



OECD Development Co-operation Peer Reviews

**DENMARK**

**2016**



The Development Assistance Committee: Enabling effective development



# **OECD Development Co-operation Peer Reviews: Denmark 2016**

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# Conducting the peer review

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The OECD Development Assistance Committee (DAC) conducts periodic reviews of the individual development co-operation efforts of DAC members. The policies and programmes of each member are critically examined approximately once every four or five years. Five members are examined annually. The OECD Development Co-operation Directorate provides analytical support, and develops and maintains, in close consultation with the Committee, the methodology and analytical framework – known as the Reference Guide – within which the peer reviews are undertaken.

The objectives of DAC peer reviews are to improve the quality and effectiveness of development co-operation policies and systems, and to promote good development partnerships for better impact on poverty reduction and sustainable development in developing countries. DAC peer reviews assess the performance of a given member, not just that of its development co-operation agency, and examine both policy and implementation. They take an integrated, system-wide perspective on the development co-operation and humanitarian assistance activities of the member under review.

The peer review is prepared by a team, consisting of representatives of the Secretariat working with officials from two DAC members who are designated as “examiners”. The country under review provides a memorandum setting out the main developments in its policies and programmes. Then the Secretariat and the examiners visit the capital to interview officials, parliamentarians, as well as civil society and non-governmental organisations representatives of the donor country to obtain a first-hand insight into current issues surrounding the development co-operation efforts of the member concerned. Field visits assess how members are implementing the major DAC policies, principles and concerns, and review operations in recipient countries, particularly with regard to poverty reduction, sustainability, gender equality and other aspects of participatory development, and local aid co-ordination. During the field visit, the team meets with representatives of the partner country’s administration, parliamentarians, civil society and other development partners.

The Secretariat then prepares a draft report on the member’s development co-operation which is the basis for the DAC review meeting at the OECD. At this meeting senior officials from the member under review respond to questions formulated by the Committee in association with the examiners.

This review contains the main findings and recommendations of the Development Assistance Committee and the report of the Secretariat. It was prepared with examiners from Belgium and France for the peer review of Denmark on 24 June 2016.



# Table of contents

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Conducting the peer review .....	3
Abbreviations and acronyms.....	7
Denmark's aid at a glance .....	9
Context of the peer review of Denmark.....	11
The DAC's main findings and recommendations.....	13
Secretariat's report .....	23
Chapter 1: Towards a comprehensive Danish development effort .....	25
Global development issues .....	25
Policy coherence for development .....	26
Financing for development .....	28
Chapter 2: Denmark's vision and policies for development co-operation.....	35
Policies, strategies and commitments.....	35
Approach to allocating bilateral and multilateral aid.....	36
Policy focus.....	38
Chapter 3: Allocating Denmark's official development assistance .....	45
Overall ODA volume .....	45
Bilateral ODA allocations.....	48
Multilateral ODA channel.....	51
Chapter 4: Managing Denmark's development co-operation.....	55
Institutional system .....	55
Adaptation to change.....	59
Human resources .....	60
Chapter 5: Denmark's development co-operation delivery and partnerships.....	65
Budgeting and programming processes.....	65
Partnerships .....	67
Fragile states .....	69
Chapter 6: Results management and accountability of Denmark's development co-operation .....	75
Results-based management system.....	75
Evaluation system .....	76
Institutional learning .....	78
Communication, accountability and development awareness .....	78
Chapter 7: Denmark's humanitarian assistance.....	83
Strategic framework.....	83
Effective programme design .....	84
Effective delivery, partnerships and instruments .....	85
Organisation fit for purpose.....	87
Results, learning and accountability.....	88
Annex A: Progress since the 2011 DAC peer review recommendations .....	93
Annex B: OECD/DAC standard suite of tables .....	97
Annex C: Field visit to Ghana.....	105

## Table of contents

---

Annex D: Organisational structure .....	117
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### Tables

Table 3.1 Impacts of budget cuts and shifts in the composition of Denmark's ODA .....	47
Table 3.2 Share of bilateral ODA to top recipients, 2003-14 (percent) .....	49
Table 4.1 Number of staff (full-time equivalent), 2003-16 .....	61
Table B.1 Total financial flows .....	97
Table B.2 ODA by main categories .....	98
Table B.3 Bilateral ODA allocable by region and income group .....	99
Table B.4 Main recipients of bilateral ODA .....	100
Table B.5 Bilateral ODA by major purposes .....	101
Table B.6 Comparative aid performance .....	102

### Figures

Figure 0.1 Denmark's implementation of 2011 peer review recommendations .....	9
Figure 2.1 Denmark's multilateral policy .....	38
Figure 3.1 Past trends in ODA volume and as a share of GNI, 1999-2015, Denmark .....	46
Figure 3.2 Share of Denmark's bilateral ODA by region, gross disbursements, 2013-14 average .....	49
Figure 3.3 Composition of bilateral ODA, 2014, gross disbursements, Denmark .....	50
Figure 3.4 Core and non-core contributions to multilateral organisations .....	52
Figure 4.1 Denmark's development co-operation system .....	56
Figure A.1 Denmark's implementation of 2011 peer review recommendations .....	96
Figure B.1 Net ODA from DAC countries in 2012 .....	103
Figure C.1 Aid to Ghana at a glance .....	106

### Boxes

Box 1.1 Danish achievements on trade and financing for development .....	28
Box 1.2 The Danish Climate Investment Fund .....	31
Box 4.1 Partnering with Denmark .....	58
Box 5.1 Example of scenario planning .....	66
Box 5.2 Partnering with new development actors: the Global Green Growth Forum (3GF) .....	69
Box 6.1 Denmark engages with a wide range of partners to raise development awareness .....	80
Box 7.1 Third-party monitoring in Somalia .....	89
Box C.1 Denmark's work with the maritime sector in Ghana .....	107
Box C.2 Examples of Denmark's private sector engagement in Ghana with no ODA component .....	108
Box C.3 Donor co-ordination and mutual accountability in Ghana .....	111



## Abbreviations and acronyms

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CERF	Central Emergency Response Fund
CSO	Civil society organisation
DAC	Development Assistance Committee
EU	European Union
GDP	Gross domestic product
GNI	Gross national income
IFU	Investment Fund for Developing Countries
LDC	Least developed country
MDG	Millennium Development Goal
MFA	Ministry of Foreign Affairs
NGO	Non-governmental organisation
OCHA	Office for the Co-ordination of Humanitarian Affairs
ODA	Official development assistance
SDG	Sustainable Development Goal
UFT	Technical Advisory Service
UNDP	United Nations Development Programme
UNHCR	United Nations High Commission for Refugees
UNICEF	United Nations Children’s Emergency Fund

## Abbreviations and acronyms

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### Signs used:

DKK	Danish krone
EUR	Euro
USD	United States dollars
( )	Secretariat estimate in whole or part
-	(Nil)
0.0	Negligible
..	Not available
...	Not available separately, but included in total
n.a.	Not applicable
p	Provisional

Slight discrepancies in totals are due to rounding.

### Annual average exchange rate: 1 EUR = USD

2010	2011	2012	2013	2014
0.7550	0.7192	0.7780	0.7532	0.7537

### Annual average exchange rate: 1 USD = DKK

2010	2011	2012	2013	2014
5.6218	5.3604	5.7899	5.6169	5.6187

# Denmark's aid at a glance

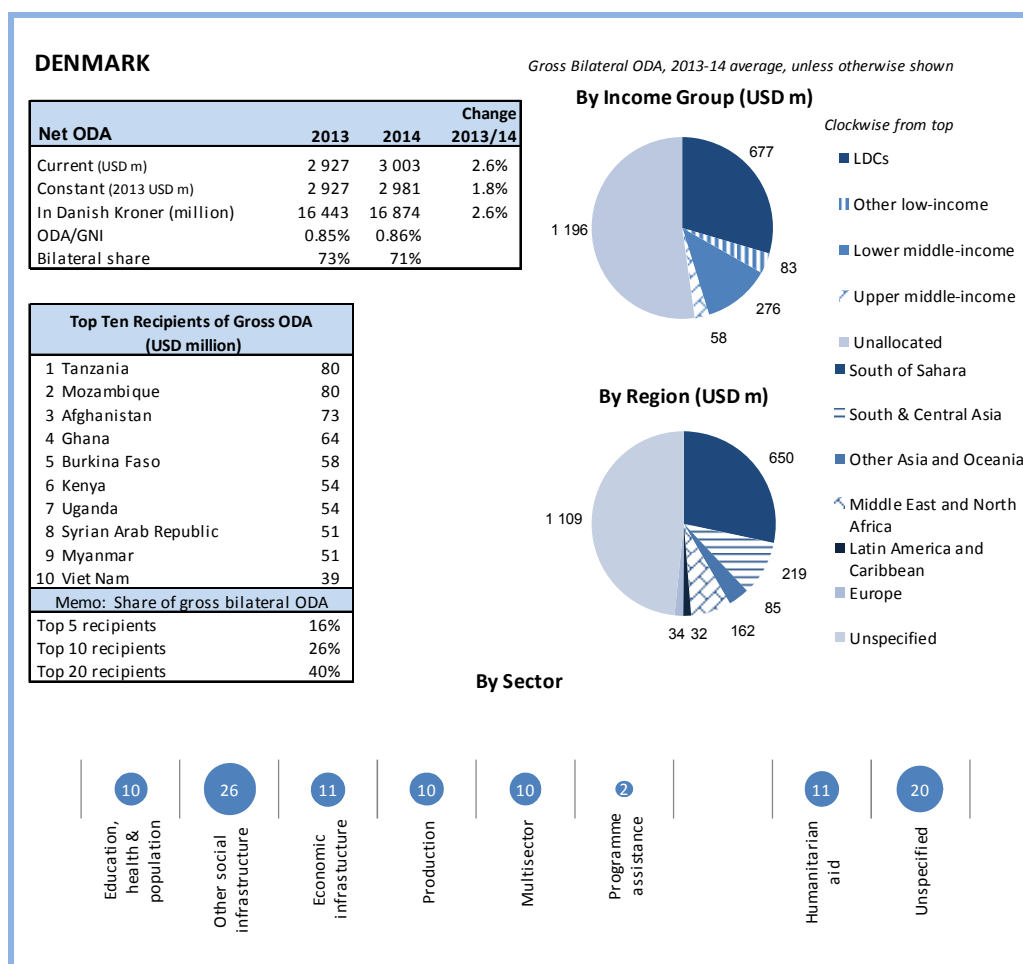
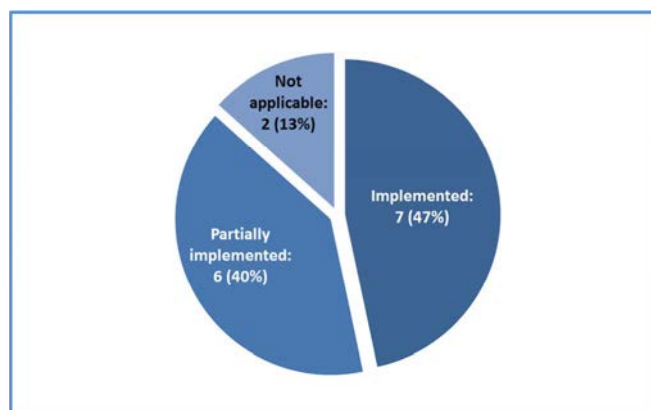


Figure 0.1 Denmark's implementation of 2011 peer review recommendations





# Context of the peer review of Denmark

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## Political and economic context

From 2011-15, Denmark was governed by a centre-left coalition led by the Social Democrats alongside the Social Liberal Party and the Socialist People's Party. The June 2015 general election brought back the previous Liberal Prime Minister, Mr Lars Løkke Rasmussen, as the leader of a minority one-party Liberal government, with the support of three centre-right parties – the Danish People's Party, the Liberal Alliance and the Conservative People's Party. This election was the tightest contest in decades and produced Denmark's smallest single party minority government since the mid-1970s.

In July 2015, the population of Denmark was 5.6 million people while its gross domestic product (GDP) per capita at purchasing power parity exchange rates was USD 46 476. In 2014, real GDP rose for the first time in three years, by a modest 1.1%. This trend is expected to continue with a projected growth rate of 1.9%.

Denmark's economy can count on a low and stable inflation, a small debt-to-GDP ratio and only a small budget deficit. It is however held back by weak domestic demand and poor export performance. In addition, weak productivity growth over the past two decades has contributed to a widening of the income gap with leading OECD economies. The new government's priorities include limiting future budget deficits through cuts in education, environmental projects and foreign aid, and maintaining the euro exchange rate peg, including through interventionist measures.

Denmark scores highly on many dimensions of well-being. It ranks at the top for work-life balance in the OECD Better Life Index, with above average scores in environmental quality, civic engagement, education and skills, jobs and earnings, income and wealth, and personal security.

Denmark's official development assistance (ODA) has remained steady over the past five years – from USD 2 931 million in 2011 to USD 3 billion in 2014, at current prices, equivalent to at least 0.8% of gross national income (GNI). However, the new government has announced a readjustment of the volume of Danish ODA down to 0.7% in line with its general policy.



## **The DAC's main findings and recommendations**





# 1

## Towards a comprehensive Danish development effort

*Indicator: The member has a broad, strategic approach to development and financing for development beyond aid. This is reflected in overall policies, co-ordination within its government system, and operations*

### Main findings

As a member of the Open Working Group on Sustainable Development Goals (SDGs), Denmark has played a strong leadership role in the development of Agenda 2030, particularly on the promotion of human rights and support for peacebuilding and stabilisation. For example, Denmark's high level of political engagement on gender equality, and sexual and reproductive health and rights has contributed to more progressive language in the global goals.

Denmark is now developing an action plan to follow up on Agenda 2030. At the same time, it is working on a new development co-operation strategy, founded on the SDGs. Denmark is therefore in a good position to anchor its development co-operation into a national whole-of-government approach to implementing the SDGs. As this work progresses, Denmark will need to consider how it can best contribute to the global public goods both through its external and domestic policies, and through multilateral channels and co-ordinated interventions. It also needs to consider the balance between development and commercial objectives when working with, and through, the private sector.

Denmark has a strong record in ensuring its policies impact positively on, or do not harm, developing countries' own development efforts. This is reflected in Denmark's first place ranking in the 2015 Commitment to Development Index. Over the past five years, Denmark has strengthened its commitment to co-ordinating and promoting policy coherence. In 2011, Denmark's International Development Cooperation Act anchored policy coherence as a foundation for Danish foreign policy. In 2014, in line with recommendations from the 2011 peer review, Denmark released its first policy coherence plan, A Shared Agenda: Denmark's Action Plan for Policy Coherence for Development, encompassing trade and finance, food security, climate change, and peace and security with strengthened mechanisms for arbitrating on policy trade-offs. In view of the ongoing global migration crisis, Denmark is currently considering whether it might include migration as an additional priority for its action plan.

However, Denmark faces an ongoing challenge in building understanding of policy coherence in line ministries. Furthermore, although its action plan commits Denmark to report annually on policy

coherence, the government decided not to do so but to follow up this commitment by formulating a SDGs action plan, which will now drive policy coherence. Going forward, the Ministry of Foreign Affairs will be responsible for co-ordinating formulation of the action plan and the Ministry of Finance will oversee its implementation.

With its largest multinational enterprises operating globally in sectors such as shipping, pharmaceuticals and renewable energy, Denmark's development finance instruments target sectors where it has established an international comparative advantage. However, the extent to which Denmark's official development assistance and other official financing instruments actually leverage other development flows and their development impact is not well monitored. Denmark is currently considering establishing new financial instruments to catalyse development finance. Denmark would benefit from a clear strategy setting out how these investments will maximise sustainable development impacts, as well as increased capacity to engage the private sector effectively.

### Recommendations

- 1.1** To take forward its vision for Agenda 2030, Denmark should increase cross-government understanding of the implications of its commitment to ensuring its policies are consistent with sustainable development objectives.
- 1.2** In line with its 2014 action plan, Denmark is encouraged to report publicly on its achievements and challenges in ensuring that its domestic and foreign policies are development friendly.
- 1.3** In the frame of its private sector instruments, Denmark should continue efforts to set up few, large and demand-driven private sector facilities with clearly defined development objectives.
- 1.4** Denmark should examine how to better capture the additionality of, and return on, private sector instruments in developing countries.

# 2

## Denmark's vision and policies for development co-operation

*Indicator: Clear political directives, policies and strategies shape the member's development co-operation and are in line with international commitments and guidance*

### Main findings

Denmark has a clear vision for its development co-operation programme. The Right to a Better Life strategy – approved by Parliament in 2012 with cross-party support – sets out Denmark's priorities for its development co-operation and, until recently, has guided the overall direction of the programme.

While aiming to promote Denmark's interest in a peaceful, stable and equal world, the strategy prioritised poverty reduction. The strategy also introduced a human rights-based approach which anchored the focus on poverty at the heart of its programming. In particular, the human rights-based approach emphasised support to civil society as a cross-cutting tool for assessing and addressing the root causes of poverty. As Denmark increases its focus on private sector-led growth and Danish private sector engagement as an engine of development, continued attention to the human rights principles of non-discrimination and inclusion can provide directions to support the development of an inclusive private sector while maintaining a strong poverty focus.

The Right to a Better Life integrated the environment and gender equality as priorities and pillars of Denmark's development co-operation. These are addressed in the programme through policy dialogue, as well as through targeted and mainstreamed activities, in accordance with Busan commitments.

With a continued focus on fragility and increased attention to tackling the root causes of migration and humanitarian assistance, Denmark is now in a strong position to design a model that integrates humanitarian and development streams.

As Denmark drafts its new strategy for development co-operation, it also has a chance to develop a more operationally oriented strategy that provides clearer guidance and strengthens the coherence between strategic objectives and allocations of official development assistance (ODA). Indeed, the broad definition of objectives within The Right to a Better Life has required numerous sub-strategies and extensive management guidelines, leading to the multiplication of internal documents to facilitate implementation.

In addition, although the 2012 strategy facilitated country programmes' concentration on particular sectors, it did not provide guidance on geographical

focus. Activities to tackle global challenges and leveraging private sector funding can be implemented in any country eligible for ODA, and the selection of partner countries and territories remains the government's prerogative. For instance, while Denmark is reducing the number of priority partners from 21 to 14 countries and territories in 2016, it has not clearly communicated how it selected which partner countries to withdraw from.

Finally, in the past, Denmark's funding arrangements and ODA allocations were not always consistent with its strategic objectives. For example, Denmark's multilateral policy aims to support a well-functioning multilateral system and advance its strategic priorities. However, from 2010-14, Denmark's core contributions fell as a share of multilateral aid. In addition, the recent increase in ODA allocated to managing refugee costs within Denmark raises questions over whether ODA allocations will remain aligned to the focus on poverty reduction.

### Recommendations

As Denmark revises its development co-operation strategy, it should:

- 2.1** Clarify how the Sustainable Development Goals will guide its development co-operation, while safeguarding the pro-poor focus of its ODA-funded activities.
- 2.2** Within the new priorities, define operational objectives and criteria to prioritise activities and guide the selection of priority partners and funding instruments.
- 2.3** Reiterate the rationale for Denmark's support to multilateral organisations and align its funding allocations with its objectives.

# 3

## Allocating Denmark's official development assistance

*Indicator: The member's international and national commitments drive aid volume and allocations*

### Main findings

Denmark has long maintained a reputation as a generous and predictable partner for developing countries and multilateral partners alike. Its official development assistance (ODA) is above its international commitment of providing 0.7% of its gross national income (GNI) as ODA. In 2015, provisional figures show that Danish ODA stood at USD 2.6 billion, equivalent to 0.85% ODA/GNI, making Denmark the thirteenth largest donor by volume.

This picture is now changing. From 2016, the overall volume of Denmark's ODA is scheduled to fall in line with the current government's pre-election promise to bring the ODA/GNI ratio to 0.7% while honouring previous commitments.

The composition of Danish ODA is also shifting. Spending on refugees within Denmark is expected to triple in 2016 to reach 30% of Denmark's gross ODA. At a time when many other donors are seeking new approaches to managing refugee costs, Denmark's ODA budget is bearing the brunt of the crisis. Combined with the overall decrease in the ODA budget, this means that funding for development assistance managed by the Ministry of Foreign Affairs has declined by 42%.

This significant change in ODA allocation presents significant challenges for the predictability and quality of Denmark's development co-operation overseas.

In 2014, almost three-quarters of Denmark's ODA were provided bilaterally, with allocations focused on the poorest countries and territories and on fragile states. However, a rising share of Denmark's ODA is unallocated which can be partly explained by increased allocations to regional programmes. As a consequence, in 2014, only one-quarter of Denmark's bilateral ODA went to Denmark's top ten recipients, down from 40% in 2007. This trend is likely to continue as a greater share of the bilateral ODA budget is spent on refugee costs in Denmark or allocated to centrally-managed thematic funds.

From 2011-14, Denmark's allocations were in line with the four priority areas outlined in its strategy, The Right to a Better Life. Around 60% of bilateral allocable ODA had gender equality or women's empowerment as a key objective, double the Development Assistance Committee average. More than one-third supported

the environment. However, following the change in the composition of Denmark's ODA, there is a growing gap between financial allocations and strategic priorities. For example, while the environment and climate change are top priorities in The Right to a Better Life, the budget for natural resources, energy and climate change activities has been particularly affected by the 2015-16 budget cuts compared to other budget lines, down by 54%.

Denmark has been a good contributor to, and valued partner of, multilateral organisations, with lean management processes and a reputation for predictable and flexible funding. Nevertheless, Denmark's share of core resources to multilateral organisations continued to decline from 2010-14. Preliminary data for the United Nations Development Programme indicates core resources from Denmark fell from USD 60 million in 2014 to USD 47 million in 2015, down 22%. Further reductions are anticipated as Denmark shifts core resources to multilateral thematic funding windows.

Following the budget cuts, Denmark's non-core allocations have also declined, with several key partners reporting significant decreases. For example, Denmark's non-core allocations to the United Nations Children's Emergency Fund fell by half between 2014 and 2015, from USD 28 million to USD 15 million. This decline in support for key multilateral partners, in both core and non-core funding, runs counter to the recommendation of Denmark's 2013 analysis of its multilateral co-operation, which was to increase support to key partners. It is unlikely to support Denmark's ambitions to increase its influence in this sphere.

### Recommendations

- 3.1** Denmark is encouraged to fully consider the impact of reallocating its ODA to manage refugee costs. This affects the predictability of Denmark's development co-operation programme dealing with poverty reduction in developing countries.
- 3.2** When deciding on multilateral allocations, Denmark, along with other donors, should take into account the impact of core versus earmarked funding on the ability of these organisations to carry out their mandate.

## Main findings

Following the recommendations of the DAC 2011 peer review, Denmark improved the organisational structure and management of its development co-operation. By 2015, Denmark had strengthened its mechanisms for decision making and co-ordination across government. It had reviewed its human resource policy to enable more effective implementation of its Right to a Better Life strategy. Danish development co-operation policy has also become increasingly integrated with foreign and trade policies within the Ministry of Foreign Affairs, with new links across government as well as increased opportunities for synergies. As a result, other government departments and agencies are becoming increasingly involved in the delivery of development co-operation. For example, Denmark's Peace and Stability Fund is jointly managed by the ministries of Foreign Affairs, Defence and Justice, while Denmark's development finance institution implements part of the official development assistance (ODA) budget for private sector development.

However, in 2015, in response to budget cuts, the Ministry of Foreign Affairs implemented organisation-wide staff reductions, equivalent to 9% of its headquarters and posted staff. In March 2016, a new organisational structure was announced ahead of a new strategy for development co-operation, due for release in the second half of 2016. Key changes included: downsizing the ministry's Centre for Global Cooperation, reducing the total number of technical and development co-operation specialists, and separating the management of multilateral and bilateral units, which were formerly integrated into country and regional desks.

New challenges for the organisation and management of Denmark's development co-operation include:

- Ensuring Denmark has the right skills in the right places to effectively manage and deliver its development co-operation. The new strategy is expected to include a strong focus on private sector engagement and fragile states, both of which are likely to require new technical expertise, cross-policy skills and local knowledge. The ministry is already anticipating these new demands and trying to address them through its new organisational structure. However, improving the match between programme needs and resources is

likely to require new incentives for development staff to be deployed to fragile states and increased embassy-level involvement in posting and recruitment decisions. At the same time, it will be important for Denmark to retain sufficient technical expertise to support quality implementation of its development co-operation.

- Maintaining predictability of funds allocated to implementing partners. In 2011, Denmark's ODA was almost exclusively administered by the Ministry of Foreign Affairs. This is now changing, as the ministry's administrative responsibility for the total ODA envelope declines. For example, in 2011, only 4% of Denmark's ODA was administered by the Ministry of Refugees, Immigration and Integration Affairs, whereas this share is expected to increase to up to 30% of Denmark's ODA budget in 2016. As a result, it is increasingly difficult for the Ministry of Foreign Affairs to predict its allocations, affecting its ability to maintain its good practice of multi-year agreements with partners.
- Sustaining the strengths of Denmark's decentralised model for development co-operation. Denmark's development co-operation is co-ordinated at headquarters, with management of the programme highly decentralised to embassies in the field. However, budgetary constraints, organisational reforms and an increase in thematic funding compared to country programming have resulted in reduced numbers of Danish posted staff.

Addressing these challenges is likely to require greater co-operation and increased understanding of development co-operation across government. It may also need new technical and cross-policy skills to ensure Danish development co-operation is fit for purpose in the era of the 2030 agenda for sustainable development.

### Recommendation

**4.1** Following the release of the new strategy, Denmark would benefit from assessing whether its new organisation is fit for purpose.



# 5

## Denmark's development co-operation delivery and partnerships

*Indicator: The member's approach to how it delivers its programme leads to quality assistance in partner countries, maximizing the impact of its support, as defined in Busan*

### Main findings

Denmark is a strong advocate for, and adherent to, the Busan Principles for effective development co-operation.

Commitment-based budgeting allows Denmark to provide its priority countries and territories with predictable multi-year funding, committed for the whole duration of country programmes. Budget lines for thematic programmes, committed annually, also provide some degree of predictability as Parliament approves three-year indicative budgets. However, the predictability of Denmark's annual commitments fell in 2015 after unforeseen budget cuts and the reallocations within the official development assistance (ODA) budget. These changes affected implementing partners and the coherence of country programmes, such as in Ghana.

New country programming and rights-based gap analysis enable Denmark to tailor programmes to country context, especially in fragile states where inequalities are drivers of conflict. In addition, detailed risk assessments – introduced after the 2011 peer review – and budget flexibility within the results framework give embassies the capacity to adjust their programmes as the context changes. Denmark's highly decentralised aid management used to support this strong alignment and flexibility. However, this model might be under threat as the share of Denmark's ODA programmed and managed within countries decreases.

Denmark uses joint co-ordination arrangements to reinforce the division of labour, increase the use of country systems and promote accountability. In fragile states in particular, Denmark champions multilateralism and pooled funds, which increases its influence at strategic level.

Flexible partnerships with non-governmental organisations (NGOs) and the private sector are key instruments in Denmark's development co-operation programme and go hand in hand with a strong emphasis on strengthening institutional and individual capacities. This inclusive approach helps Denmark address development challenges from different entry points and has the potential to increase its impact.

Building on its good track record, Denmark is well positioned to further improve the quality of its programming and partnerships.

As Denmark is increasing its engagement in fragile states, the current two-year design cycle affects Denmark's ability to react to rapid changes. Ongoing efforts to plan for different scenarios and provide systematic technical support to embassies in the design stage should help speed up programming and improve timely implementation. Further efforts to anticipate the impact of risks on development outcomes and address reputational risks can also increase timeliness and protect Denmark's reputation.

Denmark is committed to using country systems as the default option, including in fragile states. As it moves towards increased partnerships with non-state actors, Denmark will have to consider how it might make the most of its good track record in using country systems and maintaining a high share of ODA on budget, even when its programme is not implemented by partners' governments.

Further efforts to select partners strategically could also increase the impact of Denmark's development co-operation. For example, adding NGOs' capacity to become drivers of change to the selection criteria would help Denmark reach its objective of supporting a vibrant and diversified civil society.

Finally, given that the next development co-operation strategy is expected to increase Denmark's emphasis on leveraging private sector resources, continued attention to the principles of untied aid will be critical. Denmark has consistently kept 95% of its ODA untied, which is good practice. However, funds disbursed by Denmark's Investment Fund for Developing Countries (IFU) are 100% tied and it is unclear at this stage if Denmark's future business instruments will be tied.

### Recommendations

- 5.1** Denmark should speed up its programming processes to increase timely implementation, especially for fragile states.
- 5.2** Denmark should pursue its efforts to strengthen risk assessments to inform programming. In particular, it should select its partners based on an in-depth assessment of institutional risk.
- 5.3** Denmark should identify effective ways of promoting private sector engagement that do not increase the share of tied aid.

# 6

## Results and accountability of Denmark's development co-operation

*Indicator: The member plans and manages for results, learning, transparency and accountability*

### Main findings

Denmark is strengthening its results-based management across its portfolio. It is moving from monitoring outputs achieved at project level to outcomes achieved in partner countries. For instance, it uses output and outcome indicators for project reporting and newly launched real-time evaluations will measure progress towards outcomes every year. In fragile contexts, Denmark is developing a pragmatic approach, measuring its contribution to transformative processes rather than strictly monitoring outputs.

Denmark discusses information about results with its partners to inform decision making at project level. The introduction of a performance-based resource allocation model to fund Danish non-governmental organisations (NGOs) demonstrates Denmark's attempts to link results to budgetary decisions.

Denmark also provides support to implementing partners to build their own monitoring and evaluation mechanisms, as they are responsible for monitoring and reporting on results. For instance, Denmark is piloting a collaborative partner-donor evaluation with Ghana. Denmark will therefore need mechanisms to consolidate and check the quality of the information it receives from different partners to inform decisions at a policy level.

Further efforts to define results at country level could also facilitate outcome monitoring and provide useful information for strategic decisions. Indeed, country strategies still formulate results as broad objectives, not as measurable results, and corporate reports present the percentage of goals fulfilled rather than results achieved.

Denmark's 2016 evaluation policy strengthened its emphasis on using results in decision making, introducing new evaluation instruments such as real-time and follow-up evaluations, management responses, and dedicated management meetings. However, a 2014 peer review of the evaluation function identified a gap in strategic evaluations which has not been filled.

Knowledge management remains an ongoing challenge. Knowledge is neither consolidated nor disseminated well enough to staff, and there are no systematic feedback loops between decentralised and central levels. This will become more problematic as

the proportion of local staff rises and development is increasingly managed across government departments.

Denmark is commended for its commitment to transparency and the quality of its communication strategy, which enhances accountability and raises development awareness. Its transparency is demonstrated by the up-to-date data on its OpenAid website, with information on risks and results, as well as public hearings. Denmark is now well placed to push the agenda further by helping its partners reach the same degree of transparency.

Denmark's communication strategy and annual surveys of Danes' attitudes towards and knowledge of development assistance help it identify target groups and adjust communication tools accordingly. Partnerships with schools, NGOs, the private sector and researchers, as well as the use of social media, ensure the engagement of a broad audience.

However, the latest annual public opinion poll shows that support for development co-operation has fallen from 70% to 60% over recent years. Even though public support remains high compared to other Development Assistance Committee members, this fall suggests that Denmark should invest further in maintaining public support, particularly at a time when development assistance expenditures are shifting towards national interests and commercial co-operation.

### Recommendations

- 6.1** Denmark should pursue its efforts to link measurement of programme level outcomes with national development indicators to better inform its policy decisions.
- 6.2** Denmark should consolidate its knowledge management system to capitalise on knowledge produced in the field and by its partners, including civil society organisations, and strengthen information sharing.
- 6.3** To rebuild public support, Denmark should do more to communicate the interdependence between Danish interests, development goals and global public goods in a comprehensive framework, while maintaining the voice of development co-operation.

**Main findings**

Denmark's strong performance as a humanitarian donor and its pioneering policy work on the coherence between humanitarian and development approaches place it in a good position to elaborate a new strategy integrating the thinking emerging from the World Humanitarian Summit.

Denmark's humanitarian assistance is focused on a small number of protracted crises. The strategy aims to break the cycle between crisis and vulnerability and uses humanitarian support as a building block for long-term development. Denmark is also committed to Good Humanitarian Donorship principles. This strategy has the potential to increase the impact of its humanitarian programme.

Denmark's whole-of-government efforts put it in a good position to confront complex crises, in which humanitarian aid, development assistance, migration policies and statebuilding are closely bound. With solid and constant policy work, active interactions with other development co-operation providers and participation in multilateral organisations' boards, Denmark also has influence over the global humanitarian landscape.

In spite of the global migration crisis, Denmark enjoys wide public and political support for its humanitarian efforts. This support is nurtured by a high level of transparency, which can be considered best practice.

Denmark has succeeded in preserving its humanitarian budget amidst overall decline in official development assistance. However, decreasing allocations to multilateral partners threatens the coherence between humanitarian and development operations, as many of the multilateral agencies have a dual mandate, working on both emergency and development. Increasing humanitarian allocations while reducing the development budget risks affecting Denmark's ability to bridge the gap between the two workstreams and presents challenges for addressing the root causes of conflict and migration given the long-term commitment these issues require.

Denmark has designed its humanitarian tools and procedures with the aim of improving aid effectiveness and reducing its partners' administrative constraints and transaction costs. Dialogue, predictability and flexibility are prominent features of Denmark's humanitarian partnership. This flexibility gives Denmark latitude to engage, from rapid response

deployment to resilience building and risk-reduction operations. The proposed Danida Emergency Relief Fund would increase Denmark's capacity to partner with a broader range of humanitarian actors, even though it usually works with a deliberately narrow portfolio of capable partners. Multilateral organisations also value Denmark's core contributions to their organisations, which increase their ability to fulfil their mandate and to respond rapidly to new emergencies.

The humanitarian policy and funding portfolio is managed by a knowledgeable team within the Ministry of Foreign Affairs. Partnership modalities, such as the Central Emergency Response Fund, and core funding to multilateral organisations are well adapted to management by a slim structure. However, it does not allow for in-depth oversight of implementation or to manage a solid monitoring plan, which can therefore affect Denmark's capacity to make well-informed decisions.

With strong policy work and a light field footprint, Denmark is not taking full advantage of its recognised policy influence to ensure that the results of its programmes match its global ambition as a quality humanitarian donor. In particular, results measurement is overly dependent on self-reporting by partners, leading to information of uneven quality. More substantial joint monitoring partnerships with other donors supporting the same large humanitarian projects, and increased use of third-party monitoring, especially in areas where direct access is constrained, could give Denmark the information it needs without increasing red tape.

A deeper understanding of the field-level implementation of its projects would permit Denmark to better use its flexible funding and capacity to learn and adjust its humanitarian programming.

**Recommendations**

- 7.1** Denmark should ensure its policy work on humanitarian-development coherence is supported by relevant funding streams for both humanitarian and development activities.
- 7.2** Denmark should reinforce its measurement of outcomes and impact to inform and strengthen its policy work.





## **Secretariat's report**



# Chapter 1: Towards a comprehensive Danish development effort

## Global development issues

**Denmark has played a strong leadership role on the development of Agenda 2030, particularly on the promotion of human rights and support for peacebuilding and stabilisation. However, it is not yet addressing how it will respond to Agenda 2030 at both domestic and international levels, or the role that development co-operation will play within this.**

**Denmark is a leader in developing Agenda 2030 but lacks a clear vision for taking it forward**

Denmark is a leader on global issues for sustainable development and a strong advocate for human rights in global development discussions. In particular, Denmark's high level of political engagement on gender equality, and – together with the Netherlands and Ghana – sexual and reproductive health and rights, has led to more progressive language on these issues in the Sustainable Development Goals (SDGs). Denmark is also at the forefront of efforts to promote the New Deal<sup>1</sup>, and the five Peacebuilding and Statebuilding Goals<sup>2</sup> agreed at the High Level Forum on Aid Effectiveness in Busan in 2011.

With its largest multinational enterprises operating globally in sectors such as shipping, pharmaceuticals and renewable energy, Denmark has a strong record to protect on corporate social responsibility, sustainability and green growth. The government endorsed a corporate social responsibility action plan in 2008, and established an accountability mechanism in 2012 in accordance with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. A 2015 OECD Investment Committee peer review (OECD, 2015c) found that the mechanism was well resourced, but recommended more active promotion outside Danish borders given that it had attracted few complaints to date. Meanwhile, the Danish government has also concentrated on building a comparative advantage in green growth technologies, which now account for more than 12% of all Danish exports (EC, 2015).

As a member of the Open Working Group on SDGs, Denmark is well placed to lead on Agenda 2030 for Sustainable Development. According to an initial assessment of how developed economies measure up against the goals (Kroll, 2015), Denmark is performing well across the 17 new goals, ranking fourth out of 34 OECD countries. However, at a time of considerable movement in the global development landscape and shrinking official development assistance (ODA) budget, Denmark has not yet set out a clear vision on how to take forward Agenda 2030 at both domestic and international levels, as it has just started to develop an action plan for the 2030 Agenda. Denmark is also in the process of elaborating a new development co-operation strategy. It is therefore in a good position to anchor its development co-operation in the national whole-of-government action plan for implementing the SDGs. Key areas to consider when finalising the strategy might include how to address financing and policy challenges to provide for global public goods, how to balance development and commercial objectives when mobilising additional development finance and the role of development co-operation within this.

# Policy coherence for development

Indicator: Domestic policies support or do not harm developing countries

**Denmark has a robust system for policy coherence for development, with strengthened co-ordination mechanisms, focused on those European Union policies likely to have the greatest impact on developing countries. In light of Agenda 2030 and the changing development landscape, Denmark is now considering whether its current priorities are fit for the future. This is proving difficult in the absence of a new sustainable development framework articulating the role Danish development policy should play with regard to other policy areas.**

### Denmark supports policy coherence for development at the highest level

Denmark has a robust system for achieving policy coherence for development, backed up by strong legislation, well-functioning political processes and clear policy commitments. Like all European Union (EU) countries, Denmark's overarching obligations towards policy coherence for development are inscribed in the Lisbon Treaty's Article 208 (EU, 2007). However, in 2011, the Danish Parliament went a step further, anchoring policy coherence in the International Development Cooperation Act, and explicitly recognising that developing countries are not only affected by development policies but also by other policy areas (Danish Government, 2012a).

Furthermore, in 2014, the Government of Denmark released its first policy coherence plan, A Shared Agenda: Denmark's Action Plan for Policy Coherence for Development (MFA, 2014a). The plan focuses Danish objectives on the EU framework on policy coherence, with the rationale that EU policies, rather than national policies, will have the greatest impact on developing countries. The action plan encompasses all EU policy areas – trade and finance, food security, climate change, and peace and security – apart from migration (van Seters et al, 2015). However, in view of the ongoing global migration crisis, Denmark is currently considering whether it might also include migration as an additional priority.

In its action plan, Denmark has identified a range of Danish political objectives for improving EU policy coherence: 1) the EU's free trade agreements should lead to greater economic inclusion of least developed countries; 2) the EU should be at the forefront of fighting tax fraud and tax evasion; 3) EU policies should contribute to global food security; 4) the EU should take a leading role in promoting green transition and curbing climate change; and 5) the EU should apply coherent approaches to conflict and stabilisation. Implementation of the plan, the first of its kind in Europe, is being monitored by the OECD, think tanks and civil society organisations as a potential example of good practice on how to make policies more coherent and supportive of development objectives (OECD, 2015c; Brejnholt Tranberg et al., 2014).

### A clear action plan and a stronger policy co-ordination mechanism

In response to the Development Assistance Committee's (DAC) 2011 peer review recommendations (OECD, 2011), Denmark has strengthened its national-level mechanisms for policy co-ordination. The action plan nominates the Danish Special Committee for Development Policy Issues, one of the thematic special committees in the Danish EU decision-making process, as the key mechanism for inter-ministerial co-ordination and policy arbitration on policy coherence.<sup>3</sup>

## Chapter 1: Towards a comprehensive Danish development effort

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Danish policy positions are then referred to the Danish Parliament as part of the standard procedure of informing parliament ahead of European Council meetings. The action plan is a rolling document, monitored by the Special Committee for Development Issues and up for annual review.

The action plan and strengthened co-ordination mechanism are welcomed. However Denmark will need to put more thought into how to enable all government departments to improve their proactive engagement on policy coherence, including reversing the mandate of proof,<sup>4</sup> as part of its preparations for the implementation of Agenda 2030.

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### **Strong co-ordination systems, but further capacity building and evidence of implementation needed**

As each new EU initiative is proposed, line ministries are required to screen them for development impact and advise the committee on potential consequences. However, reporting to the EU in 2015, Denmark noted that the capacity of line ministries to understand the consequences of Danish policy for developing countries remains a key challenge (EC, 2015a). To assist in this process, Denmark can engage academia or civil society organisations to provide analysis on specific issues. It is also standard procedure to invite civil society to contribute views on agenda points for European Council meetings, and a public hearing is a mandatory part of the Danish EU decision-making procedure for stakeholder consultation.

Denmark is one of a handful of OECD members to have adopted a formal monitoring framework and indicators to help drive cross-government co-ordination and define strategic priorities for policy coherence. A key strength of Denmark's action plan is its pragmatic approach, based on clear objectives and targets, with recognition that trade-offs are political choices where development will not always win – for example, on EU agricultural subsidies or heavily subsidised fuel costs for high-seas fishing fleets (OECD, 2015a; van Seters, 2015). Denmark also supports a coherent approach to trade and development within the EU and internationally (Box 1.1). Denmark reports to the EU on a biennial basis on progress and institutional handling of policy coherence. Its action plan also states that it will report through Danida's Annual Report, but at the time of writing, no such report had been published since the action plan was announced in 2014.

In practice, Denmark's policies are generally coherent with development objectives. This is reflected in Denmark's first place ranking in the 2015 Commitment to Development Index.<sup>5</sup> Agenda 2030 gives Denmark an opportunity to push the policy coherence agenda further, both nationally and internationally. However, it remains unclear which department and/or minister is responsible for integrating the current approach into a new sustainable development framework and how development will be positioned within this.

## Chapter 1: Towards a comprehensive Danish development effort

### Box 1.1 Danish achievements on trade and financing for development

Denmark's coherent approach to trade and development has been recognised in international ranking exercises on policy coherence and sustainable development (CGD, 2016; Kroll, 2015). Trade heads up Denmark's list of priorities in its policy coherence action plan, and political action goes beyond advocating for more development-friendly trade agreements in EU working groups. For example, Denmark offers pragmatic support for least developed countries (LDCs) in World Trade Organization negotiations, providing a Danish ambassador to act as LDC facilitator. In 2015, Denmark also commissioned analysis to support LDCs in the ongoing negotiations for the Environmental Goods Agreement and co-signed a letter to the European Commission about the need to show flexibility towards LDCs in the negotiation of environmental protection agreements. Within the EU, Denmark has supported improved regulation on responsible mineral supply chains, and stronger protections for workers and child labour rights in developing countries. Denmark is also working to promote tax and development, both nationally and internationally, including through a decision to terminate exemptions on value-added tax for goods and services processed in host countries for development activities, sending a strong signal on the importance of strengthening domestic resource mobilisation. However, further progress is required in areas such as the proactive investigation of foreign bribery, public company ownership and related instruments.

Sources: EC (2015b), *Policy Coherence for Development: 2015 EU Report*, [http://ec.europa.eu/europeaid/sites/devco/files/policy-coherence-for-development-2015-eu-report\\_en.pdf](http://ec.europa.eu/europeaid/sites/devco/files/policy-coherence-for-development-2015-eu-report_en.pdf); OECD (2015d), "Denmark: Follow-up to the phase 3 report and recommendations", [www.oecd.org/daf/anti-bribery/Denmark-Phase-3-Written-Follow-Up-Report-EN.pdf](http://www.oecd.org/daf/anti-bribery/Denmark-Phase-3-Written-Follow-Up-Report-EN.pdf).

## Financing for development

Indicator: The member engages in development finance in addition to ODA

**Denmark is increasingly looking to use ODA to leverage private investments. This effort will require increasing attention to managing development and commercial objectives to ensure Denmark's development co-operation is in line with its poverty focus. It will also require further work on evaluating the extent to which these investments catalyse other development flows and on measuring their development impact, both in terms of additionality and sustainability.**

**Denmark is increasingly using ODA to catalyse other development flows, but further work is required to measure the long-term development benefits of this financing**

At USD 2.6 billion in 2015, ODA remains Denmark's largest resource flow to developing countries but Denmark is increasingly promoting the role of ODA as a catalyst for other flows in line with its development co-operation strategy, *The Right to a Better Life* (Danish Government, 2012b), and in support of the Addis Ababa Action Agenda on Financing for Development.

This trend is reflected in higher allocations of ODA to sectors with the potential to mobilise domestic resources. In 2014, Denmark committed an estimated USD 63 million of its ODA to tax-related activities in partner countries, an increase of more than 300% on the previous year. At the same time, Denmark continued to support developing countries' trade performance and integration into the world economy, committing USD 444.5 million to trade-related activities in 2014 (23% of its sector-allocable ODA), representing a 4.4% increase in real terms from 2013.

## Chapter 1: Towards a comprehensive Danish development effort

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In addition, Denmark is among the top donors for mobilising private finance through its government-owned development finance institution, the Investment Fund for Developing Countries (IFU). The fund holds a dual mandates. It aims at enhancing Danish trade and investment while contributing to economic and social development in the host countries through advisory services and commercial investments. The IFU does not provide aid or business grants but, in addition to managing its own investment portfolio, manages blended finance funds. The IFU estimates its total investments generated to date at DKK 169 billion, of which the IFU has directly contributed around DKK 18 billion. Results include creating an estimated 400 000 jobs in host countries, with gross returns on investment averaging 9.4%.

According to the 2015 Development Assistance Committee Survey of Private Finance Mobilisation by Official Finance Interventions (Benn, 2016), Denmark was the sixth largest provider after the United States, the United Kingdom, France, Sweden and the Netherlands, mobilising USD 255 million from the private sector through shares in collective investment vehicles and guarantees between 2012 and 2014, of which 64% targeted climate-related projects. Denmark is aiming to forge new synergies between commercial, trade and development objectives, both in Copenhagen and at country level (Annex C). The joint IFU-Ministry of Foreign Affairs Development Committee is a key mechanism for co-ordination with business and institutional investors and meets regularly to discuss these synergies.

Denmark examines the catalytic and development impacts of its private sector co-operation on a case-by-case basis. As observed in Ghana, the results of Denmark's private sector engagement and development work have been mixed (Annex C). An evaluation of one of Denmark's most significant instruments for catalysing private finance, the Danida Business-to Business Programme (MFA, 2014c), found that while some businesses had benefitted from the programme, evidence of broader development benefits was poor. The programme has since been suspended. Meanwhile, a number of other recent evaluations and reviews of other private sector programmes have confirmed some degree of catalytic impact<sup>6</sup>, although challenges still remain in ensuring development objectives are protected when dealing with commercial interests, and how best to ensure sustainable and pro-poor development impact.

Denmark is making efforts to better define results and measure development benefits in these areas, but could benefit from a greater focus on the development objectives and value-add of the private sector in meeting a specific development challenge. For example, the IFU has a long experience in making ex-ante assessments of financial additionality, but has less experience in undertaking ex-post evaluations of measuring developmental impact. It has recently engaged a consultant to work this issue. While the IFU notes that aggregate level returns for its investments in Ghana from inception in 1989 to end-2015 (including loans, equity and guarantees) are positive, there is no public information available on returns at country level in Ghana. However, the IFU reports that total investments in Ghana over this period of approximately USD 48 million (DKK 268 million) have mobilised USD 89 million (DKK 500 million) in financing from other sources, typically private investment, while also directly creating more than 2300 jobs. As the use of blended finance instruments increases – and the lines between public and private financing sources fade – it will also be important improve the transparency of returns on investments to the taxpayers who finance them and the countries that benefit from them.

## Chapter 1: Towards a comprehensive Danish development effort

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The new Danish development co-operation strategy, due in 2016, is expected to increase the focus on supporting private sector development. It will therefore need to be much more specific than the current strategy on the rationale for choosing private sector instruments, and how these allocations are in line with the main objectives of ODA – the promotion of economic development and the welfare of developing countries.

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### Declining finance for climate change mitigation and adaptation

On the special case of financing for climate change mitigation and adaptation projects and programmes in developing countries, Denmark ceased reporting its contribution in this area as additional to ODA in 2011. Denmark has since pledged USD 72 million (DKK 400 million) to the Green Climate Fund (Box 1.2), but will halve funding for natural resources, energy and climate change activities in 2016 due to budget cuts (Chapter 3). In 2016, subject to parliamentary approval, Denmark will also commit USD 22.1 million (DKK 156 million) to the Least Developed Countries Fund.<sup>7</sup>

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### Better linking private sector investments to country programme objectives could strengthen Denmark's development contributions

Denmark has pioneered a range of official financing instruments to leverage private sector investments for developing countries, including mixed-credit schemes, challenge funds and other business instruments,<sup>8</sup> with varying degrees of success (Annex C). For example, in 2014, the Ministry of Foreign Affairs carried out an evaluation of the Danida Business to Business Partnership Facility. The evaluation found that while the programme facilitated knowledge transfer and the majority of projects achieved satisfactory outcomes, there was little evidence of additionality or improvements to the business-enabling environment, job creation or broader growth impacts. The evaluation also questioned the instrument's compatibility with EU state aid rules. Against this background, it was decided in November 2014 to put the Danida Business Partnerships facility on hold.

Denmark is currently focusing its efforts on new blended finance instruments involving the transfer of Danish technology to developing countries and emerging markets through the Danish Climate Investment Fund (Box 1.2) and the recently-launched Danish Agribusiness Fund.<sup>9</sup> In addition, it is considering establishing other guarantee and loan schemes to support the preparation of new generation investment projects.

In an environment of budget constraints, Denmark should guard against the proliferation of small supply-driven facilities that risk fragmenting the pro-poor focus of its development co-operation. In addition, linking private sector investments to country programme objectives could strengthen Denmark's development contributions in partner countries.

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### Denmark is tracking and reporting non-ODA flows, but the share of ODA in blended finance instruments is not always clear

Denmark tracks the whole of its resource flows for development, including investments and commercial loans. Non-ODA flows, such as investments and commercial loans to developing countries, are reported through Denmark's development finance institution, the IFU. This approach has enhanced Denmark's engagement in development finance beyond ODA, particularly as it transitions from aid to trade-based relationships with a number of partner countries (Annex C).

However, while 100% of Denmark's ODA was reported as grants or grant-equivalent in 2014, these data may change if Denmark's equity investments through Danida business instruments start to return profits and change their reporting status in the future. In the meantime, it remains difficult to identify exactly how much ODA is being used to mobilise other resources for sustainable development, particularly in relation to blended finance instruments such as IFU-managed funds.



### Box 1.2 The Danish Climate Investment Fund

At the United Nations climate conference in Copenhagen in December 2009 (COP 15), developed countries were urged to mobilise capital for climate investments in developing countries, with the aim of mobilising USD 100 billion annually from 2020 in partnership with the private sector. The Danish Climate Investment Fund was established in 2012 to promote climate investments in developing countries and emerging markets, combining commercial and environmental objectives with the goal of reducing global warming and promoting the transfer of Danish climate technology. The fund is managed by Denmark's state-owned development finance institution, the IFU, and brings together a number of Danish Pension and Capital Funds (PensionDanmark, PKA, Pædagogernes Pensionskasse and Dansk Vækstkapital).

Of the total commitment of DKK 1.3 billion, ODA makes up DKK 275 million, the IFU contributes DKK 250 million and private funds DKK 775 million. To date, the Danish Climate Investment Fund has approved six investments in developing and emerging economies, including a wind farm in Kenya with Vestas and solar energy installations in the Maldives with Nordic Power Partners, as well as other projects in China and Brazil. While the climate fund is able to operate in all developing countries on the OECD/DAC list, ODA financing must be directed to developing countries with a per capita annual income of 80% of the World Bank's definition of lower middle income countries. It is envisaged that any return on ODA will be reinvested in other developing countries where projects target reductions in the emission of greenhouse gases.

The IFU estimates that for every DKK 100 that the fund invests, total investments will be just over DKK 600, with total investments expected to be in the range of DKK 8-9 billion. The fund will run for four years, after which investment projects will be divested and the investors will receive the expected return during a period of six years. The fund expects an annual return of 12%.

Sources: IFU (2016c), "The Danish Climate Investment Fund", <http://www.ifu.dk/en/services/the-danish-climate-investment-fund>, accessed 17 March 2016; IFU (2016b), *IFU's Best Practice on Business Plans: A Handbook for Our Partners*, <http://viewer.zmags.com/publication/9022bdee#/9022bdee/1>; IFU (8 January 2016b), "New Danish agribusiness fund to invest billions in developing countries", [www.ifu.dk/en/service/news-and-publications/news/new-danish-agribusiness-fund-to-invest-billions-in-developing-countries](http://www.ifu.dk/en/service/news-and-publications/news/new-danish-agribusiness-fund-to-invest-billions-in-developing-countries); MFA (2013), "Danish Climate Investment Fund", External Grant Committee Meeting 8 May 2013.

### Notes

1. In 2011, Denmark and other international development partners joined forces with the group of fragile countries to establish the International Dialogue on the New Deal for peacebuilding and state building.
2. The goals promote: (1) legitimate and inclusive politics, (2) security, (3) justice, (4) better economic foundations and (5) higher revenues and improved services.
3. The committee is made up of officials from the Ministry of Foreign Affairs (chair); Ministry of Finance; Ministry of Business and Growth; Ministry of Taxation; Ministry of Food, Agriculture and Fisheries; Ministry of Climate, Energy and Building; Ministry of Environment; and Ministry of Justice. Additional formal cross-government co-ordination mechanisms include the Whole-of-Government Stabilisation Committee, comprising deputy permanent secretaries from the Ministry of Foreign Affairs, Ministry of Defence, Prime Minister's Office and Ministry of Justice.
4. For examples of the use of reverse burden of proof, see recommendations for Denmark (ECDPM, 2013).
5. Each year, the Commitment to Development Index ranks “wealthy governments on how well they are living up to their potential to help poor countries.” The index scores seven policy areas that affect the well-being of others around the world: aid, trade, finance, migration, environment, security and technology. See: [www.cgdev.org/publication/ft/commitment-development-index-2015](http://www.cgdev.org/publication/ft/commitment-development-index-2015).
6. Danish ODA has been found to have had catalytic effects within the following areas: 1) financial service systems for agribusiness and SME development; 2) business advocacy and 3) mobilisation of private finance for impact investment (e.g. through the Climate Investment Fund and the Agribusiness Fund) and 4) Corporate Social Responsibility programmes (e.g. for agribusiness and textiles industries). Danida's evaluations are available at [http://um.dk/en/danida-en/results/eval/eval\\_reports/evaluations/](http://um.dk/en/danida-en/results/eval/eval_reports/evaluations/).
7. The Least Developed Countries Fund addresses the urgent adaptation needs of least developed countries and supports adaptation planning processes to reduce their medium- and long-term vulnerability to the impact of climate change.
8. Key Danida business instruments include: Danida Business Delegations, Danida Business Explorer, Danida Business Finance, IFU funds and the IFU Small and Medium Enterprises Facility.
9. On 1 January 2016, the Danish Government and the IFU, in collaboration with Danish pension funds, launched the Danish Agribusiness Fund, with DKK 88 million in ODA, DKK 212 million in IFU financing and DKK 200 million from institutional investors. The fund works with Danish companies to invest capital in projects in Asia, Africa, Latin America and parts of Europe.

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# Chapter 2: Denmark's vision and policies for development co-operation

## Policies, strategies and commitments

Indicator: A clear policy vision and solid strategies guide the programme

Denmark's development co-operation strategy, *The Right to a Better Life*, is a widely owned strategy setting out the overall purpose and priorities of Denmark's development co-operation. However, its broad definition has meant many sub-strategies and extensive management guidelines were needed to facilitate implementation. As Denmark drafts a new strategy for development co-operation, more operationally oriented language would help it position the strategy within the Sustainable Development Goals, prioritise, limit the number of the sub-strategies and select the right instruments to achieve its development objectives.

### The International Development Cooperation Act and The Right to a Better Life set out strategic orientations for development co-operation

The International Development Cooperation Act, approved by parliament in 2012, sets out the purpose of Danish development co-operation. The overarching objectives are twofold: 1) fighting poverty and promoting human rights, democracy, sustainable development, peace and stability, while 2) promoting Denmark's interest in a more peaceful, stable and equal world. With this second objective, the act explicitly positions development co-operation as a core element of Danish foreign policy (Danish Government, 2012a).

Following the adoption of the act, the parliament unanimously endorsed a new strategy, *The Right to a Better Life*, further specifying the objectives of Danish development co-operation. It identifies four priorities to be pursued through flexible partnerships: 1) human rights and democracy; 2) green growth; 3) social progress; and 4) stability and protection. In addition to shifting from a needs-based to a rights-based approach,<sup>1</sup> this strategy clarifies the role of official development assistance (ODA) in tackling global challenges (Danish Government, 2012b).

The consultative process for designing the strategy – with public hearings and consultations with parliament, embassies and civil society organisations (CSOs) – has facilitated wide public ownership. In addition, extensive efforts to inform and train staff, including in embassies, on the new priorities and the strategy's human rights-based approach has ensured wide ownership within the administration.

However, the broad definition of objectives within *The Right to a Better Life* has required numerous sub-strategies and extensive management guidelines to facilitate implementation. A self-explanatory strategy that reflects the Sustainable Development Goals (SDGs) and the Addis Ababa Action Agenda on financing for development, while playing to the strengths of Denmark's development co-operation, could help set priorities. Clear and operational objectives could also help Denmark streamline its processes and select the right instruments to implement this new strategy, as developed further in this chapter.

### Approach to allocating bilateral and multilateral aid

Indicator: The rationale for allocating aid and other resources is clear and evidence-based

**The Right to a Better Life drives the concentration of Denmark's development co-operation on fewer sectors and offers a rationale for deciding on funding arrangements and implementing partners, including multilateral partners. However, it does not provide guidance on geographical focus. In addition, trends in funding modalities for multilateral partners are not consistent with Denmark's multilateral policy, which could affect Denmark's ability to reach the objectives set out in this policy.**

**Denmark's development co-operation strategy guides the selection of sectors and instruments, not its geographical focus**

The Right to a Better Life and country programme guidelines guide the selection of sectors as well as the choice of funding and implementing instruments for bilateral ODA. According to the revised guidelines (MFA, 2015c), country programmes can support a maximum of three thematic engagements and 25 partners.<sup>2</sup>

In addition, The Right to a Better Life provides a rationale for the choice of implementing instruments by advocating the use of instruments aligned to country systems. The guidelines for country programmes provide further guidance on the range of possible modalities, giving preference to budget support, basket funding or core funding. When development co-operation is not provided directly to the partner government, the strategy supports implementation through rights holders and therefore promotes partnerships with civil society organisations (CSOs) and the private sector. In that case, partners are selected based on their mandate, legitimacy and capacity to achieve the shared objectives.

However, The Right to a Better Life provides little guidance on geographical focus. Activities undertaken to address global challenges, such as security, climate and environmental assistance, or democratic change and economic reform, are not limited by geographical criteria and can be undertaken in all countries on the OECD's list of countries eligible for ODA. The same broad geographical coverage applies to the financing instruments to leverage private sector funding. The identification of priority countries remains a political decision outlined yearly in the Government's Priorities for Danish Development Cooperation and is not addressed in the overall strategy. Since the 2011 Peer Review (OECD, 2011), Denmark has reduced the number of priority countries and territories from 26 in 2011 to 21 in 2015. A further reduction from 21 to 14, announced in the 2015 Government Priorities document (Danish Government, 2015), is leading to a focus on Africa and least developed countries (LDCs).<sup>3</sup> According to the 2015 Government's Priorities, Denmark selected the priority partners based on an assessment of the prevalence of poverty, relevance of the partnerships and opportunities for Denmark to make a difference. It also took into consideration fragility and migration. However, the government did not state what the criteria were for removing countries from the priority list and it is not clear how it gathered evidence to inform the removal of the seven countries concerned.

Although Denmark could communicate its exit criteria more clearly once it has taken the decision, transparent and long-term planning helps it to exit in a responsible manner. As recommended in the 2011 Peer Review (OECD, 2011), Denmark is applying lessons from its earlier phasing-out experiences to withdraw strategically and sustainably from former priority countries. As evidenced in Ghana (Annex C), this approach supports the selection

## Chapter 2: Denmark's vision and policies for development co-operation

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of relevant sectors for the transition period, provides predictability to partners and helps identify future funding gaps. In addition, former priority countries may still receive Danish support through global and multilateral programmes once Denmark has exited from development co-operation and, if relevant, the partnership may evolve into a commercial relationship. When deciding to phase out of a development co-operation relationship and move into a commercial relationship, Denmark will need to ensure that its private sector instruments remain demand-driven, support sustainable development and are flexible enough to adapt to evolving contexts (Chapter 1).

**Denmark engages strategically with multilateral partners but the way it funds them could be more consistent with its policy**

The Right to a Better Life has two main objectives supporting Denmark's active engagement with multilateral organisations: 1) strengthening the multilateral system's ability to deliver results and address complex global challenges, and 2) promoting specific Danish policy priorities. The 2013 Danish multilateral development co-operation analysis, which further clarifies Denmark's multilateral policy, also underscores the importance of achieving synergies with – and complementarities between – Denmark's multilateral and bilateral efforts (MFA, 2013d and Figure 2.1).

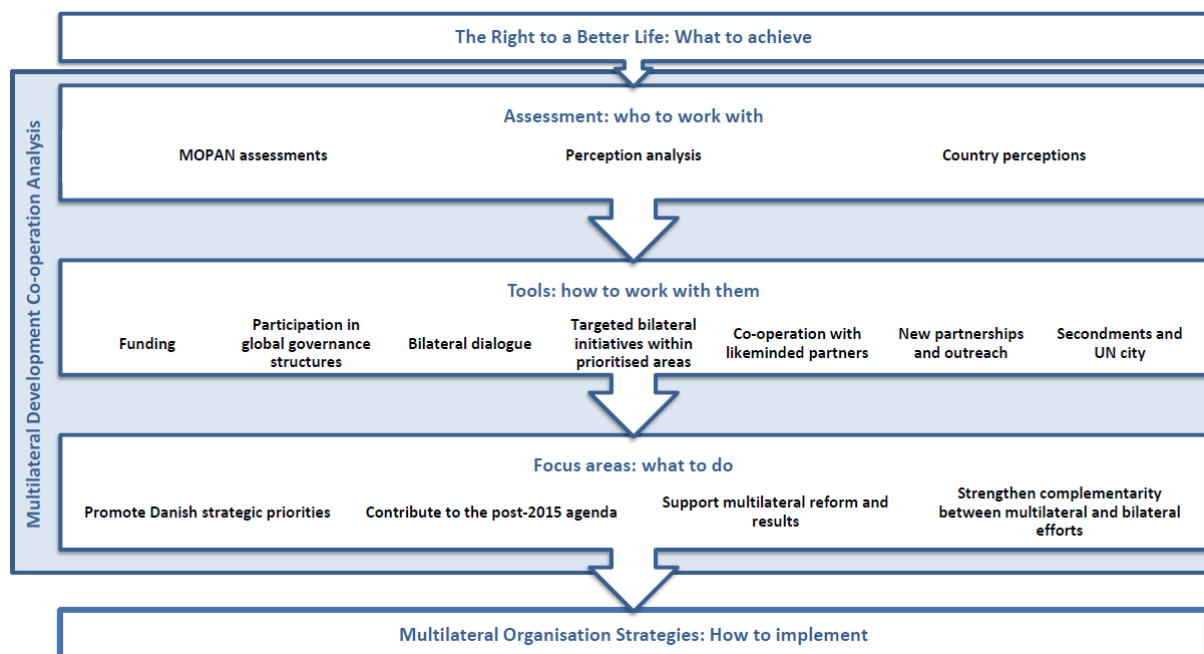
In line with this policy, Denmark takes a strategic approach to selecting its multilateral partners based on relevance and performance assessments. In 2013, Denmark conducted a cross-cutting assessment of its multilateral engagement, examining relevance to the focus on poverty, human rights-based approaches and priorities outlined in The Right to a Better Life. The assessment also took into account<sup>4</sup> performance assessments conducted by the Multilateral Organisation Performance Assessment Network (MOPAN) and field offices' perceptions of how the organisations worked. Denmark then systematically incorporated the findings and recommendations of the assessment into the organisational strategies for individual multilateral organisations during the agreement renewal processes. However, even though the analysis informed the choice of multilateral partners to receive increased core-funding, it did not lead to a reduction in the total number of multilateral partners (Chapter 3). As Denmark has decided to reduce further the number of its multilateral partners (Danish Government, 2015), findings from the 2013 assessment, adjusted to the new priorities to be defined in the next development co-operation strategy, could inform the selection process.

Denmark also engages with multilateral partners in a strategic manner to achieve its objectives. To support a well-functioning multilateral system and advance its strategic priorities, Denmark is active on boards and annual consultations as well as bilateral and multilateral performance reviews. It also engages in regular bilateral dialogue at the political level, organises strategic staff secondments to key partner organisations and has supported the establishment of the UN City<sup>5</sup> in Copenhagen. To achieve synergies and complementarities with its bilateral programme – at both operational and policy levels – Denmark engages in co-ordination forums at the field level and funds multilateral partners engaged in sectors<sup>6</sup> and countries where Danish bilateral support is limited.

However, Denmark's funding modalities are not always consistent with its multilateral strategy. The multilateral analysis (MFA, 2013d) recommended providing mainly core funding to support organisations' ability to fulfil their mandate, but Denmark's core contributions are falling both in volume and share of gross ODA whereas non-core funding is increasing (Chapter 3). The next development co-operation strategy should clarify a new rationale for Denmark's support to the multilateral system, where objectives and funding allocations can align.



Figure 2.1 Denmark's multilateral policy



Source: MFA (2013d), *Danish Multilateral Development Cooperation Analysis*.

## Policy focus

Indicator: Fighting poverty, especially in LDCs and fragile states, is prioritised

Denmark prioritises poverty reduction in its development co-operation programme, with a focus on fragile states and humanitarian assistance. This puts Denmark in a strong position to design a model that integrates humanitarian and development streams, in line with the new government priorities to tackle the root causes of migration. Denmark's human rights-based approach has strengthened its support for human rights, gender equality and civil society.

**Denmark's programme is focused on poverty; continued attention to inclusiveness could support efforts towards sustainable growth**

The Right to a Better Life, along with its numerous sub-strategies, provides a strong focus on poverty that has guided the programme over the last three years. This focus is partly reflected by Denmark's engagement in LDCs, with the provision of 0.26% ODA/GNI to these countries, above the 0.15-0.20% UN target.<sup>7</sup>

The new human rights-based approach anchors this poverty focus in programming by providing guidance on how to better take into account the voices of the poorest and marginalised to assess and address the root causes of poverty. Human rights assessments, conducted at the programme design stage, are a key instrument Denmark uses to put poverty at the centre of programming.

Denmark's poverty focus, however, does not imply that development co-operation only takes place in LDCs, or that the activities are focused exclusively on the poorest. In fact,



## Chapter 2: Denmark's vision and policies for development co-operation

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The Right to a Better Life balances the more traditional poverty focus of ODA with its role in addressing global challenges, stabilising fragile states and catalysing growth and employment. If Denmark is to pay further attention to private sector-led growth and Danish private sector engagement (Danish Government, 2015), the private sector programme would also benefit from continued consideration of the human rights-based principles of non-discrimination and inclusion (MFA, 2013b). Assessments of this nature should help Denmark support better and more inclusive private sector development as an engine of development and maintain the strong poverty focus of its development programme.

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### Development and humanitarian assistance are integrated into country programming in a coherent way

Integrating humanitarian and development programming is an increasingly important feature of Denmark's strategy in fragile or conflict situations. In addition to specific policy work on building coherence between these two programmes (MFA, 2015b), humanitarian and development staff share a common terminology which strengthens ownership and understanding of the search for coherence. Denmark also uses its quality funding and strategic dialogue at the multilateral level to influence donors and partners to engage in more flexible approaches when designing development and humanitarian support.

However, Denmark is aware of the difficulties raised by combining several funding instruments in one country when these instruments are managed by different entities under different programming cycles, as evidenced during the first years of implementation of the Danish Peace and Stability Fund.<sup>8</sup> For instance, the focus of the fund on Afghanistan-Pakistan stabilisation is not consistent with the objective of phasing out development co-operation in Pakistan. Findings and recommendations from the evaluation of the fund (MFA, 2014b) should help Denmark overcome these challenges and improve coherence between the fund's operations, country programme priorities and humanitarian assistance.

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### Fragile states are at the core of Denmark's policy orientation

Denmark has a specific policy for engaging in fragile states (MFA, 2010a) that reflects its commitment to the aid effectiveness principles. In addition, Denmark's new overall development co-operation policy orientations focus on combating the root causes of migration (MFA, 2015d). As a consequence, fragility and conflict are increasingly the factors determining with which countries Denmark will engage. For instance, once the number of priority countries and territories is reduced to 14, 10 priority partners will be fragile states.<sup>9</sup> In addition, the scope of the Danish Peace and Stability Fund, initially limited to Afghanistan, Pakistan and the Horn of Africa, has been extended to embrace the Sahel region, Syria, South Sudan and Libya in 2012 and 2013.

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### Human rights, gender, the environment and support to civil society are core values

Even though they are not labelled as cross-cutting issues within The Right to a Better Life, human rights, gender equality and the environment are well integrated into Denmark's development co-operation. They are core values and pillars of the Right to a Better Life and are addressed by dedicated sub-strategies and guidelines.<sup>10</sup> Development programmes are screened at the formulation stage for their potential impacts on advancing these issues. They are addressed through policy dialogue as well as targeted and mainstreamed activities. Budget allocations and performance are also monitored. The use of screening notes<sup>11</sup> has also been instrumental in supporting discussion on these three topics during appraisal.

## Chapter 2: Denmark's vision and policies for development co-operation

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The environment has increasingly gained importance in Denmark's development co-operation portfolio. By merging the environment and climate with growth and employment under the Green Growth pillar, The Right to a Better Life strengthens the links between inclusiveness, sustainability and poverty eradication. A Greener World for

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All (MFA, 2013a) together with the Strategic Framework for Growth and Employment (MFA, 2011) clarify Denmark's policies on the matter. The Green Growth guidance note (MFA, 2014a) also provides directions for step-by-step implementation throughout the programme cycle. Denmark also pursues opportunities to assist partner countries in mainstreaming environmental concerns. For example, Denmark's partnership with Kenya intends to mainstream environment into Kenya's country integrated development plan and improve the use of climate change data in economic planning and risk mitigation. Continued attention to integrating environment and climate change as cross-cutting issues could help Denmark maintain a sustainable approach in its new focus on trade and investment.

The human rights-based approach has intensified Denmark's focus on gender equality, and particularly on sexual and reproductive health and rights, at both policy and programme level. It has contributed to Denmark's focus on the rights of lesbian, gay, bisexual and transgender people and ongoing support for the Women, Peace and Security agenda. The 2014 Strategic Framework for Gender Equality, Rights and Diversity (MFA, 2014e), together with a dedicated screening note, have strengthened the inclusion of gender equality in programming.<sup>12</sup> The commitment to women's rights is also backed up by gender focal points in embassies that facilitate knowledge sharing and gender mainstreaming. However, despite healthy allocations noted by the Development Assistance Committee (DAC) markers (Chapter 3), there is only one gender expert in Copenhagen and limited exchanges between focal points. The decrease in specialised and experienced staff might affect Denmark's ability to remain an engaged partner for gender equality rather than a funding partner (MFA, 2014c).

Along with a human rights-based approach, the role of civil society has also become a cross-cutting issue. Notably, this approach strengthens the role of CSOs as right holders by enabling them to claim their basic and fundamental rights, thereby enhancing their opportunities to contribute to development. This approach to civil society is in the spirit of Agenda 2030 and helps to promote inclusivity, integration and universality.

### Notes

1. Denmark's human rights-based approach is informed by the 2013 UN Common understanding on "The human rights-based approach to Development Cooperation" and lessons from experiences of development partners. It is based on four principles: non-discrimination, participation and inclusion, transparency and accountability. It implies that: 1) the goal of development programmes consists of both the realisation of human rights and reduction of poverty, 2) programmes and processes should be guided by human rights principles and norms, 3) the focus of programming should be right holders and duty bearers, and their capacities to claim and fulfil their obligations towards human rights (MFA, 2013b).
2. Any general budget support is in addition to the three thematic programmes.
3. The future 14 priority countries and territories will be Afghanistan, Bangladesh, Burkina Faso, Ethiopia, Ghana, Kenya, Mali, Myanmar, Niger, West Bank and Gaza Strip, Somalia, South Sudan, the United Republic of Tanzania and Uganda. Ten are in Africa, eleven are LDCs.
4. The analysis looked at the field perception of the relevance and performance of multilateral organisations.
5. The UN city brings together the ten UN agencies based in Copenhagen under one roof. The objective of the project is to provide economies of scale, facilitate co-operation on substance, increase co-ordinated work within human resources, common procurement, joint tender committees, shared support staff, joint information programmes, and to merge parallel functions of the same nature.
6. In particular, Denmark funds multilateral organisations engaged in social sectors. Education, for example, is only funded through the Global Partnership for Education, not through bilateral programmes.
7. Commitment made within the Istanbul Programme of Action for the LDCs 2011-20.
8. The Peace and Stabilisation Fund was created in 2010 to support multilateral and bilateral initiatives in conflict prevention and stabilisation in fragile states.
9. The ten Denmark priority countries and territories that are fragile states are Kenya, South Sudan, Somalia, Ethiopia, Uganda, Mali, Niger, Afghanistan, West Bank and Gaza Strip, and Bangladesh.
10. For instance, the Strategic Framework for Gender Equality, Rights and Diversity in Danish Development Cooperation, the Strategic Framework for Natural Resources, Energy and Climate Change or the guidance on Human Rights Based Approach.
11. Screening notes have been designed for human rights and gender and for climate change and green growth.
12. According to the new strategic framework for Gender Equality, Rights and Diversity in Danish Development Cooperation (MFA, 2014f), gender analysis should be one of the 13 analytical areas informing country policy papers. The other 12 analytical areas must also address any relevant aspects of gender equality. Based on this analysis, country programmes should identify how gender equality can be addressed most effectively. They should apply a mix of mainstreaming, targeted measures and policy dialogue on gender equality with national governments.

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# Chapter 3: Allocating Denmark's official development assistance

## Overall ODA volume

Indicator: The member makes every effort to meet ODA domestic and international targets

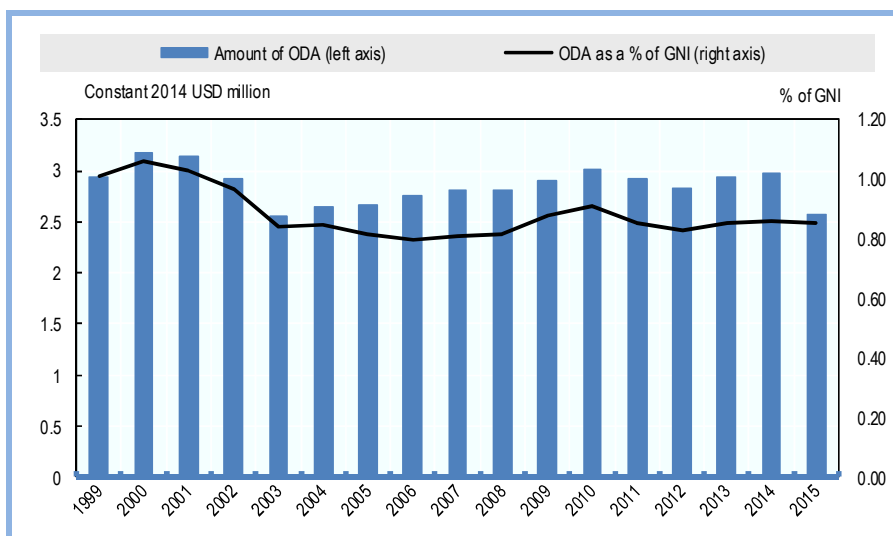
Over the past five years, and indeed since the 1970's, Denmark has exceeded its international commitment of providing 0.7% of its gross national income (GNI) as official development assistance (ODA). However, the decision to cut the overall ODA budget, followed by the rising and unpredictable costs of helping refugees within Denmark, has halved funding available for spending overseas on bilateral and multilateral programmes. These shifts in ODA volume and composition will likely affect Denmark's reputation as a generous and predictable donor.

**Denmark is meeting its target for ODA as a share of gross national income, but the volume of its ODA declining**

Denmark has exceeded the United Nations (UN) target of providing 0.7% of its gross national income (GNI) in official development assistance (ODA) since 1978, reflecting its long-standing commitment to poverty reduction and development through economic highs and lows. This commitment is not formalised in legislation, but Denmark's development assistance strategy, *The Right to a Better Life* (Danish Government, 2012a), highlights its ambition not only to meet the target, but go well beyond it. Denmark's ODA/GNI ratio averaged 1% during the 1990s, while more recent policy statements have underscored its aim of providing ODA of at least 0.8% of GNI (Figure 3.1). In 2015, provisional figures show that Danish ODA stood at USD 2.6 billion, equivalent to 0.85% ODA/GNI, making Denmark the thirteenth largest donor by volume.

This picture is now changing. The government which took office in June 2015 recommitted Denmark to the UN 0.7% ODA/GNI target at both the financing for development conference in Addis Ababa in July 2015 and at the UN Sustainable Development Summit in September of the same year. In doing so, the government announced a readjustment of the volume of Danish ODA down to 0.7% in line with its pre-election promise and policy position (Danish Government, 2015), irrespective of signs of recovery in the Danish economy following the global financial crisis. Budget commitments for 2015 and 2016 stood at 0.73% and 0.71% respectively. While Denmark's ODA is scheduled to decline to 0.7%, the adjustment in disbursements will occur at a slower pace as Denmark continues to honour its previous commitments.

**Figure 3.1 Past trends in ODA volume and as a share of GNI, 1999-2015, Denmark**



Note: ODA figures for 1999-2015 are expressed in net disbursements (constant 2014 USD million).

Sources: OECD (2016), *Development Co-operation Report 2016: The Sustainable Development Goals as Business Opportunities*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/dcr-2016-en>.

### The composition of Denmark's ODA is changing markedly

There have also been marked shifts in the composition of Danish ODA based on current budget commitments. In-donor spending on refugees in Denmark is expected to triple in 2016, to reach 30% of Denmark's gross ODA. This means that funding available for country programmable aid and multilateral allocations is significantly reduced (Table 3.1).

The increased spending on refugees within Denmark's borders is inconsistent with Denmark's core objectives of reducing poverty and supporting human rights through its co-operation with developing countries. At a time when many other donors are seeking new approaches managing refugee costs, Denmark's ODA budget is bearing the brunt of the crisis.

Further, the cuts have been made in advance of a new strategy or policy framework and in-donor refugee costs are highly unpredictable, which presents significant challenges for the reallocation of funding and policy coherence. As observed in Ghana, this is also beginning to jeopardise Denmark's reputation for predictability and the coherence of its overall programme (Chapter 5 and Annex C).



## Chapter 3: Allocating Denmark's official development assistance

**Table 3.1 Impacts of budget cuts and shifts in the composition of Denmark's ODA**

Danish Government: ODA budget commitments	August 2015 allocations (million USD)	November 2016 allocations (million USD)	Change (%)
Bilateral assistance	1131	515	-54.5
Assistance through NGOs	196	135	-31.3
Natural resources, energy and Climate change	116	54	-53.8
Multilateral assistance through UN	250	168	-42.0
Development banks and EU fund	346	329	-4.8
Humanitarian relief	316	325	2.8
EU assistance	186	241	29.5
Asylum seekers in Denmark	174	790	352.7
<b>Total Danish aid</b>	<b>3007</b>	<b>2630</b>	<b>-12.5</b>

Note: Amounts in dollars are calculated based on the 2014 exchange rate.

Sources: Adapted from Timbuktu Foundation and Jesper Heldgaard (2016).

### A focus on least-developed countries in Africa and on global public goods

Denmark's 2012 strategy, *The Right to a Better Life*, does not define an explicit geographical focus for Danish development co-operation (Danish Government, 2012a). Rather, Denmark targets the majority of its bilateral ODA to least developed countries (LDCs). Its allocation of 0.26% ODA/GNI to LDCs for 2014 is above the UN target of 0.15% and higher than the Development Assistance Committee (DAC) average of 0.09%.

More than half of Denmark's bilateral ODA (53.4%) was unallocated by country in 2014. While this presents challenges for analysis of the geographical breakdown of ODA flows, it is likely that the unallocated component reflects Denmark's choice of implementing partners and focus on global public goods, with bilateral ODA increasingly delivered through multilateral partners and through regional channels, as well as its increasing use of civil society partnerships. Improving its partners' incentives and capacity to report on the geographical distribution of these allocations would help to close this information gap.

### Denmark complies with reporting requirements, but needs to improve forecasts

Denmark complies with the DAC guidelines for reporting requirements, reporting four-year indicative expenditure to the OECD forward spending survey (OECD, forthcoming b). Denmark's budgeting process supports the predictability of its ODA for its partners at two levels. First, the 2012 International Development Cooperation Act (Danish Government, 2012b) requires the Minister in charge of development co-operation to present a four-year plan to the *Folketing* (Danish Parliament) each year. The plan covers expenditure on bilateral as well as multilateral development activities for the following financial year, with estimates for subsequent years covered by the finance act. Second,

## Chapter 3: Allocating Denmark's official development assistance

Denmark includes planned aid flows in its bilateral flows to priority partner countries. This detailed attention to forward planning has traditionally been a strong point in the Danish programme and has also helped Denmark to stop working with partner countries in a responsible manner (Chapters 2, 5 and Annex C). However, commitments to multilateral allocations are subject to annual revision. As budget allocations for 2015 and 2016 are implemented, Denmark has already flagged further decreases in both core and non-core contributions to many of its key multilateral partners, with significant impacts on the predictability of funding for the organisations concerned. Given the impact of rising in-donor refugee costs on ODA predictability, Denmark needs to improve the way in which it forecasts ODA spending outside Denmark. This will help it to retain its influence on the global development landscape and Agenda 2030.

### Bilateral ODA allocations

Indicator: Aid is allocated according to the statement of intent and international commitments

**Bilateral ODA allocations are consistent with Denmark's strategic priorities and its country allocable aid is focused on the least developed countries. Sectoral allocations remained relatively stable up to 2014, with a strong focus on gender, sexual health and reproductive rights, along with a small increase for the economic and production sectors. However, Denmark's share of unallocated aid is rising.**

**Denmark's bilateral ODA is increasingly concentrated on its priority countries and territories, but a rising share is unallocated**

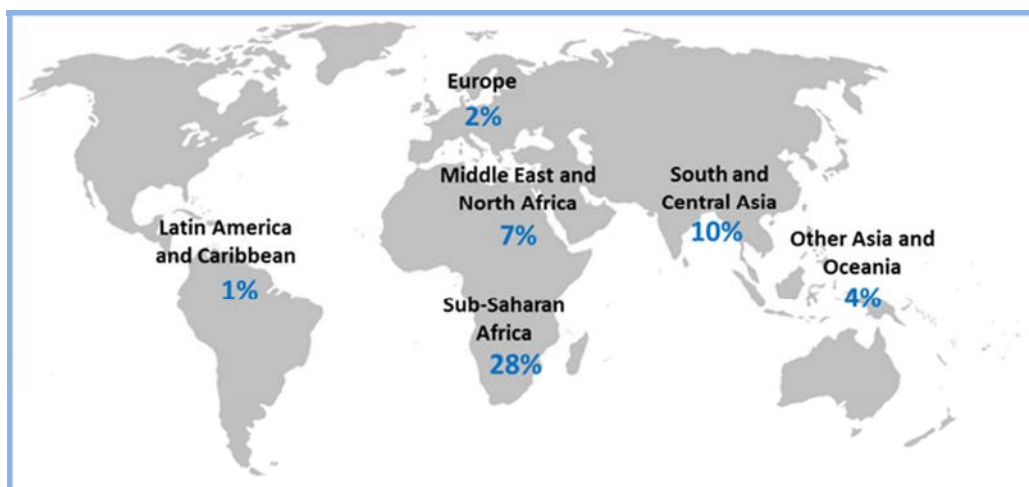
In 2014, 72% of Denmark's ODA was provided bilaterally. As Figure 3.2 shows, Denmark is increasingly focusing its bilateral allocations on the poorest countries and territories, mostly in Africa,<sup>1</sup> and on fragile states (Danish Government, 2015). For instance, support to fragile states reached USD 607.9 million in 2014 (26.7% of gross bilateral ODA). Nine of the top ten recipients of Danish aid were priority countries and territories, with the exception being the Syrian Arab Republic.

In line with the DAC's 2011 recommendations and The Right to a Better Life strategy, Denmark is also working to refocus its bilateral engagement on a smaller number of partner countries and territories where it can best add value, while managing responsible exits from others over a number of years. By 2014, Denmark had reduced its designated priority countries and territories to 21, down from 26 in 2011, with a further reduction to 14 in 2016 (Chapter 2).

Despite these efforts to reduce the number of priority countries and territories, Denmark's aid concentration is low compared to other donors. Just over a quarter (25.7%) of bilateral ODA went to Denmark's top 10 recipients in 2014, below the DAC average of 36%. This gap has widened further over the past decade, which can be explained by Denmark's growing proportion of unallocated ODA and increased use of regional and centrally managed funds (Table 3.2).

In 2014, 43.7% of Denmark's bilateral ODA was programmed at partner country level (Figure 3.3). This share was lower than the DAC country average (52.9%) and also consistent with the large proportion of unallocated aid. Forward spending plans to 2018 indicate Denmark's country programmable aid will fall further as budget cuts are implemented, although its focus on Africa will remain.

Figure 3.2 Share of Denmark's bilateral ODA by region, gross disbursements, 2013-14 average



Note: 48% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

Source: OECD (2016a), *Development Co-operation Report 2016: The Sustainable Development Goals as Business Opportunities*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/dcr-2016-en>.

Table 3.2 Share of bilateral ODA to top recipients, 2003-14 (percent)

	2003-07 average (total 102 recipients)	2008-12 average (total 109 recipients)	2013-14 average (total 81 recipients)
Top 5 recipients	26	22	16
Top 10 recipients	40	36	26
Top 15 recipients	52	44	34
Top 20 recipients	59	50	40
Total (81 recipients)	76	66	48
Unallocated	24	34	52

Note: Unallocated ODA by country includes regional activities.

Source: OECD (2016a), *Development Co-operation Report 2016: The Sustainable Development Goals as Business Opportunities*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/dcr-2016-en>.

### Increasing focus on gender and productive sectors in line with Denmark's strategy

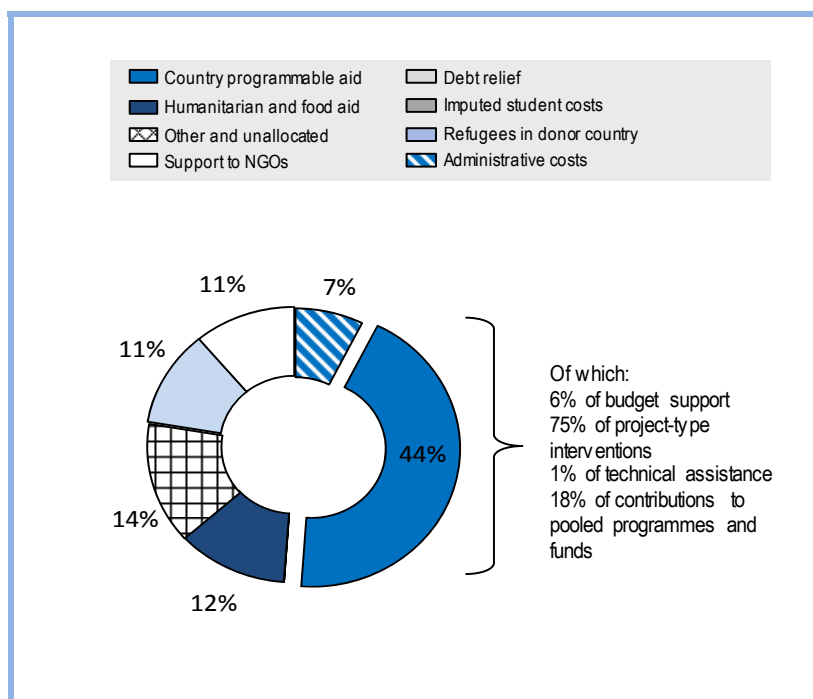
The Right to a Better Life provides broad guidance on sectoral engagement. Denmark does not set targets for sector-specific aid spending, but its allocations are in line with the strategy's four priority areas,<sup>2</sup> with the greatest shifts being towards gender, most notably in the area of population and reproductive health, and gender in the productive sectors. There was also slight movement away from social sectors and towards economic sectors – a trend which is expected to increase in line with the government's new development co-operation priorities (Danish Government, 2015).

### Chapter 3: Allocating Denmark's official development assistance

In 2014, 35.6% of bilateral ODA (USD 736.5 million) was allocated to social infrastructure and services. As well as being cross-cutting priorities, gender and the environment have continued to attract comparatively large direct allocations, demonstrating strong alignment with the strategy. Overall, almost 60% of bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, compared to the average of DAC members of 32.1% in 2014. Meanwhile 38.6% of Danish bilateral allocable aid supported the environment with the majority focused on climate change, slightly above the DAC average. However, as Table 3.1 shows, allocations for natural resources, energy and climate change activities are due to be halved in 2016.<sup>3</sup> Civil society allocations were above the DAC average and in line with the strategy, although current political directives indicate spending in these areas will be reduced in the future in favour of a new focus on combating the root causes of migration and humanitarian efforts (MFA, 2015).

Denmark is also increasing spending on aid for trade to improve developing countries' trade performance and integration into the world economy. It committed USD 444.5 million to trade-related activities in 2014 (23% of its bilateral allocable ODA), a 4.3% increase in real terms from 2013. This trend has been increasing over the past few years, along with Denmark's stated plans to move from an aid-based to a trade-based relationship with a number of partners, including through strengthening their capacity for domestic resource mobilisation (MFA, 2013). This focus plays to Denmark's strengths as a global leader in the development of Agenda 2030, with the caveat that success depends on partner government demand (Annex C).

**Figure 3.3 Composition of bilateral ODA, 2014, gross disbursements, Denmark**



Source: OECD (2016a), *Development Co-operation Report 2016: The Sustainable Development Goals as Business Opportunities*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/dcr-2016-en>.

### Multilateral ODA channel

Indicator: The member uses the multilateral aid channels effectively

**Denmark is a valued contributor to the multilateral system, but declining core contributions to key multilateral partners are unlikely to enable Denmark's ambitions to increase its influence in this sphere.**

#### Decreasing core contributions to multilateral agencies, but increasing non-core

In 2014, Denmark provided 27.9% of total ODA in the form of core contributions to multilateral organisations, slightly below the DAC average of 28.2%. Meanwhile, bilateral ODA provided through multilateral partners (multi-bi aid) made up 20.8% of Denmark's bilateral ODA, with additional allocations at regional level. The overall volume of Denmark's multilateral contributions has made Denmark a valued partner for multilateral organisations and a significant contributor in terms of overall allocations.

In 2013, Denmark undertook an analysis of its multilateral development co-operation (MFA, 2013), which recommended concentrating larger contributions on fewer partners (Chapter 2). However, there is little indication to date that Denmark is exiting any major multilateral partnerships, apart from the Consortium of International Agricultural Research Centres – which is potentially at odds with Denmark's focus on sustainable food production – and the United Nations Office on Drugs and Crime, following criticism from Amnesty International that the programme was contributing to the execution of suspected drug criminals in Iran. Denmark's preferred multilateral partners now include key United Nations organisations and the World Bank in addition to its work with the European Union.

In 2010, core funding comprised 70% of all Denmark's multilateral allocations, but had dropped to 45% by 2014. As figure 3.4 shows, the downward trend in the share of core resource allocation for multilateral organisations pre-dates current cuts due to refugee spending. This trend is set to continue. For example, one of Denmark's key multilateral partners, the United Nations Development Programme (UNDP), indicates that, according to internal preliminary data, core resources from Denmark declined from approximately USD 60 million in 2014 to USD 47 million in 2015, down 22%, with further reductions in view as Denmark considers shifting more core resources to new thematic funding windows in 2017. At the United Nations Children's Emergency Fund (UNICEF), core contributions also fell slightly between 2014 and 2015, from USD 32.2 million to USD 28.9 million, down 10%. While non-core funding can be useful to achieve a specific development goal, the decline in core funding risks affecting the ability of multilateral organisations to implement their mandates.

Following Denmark's recent cuts to multilateral allocations, a number of its key international partners are also reporting decreases in non-core funding for 2015 and beyond, with increased spending on refugees in Denmark cited as the reason for the cuts. For example, preliminary figures show Denmark's non-core allocations to UNDP will fall from USD 35 million in 2014 to USD 24 million in 2015, down 32%, while at UNICEF, non-core contributions have been halved over the same period, from USD 28.2 million in 2014, to 14.6 million in 2015.

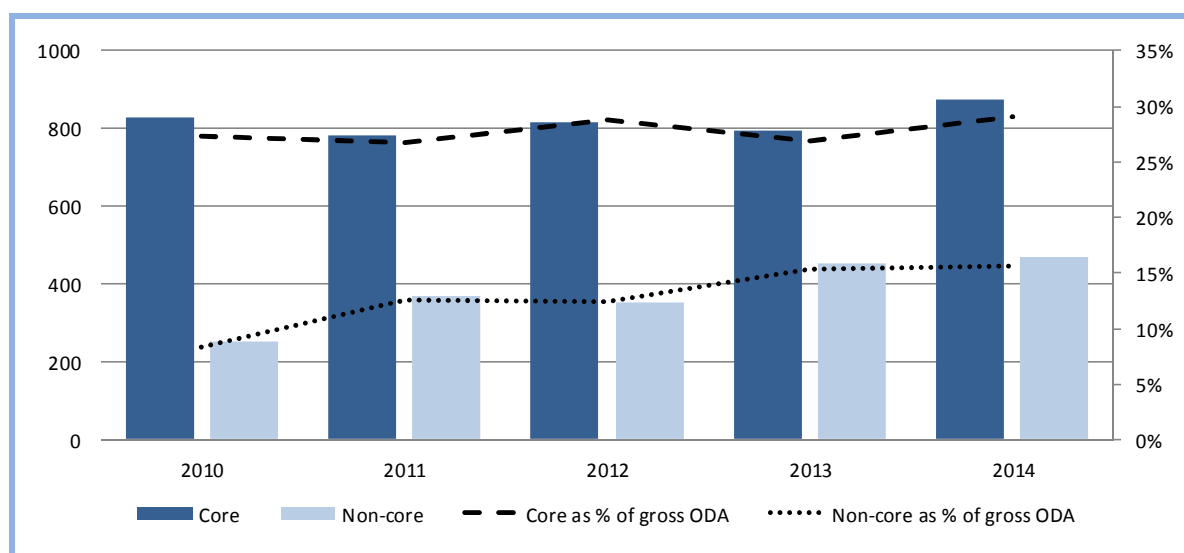
Despite the recent funding cuts, which are unrelated to performance, Denmark is generally recognised by its multilateral partners as providing high-quality non-core funding that is only lightly earmarked and/or aligns with a mutually identified funding gap. In 2014,

### Chapter 3: Allocating Denmark's official development assistance

Denmark's non-core contributions focused primarily on the social sectors and humanitarian assistance. This funding was mainly allocated through country or regional programmes, with additional allocations for innovation work. Within the social sectors, health and population policies and reproductive health received the largest share.

Therefore, although Denmark's core funding levels are not consistent with the recommendation of its multilateral analysis to increase core contributions (MFA, 2013), its allocations and priorities are in line with its overarching strategy for development co-operation (Danish Government, 2012a). For the future, reversing the current trend of increasing the share of multi-bi aid in favour of increased core allocations to multilateral organisations would strengthen the coherence between Denmark's funding models and its multilateral policy (Chapter 2). In addition to improving predictability of core and non-core funding, the flexibility of Denmark's earmarked funding could be improved, for example by channelling this funding through thematic windows. These pooled, flexible funding mechanisms help multilateral organisations and partners to align around common goals such as action against climate change and disaster risk reduction, gender, humanitarian response and crisis management to support country-level efforts to achieve the SDGs.

**Figure 3.4 Core and non-core contributions to multilateral organisations  
(in constant USD 2013 million/% of ODA)**



Source: OECD Statistics, CRS database.

### Notes

1. To achieve this reduction, Denmark will phase out development co-operation in a number of countries in Latin America and Asia: Bolivia, Indonesia, Pakistan, Nepal and Vietnam. Denmark is also pulling out of two African countries, Mozambique and Zimbabwe. Additional exits are planned after 2016 (Chapter 2 and Annex C).
2. These are 1) human rights and democracy; 2) inclusive green growth; 3) social progress; and 4) stability and protection, as outlined in the 2012 strategy, *The Right to a Better Life* (Danish Government, 2012a).
3. On the special case of climate finance, Denmark ceased reporting climate finance as additional to ODA in 2011, noting it would continue to engage in ongoing international discussions to establish an agreed baseline for measuring the additionality of climate financing. Chapter 1 provides further details on climate finance spending.

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# Chapter 4: Managing Denmark's development co-operation

## Institutional system

Indicator: The institutional structure is conducive to consistent, quality development co-operation

**Danish development co-operation is increasingly integrated with foreign and trade policy within the Ministry of Foreign Affairs, with new links across government. However, recent budget cuts have heavily affected organisational capacity, putting Denmark's highly decentralised business model for development co-operation at risk.**

**Within the MFA, development is increasingly integrated with foreign and trade policy, while administrative responsibility for ODA is shifting**

Over the past five years, development, foreign and trade policies have become increasingly integrated across the Ministry of Foreign Affairs (MFA) in Copenhagen and in Danish missions in Denmark's partner countries. Management of Denmark's development co-operation system is anchored within the Ministry of Foreign Affairs and is based on the vision outlined in Denmark's 2012 development co-operation strategy, *The Right to a Better Life* (Figure 4.1). Overall development co-operation policy is co-ordinated at headquarters, largely through the Centre for Global Development and Global Cooperation at the MFA, which also provides technical advisory support to embassies and missions developing country-level strategies. The centre also works closely with the six others in the ministry on a range of core policy objectives including security and trade (Annex D).<sup>1</sup>

From 2011 to 2015, the MFA was headed jointly by the Minister of Foreign Affairs and the Minister for Development Co-operation (until 2014) who was later replaced by the Minister for Trade and Development.<sup>2</sup> Following the 2015 national elections, Denmark's new government united its foreign affairs, trade and development portfolios under the responsibility of one minister, the Minister of Foreign Affairs.<sup>3</sup> This increased level of integration presents opportunities for improved policy coherence and development impact in line with the Sustainable Development Goals.

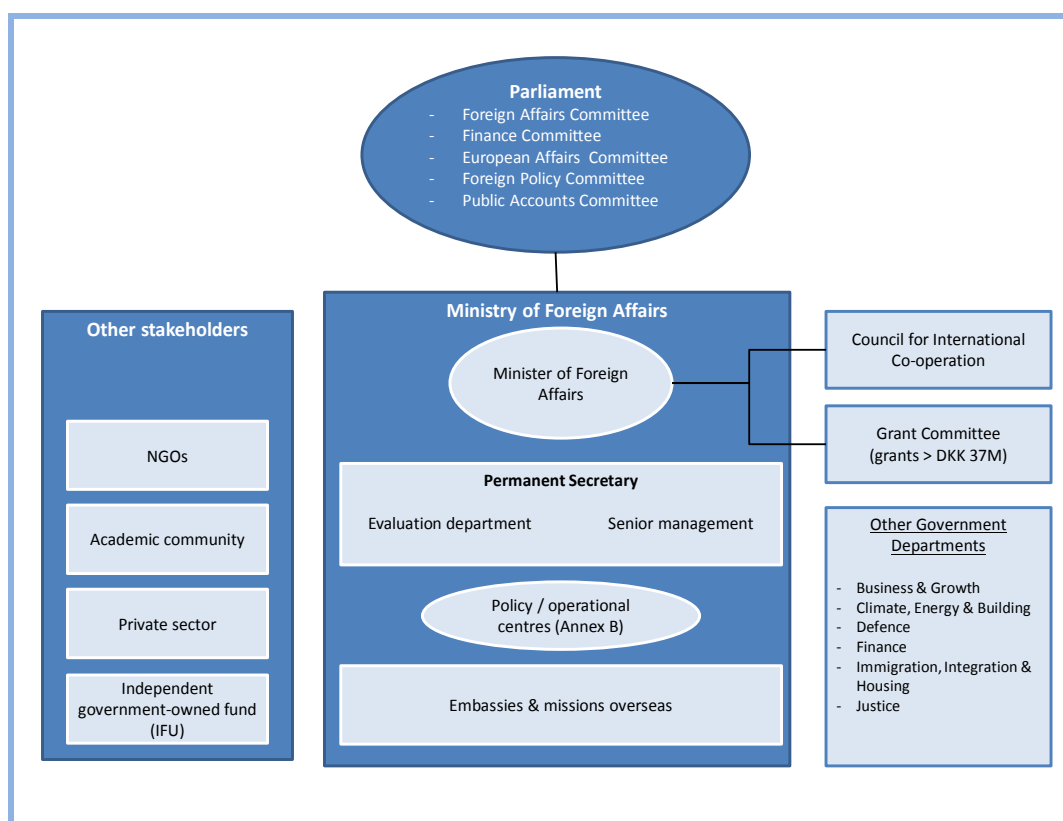
Another notable trend is the decline in the MFA's administrative responsibility for Danish official development assistance (ODA). For example, in 2011, only 4% of Denmark's ODA was administered by the Ministry of Refugees, Immigration and Integration Affairs, whereas this share is expected to increase to up to 30% of Denmark's ODA budget in 2016. As a result, it is increasingly difficult for the MFA to predict its allocations and engage in multi-year agreements, impacting on its ability to maintain quality programming and delivery.

Meanwhile, work on development across government is increasing. For example, resources for Denmark's Peace and Stability Fund, which operates under the Prime Minister's authority, are managed jointly by the ministries of Foreign Affairs, Defence and Justice.<sup>4</sup> The share of ODA within the fund is also increasing, from less than half in 2010 to more than two-third in 2016.<sup>5</sup> In addition, 20% of ODA for private sector development programmes is implemented by the Investment Fund for Developing Countries (IFU) and other departments, as well as through bilateral and multilateral partners.

## Chapter 4: Managing Denmark's development co-operation

This widening of responsibility for ODA demonstrates Denmark is increasingly applying a whole-of-government approach and forging a range of new partnerships for more joined-up and sustainable co-operation. However, as other departments become increasingly responsible for development co-operation, Denmark might consider how its well-established business model for managing ODA within the MFA and through embassies can be extended across government. In particular, Denmark should look whether its mechanisms for whole-of-government co-ordination support implementation of the Busan principles and how it might make more use of development expertise within the MFA to build capacity in ODA management and programme design across government.

**Figure 4.1 Denmark's development co-operation system**



Source: Author's compilation.

### Streamlined processes have improved the efficiency of decision making

The Danida Board, created in 1971 to provide technical advice to the Minister of Foreign Affairs, was abolished in 2013 by the International Development Cooperation Act. This decision resulted from concerns in the 2011 Peer Review that the board was not functioning well and required reform (OECD, 2011). The revamped Council for Development Policy<sup>6</sup> now provides strategic advice direct to the responsible minister, rather than through the board, on all new policies and strategies. A second external body, the Grant Committee, advises the minister on grant proposals with a budget above DKK 37 million;<sup>7</sup> the internal MFA grant committee for proposals below DKK 37 million has been abolished.<sup>8</sup> This streamlining of Denmark's aid management processes is welcomed, particularly in a period of downsizing. The use of an external grants committee is unusual for aid administrations, where the key expertise for examining funding rationales for

## Chapter 4: Managing Denmark's development co-operation

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technical proposals is usually located within the administration itself. The extent to which this structure, which combines senior development administrators and external experts, might add value to Danish decision making on aid spending warrants further examination. It would also be useful to consider the merits of involving external expertise at the end of the 12 to 24 month programme design cycle, rather than at an earlier stage.

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### Denmark is yet to demonstrate that its new structure is fit for purpose

In November 2015, in response to the budget cuts, the MFA implemented organisation-wide staff reductions, equivalent to 9% of its headquarters and posted staff. In March 2016, a new organisational structure was announced, ahead of the expected release of a new Danish strategy for development co-operation in the second half of 2016. Key changes included downsizing the Centre for Global Cooperation, reducing the number of development co-operation specialists in the Technical Advisory Service (UFT) and separating the management of multilateral and bilateral units, which were formally integrated into country and regional desks.

Announcing a new structure ahead of a new strategy is unusual, but understandable given that initial budget cuts had already been implemented. However, following the release of the strategy, Denmark would do well to consider whether this new structure remains fit for purpose, including how it will manage the increasing demand for technical expertise in private sector and fragile states programmes at a time of staff reductions.

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### Denmark is increasing whole-of-government co-ordination at headquarters and in the field

Ongoing integration of development with foreign policy, trade and security is deepening whole-of-government approaches in these areas, both at headquarters and in the field. The MFA has a natural advantage in co-ordinating these approaches, having had particular success in achieving high-level objectives on international human rights policy and partnerships (Chapter 1). The MFA is also working to harness expertise and develop new synergies between Danish development co-operation and the MFA's Danish Trade Council, as well as with external departments and institutions including the IFU and Denmark's Ministry for Business and Growth (Chapter 1). Where this co-operation involves joint development and commercial objectives, a clearer approach is required to help define where and how ODA should be allocated to maximise the benefits to the poorest and most vulnerable.

At field level, country policy papers outline how Denmark will pursue links and synergies between development co-operation and other political instruments. They also specify possible synergies between bilateral and multilateral co-operation. For example, Denmark's GoGlobal initiative is a collaboration between Danida, the Trade Council, the IFU and the Export Credit Fund, offering consultancy services to Danish businesses interested in exporting their products to, or setting up business in, developing countries. Another landmark initiative in this area is the Partnering with Denmark Initiative (Box 4.1). However, while this approach fits well to Agenda 2030, the means of implementation – with project budgets platformed at DKK 5 million over a three to five year period – for specific projects do not always match the level of ambition. The poverty focus also needs more definition. As shown in the field report for Ghana, further policy co-ordination and resources are required to consolidate this process (Annex C).

### Box 4.1 Partnering with Denmark

In January 2015, the Danish government launched the Partnering With Denmark Initiative, focused on developing twinning arrangements between line ministries in Denmark with line ministries in 12 developing and emerging countries. The initiative involves sector-specific projects that are mutually agreed between partner's public authorities and their counterparts in Denmark, alongside 17 growth counsellors posted to Danish embassies in the selected countries. Activities are focused on policy, regulatory capacity development, planning and investment frameworks through government-to-government co-operation and the development of public-private partnerships to address priority challenges within specific sectors in a specific partner country.

The initiative is designed to bring mutual benefits by bringing Danish state-of-the art solutions to solving development challenges and expanding Danish public and private sector presence in the country. The underlying assumption is that private sector development and investments are important drivers for responsible and sustainable growth, employment and social welfare when supported by appropriate public sector driven improvements in the enabling environment. Key objectives include:

- a) Improving co-operation between Danish ministries to promote Denmark's international co-operation and global economic interest;
- b) Achieving poverty oriented, inclusive and rights-based sustainable development results for the partner country through improved policies and regulatory frameworks and public/private sector co-operation.
- c) Improving opportunities for the Danish private sector to expand its commercial engagement and investments in the partner country through increased networks, knowledge, and co-operation, thereby facilitating the contribution of the private sector to development.

To date, the initiative has covered the following countries and sectors: Bangladesh (occupational safety and health), Brazil (health, digitisation), China (maritime industry, food and agriculture, and the environment), Colombia (food and agriculture), Ghana (maritime), Indonesia (energy), Kenya (the environment, food and agriculture), Mexico (health care), Myanmar (work environment, social dialogue and corporate social responsibility), South Africa (the environment, energy and innovation), Turkey (energy, the environment and innovation), and Vietnam (the environment, agriculture and food, and education and health).

Source: MFA (2015), *Guidelines for Partnering with Denmark, Danish Authorities in International Cooperation*, <http://amg.um.dk/en/technical-guidelines/partnering-with-denmark/>.

### A move towards re-centralisation in the wake of budget cuts

Denmark is known for its highly decentralised development co-operation, with management of – and responsibility for – individual development programmes placed with the Head of Mission in embassies. Country programme designs are led in the field through the development of country policy papers, in close co-operation with headquarters. Context-specific tools and instruments to modify engagement when required give embassies the necessary flexibility when implementing development programmes (Chapter 5). This level of decentralisation has proven to be a strong point of Denmark's development co-operation, which is well suited to engage in fragile contexts.

However, the shift away from country programmable aid along with increasing pressure on development staff resources, are driving a re-centralisation in the management of Denmark's development co-operation. For example, the volume of ODA allocated to funds and instruments managed from Copenhagen targeted at global public goods – such as the Peace and Stabilisation Fund and Democracy and Human Rights Fund – is increasing at the expense of development co-operation funding managed by missions (Chapter 3). In addition, findings from the mission to Ghana suggest that level of embassy control over

use of Danida business instrument funding declined from 2015, although field staff continued to contribute to decision-making processes in Copenhagen.

### Adaptation to change

Indicator: The system is able to reform and innovate to meet evolving needs

**Denmark has strong systems to manage organisational change, but the scope and timing of its current budget cuts have negatively affected consultation mechanisms, compromising staff buy-in for organisational change.**

**Strong systems to manage change, but budget cuts are making it difficult to generate staff buy-in.**

The MFA's key mechanisms for providing guidance on adaptation to change are the UFT and the Aid Management Guidelines website, launched in 2013. On one hand, the website contains more than 70 documents related to Danish policies, strategies and guidelines on the strategic planning, identification, formulation, financing and implementation of Danish development co-operation. On the other hand, the advisory service provides highly valued and expert advice to embassies for programme management, design and evaluation. Together, these mechanisms provide built-in flexibility in implementation and guidance on theory of change, with a particular focus on countries affected by fragility and conflict, and guidance on partner country exits.

However, these mechanisms for programme guidance and technical advice do not help Denmark to minimise the risks associated with its own rapid and deep organisational change. Nor do they measure if change management strategies are proving effective. The 2011 peer review complimented Denmark on the MFA's strong consultative processes and systems for organisational change, which had strengthened staff understanding in difficult times (OECD, 2011). However, the recent 2016 restructure did not benefit from similar systems, as the staff reductions and new organisational structure were implemented as a rapid response to budget cuts in the absence of the usual consultation processes. For example, the ministry did not carry out its annual staff satisfaction survey in 2015. Reinstating these surveys as soon as possible – taking timing considerations into account – would enable senior management to better understand how the current changes are taking hold.

**Denmark supports innovation through the multilateral system**

Denmark supports innovation through the multilateral system, including through the development of new private sector and fragile states instruments, as well as through improved integration of development and humanitarian streams. For example, in Ghana Denmark is engaged in innovative work to support private sector development in the agricultural sector, assisting poor women farmers to access improved crop varieties. Globally, Denmark is supporting the development of innovative tools and instruments through the multilateral and private sector partnerships, such as the UN's Global Pulse initiative aimed at harnessing big data for improved humanitarian response during crises.<sup>9</sup> However, Denmark could focus further on improving innovation in its own work with fragile states, in particular by providing incentives for joint programming with other donors in fragile or conflict situations, and providing more staff training on managing risk while encouraging innovative approaches.

### Human resources

Indicator: The member manages its human resources effectively to respond to field imperatives

**Despite a recent reorganisation, the MFA faces a considerable challenge in ensuring it has the right staff and skills in place to manage Denmark's development co-operation in the future. A new approach is required to meet the new demands for technical and cross-policy skills.**

**With fewer staff overall, getting the right skills into the right place is a challenge**

The MFA is undertaking significant staff reductions in 2016 and 2017 – from 1 165 full-time equivalent Copenhagen-based staff in December 2015, down to an estimated 1 065 staff by December 2016, representing an overall reduction of 9%.<sup>10</sup> These cuts have largely fallen on MFA staff working on development co-operation in line with the budget cuts to Danish bilateral and multilateral ODA allocations (Chapter 3). For example, staffing for the Centre for Global Development, where the majority of the MFA's ODA is managed, has decreased from 135 positions in 2015 to 102 positions in 2016. The number of specialist technical advisors from the former Technical Advisory Service has also been reduced (from 30 to 21 specialists), with 11 distributed to thematic desks and 12 assigned to a new department (the Technical Quality Support department). At field level, local and posted staff numbers will continue to fall over future years in line with Denmark's reduced ODA levels and as the number of priority countries and territories decline. For example, 65 local staff positions will be cut in 2016 and 2017 (equivalent to 5% of current local staff) as Denmark exits from ODA-development co-operation in four of its former priority countries.

At the same time, the proportion of local staff in priority countries and territories is increasing relative to posted officers (Table 4.1). On one hand, these changes will give local staff more opportunities and managerial responsibilities and allow decision makers to benefit from local knowledge. On the other hand, the depletion of a core cadre of Copenhagen-based development professionals, particularly technical specialists, will impact the MFA's capacity to build technical expertise and share experience across programmes.

Compounding this problem, Denmark faces ongoing challenges in attracting Copenhagen-based staff to apply for postings in fragile states, which is at odds with its increasing focus on these countries. While some incentives have been introduced to encourage staff to apply for these positions – such as shorter postings, family reunion visits and increased leave – they do not represent a major benefit to career paths within the ministry. For locally engaged staff in fragile states, current efforts to provide specific training,<sup>11</sup> stronger duty of care obligations and greater opportunities to reach managerial positions at embassy level have the potential to improve their career paths and build stronger networks, which can in turn benefit the quality of Denmark's programming and monitoring in these countries.

Despite the MFA's recent reorganisation, Denmark does not yet have the right skills in all the right places to deliver on the expected new priorities in the 2016 development co-operation strategy. In particular, the MFA is reviewing the skills required for the ODA programme's expected new focus private sector instruments and aid-for-trade.<sup>12</sup> The MFA will need to retain a core of specialists in its headquarters and embassies, with the skills to implement current and emerging government priorities for development co-operation. To assist in this challenge, Denmark can also consider innovative ways to complement staff

## Chapter 4: Managing Denmark's development co-operation

skills, such as more widespread use of medium-term external specialists, and increased use of local advisers in fragile states. Given its leadership to closing the national-level gender gap (WEF, 2014) and strong emphasis on gender in The Right to a Better Life strategy (Danish Government, 2012), Denmark might consider how to better address the gender disparity in the MFA's management system, where only one-fifth of senior executives are women.

In line with Denmark's use of development as a key pillar of its foreign policy, it also needs to consider the benefits of preserving career paths in development co-operation – both for generalists and for technical staff – paying particular attention to 1) attracting the right skills for working with the private sector across the programme and 2) providing new incentives for working in fragile states. In addition to ensuring adequate technical expertise, more attention to workforce planning in these areas would help Denmark be well equipped to meet its strategic objectives. Strengthening development expertise would also help consolidate the development setting point for policy coherence discussions on implementation of the 2030 Agenda.

**Table 4.1 Number of staff (full-time equivalent), 2003-16**

	Dec 2003	Dec 2007	Dec 2011	Dec 2015	Dec 2016 Estimate
<b>Total staff in Copenhagen</b>	938	923	954	820	742
<b>Posted staff at missions</b>	495	459	430	345	323
<b>Locally engaged staff at missions</b>	970	1162	1337	1340	1330
<b>% staff in country offices</b>	60%	64%	65%	67%	69%
<b>% Posted staff in country offices</b>	21%	18%	16%	14%	13%
<b>TOTAL STAFF</b>	<b>2 403</b>	<b>2 544</b>	<b>2 721</b>	<b>2 505</b>	<b>2 395</b>

Source: MFA (2016), *OECD Development Assistance Committee Peer Review: Memorandum of Denmark*.



## Chapter 4: Managing Denmark's development co-operation

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**A strong commitment to staff development, but new technical and cross-policy skills will require new approaches**

In response to the 2011 peer review recommendations, Denmark has reviewed its human resource policies and improved training in line with annual performance reviews. In addition to a wide range of online and classroom-based competence training, the MFA uses on-the-job training through the strategic secondment of development co-operation staff to international organisations, with the aim of improving understanding and reinforcing synergies between the organisations' work and Danish priorities. This commitment to staff development aligns well with strategic priorities.

While the changing composition of Danish development co-operation comes with a demand for new technical competences, it also brings a shift away from aid programme management skills towards generalist and diplomacy skills. This will require deeper and more accessible training across the ministry on areas such as policy coherence and development effectiveness, as well as improving understanding of development co-operation objectives and programming across government, in line with Denmark's future implementation strategy for Agenda 2030. For local staff, continued access to both context-specific and headquarters-level training, as well as ongoing development opportunities, will help to increase coherence in implementation, particularly in embassies where the proportion of local to posted staff is increasing. In light of the decision to integrate a substantial proportion of technical staff into country and programme units, it is also critical to ensure that specialists continue to develop their networks and knowledge to maintain cutting-edge expertise and quality programming for Denmark's development co-operation.



### Notes

1. The six other centres in the MFA are: the Centre for Global Politics and Security, the Centre for Europe and North America, the Centre for the Trade Council, the Centre for Consular Service and Public Diplomacy, the Centre for Legal Service, and the Centre for Resource and Operations.
2. In 2014, the MFA was overseen jointly by the Minister of Foreign Affairs and a Minister for Development Cooperation and Trade.
3. In addition, a Minister for Nordic Cooperation was appointed to represent Denmark in the Nordic Council of Ministers.
4. Defence activities are financed by Ministry of Defence, while Justice activities (primarily non-ODA funding) are financed by the Ministry of Justice.
5. Denmark's Peace and Stability Fund is administered by the ministries of Foreign Affairs, Defence and Justice under the Prime Minister's authority. Between 2010 and 2014, the fund was allocated DKK 930 million, of which half was development assistance while the other half consisted of non-ODA resources from the Ministry of Defence and the Ministry of Foreign Affairs. In 2016, this proportion shifted to 69% ODA and 31% non-ODA.
6. The Council for Development Policy is established by law and serves as an advisory body to the minister. The council consists of experts from different sectors within the field of development and engages with the minister in strategic discussions and assessment of new initiatives within development policy and co-operation, including country policy papers and new thematic strategies.
7. The Grant Committee (previously referred to as the External Grant Committee) advises the minister on grant proposals with a budget above DKK 37 million. The committee is chaired by the State Secretary for Development Policy or, in their absence, the Under-Secretary for Global Development and Cooperation, who serves as vice-chair. Two additional MFA staff serve as internal members. Four external and independent members are appointed by the minister for a period of three years. Once agreed by the minister, grant recommendations are submitted to parliament for approval.
8. The Internal Grant Committee advised the minister regarding grant proposals with a budget below DKK 37 million. This committee was disbanded on 1 January 2016. An under-secretary now carries out quality assurance of grant proposals with a budget of between DKK 10 and 37 million.
9. Global Pulse is a flagship innovation initiative of the United Nations Secretary-General on big data to develop new analytical tools and approaches to crisis data, provide real-time information to speed up humanitarian response. For more information see [www.unglobalpulse.org/about-new](http://www.unglobalpulse.org/about-new).
10. Some of these staff reductions were achieved through voluntary redundancy agreements as well as the discontinuation of temporary contracts for academic generalists. These were not targeted at staff working on development co-operation. Non-voluntary redundancies were decided according to criteria agreed by senior management and presented to the MFA Central Joint Consultation Committee.
11. A new policy on services and initiatives for staff members at postings considered to involve security and/or health-related risks has been introduced. The Ministry of Foreign Affairs website focuses on the multicultural dimension of working with Danes within an embassy, and on the security. More particularly, for local staff, see <http://workingfordenmark.um.dk/en/mfa-and-you/focus-on-security/local-employees-and-security/>.
12. At the time of writing, Denmark was planning a small recruitment intake of 13 new technically oriented positions to help meet these needs.

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# Chapter 5: Denmark's development co-operation delivery and partnerships

## Budgeting and programming processes

Indicator: These processes support quality aid as defined in Busan

**In a context of decreasing attention to aid effectiveness, Denmark is a strong advocate for, and adherent to, the Busan Principles for effective development co-operation. Commitment-based budgeting allows Denmark to provide its priority countries and territories with predictable, multi-year funding. Meanwhile, detailed risk assessments and budgetary flexibility within the results framework give embassies the capacity to adjust as contexts change, and seize opportunities as they arise. However, the highly labour intensive two-year programming cycle affects timely implementation. Further efforts to anticipate the impact of risks on development outcomes would also increase the quality of programming.**

### Commitment-based budgeting ensures predictability for bilateral allocations

Commitment-based budgeting is the backbone of Denmark's aid management system for bilateral support, allowing it to provide multi-year predictability to its priority countries and territories. Indeed, once budgets for country programmes are approved by parliament, they cover the five-year duration of programmes<sup>1</sup> and are fully committed once the Finance Bill is adopted.<sup>2</sup> Other budget lines<sup>3</sup> are committed on a yearly basis but have some degree of multi-year predictability as the finance act indicates budgets for the current year and for the three subsequent years.<sup>4</sup>

This predictability is reinforced by the disbursement of a high proportion of funds as scheduled. In 2013, 77% of funds were disbursed within their scheduled fiscal year and 72% of funds were covered by indicative forward spending plans provided at country level (OECD and UNDP, 2014). However, the predictability of commitments decreased in 2015 with unforeseen budget cuts and reallocations (Chapter 3). As evidenced in Ghana, such changes have affected both predictability of funding for individual civil society organisations (CSOs) in partner countries, as well as the coherence of the country programme as a whole (Annex C).

Budgetary flexibility gives Denmark the capacity to reallocate official development assistance (ODA) when needed. The Ministry of Foreign Affairs can reallocate up to 5% of the overall development co-operation budget between three main budget lines.<sup>5</sup> In addition to an overall reserve, the finance act allocates some of the funds managed directly by headquarters<sup>6</sup> as an operating reserve which can be distributed to programmes at a later date. At country level, embassies can adjust to evolving needs by mobilising unallocated funds<sup>7</sup> or by reallocating part of their budget within the agreed outputs.<sup>8</sup>

### Programmes are aligned and flexible

Denmark's approach to country programmes is aligned to partner countries' strategies. Designed by the embassies, country programmes are based on the priorities of The Right to a Better Life strategy (Danish Government, 2012), taking into account partners' national priorities, assessments of other development partners' presence and the added value of Denmark's support. Consultations with stakeholders, at both the conceptual and formulation stages, inform assessment of country needs and strengthen alignment.

During implementation, the high level of decentralisation in Denmark's aid management system provides opportunities for responding to evolving country contexts. In addition to the budget flexibility described above, embassies can also approve changes to expected outputs and aid modalities. Where significant changes in country context occur during implementation, programme objectives can be reformulated by the embassy, subject to approval from the Grant Committee. However, this decentralised model might be under threat as the share of Denmark's ODA programmed and managed in countries is decreasing (Chapter 3).

In addition, the programming design process is highly labour intensive, especially for embassies. Its length, an average of two years, affects timely implementation. Ongoing efforts to provide more systematic technical support to embassies early in the design stage should speed up formulation while safeguarding quality. Planning for different scenarios when designing country programmes (Box 5.1) should also improve timely adaptation.

### Box 5.1 Example of scenario planning

When drafting country programme documents, embassies can introduce different scenarios outlining changes to be made to adapt as the context changes. Scenarios can be developed for the overall country programme or for a specific sector or activity. They can result in modifications of outputs or outcomes, as well as changes in implementing partners and funding instruments. Once approved in the country programme document, scenarios can be implemented without requiring formal appraisal.

Scenario planning can also be introduced at a more strategic level, directly in the policy papers. For instance, the Denmark-Mali Policy Paper 2016-2021 identifies three scenarios based on the possible evolution of the political context. In the case of the status quo continuing, the plan is to maintain the balance between three strategic objectives: stability and security, democratic governance, and inclusive and sustainable economic growth. If progress is made towards stability, the focus on security would be reduced in favour of the two other objectives and instruments promoting commercial relations could enter into play. In case of increased insecurity, the use of instruments to improve security, ensure the protection of civilians and meet humanitarian needs would increase.

*Source: MFA (2016c), Denmark – Mali: Policy Paper 2016-2021.*

### Denmark is a strong supporter of the use of country systems

Denmark is committed to using country systems as the default option (Chapter 2). The country programme guidelines (MFA, 2015b) promote budget support, basket funding or core funding to implementing partners, depending on partner countries' capacities. They also give embassies the capacity to change aid modality if it leads to better alignment.<sup>9</sup> In practice, however, only two countries<sup>10</sup> still receive general budget support from Denmark.

This commitment to using country systems is enhanced by Denmark's vision of partnership which makes partners directly responsible for implementation. Where there is no national public or private institution with the mandate, legitimacy or capacity to act as partner, programming tools allow to establish programme implementation units on a temporary basis, with the aim of transitioning to country-led management systems as soon as practicable.<sup>11</sup> The country programme guidelines, however, do not state what diagnostic assessments should be conducted to decide whether to use country systems.

As it moves towards an increased emphasis on partnering with non-government actors, Denmark will have to consider how it might make the most of its strong track record in using country systems. Maintaining a high share of ODA on budget, even if not implemented by government, will be important in this regard.

## Chapter 5: Denmark's development co-operation delivery and partnerships

### There is scope to make better use of detailed risk assessments to inform programming

In response to the 2011 Peer Review (OECD, 2011) and following its increased level of engagement in fragile states, Denmark has standardised risk management across countries and sectors.<sup>12</sup> The guidelines for risk management (MFA, 2013d) – developed with like-minded countries within the International Network on Conflict and Fragility – have improved the quality of risk assessments (MFA, 2016b). Detailed and updated risk assessments have informed programme delivery design and the selection of implementing partners. In addition, as evidenced in Ghana (Annex C), Denmark's transparent approach to mitigating risks, including in dealing with corruption, facilitates effective implementation of mitigation strategies.

However, Denmark needs to make further efforts to better inform decisions during implementation. For example, risk mitigation strategies are sometimes unclear on the anticipated impact of risks, and responses to those risks, on programme outcomes. As noted above, efforts to develop different scenarios when designing country programmes (Box 5.1) are an interesting approach. Detailed analysis of the links between risks and results could also be useful. In addition, embassies have not addressed institutional risk systematically or consistently. If Denmark is to increase its partnerships with the private sector, clarity on the objectives of each partner, linked to detailed assessments of which partner should bear the risks, will be critical not only for programming quality, but also to protect Denmark's reputation.

### Denmark's ODA is 95% untied

Denmark has consistently upheld its commitments to the DAC Untying Recommendation and Busan principles, with its share of untied ODA to Danish companies being over 95% for the past five years. It is worth noting, however, that other official flows disbursed by Denmark's Investment Fund for Developing Countries (IFU) are tied to companies with Danish interests. It is also unclear at this stage if Denmark's future business instruments will be tied to Danish-based investors, as the previous instruments were.

### Denmark has no policy on conditionality

Denmark has no formal policy on conditionality attached to the provision of ODA. When conditionalities are set up, they are part of the development engagements agreed with the partners and are made public. Their design is geared to strike a balance between creating incentives and maintaining a high level of predictability in payments (MFA, 2015b).

## Partnerships

**Indicator: The member makes appropriate use of co-ordination arrangements, promotes strategic partnerships to develop synergies, and enhances mutual accountability**

**Denmark uses joint co-ordination arrangements to strengthen division of labour, increase the use of country systems and promote accountability. The human rights-based approach has guided Denmark's partnerships beyond government-to-government relationships. In particular, support for CSOs in partner countries has been influential in implementing Denmark's development co-operation programme while strengthening their advocacy role. This approach to partnerships is in the spirit of Agenda 2030. Further efforts to select partners in a more strategic manner would increase the impact of Denmark's programme.**

## Chapter 5: Denmark's development co-operation delivery and partnerships

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### Denmark supports harmonisation when joint mechanisms are aligned to country systems

Denmark supports joint efforts towards alignment and use of country systems. For example in Ghana (Annex C), Denmark is trying to set up joint funding mechanisms in its support of the Ghana Revenue Authority and CSOs that are administered either by Ghanaian administration or implementing partners and are aligned to national systems. Success will remain however dependent on the willingness of other development providers to join these joint funding arrangements. Denmark is also strengthening the use of division of labour to reduce transaction costs by engaging in delegated co-operation. The Practical Guide to Delegated Cooperation (Norad, 2006) frames the agreements for delegated co-operation with Nordic Plus partners. Denmark is also delegating programmes in countries where it has no representation but wishes to engage in development co-operation, such as Niger and East European countries,<sup>13</sup> as well as in countries with Danish representation, such as Mali.<sup>14</sup> In addition, the European Commission has delegated management of its programme on environment in Mozambique to Denmark. Because Denmark's main priority is alignment to country systems, it has been selective in its engagement in European Union (EU) joint programming. It engages when programming cycles are aligned to Denmark's and partner countries' cycles, partner countries are in the lead, and if joint programming can add value to Denmark's development co-operation.

### Strong accountability towards governments and partners

Denmark actively engages in accountability mechanisms and co-ordination to create set ups in countries which enhance mutual accountability on successes and challenges. For instance, embassies conduct annual dialogue meetings with the leading ministry for donor co-ordination regarding the overall implementation of the country programme. They also conduct consultations with each partner at the intervention level on progress towards agreed results, planning and budget. As evidenced in Ghana (Annex C), Denmark is also active in government-led co-ordination forums, promoting alignment and results.

### Denmark partners with rights holders and duty bearers to implement its programme

Flexible partnerships with joint commitments are key instruments of Denmark's development co-operation programme. For example, in addition to engaging with multilateral development partners to promote Danish development objectives (Chapter 2), Denmark's engagement with the EU is aimed at strengthening the EU's role in development co-operation. Denmark is also partnering with new development actors such as Korea and Mexico (Box 5.2).

The human rights-based approach developed within The Right to a Better Life also supports Denmark's continued partnerships with civil society, moving from government-to-government relationships to engagement with a wide range of rights holders, notably private sector and non-governmental organisations (Chapter 2). For instance, most country programmes include interventions implemented by civil society organisations and private sector companies and associations. This inclusive approach to partnerships helps Denmark address development challenges from different entry points and has the potential to increase impact in line with Agenda 2030.

Denmark's engagement in partnerships also goes hand in hand with a strong emphasis on strengthening the institutional and individual capacities of its partners, using a wide range of instruments such as technical assistance and training facilities.

### Box 5.2 Partnering with new development actors: the Global Green Growth Forum (3GF)

The Global Green Growth Forum was initiated by the Danish government in 2011 in collaboration with Korea and Mexico. In 2012 China, Kenya and Qatar joined the partnership, and in 2014 Ethiopia became the seventh partner. Since then, the list of partners has been expanding.

The mission of the partnership is to explore and demonstrate how better collaboration among leading business, investors and key public institutions can effectively realise the potential for long-term global green growth. It seeks to articulate challenges and convene key players able to identify barriers and partnership approaches with scalable effect. It provides a platform to share lessons and experiences, identify opportunity for scale and connect with new stakeholders.

Such a forum facilitates Denmark's engagement with new development actors and helps advance Denmark's objective of green growth.

Sources: 3GF (n.d), Global Green Growth Forum website, <http://3gf.dk/en/>; MFA (2016a), *OECD-DAC Peer Review of Denmark 2016: Memorandum*.

#### CSOs are a core part of the development co-operation strategy

Denmark's 2014 civil society policy<sup>15</sup> (MFA, 2014b) formalises the role of civil society in development co-operation, with the aim of promoting a legitimate and diversified civil society in developing countries to safeguard human rights and foster sustainable development.<sup>16</sup> To achieve these objectives, Denmark supports capacity development, advocacy, networks, partnerships, South-South initiatives and engagement with duty bearers. In fragile states, the policy has moved from a pure focus on advocacy to a hybrid model encompassing capacity development, service delivery and advocacy. In particular, service delivery is increasingly recognised as a useful entry point for advocacy work on sensitive issues.

The range of funding modalities available enables Denmark to support a wide range of civil society actors. Joint funding mechanisms, specific funds,<sup>17</sup> pooled funds, strategic partnership framework agreements, as well as governance budget lines in country programmes, enable Denmark to reach small, large and international CSOs in partner countries and territories and in Denmark. They also offer a mix of long-term and short-term funding, for core activities or specific projects.

If Denmark is to support a vibrant civil society, it must be able to identify emerging civic actors and support them, not just based on their previous performance but also on their capacity to become drivers of change. In the new development co-operation policy, policy-oriented criteria would help Denmark become more strategic and selective when entering into partnerships, especially when selecting Danish NGOs to be funded under multi-year agreements. Results frameworks that are better adapted to CSOs' working environment could also improve the balance between accountability and learning.

## Fragile states

Indicator: Delivery modalities and partnerships help deliver quality

**Denmark's development programmes in fragile contexts are pragmatic and flexible. Denmark actively seeks coherence between its different instruments and policies. However, the lengthy country programming process is particularly problematic for fragile and conflict-affected states, where understanding of rapidly changing contexts and flexible instruments are critical to success.**



## Chapter 5: Denmark's development co-operation delivery and partnerships

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### **Integrated approach to transition contexts, weakened by lengthy programming**

Denmark's new approach to country programming has created opportunities in fragile states to use available tools more strategically. Rights-based gap analysis, conducted across all relevant sectors in the design phase, enables Denmark to tailor its programme to the context, especially in fragile states where inequalities are seen as a conflict driver. However, the average two-year duration of the programming exercise hinders flexibility and the ability to react to rapid changes in conflicts or in volatile environments. To overcome this challenge, Denmark is consolidating a new fast-track country programming cycle to take the realities of fragile states into account. Meanwhile, at programming level, the significant flexibility of Denmark's funding mechanisms allows it to adapt as crises evolve.

### **Engagement in fragile states is in line with Busan principles**

Denmark envisages its engagement in fragile contexts as part of a shared international effort. It bases its country strategies on political dialogue and, when relevant and possible, uses country systems. Denmark champions multilateralism and actively supports compacts – like in Somalia – and country-based pooled funds, which increases its influence at strategic level within the international community. Denmark is, for instance, the second largest global contributor to both the EU Emergency Trust Fund for Africa<sup>18</sup> and the EU Regional Trust Fund in Response to the Syrian Crisis (EC, 2016).

### **A solid strategy for integrated engagement in fragile states**

Denmark has a dedicated strategy for engaging in fragile states and conflict-affected areas of the world (MFA, 2010) and a stabilisation engagement strategy for fragile states endorsed by the Ministry of Foreign Affairs, Ministry of Defence and Ministry of Justice (MFA et al., 2013). This strategy reflects the priority given to statebuilding in the stabilisation process. Aid effectiveness principles are already well rooted in the Danish development co-operation policy and Denmark is an active supporter of the New Deal (Chapter 1). Its financial management system is lean and supports simple and efficient disbursement and reporting processes for both its bilateral and multilateral support. For example, Denmark uses light-touch reporting requirements and un-earmarked funds.



### Notes

1. Usually five years, less in the case of country programmes implemented in fragile states.
2. If budgets for specific country programmes are too high, commitments may be approved over two financial years.
3. Such as stabilisation and conflict prevention, democracy and human rights, and the climate envelope.
4. The embassy then finalises a coherent programming based on these different budget lines.
5. Bilateral assistance; natural resources, energy and climate change; and humanitarian assistance.
6. Such as stabilisation and conflict prevention, democracy and human rights, and the Peace and Stabilisation Fund.
7. Up to 25% of the overall budget can be kept for activities not programmed at the time of appraisal. From these unallocated funds, a maximum of DKK 37 million (approximately USD 5.5 million) can be allocated by the embassy without having to go back to the Grant Committee for approval provided activities are in line with the country programme thematic objectives.
8. The Head of Mission may approve accumulated reallocations between development engagements within a thematic programme of up to 10% of the average annual disbursement budget of the thematic programme. In addition, the majority of the development engagement budgets have contingencies which can be used to cover unforeseen expenses for planned activities. The use of the contingencies is decided jointly with the Ministry of Finance in the partner country or other management arrangements.
9. However, a move towards general budget support has to be approved by the Grant Committee and the Minister of Foreign Affairs.
10. Tanzania and Burkina Faso.
11. The management unit could take the form of a fund manager, umbrella organisation, implementation unit or the like.
12. Each programme is screened against contextual, programmatic and institutional risk from design to implementation in an iterative process. According to the guidelines on risk management, responses to the risks identified should be designed during the formulation phase. Assessment and responses should be reviewed and revised at least once a year during implementation, or as needed.
13. For instance, Denmark delegated part of its country programme to Switzerland and Luxembourg in Niger after the embassy closed in 2014. The Neighbourhood Programme is implemented through delegated co-operation in East European countries.
14. In Mali, Denmark delegates budget support to the European Commission.
15. The new policy for civil society was approved in 2014 and is based on the recommendations of the 2013 evaluation of Danish support to civil society (MFA, 2013c).
16. The overall objective of Danish support to civil society is to ensure that civil society in the global South has the space and capacity to gain influence to combat poverty and inequality, promote human rights as well as sustainable development in an accountable, inclusive and transparent manner, in particular in favour of poor and excluded groups.

## Chapter 5: Denmark's development co-operation delivery and partnerships

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17. The Danish-Arab Partnership programme and the Danish Neighbourhood Programme channel support to CSOs in two regions.
18. The EU trust fund aims to foster stability and address root causes of irregular migration and displaced persons in Africa.

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# Chapter 6: Results management and accountability of Denmark's development co-operation

## Results-based management system

Indicator: A results-based management system is in place to assess performance on the basis of development priorities, objectives and systems of partner countries

**Denmark is strengthening its results-based management. It is stepping up efforts to measure results at outcome and country level and support its partners' monitoring capacities. New performance-based funding for framework agreements with civil society organisations (CSOs) demonstrates Denmark's attempts to link results and budget decisions. Its results monitoring is also sensitive to conflict and fragility. However, because Denmark relies on partners' results monitoring, it needs to consolidate and check the quality of the information it receives to ensure that results can inform decisions at policy and strategy levels.**

### Moving from outputs and projects to outcomes and country programmes

Denmark has made efforts to institutionalise results-based management in programming, monitoring and its relationships with partners.

The introduction of a country programming approach is shifting the focus of results-based management from projects to country programmes by introducing Danish results frameworks at country level.<sup>1</sup> When formulating new interventions, attention is also paid to the quality of the theory of change to clarify the chain of expected results and improve monitoring. Nevertheless, at present, results frameworks are still developed at project and programme levels and results are formulated as broad objectives in country strategies, not as measurable results. Denmark is also stepping up its efforts to measure outcomes – i.e. the changes that matter to people's lives – to inform decision making when managing programmes, both from a monitoring and an evaluation perspective. It has introduced a set of output and outcome indicators for project reporting<sup>2</sup> and launched real-time evaluations to measure key outcomes and programme assumptions every year.<sup>3</sup> However, the benefit of having two systems aiming at the same objective, one internal and one independent, is not clear.

This focus on results is not limited to country programmes. Denmark requires all its partners<sup>4</sup> to report on results and uses results information to manage the partnership, including when deciding on budget allocations. For instance, the new resource allocation model for strategic frameworks agreement signed with Danish CSOs introduces a variable performance-based tranche – of up to 40% – to the grants allocated annually.<sup>5</sup>

At corporate level, the results-based approach is oriented towards assessing the overall performance, looking at the share of goals fulfilled rather than results achieved.<sup>6</sup> Because Denmark's results monitoring relies mainly on its partners, it needs mechanisms for consolidating information to ensure that results inform decisions, not only at project level but also at policy level.

## Chapter 6: Results management and accountability of Denmark's development co-operation

### Denmark's partners are responsible for results

Implementing partners are responsible for monitoring and reporting on results, which is good practice. Expected results are agreed jointly; partners receive support to build their own monitoring and evaluation mechanisms, and results information is used to steer dialogue – although usually at output level.

Denmark is not immune to the usual challenges of accessing good-quality data, but tries to balance access with capacity building. If data are not accessible, part of the country programme budget can be allocated to external monitoring. Programmes can also mobilise real-time evaluations funded and managed by headquarters. When piloting these real-time evaluations, Denmark will have to be careful not to set up parallel measurement systems and to keep its initial intention of conducting complementary exercises that can contribute to improving results measurement and strengthening partners' capacity in results management.

### Good sensitivity to conflict, but monitoring capacities limit results-based approach

Denmark's programming processes in fragile states imply a good understanding of context. Indeed, programmes have to integrate three scenarios in their design, from best-case to worst-case, and their effect on implementation (see Box 5.1, Chapter 5). Building these scenarios requires a correct understanding the conflict drivers and risks. Such integration of risk management and conflict analysis into the design of country programmes improves the assessment of state capacity gaps, and allow early reaction if the situation deteriorates. Crisis contexts can mean limited access to project and primary data, however, which curbs Denmark's ability to measure, learn, adapt and adjust. In those contexts, Denmark's intention is to look beyond strict output measurement and evaluate its contribution to transformative processes. This is a pragmatic qualitative approach, which can be further balanced with its resort to third-party monitoring, as programmed in Somalia (See Box 7.1, Chapter 7).

## Evaluation system

Indicator: The evaluation system is in line with the DAC evaluation principles

**Denmark has the tools to implement its evaluation policy, which aims to support learning and improve decision making. Its evaluation department is independent, with clearly defined roles and responsibilities and has a dedicated budget to carry out evaluation plans. Denmark is also active in strengthening partners' evaluation capacities, notably by testing innovative approaches such as collaborative partner-donor evaluations. Whether this commitment to joint work will continue is, however, unclear.**

### An evaluation policy supporting learning and decision making

Denmark's evaluation system is in line with the Development Assistance Committee's (DAC) principles. Following the 2014 peer review of the evaluation function (MFA, 2014a), Denmark approved a new evaluation policy to inform how evaluations are conducted with developing countries, outline principles and standards and to foster a shared understanding of the priorities, usefulness and value-added of development co-operation (MFA, 2016a). The policy strengthens the emphasis on the timing of evaluations and innovative approaches to increase learning and inform decision making. For instance, it introduced the real-time evaluations mentioned above and follow-up evaluations that aim at enhancing evaluability through improved theory of change and results framework of future programmes and strategies. However, the 2014 peer review questioned the lack of

## Chapter 6: Results management and accountability of Denmark's development co-operation

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strategic evaluations, useful for key actors beyond programme managers. It is unclear how the introduction of real-time and follow-up evaluations is helping to address this gap.

The evaluation policy also clarifies the role and responsibilities of the evaluation department and its interactions with other departments in the Ministry of Foreign Affairs, with the evaluation department being responsible for quality and independence. With appropriate staffing and dedicated budget, it has the capacity to implement this policy.

### Independent design and quality control of evaluations

Reporting to the Minister of Foreign Affairs through the State Secretary for Development Policy, the evaluation department is independent from policy making and implementation when it designs the evaluation plan and conducts evaluations.

In consultation with operational departments and embassies, the evaluation department is responsible for developing a two-year rolling evaluation plan. Its planning criteria support a good coverage of the development co-operation portfolio over a five to seven-year span, both in terms of modalities of bilateral support and countries of implementation. The evaluation plan is discussed with the Council for Development Policy and subject to public hearings before being submitted to the Foreign Affairs Committee in parliament by the Minister of Foreign Affairs. This mandate from parliament, along with dedicated budget for evaluation, helps to guarantee that the evaluation department has the necessary independence and means to fully implement the approved plan.

The use of reference groups set up for each evaluation and external consultants selected through a competitive bidding process safeguard the independence of each evaluation. Gathering representatives from the ministry, partner organisations and countries as well as technical experts from universities or think-tanks, the reference groups aim to improve the quality of evaluations by providing advice on factual, contextual and methodological issues.

### Experimenting with collaborative partner-donor evaluation

Denmark engages in joint evaluation work with members of the OECD/DAC and the Nordic Plus group,<sup>7</sup> through conducting joint evaluations and exploring new ways of joint work on themes of interest. Over the last five years, approximately half of all evaluations have been implemented as joint evaluations, or have been conducted on behalf of other stakeholders. However, only one joint evaluation is planned for the period 2015-16, compared to an average of four in previous years.

Denmark promotes evaluation capacity development in partner countries by supporting international organisations and networks such as the International Initiative for Impact Evaluation (3ie) and the International Programme for Development Evaluation Training (IPDET). Denmark promotes ownership of evaluations among partner countries and local stakeholders by engaging them in the relevant reference groups. It is also trialling new approaches for collaborative partner-donor evaluations<sup>8</sup> with partner countries in the lead. Denmark's experience with the pilot collaborative evaluation to be launched in Ghana (Annex C) – in particular on the challenges, added-value and building blocks of such partnerships – could be of interest to DAC members.

## Institutional learning

Indicator: Evaluations and appropriate knowledge management systems are used as management tools

**The Ministry of Foreign Affairs is a learning organisation that uses knowledge from research, evaluations and implementation. However, its knowledge is neither consolidated nor disseminated well enough to staff, especially knowledge generated by partners. Stronger knowledge management will be critical at a time of reduction of development expertise.**

### Mechanisms are in place to learn from evaluations

Denmark has set up various mechanisms to strengthen the use of evaluation findings. It disseminates evaluation reports widely, follows up management responses one to two years after the evaluation has been conducted, and senior management meet twice a year to discuss issues related to evaluations. In addition, the evaluation department can commission follow-up and real-time evaluations which have the objective of directly feeding into programming decisions. It can also commission smaller evaluation studies or systematic reviews drawing on already published material to make sure that information is available when needed.

### Better use could be made of partners' knowledge

Several departments co-operate within the Ministry of Foreign Affairs and mobilise knowledge-management tools to promote institutional learning. In addition to the work conducted by the evaluation department, and to financial support for South-driven research, the Quality Assurance Department and the Technical Advisory Services – now merged into the Technical Quality Service – facilitate knowledge dissemination through reviews, seminars and workshops, while programme committees, the Grant Committee and the Council for Development Policies are useful forums for knowledge sharing.

Still, knowledge management is an ongoing challenge. The lack of an overall, cohesive strategy for research weakens the links between research and programming. Knowledge information is neither consolidated nor disseminated well enough to staff and there are no systematic feedback loops between decentralised and central levels. This will become more problematic as the proportion of local staff increases (Chapter 4). Building strong knowledge management systems which use knowledge from partners, including CSOs, would help both headquarters and local staff, especially at a time of reduction of development expertise.

## Communication, accountability and development awareness

Indicator: The member communicates development results transparently and honestly

**Denmark is commended for its commitment to transparency and the quality of its communication strategy, which enhances accountability and raises development awareness. Partnerships with schools, civil society organisations, the private sector and researchers, as well as use of social media, strengthen the engagement of a broad audience. Agenda 2030 presents an opportunity to enhance communication on global citizenship and the interdependence between Danish interests, development goals and global public goods.**



## Chapter 6: Results management and accountability of Denmark's development co-operation

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### A top performer in terms of transparency

Up-to-date data published on the OpenAid website (<http://openaid.um.dk/en>) and public hearings are key features of Denmark's commitment to transparency. OpenAid presents frequent and timely information, including on results. The Danida Transparency website offers space for public consultation on projects, programmes and strategies before they are approved. Annual reports published and presented to parliament increase transparency by framing information in an understandable way for citizens.<sup>9</sup> These efforts towards transparency led to improved scores by 15% points in the Aid Transparency Index, moving Denmark up in the "good" category (Publish What You Fund, 2016).

This level of transparency enhances Denmark's accountability towards its partners, the general public and parliament, as evidenced by the increased number of visitors to the OpenAid website and responses to public hearings.<sup>10</sup> Denmark is now well placed to push the agenda further by supporting its partners to reach the same degree of transparency.

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### Improved communication of results

Following the recommendation of the 2011 peer review (OECD, 2011), Denmark is communicating more on results. Notably, one of the five goals of its communication strategy for development co-operation (MFA, 2013) is to provide Danes with greater knowledge about the results achieved through the development co-operation programme.

Messages are designed to inform the public on what Denmark's official assistance supports, how support is provided, and how poverty reduction and human rights determine the overall development co-operation policy (OECD, 2014). Denmark publishes on OpenAid information on the indicators used for measuring results, along with targets and actual outcomes, where available, and on the overall organisation performance. Risks and risk mitigation strategies are also published where available. However, communication on results could be improved as the information is not necessary consistent across interventions (Publish What You Fund, 2015).

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### Evidence-based strategy to raise development awareness

Denmark has an informed and strategic approach to raising public awareness on development. It conducts annual survey on Danes' attitudes towards and knowledge of development assistance to identify target groups and adjust its communication tools accordingly.<sup>11</sup> Based on a core narrative and five main messages (MFA, 2013),<sup>12</sup> it communicates the results of its development co-operation to reach "convinced" Danes and relays messages of broader political interest to reach more sceptical target groups. The Ministry of Foreign Affairs also uses social media to engage in a two-way dialogue with this wider public and adjusts its social media strategy based on weekly monitoring. In addition, Denmark partners with CSOs, researchers and the Ministry of Education to produce communication and education materials promoting global citizenship and raising development awareness (Box 6.1).

The latest annual public opinion polls show that support for development co-operation has fallen from 70% to 60% over recent years. Even though this remains high compared to other donors, it suggests that Denmark should invest in maintaining public support in order to achieve its development co-operation goals. The Sustainable Development Goals (SDGs) and Agenda 2030 represent an opportunity to communicate on the links between Danish interests, development and global public goods in a comprehensive framework, while maintaining the voice of development co-operation. Such communication could also strengthen public awareness on global citizenship – as targeted by SDG 4 on quality education – particularly at a time when official development assistance expenditures are shifting towards security and trade, in line with Danish interests.

### **Box 6.1 Denmark engages with a wide range of partners to raise development awareness**

In 2010, the Ministry of Foreign Affairs launched the World's Best News campaign together with the United Nations, 100 Danish development organisations and 90 business partners. The World's Best News is a journalistic awareness campaign that publishes news about progress in developing countries. The evaluation of the campaign concluded that it created an innovative communication platform and sustainable partnerships. However, the campaign did not manage to change people's understanding of development or improve Danish knowledge of the Millennium Development Goals.

Denmark also developed an extensive development education programme. It publishes educational material every year to support the educational goals of the first four grades of primary school and has developed an online platform to learn about the lives of children in developing countries. The material has grown steadily in popularity among primary school teachers over the last couple of years.

*Source: MFA (2016b), OECD-DAC Peer Review of Denmark 2016: Memorandum; MFA (2015a), Evaluering af Kampagnen "Verdens Bedste Nyheder" [Evaluation of the Campaign "World's Best News"].*

### Notes

1. The framework consists of a country policy paper, a country programme document and development engagements agreed with implementing partners.
2. One outcome-level indicator per development engagement and one to five output indicators with annual targets.
3. Contrary to monitoring, real-time evaluations are independent and external processes that run in parallel to a country programme.
4. Countries and territories, CSOs, multilateral organisations, etc.
5. The performance-based funding component looks at organisations' capability to effect real changes through their programmes based on: strategic focus and goals, strategic financing for sustainability, role as Danish civil society organisation and evidence of change.
6. Annual reports present a summary of goal fulfilment at corporate and country levels, rated from "very satisfactory" to "not satisfactory". Results are measured in relation to 251 objectives for bilateral assistance. Objectives and targets are not included in the reports, only a synthesis.
7. The Nordic Plus group is made of Denmark, Finland, Ireland, The Netherlands, Norway, Sweden and the United Kingdom.
8. Promoting collaborative partner-donor evaluations is an initiative launched by the Evaluation Capacity Development Task Team of the DAC Evaluation Network. As a learning-by-doing instrument, it is complementary to trainings, technical support, and advocacy and is designed to add value to other international efforts. It focuses on co-operation between development partners and concentrates on collaborative evaluation activities that are intended to strengthen country evaluation systems. Eighteen partner countries and 16 development co-operation providers have been involved in the scoping study looking at how the Paris Declaration Evaluation process contributed to building evaluation capacity; positive stories of partner-donor evaluation work; and exploring future opportunities for undertaking such work at partner country level. Following a workshop organised in Manila in 2015, Denmark decided to take this work forward and launched a collaborative partner-donor evaluation with Ghana.
9. Annual reports consolidate key information on ODA allocation, results and highlights of the past year.
10. In 2015, the site published 25 concept notes for policies and programmes for public consultation and received 48 responses, mainly from Danish civil society organisations. Some responses were sent by priority country non-governmental organisations (NGOs) and private sector organisations.
11. The 2013 communication strategy identifies seven target groups, including three cross-cutting groups, who they are, their knowledge of development assistance and possible channels of communication.
12. The five messages of the strategy are:
  - Denmark has contributed to lifting millions of people in priority countries out of poverty – and to securing fundamental human rights.
  - Significant progress has been made in many developing countries – but there are still major needs in many places.
  - Denmark supports the efforts of citizens in developing countries to fight for their human rights – and the ability of national authorities to deliver these rights.
  - Development co-operation must involve risk in order to achieve results.
  - Development co-operation also benefits Denmark itself – it contributes to creating new opportunities and a safer world.

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# Chapter 7: Denmark's humanitarian assistance

## Strategic framework

Indicator: Clear political directives and strategies for resilience, response and recovery

Denmark is updating its humanitarian strategy. This provides a good opportunity to consolidate progress towards coherent humanitarian and development approaches and to integrate the new thinking to emerge from the World Humanitarian Summit in policy work. Denmark will need to make sure that humanitarian principles are respected in the new approach, especially as it expands its programming to tackle the root causes of crises. So far, the humanitarian budget has been protected from overall official development assistance (ODA) cuts; if it is to remain a predictable partner and influential donor on the global stage, Denmark will need to ensure that its budget at least remains stable in the future.

### A solid humanitarian policy rooted in good humanitarian donorship and partnership

The Strategy for Danish Humanitarian Action (2010-2015) (MFA, 2009) is a strong vehicle for supporting Denmark's commitment to the principles and good practice of the Good Humanitarian Donorship initiative (GHD, 2003) and explicitly refers to international humanitarian law and human rights. Denmark's openness to policy dialogue and regular consultations with partners have also informed the strategy and supported broad ownership among stakeholders, even though some partners believe that their field experience could be of more use when defining strategic orientations. The strategy has been extended until the end of 2016, meaning the process of designing a new humanitarian strategy will take place at the same time as the development of the new Danish development co-operation strategy (Chapter 1) which will result in a new, common strategy for both work-streams. This comprehensive strategy will thus assist in framing Denmark's ongoing humanitarian policy and practice while better reflecting the common ground between humanitarian action and development support. It will also be able to integrate the new challenges facing humanitarian action and funding, taking into account the outcomes of the World Humanitarian Summit in May 2016.<sup>1</sup>

### Co-ordinated humanitarian and development assistance with an integrated approach

As noted in the previous peer review (OECD, 2011), Denmark prioritises its development assistance on dealing with protracted crises. An explicit goal of its humanitarian strategy is to break the cycle between crises and vulnerability. As a result, Denmark is a pioneer in the "grey zone" between humanitarian assistance and development programming and takes innovative steps in terms of policy work (MFA, 2015a), flexible funding and partnerships in both fields. This innovative approach is applauded by Denmark's partners. As Denmark increasingly focuses its development co-operation on addressing the root causes of migration in fragile states, it will need to further integrate its humanitarian action with development in order to support a more holistic approach and to help Denmark achieve its objectives.

## Chapter 7: Denmark's humanitarian assistance

### Disaster risk reduction and resilience building are incorporated into the strategy

Another objective of the humanitarian strategy is to address vulnerabilities and support resilience, based on the rationale that humanitarian action is a building block for long-term development. Denmark uses the Sendai Framework for Disaster Risk Reduction<sup>2</sup> as the starting point for its support and to target those most vulnerable to risks, particularly children and women. Building community resilience is also a strong aspect of Denmark's strategy and a key means of addressing vulnerability, protection and the root causes of migration.

### An overall humanitarian budget on the rise but now at risk

Denmark has succeeded in preserving its core humanitarian portfolio from the general ODA budget cuts with a constant increase in allocations over the past five years. After peaking to DKK 1.825 billion (approximately USD 279 million) in 2016, the budget is expected to stabilise at DKK 1.775 billion (approximately USD 267 million) for 2017 and 2018 (Danish Government, 2015, budget line 06.39).

The humanitarian department<sup>3</sup> has access to additional fund for responding to new emergencies, from a financial reserve or from supplementary allocation. The reserve is allocated to international organisations if no emergency has arisen by the end of the year (MFA, 2015b). The humanitarian budget can also be increased through special allocations in the event of a specific crisis. Supplementary allocations from unspent government budget lines can also be provided during the course of the year. These supplementary allocations can represent a significant increase in the overall humanitarian funding spend. For example, in 2014, supplementary allocations increased the overall humanitarian budget by 46.9% (MFA, 2015b).

Although humanitarian allocations through the budget increased in 2016, overall humanitarian spending may decrease relative to previous years. This is due to current pressures on Denmark's public finances, resulting in less capacity for supplementary funding from unspent budget lines. This has also affected core funding to multilateral organisations (Chapter 3). As a result, some multilateral partners did not receive the extra resources at the end of 2015 that they were accustomed to, affecting their capacity to provide effective humanitarian support. Decreased predictability of funding also risks affecting Denmark's ability to maintain its influence in the humanitarian environment, as quality funding has a multiplier effect that goes beyond the mere amount disbursed.

## Effective programme design

Indicator: Programmes target the highest risk to life and livelihood

**Denmark has clear criteria to allocate humanitarian funding, focusing on a small number of complex emergencies and key partners, as well as medium-term engagement. It is committed to promoting the participation of affected communities in the programme cycle, including through the use of tools such as cash delivery, which give people more choice. However, the criteria for selecting multilateral and non-governmental partners could be more transparent and focused on their capacity to deliver results.**

<b>Priority setting is in line with strategies, but criteria for funding partners need more clarity</b>	<p>Denmark concentrates its humanitarian funding on around 10 to 12 complex emergencies, maintaining a high degree of continuity from one year to the next. Any decisions are taken in dialogue with partners. Denmark currently prioritises “countries and regions from where people leave in search of a better future in Europe” (MFA, 2015c). This will result in fewer resources allocated to forgotten and underfunded crises but places greater emphasis on protracted crises, which is consistent with Denmark’s strategy for fragile states (MFA, 2013) and its focus on addressing the root causes of migration.</p> <p>Denmark works with a deliberately narrow portfolio of capable partners to ensure greater impact from its funds, basing its multi-year partnerships on stability and trust. It reviews its partnerships with non-governmental organisations (NGOs) every year, but its partners tend to remain the same. Furthermore, distribution of funds between partners is not based on clear criteria. Denmark assesses its partners’ capacity to manage their projects, more than actual results of each project. This can be risky when a partner is not the direct implementing agent, for example when responsibility for implementation is delegated to another member of an NGO alliance or to a national partner. Denmark’s current efforts to improve funding processes should help to ensure greater transparency in funding allocation while preserving alignment with Denmark’s strategic orientations.</p>
<b>High flexibility of early warning mechanisms</b>	<p>Humanitarian early warning is effectively left up to the partner organisations responsible for designing early warning tools and preparing early response contingency plans. Fund flexibility and support for the Central Emergency Response Fund (CERF) are solid and adequate tools to link early warning and early response without unnecessary administrative delays.</p>
<b>Participation of beneficiaries is actively promoted through innovative means</b>	<p>Denmark’s policy is to ensure that the communities and people affected by a crisis participate in the decisions that affect them. However the success of beneficiary participation is highly dependent on partners’ capacity to implement this approach. In conflict situations, direct access to affected populations is constrained by insecurity, and by long chains of sub-partnerships. This can represent a serious challenge to integrating beneficiary feedback, or identifying their representatives. In these contexts, Denmark supports innovative delivery modalities, such as cash-based programming or telematics services, which enhance beneficiary participation by creating a more direct link between the beneficiary and the service provider.</p>

### Effective delivery, partnerships and instruments

Indicator: Delivery modalities and partnerships help deliver quality

**Denmark has a good range of tools offering effective support for response, recovery and resilience. It builds flexibility into its grants, allowing both development and humanitarian partners to adapt in response to sudden onset or escalating emergencies. Partners appreciate their relationship with Denmark, as they have traditionally received predictable funding, combined with relatively light administrative procedures, and are consulted on key issues. Denmark is also actively involved in global donor co-ordination but, due to a lack of field presence, has limited opportunities for in-country co-ordination.**



## Chapter 7: Denmark's humanitarian assistance

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### **Flexible tools allow a wide spectrum of emergency and resilience activities**

The Danish humanitarian action strategy clearly articulates the links between humanitarian action and other tools in fragile environments (MFA, 2009). The complexity of the migration crisis makes the coherent use of funding tools adapted to protracted regional crises more relevant. For instance, regional approaches, funding flexibility and innovative delivery mechanisms are well adapted to respond to long-term population movements, working closely with the United Nations High Commission for Refugees (UNHCR) (MFA, 2014a).

### **Rapid response tools and mechanisms are well designed and efficient, including during natural disasters**

Denmark has appropriate tools to respond to crises. The development and humanitarian framework agreements provide flexible funding and lean administrative processes for rapid response. Regional approaches also allow flexibility in dealing with population displacement crises beyond national borders. A new humanitarian emergency relief fund is credited in 2016 with 25 million DKK (approximately USD 3.8 million). The fund management is outsourced and is accessible to humanitarian or civil society organisations without a Humanitarian Partnership Agreement with the Ministry of Foreign Affairs. It expands the possibility for Denmark to respond to crisis immediately beyond the capacity of its traditional partners. This funding agility, tested several times over recent years, has enabled swift responses to new or escalating emergencies. Denmark is also part of multi-donor funding mechanisms that facilitate rapid and co-ordinated responses.<sup>4</sup> For instance, it is a member of the International Humanitarian Partnership<sup>5</sup> and the European Civil Protection Mechanism and it has been one of the primary contributors to the CERF since its inception. Finally, the Danish Emergency Management Agency under the authority of the Ministry of the Defence, can deploy expertise and material at short notice to support international responses to natural disasters. In Nepal, for instance, Denmark sent experts and information technology material following the earthquake in April 2015.

### **Denmark has designed its tools and procedures with the purpose of reducing transaction costs and increasing the focus on results**

Denmark is committed to being predictable and flexible and keeps its procedures as simple as possible for its partners. The multi-year partnerships signed with eight Danish NGOs<sup>6</sup> provide high levels of predictability, with approximately two-thirds of the annual allocations disbursed in January each year. NGO partners can also easily discuss priorities – thanks to the relatively flat structure within the Ministry of Foreign Affairs – and have some influence over policy formulation in areas such as protection, cross-border action and relationships with other donors. Reporting requirements for NGOs follow good practices, focusing on overall project results rather than the sole share attributed to Danish funds. Denmark is also considered to be an incubator for innovation in the global humanitarian agenda through its support for policy research and new humanitarian modalities and initiatives (Chapter 4).

Multilateral co-operation is a cornerstone of Danish development and humanitarian policy. Approximately 40% of its overall humanitarian assistance is delivered through the CERF and six international organisations<sup>7</sup> – for which Denmark is one of the most significant core funding contributors. This core funding is a vital asset for those agencies, which often have a dual mandate for both emergency and long-term response. However, following Denmark's overall ODA budget cuts, humanitarian agencies are concerned that core funding may decrease in the future, with impacts on organisational capacity.



### Co-ordination with other donors is strong at a strategic level but weaker in the field

Denmark sees its engagement in fragile and conflict situations as part of its contribution to global efforts. It takes its role as a major humanitarian donor seriously and is actively co-ordinating at strategic level with other donors and main humanitarian stakeholders through relevant board meetings. However, as Denmark does not post field humanitarian advisors, in-country donor co-ordination is dependent on the capacity of its stretched embassies. This restricts Denmark's ability to co-ordinate in-country recovery and resilience-building activities with other donors and governments. Denmark's substantial support for core funding, CERF and country pooled funds also limit its direct influence within donor groups, as programming decisions are ultimately taken by the fund management.

## Organisation fit for purpose

Indicator: Systems, structures, processes and people work together effectively and efficiently

**The Danish Peace and Security Fund fosters a whole-of-government approach to protracted crises, but its programming cycle is disconnected from country programmes and humanitarian assistance. The more comprehensive Denmark's approach becomes, the more important it will be to build in proper safeguards to maintain systematic respect for humanitarian principles. Denmark should also ensure that it has sufficient humanitarian staff for oversight and to realise its potential as a leading humanitarian donor.**

### Increased opportunities to advocate for humanitarian principles through whole-of-government approaches

By bringing new ministries into the decision-making process in an integrated and whole of government approach, Denmark is increasing coherence and linkages between its various instruments, including the Danish Peace and Stability Fund (Chapter 2). However, there is a risk that development and humanitarian priorities become subordinated to more pressing national interests, as exemplified by the migration crisis. To overcome this challenge, the Ministry of Foreign Affairs can use the strengthened whole-of-government approach as an opportunity to advise other ministries and advocate for the humanitarian principles and the inclusion of excluded groups when designing strategies.

### Mature civil-military co-ordination; but further attention required to safeguard humanitarian principles

According to Denmark's partners, there are no concerns about safeguarding humanitarian principles in relation to Danish current military activities in Mali, Afghanistan or Iraq. Denmark recognises the Oslo guidelines (OCHA, 2007) on the use of foreign military and civil defence assets in disaster relief and Danish soldiers are educated in international humanitarian law before their deployment.<sup>8</sup> However, mobilising military assets in a comprehensive crisis response can put humanitarian principles at risk. The MFA's humanitarian department is aware of these risks. It is working on ensuring that the protection of populations in danger remains at the very core of Denmark's humanitarian assistance, without preventing coherence between development co-operation tools and humanitarian aid.

## Chapter 7: Denmark's humanitarian assistance

### Humanitarian staffing levels are insufficient to meet future challenges in complex emergency humanitarian crises

The influence of the humanitarian department is increasing thanks to better integration within the ministry and the move from a pure project approach to a strategic one. After several reorganisations, there are now seven staff located in headquarters in charge of managing the humanitarian policy and funding portfolio. This is not enough and compromises Denmark's ability to address the increasing challenges of the humanitarian environment and maintain its ambitions as an influential humanitarian donor. In the field, the humanitarian capacity within Denmark's embassies remains weak, as flagged up by the 2015 evaluation of the humanitarian strategy (MFA, 2015d).

In addition to budget cuts, partners working on transition and resilience-building programmes are concerned that staff redistribution within the Ministry of Foreign Affairs – and particularly the closure of the Technical Advisory Service – will affect the ministry's capacity to design and monitor projects.

## Results, learning and accountability

Indicator: Results are measured and communicated, and lessons learnt

**Denmark has comprehensively evaluated its humanitarian strategy, providing useful lessons for the next one. Denmark is focused on data transparency but did not develop strong monitoring mechanisms to assess the performance of its partners and their results. Although this reduces the administrative burden on partners, it leaves Denmark unable to determine with certainty how effective its funding has been in addressing humanitarian needs.**

### Denmark has evaluated its humanitarian strategy

Denmark evaluated its humanitarian strategy in 2015. The evaluation confirms the relevance of the overall strategy, and presents some recommendations for further improvement, notably in reducing the number of priorities, aligning them with Denmark's comparative advantages and better measuring results. The Ministry of Foreign Affairs is now in a good position to elaborate a new humanitarian strategy aligned with the outcomes of the World Humanitarian Summit and the lessons from the evaluation.

### Denmark needs to strengthen results measurement

Denmark mostly relies on partners' self-assessments to measure programme results. On one hand, this light touch approach is consistent with Denmark's trademark flexibility. On the other hand, it means that Denmark is poorly equipped to measure programme results accurately when the quality of partner monitoring is inadequate. However, good quality monitoring of humanitarian activities is critical, especially given the complexity of the humanitarian system where responsibility for monitoring is shared throughout the partnership's chain. In addition to ad hoc field assessments, Denmark reviews the overall capacity of its NGO partners every two to three years. Field assessments have sometimes led to requests for serious improvement, but have not resulted in cancellation of partner agreements. Apart from these ad hoc reviews, Denmark lacks capacity to monitor or check implementation in the field. As a result, it assesses the organisational effectiveness of its partners rather than their actual humanitarian impact. Weaknesses in monitoring are even more prevalent when humanitarian assistance is allocated through multilateral organisations. Significant support to UN agency core funding, CERF and country-based pooled funds further increase the reliance on secondary data to assess results. While its field capacity remains limited, Denmark could consider engaging more frequently in joint

monitoring with co-donors. When access to information is restricted, systematic use of independent or third-party monitoring or verification, as used in Somalia (Box 7.1), could provide consistent and structured management information based on country programme strategies.

### Box 7.1 Third-party monitoring in Somalia

In some parts of Somalia, international organisations run their humanitarian or development programmes remotely from their bases in Nairobi or other humanitarian hubs and use partner organisations for implementation. Because of the prevailing insecurity, several UN agencies, NGOs and bilateral donors have developed third-party monitoring systems that commission private international companies partnering with local companies to collect data and verify results. However, field access remains extremely constrained: even organisations hired for monitoring rely in part on other parties to do the actual field research. While the United Kingdom's Department for International Development (DFID) is spearheading the research and knowledge management on third-party monitoring, Denmark is also involved. In December 2015, the Danish Ministry of Foreign Affairs launched a call for tenders related to third-party monitoring and external monitoring and evaluation support for its Somalia country programme. This project aims at providing management information and increasing embassy capacity with regards to results-based management, including through monitoring, evaluation and risk management.

*Source: (SAVE, 2015) *The Use of Third-Party Monitoring in Insecure Contexts*, (MFA, 2015) Contract Notice 2015/S 212-386113: Third Party Monitoring and External M&E Support for Somalia Country Programme.*

### Transparent communication

Denmark champions transparency. The OpenAid website (Chapter 6) epitomises the attention it pays to communicating its objectives, actions and results. The user-friendliness of the website makes it very easy to find results, reflecting a genuine attention to transparent communication.

### Notes

1. The first World Humanitarian Summit (WHS) is taking place in Istanbul on 23, 24 May 2016. The summit has three main goals: “1. To re-inspire and reinvigorate our commitment to humanity and to the universality of humanitarian principles. 2. To initiate a set of concrete actions and commitments aimed at enabling countries and communities to better prepare for and respond to crises, and be more resilient to shocks. 3. To share innovations and best practices that can help to save lives around the world, put affected people at the centre of humanitarian action, and alleviate suffering.” More about the WHS and its output at: [www.worldhumanitariansummit.org/whs\\_summit](http://www.worldhumanitariansummit.org/whs_summit).
2. The Sendai Framework is the successor instrument to the Hyogo Framework for Action (HFA) 2005-2015: Building the Resilience of Nations and Communities to Disasters. The Sendai Framework is a fifteen-year, voluntary, non-binding agreement. More on the Sendai Framework at: <http://www.unisdr.org/we/coordinate/sendai-framework>.
3. Humanitarian Action, Civil Society and Personnel Advisors (HCP).
4. More about the European Civil Protection Mechanism at: [http://ec.europa.eu/echo/node/524\\_fr](http://ec.europa.eu/echo/node/524_fr).
5. More about the International Humanitarian Partnership at: [www.ihp.nu/](http://www.ihp.nu/).
6. Those are the Adventist Development and Relief Agency (ADRA), Caritas, DanChurchAid, Danish Red Cross, Danish Refugee Council, Mission East, Médecins Sans Frontières (MSF) and Save the Children Denmark.
7. Beside the Central Emergency Response Fund (CERF), the six organisations are the United Nations High Commissioner for Refugees (UNHCR), the United Nations Relief and Work Agency for Palestine Refugees in the Near East (UNRWA), the United Nations Office for the Coordination of Humanitarian Affairs (OCHA), the World Food Programme (WFP), the International Committee of the Red Cross (ICRC) and the United Nations Mine Action Service (UNMAS).
8. More about the Ministry of Defence and training in international humanitarian law at: [www.fmn.dk/eng/allabout/Pages/InternationalHumanitarianLaw.aspx](http://www.fmn.dk/eng/allabout/Pages/InternationalHumanitarianLaw.aspx).

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# Annex A: Progress since the 2011 DAC peer review recommendations

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## Key Issues: Development beyond aid

Recommendations 2011	Progress in implementation
Strengthen institutional mechanisms for co-ordinating, promoting, arbitrating on and monitoring the coherence of both domestic and EU policies with development goals, as recommended in the 2007 peer review.	<b>Implemented</b> But new efforts are required in adapting mechanisms to Agenda 2030

## Key Issues: Strategic orientations

Recommendations 2011	Progress in implementation
Use the revised guidelines for programme management to clarify what the new development co-operation priorities will mean for Danida's work in traditional sectors, its choice of partners for delivering aid, and its approach to division of labour among donors in partner countries.	<b>Implemented</b>
Apply lessons from its earlier phasing-out experiences, as well as those of other donors, so that withdrawal from partner countries is managed strategically and sustainably.	<b>Implemented</b>

## Key Issues: Aid volume, channels and allocations

Recommendations 2011	Progress in implementation
Demonstrate publicly if, and how, its climate financing is additional to what it already gives as official development assistance and help to advance international efforts to establish an agreed baseline for measuring the additionality of climate financing.	<b>Partially implemented</b> Since the 2011 review, the focus has shifted from negotiating definitions of additional finance to meeting the ambitions of the new climate agreement COP 21 agreement and delivering on its the 100 billion financing promise.

## Annex A: Progress since the 2011 DAC peer review recommendations

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### Key Issues: Organisation and management

Recommendations 2011	Progress in implementation
Improve efficiency by strengthening mechanisms for decision making, co-ordination and knowledge sharing across the centres dealing with development, and with the embassies, and through this ensure that staff are clear about which tasks they should prioritise.	Partially implemented
Review its human resource policy, its staffing levels and strategy for recruiting specialists, and its training plan for headquarters and embassy staff to ensure they can effectively implement the new strategy, especially in light of the focus on fragile states.	Partially implemented
Make sure that embassies have sufficient capacity and support from headquarters to adapt to local circumstances, particularly in fragile states, and that they favour joint approaches.	Partially implemented

### Key Issues: Delivery and partnerships

Recommendations 2011	Progress in implementation
Develop further clear direction and guidance to Danida staff and development partners on where and when to use funding approaches other than sector budget support. These approaches should be suitable for engaging with a range of partners or programmes and for where partner systems are weak.	Partially implemented
Support efforts to make aid more effective by sharing its experiences and challenges with decentralisation, using country systems and fostering mutual accountability.	Not applicable
Continue to advance thinking on risk in development co-operation, including in international dialogue. Provide staff with practical guidance on how they can assess, address and assume risk, and use its new approaches to risk management to identify how best to tailor its programme to different contexts.	Implemented



**Key Issues: Results management and accountability**

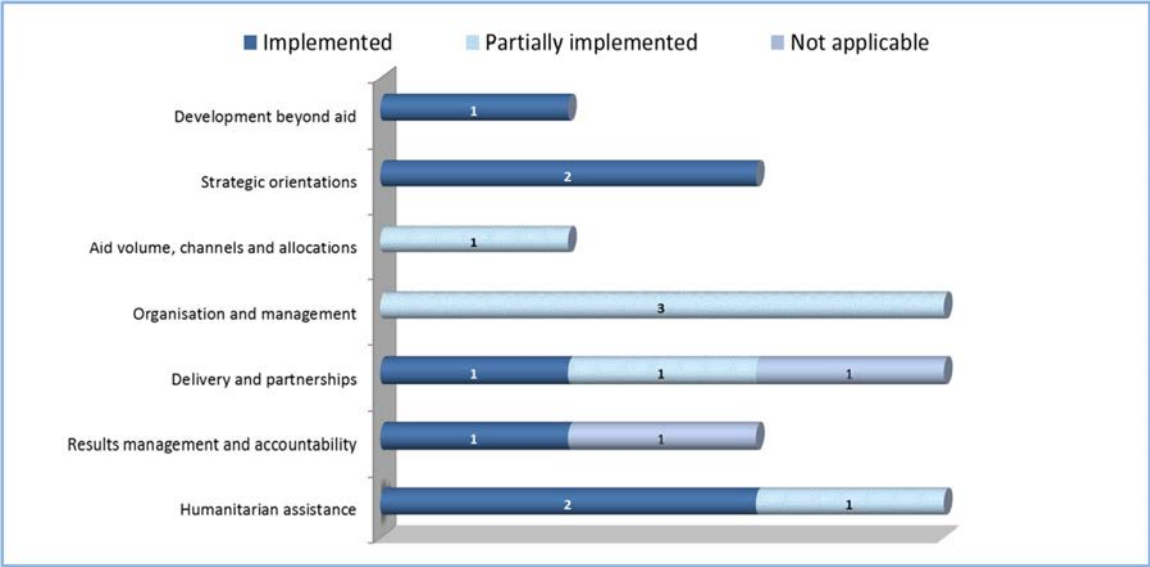
Recommendations 2011	Progress in implementation
Step up efforts to gather and disseminate information on results and ensure that communication by Ministry of Foreign Affairs centres is consistent with priority themes in the communication strategy.	<b>Implemented</b>
Work with the Council for International Development to promote public debate about development.	<b>Not applicable</b> The recommendation is no longer relevant as the structure of the council has changed

**Key Issues: Humanitarian assistance**

Recommendations 2011	Progress in implementation
Continue to mainstream the new approach into established systems and practices in headquarters and in embassies. Ensure rapid deployment of humanitarian specialists to all embassies in partner countries with humanitarian programme components, and train a wider group of staff on humanitarian issues, principles, architecture and response.	<b>Partially implemented</b> More effort required to guarantee humanitarian expertise in embassies covering prominent crisis
Mainstream disaster risk reduction across all development and humanitarian programming, and ensure that guidance on this topic is ready for integration into the next generation of country strategies.	<b>Implemented</b>
Implement safeguards to ensure that humanitarian principles, and the primacy of civilian aid delivery, continue to be respected on the ground, especially in crises and/or in fragile states where there is a Danish military presence.	<b>implemented</b>

Annex A: Progress since the 2011 DAC peer review recommendations

Figure A.1 Denmark's implementation of 2011 peer review recommendations



# Annex B: OECD/DAC standard suite of tables

**Table B.1 Total financial flows**

USD million at current prices and exchange rates

Denmark	<i>Net disbursements</i>						
	2000-04	2005-09	2010	2011	2012	2013	2014
<b>Total official flows</b>	<b>1 756</b>	<b>2 498</b>	<b>2 837</b>	<b>2 976</b>	<b>2 571</b>	<b>3 040</b>	<b>2 897</b>
Official development assistance	<b>1 745</b>	<b>2 504</b>	<b>2 871</b>	<b>2 931</b>	<b>2 693</b>	<b>2 927</b>	<b>3 003</b>
Bilateral	1 066	1 641	2 109	2 144	1 922	2 135	2 131
Multilateral	679	863	762	787	771	793	872
Other official flows	<b>10</b>	<b>- 6</b>	<b>- 34</b>	<b>45</b>	<b>- 121</b>	<b>113</b>	<b>- 106</b>
Bilateral	10	- 55	- 34	11	6	8	15
Multilateral	-	49	-	34	- 127	105	- 121
<b>Net Private Grants</b>	<b>21</b>	<b>98</b>	<b>178</b>	<b>198</b>	<b>71</b>	<b>85</b>	<b>171</b>
<b>Private flows at market terms</b>	<b>408</b>	<b>1 126</b>	<b>1 779</b>	<b>- 356</b>	<b>- 242</b>	<b>1 246</b>	<b>1 126</b>
Bilateral: <i>of which</i>	408	1 126	1 779	- 356	- 242	1 246	1 126
Direct investment	408	1 126	1 779	- 354	- 242	1 246	486
Export credits	-	-	-	- 2	- 0	- 0	640
Multilateral	-	-	-	-	-	-	-
<b>Total flows</b>	<b>2 185</b>	<b>3 723</b>	<b>4 794</b>	<b>2 818</b>	<b>2 400</b>	<b>4 371</b>	<b>4 194</b>
<i>for reference:</i>							
ODA (at constant 2013 USD million)	2 885	2 784	3 012	2 914	2 821	2 927	2 981
ODA (as a % of GNI)	0.93	0.82	0.91	0.85	0.83	0.85	0.86
Total flows (as a % of GNI) (a)	1.17	1.23	1.52	0.82	0.74	1.27	1.20
ODA to and channelled through NGOs							
- In USD million	128	253	432	463	479	492	522
- In percentage of total net ODA	7	10	15	16	18	17	17
- DAC countries' average % of total net ODA	9	7	9	13	13	13	13

a. To countries eligible for ODA.

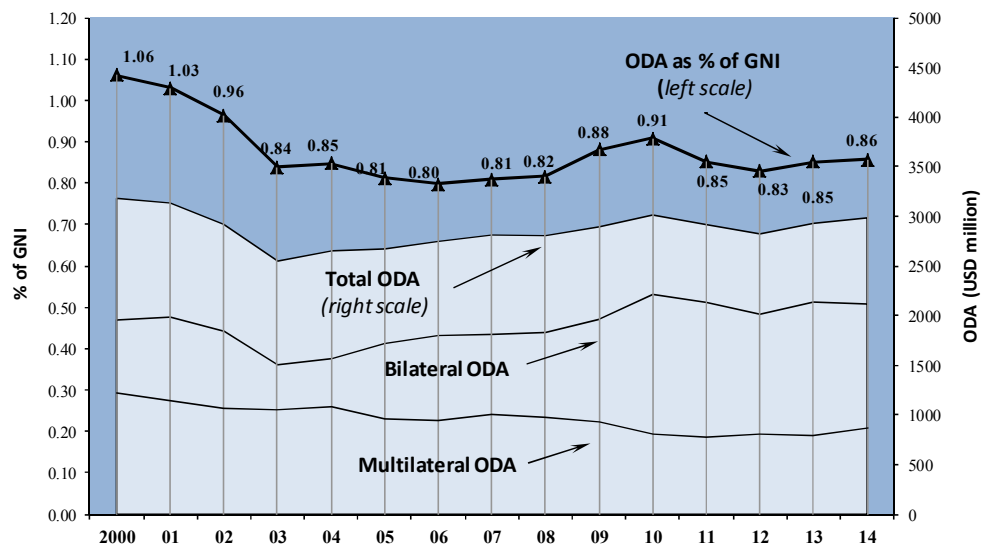
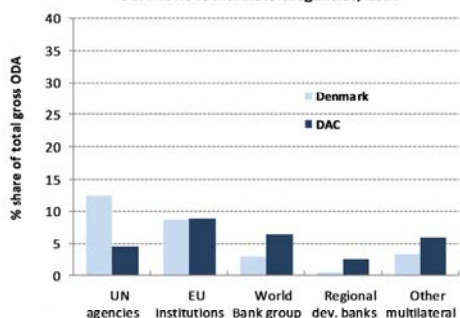
**ODA net disbursements**  
 At constant 2013 prices and exchange rates and as a share of GNI


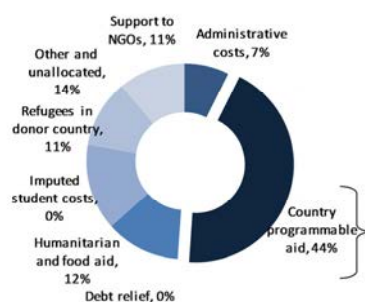
Table B.2 ODA by main categories

Denmark	Constant 2013 USD million					Disbursements					Total DAC 2014%
						Per cent share of gross disbursements					
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014	
<b>Gross Bilateral ODA</b>	<b>2 293</b>	<b>2 201</b>	<b>2 139</b>	<b>2 307</b>	<b>2 257</b>	<b>73</b>	<b>74</b>	<b>72</b>	<b>74</b>	<b>72</b>	<b>72</b>
Budget support	104	104	71	75	62	3	3	2	2	2	2
of which: General budget support	66	63	57	56	37	2	2	2	2	1	1
Core contributions & pooled prog.& funds	345	569	466	449	710	11	19	16	14	23	14
of which: Core support to national NGOs	141	146	115	217	244	5	5	4	7	8	1
Core support to international NGOs	21	32	33	31	26	1	1	1	1	1	1
Core support to PPPs	4	14	8	8	12	0	0	0	0	0	0
Project-type interventions	1 357	1 156	1 196	1 343	1 009	43	39	40	43	32	40
of which: Investment projects	136	117	117	90	128	4	4	4	3	4	14
Experts and other technical assistance	87	61	69	47	40	3	2	2	1	1	4
Scholarships and student costs in donor countries	11	11	8	10	8	0	0	0	0	0	2
of which: Imputed student costs	-	-	-	-	-	-	-	-	-	-	1
Debt relief grants	50	1	1	53	0	2	0	0	2	0	1
Administrative costs	177	172	170	162	166	6	6	6	5	5	4
Other in-donor expenditures	162	127	158	169	262	5	4	5	5	8	5
of which: refugees in donor countries	156	121	150	162	254	-	-	-	-	-	-
<b>Gross Multilateral ODA</b>	<b>829</b>	<b>783</b>	<b>815</b>	<b>794</b>	<b>872</b>	<b>27</b>	<b>26</b>	<b>28</b>	<b>26</b>	<b>28</b>	<b>28</b>
UN agencies	291	276	303	274	390	9	9	10	9	12	5
EU institutions	293	271	253	261	271	9	9	9	8	9	9
World Bank group	103	103	121	94	92	3	3	4	3	3	6
Regional development banks	50	50	61	73	16	2	2	2	2	0	3
Other multilateral	93	82	77	91	103	3	3	3	3	3	6
<b>Total gross ODA</b>	<b>3 122</b>	<b>2 984</b>	<b>2 954</b>	<b>3 101</b>	<b>3 128</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
of which: Gross ODA loans	41	45	51	35	45	1	2	2	1	1	12
Bilateral	41	45	51	35	45	1	2	2	1	1	12
Multilateral	-	-	-	-	-	-	-	-	-	-	-
Repayments and debt cancellation	-110	-70	-133	-174	-147	-	-	-	-	-	-
<b>Total net ODA</b>	<b>3 012</b>	<b>2 914</b>	<b>2 821</b>	<b>2 927</b>	<b>2 981</b>						
<i>For reference:</i>											
Free standing technical co-operation	55	54	81	64	55						
Net debt relief	50	1	1	1	0						

ODA flows to multilateral agencies, 2014



Composition of bilateral ODA, 2014, gross bilateral disbursements



Share of ODA channelled to and through the multilateral system, two year average

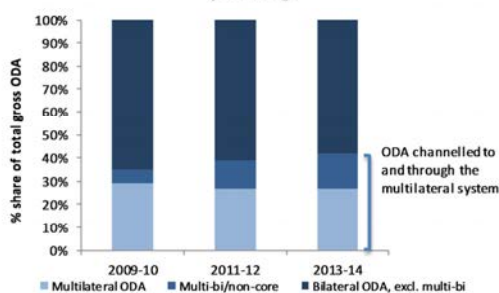
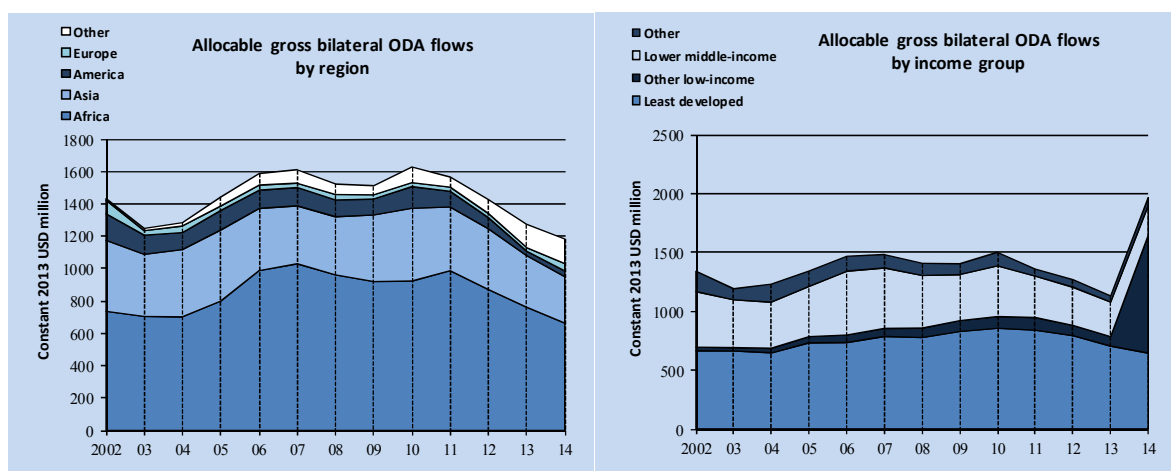


Table B.3 Bilateral ODA allocable by region and income group

Denmark	Gross disbursements										Total DAC 2013%
	Constant 2013 USD million					% share					
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014	
<b>Africa</b>	923	986	869	761	663	57	63	61	60	56	<b>41</b>
Sub-Saharan Africa	854	843	789	682	614	52	54	55	54	52	<b>35</b>
North Africa	27	22	30	14	12	2	1	2	1	1	<b>4</b>
<b>Asia</b>	450	394	376	319	286	28	25	26	25	24	<b>33</b>
South and Central Asia	310	272	261	229	208	19	17	18	18	18	<b>19</b>
Far East	132	119	109	84	69	8	8	8	7	6	<b>12</b>
<b>America</b>	133	97	69	27	36	8	6	5	2	3	<b>10</b>
North and Central America	84	53	26	5	5	5	3	2	0	0	<b>4</b>
South America	47	41	37	21	32	3	3	3	2	3	<b>5</b>
<b>Middle East</b>	96	62	85	144	152	6	4	6	11	13	<b>10</b>
<b>Oceania</b>	0	-	-	-	-	0	-	-	-	-	<b>2</b>
<b>Europe</b>	25	26	26	23	46	2	2	2	2	4	<b>5</b>
<b>Total bilateral allocable by region</b>	<b>1 627</b>	<b>1 565</b>	<b>1 426</b>	<b>1 274</b>	<b>1 183</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Least developed</b>	856	839	793	704	645	57	62	63	62	61	<b>40</b>
<b>Other low-income</b>	98	108	87	80	86	7	8	7	7	8	<b>4</b>
<b>Lower middle-income</b>	431	352	324	294	256	29	26	26	26	24	<b>35</b>
<b>Upper middle-income</b>	115	60	65	52	63	8	4	5	5	6	<b>21</b>
<b>More advanced developing countries</b>	1	-	-	-	-	0	-	-	-	-	<b>-</b>
<b>Total bilateral allocable by income</b>	<b>1 501</b>	<b>1 359</b>	<b>1 269</b>	<b>1 131</b>	<b>1 051</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<i>For reference:</i>											
<i>Total bilateral</i>	2 293	2 201	2 139	2 307	2 256	100	100	100	100	100	<b>100</b>
<i>of which: Unallocated by region</i>	666	636	713	1 034	1 073	29	29	33	45	48	<b>27</b>
<i>of which: Unallocated by income</i>	792	842	870	1 177	1 206	35	38	41	51	53	<b>36</b>



1. Each region includes regional amounts which cannot be allocated by sub-region. The sum of the sub-regional amounts may therefore fall short of the regional total.

Table B.4 Main recipients of bilateral ODA

Denmark	2003-07 average				Memo: DAC countries' average %	2008-12 average				Memo: DAC countries' average %	2013-14 average				Memo: DAC countries' average %
	Current	Constant	%	share		Current	Constant	%	share		Current	Constant	%	share	
	USD million	2013 USD mln				USD million	2013 USD mln				USD million	2013 USD mln			
Tanzania	91	116	6		Tanzania	119	122	6		Tanzania	80	80	3		
Uganda	74	92	5		Mozambique	95	97	5		Mozambique	80	79	3		
Viet Nam	74	93	5		Ghana	87	90	4		Afghanistan	73	73	3		
Mozambique	73	91	5		Uganda	78	80	4		Ghana	64	64	3		
Ghana	62	78	4		Afghanistan	77	79	4		Burkina Faso	58	58	3		
<b>Top 5 recipients</b>	<b>374</b>	<b>471</b>	<b>26</b>	<b>31</b>	<b>Top 5 recipients</b>	<b>457</b>	<b>468</b>	<b>22</b>	<b>31</b>	<b>Top 5 recipients</b>	<b>356</b>	<b>355</b>	<b>16</b>	<b>23</b>	
Bangladesh	46	59	3		Viet Nam	70	72	3		Kenya	54	54	2		
Zambia	44	56	3		Kenya	65	67	3		Uganda	54	54	2		
Nicaragua	39	48	3		Bangladesh	60	62	3		Syrian Arab Republic	51	51	2		
Burkina Faso	37	47	3		Nepal	42	43	2		Myanmar	51	51	2		
Nepal	37	46	3		Benin	42	43	2		Viet Nam	39	39	2		
<b>Top 10 recipients</b>	<b>577</b>	<b>727</b>	<b>40</b>	<b>41</b>	<b>Top 10 recipients</b>	<b>736</b>	<b>754</b>	<b>36</b>	<b>45</b>	<b>Top 10 recipients</b>	<b>605</b>	<b>603</b>	<b>26</b>	<b>36</b>	
Nigeria	37	42	3		Burkina Faso	40	41	2		Mali	38	38	2		
Egypt	35	44	2		Zambia	39	40	2		Zambia	36	36	2		
Kenya	34	42	2		Bolivia	36	37	2		South Sudan	36	36	2		
Benin	33	42	2		Nicaragua	28	29	1		West Bank and Gaza Strip	35	35	2		
Bolivia	29	36	2		Nigeria	27	28	1		Bangladesh	35	35	2		
<b>Top 15 recipients</b>	<b>746</b>	<b>934</b>	<b>52</b>	<b>46</b>	<b>Top 15 recipients</b>	<b>908</b>	<b>929</b>	<b>44</b>	<b>51</b>	<b>Top 15 recipients</b>	<b>786</b>	<b>783</b>	<b>34</b>	<b>42</b>	
Afghanistan	25	31	2		Somalia	27	28	1		Somalia	31	31	1		
South Africa	22	28	2		Sudan	26	27	1		Nepal	29	29	1		
Sudan	21	25	1		Zimbabwe	25	25	1		Zimbabwe	28	28	1		
Iraq	19	23	1		Iraq	22	22	1		Bolivia	25	25	1		
Sri Lanka	18	22	1		Mali	22	22	1		China (People's Republic of)	23	23	1		
<b>Top 20 recipients</b>	<b>851</b>	<b>1 063</b>	<b>59</b>	<b>51</b>	<b>Top 20 recipients</b>	<b>1 029</b>	<b>1 054</b>	<b>50</b>	<b>56</b>	<b>Top 20 recipients</b>	<b>923</b>	<b>920</b>	<b>40</b>	<b>46</b>	
<b>Total (102 recipients)</b>	<b>1 083</b>	<b>1 354</b>	<b>76</b>		<b>Total (109 recipients)</b>	<b>1 358</b>	<b>1 390</b>	<b>66</b>		<b>Total (81 recipients)</b>	<b>1 095</b>	<b>1 091</b>	<b>48</b>		
Unallocated	348	440	24	33	Unallocated	697	714	34	31	Unallocated	1 196	1 191	52	38	
<b>Total bilateral gross</b>	<b>1 431</b>	<b>1 794</b>	<b>100</b>	<b>100</b>	<b>Total bilateral gross</b>	<b>2 055</b>	<b>2 105</b>	<b>100</b>	<b>100</b>	<b>Total bilateral gross</b>	<b>2 290</b>	<b>2 282</b>	<b>100</b>	<b>100</b>	

Table B.5 Bilateral ODA by major purposes

at constant 2011 prices and exchange rates

Denmark	Commitments - Two-year average							
	2003-07 average		2008-12 average		2013-14 average		2013-14	
	2013 USD million	%	2013 USD million	%	2013 USD million	%	%	
<b>Social infrastructure &amp; services</b>	<b>667</b>	<b>42</b>	<b>798</b>	<b>45</b>	<b>732</b>	<b>37</b>	<b>38</b>	
Education	89	6	132	7	101	5	8	
of which: basic education	31	2	36	2	29	1	2	
Health	126	8	95	5	69	4	5	
of which: basic health	70	4	56	3	19	1	3	
Population & reproductive health	30	2	38	2	28	1	7	
Water supply & sanitation	148	9	94	5	83	4	4	
Government & civil society	232	14	390	22	426	22	11	
of which: Conflict, peace & security	11	1	50	3	66	3	2	
Other social infrastructure & services	42	3	49	3	25	1	2	
<b>Economic infrastructure &amp; services</b>	<b>258</b>	<b>16</b>	<b>170</b>	<b>10</b>	<b>219</b>	<b>11</b>	<b>19</b>	
Transport & storage	138	9	50	3	8	0	8	
Communications	13	1	9	1	11	1	0	
Energy	56	3	42	2	54	3	7	
Banking & financial services	0	0	2	0	3	0	2	
Business & other services	50	3	67	4	144	7	2	
<b>Production sectors</b>	<b>199</b>	<b>12</b>	<b>180</b>	<b>10</b>	<b>213</b>	<b>11</b>	<b>7</b>	
Agriculture, forestry & fishing	133	8	106	6	176	9	5	
Industry, mining & construction	65	4	64	4	29	1	1	
Trade & tourism	1	0	10	1	8	0	1	
<b>Multisector</b>	<b>127</b>	<b>8</b>	<b>174</b>	<b>10</b>	<b>195</b>	<b>10</b>	<b>9</b>	
<b>Commodity and programme aid</b>	<b>81</b>	<b>5</b>	<b>70</b>	<b>4</b>	<b>43</b>	<b>2</b>	<b>3</b>	
Action relating to debt	98	6	13	1	-	-	2	
Humanitarian aid	69	4	166	9	227	12	11	
Administrative costs of donors	91	6	125	7	127	6	6	
Refugees in donor countries	15	1	82	5	208	11	5	
<b>Total bilateral allocable</b>	<b>1 604</b>	<b>100</b>	<b>1 778</b>	<b>100</b>	<b>1 964</b>	<b>100</b>	<b>100</b>	
<i>For reference:</i>								
Total bilateral	1 741	64	1 904	71	2 043	72	73	
of which: Unallocated	137	5	125	5	79	3	1	
Total multilateral	993	36	761	29	780	28	27	
<b>Total ODA</b>	<b>2 734</b>	<b>100</b>	<b>2 665</b>	<b>100</b>	<b>2 823</b>	<b>100</b>	<b>100</b>	

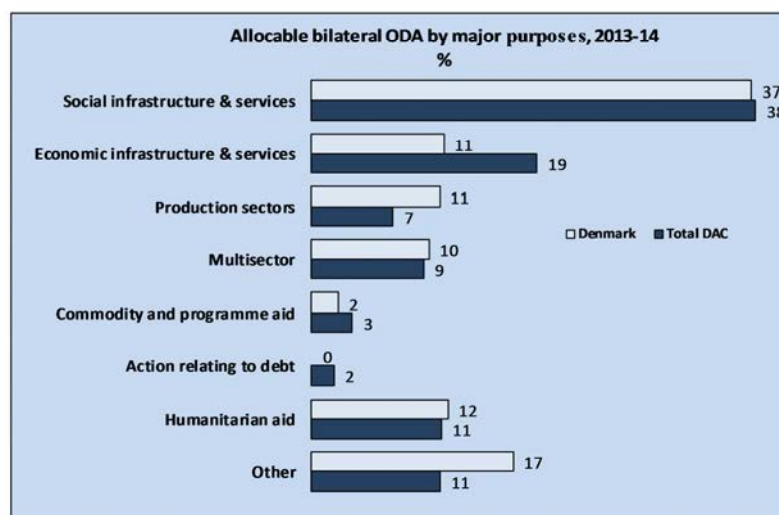


Table B.6 Comparative aid performance

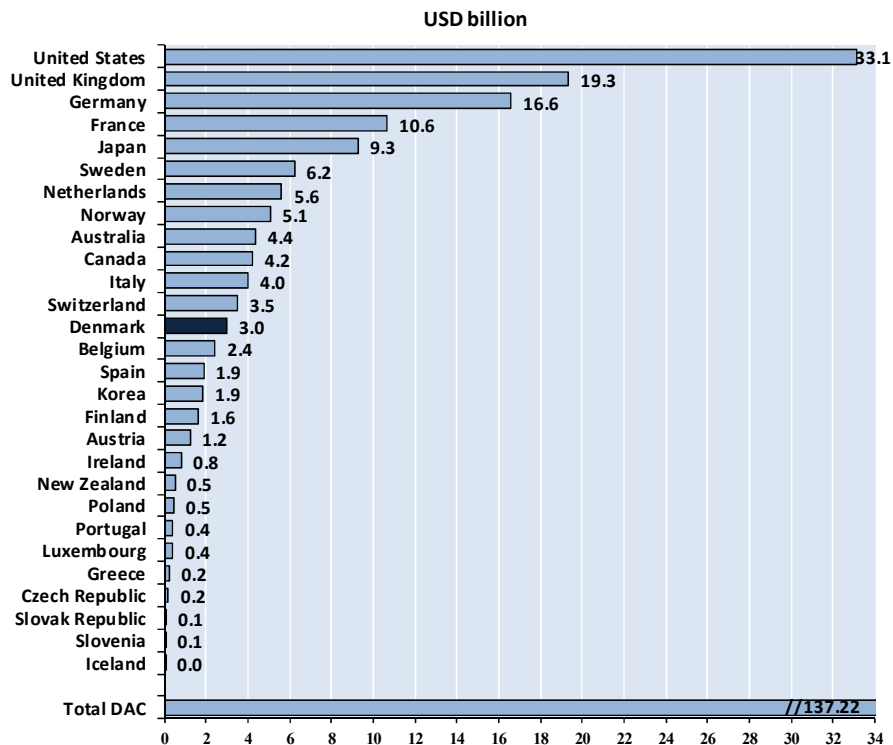
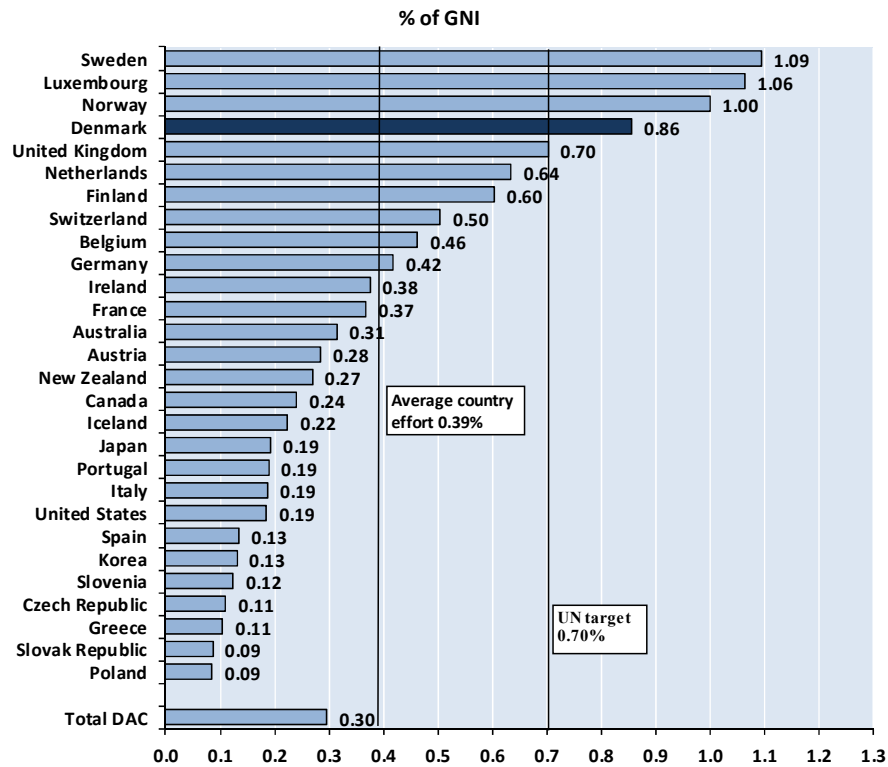
	Official development assistance			Net disbursements				Commitments	
	2014		2008-09 to 2013-14 Average annual % change in real terms	Share of multilateral aid		2014		Grant element of ODA commitments 2014 % ( a )	Untied aid % of bilateral commitments Year ( d )
	USD million	% of GNI		% of ODA		% of GNI			
	( b )	( c )	( b )	( c )	( b )	( c )			
Australia	4 382	0.31	4.5	20.2		0.06		99.9	89.1
Austria	1 235	0.28	-3.5	48.4	23.1	0.14	0.07	100.0	48.2
Belgium	2 448	0.46	-1.4	46.0	25.2	0.21	0.12	99.9	96.7
Canada	4 240	0.24	-1.6	22.7		0.05		97.2	93.0
Czech Republic	212	0.11	-0.5	70.5	10.6	0.08	0.01	100.0	32.4
Denmark	3 003	0.86	0.7	29.0	19.9	0.25	0.17	100.0	95.1
Finland	1 635	0.60	4.0	42.6	30.6	0.26	0.18	100.0	90.4
France	10 620	0.37	-1.0	38.7	16.5	0.14	0.06	85.6	92.3
Germany	16 566	0.42	3.2	30.0	12.7	0.13	0.05	83.6	83.6
Greece	247	0.11	-16.8	81.4	8.1	0.09	0.01	100.0	22.0
Iceland	37	0.22	-3.5	17.1		0.04		100.0	100.0
Ireland	816	0.38	-5.2	36.4	18.8	0.14	0.07	100.0	98.0
Italy	4 009	0.19	-1.7	65.8	24.3	0.12	0.05	99.9	93.7
Japan	9 266	0.19	3.4	35.1		0.07		87.0	78.1
Korea	1 857	0.13	13.1	24.8		0.03		95.1	53.2
Luxembourg	423	1.06	-1.0	29.0	20.9	0.31	0.22	100.0	97.5
Netherlands	5 573	0.64	-3.4	27.7	16.1	0.18	0.10	100.0	98.4
New Zealand	506	0.27	1.4	19.2		0.05		100.0	81.8
Norway	5 086	1.00	2.7	23.5		0.24		100.0	100.0
Poland	452	0.09	5.2	81.8	6.7	0.07	0.01	90.0	10.6
Portugal	430	0.19	-3.4	42.7	4.0	0.08	0.01	89.7	34.5
Slovak Republic	83	0.09	0.6	80.3	6.9	0.07	0.01	100.0	0.0
Slovenia	62	0.12	-1.8	67.1	11.5	0.08	0.01	100.0	
Spain	1 877	0.13	-19.8	75.3	20.7	0.10	0.03	100.0	83.6
Sweden	6 233	1.09	2.8	30.3	23.8	0.33	0.26	100.0	85.8
Switzerland	3 522	0.50	5.4	21.1		0.11		100.0	93.9
United Kingdom	19 306	0.70	9.0	41.8	31.9	0.29	0.22	98.9	99.9
United States	33 096	0.19	1.5	16.9		0.03		100.0	62.5
<b>Total DAC</b>	<b>137 222</b>	<b>0.30</b>	<b>1.4</b>	<b>31.0</b>		<b>0.09</b>		<b>94.2</b>	<b>80.6</b>
Memo: Average country effort		0.39							

## Notes:

- a. Excluding debt reorganisation.  
b. Including EU institutions.  
c. Excluding EU institutions.  
d. Excluding administrative costs and in-donor refugee costs.  
.. Data not available.



Figure B.1 Net ODA from DAC countries in 2012





## Annex C: Field visit to Ghana

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As part of the peer review of Denmark, a team of examiners from Belgium and France, and representatives from DCD, OECD, visited Ghana in February 2016. The team met with Denmark's Ambassador to Ghana and her team, Ghanaian government representatives and civil servants, regional authorities, other bilateral and multilateral partners, and representatives from civil society and private sector organisations.

### Towards a comprehensive Danish development effort

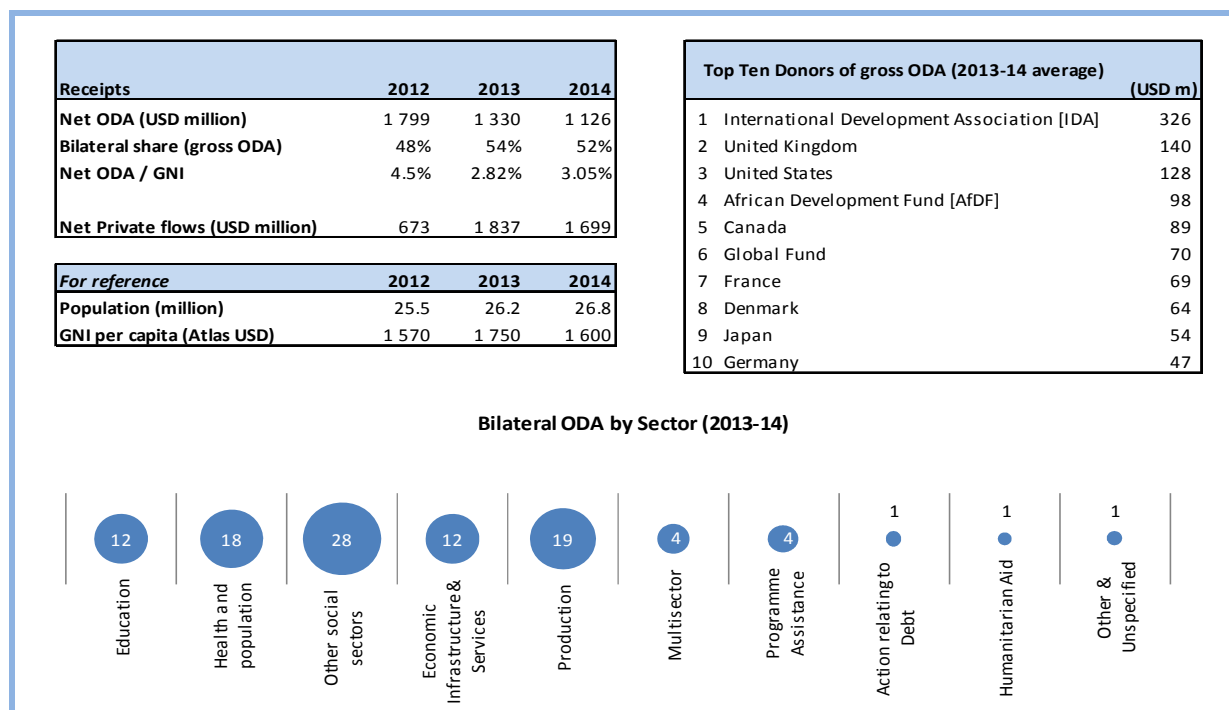
#### Ghana: a key strategic partner for Denmark

Ghana has been widely hailed as an African success story. The second largest economy in West Africa, it has experienced sustained economic growth over the past two decades, with gold, cocoa and oil exports driving the economic boom. Over the same period, Ghana has also demonstrated strong performance in democratic governance (OECD et al., 2016).<sup>1</sup> In 2006, Ghana became the first sub-Saharan African country to meet the Millennium Development Goal (MDG) target of halving extreme poverty, well ahead of the 2015 deadline. By 2011, Ghana had attained lower middle-income status, becoming a favoured destination for foreign investment (World Bank, 2011).<sup>2</sup> Despite the recent slowdown in Ghana's growth and related economic development challenges,<sup>3</sup> official development assistance (ODA) has continued to decline relative to other development flows, making up just 3% of Ghana's gross national income in 2014,<sup>4</sup> and is expected to drop to 1% by 2016.

Denmark began providing aid to Ghana at its independence in 1957, nominating Ghana as an official priority country in 1989. In 2010, Denmark began to transition to a new strategic relationship with Ghana, focusing on commercial and political co-operation. For example, the high level of political co-operation between the two countries, most notably on sexual and reproductive health and rights and other human rights issues, has led to strategic alliances to successfully lobby for inclusion of these issues in the Sustainable Development Goals (SDGs). Denmark is also harnessing Ghana's geo-strategic position in the Gulf of Guinea region to strengthen regional integration, improve peace and security and fight against piracy and armed robbery – with potential benefits for Denmark's international maritime industry.<sup>5</sup>

Denmark will exit from all ODA-based development co-operation with Ghana by 2020. As it continues to deepen its new partnership with Ghana, Denmark might consider how to ensure that its own objectives are meeting demand in Ghana, particularly in a shifting economic and political context. In doing so, Denmark will also need to address how it responds to Agenda 2030 at both domestic and international levels. This will also enable Denmark to engage at a more strategic level on the SDGs, based on how it can best contribute to Ghana's sustainable development, particularly given that Ghana has already set up its own high-level SDG planning mechanism.

Figure C.1 Aid to Ghana at a glance



Sources: OECD - DAC, World Bank; [www.oecd.org/dac/stats](http://www.oecd.org/dac/stats).

**Denmark is strengthening its whole-of-government approach in Ghana, with variable success**

Denmark is implementing a new comprehensive whole-of-government approach in Ghana, with a focus on the private sector. In addition to standard Trade Council representation, the Investment Fund for Developing Countries’ (IFU) Accra office provides on-location advice to Danish companies wishing to set up operations in Ghana, Nigeria, Cameroon or Liberia. Demand for this service has grown significantly in recent years, and advice is provided on a purely commercial basis.

In another new development, Denmark has also deployed a growth counsellor for its Ghana mission to work specifically on the maritime sector, in close co-operation with Denmark’s Ministry of Business and Growth and Maritime Authority (Box C.1). However, the resources provided for this initiative do not seem to match the level of ambition, with only one full-time staff member working on this significant reform agenda from within the offices of the Danish embassy in Ghana. Further policy co-ordination and resources are required to consolidate this process, using demand from Ghana as a starting point.

These efforts also link to Danida's business and green growth activities in Ghana, which have two distinct pillars: the Support to Private Sector Development programme and Danida business instruments.<sup>6</sup> All private sector staff and resources are located together within the embassy in what is dubbed the “Wall Street Wing”. Recently, the embassy has also opened a business incubator, which facilitates the interaction between the Danish company BlueTown and both embassy staff and other companies visiting the embassy. This is leading to new synergies, including through fostering new partnerships between Ghanaian and Danish companies.

**Box C.1 Denmark's work with the maritime sector in Ghana**

As a seafaring nation, with a 10% share of the global sea trade, Denmark has substantial trading interests in West Africa, as well as a strong commitment to its development. Over 90% of Ghana's cross-border trade is by sea. Along with infrastructure, Ghana needs improved maritime governance and regulation, as well as more skilled marine workers.

To meet these challenges, the Danish Maritime Authority, Ministry of Business and Growth and Ministry of Foreign Affairs have joined forces with Ghanaian authorities to build capacity and create better framework conditions in the sector. A Danish growth advisor joined the embassy staff in August 2015, funded by ODA, under the Partnering with Denmark initiative (Chapter 4). Proposed co-operation includes support for regulatory reform, qualification of ships' inspectors and a capacity-building programme for harbour pilots.

However, securing ongoing operational-level action in co-ordinating the initiative from the Ghanaian authorities is proving difficult and formalising further co-operation may take some time. In late 2015, the two governments announced a bilateral agreement for the mutual recognition of seafarer certificates between Ghana Maritime Authority and the Danish Maritime Authority. A course in International Maritime Organisation audits, including a mock audit, took place in January 2016. Meanwhile, the Danish Maritime Authority has also carried out a fact-finding mission to Ghana and 16 areas were identified for further co-operation. In addition, the International Maritime Organisation is scheduled to undertake an audit of the sector in Ghana in 2017, which may provide a new incentive for reform. A new engagement strategy should consider how to ensure high-level political support based on mutually agreed objectives.

**Denmark is increasing its engagement with the private sector in Ghana, but past experience shows mixed results**

Denmark has engaged in development co-operation with, and through, the private sector in Ghana since 1992. However, the way in which Denmark is engaging in this area is changing, with increasing emphasis on developing synergies between Danish and local companies as well as support for pro-poor business strategies for Danish companies interested in extending their businesses to the country (Box C.2).

This new direction is in line with the Danish Government's 2014 strategy on Export Promotion and Economic Diplomacy and is also expected to be strongly reflected in the forthcoming 2016 strategy for development co-operation (Chapter 2). At the same time, the evidence on whether Denmark's ODA has played a catalytic role in mobilising development finance and ensuring sustainable development in the past is mixed (MFA, 2014a and c). Grants made under previous Danida business instruments, including the Business-to-Business programme, resulted in high failure rates. As such, the ex-post developmental additionality of these instruments warrants further investigation.

Nevertheless, a handful of success stories have emerged. In one case, Danida grants in 2007 of DKK 10 million to the West African Fish company (a joint Ghanaian-Danish venture) was later complemented by soft loans and IFU support. Over the past decade, the company has created 100 Ghanaian jobs and tilapia production grew from 28 to 4000 tonnes. There are four other cases where synergies have been created between Denmark's development and commercial private sector co-operation.<sup>7</sup> In one of these examples, a grant to Danish jeweller Pernille Bulow to work with Ghanaian suppliers took 10 years to show commercial and developmental results, illustrating the importance of ex-post evaluations.

Until 2016, challenge funds – offering grants to Ghanaian companies to support economic growth and investment in Ghana, business associations and civil society advocacy groups – were key mechanisms for delivering Danish ODA for private sector development in Ghana. Denmark's work on business advocacy<sup>8</sup> in support of the business-enabling environment

## Annex C: Field visit to Ghana

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and its joint Skills Development programme with the World Bank have also funded two such challenge funds.<sup>9</sup> A results and verification study recently carried out on the Denmark-World Bank Skills Development Fund (SDF) showed substantial impacts across a range of indicators, but with high administrative and transaction costs.

The IFU has been working in Ghana since 1989 and almost 8% of its commercial funding is invested in the country. While the IFU notes that aggregate level returns for its investments in Ghana to end-2015 (including loans, equity and guarantees) are positive, there is no public information available on returns at country level in Ghana. Meanwhile, the IFU reports that total investments in Ghana over this period of approximately USD 48 million (DKK 268 million) have mobilised USD 89 million (DKK 500 million) in financing from other sources, typically private investment and have created up to 2300 jobs. The IFU has a long experience in making ex-ante assessments of financial additionality, but has less experience in undertaking ex-post evaluations of measuring the value of development additionality and has recently engaged a consultant to work on this issue. As the use of blended finance instruments increases - and the lines between public and private financing sources fade - it will also be important improve the transparency of returns on investments to the taxpayers who finance them and to the countries that benefit from them.

Therefore, further analysis on how ODA-funded private sector development in Ghana can catalyse trade and investment objectives, and vice versa, would benefit the transition from an aid to a trade-based relationship. In the future, it will be important to ensure development co-operation is demand-driven, supports sustainable development beyond the success of an individual business, and is flexible enough to meet the needs of a rapidly evolving development landscape. Finally, more robust measurement of developmental additionality and impact would help Denmark make the best use of its resources and private sector instruments for effective co-operation with Ghana. These elements are likely to represent challenges for Denmark.

### **Box C.2 Examples of Denmark's private sector engagement in Ghana with no ODA component**

Novo Nordisk – a global healthcare company headquartered in Denmark – has opened six diabetes clinics in Ghana since 2014, servicing an area of more than half a million people. The initiative is established under Novo Nordisk's Base of Pyramid programme; a patient-centred innovation project that aims to address the needs of people with diabetes living in developing countries. The Danish embassy in Ghana has a commercial agreement with Novo Nordisk based on a specific number of hours per year for strategic and operational support.

The embassy also has a commercial agreement to support Danish company Blue Town, working on internet connectivity in remote areas of Ghana. Blue Town's operations have been based within the embassy in its business incubator facility in its start-up phase in 2016. The embassy is supporting the company in identification of, and introduction to, key stakeholders, as well as providing guidance on the business enabling environment and local government architecture.

In the water sector, Denmark's Grundros pumps has partnered with an Accra-based company, Sustain Ghana, to design and install a solar-driven water pumping system for two communities of 30 000 people.

*Source:* Interviews in Ghana.

## Denmark's policies, strategies and aid allocations

### A strategy facilitating responsible phasing out of ODA-funded development co-operation

Denmark's engagement in Ghana is framed by the Denmark-Ghana 2014-18 partnership policy paper (MFA, 2014b). The paper was drafted by the embassy in close collaboration with the Government of Ghana and in consultation with civil society organisations (CSOs) engaged in the country. This participatory approach led to a strategy that is well aligned with both Ghana's Shared Growth and Development Agenda (Government of Ghana, 2014) and Denmark's Right to a Better Life strategy (Danish Government, 2012). The centrality of civil society's role in design and implementation of programming reflects Denmark's human rights-based approach to development co-operation.

The 2014-18 policy (MFA, 2014b) also reflects Denmark's decision to exit from development co-operation in 2020, a decision taken during the previous programming cycle. In particular, the policy paper introduces political and commercial co-operation as key objectives of the partnership. Such transparent and long-term planning facilitates a responsible phasing out. It has also supported the selection of relevant sectors in a context of transition, provided predictability to Ghanaian partners and assisted with the identification of future funding gaps. At a time of ongoing macroeconomic instability in Ghana, such predictability is critical, especially as Denmark has been a key funding partner for the country.

### Denmark faces challenges with balancing its strategic level agreement with the government of Ghana with shifting priorities and ODA budget cuts

Denmark's development co-operation work in Ghana is built on a long tradition of aligning allocations with the Ghanaian government's priorities in areas where it can best add value. For example, Denmark has been a key partner for Ghana in health, local service delivery and governance. Allocations to these sectors still make up the bulk of Denmark's allocations in Ghana, with a budget of USD 152 million over 2014-18 (Figure C.1), although Denmark is planning to phase out support to these sectors by the end of 2018.

In line with its new focus on economic growth, Denmark also began co-operation with Ghana on tax and development in 2015, working with other donors and through the secondment of experts to Ghana's Revenue Authority, with a provisional budget of USD 35 million. However, following the 2015 cuts in the ODA budget, Denmark has since then reduced allocations to CSOs to support their advocacy work on tax.

Denmark and Ghana have also agreed on prioritisation of private sector co-operation. The overall budget for Danish ODA-funding for private sector co-operation in Ghana from 2016-20 is DKK 140 million, with these allocations targeted at catalysing new development flows and creating new synergies with political and trade co-operation.<sup>10</sup> In addition, Denmark manages DKK 85 million for the European Union (EU) and USAID under the delegated co-operation agreements for its business advocacy and skills development programmes. However, ODA allocations targeted at the private sector have varied considerably, largely due to recent budget cuts. In addition, following concerns over the lack of demonstrable impact from working through government in the current phase of Denmark's Private Sector Development Programme, Denmark is reorienting its support in favour of direct allocations to business associations and other advocacy channels. Future work in this area will increasingly concentrate on support for synergies with Denmark's commercial and trade work in Ghana.

## Annex C: Field visit to Ghana

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### **Denmark mainstreams support to gender and the environment with additional targeted actions where required**

Denmark promotes gender equality in Ghana through both targeted and mainstreamed programming in its health and private sector support. At the design stage, all interventions are screened for gender issues. Where relevant, the embassy can commission gender experts to support the formulation of gender-sensitive interventions. For instance, it recruited a local gender consultant to assess and scale up effective interventions aiming at gender equality in the private sector programme. Attention to gender is facilitated by a joint commitment from Ghana's government and the Danish embassy. However, other than biennial gender meetings organised by the Ministry of Foreign Affairs in Copenhagen and access to a dedicated gender expert in Copenhagen, Denmark's gender focal point in Ghana has limited access to synthesised information and knowledge. The planned establishment of a centralised gender platform and clear roles for the gender focal points should be useful to strengthen gender mainstreaming.

Integrating the environment and climate change as cross-cutting issues will be important for Denmark's new focus on trade and investment. Denmark's private sector programming systematically addresses the environment and climate change. While a targeted programme for sustainable energy for business has been cut following the unforeseen budget cuts of 2015, Denmark has committed DKK 65 million (approximately USD 11.6 million) to support the Ghana Climate Innovation Centre through a trust fund arrangement with the World Bank.



### Box C.3 Donor co-ordination and mutual accountability in Ghana

In 2011, at the time Ghana attained lower middle-income country status, the government's multi-donor budget support group (MDBS)<sup>1</sup> was a key mechanism for donor co-ordination and alignment. The mechanism included a mutual accountability framework and was supported by a dedicated secretariat based within the Ministry of Finance. In 2012, the government and development partners agreed on a joint compact – Leveraging Partnership for Shared Growth and Development – recognising key risks ahead for Ghana's development as a lower middle-income economy. In addition to highlighting how the government of Ghana will tackle these challenges, the compact also set out the role that development co-operation could play over the critical years ahead. The compact nominated the Government Development Partner Group (G-DPG) as the highest-level aid co-ordination body responsible for overseeing the implementation of aid effectiveness principles.

However, since that time, there has been a significant drop in grant aid allocated through budget support. Over the same period, the growth of Ghana's economy and increase in other development flows has meant that ODA makes up an increasingly small proportion of Ghana's gross national income (GNI), currently expected to account for just over 1% in 2016. Bilateral development partners have also ceased to provide general budget support.<sup>2</sup> These trends have reduced incentives for co-ordination, both on the bilateral donor side as well as on the government side, where the transaction costs of aid co-ordination outside the MDBS system are perceived as too high to commit to an alternative mechanism. As a result, the G-DPG, scheduled to meet annually, is currently dysfunctional.

In order to facilitate co-ordination, division of labour and demand-driven programming, donors are continuing to work together through the 14 sector working groups under the MDBS framework, which also include representatives from government ministries and civil society. Some of these groups, for example the health sector working group, are functioning well. However for others, such as the private sector working group, ensuring government buy-in has proved particularly difficult.

1. MDBS is a joint support mechanism of 11 Development Partners (DPs) and the government of Ghana. It is based on the contribution of financial resources by DPs directly to the government's treasury to complement Ghana's domestically generated revenues. MDBS facilitates the implementation of Ghana's development and poverty reduction policies. In 2010, MDBS donors provided just over USD 400 million (5% of GDP) to Ghana's national budget. At the time, there were 11 members of the MDBS group, the African Development Bank, Canada, Denmark, the European Union, France, Germany, Japan, the Netherlands, Switzerland, the United Kingdom and the World Bank. The Netherlands and Japan exited the group in 2013 and 2014 respectively, group which ceased to function effectively in 2015.

2. Some donors, including Denmark, have shifted this support to sectoral budgets (e.g. in health) or tax (e.g. through basket funding and other joint funding mechanisms).

Sources: Interviews held in Ghana; Government of Ghana (2012), *Leveraging Partnership for Shared Growth and Development: Government of Ghana – Development Partners Compact 2012-2022*.

## Organisation and management

### Denmark's decentralised management arrangements in Ghana do not hinder co-ordination

The decentralised nature of Denmark's development co-operation with Ghana facilitates management of programming and relationships with government and other partners, without compromising on co-ordination with headquarters. Biannual meetings with management in Copenhagen, reviews carried out by the Technical Advisory Service (UFT) and corporate reviews enable regular quality and systems checks, along with benchmarking against other missions, even though direct communication between embassies is limited. In the Danish mission in Ghana, weekly meetings and monthly programme committees with staff engaged in development co-operation, including IFU staff, improve co-ordination of Denmark's development activities in the country.

However, as Denmark moves away from ODA-based development co-operation in Ghana and as overall resourcing for Danish development co-operation is reduced in Copenhagen, it will be important to ensure that these co-ordination mechanisms, which have served Denmark well, are fit for the future. In particular, information systems and review capabilities will need to capture information from across government in Copenhagen as part of an overarching SDG framework.

### A need for new skills

Denmark matches staff skills to sectoral and technical needs in its Ghana programme through a mix of posted and local staff. Given the reduction in human resources and the increasing need for new skills combining both private sector and development expertise, it will become increasingly important for embassies to be able to select staff, taking into account the existing skills mix within the post. In this context, it will also be critical to build the technical capacity of local staff, and support their career paths through opportunities in Ghana or at other Danish missions.

## Partnerships, results and accountability

### Denmark applies the Busan principles when partnering with government

Denmark's highly decentralised institutional setting and budgetary mechanisms give the embassy and its implementing partners ample predictability and the flexibility to adjust to evolving needs in a timely manner and within the agreed results frameworks. However, the unforeseen budget cuts decided in Copenhagen in 2015 have affected the predictability of some engagements with CSOs, as well as the coherence of the overall programme in Ghana.

Despite ending its general and health budget support in 2014, Denmark is still using Ghana's systems to implement its programmes. Indeed, each programme is implemented directly by Ghanaian partners and follows the partners' processes. In addition, Denmark promotes alignment and harmonisation through the use of joint funding mechanisms aligned to national systems to fund non-governmental organisations and private sector associations.

Finally, detailed risk assessments, regularly updated to take into account changes in the context, inform programme delivery design. For instance, corruption risk assessments have influenced Denmark's choice of implementing partner for the third and final phase of the Support to Private Sector Development Programme, resulting in a move away

from government support in favour of funding programmes with private sector actors. Being transparent with the government of Ghana on the risk mitigation strategy, including corruption concerns, has also facilitated effective risk management.

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### Decreasing engagement in donor co-ordination

In a context of limited ownership of donor co-ordination by the Government of Ghana (Box C.3), Denmark has played a leading role in supporting the implementation of aid effectiveness principles in the country. By actively engaging in the various co-ordination forums and using its political relationship with the government, Denmark has supported co-ordination between the government and the donor community, often playing a useful mediation role.

Denmark is now decreasing this level of engagement and leadership in donor co-ordination, including its participation in the co-ordination group for EU joint programming. The rationale for this withdrawal is based on Denmark's exit from ODA-based development co-operation in 2020. However, given Denmark's ongoing interest in the catalysing role its ODA finance plays, and its broader development goals in Ghana, this withdrawal may be premature.

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### Denmark partners with the private sector and NGOs to design and implement its programme

The human rights-based approach developed within The Right to a Better Life (Danish Government, 2012) has guided Denmark's partnerships in Ghana. Since 2012, Denmark has moved from a government-to-government relationship with Ghana to engagement with a wide range of rights holders, notably private sector and non-governmental organisations. For instance, Denmark supports business associations in its private sector programme and relies on the advice of a private sector sounding board to influence its strategy on private sector development. This holistic approach helps Denmark address development challenges from different entry points. In particular, support to local CSOs has been instrumental in implementing Denmark's development co-operation in Ghana while strengthening their advocacy role. This approach to civil society is in the spirit of Agenda 2030.

Denmark is putting a strong emphasis on strengthening the institutional and individual capacities of its partners, using a wide range of instruments such as technical assistance and training facilities. This is consistent with Denmark's phasing-out objectives, as capacity building activities can help strengthen sustainability once ODA-funded development co-operation ends.

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### Partnerships focused on results

Denmark's relationship with partners is focused on results: it agrees expected results jointly, supports partners to build their own monitoring and evaluation mechanisms, and discusses output indicators annually with partners. Such discussions on outputs inform Denmark's decision on budget allocations. Evaluations also inform decision making as evidenced by the use of findings from the evaluation of the Business Sector Advocacy Challenge Fund's evaluation to design the third phase of Denmark's private sector programme in Ghana. However, its results-based management is focused at the level of each intervention and there is no overall results framework for the country programme.

### Notes

1. Notably thanks to peaceful elections, a multi-party political system, improved institutions, press freedom and vibrant social activism.
2. With projected growth rates of 13.4%.
3. By 2015, Ghana's growth rate had slowed to an estimated 3.7% (AfDB et al, 2016), owing to major challenges in the form of a sharp currency depreciation, a severe energy crisis, deteriorating macroeconomic imbalance, and rising inflation and interest rates. Meanwhile, there is evidence of growing spatial disparities and increasing income inequality across regions, especially in the three northern regions. While previously high levels of growth have helped Ghana to make overall progress against the MDGs, performance is uneven with notable lags on MDGs 4 on 5 (reducing child and maternal mortality) and MDG 7 (sanitation). In the run-up to the November 2016 elections, tensions are expected to heighten as public resentment grows at ongoing electricity and fuel shortages, high inflation and currency depreciation (EIU, 2016). ). Ghana's growth rate is projected to rise to 5.8% in 2016 and 8.7% in 2017.
4. In 2014, net ODA to Ghana was USD 1.126 billion, of which 52% was provided bilaterally.
5. Denmark is responsible for more than 10% of global sea transport, measured in value.
6. The third phase of the Support to Private Sector Development Programme focuses on enhancing the business-enabling environment through business advocacy and skills and development activities; Danida business instruments provide support for local private sector development through seed funding and other incentives.
7. Of all companies funded through Danida business instruments in Ghana, key success stories include West African Fish, Margins Group (ICPS) , FK Slamson, Gom Space.
8. In 2016, Denmark's business advocacy programme in Ghana (BUSAC) assisted the cashew industry in Ghana, including an IFU portfolio company, MiM Cashew to make their case to the Ministry of Trade and Industry for local processing of cashew before export. This will facilitate regulatory reform and new export opportunities for local processing firms once firmly enforced (information based on interviews with the embassy of Denmark in Ghana).
9. Through its business advocacy programme in Ghana (BUSAC), Denmark has contributed to a signification reduction in the days required to register a business (from 85 to 2 days) and to an increase in the number of commercial courts (from 6 to 12).
10. Of the total budget of DKK 140 million, DKK 35 million is allocated to the BUSAC fund for business advocacy work, DKK 95 million is allocated to the Skills Development Fund and DKK 10 million funds Danida aid for programme coordination, reviews, research, and M&E.

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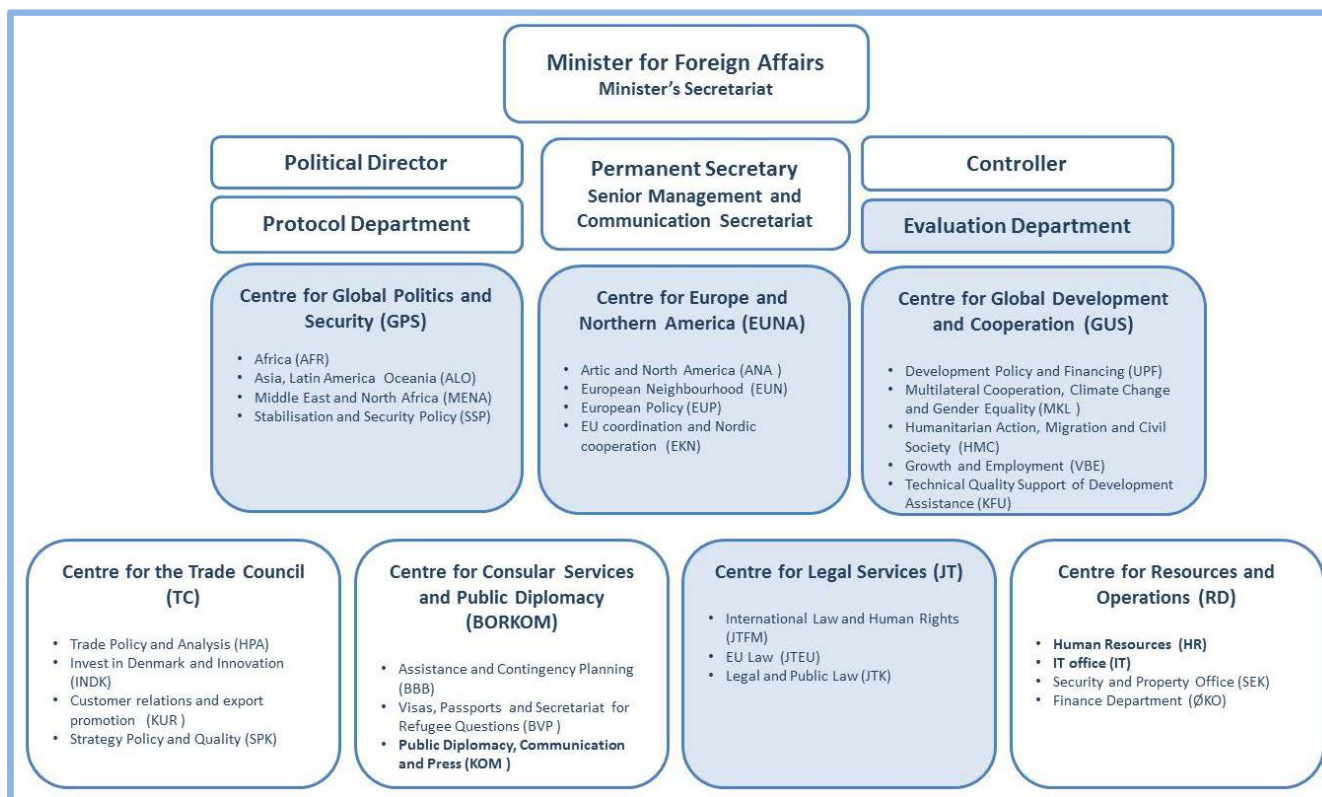
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## Annex D: Organisational structure



*Note:* Development co-operation activities are carried out in the highlighted centres and departments. Services in bold also provide support to implement the development co-operation programme.

## **ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT**

The OECD is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD member countries are: Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The European Union takes part in the work of the OECD.

OECD Publishing disseminates widely the results of the Organisation's statistics gathering and research on economic, social and environmental issues, as well as the conventions, guidelines and standards agreed by its members.

### **DEVELOPMENT ASSISTANCE COMMITTEE**

To achieve its aims, the OECD has set up a number of specialised committees. One of these is the Development Assistance Committee (DAC), whose mandate is to promote development co-operation and other policies so as to contribute to sustainable development - including pro-poor economic growth, poverty reduction and the improvement of living standards in developing countries - and to a future in which no country will depend on aid. To this end, the DAC has grouped the world's main donors, defining and monitoring global standards in key areas of development.

The members of the DAC are Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, the European Union, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, the United Kingdom and the United States.

The DAC issues guidelines and reference documents in the DAC Guidelines and Reference Series to inform and assist members in the conduct of their development co-operation programmes.



# OECD Development Co-operation Peer Reviews

## DENMARK

The OECD Development Assistance Committee (DAC) conducts periodic reviews of the individual development co-operation efforts of DAC members. The policies and programmes of each member are critically examined approximately once every five years. DAC peer reviews assess the performance of a given member, not just that of its development co-operation agency, and examine both policy and implementation. They take an integrated, system-wide perspective on the development co-operation and humanitarian assistance activities of the member under review.

### Contents

Denmark's aid at a glance

Context of the peer review of Denmark

The DAC's main findings and recommendations

Chapter 1. Towards a comprehensive Danish development effort

Chapter 2. Denmark's vision and policies for development co-operation

Chapter 3. Allocating Denmark's official development assistance

Chapter 4. Managing Denmark's development co-operation

Chapter 5. Denmark's development co-operation delivery and partnerships

Chapter 6. Results management and accountability of Denmark's development co-operation

Chapter 7. Denmark's humanitarian assistance

*Annex A.* Progress since the 2011 DAC peer review recommendations

*Annex B.* OECD/DAC standard suite of tables

*Annex C.* Field visit to Ghana

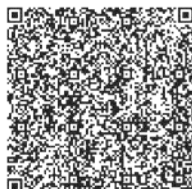
*Annex D.* Organisational structure

Consult this publication on line at <http://dx.doi.org/10.1787/9789264259362-en>.

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