

# DANIDA BUSINESS EXPLORER GUIDELINES

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Ministry of Foreign Affairs of Denmark

March 2016

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# Introduction

Danida Business Explorer is one of the initiatives in the Government Strategy on Export Promotion and Economic Diplomacy, which was launched in May 2014.

The objective of the Strategy is, amongst others, to create a better cohesion between development cooperation and commercial efforts. Danish companies can make significant contributions to solving key challenges faced by developing countries, promoting sustainable growth and employment in developing countries and in Denmark.

Trade, investment, technology transfer and private sector development is increasingly in demand by developing countries. The significant economic growth in a number of developing countries creates commercial opportunities in markets that have not traditionally been strategic targets for Danish companies.

Danida Business Explorer helps Danish companies to take the first steps into new markets, and contributes to sustainable growth and employment in developing countries including the global goals for sustainable development.

Danish companies can, as a new initiative, also apply for support to explore the possibilities for offering Danish solutions in humanitarian situations in cooperation with humanitarian organizations.

The total budget allocated for Danida Business Explorer in 2016 is DKK 8 million.

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Department for Growth and Employment – [vbe@um.dk](mailto:vbe@um.dk)

# What is Danida Business Explorer?

Danida Business Explorer provides financial support to Danish companies in connection with the company's investigation of a concrete business opportunity in certain developing countries. Danida Business Explorer could be the first step for many Danish companies to do business in developing countries that could lead to trade, partnerships, projects or investments, for instance in collaboration with Danida, the Trade Council, IFU and EKF.

The 2030 Agenda for Sustainable Development will serve as a framework for the implementation of the facility. The 2030 Agenda consists of 17 Sustainable Development Goals (SDGs) and 169 associated targets, mobilising all countries and stakeholders, including businesses, towards their achievement and affecting domestic policies. The SDG's can be found on this [link](#).

Projects to be considered for support must be in support of the development plans of the country with a focus on contributing to sustainable growth including decent jobs and responsible business in accordance with the principles of the UN Global Compact ([link](#)) and the UN Guiding Principles on Business and Human Rights ([link](#)).

Responsible business is essential to achieve the Sustainable Development Goals (SDG). Project proposals should specify one or more of the SDGs that the project will address and how. For concrete tools such as the SDG compass and inspiration, go to the Global Compact website ([link](#)). The proposed project should have the potential to lead to a commercially sustainable business venture.

Danida Business Explorer is available in Denmark's priority countries and in other countries with a GNI below USD 3,300 per capita in 2014 and with a Danish representation. In 2016 Danida Business Explorer operates in the following countries:

<u>Priority countries</u>	<u>GNI</u>	<u>Other countries</u>	<u>GNI</u>
Afghanistan	680	Egypt	3,280
Bangladesh	1,080	India	1,610
Burkina Faso	710	Morocco	3,020
Ethiopia	550	Nigeria	2,950
Ghana	1,620	Pakistan	1,410
Kenya	1,280	Philippines <sup>1</sup>	3,440
Mali	720	Vietnam	1,890
Myanmar	1,270		
Niger	430		
Palestine	N/A		
Somalia	N/A		
South Sudan	960		
Tanzania	930		
Uganda	660		

<sup>1</sup> First year above USD 3,300

For information about priority countries please refer to the Development Strategy Papers on this [link](#) or check the Embassy of Denmark website.

Danish companies can, as a new initiative, also apply for support to explore the possibilities for offering Danish solutions in humanitarian situations in cooperation with humanitarian organizations. This applies in a number of countries where Denmark is engaged in humanitarian work, for example in Syria, Lebanon, Jordan, Iraq, Yemen, Sudan, and Central African Republic. Please contact the Department for Growth and Employment, [vbe@um.dk](mailto:vbe@um.dk) for more information about this opportunity.

## **EU state aid rules**

Financial support from Danida Business Explorer is subject to the European Union de minimis "state aid" regulation<sup>1</sup>, which allows for aid of maximum EUR 200,000 to be provided from public funds to any business enterprise over a rolling three-year period. Companies applying for support must submit a statement of support received during the last three years. The regulation does not apply to aid for fisheries and aquaculture, or the primary production of agricultural products. A specific ceiling of EUR 100,000 applies to road transport. Possible support to projects within these sectors will be subject to an assessment of the specific project and its potential to distort competition and negatively affect free competition and trade between EU Member States.

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<sup>1</sup> KOMMISSIONENS FORORDNING (EU) Nr. 1407/2013 af 18. december 2013 om anvendelse af artikel 107 og 108 i traktaten om Den Europæiske Unions funktionsmåde på de minimis-støtte.

## Who can apply for support?

Danida Business Explorer is open for applications from companies registered in Denmark. To qualify the Danish company must meet certain minimum requirements related to the company's financial and technical capacity and capability. The Danish company must also have relevant experience from doing business in a developing country, and the proposed project must be part of the company's core business.

The minimum requirements to the Danish company are:

1. Minimum DKK 5 million in equity according to the most recent audited annual report
2. Minimum of 5 full time permanent staff

Furthermore, the Danish company must not have outstanding debt to the public authorities.

Applications received from companies that do not meet these requirements will not be considered for support.

To qualify the Danish company should submit annual accounts in accordance with accounting category B, C or D as defined in the Danish Act on Accounts<sup>2</sup>. Companies submitting accounts following accounting category A will normally not be eligible for support. The same is the case for single proprietorships and very small businesses operating as an association or as a cooperative with limited liability below certain thresholds as defined in the Danish Act on Accounts.

The Danish company should have the necessary professional, organizational and financial resources to plan, implement and follow-up on the project in the country covered by the application. The Ministry of Foreign Affairs will make an assessment of the Applicant's resources as part of the evaluation of the application.

The Danish company should provide the major part of the resources itself to carry out the proposed project, but may complement its resources by engaging external professional consultants. Consultancy service for project administration is not covered by Danida Business Explorer.

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<sup>2</sup> Lov om erhvervsdrivende virksomheders aflæggelse af årsregnskab mv. (årsregnskabsloven), <https://www.retsinformation.dk/forms/r0710.aspx?id=158560#Afs2>

## What does Explorer support?

Danida Business Explorer gives financial support to part of the Danish company's costs related to an investigation of a specific business opportunity in one of the developing countries listed on page 3. This means that the proposed project must be an opportunity already identified by the Danish company, and it is therefore assumed that the Danish company already has a basic knowledge of the project and the country concerned.

General market studies and analysis cannot be financed under Danida Business Explorer.

Danida Business Explorer does not support activities or product areas as listed on the European Development Finance Institutions Exclusion List (Annex 1).

The financial support will be given to the company's expenses for salary and fees for work carried out in the developing country, as well as related international travel and accommodation expenses. The Applicant may include up to 80 hours work in Denmark for preparation and completion of the project.

The work must be carried out by the Danish company's permanently employed professional staff. The cost of staff employed by the Applicant's foreign subsidiaries or affiliated companies is not eligible for support.

The Danish company may supplement its technical capacity with technical consultancy services provided by consultants who are normally associated with the Danish company or by professional consultants in the developing country. The budget for consultancy services eligible for support must not exceed 20 % of the total budget.

The maximum financial support is DKK 500,000 or maximum 50 % of the total actual costs.

Eligible costs for approved activities are calculated by multiplying the number of hours by a fixed hourly rate. The fixed hourly rate is based on information from Statistikbanken<sup>3</sup> and rounded up to DKK 425 to cover salary costs. The rate is multiplied by two to cover travel and accommodation expenses. The rate for consultants includes 100 % overhead.

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**Løn efter køn, lønkomponenter, lønmodtagergruppe, aflønningsform, sektor, branche (DB07) og tid**

	2014
<b>Mænd og kvinder i alt</b>	
STANDARDBEREGNET TIMEFORTJENESTE	
Ledere	
Fastlønnede	
Virksomheder og organisationer	
C Industri	424,26

[Danmarks Statistik](#)

The fixed hourly rates are as follows:

- |  |     |       |
|--|-----|-------|
| 1. Danish company staff including travel | DKK | 850   |
| 2. Consultant fee including travel       | DKK | 1.275 |
| 3. Consultant fee excluding travel       | DKK | 850   |
| 4. Preparation and completion            | DKK | 425   |

The maximum number of hours is 8 hours per day and 40 hours per week. In addition, international travel time may be included in the budget with a maximum of 8 hours per day.

Equipment and other expenses related to the activities are not eligible for support. Time spent outside the developing country for preparation or completion of the assignment is not eligible for support beyond the 80 hours mentioned above.

Assistance from the Trade Council may be provided in accordance with the terms and conditions as specified on the Trade Council's website ([link](#)). The cost of assistance by the Trade Council is not eligible for financial support from Danida Business Explorer and should not be included in the budget.

Example: The Danish company has applied for support to conduct a feasibility study involving three company employees and two consultants. The study will take place over a period of six months, and will involve several international travels. One of the consultants is located in the developing country.

Name	Position	Travel	Activities	Rate	Budget
H. Hansen	Production Manager	64	320	850	326.400
P. Petersen	Marketing Manager	32	320	850	299.200
N. Nielsen	CFO	16	40	850	47.600
O. Olsen	Consultant	16	60	1275	96.900
J. Jones	Consultant	0	60	850	51.000
Preparation and completion			48	425	20.400
Total budget					841.500
Total financial support budget					420.750

# How to apply for support?

Applications for support should be submitted to the Ministry of Foreign Affairs of Denmark. There are two application rounds in 2016 with deadlines for applications on:

1. 31 March 2016 with a total allocation of DKK 4 million
2. 31 August 2016 with a total allocation of DKK 4 million

Applications must be submitted by e-mail to [um@um.dk](mailto:um@um.dk) as one pdf document.

The Application Form available on this [link](#) must be used.

The application has annexes and compulsory information which must be filled in and submitted with the application. The complete application includes:

- Application form, signed by an authorized representative of the company
- de-minimis declaration signed by an authorized company representative
- Curriculum vitae for company staff and consultants
- Restanceerklæring from SKAT
- Company annual audited report for the most recent financial year

Do not include company brochures and technical documents with the application.

Please note that an application submitted by the Danish company to the Ministry of Foreign Affairs and related correspondence is subject to requests for access to documents<sup>4</sup>. The Ministry will publish a list of applications that have been approved with the name of the Danish company, project title and grant amount.

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<sup>4</sup> Offentlighedsloven ([link](#))

# How the application is assessed

All applications received prior to the deadline for submission of applications will be assessed according to the following process and criteria for evaluation:

- Applications will be checked to confirm that the financial equity is more than DKK 5 million, that the number of staff is 5 or more, that the project is not on the EDFI Exclusion List, and that all required documents are included and have been duly completed.
- Applications that do not comply with the administrative requirements will not be considered further.
- Applications that meet the administrative requirements will be evaluated according to the criteria described below. Applications that in the opinion of Ministry best meet the criteria for support will be offered financial support within the total amount available to the application round.

Criteria for evaluation of applications:

## **1. Evaluation of the Danish company in relation to the proposed project**

The Danish company's financial capacity, relevant technical experience and international experience will be considered as part of the assessment of the application.

## **2. Evaluation of the project proposal**

Assessment of how the application demonstrates compliance with the developing country's development strategies, and how it may lead to sustainable growth, including decent jobs and responsible business conduct.

Assessment of how the application envisages that the proposed project will contribute to one or more of the Sustainable Development Goals.

Assessment of how the proposed project is envisaged to become a commercially viable business venture.

## **3. Cost effectiveness**

Assessment of how the proposed activities and output are related to the proposed budget in a cost effective manner.

The Ministry's assessment of the applications will under normal circumstances take four weeks depending on the number of applications received.

Applicants, whose application cannot be accommodated, will receive a letter with an explanation for the reason(s) for the rejection.

Applicants, whose application has been approved, will receive a letter stating the overall conditions for support and the amount granted. The application, including budget and annexes, thereby becomes the legally binding documents governing the grant given by the Ministry of Foreign Affairs.

The project should be initiated no later than three months after the date of approval by the Ministry of Foreign Affairs, and should be completed within a maximum of 12 months from the approval date as a general rule.

## How to report on results and claim funds?

The Danish company should at the end of the assignment in the developing country hold a debriefing meeting with the Embassy to report on the preliminary results of the study and the company's plan for further activities. This will give the Danish company an opportunity to explore possible new activities, for instance with support from Danida private sector facilities, IFU, EKF or with assistance from the Trade Council.

As a precondition for disbursement of financial support to the Danish Company it must document that the project has been carried out in accordance with the approval by the Ministry of Foreign Affairs. The Danish company must prepare a Completion Report with a description of the results of the project, the project report and must at the request of the Ministry of Foreign Affairs submit other relevant documents to the Ministry.

The Request for Disbursement must be submitted to the Danish company's auditor for examination together with the following vouchers and documents:

- Vouchers for international flights
- Invoices from consultants with specification of hours worked
- Time sheets for company employees

The Auditor's report, Completion Report and the Request for Disbursement must be submitted to the Ministry of Foreign Affairs, Department for Growth and Employment by e-mail to [vbe@um.dk](mailto:vbe@um.dk) as one pdf document.

The Auditor's Report, Request for Disbursement and the Completion Form can be downloaded from this [link](#).

## Who to contact?

For information please contact

Ministry of Foreign Affairs of Denmark  
Department for Growth and Employment (VBE)  
Asiatisk Plads 2  
1448 Copenhagen  
Denmark  
[vbe@um.dk](mailto:vbe@um.dk)  
+45 33 92 00 00

## EDFI exclusion list

The European Development Finance Institutions (EDFI) has as a result of their harmonization process mutually agreed on the following Exclusion List for co-financed projects.

1. Production or activities involving forced labor<sup>1</sup> or child labor<sup>2</sup>
2. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements.
3. Any business relating to pornography or prostitution.
4. Trade in wildlife or wildlife products regulated under CITES<sup>3</sup>
5. Production or use of or trade in hazardous materials such as radioactive materials<sup>4</sup>, unbounded asbestos fibers and products containing PCBs<sup>5</sup>.
6. Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations.
7. Drift net fishing in the marine environment using nets in excess of 2.5 km in length
8. Production, use of or trade in pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances<sup>6</sup> and other hazardous substances subject to international phase-outs or bans.
9. Destruction<sup>7</sup> of Critical Habitat<sup>8</sup>

In addition to the above, the financing of projects is excluded, when the following activities form a substantial<sup>9</sup> part of a project sponsor's primary operations or those of the project:

Production or trade in

- weapons and munitions
- tobacco
- hard liquor
- Gambling, casinos and equivalent enterprises<sup>10</sup>

<sup>1</sup> Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions.

<sup>2</sup> Employees may only be taken if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art. 2), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age shall apply.

<sup>3</sup> CITES: Convention on International Trade in Endangered Species or Wild Fauna and Flora.

<sup>4</sup> This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any other equipment where EFP considers the radioactive source to be trivial and/or adequately shielded.

<sup>5</sup> PCBs: Polychlorinated biphenyls, a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985.

<sup>6</sup> Ozone Depleting Substances: Chemical compounds, which react with and delete stratospheric ozone, resulting in "holes in the ozone layer". The Montreal Protocol lists ODs and their target reduction and phase-out dates.

<sup>7</sup> Destruction means the (1) elimination or severe diminution of the integrity of a habitat caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the habitat's ability to maintain its role (see footnote 10) is lost.

<sup>8</sup> Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value that meet the criteria of the World Conservation Union (IUCN) classification, including habitat required for the survival of critically endangered or endangered species as defined by the IUCN Red List of Threatened Species or as defined in any national legislation; areas having special significance for endemic or restricted-range species; sites that are critical for the survival of migratory species; areas supporting globally significant concentrations or numbers of individuals of congregatory species; areas with unique assemblages of species or which are associated with key evolutionary processes or provide key ecosystem services; and areas having biodiversity of significant social, economic or cultural importance to local communities. Primary Forest or forests of High Conservation Value shall be considered Critical Habitats.

<sup>9</sup> A benchmark for substantial is 5 – 10 % of the balance sheet or the financed volume.

<sup>10</sup> In Financial Institutions this is calculated with regard to the portfolio volume financing such activities.