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Danish Industry's response to the Danish Ministry of Foreign Affairs public consultation on E3 and E5

Danish Industry (DI) welcomes the opportunity to comment on the draft Business Instruments E3 "Impact Accelerator" and E5 "Impact Investor Partnerships".

Danish companies play an important role in creating trade, investment, and sustainable development effects in emerging and developing economies. Through commercial engagement, Danish companies contribute with technology, know-how, responsible business practices, market access, services, and long-term partnerships. This can strengthen local private-sector development, improve productivity, support formal and decent jobs, enable technology transfer, and contribute to more resilient local business ecosystems.

DI strongly supports the overall ambition to mobilise more private capital and strengthen Danish commercial engagement and trade with companies in emerging and developing economies. If designed and implemented effectively, the new business instruments can help reduce risk, unlock commercial opportunities, and enable more Danish companies and investors to engage in markets where the development potential is significant, but where barriers remain high.

We therefore welcome the continued focus on leveraging Danish technology, know-how, capital, and partnerships to support sustainable growth, decent jobs, and local private-sector development. At the same time, the instruments must be easy to access, commercially relevant, and supported by a clear institutional setup, dedicated capacity, and strong coordination across the full portfolio of business instruments.

Against this background, DI has the following comments on the proposed instruments:

To deliver results, IFDK must proactively engage Danish companies

For both instruments, it is critical that Impact Fund Denmark (IFDK) establishes a dedicated setup within the organisation, equipped to work with Danish companies and smaller-sized investments. The instruments should not simply be integrated into the existing portfolio, but should be anchored in a dedicated unit with specialised staff, clear responsibilities, and specific KPIs to ensure that investments under the new facilities are not measured against IFDK's existing portfolio.

In DI's view, IFDK should proactively engage Danish companies and investors, build strong pipelines of relevant opportunities, and define KPIs related to both Danish commercial engagement and development impact. A key task for IFDK will be to engage in dialogue with Danish companies through the continuous and systematic identification of relevant opportunities and proactive outreach.

IFDK should also ensure strong links to other relevant actors and initiatives, including EIFO, incoming and outgoing market delegations, and Strategic Sector Cooperation. This will be important to ensure that the instruments are connected to existing Danish commercial and development cooperation efforts.

DI supports the establishment of investment committees for both instruments, but underlines the importance of ensuring that committee members have experience with Danish companies and with commercial and philanthropic investments in emerging and developing economies. DI also recommends that the advisory board established for E3 also covers the implementation of E5, and that a similar advisory model is considered for E1, E2, and E4. In both advisory boards and investment committees, a seat should be reserved for DI.

Danish companies need one clear, aligned entry point to the business instruments

In order for the instruments to lead to increased Danish engagement in emerging and developing markets, it is essential to ensure clear pipeline governance across all five business instruments. Danish companies should be able to access the tools easily and understand which instrument is relevant to their specific opportunity.

Here, a one-stop shop could play an important role if established in the right way. This should include clear and close coordination between IFDK and the fund manager of E1, E2, and E4 on pipeline information, lessons learned, and relevant company leads.

In countries where Denmark has a diplomatic presence, Danish embassies should act as one-stop shops by helping to source and identify relevant investment and commercial opportunities together with Danish companies. Embassies often have valuable market insights and strong networks with local authorities and private-sector actors, which should be actively used in the implementation of the instruments.

Furthermore, all Trade Council employees within the Ministry of Foreign Affairs should be knowledgeable about the instruments and able to guide Danish companies in their use.

Administrative burdens should be eased, ensuring fast implementation

DI is concerned that the current administrative setup for the instruments may lead to unnecessarily long processes and heavy governance. To ensure that the instruments

lead to concrete projects as quickly as possible, it is essential to minimise administrative burdens and ensure swift case management.

DI therefore recommends that administrative requirements are kept proportionate and that clear timelines for case handling are established. Furthermore, DI suggests that a fast-track mechanism is introduced for companies that are ready to go to market and have mature project or investment opportunities.

Monitoring, evaluation and flexibility across instruments

DI highlights the importance of ongoing monitoring and evaluation. The key target for the instruments should be to create more competitive companies engaged in trade and investment in emerging and developing economies. This can create significant development effects, but often over a longer time horizon.

Measuring the number of jobs created is not necessarily the most relevant indicator in all cases, as engagement from Danish companies in local markets does not always lead to direct job creation in the short term. Development impact can also be generated through services, technology transfer, market development, improved access to finance, stronger local business ecosystems, increased productivity, and more sustainable value chains.

In cases where job-related indicators are applied, it is important to ensure that jobs created are both decent and formal.

We recommend conducting an annual evaluation where business organisations and companies are consulted. The focus should be on lessons learned, challenges, and opportunities, enabling adjustments to the instruments where needed. In addition, there should be flexibility to reallocate funding across the five instruments to ensure that resources are directed where demand is highest and where the potential for growth, development, and job creation is greatest.

E3: The Impact Accelerator should address the need for smaller ticket sizes and unlock commercial opportunities

DI welcomes the establishment of E3 and its clear mandate to provide financing within the “missing middle”.

The lack of risk-tolerant funding for smaller ticket sizes has been a significant barrier for Danish SMEs engaging in emerging markets, as well as for larger companies in need of early-stage investments. DI believes that E3 can help unlock commercial opportunities that would otherwise not materialise, while also contributing to significant development impact.

To ensure that the full potential of the instrument is utilised, it is essential that IFDK remains open to investments across all sectors and does not allow current target-sector

priorities or Trade Council structures to determine the direction of the instrument. The instrument must have a clear commercial focus, with Danish companies as the target group. DI furthermore welcomes that the instruments can be applied in all OECD DAC countries. However, this criterion should be set from the beginning and apply to all five Business Instruments

The loan characteristics of E3 should be re-examined

There is a need to strengthen the investment incentives under E3 by providing further first-loss guarantees, setting realistic expectations for the balance between return and impact, and allowing for different investment strategies.

Regarding the loan characteristics, DI recommends that the grace period is extended to two years. DI also recommends that the interest rate should not be determined by IFDK's interest rate matrix, but should instead be guided by the international LIBOR plus standard, with an additional two percentage points to cover the extended risk.

Furthermore, performance-based upside for IFDK should either not be applied or should only be applicable after five years, and a higher risk of losses in early phases should be accepted.

Funding beyond 2028 should be ensured at an early stage

There is a need to ensure that the instruments contribute to results and concrete projects as quickly as possible. At the same time, implementation will take time, including establishing organisational structures, building pipelines, engaging companies, deploying capital, and generating measurable impact.

To ensure transparency and long-term clarity of investment opportunities for Danish companies, DI recommends that funding beyond 2028 is considered at an early stage.

E5: Too many objectives can hinder the success of the instrument

DI welcomes the ambition of E5 to combine public and private capital to create impact in emerging and developing economies. However, DI is concerned that the instrument attempts to address too many objectives with relatively limited resources. This creates a risk that the instrument becomes too broad and unable to deliver sufficient scale, visibility, and measurable impact.

Some of the proposed targets also appear modest relative to the overall ambition. DI therefore recommends that the Ministry of Foreign Affairs and IFDK consider increasing target levels or establishing a clear pathway for scaling the instrument if the initial phase demonstrates strong demand and results.



A need to further strengthen the Danish impact investment ecosystem

DI welcomes the ambition to expand the Danish impact investment ecosystem, building on the strong competencies among foundations, family offices, institutional investors, and companies. However, the ecosystem-focused window should be more clearly defined, and the perspectives of philanthropy and other relevant actors should be systematically included in the implementation. DI is happy to assist the Danish Ministry of Foreign Affairs in the further implementation.

DI supports the ambition to link E5 to other Danish development cooperation initiatives. DI encourages further exploration of linkages to other business instruments, sector cooperation, and value-chain projects. Furthermore, it should be examined how Danish companies can be included.

IFDK should help strengthen Danish fund managers

DI welcomes the establishment of the concessional investment facility aimed at strengthening the role of Danish fund managers. Access to first-loss and subordinated capital is standard practice in leading European impact investment ecosystems. Danish fund managers have long faced a structural disadvantage in this regard, making this an important and welcome step forward. Furthermore, it is key that IFDK uses the concessional investment facility to further strengthen other Danish fund managers, thereby contributing to a stronger fund manager ecosystem in Denmark.

Lastly, DI encourages the Ministry of Foreign Affairs to plan for an increase in funding over time if demand and results demonstrate the relevance of scaling the instrument.

Additional comments on E5 are provided in the public consultation response drafted together with Danish philanthropic actors.

DI would be happy to engage in further dialogue with both the Ministry of Foreign Affairs and IFDK on the further development and implementation of the instruments.