

Consultation response to MFA public consultation on ‘Danish Business Initiative - Strategic Framework, E3 and E5’

PlanBørnefonden and Capital for Impact Foundation (C4IF) welcome the opportunity to contribute to the consultation on the proposed E3 and E5 instruments under the Danida Business Initiative, as well as the overarching strategic framework.

Based on our experience with private sector engagement and impact, we see the initiative as an important step in strengthening Danish development cooperation and delivering on Denmark’s commitments to ODA, while mobilising additional sources of financing. This approach is well aligned with Denmark’s strategic orientation towards the EU and the ambitions under the Global Europe Instrument to scale partnerships and blended finance.

Our comments reflect overall support and provide targeted recommendations to strengthen the framework and the instruments as well as their strategic coherence.

Strategic Framework Document

The Strategic Framework for the Danida Business Initiative is a timely and relevant response to a changing global context and provides a strong foundation for scaling sustainable and inclusive business engagement as part of Denmark’s development cooperation strategy. Realising this ambition will depend on translating the framework’s partnership and market development objectives into clear operational approaches, including stronger engagement of locally embedded actors, more structured management of pipeline development across instruments, and greater coherence with Denmark’s broader international engagement and financing architecture.

1. Strengthening operational clarity on partnerships and ecosystem engagement

The framework clearly recognises the importance of partnerships and engages a broad ecosystem of actors. However, further clarity is needed on how partnerships are operationalised in practice, including the roles, selection and management of different partners.

In particular, more explicit attention could be given to locally embedded actors (“feet on the ground”), including civil society organisations (CSOs) and other intermediaries. These actors play a critical role in pipeline development, stakeholder engagement and ensuring that interventions are contextually relevant and inclusive.

Recommendation: Strengthen framework-level guidance on partnerships by:

- defining roles and comparative advantages across actor types (private sector, NGOs/CSOs, foundations, intermediaries), drawing on relevant guidelines (e.g. OECD DAC Blended Finance principles),

- ensuring systematic inclusion of locally embedded partners across pipeline development, technical assistance, implementation, and monitoring,
- leveraging the strengths of CSOs and intermediaries in capacity building, stakeholder engagement, and impact tracking, while maintaining clear division of roles to ensure complementarity and efficiency, and
- embedding partnerships more clearly across instruments as a consistent delivery approach, rather than primarily at project level.

2. Clarifying governance and management of pipeline development

While the framework correctly identifies pipeline development as a key constraint, it does not clearly define how pipeline is managed across instruments, including ownership, prioritisation and progression of opportunities. This creates a risk that promising opportunities are not sufficiently developed or effectively transitioned between stages.

Recommendation: Strengthen at framework level the strategic and operational management of pipeline by defining clear ownership and responsibilities for pipeline development and establishing mechanisms to track, prioritise, and transition opportunities across instruments.

3. Strengthening coherence within Denmark’s broader international engagement

The framework is well aligned with Denmark’s development cooperation and economic diplomacy priorities. However, it could more clearly operationalise how the initiative interacts with the broader international engagement architecture, including external initiatives and financing tools. Strengthening these linkages will be important to maximise both development impact and long-term investment opportunities.

Recommendation: Strengthen coordination and complementarity by:

- clarifying how the initiative links to and leverages broader international efforts (e.g. Global Gateway, and other EU initiatives and financing instruments),
- defining roles and complementarities between instruments and external actors, and
- ensuring the One Stop Shop functions as an active coordination and navigation mechanism—supporting coherence across instruments and with external engagement, rather than serving only as an entry point for companies.

E3 – Impact Accelerator

E3 represents a strong and innovative instrument with clear potential. To maximise its impact, the facility should place greater emphasis on ecosystem engagement and market building, adopt a structured approach to sector development, and ensure that eligibility criteria accommodate a broader range of impact-oriented financing models. This would strengthen pipeline development, support sustainable job creation and inclusive growth, and expand the range of solutions through which E3 can deliver development impact.

1. Strengthening ecosystem engagement and intermediary partnerships

The current framing of E3 (and E5) centres primarily on companies, investors and IFDK, while assuming that sufficient pipeline already exists. This risks underestimating the importance of local ecosystem engagement and the role of intermediary and catalytic actors in identifying, preparing and scaling investable opportunities.

In practice, NGOs, foundations, local funds, business platforms and hybrid organisations often provide the feet on the ground, deep local presence, sector expertise and ability to build and broker partnerships needed to build pipeline, reduce risk and strengthen market development. These actors play a critical role in originating opportunities, supporting investment readiness and anchoring investments within local ecosystems.

Recommendation: Explicitly recognise and operationalise the role of intermediary actors in the design and implementation of the facility, including as partners for pipeline development, de-risking and market building. This should include formalised partnerships with local ecosystem actors, dedicated resources for business model refinement and investment readiness, and stronger local anchoring in sourcing and implementation.

2. Establishing a structured approach to sector development

While the facility recognises a broad range of sectors, there is no clear structure for how sector-level impact and market development will be pursued. This limits the potential for demonstration effects, learning and scale. Education, skills development and employability should also be recognised as core impact areas. Human capital development is a prerequisite for sustainable job creation and inclusive growth, and impact measurement should therefore recognise employability and labour-market readiness alongside jobs created within investee companies.

Recommendation: Introduce a more structured, sector-based approach through thematic platforms (e.g. WASH, youth jobs, health, agri-value chains), coordinated partnerships across actors within sectors, and deliberate use of investments to drive market development and system-level effects. This approach should explicitly include education, skills development and employability as core impact areas and recognise employability and labour-market readiness as relevant outcomes alongside jobs created within investee companies.

3. Broadening eligible models and asset classes

The current design of E3 appears to assume that supported portfolios will primarily consist of investments in companies and SMEs in EMDEs. This may exclude innovative financing models operated by Danish-founded and Danish-anchored organisations, including revolving and portfolio-based structures where investees may be NGOs, social enterprises, educational institutions or individuals. Such models can demonstrate financial additionality, mobilise capital efficiently and deliver measurable SDG outcomes while operating with commercial discipline and scalable financing mechanisms.

Recommendation: Expand eligibility criteria to include a broader range of organisational models and asset classes. Eligibility should be based on demonstrated financial additionality, sustainability and SDG relevance rather than organisational form alone, allowing E3 to support innovative financing models alongside traditional SME investments.

E5 – Impact Investor Partnerships

We welcome the ambition behind the Impact Investor Partnership Facility and broadly support the design of E5. The initiative addresses important gaps in the Danish impact investment ecosystem and has the potential to strengthen development cooperation beyond traditional ODA. Its effectiveness will depend on sufficient scale to deliver meaningful de-risking, a clearly catalytic role for IFDK, transparent and accessible allocation of concessional capital, support for emerging fund managers and innovative models, and a deliberate focus on strengthening the broader blended finance and impact investment ecosystem.

1. Scale and financial adequacy of the instrument:

The overall scale of the facility appears insufficient to deliver impact at scale. A total commitment of DKK 150 million over 3–5 years—of which only DKK 90 million is allocated to concessional funding—limits the instrument’s ability to meaningfully de-risk investment funds. With only six investments planned, the implied average ticket size remains significantly below what is typically required. In practice, a concessional tranche should represent around 25% of a fund of at least DKK 150 million, which is not feasible under the current allocation.

Recommendation: Reassess the scale and financial structure of the instrument to ensure it can effectively de-risk funds of sufficient size and deliver impact at scale.

2. Role of IFDK as fund manager

IFDK brings strong credibility and extensive experience in emerging markets, which is a clear strength for the facility. However, the current setup risks being resource-intensive and process-driven, potentially limiting flexibility, speed and the ability to engage a broader set of actors—particularly emerging fund managers and new partnerships.

To maximise impact, the facility should go beyond traditional investment delivery and not be reduced to a purely allocative function. Instead, IFDK’s role under E5 should explicitly be to catalyse, facilitate and de-risk, with a strong focus on building partnerships and strengthening the broader impact investment ecosystem.

Recommendation: Strengthen the operational model to ensure that IFDK:

- operates through a dedicated team with a clear mandate and tailored success criteria, separate from IFDK’s other investment activities and focused on mobilisation, facilitation and risk-taking,
- adopts an agile and partnership-driven approach, enabling engagement with emerging fund managers, innovative models and actors with strong local presence (“feet on the ground”), and
- actively contributes to ecosystem development, including through knowledge-sharing, capacity building and standardised blended finance approaches.

This should include a more deliberate role in **building a stronger blended finance ecosystem**, by documenting and sharing experiences on financial structures, legal frameworks and impact measurement, strengthening due diligence capacities, and developing models that can be adapted across fund managers and investment structures. Drawing on existing experience (e.g. SDG fund models), this can support broader use and replication, even where it creates some overlap with existing instruments, as a stronger ecosystem will benefit all actors over time.

3. Direct delegated co-investment model and catalytic use of capital

The proposed direct parallel co-investment model alongside philanthropic foundations risks crowding out capital in an already constrained funding space. Given IFDK’s scale, public capital may substitute rather than catalyse the risk-taking role philanthropic actors can play.

Recommendation: Adopt direct delegated co-investment as the preferred approach. This model:

- avoids competing with existing fund structures and philanthropic capital,
- provides greater transparency in the allocation and use of concessional capital, and
- enables more targeted deployment into priority opportunities.

Concessional capital should be used strictly to unlock—not replace—private and philanthropic investment, supporting diversification, market development and innovative blended finance structures. Partnerships with philanthropic organisations should reinforce their catalytic role in mobilising private capital and addressing market failures.

At the same time, ensure a level playing field across the ecosystem by:

- avoiding the use of concessional capital to directly de-risk IFDK investments (e.g. no first-loss protection for IFDK capital), while allowing co-investment alongside the facility;
- avoiding preferential rights that could restrict access for other actors; and
- ensuring philanthropic capital complements, rather than substitutes for, the development of the broader impact investment ecosystem.

4. Strategic focus of fund manager support

There is a lack of consistency in how the scale of the facility is described. While the narrative suggests that the facility will focus on a limited number of fund managers (2–3), the results framework indicates a broader trajectory over time. This creates uncertainty around whether the intention is to concentrate resources in a few strategic partnerships or to support a wider portfolio of actors.

Recommendation: Clarify the intended focus of the facility, including the number and type of fund managers supported, and ensure alignment between narrative and results framework, with a clear rationale for prioritising concentration or diversification.

5. Transparency and access to concessional capital

The operationalisation of concessional capital remains unclear. While the total envelope of DKK 90 million is specified, the results framework only accounts for DKK 30 million, limiting visibility on how funds will be deployed, how they contribute to results, and how they support market development. This also creates uncertainty around access. In addition, the criteria and processes for selecting fund managers may place significant emphasis on established track records, potentially limiting opportunities for emerging managers and innovative approaches.

Recommendation:

- Clarify how concessional capital is allocated and linked to results and market development.
- Ensure allocation and fund manager selection processes enable access for emerging managers and new market entrants, alongside established actors.
- Use concessional capital and technical assistance to strengthen the Danish impact investment ecosystem by supporting innovative approaches while prioritising capacities required to manage and scale impact investment funds.
- Design simple and proportionate processes that balance transparency with efficiency.