases are resilient and aligned with evolving international market requirements without imposing unnecessary administrative burdens. This reflects that commercially viable engagements in developing countries require robust management of environmental, social and governance risks across value chains. Such practices are therefore seen to enhance risk management, access to finance, market access, and long-term competitiveness.

Figure 1 overleaf illustrates the strategic framework. The **five strategic objectives** set the focus for the Danish business support instruments, ensuring they align with the overall objective of upscaling and strengthening private sector contributions to sustainable development, jobs, and inclusive growth in the Global South. The instruments deliver outputs that interact - mutually and with other business initiatives - to achieve the strategic objectives. All instruments will, to varying degrees, promote increased investment, leveraging of private sector solutions, and partnerships. The management and monitoring of the instruments will follow an adaptive, learning-based, and results-focused approach to ensure results achievement in line with the objectives; MFA at policy- and strategic level, and fund managers at operational implementation-level. Both levels will integrate concerns for ensuring sustainable and responsible business conduct in working with the companies.

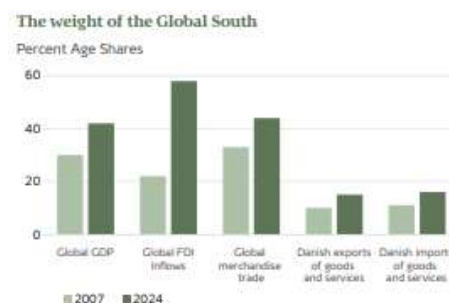
Figure 1: Overview of strategic framework on the comprehensive Danish business initiative



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

The development context – global growth with instability and SDG challenges

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



Source: Unlocking the Global South: Potential, Promises and Strategic Pathways, IFDK/EIFO

But the world has also become geopolitically more unstable.

Traditional alliances are in upheaval. Global trade war is disrupting international trade and investment flows and agreements, with businesses and investors diversifying and looking towards new markets and new supply chains. This has underlined the importance for companies and investors in EU to diversify and scale their businesses and partnerships with private sector actors in the Global South.

At the same time, countries in the Global South, particularly, remain off track to achieve the SDG by 2030, despite global growth. Strained public budgets constrain the many debt-burdened developing countries. Development assistance is declining. Against this background, the private sector has a central role in contributing to countries catching up with and closing the gaps, through investments, innovative solutions, and partnerships. Businesses, including the Danish private sector, play potentially essential roles in tackling some of the most **fundamental SDG problems** outlined below:

- **Massive job shortages and poor income opportunities** in developing countries, especially among youth, which challenge SDG8. The private sector will generate most new jobs, especially its numerous small and medium-scale enterprises (SMEs). International businesses can contribute significantly through investments, commercial partnerships, and trade, developing sustainable and inclusive value-chains and market spinoffs.
- **Poor working conditions** confront millions of workers in the Global South¹, underscoring that jobs created must be decent and of good quality for sake of SDG8. International businesses can contribute by ensuring responsible and sustainable business standards in supply chains. Danish companies, attuned to the Danish model and labor standards, are well placed to advance labor rights and decent jobs through partnerships and investments.
- **A massive SDG financing gap** estimated at USD 4 trillion extra per year for the developing countries encapsulate the challenges above. Public sector capacity and funding is insufficient to cover these gaps. The financing gap for Micro, Small and Medium Enterprises (MSME) in low and lower-middle income countries has been estimated to approx. USD 1 trillion and just below

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

USD 2 trillion² in upper-middle income countries. It underlines the anticipated role of the private sector to contribute with a major share, especially in large-investment areas with clear commercial potential, like energy and transport – but businesses and investors also increasingly complement with investment financing in key SDG areas like small-scale agribusiness, health, and education.

- **Poverty reduction advances are in reverse**, with one in ten living in extreme poverty and heavy concentration in low-income countries, especially Africa³, due to covid impacts, economic instability, climate shocks, and conflict. Job and income creation are essential, but also action to raise social protection coverage and close social service gaps in developing countries, targeting the most vulnerable. Basic social protection in low/middle-income countries (LMICs) requires extra 1.4 trillion USD/year⁴. Private philanthropies and impact investors can contribute with new and supplementary financing to public programmes.
- **The climate and environmental crisis** and too slow progress on the Paris Agreement’s “1.5°C”-target put the world off-track on SDG13. CO2 reductions and the green transition must accelerate. While high-income countries need to carry the main effort to reach reduction targets, a green transition is essential especially in middle-income countries. Almost half the total SDG investment-need concerns climate, with almost half the gap to be met through private finance. Danish companies are world leaders in sustainable energy.
- **Lack of access to safe water** faces more than 2 billion people globally, despite being a human right, and SDG6 is off track. The private sector can contribute with investments, technical solutions, know-how, and innovative water provision through public-private partnership. The Danish private sector is well-positioned to contribute with expertise and solutions in water provision systems.
- **Several “social“ SDGs are far off-track.** Universal **health** coverage remains a distant target and prevalence of non-communicable diseases is rising in middle income countries. SDG4 on **education** is significantly behind target, with almost 800 million illiterate people in developing countries, the majority women, and millions of children not in school. Governments remain main funders and providers in social sectors, but businesses and philanthropies are increasingly active, funding and experimenting with new financing models for providing social services. Danish foundations in health and education are active and interested players.

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

4.1 Danish and country-level policy priorities

The initiative follows the **Government’s Strategy for Development Cooperation, A Changing World**, by focusing on the SDGs and inclusive, sustainable economic development. In line also with **Government’s Action Plan for Effective Economic Diplomacy**, the initiative further delivers on the aim to integrate development cooperation and economic diplomacy to promote Denmark’s international engagement and interests. The initiative aims to unlock the potential of private business to contribute to

² MSME Finance Gap Report, 2025, IFC. NB: The data and calculations used are for 2019.

³ <https://blogs.worldbank.org/en/opendata/how-has-the-profile-of-extreme-poverty-changed-over-the-last-dec>

⁴ The Sustainable Development Goals Report 2025, United Nations.

these ambitions through solutions that both support development agendas and open new markets and investment opportunities for Danish companies.

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

It also delivers on **Government's Strategy for Strengthened Engagement with Africa** by maintaining a focus on African countries, while also following the Strategy for Development Cooperation's commitment to engage where relevant and ensure interaction with economic diplomacy and foreign policy, by being open to low and lower middle-income countries in Asia and Latin America with relevant development challenges the private sector can help tackle.

4.2 Poverty reduction and crosscutting issues

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

Benefits should to a reasonable extent benefit the poor, even if they do not fully or exclusively go to the poor. The interventions under the initiative will address **poverty in its multidimensional sense**⁵. The instruments will individually specify the relevant poverty focus and approach, including criteria and screening processes. Typically, the instruments will contribute to improving poor people's *resources* through job- and income generation and/or improving skills and qualifications. The instruments will in some business cases improve people's *opportunities and choices*, for instance, by improving access to clean water or health for low-income communities. Most often the instruments - typically supporting small-scale project-interventions - will be best suited to directly tackle poverty reduction at community-level rather than at sector- or structural level. Indirectly and possibly more limited they may contribute to poverty reduction through local economic growth and tax revenues for possible social programmes.

Where relevant, supported engagements may contribute to strengthening local value chains, including through improved supplier practices, skills development, and responsible sourcing. Such improvements can enhance productivity, resilience and long-term development impact while also reinforcing commercial viability. While all supported engagements will have inclusive and sustainable development as their primary objective, they may also entail social or environmental risks that require appropriate management. Companies' environmental, social and governance (ESG) due diligence processes and responsible business conduct (RBC) frameworks will serve as key mechanisms for managing their social and environmental impacts, in alignment with the Human Rights Based Approach (HRBA)

In designing and implementing engagements, the initiative will take into account evolving international sustainability standards and EU regulatory frameworks, recognising their growing importance for market

⁵ MFA follows the multi-dimensional poverty definition defined as: Resources; opportunities and choices; voice and influence; personal security. How-to-Note on Poverty Reduction.

access, investment flows and long-term business resilience. IFC's Performance Standards on Environmental and Social Sustainability will also apply where relevant.

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

4.3 Main actors, stakeholders, and target groups and countries

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

The target group will be businesses who aim to invest or conduct business in developing and emerging countries with products, services or investments that contribute importantly to sustainable development and inclusion in the countries. There will be flexibility on company size and type. But emphasis will be placed on companies that embark on initiating investments in the eligible countries in the Global South with a Danish Representation, including small- and medium-size enterprises (but not infant-stage businesses). The target group also includes local companies in these developing and emerging economy countries.

The private sector also includes philanthropic foundations, family offices, and impact investors, also a diverse group with a variety of roles, business models, and challenges, but all sharing an interest to engage in the Global South. The field is emerging, with market exploration, experimentation, and developing models still on-going, including testing impact investing and various social investment financing models. Opportunities exist to develop common agendas and help strengthen the emerging field.

The wider set of stakeholders includes private sector/business associations, Non-Government Organizations (NGO), and public authorities. Some will be candidates for joining the partnerships. Others will represent the concerns and interests of the target group. The beneficiaries are the populations in the developing countries, especially communities, workers/farmers and citizens living in poverty, where commercial engagements are implemented. International and local capital and company owners will also benefit where projects succeed.

4.4 General criteria and principles

All immediate and future instruments and interventions under the Strategic Framework will follow the principles and requirements outlined below:

- **Viable business cases and commercial commitment.** Any engagement supported should first and foremost be driven by a viable business case demonstrated through a clearly articulated

pathway to financial self-sustainability without continued public subsidy, even if no guarantee can be made that all engagements in the end will be commercially successful.

- **ODA eligibility.** The projects and engagements supported should in all cases comply with the OECD/DAC ODA-eligibility requirements, which means outcomes and objectives should show they are provided for a primary developmental purpose in developing countries.
- **Geographic coverage.** The instruments will as a point of departure target OECD/DAC-eligible Global South countries with a Danish representation.
- **State subsidy considerations and tying of support.** All instruments involve a level of direct or indirect government support to companies but will be designed to comply with government subsidy rules and EU state aid rules.
- **Sustainable and responsible business conduct.** Companies supported will be obligated to comply with requirements and international standards for responsible and sustainable business conduct.
- **Driven by demand.** All instruments depend on demand from the companies targeted. This to some extent determines the portfolio of projects and engagements to be funded. If demand is failing, an adaptive approach will allow the instruments to be adjusted or budget to be reallocated to other instruments with better traction and demonstrated demand.
- **A palette of support that targets individual needs of a diverse set of companies.** The Government strives to offer a flexible package of instruments that meets a wide range of needs. Important will be the integration of economic diplomacy services offered by Danish Embassies with the support programmes offered under this initiative. The OSS will play a key role in organizing these efforts.

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

The initiative adds to the existing system of support mechanisms through new and reformed instruments that fill gaps and allow better exploitation of synergies and mutual linkages. The more complete palette of instruments should enable better responsiveness to demands from national and international businesses for support that helps them move forward on viable business cases, while contributing to the SDGs in the Global South. The One Stop Shop facility will ensure coordination across instruments for coherence.⁶

While not formally restricted by sector, outreach and portfolio management will prioritise Danish sector strongholds, broadly aligned with GAPEED, to maximise synergies, knowledge sharing and development impact.⁷

The initiative builds on **results** from the existing set of Danish business instruments. As such, the Danida Market Development Partnership (DMDP) and Danida Green Business Partnership (DGPB) have

⁶ For instance, the E3/Enterprise support fund will close the gap in the Danish business instruments below DKK 25 million ticket size. Business cases developed through E1/DIBE2 or E4 can seek financing from the Enterprise Fund, Africa Facility, IFU Impact, or other relevant.

established a track-record of successful commercial/non-commercial partnerships which have enabled more Danish companies to engage in the Global South with projects supporting development and established well-functioning mechanism. The Danida Innovation and Business Explorer (DIBE) has helped expand the pool of Danish companies that pursue business opportunities in the Global South.

More widely, the initiative integrates the following general **lessons** from Danish business instruments, which also act as strategic “razors” for all five new instruments:

- Essential that projects are driven by a viable business case led by the commercial partner – and this requires a special effort to ensure.
- There is clear interest in the private sector community for engaging in the Global South, but Danish businesses often find it more challenging and time/resource demanding to be successful; yet perceived risks and knowledge gaps can be addressed through appropriate instruments.
- Business instruments have focused too little on the long-term, been too ad hoc, and worked in silos. Need a sharpened, more long-term focus within a coherent framework, and systematic and active follow-up to leverage synergies.
- A gap exists at the lower level of investment-funding support, below Impact Fund Denmark’s typical ticket size. This “missing middle” can be addressed through risk-willing capital and support for companies, including those in early-stage ventures, and needing smaller ticket sizes (up to DKK 25 mil.)
- Low awareness and knowledge among Danish companies about support options. Businesses need a single entry-point and proactive communication to see the full picture instruments available.

5. Budget

Strategic outcomes	Label	DKK (mil.)	Period
SO1: Expanded pool of viable business cases for commercial engagements contributing to inclusive and sustainable development	E1- Business Explorer	50	2026-2029
SO2: More and stronger partnerships between businesses and non-commercial actors on commercial engagements contributing to sustainable and inclusive development	E2 – Business Partnerships (“DGBP 2.0”).	410	2026-2029
SO3: A scale-up of commercial engagements that contribute to inclusive and sustainable development.	E3 - Impact Incubator	150	2026-2028
SO4: ealized and demonstrated benefits from public authorities’ greater use of locally anchored, scalable private sector- solutions to SDG problems, delivered through partnerships between local authorities and private sector companies.	E4 – Innovation Bridge	90	2026-2028
SO5: Leveraging Danish impact investors, philanthropic foundations, and family offices with interests in investing more in developing countries	E5 – Impact Investor	150	2026-2029
	Total	850	

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

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

6. Management

The implementation of the five new instruments will be entrusted to two implementing agencies:

- E1, E2 and E4 will be entrusted to a Fund Manager that will be identified through a competitive bidding process. The management is combined under the same Implementing Agency with concern for cost-effectiveness.
- E3 and E5 will be managed by Impact Fund Denmark

The two Implementing Agencies will be responsible for the day-to-day management of the individual instruments.

Overall, the initiative will be anchored with MFA/KLIMA who will be responsible for strategic management of the initiative, including following progress on results of the instruments and of the initiative's high-level ambitions, reviewing and addressing strategic issues and lessons, high-level adjustments and budget reallocations among instruments based on traction and lessons, and risk management. MFA/KLIMA will work to ensure that synergies between the full palette of instruments materialize, as well as ensure coherence across instruments, including integration of cross-cutting corporate sustainability and RBC considerations in a manner that supports commercial viability while safeguarding development objectives.

MFA manages and supervises the Implementing Agencies through progress reporting, regular status meetings and reviews.

The One-Stop Shop (OSS), anchored in the Ministry of Foreign Affairs, as primary entry point for companies engaging under Denmark's development and economic diplomacy framework, will support coordination, information sharing and coherent outreach across business instruments, and provide a structured link to Danish representations abroad.

Monitoring and reporting. Each instrument will have its designated result framework and results monitoring set-up, as described in the instrument-project documents. Each instrument results frameworks reflects the relevant Strategic Objective from the Strategic Framework. The instruments will report results at outcome- and output-levels (but not at impact-level). The instruments will use lean procedures and documentation for application, management, and reporting to minimize the workload for companies while ensuring accountability for public development funds.

An obligatory mid-term review is planned for each of the five instruments. MFA will consider combining these into a single major review covering the full initiative.

7. Risk management

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

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

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