



DEVELOPMENT CO-OPERATION TIPS TOOLS INSIGHTS PRACTICES

In practice

ICELAND'S EVALUATION OF IN-DONOR REFUGEE COSTS LEADS TO CHANGE IN ACCOUNTING

Key messages

The costs of hosting asylum seekers and refugees make up a large share of Iceland's official development assistance (ODA), but accounting for these costs is complicated, not least by the number of agencies involved. Iceland has conducted an evaluation of its working methods and accounting procedures for reporting its in-donor refugee costs. As a result, it has begun to improve the efficiency and accuracy of its data collection, analysis and reporting. Its experience offers lessons for other DAC member countries.

Keywords

[Crises, fragility and humanitarian assistance](#) | [Official development assistance allocations](#) | [Institutional arrangement](#)

Key partner

[Iceland](#)

Challenge

[In-donor refugee costs](#) are the costs to countries of assisting refugees on their soil. Development Assistance Committee (DAC) members can count the costs of such assistance for a period of up to 12 months as official development assistance (ODA) and report them to the OECD's Creditor Reporting System (CRS). However, tracking these costs in real time can be challenging for all members. Inaccurate cost estimates and delays in reporting have made it difficult for Iceland to meet its ODA targets. Another challenge is the multiplicity of identification numbers assigned to asylum applicants, including from the Directorate of Immigration registry, the Icelandic police and the healthcare system, as well as a permit identification number if granted protection. This makes it complicated to track costs across the administration.

Approach

Over the period 2016-2020, [ODA classified as in-donor costs for asylum-seekers and quota refugees in Iceland](#) amounted to just over ISK 7 billion (USD 48 million), accounting for 16% of Iceland's gross ODA disbursements over this five-year period. As these costs constitute a significant proportion of Iceland's ODA, the MFA has sought a systematic way to categorise them across the administration and report on them regularly throughout the year, in order to provide more accurate estimates.

An [evaluation](#) of the working methods and accounting procedures for reporting costs of asylum-seekers and refugees made recommendations for reform. Commissioned by Iceland's Ministry of Foreign Affairs (MFA) in 2021, the evaluation compared approaches across the different entities involved in providing subsistence, housing, health care and other assistance. The objective was to find a way to increase the efficiency, effectiveness and coherence of data collection, analysis and disclosure, in line with Iceland's Public Finance Act, its Development Policy, the regulation on municipal accounting, and the [OECD DAC/CRS Reporting Directives](#) and [criteria](#) for migration-related investments that are ODA-eligible.

Results

Iceland is using the evaluation's recommendations to improve its accounting system. This will allow for:

- **Harmonised accounting practices** across the various entities responsible for reporting these costs to the OECD: the municipalities, the Directorate of Immigration (UTL), the Ministry of Social Affairs, the Ministry of Finance, and the MFA. This will involve some reform, including to municipal accounting regulations and practices.
- **A single social security number** to accompany an asylum applicant throughout the process, which should help to improve the collection of information, and to harmonise the accounting of costs across municipalities and the Directorate of Immigration. The Department of Statistics and Finance in the MFA has the lead in taking this forward and is working with the Ministry of Finance to review the methodology and plan how to work with responsible parties.
- **A common database or dashboard** containing all relevant information for each applicant, from the submission of the request until the granting of protection or rejection of the request, to help with information gathering and management.
- **More realistic forecasts and budgets for in-donor costs**, based on actual expenditure in previous years. Quarterly submissions to Statistics Iceland and the MFA of actual costs (classified as either ODA or non-ODA) by the various entities involved in delivering and paying for services to asylum-seekers and refugees will avoid over-estimating refugee costs and enable Iceland to programme other resources in order to meet its ODA targets.
- **Potential for considerable return on investment.** Reforming inefficient processes not only increases accuracy, but also increases efficiency, with the potential for considerable savings.

Lessons learnt

- o Many DAC members face similar challenges in accounting for in-donor costs. The following lessons learnt from Iceland's experience may help them in their efforts:
- o **Regular assessment and evaluation of in-donor refugee costs** is a good practice to ensure value for money and highlight areas for improvement.
- o **Attributing a single social security number to asylum seekers** can make it easier to track costs.
- o **Submitting more frequent (e.g., quarterly) reports to the MFA** allows for better monitoring of costs.
- o **Regular consultation and a discussion forum** can help foster a culture of continuous improvement based on learning amongst the different parties.

Further information

KPMG (2021), *Evaluation of In-donor Costs for Asylum Seekers and Quota Refugees in Iceland*, <https://www.government.is/library/01-Ministries/Ministry-for-Foreign-Affairs/Int.-Dev.-Coop/Evaluations/Evaluation%20of%20in-donor%20costs%20English%20version.pdf>.

OECD resources

OECD (2023), *OECD Development Co-operation Peer Reviews: Iceland 2023*, OECD Development Co-operation Peer Reviews, OECD Publishing, Paris, <https://doi.org/10.1787/a1552817-en>

OECD (2021), *Iceland: In-donor refugee costs in ODA*, <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/oda-in-donor-refugee-costs-iceland.pdf>.

OECD, *In-donor refugee costs in ODA*, https://qdd.oecd.org/subject.aspx?Subject=IN-DONOR_REFUGEE_COSTS.

OECD, *Migration-related activities in official development assistance (ODA)*, <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/migration-oda.htm>.

To learn more about Iceland's development co-operation see:

OECD, "Iceland", in *Development Co-operation Profiles*, <https://doi.org/10.1787/fd3d1d29-en>.

See more *In Practice* examples from Iceland here: <https://www.oecd.org/development-cooperation-learning?tag-key+partner=iceland#search>.

Last updated: 13-03-2023