Danida Green Business Partnerships

Key results:

Outcomes:

1) *Reduced vulnerability to climate change, reduced strain on natural resources and the environment and a stabilisation of GHG emissions*
2) *Inclusive private sector growth and improved livelihoods.*

The programme will fund and support market-based partnership projects between commercial and non-commercial partners addressing climate and environmental challenges while contributing to inclusive growth and improved livelihoods.

Innovative commercial solutions driven by international and local commercial partners are developed and tested in partnerships in view of later upscaling. The environmental and social impact is developed and tested in collaboration with non-commercial partners and should be part and parcel of the business case.

Sustainability and wider impact rests on the commercial viability of the business. The climate and environmental outcomes are estimated in terms of avoided negative effects on climate and environment compared to status quo solutions. Furthermore, income and livelihood effects are assessed from the number of people engaged in the activities and the level of targeting products and services towards under-served populations.

Justification for support:

In a challenging investment climate of developing countries, this programme will promote private investments addressing climate change, the environment and inclusive growth and through partnerships contribute to the sustainable development goals. Non-commercial partners are well positioned to identify potential development impact, assess the developmental relevance of proposed market solutions and mitigate risks.

File No.	2021-32862					
Country	Global					
Responsible Unit	GDK					
Sector	Environment					
Partner	Challenge Fund					
DKK million	**2022**	**2023**	**2024**	**2025**	**2026-29**	**Total**
Commitment	100	150	150	16	0	416
Disbursements	0	20	50	80	266	416
Duration	Commitments: 2022-25. Disbursements until 2029					
Previous grants	2016-21, 340 mio.kr.					
Finance Act code	06.34.01.40					
Head of unit	Karin Poulsen					
Desk officer	Fin Poulsen					
Reviewed by	Rasmus Tvorup Ewald, CFO					

Relevant SDGs

No Poverty	No Hunger	Good Health, Wellbeing	Quality Education	Gender Equality	Clean Water, Sanitation
Affordable Clean Energy	Decent Jobs, Econ. Growth	Industry, Innovation, Infrastructure	Reduced Inequalities	Sustainable Cities, Communities	Responsible Consumption & Production
Climate Action	Life below Water	Life on Land	Peace & Justice, strong Inst.	Partnerships for Goals	

Objectives:

The longer-term objective of Danida Green Business Partnerships is *Enhanced global green transition and private-led inclusive economic growth through innovative partnerships.*

Justification for choice of partner:

A challenge fund modality has been chosen to have a demand-driven approach and encourage competition for the best market-based solutions presented by partnership applicants. The fund is administered by an external secretariat, responsible for organising annual calls for applications and undertake activities to spur interest in Denmark and in the partner countries in close coordination with the Danish embassies and other relevant stakeholders.

Summary:

Through partnerships between commercial partners with a market-based solution at hand and non-commercial partners with local knowledge and experience from delivering on the sustainable development goals, Danida Green Business Partnerships will address important challenges in developing countries and demonstrate models for combining the green transition with inclusive economic development. This programme benefits from previous Danida experience within partnership business instruments and follows five years of implementation of the Danida Market Development Partnerships programme.

Budget (engagement as defined in FMI**):**

Engagement 1 – the development project	DKK million 395.5
Engagement 2 - auxiliary activities, such as advisors, M&E and reviews (repeat as relevant)	DKK million 20.5
Engagement 3 – un-allocated funds	n.a.
Total	**DKK million 416**

Ministry of Foreign Affairs of Denmark **Danida**

Programme Document

Danida Green Business Partnerships

February 2022

File No. 2021-32862

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List of Abbreviations

DAC	Development Assistance Committee of the OECD
DIBE	Danida Innovation and Business Explorer
DKK	Danish krone
DGBP	Danida Green Business Partnerships
DMDP	Danida Market Development Partnerships
EKF	Denmark's Export Credit Agency
EU	European Union
GBER	EU State aid General Block Exemption Regulation
GDK	Department for Green Diplomacy and Climate
GHG	Greenhouse gas
GIZ	German Corporation for International Cooperation Gmb
IFU	Danish Investment Fund for Developing Countries
ILO	International Labour Organisation
MFA	Danish Ministry of Foreign Affairs
NGO	Non-governmental organisation
OECD	Organisation for Economic Cooperation and Development
P4G	Partnering for Green Growth and the Global Goals 2030
RBC	Responsible business conduct
SDG	Sustainable Development Goal(s)
SME	Small and medium-sized enterprises
UN	United Nations

1 Introduction

The present programme document outlines the background, rationale and justification, objectives and management arrangements for the development cooperation concerning Danida Green Business Partnerships 2022-2026. Through partnerships with non-commercial partners, the programme will engage the private sector in developing and implementing market-based solutions with high impact that address environmental degradation, the climate change and biodiversity crisis and contribute to inclusive economic growth in partner countries. The programme builds on previous years' experience with the private partnership program, DMDP.

In line with the new Danish strategy for development cooperation *The World We Share,* and the political ambition to launch a new green partnership facility, this four-year programme constitutes an important effort provided through Denmark's development cooperation to lead the way in the fight for climate, nature and environment by combining private sector led economic growth and green transition. Through commercially oriented partnerships, the programme will contribute to sustainable and socially just economic recovery, green transition and create hope and opportunities through decent jobs and green growth. By engaging private sector finance and competencies in combination with local development knowledge of non-commercial partners, the programme aims to contribute to the Sustainable Development Goals (SDG), in particular addressing climate change mitigation, climate change adaptation, environmental protection, biodiversity and inclusive growth. Notably SDG 1 (no poverty), SDG 8 (decent jobs and economic growth), SDG 12 (responsible consumption and production), SDG 13 (climate action), and SDG 17 (partnerships) are targeted.

2 Programme context

Through partnerships between commercial partners with a market-based solution at hand and non-commercial partners (primarily civil society organisations) with local knowledge and experience from delivering on the sustainable development goals, Danida Green Business Partnerships will address important challenges in developing countries and demonstrate models for combining the green transition with inclusive economic development.

The UN Sustainable Development Goals (SDGs) have since their adoption in 2015 enjoyed global recognition, also by businesses that strive to increase their value proposition by addressing the SDGs. From an initial focus on doing business responsibly and not doing harm, more and more companies have not only strengthened their social and environmental compliance framework but are also increasingly directing business solutions towards global or local challenges in order to create positive impact.

Private businesses can address climate related challenges and contribute to a green growth trajectory by bringing services and products to the market that are cleaner, less dependent on carbon-based fuels and contribute to enhanced resource efficiency. Examples include new technologies for drying or storing food, recycling of materials (for instance plastic), generating clean and affordable power, products aiming at more efficient water management, less use of energy, waste-to-energy, etc.

Global supply chains are subject to public scrutiny and represent an opportunity not only to avoid doing harm, but also to increase the benefits for people deprived of opportunities and rights. Also, local value chains represent opportunities to lead-firms that may extend services and benefits to small-scale suppliers. For instance, in the agriculture sector, there is an opportunity to increase incomes by introducing more sustainable production technologies and practices and higher productivity while improving agricultural resilience to climate change and reducing the pressure on natural resources and systems.

In addition to the solutions they bring to the market, companies contribute to economic development through salaries and local purchase as well as their tax contribution. All companies have a responsibility towards own employees and the broader community in which they operate. Responsible business conduct includes minimising environmental impacts, ensuring decent working conditions and respecting UN Guiding Principles on Business and Human Rights.

2.1 Background and thematic context

The programme will offer market-based solutions to climate and environmental challenges while contributing to economic growth, job creation and improved livelihoods.

The effects of climate change are already felt in many countries around the world and the future effects of climate change are expected to be severe. Developing countries are hit the hardest and lack the capacity to withstand extreme weather events, global warming and changes in precipitation patterns. There are close linkages between the Paris Agreement's climate objectives and the UN Sustainable Development Goals. Unsustainable use of natural resources, pollution and biodiversity loss impact negatively on poor people's livelihoods and reduce their resilience to climate change. Climate change adaptation is therefore a high priority in developing countries, and more efficient production technologies will not only increase productivity but also contribute to resource and energy efficiency.

> "Green and decent jobs aim to contribute to sustainable growth and a way out of poverty. Without a flourishing private sector, long-term development is impossible. It is vital to focus not only on the welfare of the individual but also on contributing to society's overall prosperity, in which weak and vulnerable groups who are temporarily unable to care for themselves have access to help."
>
> The World We Share, 2021

Environmental protection and human rights are linked, which is also reflected in the fact that the Human Rights Council recently has recognized that having a clean, healthy and sustainable environment is a human right. Women are in many contexts more vulnerable to the effects of climate change. Women constitute the majority of the world's poor and are more dependent for their livelihood on natural resources. Their coping capacity is often limited due to social, economic and political barriers.

Although current per capita greenhouse gas emissions from developing countries on average are considerably lower than for OECD countries[1], future economic growth is expected to change this, and it is therefore important that many developing countries have embarked on a green transition and are planning for a future economic development less dependent on fossil fuels. While being responsible for a large share of greenhouse gas (GHG) emissions, the private sector is also key to stabilizing greenhouse gas emissions by bringing solutions to the market that contribute to a lower carbon emission trajectory.

Inclusive growth induced by foreign and domestic private investments is essential to reach the sustainable development goals and the importance of partnering with a broad range of stakeholders including civil society, government and private sector is emphasized in SDG 17.

The investment climate is considered challenging in many developing countries, private capital is prohibitively expensive and international companies will consider their investment or establishment as high-risk compared to other markets. Development finance institutions and private investors primarily look for companies with a proven business model in the market and it may therefore be challenging to raise funding for initiating and testing a new business model or a new product in these countries, even when the business solution has been successful in other markets. The high risk and lack of foreign investments

[1] Among the countries eligible for this programme, several countries are high emitters in absolute terms, but the average per capita emission for the group of Low- and Middle-Income Countries is 5.86 t CO_2e, while it is 12.89 t CO_2e per capita for OECD members (Our World in Data, 2012)

is most predominant in fragile and least developed countries, but even in middle-income countries there are challenges in attracting private finance to some sectors and including the entire population in the market. Public support has a role in promoting private investments in these markets, for instance by reducing private investors' risks or by subsiding technical assistance in relation to the investments, thereby contributing to impact and enhancing the chances of success.

Civil society and other non-commercial partners have the competence and experience from operating in emerging markets. They can play a role that goes much further than enabling private sector entry to the market. Through knowledge and insight in local development challenges, and the context in which they operate, non-commercial partners are well positioned to identify potential development impact, assess the developmental relevance of proposed market solutions and mitigate risks to local communities, not least in relation to human rights-based issues. Non-commercial partners engage increasingly in partnerships with commercial partners in relation to specific environment and climate-related challenges, where non-commercial partners succeed in unleashing the developmental potential of commercial solutions for instance by ensuring that under-served people get access to and fully benefit from the service or the product brought to market.

2.2 Lessons learned

This programme benefits from previous Danida experience within partnership business instruments and follows five years of implementation of the Danida Market Development Partnerships (DMDP) programme. Following an initial pilot phase in 2016, DMDP launched five calls for applications, of which the last call in 2021 was directed specifically at greening existing DMDP projects. A total of 439 concept notes were received until 2020 among which 36 projects were selected for funding in 15 of the 26 eligible countries. These projects are currently under various stages of implementation. 50 projects were initially envisaged under the programme, but with the expansion of the budget threshold from DKK 8 million to DKK 10 million, this number was reduced. From 2020, DMDP has been administered by an external secretariat, selected through a public tender, under the overall governance of the Danish Ministry of Foreign Affairs (MFA).

All DMDP projects have SDG 8, economic development and job creation, as principal objective. 20 projects (56%) are within the agri-business sector and the remaining in green technologies/circular economy, services and manufacturing. Of the 36 projects, 19 involve small- and medium-sized enterprises as the key commercial partner. 69% of the partnerships involve Danish partners and around half of the partnerships involve Danish commercial partners. The overall budget frame for DMDP 2017-2021 was DKK 340 million. Furthermore, commercial partners have committed investments amounting to DKK 246 million to the projects. The DMDP partnerships should consist of at least a commercial and a non-commercial partner and often multiple partners are involved.

Project example: Reducing food losses in Tanzania
Tanzania is an important producer of maize, but post-harvest losses constitute 15-40%. The DMDP project Save Safe Food addresses this by introducing hermetic bags and other products that can reduce losses considerably which benefits food supply systems and the climate. The project targets 5,850 farm households to adopt good post-harvest practices, including the use of hermetic bags, while up to 90,000 farm households will adopt the usage of hermetic bags to safely store grains free from pest damages and storage pesticides.

The following lessons learned and experience from DMDP have been highlighted during the formulation of the new programme:

- Considerable interest and many applications to DMDP from a large diversity of partners. Annual calls have ensured predictability for interested partners to apply;
- Too many applications were initially received from partnerships with only local partners. A requirement

was introduced that at least one commercial partner should be an international company;

- Local anchorage of the projects has been an issue. The administrative partner should now have country experience and there should be at least one local partner in the project;
- Engagement of Danish embassies in the screening and selection process has generally been good, but the potential seems underexploited in some countries;
- Many DMDP projects provide opportunities for synergies with other Danish activities in the country, but lack of coherence and linkages to Danish interests is an issue in relation to some projects and countries;
- Considerable time and resources are required for reaching agreement on the project and preparing a full application, which represents a burden especially felt by commercial partners. It is important to maintain and where possible strengthen flexibility during implementation due to the unpredictable aspects of a project;
- The procedures are to some extent considered skewed towards the non-commercial partners and the companies are not always fully engaged in the development-oriented activities;
- Gender has been a cross-cutting theme in many of the projects enabling increased income opportunities for women and women-owned businesses;
- Implementation delays have been common in the projects. The time from approved application to actual start of implementation has in some instances been considerably longer than expected. This is due to a range of issues ranging from developing a common project vision among the partners to practical coordination and start-up in the country. The Covid-19 pandemic has exacerbated this situation;
- A number of project applications considered interesting may not be granted funding because the business idea is at a too early stage;
- Development of the business models requires ample time and so far, few of the business models in the DMDP projects have reached a stage where commercial viability is assured and they can be scaled up;
- The administrative solution with an external DMDP secretariat has provided good opportunities for projects to access assistance, especially on administrative issues;
- The approved DMDP projects target to create approximately 9,000 jobs, and close to 163,000 people are expected to benefit from improved income opportunities. The number of direct jobs being created in the partner companies is modest and the indirect effects seem at least as important to capture, to the extent possible.

Project example: Circular economy and pollution control Bangladesh
The DMDP Value from Plastic Waste project seeks to create a new market for a stream of plastic waste which currently has no commercial value. The project will introduce pyrolysis technology to the most polluted points of the Padma River in Bangladesh and will integrate waste pickers into a plastic-collection and processing workstreams, creating new jobs, improving working conditions and creating commercial value out of plastic waste.

In DMDP there has been an emphasis on introducing and strengthening responsible business conduct[2]. It has been required that jobs, that are being established, are compliant with ILO's decent job definition, or at least aspire to become decent, and that project activities are implemented with a strong focus on risks, i.e. that partners pay due attention to mitigating potential negative impact of their activities and work actively with human rights, workers' rights, environmental concerns and governance/anti-corruption issues. Although there is a considerable variance in the level of responsible business conduct in the partner businesses, it has generally been considered an important and welcome additionality

[2] Responsible Business Conduct is an element in the OECD Policy Framework for Investment, which is one of the most comprehensive guides for defining framework conditions for private sector investments.

of the project. This emphasis will be continued in the new programme.

A separate outcome related to the expected wider market effects was introduced in DMDP from 2019. Wider market effects include changes that go beyond the partners engaged in the partnership project, for instance in relation to the introduction of new standards or regulations, improved industry coordination and dialogue, establishment of infrastructure and demonstration of new technologies. Although difficult to measure, these wider effects, intended or unintended, could constitute an important longer-term outcome of the programme and the emphasis will therefore be maintained in the new programme.

Both commercial and non-commercial DMDP partners have regularly raised the issue, that commercial partners cannot be granted financial support. The partners suggest a possibility of co-financing training to local companies in order to strengthen the sustainability of local businesses and of subsidising certain investments in order to reduce the risk of commercial partners when developing a new business concept. The EU State Aid rules provide very limited possibilities for subsidising activities and investments of private companies, but within these rules it will be possible to introduce some limited co-funding options in Danida Green Business Partnerships (see further below). As in DMDP, only non-commercial partners will be administrative partners in the DGBP projects. The administrative partners will receive the funding grant and on behalf of the partnership and be responsible for regular results reporting and monitoring.

A mid-term review was undertaken of DMDP in mid-2019 at a time when only ten partnerships had started implementation. It commended the DMDP for developing a sound and professional partnership facility and furthermore presented a number of issues for consideration for a possible follow-up programme, including:

- Whether a challenge fund and a partnership modality are the most adequate instruments;
- How to target and engage particularly Danish companies, including SMEs;
- How to strengthen coherence and synergies with other Danish funded programmes and embassy activities
- Outsource the fund management function and enable enough time and resources for implementing on-going projects and ensure learning and gathering of experience.

The issues regarding engaging Danish companies and strengthening synergies are addressed in section 2.3 below. A challenge fund continues to be considered the most adequate instrument, primarily because of the demand-driven nature of the activities and the competitive element, but also because of the flexibility it represents in adjusting calls and administrative procedures. The partnership approach is also considered an essential element of the programme. The necessary dialogue with potential partners and aspects of co-creation are integrated in the programme approach. The fund management was outsourced since 2020, which continues to be relevant as well for the new programme.

Project example: Greening value chains in Burkina Faso
The DMDP project Innovating for Impact in Sesame aims to boost the organic sesame value chain to create sustainable livelihoods and strengthen the resilience of smallholder farmers. The commercial partners investing in the project aims to upscale sesame production in Burkina Faso by addressing the systemic constraints on the production side of the value-chain including organic certification. In the 2019/20 season the project had increased its reach to 7,090 farmers organised in five producer organisations. The project has mobilised additional funding of 1 million Euro from GIZ with a target to onboard additional 5,000 farmers.

The mid-term review furthermore emphasized the need to strengthen systematic collection, sharing and dissemination of lessons learned, which is an aspect that will be strengthened in the new programme. In the inception phase of the new programme, an assessment of the existing DMDP partnerships will be undertaken, which will provide deeper insight into the factors that make some partnerships more successful than others.

While Danida Green Business Partnerships maintain the basic elements of the DMDP in terms of the challenge fund and the partnership approach, the lessons learned have also led to some changes, of which the most important are:

- Reorientation of the programme towards climate and environmental objectives while expanding the list of eligible countries;
- Introduction of a new funding window for developing partnerships that are not yet ready for full project funding;
- Possibilities to provide funding to commercial partners administered within the EU state aid rules;
- Establishment of an external advisory committee that will scrutinise partnership proposals and provide advice for the Ministry of Foreign Affairs;
- Strengthened coherence with other Danish priorities in the partner countries and increased linkages to initiatives promoting the internationalisation efforts of Danish companies.

2.3 Coherence and synergies

As a centrally managed programme, seeking linkages to other Danish-funded initiatives in the targeted countries will be specifically addressed in multiple ways in line with the approach of doing development differently. The green transition as the overall programme theme will in itself provide a more focused programme within an area of high priority for Denmark's foreign policy priorities.

Furthermore, the coherence will be sought by encouraging applications within thematic areas and sectors prioritised by the embassies in the eligible countries. The prioritised thematic areas and sectors should be aligned with the bilateral development programme (and where relevant the Country Strategic Framework), including the Strategic Sector Cooperation, and relevant priority areas for the Trade Council. Calls for applications will indicate priority sectors for each of the eligible countries and applying within these sectors will count positively when project proposals are assessed. The embassy's role in assessing the relevance of project applications is a central element of this effort.

The programme will have a clearly visible profile, especially towards Danish partners, but also in the eligible countries. The programme will seek to benefit from relevant networks and facilities in Denmark and in the partner countries around which civil society and businesses have dialogue and cooperation on relevant topics. In connection with the annual calls, the secretariat will facilitate the development of strong partnership ideas and organise sector specific events with the relevant embassies to engage potential partners around the issues that could be addressed through the programme.

In Denmark, a range of public funding facilities are available for supporting companies in their innovation and internationalisation efforts. The programme will strengthen cooperation and information exchange with these, in order to make it easier for companies to identify this programme as an opportunity. These include the Trade Council, the Danish Export Credit Agency's Green Accelerator, Vaekstfonden, Innobooster of Innovation Fund Denmark and SMV International, which is managed by the Danish decentralised entities for business promotion ("Erhvervshusene"). Furthermore, Danida Green Business Partnerships should be seen in the context of two other programmes funded by the Danish Ministry of Foreign Affairs: Danida Innovation and Business Explorer (DIBE) and Partnering for Green Growth and the Global Goals 2030 (P4G). DIBE provides support to market exploration in developing countries for Danish companies with a co-funding of 50% of expenses up to DKK 500,000. P4G brings together business, government and civil society organisations in public-private partnerships to advance market-based solutions in 12 developing countries. In the Danish companies' efforts to go to these markets, DIBE is considered a possible first entrance and the Danida Green Business Partnership and P4G are possibilities to follow-up with a specific investment, and it is therefore important that DGBP is coherent with these programmes in terms of administrative criteria and that there is a regular exchange of experience.

Following a successful partnership project, the commercial partner(s) would be expected to continue and scale up activities. Access to finance is a prerequisite for scaling up both for national and international commercial partners and this issue should be addressed in the project applications and early in project implementation. Funding will be available within the partnership projects to include competencies in relation to identifying financing needs and approaching possible funding sources. If the partnership does not have access to such competences, the secretariat should be in a position to refer to finance experts that may be engaged by the partnership project. Where relevant, potential financiers should be affiliated with the project at an early stage. Examples of possible funding channels for an international/Danish company after a Danida partnership project in these markets include export credits, blended finance mechanisms, development finance institutions, private equity and venture funds including Danish family offices and funding raised on commercial terms. Local companies could add soft loans through development/government programmes, local banks, development banks, regional/national blended finance mechanisms, local business angels and possibly crowd funding to the list. Linkages to IFU will be established in order for sufficiently mature commercial partners to explore whether growth capital from a development finance institution is relevant.

2.4 Justification of programme design

Relevance: As indicated above, the programme is well aligned to Denmark's strategy for development cooperation *The World We Share* with its focus on the linkages and mutual dependency between climate change, environmental and biodiversity degradation and human development. However, it is key to ensure relevance for the potential applicants, notably the commercial partners, who are requested to co-fund the projects. With its focus on climate and environment, the challenge fund is expected to be well aligned to the commercial ambitions of a large range of private companies. The commercial partners are to a large extent expected to be international companies that are in the process of testing a new business model or establishing themselves in the market. The programme may also be relevant to support greening of existing business models of local and international commercial partners operating in the country.

Effectiveness: Results will be sought in relation to a broad array of SDGs, but mainly in relation to climate mitigation, climate adaptation, environmental protection and biodiversity in combination with inclusive growth. The programme will target poverty eradication by an inclusive approach to supply chains and by supporting business cases related to bottom of the pyramid products for underserved segments of the population. Each project will define indicators and targets relevant for the programme-level results framework.

Efficiency: The efficiency of the programme hinges on the challenge fund approach, which allows a certain predictability for partners considering applying, while there is a competitive element that urges partners to present good proposals. Approximately 100 proposals have applied for funding in each call of DMDP and only 10 selected, which enables MFA to maintain high standards for the projects, but also entails loss of time and efforts from unsuccessful applicants. In the new programme, application templates will be developed that are easier to complete with clear minimum requirements to projects so that fewer are discarded due to non-compliance. Furthermore, the requirements for detailed planning will be lighter for the projects. An efficient programme implementation and partnership support will be ensured through the external secretariat.

Coherence: As indicated above, the programme will seek linkages to other Danish intervention areas and priorities at country level. For the non-commercial partners, and in particular the Danish organisations that have a Strategic Partnership Agreement with the MFA, there will furthermore be a possibility to establish synergy with their activities directed at cooperation with the private sector. The diversity of non-commercial partners in the programme is an advantage and provides opportunities for exchanging experience at an international level. The programme is coherent with OECD/DAC rules of untied aid and EU State aid rules.

Impact and sustainability: Each project should be based on a solid business case and the viability of the business case should ensure that commercial partners will stay in business and scale the models further which will enable the delivery of long-term development impact. Furthermore, the partnership projects should aim for wider market effects beyond the project level. It is assumed that the experience gained with the partnership approach for the SDGs will lead the partners to engage in other partnerships between the private sector and non-commercial partners, whereby more private finance for development could be raised, as described above. The sustainability of the results will be ensured through a solid business case in each of the partnerships approved for funding.

Additionality: Raising private investments in developing countries is an important purpose of the programme, especially in relation to the most difficult markets, where the additionality is greatest. Furthermore, the additionality of the projects is considered in the sense that the project brings about more significant impact than would have taken place if the commercial partner had undertaken the investment without the non-commercial partner. This will be part of the project selection criteria.

3 Programme presentation

3.1 Objectives and outcomes

Each partnership project is anchored in a business case and will have its own results framework. It will contribute to the overall objectives of the programme by linking to specific indicators in the overall results framework. The success of the partnerships is dependent on both commercial and non-commercial partners. Good partnerships involve a joint understanding of both commercial and development aims. By engaging private sector finance and competencies in combination with development knowledge of non-commercial partners, the programme aims to contribute to the Sustainable Development Goals, and in particular climate change, environmental and biodiversity degradation, and inclusive growth.

The longer-term objective of the programme is:

Enhanced global green transition and private-led inclusive economic growth through innovative partnerships.

The longer-term impact on climate, the environment and inclusive growth envisaged for the programme should be created by the business continuing to operate beyond the lifetime of the project and by wider market effects of the partnership project that has demonstrated innovative business solutions.

The programme aims at contributing to two outcomes through the viable business solutions established:

1. *Reduced vulnerability to climate change, reduced strain on natural resources and the environment and a stabilisation of GHG emissions*
2. *Inclusive private sector growth and improved livelihoods*

Through sustainable market-based solutions, the partnership projects will combine contributions to climate/environmental objectives with inclusive economic growth and promote partnerships and interventions with a broad SDG approach. Inclusive growth is achieved when private businesses grow while providing employment and indirect income opportunities for the poor or when businesses target under-served communities or customers with solutions that potentially can enhance the livelihoods of women and men.

At programme level, at least 80% of the financing should contribute to climate and environmental objectives. This means that all approved partnership projects should have climate change mitigation and adaptation, environment or desertification and biodiversity as either a principal or a significant objective as determined by the OECD/DAC Rio Markers on climate and the environment[3]. At least 60% of the projects should qualify as having climate/environment as a principal objective and the remaining (maximum 40%) should have inclusive economic growth and improved livelihoods as their principal objective and a significant contribution to climate/environmental objectives. Furthermore, in order to ensure the programme's contribution to address climate change, at least 50% of all funding must be climate related.

All projects are expected to aim for a positive impact both in terms of climate/environment and in terms of social objectives and livelihoods improvements. As an environmental and climate programme it is not expected that the selected projects in general will have a direct effect on poverty alleviation. However, as described further below, projects may be selected for funding based on their strategy for targeting groups that are among the poorer or vulnerable segments of society and including these in the markets.

3.2 Eligible countries

The countries eligible for the programme are developing countries with a Danish representation and/or where Denmark has an expanded or targeted partnership. They include the countries eligible for the DMDP programme and five additional countries. Experience from DMDP indicates that only few partnership applications should be expected for projects in fragile states. Given the focus on climate change, it has been important to include countries with high greenhouse emissions and to enable linkages with the Strategic Sector Cooperation, Strategic Green Partnerships countries and activities of the Danish Trade Council.

Table 1: Eligible DGBP countries by income group

Low Income Countries	Lower Middle-Income Countries	Upper Middle-Income Countries
Bangladesh*	Ukraine	Lebanon
Myanmar	Georgia	Brazil*
Ethiopia	Jordan	Colombia*
Burkina Faso	Tunisia	Mexico*
Uganda	Palestine	South Africa*
Afghanistan	Nigeria*	Turkey*
Mali	Indonesia*	
Niger	Vietnam*	
Rwanda	India*	
Somalia	Ghana*	
Tanzania	Kenya*	
	Egypt*	
	Morocco*	
	Philippines	
	Pakistan	

Source: DAC list of ODA recipients, 2021. Current income levels may differ.
* Countries with Strategic Sector Cooperation

[3] According to the OECD/DAC Rio Markers classification, projects with climate/environment as the principal objective should be included with 100% of their budget as contributing to climate/environment, whereas projects with other principal objectives, but climate/environment as a significant objective should count 50% of their budget as climate/environment.

Compared to DMDP, additional five upper-middle income countries with on-going Danish bilateral activities are included as eligible countries. To ensure additionality, there will be higher impact requirements to the partnership projects in these countries. The project application for these countries will have to clearly demonstrate both a high impact on environment/climate and significant social impact, i.e. targeting specific under-served or vulnerable groups that would not otherwise have access. To avoid concentration on a few countries, a maximum of three projects will be selected per year for each country and maximum 30% of the grant volume should be allocated to projects in upper middle-income countries. The ceiling of 30% might be lifted if the number of qualified projects proposals among lower and middle-income countries is insufficient.

In total, the programme will include 32 countries of which 14 countries with Strategic Sector Cooperation and 18 countries with other Danish bilateral development activities. In countries where Denmark has an expanded partnership, close linkages to the bilateral development programme will be sought. In countries with targeted partnerships, where Denmark has a narrower engagement including Strategic Sector Cooperation, linkages to these and the activities of the Trade Council will be important.

3.3 Project selection criteria for climate and the environment

The green selection criteria for the DGBP projects are defined on the basis of the five OECD/DAC *Rio and Environmental Aid Markers* and will be specified in a set of programme guidelines. These may be adjusted during the programme period based on any new developments in terms of the MFA general reporting framework on green financing. The definitions of the OECD/DAC Rio and Environment Aid Markers are:

Climate Change Mitigation: Contribution to the objective of stabilisation of greenhouse gas (GHG) concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by promoting efforts to reduce or limit GHG emissions or to enhance GHG sequestration.

Climate Change Adaptation: Activities aimed at reducing the vulnerability of human or natural systems to the current and expected impacts of climate change, including climate variability, by maintaining or increasing resilience, through increased ability to adapt to, or absorb, climate change stresses, shocks and variability and/or by helping reduce exposure to them.

General environmental protection: To produce an improvement, or something that is diagnosed as an improvement, in the physical and/or biological environment of the recipient country, area or target group concerned. It includes specific action to integrate environmental concerns with a range of development objectives through institution building and/or capacity development.

Biodiversity: Activities promoting at least one of the three objectives of the Convention: The conservation of biodiversity, sustainable use of its components (ecosystems, species or genetic resources), or fair and equitable sharing of the benefits of the utilisation of genetic resources.

Desertification: Combating desertification or mitigating the effects of drought in arid, semi-arid and dry sub-humid areas through prevention and/or reduction of land degradation, rehabilitation of partly degraded land, or reclamation of desertified land.

Recognising linkages and mutual dependency between different environmental and human development challenges and their effects, the selection criteria will encourage projects that take into account the multifaceted approaches to the developmental and environmental challenges.

A provisional list of eligible partnership objectives is included as Annex 6. The project selection criteria will furthermore emphasise avoidance of significant negative impact on any of the environmental goals. This will be ensured by having an extensive exclusion list of activities and an effort in responsible business conduct, as indicated above.

3.4 Project selection criteria for inclusive growth

In addition to the climate and environmental project selection criteria indicated above, the challenge fund will include criteria related to inclusive growth related to the programme's second outcome *Inclusive private sector growth and improved livelihoods.*

Inclusive growth entails that the proposed projects aim for a positive development effect among vulnerable, poor or underserved segments of the population that would not be benefitting to the same extent if the projects were not granted. The selection criteria for the project applications therefore include an assessment of who would be expected to benefit from the project in terms of the population groups and how the project would improve their current situation in the local context. An example could be, increasing access to decent employment or improving income opportunities for low-income groups in the value chain. The development effect could also be achieved by a product/service targeting an underserved group of customers for example women, youth or ethnic minorities.

Whereas criteria for defining whether a climate/environmental effect of a project is "principal" or just "significant" are defined in the OECD/DAC Rio and Environmental Aid Markers, such international criteria have not been developed in relation to the social and economic effects of inclusive growth. A measure of good judgement will be warranted to assess the significance of the social effects of the projects, including considerations of the number of affected people and whether the expected livelihoods change is temporary or sustainable. As a rule of thumb, however, the social and economic development effects of the company should reach beyond the firm gate and not only involve employment effects within the company or aspects related to responsible business conduct. The extent to which the social and economic effects of the company have an impact on poorer and under-privileged groups in society, women or youth will be considered. Where it is possible to estimate the effects in quantitative terms, the potential benefits of the project should be considerably larger than the grant provided.

All partnership projects must be based on a commercially viable business case driven by the commercial partner(s). The assessment of how well substantiated the business case is, the risk mitigation and the capacity of the commercial partners to implement it, will therefore constitute important selection criteria. It is expected that the line of business proposed in the project is new and not yet profitable, but that there are clear plans for how to make it profitable. If not available at the time of submission of the concept note, the development of a business plan should be part of the initial activities in the project formulation phase of the application or early in the implementation.

In most projects, the commercial goals and the development effects are well aligned, because with a growing business comes more employees, customers, etc. But there could also be trade-offs between the commercial goals and the potential effects on livelihoods, for instance when deciding to which extent the service/product should target the poor and follow a bottom of the pyramid strategy or whether a less risky and more profitable business case could be sought by targeting customers that are less underserved. In order for a project to be approved it should both be commercially viable and have clear development effects, including climate/environmental effects. There is no clear pre-set indication of when the projects are 'good enough' from a development perspective, but the nature of the challenge fund is that there is competition among the projects and the potential scope of the effects will to the extent possible be compared as part of the selection.

Guidelines for applicants and for the project selection will be developed before the first call in 2022. Based on the experience from the first call, the selection criteria may be calibrated for the following two application rounds in 2023 and 2024.

3.5 Other strategic considerations

It is an important principle of the programme that commercial partners play an active role in the projects with a long-term plan for developing a viable business. Commercial partners will be expected to contribute their own time and resources in project development and implementation with a minimum of 25% of the total project budget.

The Danida Green Business Partnerships will be adapting and testing business models in new markets and over the project period provide proof of market opportunities. The programme will also include the possibility of supporting proof-of-concept projects where the technological solution may require some adaptation to the new market and the project therefore involves experimental development as defined in Article 25 of the EU State aid General Block Exemption Regulation (GBER) [4]. This enables a subsidy of the cost of depreciation of equipment in the period of experimental development. Furthermore, the programme may subsidise cost of staff training in connection with the introduction of new technology in accordance with Article 31 of the GBER. This support will be administered in coherence with the EU State Aid rules (see Annex 5) and further specification of the support will be developed in the programme guidelines before launch of the call process.

Through its component on responsible business conduct, the programme will provide focus on business and human rights, including the rights of women and children. Companies have a responsibility to avoid and address human rights violations towards their employees, contracted workers, workers in the supply chain, local communities or consumers. The UN Guiding Principles on Business and Human Rights provide that all businesses have a responsibility to respect internationally recognised human rights. This responsibility applies regardless of a business' size, sector, ownership or country of operation. The programme will ensure proper guidance in this respect through its cooperation with the Danish Institute for Human Rights. Commercial partners should be in compliance with national legislation from the start of the partnership project. International commercial partners should furthermore fulfil the requirements for responsible business conduct at project start, whereas for local companies there should be an agreed plan for how they will comply with responsible business conduct requirements, which in many cases will pose additional demands compared to national legislation.

Women and youth do generally not have access to equal opportunities as economic actors in the private sector, and the consequences for women and youth of technologies and business solutions introduced should be carefully considered as part of the project assessment. Ensuring the inclusion of women and youth in DGBP partnerships is important and will be given weight as part of the project selection criteria. The programme has specific targets for women and youth inclusion in the results framework. The aim is that 50% of jobs created in commercial partners will be filled by women and 25% by young people (below 25 years). The same requirements apply to training activities under the programme.

A plan for communication of results will be prepared by each partnership project. Furthermore, the secretariat will establish and maintain a dedicated website with relevant information for applicants and communication of results. However, it will be necessary to establish a good overall knowledge of DGBP with business associations, private sector support facilities, partnership platforms, etc. A programme level

[4] The State aid General Block Exemption Regulation declares specific categories of State aid compatible with Article 107 and 108 of the Treaty on the Functioning of the EU, if they fulfil certain conditions.

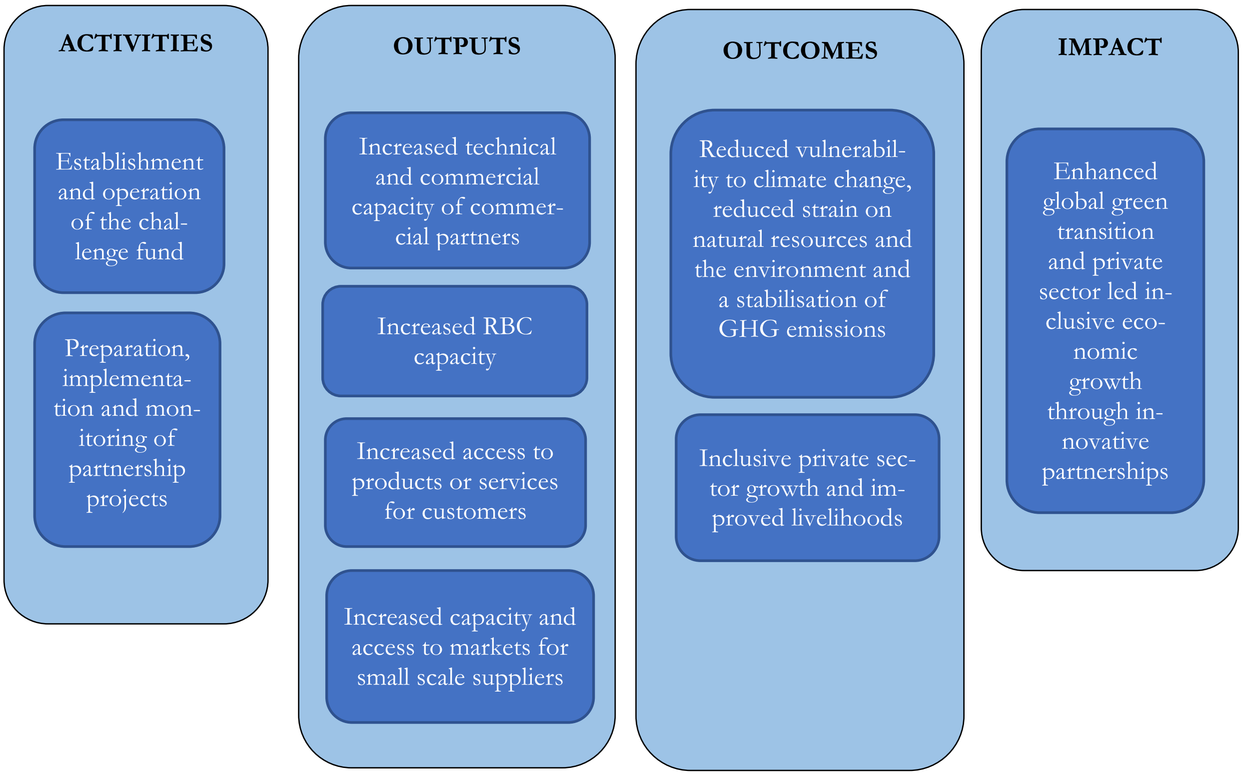
plan for outreach and communication in Denmark and in partner countries will be elaborated during 2022.

4 Theory of change and key assumptions

The overall theory of change of the programme is that **if** Danida provides funding and advice for partnerships between commercial and non-commercial partners **then** this will lead to a number of partnership projects being implemented. The outputs of the partnership projects are related to the increased capacity and production of goods or services of the commercial partners and to benefits for the population (see further below), **which** will give environmental-climate benefits as well as economic and livelihood benefits, **which subsequently** will be sustained by the commercial partner and replicated by others.

The theory of change at programme level is illustrated in figure 1 below.

Figure 1: Programme level theory of change diagram



Programme activities include efforts in relation to establishing and operating the challenge fund and preparation, implementation and monitoring of specific partnership projects. Each partnership project has its own implementation plan and results framework. The partnership projects have outputs related to the enhanced capacity of commercial partners, including knowledge and experience from technical solutions and from markets that have been tested during the partnership project, as well as increased management and technical capacity in general. The outputs of the partnership projects related to the development effects will vary, depending on the commercial partner. For some partnership projects, the outputs will be in terms of increased access to the product/service of a specific population (customer segment). Purchasing and using the product or service will in this case have effects for climate/environment and for the livelihood of the customer (e.g. access to water, energy, health or financial services). For other partnership projects, the emphasis will be on outputs in terms of the strengthened capacity and access to markets for small-scale producers in the supply chain. In these cases, more products sold by suppliers will lead to an increased income through more sustainable and climate-friendly production processes. Finally, the increased turnover of commercial partners will, together with the improved responsible business conduct, have a positive effect on creating decent job opportunities.

As described above, the basic premise for this partnership programme is that businesses can create and sustain positive environmental and climate impact, as well as contribute to economic development in partner countries. Non-commercial partners, most often NGOs, can play a role of ensuring that impact happens for the relevant population segment, for instance by providing technical assistance in the supply chain or by ensuring that the business solution is relevant in the market. There is a considerable element of risk in the programme, because not all commercial partners will succeed with their investments. The commercial partners may in many cases not be making a profit in the first years and there will always be uncertainties about their business plan, so it should be expected that some will fail despite the efforts undertaken.

The positive climate and environmental effects are to be achieved by businesses providing solutions and products that are greener than the alternative. This will not always be measurable, but when it is, a minimum threshold of 20% greener solution will be a selection criterion, for instance 20% less CO_2 emissions or 20% more resource efficient.

Some of the expected outcomes are considered a global good not directly related to a specific population. This is the case for instance in relation to stabilisation of greenhouse gas emissions (climate change mitigation), more efficient use of natural resources and promotion of biodiversity. Other programme outcomes related to climate change adaptation and resilience and to improving incomes and livelihoods are directly influencing a population in the project area. When the latter is the case, it is important to consider who these "beneficiaries" are, in order to justify the additionality and the public good nature of the programme. This includes considerations regarding their current situation and access to the positive effects of the partnership project. For instance, are jobs and incomes provided to population groups (youth, women or rural population) that could not be expected to access these benefits otherwise? For climate change adaptation measures, the current climate risk and the exposure of the population should be considered.

It is equally important to consider whether the partnership project could have negative effects for other population groups, which will be part of the risk assessment (see below). The first key assumption for achieving the programme outcomes is that potential partners have knowledge and interest in the programme. The programme design is important in this respect, as well as the efforts to make the programme known. Subsequently, it is an assumption that when partnerships are formed, they will last for the project period. This requires that good partnership relations are built and maintained. The secretariat has a role in ensuring that partnerships have access to the necessary tools and knowledge to succeed in partnership building and to act if partnerships develop in the wrong direction. The programme will maintain flexibility and allow the partnership to adjust its composition should an existing partner wish to reduce its engagement and/or to add new partners if a new complementary market opportunity arises.

It is also an assumption that external factors related to security and the economy in the country are not developing in a negative direction as it has recently been the case due to the spread of the Corona virus and in some countries caused by civil unrest and war.

In order to achieve the overall objective of the programme, the climate, environmental and development effects should be sustained beyond the partnerships, either by the business becoming profitable and scaling up, by other companies replicating the activities or the business model or by the partnership having wider market effects or influencing the framework conditions. The wider market effects could come from projects that work with specific product standards, with regulation or with infrastructure that will benefit other economic activity.

Experience from DMDP and earlier Danida business partnership programmes suggest that the number of direct jobs created in the partnership companies is modest and should not be considered the most important success criterion. The indirect effects provided by the possibility for increased livelihoods for people in the supply chain or for people using the business solutions provided are potentially at a far larger scale, but also more difficult to quantify. These effects may only materialise in the longer term after scaling up the business model.

In order for companies to continue and scale-up their activities, a number of factors should be in place, including access to finance. The programme will work with this by including specific activities in each partnership project that aim at identifying funding sources both for local and international commercial partners, as described above. Replication of the business model by other companies may also be a possibility for wider effects, but this is less likely because it requires access to technology and business information from commercial partners. In relation to the wider market effects, the assumption is that a dialogue with authorities is initiated in the case of regulations or standards. If it is not already included in the project, it may require outreach to business member organisations or other entities that would be interested to advocate for a specific issue based on the experience in the DGBP partnership project.

5 Summary of the results framework

The effects of the programme are monitored through a set of impact and outcome indicators as presented below. A results framework with output indicators is included as annex 2. At the level of the programme objective, the longer-term impact will be achieved through effects beyond the individual partnership, either by a continued business case, by the partnership model or the business model being replicated.

At outcome level, the effects will be diverse, because climate change, environmental protection and inclusive economic development can be addressed in a number of different ways under outcome 1 and 2. The indicators under outcome 1 refer to the areas of the OECD/DAC Rio Markers for climate and the environment. The results framework includes the indicators and targets that can be aggregated across the partnership projects and therefore reported at programme level. Each partnership project will contribute to one or several of the indicators under outcome 1. In relation to outcome 2, it is expected that all projects will contribute to all five indicators. In addition, each project will have its project-specific output and outcome indicators, including the relevant programme indicators supplemented by indicators that will only serve for monitoring at project level.

The achievements of the programme in relation to climate, environment, jobs and income are dependent on the business and developmental targets set in the incoming applications and subsequently the funded projects for green transition and inclusive economic growth. Therefore, the related targets below are set as a percentage (75%) of the targeted outcomes in the applications. The absolute values will be reported, but these are less meaningful to use as targets due to the nature of the challenge fund. 2029 is indicated as the target year, because the projects approved in the last call in 2024 are expected to run until 2029.

Table 2: Summary of the results framework for DGBP

Programme	Danida Green Business Partnerships
Programme Objective	Enhanced global green transition and private sector led inclusive economic growth through innovative partnerships
Impact Indicator	a) Climate, environment and social effects continue to be delivered by partner companies with positive earnings at the end of the partnership project period

		b) Commercial and non-commercial partners who have engaged in other private sector partnerships for development by the end of the partnership project period c) Business solutions replicated from the partnership projects	
Baseline	Year	2022	a) 0% b) 0% c) 0%
Target	Year	2029	a) 75% of commercial partners b) 25% for commercial partners and 75% for non-commercial partners c) 25% of partnership projects

Outcome 1		Reduced vulnerability to climate change, reduced strain on natural resources and the environment and a stabilisation of GHG emissions	
Outcome indicator 1.1		Number of vulnerable persons/households who have increased their resilience to climate change as an effect of the partnership projects	
Baseline	Year	2022	None
Target	Year	2029	On average, 75% of the expected project target materialise and at least 50% of partnerships reach or exceed their initial target
Outcome indicator 1.2		Avoided GHG emissions (estimated tCO_2-equivalents)	
Baseline	Year	2022	None
Target	Year	2029	On average, 75% of the expected project target materialise and at least 50% of partnerships reach or exceed their initial target
Outcome indicator 1.3		Efficiency of the use of water, energy, materials and/or other natural resources	
Baseline	Year	2022	None
Target	Year	2029	On average, 75% of the expected project target materialise and at least 50% of partnerships reach or exceed their initial target
Outcome indicator 1.4		Area under sustainable land management	
Baseline	Year	2022	None
Target	Year	2029	On average, 75% of the expected project target materialise and at least 50% of partnerships reach or exceed their initial target
Outcome indicator 1.5		Reductions in the amounts of polluting substances released to soil, water bodies and/or air	
Baseline	Year	2022	None
Target	Year	2029	On average, 75% of the expected project target materialise and at least 50% of partnerships reach or exceed their initial target
Outcome 2		Inclusive private sector growth and improved livelihoods	
Outcome indicator 2.1		Number of decent jobs created with commercial partners (total/female/youth)	
Baseline	Year	2022	Number of jobs in commercial partners at project start as defined in project application
Target	Year	2029	• 75% of the expected total number of employees in all approved projects materialise • 50% of all decent jobs are filled by women • 25% of all decent jobs are filled by young people
Outcome indicator 2.2		Number of people with opportunities for increased income and/or improved livelihoods (total/female/youth)	
Baseline	Year	2022	None
Target	Year	2029	• 75% of the expected total number of people with increased income opportunities in all proved projects materialise • 50% of people with improved opportunities are women

			• 25% of people with improved opportunities are young
Outcome indicator 2.3		Viable business cases developed and sustained at the end of the project period	
Baseline	Year	2022	N/A
Target	Year	2029	75% of all approved projects
Outcome indicator 2.4		Percentage of partner companies that live up to responsible business conduct standards	
Baseline	Year	2022	100% of all international commercial partners live up to responsible business conduct standards at project start 50% of all local commercial partners live up to responsible business conduct standards at project start
Target	Year	2029	100% of all international commercial partners live up to responsible business conduct standards at project end 100% of all local commercial partners live up to responsible business conduct standards at project end
Outcome indicator 2.5		Amount of private investments mobilised in partnership projects	
Baseline	Year	2022	N/A
Target	Year	2029	In total, DKK 395.5 million invested by private partners during or just after the partnership project, thereby matching the programme investment.

6 Budget

The table below indicates the amounts available for commitment under the programme, provided the provisions are made in the annual Finance Act.

With a maximum budget of DKK 15 million per partnership project and a minimum amount of DKK 4 million for a full partnership application, it is expected that approximately 30 full projects will be approved during the programme period (see further below). The first call for applications and project commitments will take place in 2022. When a project is approved it will run for up to five years, requiring technical and financial monitoring of the disbursements. The project approvals have been frontloaded and will be finalised in 2024, which means that the last project should be completed in 2029.

A budget allocation for the external administration of the programme for 2022-2025 has been committed under the DMDP programme as an option that can be activated. An additional allocation will be required in 2025 for managing the projects from 2026 and on-wards.

Table 3: Programme budget (million DKK)

	2022	2023*	2024*	2025*	Total
Partnership Projects	99	147.5	149	0	395.5
Programme management**				15.0	15.0
Mid-term review	-	1.5	-	-	1.5
Communication etc.**	1.0	1.0	1.0	1.0	4.0
Total	100.0	150.0	150.0	16.0	416.0

* Dependent on annual provisions in subsequent annual Finance Act
** Communication activities, public meetings for mobilisation of applicants, outreach to related support mechanisms, cost for the selection panel

7 Management arrangements

7.1 Challenge fund

The partnership programme is managed as a challenge fund by an external secretariat. It is a demand driven programme and partners can only be expected to apply if they find the challenge and the conditions attractive.

There will be two funding windows in the new programme: Full projects of up to DKK 15 million and maturation projects of up to DKK 1.5 million. The funding window for maturing early-stage projects is established to accommodate the need experienced under DMDP for funding smaller projects to test a technology and mature the partnership. Partners can apply to this window for a project of up to 18 months' duration. The partners can subsequently apply for a full grant, but the total period of support should not exceed five years for any commercial partner. The project maturation window will only be open in 2022 and 2023 in order to ensure that completed maturation projects can apply for full funding not later than 2024. A total of up to 15 maturation projects are envisaged over the two years.

When partnerships are created and initial applications prepared, there will normally be a number of uncertain elements regarding the partnership or the business plan of the commercial partner, which will be reflected in the requirements for the partnership project description. In line with Doing Development Differently, there will be flexibility to adjust plans, targets and budgets during project implementation, subject to approval by the MFA or the secretariat.

Calls for applications will be launched in 2022, 2023 and 2024. The annual partnership selection process will include:

- The challenge fund is administered by an external secretariat responsible for organising calls for applications under the two funding windows and undertake various activities to spur interest in Denmark and in the partner countries in close coordination with the Danish Embassies/representations and other relevant stakeholders.
- Commercial and non-commercial partners agree on a project and develop a concept note applying for a maturation project or a full project. It is a requirement that the that the consortium has sufficient country experience, and that an international commercial partner is part of the consortium.
- Compliant application concept notes are selected for further scrutiny by the secretariat. Relevant embassies are requested to provide comments and external technical experts are consulted to the extent necessary. Partnerships applying for a full project may be offered a maturation project, if the concept is interesting but comprises too many uncertainties and risks.
- A Programme Advisory Committee reviews the concept notes of the shortlisted projects, meets the partners (virtually) and provides recommendations for funding a number of maturation projects and full projects. The committee furthermore provides recommendations for the issues to consider during the project formulation phase.
- The MFA makes the funding decision and prepares provisional commitment letters.
- The approved partnerships prepare a project description for a full project or for a maturation project. They may receive a grant of up to DKK 500,000 for covering up to 75% of the cost of

preparing a full project description (DKK 100,000 for maturation projects). The partnerships may draw on the secretariat for advice and support during the process. The project descriptions are subsequently submitted for approval by the MFA.
- The non-commercial partner is the administrative partner of the project and enters into an agreement with the MFA.

Before launching the calls in 2023 and 2024, selection criteria should be reviewed on the basis of the experience from the first round(s) of applications.

The DGBP challenge fund is managed centrally, but the Danish representations play an important role in the identification and selection of projects. As indicated above, the representations are given the opportunity to indicate priority sectors or thematic areas that they consider most relevant for DGBP in the respective country in order to further synergies with development and commercial priorities. The representations are consulted in the project selection process and requested to assess the relevance of the project applications under consideration. The Trade Council staff at the representations will be encouraged to include DGBP in its investment promotion and trade delegations, especially in relation to the sectors chosen as DGBP priority sectors in that country.

7.2 Secretariat

The tasks of the external secretariat will include (full details provided in the framework service contract):

- Administer the annual calls and application process as indicated above, including providing advice to potential applicants, linkages to embassies, external experts and the Programme Advisory Committee;
- Provide secretarial support to the Programme Advisory Committee;
- Develop and implement a plan for communication and outreach to relevant potential partners in Denmark and in the partner countries, including events in connection with call announcements related to some of the key sectors of the programme;
- Organise events between partners for sharing of knowledge and experience;
- Monitor the progress of the projects under implementation compared to plans and intentions.
- Collect annual progress reports and project completion reports and prepare a programme level annual report for the MFA;
- Provide support to financial management and closure of the projects, including ensuring that anti-corruption measures are in place and enforced;
- Manage a website with information for potential applicants, existing partnerships and annual results;
- Provide services as requested to the mid-term review and possible evaluations;

Danida's link to reporting corruption will be included in the materials as well as information to partners in order to ensure that information is in place on how corruption is dealt with. It will be considered if the current management role by the Secretariat could be further developed and adjusted into a future Fund Manager role, still with a clear oversight by MFA.

7.3 Programme Advisory Committee

A committee for scrutinising the applications and making recommendations for funding to the MFA will be introduced in the new programme. Although the formal decision rests with the MFA, the establishment of a committee provides the possibility to include a greater diversity of knowledge and experience in the selection process, while also clarifying the role of the secretariat in its support to the applicants as regards specific technical issues. The process for engaging the committee is kept simple with only one step of approval at concept note stage required. The committee will consist of:

- A person with experience from Danish business support facilities (chairman)
- A financial investment professional
- A climate change / environmental specialist
- A development impact specialist
- A person from the MFA

The Committee members will be appointed by the MFA in their personal capacity and should have solid experience from work in developing countries. At least one of the experts should preferably be from the global South and the financial investment professional could possibly be a person from a development finance institution. The secretariat will serve as secretariat to the Committee and participate in the meetings.

8 Financial management, monitoring and learning

Previous experience and organisational capacity in relation to project management of the administrative partner is considered in the project selection process. The partners within the respective partnership consortia should enter into a binding agreement, which will be submitted as part of the full project proposal. Even though it is the administrative partner that enters into an agreement with MFA, it is important that the partnership between commercial and non-commercial partners is perceived as being equal by all parties.

The agreement with the MFA and the administrative responsibility in each partnership project will rest with the non-commercial partners, who will also be responsible for annual progress reporting, financial reporting and audits. A programme-level progress report is prepared annually by the secretariat.

The secretariat will provide advice and instructions to the administrative partners in relation to budgeting, reporting and audits, but the funds will be disbursed directly to the administrative partners from MFA in agreed instalments. The subsidies to commercial partners may be disbursed directly to the company as a reimbursement of approved expenses (details to be elaborated).

An annual monitoring meeting with all partners is organised by the secretariat and the MFA on the basis of the annual reporting. Each partnership projects will have its own indicators using to the extent possible the outcome and output indicators in annex 2. This will allow monitoring of the implementation of the partnership project, but also provide key performance data for the business case. The annual meeting is an opportunity to revise plans and targets in view of the progress achieved and the development in the context. Field monitoring visits of the projects are included in the management contract with the secretariat and are undertaken ad-hoc after agreement with the MFA. Furthermore, the secretariat will organise events for sharing of knowledge and experience between partners. The selected partnership projects will run until 2029 and in view of the long implementation period, and in line with the approach of Doing Development Differently, the projects may need adjustments during implementation.

The monitoring and learning will not only take place at project level. There is also a need to assess and possibly adjust aspects of DGBP as an instrument. As indicated above, it is a clear ambition that DGBP will be more coherent with a range of other programmes and activities. This entails communication, networking and direct collaboration with a range of partners in Denmark and in partner countries. After each round of applications, the secretariat should document and assess the extent to which this coherence has been obtained, including feed-back from applicants and from relevant embassies, programmes and initiatives. This should result in recommendations for the next round of applications.

As indicated above, the viable business case should ensure the continued impact and sustainability of the project company. Measuring the success of the commercial partner is therefore key, but it will only materialise when the project has been running for some years. However, evidence is emerging from the 36 DMDP projects approved 2016-2020. A study will be undertaken in the inception phase to analyse the success factors of the DMDP projects. The analysis will serve as a guidance in the selection of new projects under DGBP.

A mid-term review is scheduled for 2023 in time to include recommendations for the last application round in 2024. The mid-term review will provide an opportunity for broader learning regarding the challenges and achievements of both DMDP and DGBP.

9 Risk management

Private investments in the markets concerned are risky for a number of reasons. The general risks are mentioned below, but the project specific risks will be identified in relation to each project and described in the partnership application. Many of these will be related to the applicant's business plan and uncertainties regarding in-country permits, licenses and tax regime. It is expected that some of the commercial partners will not succeed in creating a viable business case, due to the high level of risks taken in these projects.

The main *contextual risk* factors in the countries are related to security and safety, including as a result of conflict. These risks are likely to occur in some of the countries and will be assessed at the time of each project application in close collaboration with embassies. In relation to the fragile states eligible for support, it will be important to include relevant considerations from Danida's Fragility Risk and Resilience Analysis Tool.

Furthermore, there are contextual risks related to the economic development and the market, closely related to the national and regional economic development. Such risks are likely to occur and could influence the companies' willingness to invest and take risks. However, due to the large number of potential countries for the programme, this is only expected to have minor impact on its implementation.

The *programmatic risks* of the programme are especially related to the challenge fund approach and the partnerships. In relation to the challenge fund approach, the major risk is that the calls are of limited interest for potential applicants. Some non-commercial partners may find that business partnerships are not aligned to their mandate and businesses may find the requirements and procedures as a high entry threshold. There were ten times more applications than grantees under DMDP, but with the focus on climate and the environment, there are fewer potential applicants. However, the consultations indicate that there still is sufficient appetite for the programme. Furthermore, a special effort to strengthen the communication and visibility of the programme will be undertaken in connection with calls. Lastly, it will be possible to adjust the selection criteria within the framework of the programme from year to year. There are also risks related to the management of multi-stakeholder partnership projects, which require a high level of effort that is often underestimated by participating partners. This risk will be mitigated by a diligent selection of partnerships, and funding being available for a considerable effort devoted to joint project preparation. Although efforts are made to make the initial project formulation stage leaner, it is important to maintain a good due diligence and partnership formation process in the new programme and have capacity to support partnerships in need of external moderation. Programmatic risks also include the risk of corruption. The programme will ensure clear anti-corruption guidelines as well as follow-up on financial reporting and audits.

Major *institutional risks* include possible lack of respect of human rights and risks related to compliance to responsible business conduct, including environmental standards and occupational safety and health standards as well as corruption. Institutional risks will be mitigated among others by the inclusion of responsible business conduct in individual projects in conformity with international principles and guidelines and monitoring of the compliance. Monitoring of these risks will be included in the general risk monitoring performed by partner consortia.

10 Closure

By embarking on this new partnership programme, a number of very concrete projects will be launched over the coming 2-3 years and subsequently implemented over a 4-5 year period. They will thereby continue to provide tangible models for solutions to climate and environmental challenges in the years to come by combining the knowledge and resources of commercial and non-commercial partners. The partnerships will support the Danish priorities in the countries in relation to development cooperation and trade and provide new possibilities for linkages to other initiatives within the same field. These are relatively small projects in and by themselves, but by seeking linkages with other activities, they could lead to more. When the partnership projects have been terminated, commercial partners will in a large number of cases likely be able to continue delivering their impact as an integrated element in their business plan and inspire new partnerships for change.

Annex 1 Context Analysis

1. **Overall development challenges, opportunities and risks**

The UN Sustainable Development Goals (SDGs) have since their adoption in 2015 enjoyed global recognition, also by businesses that strive to increase their value proposition by addressing the SDGs. From an initial focus on doing business responsibly and not doing harm, more and more companies have not only developed their social and environmental compliance framework, but are also increasingly directing business solutions towards global or local challenges in order to create positive impact.

The effects of climate change are already felt in many countries around the world and the expected future effects of climate change will be severe. Developing countries are hit the hardest and lack the capacity to withstand extreme weather events, global warming and changes in precipitation patterns. There are close linkages between the Paris Agreement's climate objectives and the UN Sustainable Development Goals. Unsustainable use of natural resources, pollution and biodiversity loss impact on poor people's livelihood negatively and reduce their resilience to climate change. Climate change adaptation is therefore a high priority in developing countries, and more efficient production technologies will not only increase productivity but also contribute to resource and energy efficiency.

Although current per capita greenhouse gas emissions from developing countries on average are considerably lower than for OECD countries, future economic growth is expected to change this, and it is therefore important that many developing countries have embarked on a green transition and are planning for a future economic development less dependent on fossil fuels. While being responsible for a large share of greenhouse gas (GHG) emissions, the private sector is also key to stabilizing greenhouse gas emissions by bringing solutions to the market that contributes to a lower carbon emission trajectory.

The Danish strategy for development cooperation *The World We Share* outlines that "Denmark leads the way in establishing innovative partnerships with civil society, the business community and public authorities. This happens when we support green partnerships between civil society organizations and companies."

Civil society, or non-commercial partners, can play a role that goes further than enabling private sector entry to the market. Through knowledge and insight in local development challenges and the context in which they operate, non-commercial partners are well positioned to identify potential development impact, assess the developmental relevance of proposed market solutions and mitigate risks related to human rights-based issues. Non-commercial partners in DMDP have in many cases succeeded in unleashing the developmental potential of commercial solutions, for instance by ensuring that under-served people get access to and fully benefit from the service or the product brought to the market by commercial partners.

Inclusive growth induced by foreign and domestic private investments is essential to reach the sustainable development goals and the importance of partnering with a broad range of stakeholders including civil society, government and private sector is emphasized in SDG 17.

The investment climate is considered challenging in many developing countries, private capital is prohibitively expensive and international companies will consider their investment or establishment as high-risk compared to other markets. Development finance institutions and private investors in many cases look for companies with a proven business model in the market and it may therefore be challenging to raise funding for initiating and testing a new business model or a new product in these countries, even when the business solution has been successful in other markets. This is especially valid for fragile and least developed countries. Public support has a role in promoting private investments in these countries, for instance by reducing private investors' risks or by subsiding technical assistance in relation to the investments, thereby contributing to impact and enhancing the chances of success.

Reviews, partner feedback and project results from the current partnership programme, DMDP 2016-2021, documents the relevance of the overall funding and partner modality including the needs for addressing developmental challenges through new market-based solutions in developing countries.

2. Political economy and stakeholder analysis

The DGBP programme builds on the structure and experiences from its predecessor, DMDP.

A brief stakeholder analysis of the programme (funding facility) is listed below with key stakeholders, levels of interests and influence and implications for cooperation and management:

Stakeholder	Stakeholder mapping	Action Proposed
Danish MFA Senior management	High Interest - High Influence	Keep engaged
Danish MFA Minister of Development	High Interest - High Influence	Keep engaged
Danish MFA Development Departments, excl. GDK	Low Interest - Medium Influence	Increase interest
Danish MFA Trade Departments	Low Interest - Medium Influence	Increase interest
Danish MFA Embassies with DMDP projects	Medium-High Interest - Medium Influence	Increase interest, engage
Danish MFA Embassies in eligible countries, without DMDP projects	Low Interest - Medium Influence	Increase interest, engage
DMDP Secretariat	High Interest - High Influence	Keep engaged
DMDP partner companies and NGOs	High Interest - High Influence	Keep engaged
Other DMDP Applicants	High Interest - Low Influence	Keep interested
Other Danish relevant companies not involved in DMDP	Low Interest - Low Influence	Increase interest
Danish Business Associations	High Interest - High Influence	Keep closely engaged
Danish Business Support Facilities	Low Interest - Medium Influence	Consult

The key stakeholders of the partnerships are the implementing partners (international commercial partner(s), a non-commercial and administrative partner, and/or local commercial and non-commercial partners), other beneficiaries besides the partners of the individual partnerships (users and consumers), sector-based stakeholders in the respective countries of implementation (authorities, multi-national organisations, CSO, competitors, etc.).

The DMDP underpins a main assumption that multi-stakeholder partnerships are a necessary and effective implementation and collaboration modality for driving transformative changes. For example, they have shown to be effective catalysts to reduce "market failures" and overcome sustainability challenges with commercial solutions in difficult and immature markets and countries.

However, often the maturation and market development processes and issues are very complex and time consuming, and thus demanding for the stakeholders involved. A key issue relating to the sustainability and viability of the partnerships and programme/project outcomes is therefore the ability of the partners to persevere, and build and maintain collaboration dynamics that effectively drives the positive transformative change in the target sectors and markets.

3. Fragility, Conflict and Resilience

The DGBP projects may operate in countries and areas of conflict and fragility that are eligible for the programme. In most cases, though, the projects are expected to be implemented in low countries and areas of low conflict and fragility, based on experience from the DMDP, and since conflict and instability are high contextual risks to private sector development. Simultaneously, it is well known that private led sustainable development of livelihoods and the economy is an important means to mitigation of instability and strengthening of resilience.

One example from the current DMDP programme where conflict mitigation is targeted is the Fresh Fruit Nexus project in Uganda. The aim is to provide improving income opportunities for refugee and host community farmers.

The Danish Peace and Stability Fund operates in 14 of the 32 countries eligible for DGBP (Ukraine, Georgia, Jordan, Lebanon, Tunisia, Nigeria, Ghana, Ethiopia, Kenya, Somalia, Burkina Faso, Mali, Niger and Afghanistan). In accordance with Danida's Fragility Risk and Resilience Analysis Tool, the context analysis for these countries should include a fragility analysis of the five areas: Political, economic, social, environment and security. While relevant elements of the Fragility Risk and Resilience Analysis Tool should be included in the DGBP project risk assessment, a complete fragility risk analysis is considered too comprehensive for the DGBP projects. But if and when project applications occur in some of these countries, it will be important to incorporate the experience and analysis of Danish (regional) security sector engagements supported through the PSF. In practical terms, it means that the security adviser and other relevant advisers at the embassy are consulted in relation to the risk assessment. Both in connection with assessing the security risk and in relation to including the political economy analysis when specific geographical areas and population groups are to be engaged in DGBP projects.

4. Human Rights, Gender and Youth and applying Human Rights Based Approach

The individual partnerships under the DMDP are required to pursue a Responsible Business Conduct, and make assessments and subsequent mitigation plans for potential negative impacts, including the compliance with human rights principles. The Responsible Business Conduct has been developed by the Danish Institute of Human Rights.

5. Inclusive sustainable growth, climate change and environmental assessment;

The World We Share highlights the close relationship and interdependency between environment, climate change, biodiversity and human development. This calls for understanding the causes and effects as a system and providing interventions and solutions that are designed for transformative change and which properly incorporates and balances the system. Nature-based solutions, for instance, can solve several problems at the same time. They can help protecting, restoring and using natural resources sustainably to tackle challenges such as climate change, biodiversity loss, food insecurity, poverty and access to water.

Agriculture and food production, which has the major share of the economy in most developing countries, is increasingly impacted by climate change. Without adaptation, climate change and the biodiversity crisis will destroy the livelihoods of many people. Climate change adaptation approaches in least developed countries are most needed since these areas are hit hardest by climate change, where as their carbon emissions are lowest. These systemic interrelationships often occur in the interface between human developmental needs, environment and nature. They call for a more multifaceted approach to understanding means and goals of partnerships which both have a human and environmental development purpose.

Denmark's strengths and lead as a green front runner that can help drive the developmental change and potentially deliver green transition through market solutions.

The OECD DAC provides clear criteria for what is considered development assistance related to environment: Climate change mitigation and adaptation, environmental protection, biodiversity and desertification. The challenge fund modality will also secure a competitive environment and encouraging projects and business cases with potential for making a high green impact.

However, as partly noted above, there are inherent risk factors that can reduce its green sustainable transformation effects, and which need to be further assessed and addressed:

- The dynamics between the various environmental factors and between environment, livelihood development and economic development are complex and highly interrelated. This makes proposal evaluation and comparison between competing projects and objectives less ambiguous.
- Except for climate change mitigation, there are no single and unambiguous indicators for other environmental objectives such as climate change adaption, biodiversity and pollution. The strengths of the indicators are to a high degree dependent on the context. It is obviously difficult or impossible to compare different types of environmental objectives. Moreover, comparison of project environmental impacts with the same types of environmental objectives will even be less straightforward.
- There are both positive and negative correlations between environmental mitigation, livelihood improvements and economic growth. Therefore, difficult trade-offs will occasionally be made between these three development factors.

The Responsible Business Conduct provides requirements to companies and project to mitigate or remove possible adverse environmental effect, that the activities might cause.

6. Capacity of public sector, public financial management and corruption

The programme will ensure clear anti-corruption guidelines as well as following up on financial reporting and audits as a part of their compliance with the Responsible Business Conduct.

7. Matching with Danish strengths and interests and seeking synergies.

The programme is very well aligned with the Danish strategy for development assistance, "The World We share", 2022-2025. It is expected to contribute broadly to the policy, and most notably in the "Fight for Climate, Nature and Environment":

Objective 1: To "strengthen action to support climate change adaptation, nature, the environment and resilience in the poorest and most vulnerable countries", and

Objective 4: To "Create hope and prospects for the future through green and so- cially just economic recovery and poverty-oriented development."

Just like the development strategy, the partnership approach in this programme is a centre piece to sustainable development.

In line with the approach of doing development differently several other Danish strategic interests and initiatives in the eligible countries call for better cohesion and synergy. As noted above, the green transition as the overall programme theme will in itself provide a more focused programme within an area of high priority for Denmark's foreign policy priorities. Closer linkages to Embassy prioritised activities are very important in order to increase Embassy support and interest in the programme and strengthen the strategic catalysing effects of the programme.

Synergy potentials with other Danish development and policy instruments are mapped and assessed in the table below.

In Denmark, a range of public funding facilities are available for supporting companies in their innovation and internationalisation efforts. These include initiatives like the Trade Council, the Danish Export Credit Agency's Green Accelerator, Vaekstfonden, Innobooster of Innovation Fund Denmark and SMV International, which is managed by the Danish decentralised entities for business promotion ("Erhvervshusene").

Access to finance is a prerequisite for scaling up both for national and international commercial partners and this issue should be addressed in the project applications and early in project implementation. Funding will be available within the partnership projects for expertise in this area. The partnership should include competencies in relation to identifying financing needs and pointing towards the possible funding sources. If the partnership does not have access to such competences, the secretariat should be in a position to identify possible obstacles for investors and refer to finance experts that may be engaged by the partnership project. Where relevant, potential financiers should be affiliated with the project at an early stage. Examples of possible funding channels for an international/Danish company after a Danida partnership project in these markets include export credits, blended finance mechanisms, development finance institutions, private equity and venture funds including Danish family offices and funding raised on commercial terms. Local companies could add soft loans through development/government programmes, local banks, development banks, regional/national blended finance mechanisms, local business angels and possibly crowd funding to the list.

Table 1: Mapping and analysis of Potential Synergies with other relevant MFA Aid Programmes and Business Instruments

Programme/Instrument	**Recipient Companies**		**Development/commercialization phase**					**Geographical Focus (common with present DMDP in bold)**	**Potential Synergies (x-xxx)**				**Comments**
	Large Cap	**SMEs**	**Framework conditions/sustainability**	**Idea Development**	**Pro of of Concept**	**Commercialization**	**Scaling**		**Cross fertilization (diplomacy, knowledge building, relations, development, wider market effects**	**Idea/Partnership development**	**Commercialisation**	**Scaling**	
Country Programmes			x					**Danida Priority Countries**: Burkina Faso, Ethiopia, Kenya, Mali, Niger, Somalia, Tanzania, Uganda, Afghanistan, Bangladesh, Myanmar, Ukraine and Georgia	XX	X			
Strategic Partnership Agreements			X					**Priority Countries**	XX	XXX			
Strategic Sector Cooperation			X					Argentina, Brazil, Colombia, Mexico, **Egypt, Ethiopia, Ghana, Kenya, Morocco,** South Africa, **Bangladesh**, China, **India, Indonesia, Vietnam,** Turkey.	XXX	X			
Innovation Centres (Innovation Sparring and Innovation Camp)	X	X		X	X			USA, **India,** Germany, China, South Korea, Israel	X	X			NB: Only India geographically common with DMDP
Research programme (window 1)			X	X				**Priority Countries**	X	X			
Research programme (window 2)		X	X	X				**Growth and Transition Countries, Incl. SSC**	XX	X			
DFC Learning and Development			X					**Priority Countries** and SSC Countries	XX				
P4G	X	X				X	X	**Bangladesh**, Chile, Colombia, **Ethiopia**, **Indonesia**, **Kenya,** Mexico, South Africa and Vietnam.	XX	X	X	X	

DIBE		X			X			**Afghanistan, Burkina Faso, Ethiopia, Mali, Niger, Somalia, Tanzania, Uganda, Bangladesh**, **Egypt, Ghana, India, Indonesia, Kenya, Morocco, Myanmar**, **Nigeria, Pakistan, Palestine, Philippines, Ukraine, Vietnam,** Iraq, **Jordan, Lebanon**, Sudan, South Sudan, Syria	X	X			
Joint Business Promotion Campaigns	X	X				X	X	All			X	X	
Innovation Sparring		X											
Innovation Camp	X	X											
Export Sparring		X									X		Only relevant for business with no or limited export experience
Scope your business model		X		X					X	X			
Strategic Business Alliance Module 1	X	X				X	X				X	X	
EKF Green Advisory Pool	X	X				X	X				XX	XX	
Growth Pool	X	X			X	X	X				X	X	Possibly only 2021
Strategic Market Development Projects	X	X				X	X				X	X	Possibly only 2021

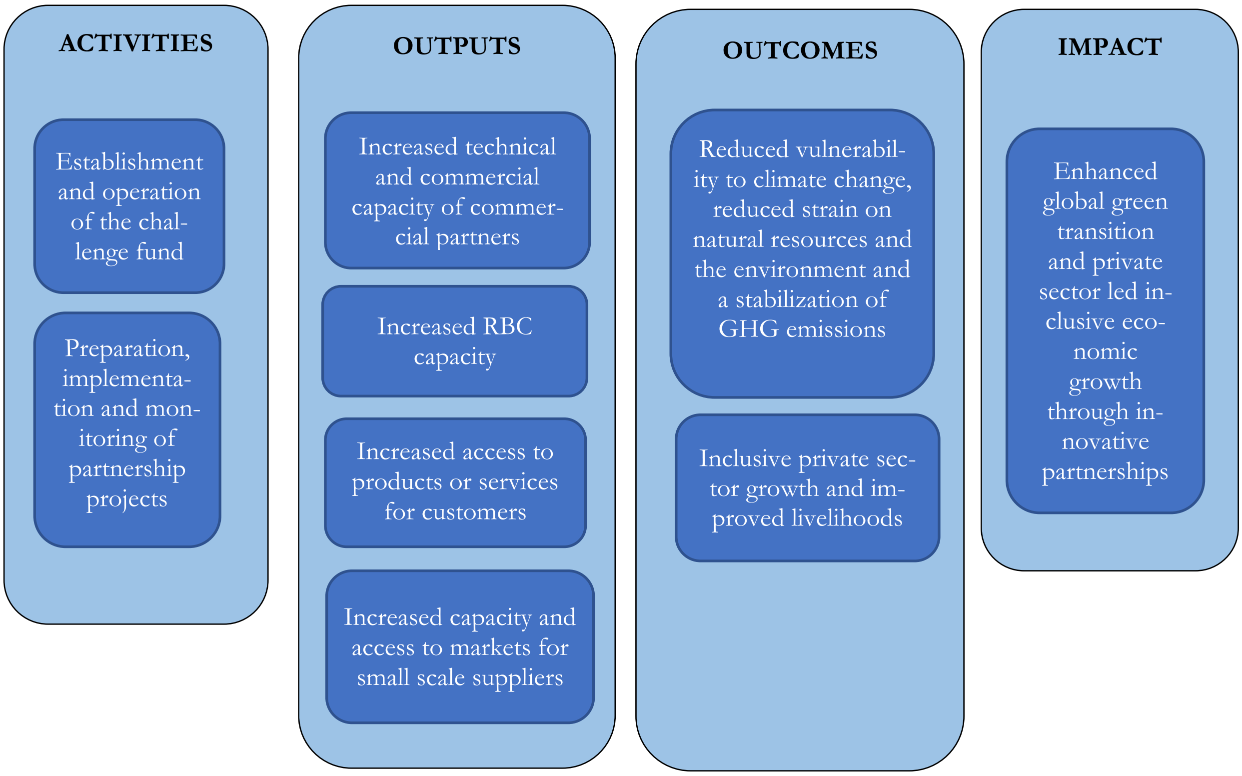
Table 2: Danish Business Support Finance facilities

	Target companies	Supported activities	Funding	Geography
DIBE	Danish companies	Market exploration. Salaries, fees, travel	Grants Max 50% and DKK 500,000	Same as DMDP (minus Georgia)
EKF Green Accelerator	Danish export-oriented SMEs	Feasibilty studies, market studies, legal, advocacy	Grants Max 70-80% and DKK 1.5 mio. Per company (DKK 5 mio in total)	International
SMV: International	Danish SMEs (+ 3 yrs old)	Market exploration. Advice, training, visits	Grants Administered by Erhvervshusene	International
Danmarks Grønne Investeringsfond	Danish private and public companies	Renewable energy, energy and resource efficiency,	Loans DKK 2-100 mio.	Denmark
Innovationsfonden Innobooster	Danish SMEs and start-ups	Development of new and innovative, green technology. Salaries and fees for expert knowledge	Grants Max DKK 1.5 mio.	Denmark
Vækstfonden (with funding from Danish Green Future Fund)	Danish SMEs working with green solutions	Green solutions	Loans and guarantees	Denmark
IFU	All mature companies	Growth capital within IFU priority sectors (agri, health, renewable energy, water, financial institutions)	Loans and equity	All developing countries
MUDP	Danish Companies	Climate, circular economy, nature and biodiversity, clean waer and clean air Development, test and demonstrateion projects, light house projects (full scale demo), verification of environmentally effective technologies, pre-projects in fast track	Grants 0.5-10 mio. kr.	Denmark and International
GUDP	Danish Companies	Development, test and demonstration and networking with the food value chain.	Grants, 0.25-15 mio. kr.	Denmark

Annex 2 Theory of Change and Results Framework

The overall theory of change of the programme is that **if** Danida provides funding and advice for partnerships between commercial and non-commercial partners **then** this will lead to a number of partnership projects being implemented. The outputs of the partnership projects are related to the increased capacity and production of goods or services of the commercial partners and to benefits for the population (see further below), **which** will give environmental-climate benefits as well as economic and livelihood benefits, **which subsequently** will be sustained by the commercial partner and replicated by others.

Programme level Theory of Change diagram



Major assumptions to the programme level Theory of Change

<u>Change from activities to outputs</u>

- The programme receives a sufficient amount of project proposals to meet the needs for funding projects with strong climate and environment objectives and viable business cases.
- The complementary value of the programme is appreciated by other Danish funded initiatives in order to unleash its potentials for synergies.
- It is feasible for the projects to properly balance a business-oriented approach against the delivery of development and social outcomes.

<u>Change from outputs to outcomes</u>

- The partnerships will be sustained and viable to last throughout the project implementation.

- Contextual factors in relation to security, global public health and the economy in the targeted countries will not have a significant negative impact on the implementation of the business cases.

Change from outcomes to impact

- Commercial partners experience profitability of their business case and of engaging in the partner country and are ready to scale up their business idea either in the case country or in other markets through increased investment possibly with IFU or other investors.
- There is sufficient appetite for investing in and financing the scaling-up of the business cases.
- The viable business cases will successfully be scaled-up and/or replicated.

Programme level results framework

<table>
<tr><td colspan="2">Programme</td><td colspan="2">Danida Green Business Partnerships</td></tr>
<tr><td colspan="2">Programme Objective</td><td colspan="2">Enhanced global green transition and private sector led inclusive economic growth through innovative partnerships</td></tr>
<tr><td colspan="2">Impact Indicator</td><td colspan="2">d) Climate, environment and social effects continue to be delivered by partner companies with positive earnings at the end of the partnership project period
e) Commercial and non-commercial partners who have engaged in other private sector partnerships for development by the end of the partnership project period
f) Business solutions replicated from the partnership projects</td></tr>
<tr><td>Baseline</td><td>Year</td><td>2022</td><td>d) 0%
e) 0%
f) 0%</td></tr>
<tr><td>Target</td><td>Year</td><td>2029</td><td>d) 100% of commercial partners
e) 25% for commercial partners and 75% for non-commercial partners
f) 25% of partnership projects</td></tr>
</table>

<table>
<tr><td colspan="2">Outcome 1</td><td colspan="2">Reduced vulnerability to climate change, reduced strain on natural resources and the environment and a stabilisation of GHG emissions</td></tr>
<tr><td colspan="2">Outcome indicator 1.1</td><td colspan="2">Number of vulnerable persons/households who have increased their resilience to climate change as an effect of the partnership projects</td></tr>
<tr><td>Baseline</td><td>Year</td><td>2022</td><td>None</td></tr>
<tr><td>Target</td><td>Year</td><td>2029</td><td>On average, 75% of the expected project target materialise and at least 50% of partnerships reach or exceed their initial target</td></tr>
<tr><td colspan="2">Outcome indicator 1.2</td><td colspan="2">Avoided GHG emissions (estimated tCO2-equivalents)</td></tr>
<tr><td>Baseline</td><td>Year</td><td>2022</td><td>None</td></tr>
<tr><td>Target</td><td>Year</td><td>2029</td><td>On average, 75% of the expected project target materialise and at least 50% of partnerships reach or exceed their initial target</td></tr>
<tr><td colspan="2">Outcome indicator 1.3</td><td colspan="2">Efficiency of the use of water, energy, materials and/or other natural resources</td></tr>
<tr><td>Baseline</td><td>Year</td><td>2022</td><td>None</td></tr>
<tr><td>Target</td><td>Year</td><td>2029</td><td>On average, 75% of the expected project target materialise and at least 50% of partnerships reach or exceed their initial target</td></tr>
<tr><td colspan="2">Outcome indicator 1.4</td><td colspan="2">Area under sustainable land management</td></tr>
<tr><td>Baseline</td><td>Year</td><td>2022</td><td>None</td></tr>
</table>

Target	Year	2029	On average, 75% of the expected project target materialise and at least 50% of partnerships reach or exceed their initial target
Outcome indicator 1.5		Reductions in the amounts of polluting substances released to soil, water bodies and/or air	
Baseline	Year	2022	None
Target	Year	2029	On average, 75% of the expected project target materialise and at least 50% of partnerships reach or exceed their initial target
Outcome 2		Inclusive private sector growth and improved livelihoods	
Outcome indicator 2.1		Number of decent jobs created with commercial partners (total/female/youth)	
Baseline	Year	2022	Number of jobs in commercial partners at project start as defined in project application
Target	Year	2029	• 75% of the expected total number of employees in all approved projects materialise • 50% of all decent jobs are filled by women • 25% of all decent jobs are filled by young people
Outcome indicator 2.2		Number of people with opportunities for increased income and/or improved livelihoods (total/female/youth)	
Baseline	Year	2022	None
Target	Year	2029	• 75% of the expected total number of people with increased income opportunities in all approved projects materialise • 50% of people with improved opportunities are women • 25% of people with improved opportunities are young
Outcome indicator 2.3		Viable business cases developed and sustained at the end of the project period	
Baseline	Year	2022	N/A
Target	Year	2029	75% of all approved projects
Outcome indicator 2.4		Percentage of partner companies with responsible business conduct	
Baseline	Year	2022	100% of all international commercial partners have responsible business conduct at project start 50% of all local commercial partners have responsible business conduct at project start
Target	Year	2029	100% of all international commercial partners have responsible business conduct at project end 100% of all local commercial partners have responsible business conduct at project end
Outcome indicator 2.5		Amount of private investments mobilised in partnership projects	
Baseline	Year	2022	N/A
Target	Year	2029	In total, DKK 395.5 million invested by private partners during or just after the partnership project, thereby matching the programme investment.

Output 1		Well-functioning and attractive challenge fund established	
Output indicator		a. No. of applications received b. Percentage of applications with at least one Danish partner	
Target	2022	a. 100 b. 65	
Target	2023	a. 120 b. 70	

Target	2024	a. 120 b. 75	
Output 2		Partnership projects with viable business cases and strong green objectives are implemented	
Output indicator		a. Number of approved partnership projects under the “maturation projects window” b. Number of approved partnership projects under the “full projects window”	
Target	2022	a. 5 b. 8	
Target	2023	a. 5 b. 11	
Target	2024	a. 0 b. 11	

Output 3		Capacity of commercial partners increased (technical, commercial, RBC)	
Output indicator		Number of staff trained: (a) Technical; (b) Commercial/management; (c)Responsible business conduct	
Target	2023		Targets will be aggregated from the results framework of approved partnership applications • 75% of the expected total number of people trained in all approved projects materialise • 50% of people trained are women • 25% of people trained are young
Target	2024		
Target	2025		
Target	2026		
Target	2027		
Target	2028		
Target	2029		
Output 4		Increased access to products or services for customers	
Output indicator		(a) Number of units sold: (b) Number of customers trained/reached	
Target	2023		Targets will be aggregated from the results framework of approved partnership applications • 75% of the expected total number in all approved projects materialise • 50% of customers trained/reached are women • 25% of customers trained/reached are young
Target	2024		
Target	2025		
Target	2026		
Target	2027		
Target	2028		
Target	2029		
Output 5		Increased capacity and access to markets for small-scale suppliers	
Output indicator		(a) Number of suppliers trained (b) Number of suppliers reached	
Target	2023		Targets will be aggregated from the results framework of approved partnership applications • 75% of the expected total number in all approved projects materialise • 50% of suppliers trained/reached are women • 25% of suppliers trained/reached are young
Target	2024		
Target	2025		
Target	2026		
Target	2027		
Target	2028		
Target	2029		

Annex 3 Risk Management

Contextual risks					
Risk Factor	**Like-lihood**	**Impact**	**Risk response if applicable**	**Residual risk**	**Background to assessment**
Low security due to conflicts	Likely	Major	Areas with conflicts or a high likelihood of conflicts may be excluded from the list of eligible areas/countries. Partnerships will be responsible to comply with official health and safety recommendations and take the necessary measures and precautions. The security situation of fragile states eligible for support will continuously be assessed through Danida's Fragility Risk and Resilience Tool (FRRAT).	Minor	Conflicts and low security are ongoing in all or parts of some of the eligible countries of the programme, and are likely to continue to occur. Areas with armed conflicts and other conflicts that pose a high security risk will have adverse effects on the possibility to work or in worst case make implementation impossible.
The Covid-19 pandemic remains persistent and dominant	Likely	Major	Risk assessments, travel information and restrictions will be incorporated into the planning and execution of the administration of the programme. The implementation period of the partnerships can be extended if the pandemic or other security factors have adverse effects on the implementation process.	Minor	The penetration of Covid-19 vaccines, particularly in Africa, is still very low. New variants make a containment of the virus more challenging. The risk can limit physical access and reduce the implementation speed.
Global financial instability and economic slowdown	Likely	Minor	The economic size of the partnerships and investments for scaling up is low compared to a possible global slowdown.	Minor	Financial and economic turbulence has occurred in recent years and most recently with the Covid-19 pandemic. A global economic slowdown may limit the companies' ability and willingness to invest in ventures in developing countries.
Adverse changes in political or economic developments in individual countries	Likely	Minor	Political and economic developments in individual countries are continuously being assessed through the Embassies. This information will be taken into account for the ongoing evaluation of eligible countries.	Minor	The eligible countries for the programme are highly variable in terms of political and economic stability. The large number of eligible countries, 32 , potentially reduces the impact of the possible adverse changes in individual countries. In recent years, economical and/or political turbulence have

					taken place in many developing countries.
Corruption	Likely	Major	The programme will ensure clear anti-corruption guidelines as well as following up on financial reporting and audits as a part of their compliance with the Responsible Business Conduct (RBC)	Minor	According to International Transparency Index, corruption is widespread in most developing countries.

Programmatic Risks					
Risk Factor	**Likelihood**	**Impact**	**Risk response**	**Residual risks**	**Background to assessment**
Insufficient partnership project proposals of high quality	Unlikely	Major	The programme will provide more information and communication about the partnership programme and its coherence with other business support facilities, which is expected to contribute to maintain and/or increase the interest. The programme will continuously provide information and communication on good examples of green partnerships and business cases, and expand the list of eligible partnership objectives (and cases) on "greening". The Danish Embassies are motivated to engage in facilitating the formation of new partnerships, incl. proposing project ideas, connecting possible partners and in other ways aiding the development of strong partnerships and projects.	Minor	The new programme requires that climate change and environment are primary objectives of the partnership projects. Consultations with the stakeholders and existing partners indicate that even with the new limitations to the project objective there is sufficient appetite. Experience from the predecessor, DMDP, shows a very high interest in the programme modality, with an average applicants/grantees factor of 10 to 1.
Low performing partnerships	Likely	Major	The capacities and experiences of the partner consortia applying for support will be subject to a thorough assessment at concept note stage. During the project preparation and implementation phases the partnerships have available support and monitoring from the programme management and cross-partnership knowledge exchange for establishing and sustaining viable partnership practices.	Minor	Developing and implementing viable multi-stakeholder partnerships is challenging. If the cooperation among partners around an individual project fails there is a high risk of overall project failure.
Commercial failure of the business cases and no upscaling	Likely	Major	The business cases of the partnership proposal will be subject to thorough preparation and due diligence assessment by a financial investment professional and projects will be selected based on the strength of their business case.	Minor	The market development and maturation processes for the beneficiaries and in the targeted areas of the partnerships are very complex and with a high level of uncertainly. Despite proper due diligence and good programme monitoring,

			Risk analyses of the business environments in the targeted countries by other partners and stakeholder will be used as background information to assess the risk of failure of the proposed business cases. Project monitoring will include a regular assessment of the continued business case and the possibility for taking mitigating actions. The partnerships have an opportunity to get exposed to potential financiers and support to identify obstacles for further investments through the programme.		there will be a minor residual risk of commercial failure of the business cases, which may cause losses for the commercial partner

Institutional Risks					
Risk Factor	**Likelihood**	**Impact**	**Risk response**	**Residual risk**	**Background to assessment**
Non-compliance to the Responsible Business Conduct (RBC), incl. violation of human rights and occupational safety and health standards	Unlikely	Major	Businesses must demonstrate and document a commitment to Responsible Business conduct, including respect for human rights, labour rights, environment concerns and anti-corruption as set out international frameworks. This will be monitored and regularly reported on.	Minor	Experience from the predecessor of the programme, DMDP, shows a high compliance with RBC and motivitation to apply high standards in this regard. Any possible violation will have a negative effect on employees and will undermine the objectives of the project.
Misuse, corruption and fraud by companies involved in projects and investments	Unlikely	Major	As above.	Minor	According to International Transparency Index, corruption is widespread in most developing countries Implementation of project interventions may be seriously damaged if funds are mismanaged and it will undermine efforts by local authorities and donors to combat corruption.

Annex 4 Process Action Plan (PAP)

Date	Activity	Responsible unit
Nov. 26, 2021	Delivery of draft ProDoc to Programme Committee	GDK
Dec. 16, 2021	Presentation in Programme Committee meeting	GDK
Jan. 3, 2022	Final draft ProDoc including programme committee comments	GDK
Jan. 4-17, 2022	Appraisal	ELK
Feb. 7, 2022	Submission of final ProDoc to UPR	GDK
February, 2022	Development of programme guidelines	GDK
Feb. 24, 2022	Presentation in UPR	GDK
March, 2022	Final approval by UDVM	
March, 2022	Launch of the new programme	MFA/GDK
April, 2022	Launch of application round 2022	GDK/Secretariat
Sept., 2022	Approval of concept notes for new partnerships	GDK
Oct. 31, 2022	Commitment for the 2022 challenge funding	GDK

Annex 5 EU State Aid Rules

A company that receives government support gains an advantage over its competitors. Therefore, the EU Treaty article 107 prohibits State aid unless it is justified by reasons of general economic development. All member state government support requires prior approval from the Commission, unless the amount is minor (covered by the EU commission de minimis regulation no. 1407/2013) or covered by the General Block Exemption Regulation (GBER) no. 651/2014.

De minimis regulation

De minimis aid refers to small amounts of state aid to undertakings (essentially companies) that EU countries do not have to notify the European Commission about. The maximum amount of support is EUR 200,000 for each undertaking over a 3-year period and it is the undertaking's responsibility to observe that this threshold is respected. The amount should be calculated on a 3-year rolling basis and should include all State Aid received by the company during that period. All entities which are controlled (on a legal or on a de facto basis) by the same entity should be considered as a single undertaking.

Several Danish support facilities administer their grant support with reference to the de minimis rules, for example Danida Innovation and Business Explorer (DIBE) and the Danish Export Credit Agency's tool EKF Green Accelerator.

However, in relation to this programme it should be noted that the de minimis rule does not apply to primary production of agricultural products, fishery and aquaculture, and it does not apply to export aid or aid contingent upon the use of domestic over imported products. In particular, it does not apply to aid financing the establishment and operation of a distribution network in other member states or in third countries.

General Block Exemption Regulation (GBER)

The GBER allows member states to provide aid without going through the EC's full notification process. However, there is a requirement for the authority administering the aid scheme to ensure that it is within the GBER, to publicise information regarding the aid scheme on a centralised State aid reporting site and to report it to the Commission. The GBER does not apply to certain types of aid schemes, for instance related to primary production of agricultural products, fishery and aquaculture (with some exceptions) and to aid measures where the grant of aid is subject to the obligation for the beneficiary to have its headquarters in the relevant member state or to be predominantly established in that member state or aid granted with the obligation for the beneficiary to use nationally produced goods or national services. The aid scheme should explicitly exclude the payment to an undertaking which is subject to an outstanding recovery order following a previous Commission decision declaring an aid granted by the same member state illegal and incompatible with the internal market.

Several Danish support facilities refer to the GBER, including Innovation Fund DK. and Danish Environmental Protection Agency among others. To provide an impression (not a full description) of the possibilities within GBER, the articles that seem most relevant to consider under this programme are indicated in the table below.

Overview of selected state aid exemptions covered by the GBER

GBER Article	Exemption	Aid intensity (max)
Art. 18	Aid for consultancy in favour of SMEs	50%
Art. 25	Aid for research and development projects, i.e. experimental development**. Costs of research and technical staff. Costs of equipment, buildings and land during the period of testing (value of depreciation). Costs of feasibility studies.	Experimental development: 25% Feasibility studies: 50%
Art. 31	Training aid Personnel costs and operating costs for the hours of the training	70% for small companies 60% for medium-sized companies 50% for other companies

*EU SME Definition

The category of micro, small and medium-sized enterprises ('SMEs') is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million. Within the SME category, a small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million. Within the SME category, a micro-enterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.

**Definition of experimental development by GBER and as applied by Innovation Fund DK

Experimental development means acquiring, combining, shaping and using existing scientific, technological, business and other relevant knowledge and skills with the aim of developing new or improved products, processes or services. This may also include, for example, activities aiming at the conceptual definition, planning and documentation of new products, processes or services; Experimental development may comprise prototyping, demonstrating, piloting, testing and validation of new or improved products, processes or services in environments representative of real life operating conditions where the primary objective is to make further technical improvements on products, processes or services that are not substantially set. This may include the development of a commercially usable prototype or pilot which is necessarily the final commercial product and which is too expensive to produce for it to be used only for demonstration and validation purposes.

Annex 6 Provisional list of eligible partnership objectives

The following list is a provisional overview of the objectives for the green and inclusive partnership projects. The business cases of the partnerships should be formed with the purpose of addressing one or several of these objectives in relation to outcome 1, *Reduced vulnerability to climate change, reduced strain on natural resources and the environment and a stabilisation of GHG emissions,* but always in combination with outcome 2, *Inclusive private sector growth and improved livelihoods.*

Sustainable food production, agriculture, fisheries and other natural-resource management

- Climate-smart agriculture and sustainable food systems,
- Prevention of food loss and food waste
- Promote agro-organic cultivation methods
- Strengthening of green value chains
- Eco friendly alternative crops
- Sustainable forest management
- Food production and other production that reduces the pressure on ecosystems and enhances biodiversity
- Sustainable management of sea resources
- Sustainable forest management
- Reduction of desertification and land degradation
- Protection of water bodies and other
- Natural resources management and production that preserves biodiversity and restores ecosystems

Production and consumption (circular economy)

- Technologies and business models for increased resource productivity
- Sustainable tourism
- Measures to suppress or reduce pollution in land, water and air
- Cleaner production processes
- Sustainable transport systems

Energy services

- Increased energy efficiency
- Renewable energy production and use

Water services

- Sustainable water resources management
- Sustainable waste water management and reuse
- Climate smart water infrastructure for supply and sanitation

Enabling business models and technologies

- Climate finance
- Information systems and technologies

Annex 7 Follow-up on appraisal recommendations

Title of Programme/Project	**Danida Green Business Partnerships (DGBP)**
File number/F2 reference	**2021-32862**
Appraisal report date	**21.01.2022**
Council for Development Policy meeting date	**24 February 2022**

Summary of possible recommendations not followed
(Filled in by the responsible unit)

Overall, the appraisal recommendations have been followed and the programme document has been amended accordingly, including an adjusted number of upper middle-income countries, a ceiling and strengthened impact requirements in these countries.

Overall conclusion of the appraisal

The appraisal finds that the Danida Green Business Partnerships (DGBP) programme and its documentation is generally well prepared and that relevant stakeholders have been consulted during the process. The programme is found to be relevant in addressing central development challenges in line with key Danish development priorities. Building on the earlier programme, Danida Market Development Partnerships (DMDP), the appraisal finds that the orientation towards climate and environmental outcomes is appropriate. Also, the programme is found to demonstrate its contribution to key Sustainable Development Goals, notably SDG 8 (decent jobs and economic growth), SDG 12 (responsible consumption and production), SDG 13 (climate action), and SDG 17 (partnerships). Further refinement in relation to poverty orientation (SDG 1), gender/youth and responsible business conduct should be considered, as recommended below.

The appraisal finds that the design of the programme is sound and responds well to the lessons learned from the previous phase. With regard to impact and sustainability, in particular related to the sustainability of the businesses after end of project, the appraisal suggests that key challenges faced by the business partners in this respect are further analysed and taken into account in future assessments of business cases presented for approval. Implementation modalities are generally well described and justified, however, some further work to be completed during the inception phase of the programme is recommended.

With regard to programme management and administration, the external secretariat established for administration of the DMDP will continue to provide daily administrative management of both the DMDP and the DGBP. The appraisal agrees to the continuation of this arrangement, which allows for the Department for Green Diplomacy and Climate to concentrate on providing more strategic guidance to the programme.

The **overall conclusion** of the appraisal is that *the Danida Green Business Partnerships is recommended for approval with only minor adjustments taking the recommendations of this report into consideration.*

Recommendations by the appraisal team	Follow up by the responsible unit
Recommendations related to the preparation process	
An in-depth assessment of the existing partnerships could provide input to strengthening the partnerships in particular with regard to challenges in achieving sustainability of the business case at the end of the individual partner project. # 1 Conduct an assessment of existing partnerships under the Danida Market Development Partnerships during the inception phase of the programme to provide deeper insight into challenges faced by the partnerships, including challenges in achieving a viable business after end of project.	While no specific inception phase of the Danida Green Business Partnerships has been defined in the Programme Document, the recommended study will be undertaken in the initial months of the new programme and provide better evidence before the first round of project selection in August 2022. The study will assess the progress of the DMDP projects, both in terms of interim development effects and prospects of commercial viability and assess correlation with parameters related to the context (country, sector, market), the business strategy of the international commercial partner (focus on sourcing from the partner country, establishing production in the partner country or expanding markets to the partner country), partner characteristics (experience, size, etc) and partnership processes (communication, roles).
The main features of the programme including strategy and how it differs from the previous programme, could be presented early in the document for ease of understanding by external readers. # 2 Include section describing the DGBP overall strategy and main features that have been modified from the Danida Market Development Partnerships.	Agreed. A summary of the new features in DGBP, compared to DMDP, has been inserted at the end of section 2.2 “Lessons learned” of the final Programme Document.
Recommendations related to coherence with Danish development policy priorities	
The rationale for including seven new countries from the group of Higher-Middle-Income countries (including e.g. China and Argentine) is not found to be justified in terms of demonstrating additionality in relation to development outcomes. Furthermore, providing development finance for this instrument is based on the argument that businesses are not willing to enter markets in the developing countries where uncertainties and risks are perceived to be high. # 3 Reconsider the inclusion of all seven new countries from the group of Higher Middle-Income Countries and review the ceiling for partnership projects that may be selected from this group of countries.	China and Argentina have been excluded in the final Programme Document. The eligible countries now include 11 low-income countries, 15 lower middle-income countries and six upper middle-income countries (Lebanon, Brazil, Colombia, Mexico, South Africa and Turkey). To enhance the additionality of the programme, the requirements to partnership projects in upper middle-income countries are higher. Project applications should demonstrate a stronger environmental and social impact case and be directly targeted towards under-served. Max. 30% of all DGBP funding can be allocated to upper middle-income countries.

Recommendations by the appraisal team	Follow up by the responsible unit
With the increased focus on fighting inequality and poverty in Danish development policy, the appraisal found that the programme could be more explicit on how it will contribute towards this goal. # 4 Further explain how the programme at overall level can work towards benefitting poorer segments of the population in terms of improving incomes of low-income groups in the value chain and provide other wider effects for this group through the partnerships and how this will be monitored.	Social criteria relating to income opportunities and strengthened livelihoods are important for the selection of projects, together with environmental-climate criteria. In addition to the increased focus on poorer and under-served segments in upper middle-income countries (indicated above), further text has been inserted in section 4 "Theory of change" of the final Programme Document explaining how partnership projects can work towards benefitting poorer segments of the population through products and services targeting under-served and through value chains. It should be noted, however, that as an environmental-climate programme promoting market-based solutions, this programme is not the adequate tool for addressing poverty alleviation. But the partnership projects will have indirect effects on income levels and on livelihoods, also for poor people.
The appraisal recognises that the nature of the instrument – which builds on a viable business case as the driving element – may constitute a challenge in terms of addressing gender and youth concerns, along with environmental concerns etc. However, it was found that more consideration on how these aspects could be addressed and monitored should be further reflected in the programme, also building on previous experiences. # 5 Consider how gender and youth inclusion will be addressed and monitored at programme level among others building on previous experiences from the Danida Market Development Partnerships, where gender disaggregated indicators within the individual partnership project are collected and form part of the overall programme monitoring.	Outcome indicators for gender and youth have been included in relation to the monitoring of employment and income effects of the projects. Furthermore, indicators for gender and youth have been included for programme outputs related to training and outputs related to suppliers and customers. Where gender and youth indicators have been established, a target has been set at 50% female and 25% young people. This criterion will as a consequence be given weight in the project selection process of the challenge fund.

Recommendations by the appraisal team	Follow up by the responsible unit
The appraisal found that requirements for businesses to adhere to responsible business conduct principles was not clearly described in the programme document, and that it should be clear that international business partners should comply with these standards from start. # 6 Ensure that requirements with regard to responsible business conduct, including decent jobs, are adhered to by the international businesses engaged in the Danida Green Business Partnerships from the outset and that local business partners develop a plan within the first year of implementation for adhering to these principles, if they are not compliant at project start.	In section 3.3 "Other strategic consideration" of the final Programme Document it has now been specified that all commercial partners should be in compliance with national legislation from the start of the partnership project. International commercial partners should furthermore fulfil the requirements for responsible business conduct at project start, whereas for local companies there should be an agreed plan for how they will become compliant with responsible business conduct requirements, which in many cases will pose additional demands compared to national legislation.
Recommendation related to Theory of Change, objectives and results framework	
The appraisal found that the link between outputs, outcomes and impact could be strengthened, in particular regarding the link between outcomes and outputs. # 7 The Theory of Change should be reviewed for coherence and realism and the results framework should be adjusted accordingly to ensure a credible pathway from results to outcomes and objective.	Following this recommendation, the Theory of Change in section 4 and the detailed results framework in annex 2 have been amended in the following ways: • Four new outputs have been introduced in the theory of change to focus more on the capacity strengthening taking place with commercial partners and with end-user / beneficiaries linked to the partnership projects and the access provided through products and services sold by commercial partners. • The corresponding output indicators have been included in the results framework in annex 2, which will mean that project-level monitoring of outputs is lifted to the programme level and included in the programme reporting. • Two output indicators related the performance of the challenge fund (number of applications and number of approved projects) have been maintained reflecting the output of the related activities in the theory of change.

Recommendations by the appraisal team	Follow up by the responsible unit
Recommendations related to programme design and rationale	
The programme document states that only 50% of businesses are expected to continue their business related to the partnership project after end of project. The appraisal finds that while there may be difficulties in foreseeing the development in the business environment at the outset, there would be scope for developing the business cases before approval. # 8 Ensure that a business case with a long term viable vision is developed by the commercial partner before a project is approved, however, recognising that changes in the plan may be required as the business environment could change in partner countries.	All partnership projects are selected on the basis of a good business case and development potential. In the DGBP procedures there will be increased emphasis (compared to the predecessor DMDP) on documenting how the business is expected to become profitable. Due to the unpredictable context and the innovative nature of many of the business cases supported, it is not likely that all businesses will succeed in establishing a viable commercial enterprise for upscaling. However, it is agreed that the ambition should be for all to succeed. Following this recommendation, the 50% target has been changed to a target of 75% of businesses being viable. This reflects that the programme through partnership selection, monitoring and support should aim for all businesses to become viable.
Business partners under the existing programme have expressed a wish for receiving further information on finance opportunities, as access to finance is regarded as a key constraint by most businesses in achieving a viable business. # 9 Further develop the approach for supporting the business partners in access to finance and identify the capacities needed within this area, including how to provide this support within the programme set-up (including the secretariat).	Agreed. A text to this effect has been inserted in section 2.3 "Coherence and synergies" emphasising the need to include in the partnership projects specific expertise and efforts to leverage further finance for the commercial partners. The secretariat may support this by assisting in identifying the expertise needed.

Recommendations by the appraisal team	Follow up by the responsible unit
Recommendation in relation to programme monitoring and learning framework	
Capturing learning and providing feed-back on a continuous basis is essential for adjusting the programme and guiding partners during implementation. # 10 Expand and clearly describe how monitoring and learning will be ensured and develop a robust strategy for capturing and transforming learning into action. In relation to this it should be considered to undertake the Mid-Term Review at an earlier point in time to allow for this exercise to contribute to the learning and for accountability purposes.	Agreed. Section 8 "Financial management, monitoring and learning" has been amended in the final Programme Document. The monitoring at partnership project level is primarily undertaken by an external programme secretariat involving annual progress reports, an annual monitoring meeting and ad-hoc field visits. As partnerships evolve, the secretariat will organise meetings for learning across projects between partners where relevant or upon request. At programme level, the selection of projects will be based on specific criteria. The selection will furthermore be guided from the learning and experience from the DMDP programme, which will be further expanded with the assessment undertaken as a consequence of recommendation #1 above. In addition, the project selection criteria and procedures will be reviewed following each round of applications. Selection criteria may be modified either in a certain direction, made more narrow or broader, depending on the number and type of applications received from the earlier round(s) and based on the experience from their implementation. It is a clear ambition that DGBP will be coherent with a range of other programmes and activities. This entails communication, networking and direct collaboration with a range of partners in Denmark and in partner countries. After each round of applications, the secretariat should document and assess the extent to which this coherence has been obtained, including feed-back from applicants and from relevant embassies, programmes and initiatives. Finally, a mid-term review is planned already in 2023 to address any implementation issues at an early stage.

I hereby confirm that the above-mentioned issues have been addressed properly as part of the appraisal and that the appraisal team has provided the recommendations stated above.

Signed in Copenhagen on the 21 January 2022

Appraisal Team leader/ELK representative

Hanne Carus

I hereby confirm that the responsible unit has undertaken the follow-up activities stated above. In cases where recommendations have not been accepted, reasons for this are given either in the table or in the notes enclosed.

Signed in Copenhagen on the 07.02.22

Karin Poulsen
Head of Unit/Embassy