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Assistance Committee**

**PEER REVIEW**

**DENMARK**



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# **OECD Development Assistance Peer Reviews: Denmark**

**2011**



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### The Peer Review Process

The 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's Development Co-operation Directorate provides analytical support and is responsible for developing and maintaining the conceptual framework within which the Peer Reviews are undertaken.

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 NGO 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.

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 Secretariat 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 Luxembourg and New Zealand for the Peer Review of Denmark on 30 March 2011.

*In order to achieve its aims the OECD has set up a number of specialised committees. One of these is the **Development Assistance Committee**, whose members have agreed to secure an expansion of aggregate volume of resources made available to developing countries and to improve their effectiveness. To this end, members periodically review together both the amount and the nature of their contributions to aid programmes, bilateral and multilateral, and consult each other on all other relevant aspects of their development assistance policies.*

*The members of the Development Assistance Committee are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, United States and the European Union.*

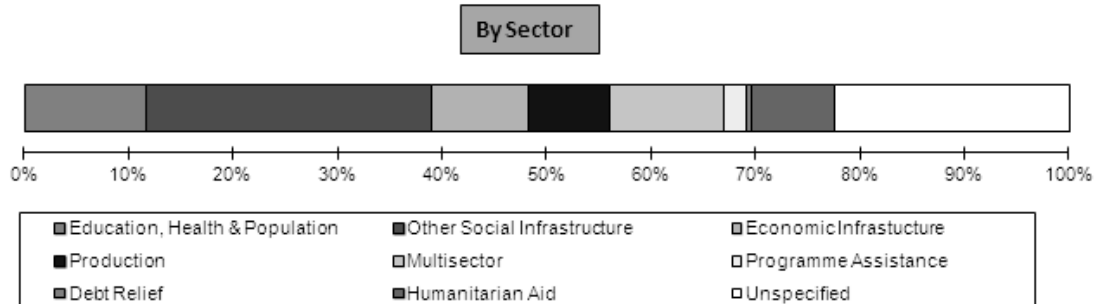
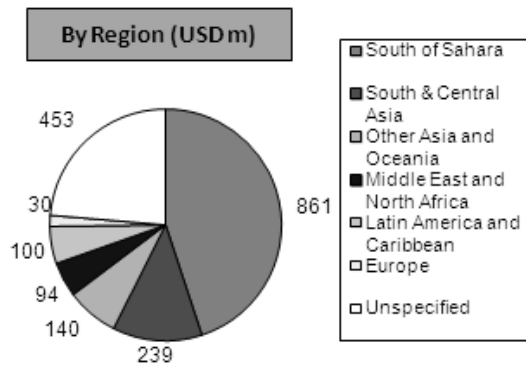
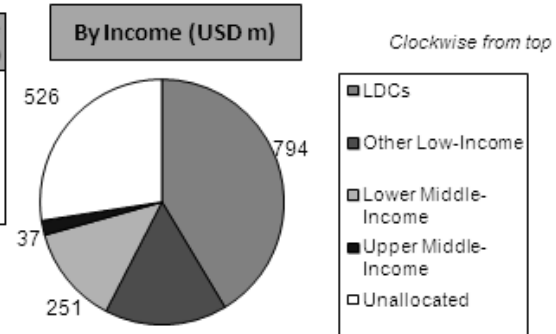
## Denmark's aid at a glance

## DENMARK

Gross Bilateral ODA, 2008-09 average, unless otherwise shown

| Net ODA                    | 2008   | 2009   | Change 2008/09 |
|----------------------------|--------|--------|----------------|
| Current (USD m)            | 2 803  | 2 810  | 0.2%           |
| Constant (2008 USD m)      | 2 803  | 2 922  | 4.2%           |
| In Danish Kroner (million) | 14 486 | 15 022 | 3.7%           |
| ODA/GNI                    | 0.82%  | 0.88%  |                |
| Bilateral share            | 65%    | 68%    |                |

| Top Ten Recipients of Gross ODA (USD million) |     |
|---|-----|
| 1 Tanzania                                    | 113 |
| 2 Mozambique                                  | 96  |
| 3 Uganda                                      | 88  |
| 4 Ghana                                       | 87  |
| 5 Viet Nam                                    | 75  |
| 6 Afghanistan                                 | 68  |
| 7 Kenya                                       | 62  |
| 8 Nigeria                                     | 56  |
| 9 Benin                                       | 50  |
| 10 Bangladesh                                 | 47  |
| Memo: Share of gross bilateral ODA            |     |
| Top 5 recipients                              | 24% |
| Top 10 recipients                             | 39% |
| Top 20 recipients                             | 57% |



## Exchange rates (EUR per USD):

| 2007   | 2008   | 2009   |
|--------|--------|--------|
| 0.7305 | 0.6933 | 0.7181 |

## Exchange rates (DKK per USD):

| 2007   | 2008   | 2009   |
|--------|--------|--------|
| 5.4426 | 5.1675 | 5.3465 |

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## Acronyms

AFDF African Development Fund  
AU African Union

CAMPUS Joint State Education System  
CDM Clean Development Mechanism  
COP15 2009 United Nations Conference on Climate Change  
CSO Civil society organisation  
CSP Country strategy papers

DAC Development Assistance Committee  
DIIS Danish Institute for International Studies

ECOWAS Economic Community of West African States  
EU European Union

GAVI The Global Alliance for Vaccines and Immunization  
GEF Global Environment Facility  
GFATM The Global Fund to Fight AIDS, Tuberculosis and Malaria  
GNI Gross national income  
GNP Gross national product

HLF-4 Fourth high level meeting on aid effectiveness to be held in Busan in 2011  
IATI International Aid Transparency Initiative  
IBRD International Bank for Reconstruction and Development  
IDA International Development Association  
IDPs Internally displaced persons  
IHP International Health Partnership  
IGAD Inter-Governmental Authority on Development  
IMF International Monetary Fund  
IO Investment Fund for Central and Eastern Europe

MDGs Millennium Development Goals  
MFA Ministry of Foreign Affairs  
MoD Ministry of Defence  
MOPAN Multilateral Organisation Performance Assessment Network  
MRS Monitoring Results Contracts (Danida acronym)

NATO North-Atlantic Treaty Organization  
NDF Nordic Development Fund  
NGO Non-governmental organisation

ODA Official development assistance  
OECD Organisation for Economic Co-operation and Development

PCD Policy coherence for development  
PFM Public financial management  
PLUS Performance and Leadership Development Interview  
PRSP Poverty reduction strategy paper

UN United Nations  
UNDP United Nations Development Programme  
UNFCCC United Nations Framework Convention on Climate Change  
UNFPA United Nations Fund for Population Activities  
UNHCR United Nations High Commissioner for Refugees  
UNICEF United Nations Children’s Fund  
UNRWA The United Nations Relief and Works Agency for Palestine Refugees in the Near East

WB The World Bank  
WFP World Food Programme  
WHO World Health Organization  
WTO World Trade Organization

**Signs used**

DKK Denmark Kroner  
EUR Euro  
USD United States Dollar  
- (Nil)

## The DAC's main findings and recommendations

### Overall framework for development co-operation

#### *Legal and political orientations*

##### *Robust foundations and political backing for fighting global poverty*

Danish development co-operation enjoys continued popular support and understanding in parliament, civil society and among opinion leaders. The Minister for Development Co-operation and Danida, informed civil society actors, and the parliamentary committees involved in development co-operation keep the debate about development in the public domain, thus maintaining critical support for and awareness of the issue. This public debate undoubtedly contributes to the continued political commitment to exceed the UN target of providing 0.7% of gross national income as official development assistance, as well as to achieving the Millennium Development Goals, implementing cutting-edge policies and taking up international leadership on global issues such as climate change, and gender equality and women's empowerment. Nevertheless, while there is a shared consensus politically that Denmark should punch above its weight in international development, the new strategy for Danish development co-operation – *Freedom from Poverty: Freedom to Change* – was adopted by only a small parliamentary majority in 2010. A contributing factor may have been the divergent views between political parties on the government's decision to freeze official aid at 2010 nominal levels between 2011 and 2013, announced shortly before parliament met to approve the strategy.

The Danida Board and the Council for International Development, both created by Denmark's 1971 Act on International Development Co-operation (amended in 2002), are mandated to provide independent advice to the Minister for Development Co-operation on development issues. However, while the board is fulfilling its mandate to provide advice and recommendations to the minister on Danida's strategies, policies and programmes, the council is not playing its role as a sounding board on development issues more generally. There is scope for the minister to reinvigorate the role of the council, which could play a more active role in public debates about development.

##### *A clear new vision for development*

Denmark's new strategy, *Freedom from Poverty*, commits Danish development policy to the over-riding goal of poverty reduction through sustainable development, and places greater emphasis on economic growth and employment. The policy prioritises five broad areas:

- i. growth and employment

- ii. freedom, democracy and human rights
- iii. gender equality
- iv. stability and fragility
- v. environment and climate.

Denmark has considerable development co-operation experience on which to draw in implementing these priorities, with the exception of stability and fragility and, to a certain extent, growth and employment. The DAC appreciates that former cross-cutting issues – gender equality and women’s empowerment and environment – are recognised as core priorities for Danida. The strategy provides for general continuity in Denmark’s choice of development priorities. It contains little explicit focus on traditional sectors such as education and water and sanitation, which Danida continues to support in several partner countries and the implications of the new strategy on these traditional areas of Danish expertise. It does not outline how Denmark’s commitment to aligning to partner country priorities and to division of labour will affect how it achieves its new priorities. The *Guidelines for Programme Management*, currently being revised, should clarify how the new priority directions will be put into effect so that staff can move forward and Denmark’s partners can plan accordingly.

The linkages between development, security and foreign policy goals are more explicit in the new strategy. This marks a departure from more altruistic motivations for giving aid: *Freedom from Poverty* notes that “development policy is also *realpolitik*”. This focus on Danish interests also reflects greater public pressure to justify why Denmark gives aid. Denmark’s continued commitment to the MDGs and poverty reduction is critical to ensure that short-term foreign and security policy pressures, when they emerge, do not put at risk the overall long-term interest in effective development.

Denmark considers that its comparative advantage in development co-operation stems from both the way its own society is organised and its specific experience in various sectors. *Freedom from Poverty* embeds core values such as freedom, democracy, human rights and gender equality in Denmark’s strategic priorities. These values are key drivers of Danish development assistance, which also emphasises zero tolerance of corruption, a focus on results, and an agenda to influence its partners. Denmark should be pragmatic in pursuing its objectives in partner countries, and should continue to respect local needs.

*Freedom from Poverty* identifies two particular challenges for Danida: (i) willingness to take risks to make Danish aid robust, flexible and dynamic; and (ii) engaging in fragile states. Both these challenges were highlighted in the 2007 peer review. Denmark’s focus on defining risk jointly with international partners, and the priority it intends to give to risk management at the Fourth High Level Meeting on Aid Effectiveness in Busan in 2011 are both commendable. The new concept of risk being developed by the ministry should also help it to be realistic about how it intervenes in different country contexts. It will also need to build capacity of staff to manage risks accordingly.

The last peer review found that criteria for selecting partner countries favoured stable and well-performing states, making Denmark appear risk averse. Denmark has now established new criteria for selecting partner countries. While recognising that partner selection is ultimately a political decision, selection criteria look at partner countries’ development needs, Danish national interests, and whether Denmark can make a

difference and achieve results. These new, more flexible, criteria pave the way for Denmark's active engagement in fragile states.

Denmark plans to withdraw gradually from 11 partner countries, seven of which have already been identified, in order to concentrate its bilateral aid in 15 priority partners. When deciding to phase out, Denmark should review how its decisions fit with the wider division of labour with other donors. Moreover, Denmark can apply lessons from previous phasing out experiences to ensure that this sensitive process is managed strategically and sustainably.

In November 2010 the MFA published *Peace and Stabilisation, Denmark's Policy Towards Fragile States, 2010-2015*. In addition to global security and terrorist concerns, Denmark's drive for greater engagement in fragile states recognises that countries furthest from achieving the MDGs are often those affected by war, conflict, violence and instability. According to its new list of partner countries, Denmark will engage in 11 fragile states over the long term, focusing on state building whilst ensuring cohesion between Danish foreign and security policy; co-ordinated military, political, humanitarian, and development approaches towards a common goal; and integrated planning. This commitment to and specific focus on fragility and stability is welcome.

#### *A good, strategic, multilateral donor*

Denmark is reflecting on the future of the multilateral aid system, and along with other donors, is seeking to assess how effective the multilateral agencies are, and how their performance could be improved. It has become more strategic in how it works with multilateral organisations, as suggested by the last peer review. It couples results-oriented three to five-year strategies with increased core contributions to several UN agencies and the World Bank; core funding now represents 88% of Denmark's contribution to the multilateral system. Moreover, Denmark allocated funds to 87 multilateral organisations in 2009 – 69 fewer than in 2004. The number of small contributions – below DKK 5 million (approximately USD 900,000) – has also fallen from 105 in 2004 to 37 in 2009. Having missions in Geneva, New York, Rome and Washington with the authority and capacity to engage with multilateral organisations has contributed to building stronger and more strategic relations, including annual dialogue meetings to review progress and agree plans for the coming year. Nevertheless, Denmark is aware that it needs to avoid increasing administrative burdens on multilateral organisations through parallel Denmark-specific requirements. Denmark should build on the consultations its mission to the UN held with the Utstein donors on 'Good Multilateral Donorship' in 2010 and continue to develop its ideas on this jointly with other donors.

Denmark will seek strategic co-operation with the European Union, selected UN agencies and the World Bank Group, particularly to implement its priorities on growth and employment and in fragile states. This is an efficient approach to working with relevant partners and using their comparative advantages.

#### *The need for more coherent communication by Danida*

The Ministry of Foreign Affairs is aware that it is important to have public support for development co-operation and has a long tradition of engaging the Danish public, opinion leaders and Danish civil society organisations in the subject. The ministry is particularly sensitive to the need to communicate the results of its development co-operation work, but it is equally aware that this is a challenging task. While the ministry's quality assurance and communication units work together to gather stories that illustrate results,

they still lack solid data to demonstrate achievements and address public scepticism about whether aid is effective. How to demonstrate value for money and communicate achievements is therefore a priority. The DAC encourages Denmark to share more broadly its own experiences with other donors so as to build good practice on demonstrating results while being accountable to partner countries and Danish taxpayers.

Since the last peer review, the Ministry of Foreign Affairs' emphasis on becoming a proactive, open, transparent and trustworthy communicator has led to a cultural change in its communications. It has also made staff more open to engaging with the media, a change brought about by efforts to build staff capacity in communication and media relations. These efforts included training all new employees in communication and contact with the media, and holding a course on press relations for communication officers and staff going on postings. The ministry is now preparing a communication strategy which will give more prominence to Danida as a brand. As it does this, the ministry should avoid "flag-raising" in order to respect and support the ownership of partners. In addition, the strategy identifies priority communication themes. All the centres, when communicating about development, should reinforce these core messages.

### ***Promoting development beyond aid***

Aid alone cannot ensure development. Alongside official development assistance, other financial flows and domestic policies of donor countries also have a significant impact on developing nations. *Freedom from Poverty* commits Denmark to strengthening its overall engagement in developing countries where aid is only part of the overall development picture. It plans to do this by building on Danish experience in co-ordinating civil and military efforts, and by expanding on successes in migration and climate. Nevertheless, Denmark realises that it still needs to improve coherence among domestic and EU policies in relation to development, including through greater levels of awareness in other sector ministries. This will be one of the objectives of the plan on policy coherence for development being prepared by the Ministry of Foreign Affairs. The ministry could also consider re-establishing the inter-ministerial working group on coherence (set up to prepare *Freedom from Poverty*) as a mechanism for building awareness and implementing the plan. The DAC encourages Denmark to finalise and start implementing this plan as a matter of priority. The ministry also plans to use its EU decision-making procedures so that they focus more consistently on development. This is welcome. Denmark should seize the opportunity of its 2012 EU presidency to increase the attention the EU gives to development beyond aid.

Domestically, Denmark still needs to build on its existing inter-governmental co-ordination committees to promote policy coherence in areas that go beyond the foreign affairs mandate, as was recommended in the 2007 peer review. There are several suitable mechanisms, across government and in the prime minister's office, but none is mandated to ensure that policies are coherent with development goals. For example, the Co-ordination Committee chaired by the Prime Minister addresses policy coherence at the national level; inter-ministerial committees deal with specific issues, such as migration and the environment; and Denmark is working on whole-of-government approaches in a number of countries (*e.g.* in Afghanistan, and in Somalia). The next step for Denmark will be to design a cross-government system to promote, monitor and report on Denmark's progress in achieving coherence.



## Recommendations

Denmark's foundation for development co-operation is solid, and as it implements *Freedom from Poverty* Denmark should:

- 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.
- 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.
- 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.
- 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. Work with the Council for International Development to promote public debate about development.
- 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.

## Aid volume, channels and allocation

Denmark has exceeded the UN target of providing 0.7% of national income as official development assistance for more than 30 years, reflecting its long-standing commitment to poverty reduction and development. Danish official development assistance amounted to USD 2.8 billion in 2009, equivalent to a ratio of 0.88%, which made Denmark the 12th largest DAC donor by volume and the 4th by percentage of national income. As part of measures to reduce its deficit for 2011 to 2013, Denmark will freeze its aid commitments at the 2010 nominal level over that period. This could cause Denmark's ratio to fall below 0.8% for the first time since 1983. Should this happen, the DAC encourages Denmark to return, as soon as possible, to its stated goal of 0.8% of aid to income ratio.

The predictability of Danish aid is assured by the Danish budgeting process at two levels. Firstly, the draft Finance Act and the annual publication of aid figures for the coming five years outline committed and planned contributions to partner countries, multilateral organisations, NGOs and other partners. Secondly, planned aid flows are included in bilateral agreements with partner countries, and a three-to-five year disbursement plan is built into programme documents. Denmark will enhance the transparency of its commitments to partner countries by publishing the relevant sections of the aid budget directly on embassy websites.

It is positive that Denmark is determined to continue to provide aid to the world's poorest and most fragile countries. This policy is apparent in its aid figures. For example, in 2009 60% of its gross bilateral disbursements went to least developed countries. In

addition, in 2011 the government committed an extra DKK 200 million to strengthening efforts in African countries, DKK 1 009 million to fragile states, and DKK 515 million for Afghanistan.

Meeting its objectives under the new strategy may require Denmark to rethink how it implements activities in the field. Sector budget support is Denmark's default modality for government-to-government assistance. However, Denmark recognises that this modality may not always be the most appropriate for programmes focusing on and engaging with a range of state actors and that other arrangements may also be needed when the public sector is barely functional. Danida staff and key development partners need clear direction and guidance on how to work best in such situations. The Ministry of Foreign Affairs will also need to maintain guidance, as a flexible 'tool box', on which approaches, other than sector budget support, can best contribute to building the capacity of partners' financial, monitoring and reporting systems.

#### *Cross-cutting issues and climate financing*

Denmark is well regarded for its commitment to, and progress in, mainstreaming the environment, gender equality and women's empowerment into its overall programme. Nevertheless, in light of international pressure to support climate change actions, there is a risk that Danida's environment focus will be predominantly on climate, which could undermine its commitment to broader environmental issues.

In 2009, Denmark pledged DKK 1.2 billion (USD 231 million) to climate financing for 2010-2012. Since there is no agreed international baseline for assessing whether pledged funds are "new and additional", each country determines whether their pledges are additional aid. According to the Danish government, its climate financing was additional in 2009 and 2010 because it did not reduce allocations to previous commitments in other development sectors. However, in light of the budget freeze, it is possible that Denmark's contribution to fast start financing in 2011 and 2012 will squeeze out other planned activities.

### **Recommendations**

Denmark is recognised and valued as a generous and predictable donor, committed to alleviating poverty in the poorest regions of the world. When implementing its new strategy, it should also:

- Demonstrate publicly if, and how, its climate financing is additional to what it already gives as ODA and help to advance international efforts to establish an agreed baseline for measuring the additionality of climate financing.
- 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.

### **Organisation and management**

According to the Ministry of Foreign Affairs, the release of *Freedom from Poverty* in 2010 and the re-organisation of the ministry in 2009 into 11 units, or centres, complete

the integration of development co-operation across the ministry. Under the new structure, the Centre for Development Policy is responsible for co-ordinating Denmark's development policy and humanitarian action, while seven other centres are involved in development co-operation activities. This reorganisation was an important step towards creating a flexible organisation to address the challenges and opportunities raised by globalisation. It is too soon to determine the impact the new strategy and the reorganisation have on the ministry's ability to address global challenges. However, creating a new layer of managers through the 11 centres has made decision making and co-ordination among staff more complex, and rendered reporting lines unclear. Fine tuning will therefore be necessary to build efficient mechanisms for decision making across the centres.

#### *Learning from its decentralisation experience*

As recommended in the 2007 peer review, Denmark has evaluated its decentralised structure and is now implementing the evaluation's recommendations. The evaluation concluded that the decentralisation process was effective. In addition, decentralising authority to missions in Geneva, New York, Rome and Washington has helped to strengthen Denmark's co-operation with key multilateral partners. The challenges identified in the evaluation relate to human resource capacity and the need to improve mechanisms for dialogue between embassy and headquarters staff. Co-ordination mechanisms need adjusting, however, especially to ensure coherence among headquarters, embassies and missions. Denmark also needs to maintain a minimum level of headquarter engagement with its main multilateral partners to inform its policy and allocation decisions. The evaluation also raised important lessons and recommendations for other donors, for example on tools for programme management and mechanisms for quality control. DAC members are urged to learn from Denmark's experience.<sup>1</sup>

#### *Building on improvements in human resource management*

Following the 2007 peer review, the Ministry for Foreign Affairs made a number of positive changes to its human resource management. It set up a new human resource department and wrote a human resource strategy. It is now preparing a policy to guide postings in fragile states. Moreover, the ministry has responded to the 2007 recommendation to improve the career development structure for locally-recruited employees in embassies. For example, it has established minimum standards for pay and over-time compensation and increased mobility of staff between embassies. The DAC encourages the ministry to build on its ongoing efforts to value, respect and give opportunities to their locally-employed staff in order to retain this important resource for Danida.

Human resource constraints have been a challenge for the Ministry for Foreign Affairs for several years. By 2013 the ministry will have to reduce its payroll by approximately DKK 71 million, the equivalent of 135 positions. In this context, it is essential that the ministry capitalises on the expertise of its development staff, including locally-recruited employees, and prioritises staff tasks. Denmark could also review whether its policy of focal points in embassies is the most effective way of achieving its objective to mainstream priority issues. While the ministry prefers generalist professionals over development specialists, because generalists tend to be more mobile, it must retain a core of specialists at headquarters and ensure that they have the right skills

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1. The evaluation report can be accessed at [www.um.dk/en/menu/DevelopmentPolicy/Evaluations](http://www.um.dk/en/menu/DevelopmentPolicy/Evaluations).

to help embassies implement Danish aid. The DAC also encourages the ministry to continue to build on its excellent approach to competence development, which is an important tool for sustaining quality.

#### *Revising its results-based framework*

Denmark, like the rest of the donor community, faces the challenge to improve reporting and document development results, a core priority addressed in *Freedom from Poverty*. In the current set up to manage programmes, results are determined using partners' reporting systems, while embassies have their own systems to feed into the comprehensive and public project database. However, it is hard to aggregate results to demonstrate how overall achievements relate to strategic priorities. In addition, embassies and missions report annually on more than 350 selected output indicators. In these self-assessments, embassies rate their level of satisfaction with progress made against indicators, and aggregate satisfaction rates are listed in the annual report submitted to parliament. However, this measures progress against output indicators only. The ministry is therefore revising its results-based framework and is aware that it needs to be both realistic for monitoring and reporting, and sufficient to meet the constant need to demonstrate results. To this end, annual roadmaps are being prepared where goals will be set in key areas and monitored annually. Denmark also needs to identify how risks can be factored into indicators and performance reporting. The DAC welcomes the research programme launched by Danida in 2010 on measuring and documenting the results of development co-operation. Denmark is encouraged to broaden the involvement of other DAC members in this work as well as in its efforts to couple managing risk with managing for results.

### **Recommendations**

In order to fine tune its organisational set up the Ministry of Foreign Affairs should:

- 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.
- 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.

### **Practices for better impact**

Denmark is an internationally-recognised advocate and a leader in implementing more effective aid in line with the Paris Declaration principles and the Accra Agenda for Action. Danida puts partner country ownership at the heart of planning and programming, works to align sector support to partner country priorities, and targets a limited number of sectors in each partner country to maximise its value and efficiency. Danida's engagement with civil society organisations and international organisations also focuses on improving the quality of aid.

The Ministry of Foreign Affairs has addressed the 2007 peer review recommendation to become more effective at country level by participating in joint donor assistance strategies and creating incentives to deliver aid more effectively. For example, sector budget support is now Denmark's default aid modality. In Mali Denmark shows a good example of how it provides budget support in sectors with weak institutional structures, requiring intense support and capacity development. Together with Sweden, Denmark has set deadlines and clear conditions for providing sector budget support for water and sanitation. This has motivated the Government of Mali to strengthen its institutions and capacity within a specific timeframe. If Mali does not achieve the objectives set jointly with Denmark and Sweden within the timeframe, the date for providing sector budget support will be pushed back until the objectives have been met. Malian officials are satisfied with the approach, which instils a sense of mutual accountability.

Denmark's embassies, with good support from headquarters, have sufficient flexibility to implement Paris and Accra commitments. They have several tools to manage programmes, including obligatory action plans for implementing these commitments, which embassies seek to deliver jointly with other donors and the partner government. Aid effectiveness goals and achievements are included in each embassy's annual results contract with the ministry, monitored by its department for quality assurance. At the same time, to sustain the staff commitment and capacity that is required of embassies to move forward with aligning and using partner systems, and working jointly with other donors, the ministry needs to ensure that they continue to receive adequate support from the quality assurance and technical advisory departments in the Centre for Development Policy. Moreover, current tools for supporting embassies may need to be adapted for operations in fragile states and situations, and as Denmark implements its approach to risk management.

Denmark is well placed to contribute at the international level to make aid more effective. Its upcoming presidency of the EU in 2012 and the high level forum in Busan in 2011 provide good opportunities for this. It should share its experience on decentralisation, managing risk, using country systems, capacity development and mutual accountability. These experiences could be of significant help as the donor community moves forward on these challenges.

#### *Rethinking the approach to capacity development*

Developing partner country capacity cuts across all aspects of Danish development co-operation. Most of Denmark's country programmes include components to build institutions or technical capacity in the sectors it supports. Denmark's recent reflection on how it can best support capacity development, and how well its new framework for capacity development reflects international discussions, is positive. These include instilling a more strategic focus, having realistic expectations, placing a stronger focus on results, increasing joint efforts, and conducting a frank analysis of risks and ambitions. Denmark is also revisiting its approaches to develop capacity in fragile and conflict situations, where needs are different.

Denmark's 2008 strategy for civil society organisations paves the way for implementing the Accra Agenda for Action commitments to such organisations. In particular, the overall objective of the strategy is to contribute to developing a strong, independent and diversified civil society in developing countries. In line with this, a condition for support to Danish organisations is that their work with developing country

civil society has a strong component on developing capacity. Denmark's civil society strategy is a model for other donors.

#### *Untying aid*

Denmark's food aid and technical assistance have been fully untied since 2005 and 2008 respectively. The fact that 97% of its total aid is untied puts Denmark in the top category of OECD donors with respect to untying aid. However, there is still room for Denmark to untie the partially-tied Mixed Credit Scheme and the Business to Business Programme. Further untying was also recommended by the 2007 peer review.

### **Recommendations**

Denmark has made good progress at headquarters and in country in delivering aid more effectively. It should now:

- Support efforts to make aid more effective by sharing its experiences and challenges with decentralisation, using country systems and fostering mutual accountability.
- 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.

### **Humanitarian action**

Denmark has taken bold steps towards ensuring good humanitarian donorship. As recommended by the previous peer review, Denmark has developed a new *Strategy for Danish Humanitarian Action 2010-2015*. This document sets out Denmark's overall objectives in the areas of vulnerability, climate change and natural hazards, and protecting conflict-affected populations. Denmark will narrow its partner base and deepen its engagement in a limited number of crises, focusing on ensuring added value and linking up with other Danish initiatives, thus effectively leveraging its comparative advantages in line with the principles of good humanitarian donorship.

Denmark's strategic prioritisation of climate change and natural hazards supports mainstreaming disaster risk reduction across all Danida programming. Since reducing risk of disasters is both a protection strategy for development investments and a key to avoiding costly emergency responses, the ministry should ensure that this work is not seen as a purely humanitarian issue. Assigning senior-level responsibility for risk reduction and adding risk reduction to the standard performance reports from its embassies could help raise the profile of risk reduction.

Denmark will continue to place a high value on strengthening mechanisms to deliver humanitarian aid. It believes that better results in the field come from operational flexibility and more strategic engagement with partners, and Denmark has adapted its humanitarian portfolio accordingly. There are now strategic relationships with a smaller number of partners; stronger linkages between humanitarian initiatives and development programming; and a longer-term, more predictable funding approach for strategic partners. The Ministry of Foreign Affairs is now looking at new approaches to monitoring results and impact, using a new model that builds on its partners' own monitoring systems.

The ministry has begun to recruit humanitarian specialists for advisory posts in embassies with a humanitarian portfolio. These specialists report directly to their ambassador, but also have good informal links to the humanitarian team and the Regions of Origin staff in Copenhagen. Their expertise means they can engage at a high level with all stakeholders, which is seen as a major strength by partners.

In order to mainstream humanitarian programming across its work, the ministry's new organisational structure brings humanitarian and development programme staff together. This allows for a closer working relationship and greater cross-programme linkages. The next step should be to standardise decision-making for humanitarian funding with the path followed for development programmes, while keeping a rapid response option open for sudden onset crises. This process should ensure that lessons are applied in new programme design and approval processes while ensuring timely disbursement of funds.

As noted in the last peer review, Denmark must continue to be vigilant in ensuring that humanitarian principles are not compromised under whole-of-government approaches in fragile states, especially where Denmark has a military presence. To help counter this risk, Denmark's new humanitarian strategy explicitly recognises the Oslo and Military and Civil Defence Assets guidelines and the humanitarian principles of humanity, neutrality, impartiality and independence. It should continue to ensure that these core principles are respected on the ground.

## Recommendations

Denmark has adopted a courageous and innovative approach to its humanitarian programming. To support the implementation of the new humanitarian strategy further, Denmark should:

- 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.
- 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;
- 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.





## Secretariat report

### Chapter 1

#### Strategic orientations

##### A leading, consistent and confident donor responding to global challenges

Denmark is a leading donor which has allocated more than 0.7% of its gross national income (GNI) as official development assistance (ODA) since 1978. Development co-operation benefits from continued and strong popular support and understanding in parliament, civil society and among opinion leaders. There is also public and political backing for implementing cutting-edge development co-operation policies and taking up international leadership on key global concerns. For example, Denmark has shown international leadership in climate change, gender equality and women's empowerment, pushing an ambitious agenda and achieving results since the last peer review in 2007.<sup>2</sup> Denmark was an advocate for national ownership, partnership and alignment well before the 2005 *Paris Declaration on Aid Effectiveness*, as shown in the overall development strategy in 2000. It is thus no surprise that the Paris principles and the 2008 *Accra Agenda for Action* underpin Denmark's operations in partner countries, and with civil society and international organisations.

Denmark has addressed most recommendations from the 2007 peer review (see Annex A and OECD, 2007a). In particular, it is taking up the challenge of engaging in fragile states, it recognises that risk management and the willingness to take calculated risks are central to development co-operation, and is leading an international debate about risk (Box 1). Denmark has evaluated its decentralisation of development co-operation, and is following up on the recommendations from the evaluation (Chapter 4). This report highlights good practices implemented by Danish development co-operation – also known as Danida<sup>3</sup> – from which other donors can learn, as well as some of the challenges that Danida faces.

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2. For example, Denmark's MDG3 Global Call to Action campaign launched in 2008 raised awareness of gender equality worldwide, including through demonstrating leaders and opinion makers pledging "to do something extra for gender equality" with a symbolic "MDG3 torch".
  3. Please note that Danida is not an aid agency. It is the brand name for Danish development co-operation which is managed by Denmark's Ministry of Foreign Affairs.

## A solid legal, political and institutional framework

Denmark's legal, political and overall institutional framework for development co-operation has not changed since the 2007 peer review. The 1971 *Act on International Development Co-operation*, amended in 2002, constitutes the overarching legal framework for Danida. Overall, Denmark's development co-operation is driven by (i) a parliament-approved development strategy; (ii) the annual Finance Act – which covers aid expenditures with a four-year horizon; (iii) the government's annual priority plan which identifies political priorities for the year ahead; and (iv) the various policies, sub-strategies and guidelines prepared by the Ministry of Foreign Affairs (MFA).

Institutionally, the administration of development assistance is unified under the responsibility of the MFA, led by the Minister for Development Co-operation (Figure 1 and Chapter 4). However, the Minister for Foreign Affairs also has competence for development co-operation with countries in the Middle East, with the Palestinian Administered Area and with Europe's neighbours. The MFA co-operates closely with several other government departments on issues of joint concern, such as European Union (EU) policies, environment, climate and security (Chapter 2). The Board for International Development Co-operation – the Danida Board – which was created by the 1971 act provides independent and technical advice to the Minister for Development Co-operation. Nine members sit on the board, whose advice covers development policies, strategies, action plans as well as grants to new bilateral and multilateral programmes and projects submitted to it by the ministry (Chapter 4).

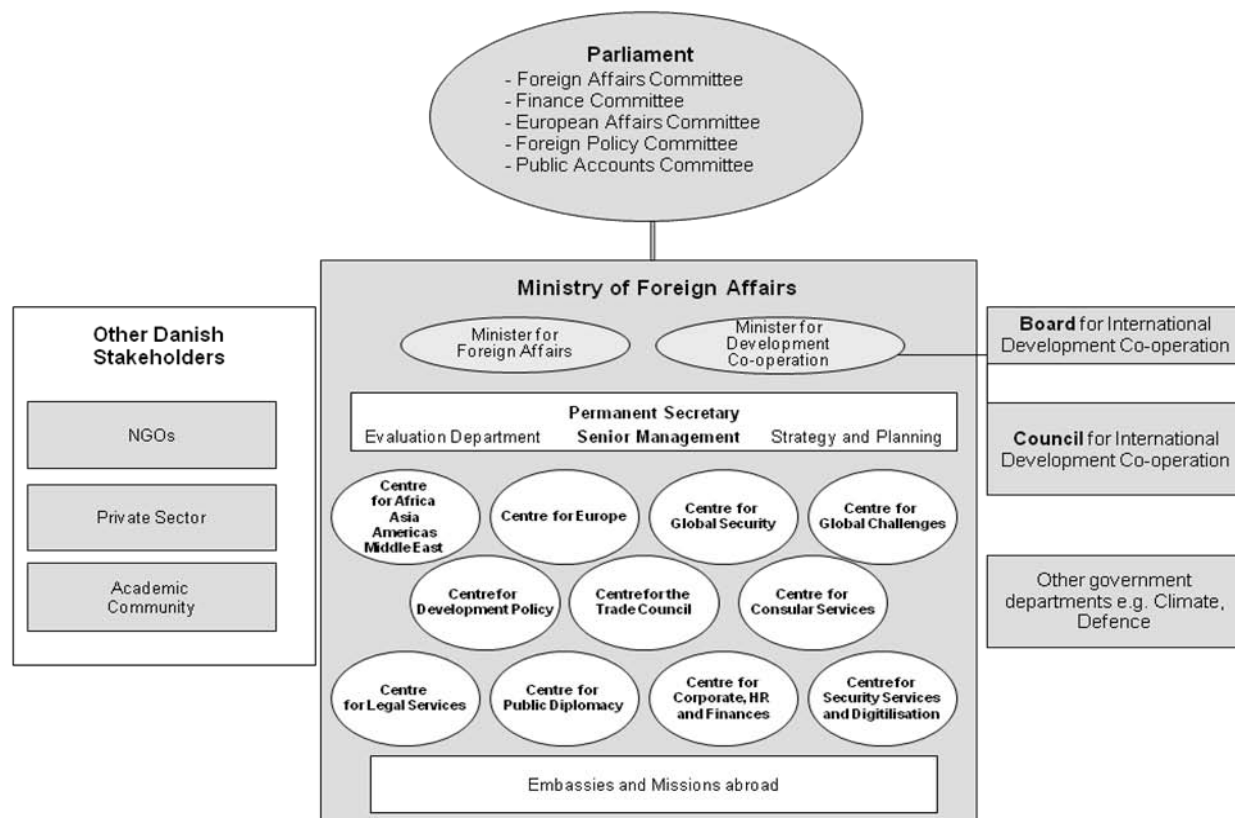
The Council for International Development – also created by the act – was established to monitor the activities of the Danida Board and put forward advice and recommendations on issues of relevance for development co-operation. However, while the council organises some public events in Denmark it is not functioning well in fulfilling the task of being a sounding board for the board and minister on development issues. It may be that the council's membership is too large for it to co-ordinate and channel specific messages on development.<sup>4</sup> There is a lot to gain from a reinvigorated council, which could play a more active role in generating public debate. The minister could capitalise on specific expertise and knowledge of council members by finding new ways for them to provide advice and recommendations on development. The council could, for example, set up informal working groups and organise informed public debates about specific challenges and opportunities in development co-operation. If successful, such activities could also generate greater public awareness.

Domestic accountability mechanisms, including for development co-operation, continue to be strong in Denmark. While parliament must approve the overall development strategy and the annual Finance Act, a number of parliamentary committees address development at the working level (Figure 1). The Foreign Affairs Committee and the Finance Committee monitor and assess development activities through regular visits to partner countries and international organisations. The Finance Committee also approves grants which are not described in the finance bill and are above a certain threshold (DKK 35 million) and ensures that public funds are administered correctly. Committee members also visit partner countries every two years. The obvious benefits of this level of parliamentary engagement are the awareness and support that it creates for development co-operation. This has undoubtedly contributed to the continued political

4. The Minister for Development Co-operation appointed 60 members in their personal capacity to the Council for the period 2011-2013.

commitment to meeting the UN target of 0.7% ODA/GNI and achieving the Millennium Development Goals (MDGs).

**Figure 1. Denmark's development co-operation system**



Source: MFA, authors' compilation.

## Maintaining a steady strategic focus

In 2010, the Danish Minister for Development Co-operation launched a new overall strategy for Denmark's development co-operation – *Freedom from Poverty: Freedom to Change* (MFA, 2010b). The strategy presents the key priorities, values and principles of Danish development policy and, according to Denmark's memorandum submitted to the DAC as part of the peer review (MFA, 2010c; referred to as "the memorandum"), it responds to new trends and challenges in development co-operation. Like its predecessor, *Partnership 2000* (MFA, 2000), the over-riding goal of Danish development policy is poverty reduction through sustainable development but with greater emphasis on freedom and on economic growth and employment. The MDGs are used to guide Denmark's efforts to reduce poverty. Denmark's primary focus will continue to be on Africa because it considers that the need for development is greatest there. Denmark also re-affirms its commitment to long-term partnerships and considering the priorities, strategies and systems of developing countries to promote local ownership.

The ministry did well in taking a transparent and consultative approach to preparing the strategy. Views were gathered from Danish parliamentarians, civil society, the media,

the private sector and the public through various consultations, including four public meetings in Copenhagen and the regions. It also took into account consultations with over 1 000 Africans representing civil society, youth, governments, universities and the private business sector, in the context of the Africa Commission, created by Denmark's Prime Minister in 2008 (MFA, 2009a).<sup>5</sup> These consultations resulted in broad agreement and ownership of the strategy's goals and priorities across Danish political parties and civil society. However, only a small parliamentary majority (90 out of 179 parliamentarians) approved the strategy. This appeared mainly to be due to opposition to the government's decision to freeze ODA at its nominal 2010 level until 2013, announced shortly before parliament met to approve the strategy (Chapter 3).<sup>6</sup>

Denmark prioritises five broad areas in *Freedom from Poverty*: (i) growth and employment; (ii) freedom, democracy and human rights; (iii) gender equality; (iv) stability and fragility; and (v) environment and climate. With the exception of stability and fragility and, to a certain extent, growth and employment, Denmark has considerable development co-operation experience on which to draw as it implements these priorities – it published two new strategies for these priorities in September 2010 and February 2011. Otherwise, *Freedom from Poverty* builds on a number of existing strategies, including on democracy and human rights; on effective and accountable public sector management; gender; support for civil society; humanitarian action and multilateral co-operation, as well on Danida's good practice in mainstreaming the environment, gender equality and women's empowerment. However, while there is general continuity in the choice of priorities, the strategy does not outline what will be left out as a result of this new prioritisation or how Denmark's commitment to aligning to partner country demands and to division of labour may affect how it achieves these priorities. For example, there is little explicit focus in the strategy on traditional social sectors such as education and water and sanitation, even though Danida continues to support these sectors in several partner countries. The Ministry of Foreign Affairs is now revising its Guidelines for Programme Management (see Chapter 4) in order to give clarity to Danida staff and partners on how programming will adapt to the new direction. It is also preparing annual roadmaps for implementing the five priorities, where goals for results will be set in key areas and monitored annually.

According to the Ministry of Foreign Affairs, sector budget support will continue to be key government to government modality in Danish development co-operation. Danida will work in a sector to achieve its overall priorities and will support fewer but larger programmes, defined together with local partners and other development actors (MFA, 2010b). At the same time, specific development co-operation programmes will not necessarily be sector defined in the future notably when priorities cut across sectors. For example, the environment and climate priority will permeate all work on growth and employment by focusing on green growth. A similar approach is being taken to private sector growth, where more comprehensive programmes will promote broad-based private sector development across several sectors (MFA, 2010d). However, Danida needs to continue, as identified in the 2007 peer review, to focus on where it can add value and

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5. The Africa Commission aimed to help Africa benefit from globalisation. It addressed ways to create employment for young people through private sector-led growth and the improved competitiveness of African economies. It concluded with specific policy recommendations for Denmark and devised concrete initiatives (MFA, 2009a).
  6. The main opposition party, the Social Democrats, is committed to achieving 1% ODA/GNI.

new programmes should try to avoid covering a wide range of issues in order to retain efficiency gains in key sectors (Chapter 3).

Denmark does not have a strict list of priority sectors: selection of focus areas is based on local needs, Danish policy priorities and Danish competencies (*ibid.*, and see Annex C, Mali). A review of Denmark's activities in partner countries shows that it is generally most active in the social and productive sectors – water and sanitation, education, public administration and civil society – as well as in agriculture and private sector development (MFA, 2010d). In 2009, Danida supported an average of three sectors in each partner country, along with good governance and general budget support in some partner countries (MFA, 2010d; Annex B). Like many other donors, Danida has a relatively large number of active policies, strategies, sub-strategies, action programmes and plans which it needs to streamline. As it implements *Freedom from Poverty*, the Ministry of Foreign Affairs should be prudent about the number of sub-strategies it will prepare and should emphasise action plans. Furthermore, the timeline of several strategies is currently unclear. The ministry is now clarifying the status of its policies and strategic documents and will develop a logical hierarchy among policy and planning instruments. To this end, it decided in October 2010 to discontinue 12 thematic and geographic strategies and policies and all new sub-strategies and policies are required to indicate their duration.

### ***Addressing new trends and challenges***

*Freedom from Poverty* responds to global trends and development challenges in a number of ways. The strategy clearly anchors Danish development co-operation as an integral part of Denmark's foreign and security policy (MFA, 2010b). Moreover, development co-operation is one of the MFA's six strategic goals - a freer, fairer and more economically and environmentally sustainable world (MFA, 2010a). While poverty reduction remains the over-riding goal, the strategy recognises that "development policy is also realpolitik" and "[G]lobal responsibility and promoting universal values of freedom go hand in hand with safeguarding our own interests." This focus on Danish interests is more explicit than in the previous strategy and reflects greater pressure on the government to justify why Denmark gives aid. According to Danish academics, this is the first time that Denmark has departed from the "charity" model and made explicit links with foreign and security goals. That Denmark is keeping the MDGs and poverty reduction central in all its co-operation is important and can help ensure that short-term foreign and security policy pressures, when they emerge, do not put at risk the overall long-term, common interest in effective development.

Denmark considers that its comparative advantage in development co-operation stems from both the way its own society is organised and its specific experience in various sectors. For example, democracy, individual freedom, openness, local ownership, and gender equality are considered to be core Danish values (MFA, 2010b). These values are now embedded as overall priorities of Danish development co-operation with freedom, democracy and human rights and gender equality as two of five overall priorities. The strategy also emphasises open partnerships, zero tolerance of corruption, a results focus, and an agenda to influence its partners. Being clear about these priorities is good for transparency. At the same time, Denmark will work in increasingly diverse contexts where it needs to be mindful of local needs and the interests and priorities of its partners – including other donors. It should therefore be pragmatic and flexible in pursuing its objectives.

### *A willingness to take risks*

The 2007 peer review recommended that Danish development co-operation strike a balance between the short-term need to achieve and demonstrate results in order to reinforce public and political support, and the need to be innovative and to pursue the aid effectiveness agenda (Annex A; OECD, 2007a). Denmark has responded to this recommendation. Several references are made throughout *Freedom from Poverty* to a willingness to take risks to make Danish aid robust, flexible and dynamic. However, the strategy falls short of explaining what risks Denmark is willing to take. As Denmark defines the practical implications of its willingness to take risks, MFA will also need to consider its tough stance on corruption,<sup>7</sup> its need to manage for development results and the values driving its co-operation. The peer review team welcomes Denmark's new focus on defining risk jointly with international partners (Box 1), as well as the priority it intends to give to risk management in the fourth high level meeting on aid effectiveness in Busan in 2011 (HLF-4). The new concept of risk can help Denmark identify how to work in different contexts and be realistic about what it can achieve.

#### **Box 1. Perspectives on results, risk assessment and management in development co-operation**

Denmark co-hosted a conference on *Results, Risk Assessment and Management in Development Co-operation* in November 2010, along with the OECD's International Network on Conflict and Fragility (INCAF) and the Overseas Development Institute (ODI). Several dimensions of risk in development and humanitarian assistance were identified:

- Risk can be broken down into contextual risk, programmatic risk and institutional risk. Contextual risk deals with the evolution of the context, for example state failure. Programmatic risk deals with the failure to achieve programmatic goals and the possibility that programming causes harm. Institutional risks relate directly to the aid provider, for example fiduciary risks.
- Risk management is about finding a balance between risk and opportunity, for example the risk of doing nothing may outweigh the risk of providing aid.
- A strict results-based regime may hinder the operational flexibility needed to deal with evolving contexts.
- Donors need to be more honest with the public about the risks they are taking and why they are taking them. The case for engagement in a risky environment should be communicated up-front and donors need to also communicate failure better.
- Preventative action is the most effective and least costly way to manage risk. This includes doing more to support disaster risk reduction and conflict prevention, but new assessment tools are needed.
- Risk can be transferred. It is important to devise ways to share or pool risk. Pooling lessons learnt and better sharing of information will also help.

*Sources* : "Opening Statement by Denmark's Minister for Development Co-operation, Søren Pind", *Conference on Risks, Risk Assessment and Management in Development Co-operation*, Copenhagen, 25 November, 2010; OECD/INCAF (2010), *Aid Risks in Fragile and Transitional Contexts*. Key messages from the forthcoming publication *Aid risks in fragile and transitional contexts, draft for consultation*. See [www.um.dk/en/menu/DevelopmentPolicy/DanishDevelopmentPolicy/RiskConference](http://www.um.dk/en/menu/DevelopmentPolicy/DanishDevelopmentPolicy/RiskConference)

### *Deepening engagement in fragile states*

The 2007 peer review also recommended that Denmark develop a coherent strategic framework for engaging in fragile states. Denmark has implemented this recommendation by making fragility and stability one of its five overall priorities, and also by developing the 2010-2015 policy *Peace and Stabilisation, Denmark's Policy Towards Fragile States* (MFA, 2010e). The strategy acknowledges the need to work in fragile states, not least

7. Since 2004, Danida has had a policy of zero tolerance of corruption, see [www.um.dk/en/menu/DevelopmentPolicy/AntiCorruption](http://www.um.dk/en/menu/DevelopmentPolicy/AntiCorruption) and Section 4.2.1 in this report.

because most of the countries furthest from achieving the MDGs are those affected by war, conflict, violence and instability. Denmark claims it can add value when engaging in fragile states “by virtue of having been a leading country in terms of development assistance” and through “the knowledge, experience and international credibility it is acquiring from having participated in complex stabilisation efforts in a number of hotspots” (*ibid.*; and Chapter 2). Eleven of the 26 countries on Denmark’s list of partner countries (Table 1) are in situations of fragility. The main elements of Danish engagement in fragile states are cohesion between Danish foreign and security policy; co-ordinated instruments (military, political, humanitarian, development) combined under one common goal; and integrated planning (Chapter 2). State building is Denmark’s overriding focus in fragile states. This commitment and specific focus on fragility and stability is welcome and Denmark is urged to continue to adopt international good practice in line with the OECD’s *Fragile States Principles* (OECD, 2007b).

### ***New definition of partner countries***

*Freedom from Poverty* introduces a new definition of partner countries: countries where Denmark engages with a long term perspective and with political and financial weight.<sup>8</sup> The country selection criteria, which at the time of the 2007 peer review were set by parliament, have been replaced by a new set of criteria. These are referred to in *Freedom from Poverty* and outlined in slightly more detail in the memorandum. While the selection of partner countries is a political decision, Denmark will also assess: (i) development need, based on a broad understanding of poverty, freedom, vulnerability and sustainable development; (ii) relevance, including the needs and challenges the country faces, such as instability and vulnerability to conflict, the effects this can have in the region, and Danish interests; (iii) impact and results, *i.e.* opportunities available for Denmark to make a difference and help produce results, including a demand for Danish skills (MFA, 2010c). Denmark has added 10 new partner countries since the last peer review, and they now number 26, although it plans to reduce the number to 15 in the coming years (Table 1).<sup>9</sup> This new list of partner countries and criteria address the comment in the last peer review that the criteria set by parliament favour stable and well-performing countries (Annex A). This welcome development means that the criteria are more flexible and open the door to more strategic engagement in situations of fragility. However, Denmark could be more transparent in outlining the relative weight of each criteria in its decision making. It should also focus on its comparative advantage, and its capacity to achieve its priorities in the countries where it chooses to stay engaged.

So far Denmark has identified seven countries from which it will phase out – Bhutan, Bolivia, Nicaragua, Vietnam, Zambia, Benin and Cambodia – but has yet to identify the remaining four. While *Freedom from Poverty* sets out the criteria for selecting new partner countries, it is not clear if these are also used for decisions to phase out. Since Denmark has already selected these countries, it should not delay in setting out, in a transparent way, the phasing-out criteria so that it can explain its decision to partners and Danes. Denmark should take care to apply lessons learnt from earlier exiting experiences (Heldgaar, 2008). More transparency, as well as dialogue on political issues will put Denmark in a better position to manage this sensitive issue.

8. Defined as development assistance totalling more than DKK 50 million. Source: interviews in Copenhagen.

9. Denmark had 16 partner countries at the time of the 2007 peer review. By 2009 it had phased out of Egypt, leaving it with 15 partner countries.

**Table 1. Denmark's partner countries in 2010**

|  |  |
|--|--|
| <b>Africa</b>                                      | <b>Retained programme countries</b> <ul style="list-style-type: none"> <li>• Benin (decision to phase out), Burkina Faso, Ghana, Kenya*, Mali, Mozambique, Tanzania, Uganda*, Zambia (decision to phase out)</li> <li>• Bangladesh, Bhutan (decision to phase out), Nepal (fragile state), Vietnam (decision to phase out)</li> <li>• Bolivia (decision to phase out), Nicaragua (decision to phase out),</li> </ul> |
| <b>Asia</b>  |  |
| <b>Latin America</b>                               |  |
| <b>Africa</b><br><b>Asia</b><br><b>Middle East</b> | <b>New partner countries as of 2010</b> <ul style="list-style-type: none"> <li>• Ethiopia**, Niger*, Somalia**, Sudan**, Zimbabwe*</li> <li>• Afghanistan**, Myanmar**, Cambodia (decision to phase out), Indonesia, Pakistan**,</li> <li>• Palestinian Administered Area**</li> </ul>   |

Source: Memorandum of Denmark (MFA, 2010c), meetings in Copenhagen and update from MFA. OECD/INCAF (2010), Resource Flows to Fragile and Conflict Affected States 2010, OECD, Paris.

Notes: \* fragile state according to OECD/INCAF (2010); \*\* fragile state and partner country for humanitarian assistance – Denmark has chosen to focus its humanitarian assistance on a limited set of partner countries where it believes it can have the most impact (Section 6.2).

### *A new approach to cross-cutting issues*

Environment, gender equality and women's empowerment appear to be fully mainstreamed in development co-operation programmes. This is thanks to systematic screening, monitoring and reporting, as well as training for Danida staff and development partners. Gender equality rolling plans and environmental screening are fully institutionalised throughout the programme cycle, and staff are familiar with these tools.<sup>10</sup> A mandatory e-learning course on gender mainstreaming was viewed positively by staff; Denmark is also urged to make a similar course on environmental screening mandatory.<sup>11</sup>

Climate change has been addressed as a cross-cutting challenge linked to the environment (MFA, 2005). Interlinkages are also being made between gender equality, security and climate. Climate proofing is becoming an integral part of Danish aid management in line with Denmark's implementation of its 2005 Climate and Development Action Programme. The 2009 review of this programme noted that mainstreaming climate change action "is the way forward", and the focus is on using country systems for managing climate change adaptation and disaster risk reduction. The peer review team welcomes Denmark's pivotal role in preparing the OECD-DAC Environment Policy Committee guidance on integrating climate change adaptation into development co-operation (OECD, 2009c) and encourages Denmark to maintain its engagement with the Joint Environment and Development Task Team on Climate Change. While there is significant pressure on all donors to act on climate change, environmental concerns such as biodiversity and natural resources remain as important as ever and Denmark should keep up its good work in broader environmental mainstreaming.

10. See gender equality rolling plans and tools at: <http://amg.um.dk/en/menu/PoliciesAndStrategies/Cross-Cutting+Issues/GenderEquality> and the environment guide and screening note: <http://amg.um.dk/en/menu/PoliciesAndStrategies/Cross-Cutting+Issues/Environment/New+Environment+Guide.htm>.

11. Gender e-learning: [www.umkc.dk/NR/rdonlyres/93E18BF8-24C7-4A5C-B264-E590CE294F76/0/200986.pdf](http://www.umkc.dk/NR/rdonlyres/93E18BF8-24C7-4A5C-B264-E590CE294F76/0/200986.pdf) and environmental screening: [www.umkc.dk/NR/rdonlyres/3BC46432-D841-4FEE-9B30-A9BD23D6D757/0/200846.pdf](http://www.umkc.dk/NR/rdonlyres/3BC46432-D841-4FEE-9B30-A9BD23D6D757/0/200846.pdf).



It is positive that former cross-cutting issues are now core priorities for Danida and that gender equality, women's empowerment and environment have been institutionalised. However, clarity is required on how the change in policy will affect programme cycle management, whether the mainstreaming tools will continue to apply and how resources will be allocated. Denmark is commended for the good progress it has made with mainstreaming and should ensure that Danida staff and partners continue to use the quality tools and methods it has developed.

### More strategic multilateral assistance

Denmark is a good, strategic multilateral donor. It reflects on the future of multilateralism and seeks to promote and assess, along with other donors, the effectiveness of multilateral agencies. Its commitment to active multilateralism is clearly outlined in its *Multilateral Development Co-operation Towards 2015* (MFA, 2008c) and re-affirmed in *Freedom from Poverty*. Denmark has become more strategic with multilateral organisations, as urged by the last peer review (OECD, 2007a). It uses the following parameters to assess the multilateral partners with which it will work: (i) partnership with developing countries and other international organisations; (ii) relevance; (iii) efficiency; and (iv) dialogue and strategic influence. The assessment of these four parameters is based on the Danish organisation strategies with multilateral organisations, on its own evaluations as well as those of other countries or research institutions, and on the Multilateral Organisation Performance Assessment Network (MOPAN). According to the multilateral strategy, Denmark must become more strategic and focused by: (i) making fewer but larger contributions; (ii) not allocating funds automatically; and (iii) having no fixed targets for the split between multilateral and bilateral aid (MFA, 2008c). Denmark also focuses on the comparative advantage of UN agencies in relation to its priority areas and sees room for greater co-operation with the United Nations, the World Bank, and the EU in fragile states and post-conflict societies and in promoting growth and employment (Chapters 2 and 3).

Denmark couples its more strategic approach with increased core contributions to several UN agencies and the World Bank. Denmark achieves its objectives by developing specific results-oriented three to five-year organisational strategies with these organisations, as well as holding annual dialogue meetings to review the previous plan and agree action plans for the coming year, which include goals and reporting. The strategies are negotiated with the relevant organisations and help ensure a transparent partnership. Denmark has tested the development of joint multilateral organisation strategies with other donors, but these arrangements do not necessarily meet the donors' needs or reduce transaction costs for the multilateral organisation (MFA, 2009b). Multilateral organisations appear willing to accept Denmark's strategies despite the extra transaction costs because Denmark is typically among these agencies' top 10 donors and there is little ear-marking.<sup>12</sup> Nevertheless, Denmark is considering how it can use other mechanisms, such as joint approaches with like-minded donors or provide more technical input in policy dialogue with multilaterals so that it can eventually rely on these organisations' own strategies.

Co-operation with the World Bank is clearly laid out in the *Danish Organisation Strategy for the World Bank Group 2007-2011* (MFA, 2007). When it comes to influencing the bank's policies, Denmark is a member of the Nordic-Baltic constituency

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12. Comments made during interviews held for this peer review.

and co-ordinates positions with other like-minded members, especially on gender, human rights, climate and fragile states. It also increases its influence by contributing to thematic trust funds related to its priorities, for example the Nordic Trust Fund (for human rights). At the same time, Denmark is conscious that trust funds raise transaction costs for the multilateral organisations and that it should instead contribute to multi-donor trust funds. Denmark has also been lobbying for better representation of developing countries in the World Bank Group. As it gives greater priority to growth, employment and fragile states, Denmark will seek more strategic co-operation with the World Bank Group to improve the investment climate and strengthen the competitiveness of economies in fragile states (MFA, 2010f). This is a positive and beneficial approach to working with relevant partners in implementing its priorities.

### **Public opinion: need for more strategic communication by Danida**

There is a long tradition of engaging Danes in development co-operation and much experience in building public awareness through the MFA's targeted and creative information activities, in co-operation with opinion leaders and Danish civil society organisations. As stated in *Freedom from Poverty*, "Broad popular and political support creates a robust foundation for our development engagement and makes it possible to take the risks necessary for producing sustainable results" (MFA, 2010b). Danida benefits from this robust foundation and a broad consensus that development co-operation is important. In 2010, 94% of Danes thought it was important to help people in developing countries, which is slightly higher than the EU average of 89% (Eurobarometer, 2010). However, Denmark, like other donors, also has to deal with public scepticism about aid effectiveness and the perception that aid is wasted through corruption. There was a shift in this scepticism in 2009, with a public opinion poll finding a decrease, from 43% to 15%, in the number of people thinking that aid did not have an impact (Capacent, 2010). On the other hand, 47% of Danes think that corruption is a barrier to providing assistance. Nevertheless, relatively few respondents (19%) think that problems in developing countries are so large that assistance is futile (*ibid.*).

The MFA is particularly sensitive to the need to communicate results, but it is equally aware of the realities of development co-operation and the difficulty of demonstrating impact in the short run. In 2008 Denmark published *From Goals to Results in Danish Development Assistance* (MFA, 2008a). This work is welcome, not least because it explains how complex it is to measure the results and long-term effects of aid. Like other donors, Denmark still lacks solid information on results in order to demonstrate achievements and address public scepticism about the effectiveness of aid. With the exception of the findings of specific evaluations and global reports on progress towards the MDGs, Denmark mainly disseminates information about meeting programme targets rather than development results (Chapter 4). The ministry's quality assurance and communication units work together to identify and gather results stories. Storytelling is a useful method for engaging the public. Donors such as Norway and the United States are using this approach and Denmark is encouraged to both learn from and share its own experiences with them and others.

#### *A more pro-active communication strategy for the MFA*

The MFA has changed its approach to communication significantly since the 2007 peer review and is now more open to dealing with the media. Among the most notable

changes are the creation of a special Centre for Public Diplomacy (Figure 1) to enhance the ministry's capacity and the strategy for internal and external communication. The ministry's overarching communication policy provides direction on development co-operation in terms of purpose, principles and communication channels (MFA, 2010h). According to the MFA, the new emphasis on being proactive, open, transparent and trustworthy has been successful in promoting a cultural change, with staff now more open to engaging with the public. The MFA used specific incentives to build staff capacity for communication and media relations. They included appointing a communication officer in all centres, giving courses to all new employees on communication and contact with the media, and holding a course on press relations for communication officers and staff going on postings.

### *Making Danida's communication more coherent*

A communication strategy focusing on development co-operation is being prepared by the Ministry of Foreign Affairs; Danida will be given more prominence as a distinct "brand" in the ministry's communications about development. While Denmark should continue to avoid flag raising, thereby respecting the ownership of partners, these developments are positive for at least three reasons: (i) the overarching communication strategy (MFA, 2010h) does not identify priority themes for communication to ensure more coherent messages and complementary communication activities; (ii) Danes have a positive perception of Danida; and (iii) each centre has its own communication plan and a good degree of autonomy in what it communicates, which may not have as great an impact as a single, strategic and focused approach. Therefore, the ministry will need to ensure that the Centre for Public Diplomacy has sufficient capacity to play its advisory and co-ordination function and to ensure that Heads of Centres contribute to Danida's priority themes of modern Africa; the results and the effects of Danish development co-operation; explaining modern development co-operation; and the MDGs. The new strategy could also start preparing the ground for achieving the ministry's plan to integrate development co-operation issues in the school curriculum when it comes up for review in 2015. In so doing, Denmark can learn from the experiences of Finland and Ireland.

Denmark's budget for communication has increased since the last peer review. Its aggregate budget for communication was DKK 62 million (approximately USD 11 million) in 2010. The Danida Information Grant increased from DKK 14 million in 2007 to DKK 20 million in 2010. The ministry's own communication budget for Danida has been stable at DKK 13 to 14 million a year since 2007. NGOs can use up to 2% of total NGO financing for information activities, averaging DKK 18 million per year. Once the Danida communication strategy has been approved, the ministry may want to assess whether an appropriate level of resources are available to ensure that the strategy can be implemented.

### **Future considerations**

- *Freedom from Poverty* lays out values, priorities and challenges for Danish development co-operation and is more explicit about safeguarding Danish interests. Denmark is urged to be pragmatic and flexible in pursuing its objectives in diverse and sensitive contexts, respecting local needs and contexts.

- The revised guidelines for programme management should guide staff on how to identify new programmes that will address Denmark's five priorities, clarify how Danida will work in its traditional sectors and on cross-cutting issues as well as the relevant partners it should work with while respecting the Paris Declaration principles. Denmark should also spell out what its new priorities will mean for Denmark's approach to division of labour between donors in partner countries.
- Denmark has developed new criteria for selecting partner countries, and demonstrates greater willingness to engage with fragile states. It could make these new criteria more transparent for Danida staff and partners by outlining their relative weight in decision making and referring to the criteria used when making public decisions to phase-out.
- Denmark actively communicates about its development co-operation. The Ministry of Foreign Affairs could enhance its communication by stepping up efforts to gather and communicate solid information on results and by ensuring that communication from centres and units is coherent with priority themes in the communication strategy.
- The role and focus of the Council for International Development need to be reinvigorated. Denmark should redefine the role of the Council and its members so that it can play a more active role in promoting informed public debate about development issues.

## Chapter 2

### Development beyond aid

Aid alone cannot ensure development. Alongside official development assistance, other financial flows and the non-aid policies of donor countries have a significant impact on developing nations. In recognition of this fact, OECD members have committed to ensure that their non-aid policies support, or at least do not hinder, partner countries' development. In other words, they will pursue *policy coherence for development* (PCD). The *OECD Ministerial Declaration on Policy Coherence for Development*, adopted in June 2008, confirmed this commitment (OECD, 2008a). To achieve policy coherence for development, DAC members need: (i) political commitment and policy statements that translate commitment into plans of action; (ii) policy co-ordination mechanisms that can resolve conflicts or inconsistencies between policies and maximise synergies for development; and (iii) systems for monitoring, analysing and reporting on development impacts of donors' policies (OECD, 2008c; OECD, 2010f). These are the *building blocks* of policy coherence for development.

#### Making progress on policy coherence for development

Denmark is committed to policy coherence for development. *Freedom from Poverty* states that Denmark will “strengthen the link between relevant Danish policies and instruments in order to achieve a higher degree of synergy to the benefit of development” (MFA, 2010b). It also stresses the importance of strengthening the overall Danish engagement in developing countries where development assistance is only part of the total flow of capital to these countries. To achieve policy coherence, Denmark deals with a number of specific development issues, notably climate, security and migration, through whole-of-government approaches. Since the last peer review, Denmark has made some progress towards ensuring greater policy coherence for development (Table 2), but more needs to be done. Denmark is listed as the second best performer (after Sweden) out of 22 countries by the Center for Global Development's 2010 Commitment to Development Index, which measures how rich countries are helping poor countries via seven key linkages: aid, trade, investment, migration, environment, security, and technology.<sup>13</sup>

As recommended in the last two peer reviews of Denmark, and as stated in the OECD Council recommendation, member countries are advised to translate “political commitment to policy coherence for development into practice” (OECD, 2010f). In particular, Denmark needs to strengthen policy co-ordination mechanisms and systems for monitoring, analysing and reporting on the impacts of both Danish and EU policies on development in partner countries; a whole-of-government approach does not necessarily guarantee policies that promote better development. Denmark could, therefore, make

13. See [www.cgdev.org/section/initiatives/\\_active/cdi/](http://www.cgdev.org/section/initiatives/_active/cdi/).

development a core focus in a number of its existing policy committees both within parliament and in the administration. A similar view is also held by Danish NGOs who have urged the MFA to create a unit to promote, facilitate and co-ordinate policy coherence for development across ministries.<sup>14</sup> The MFA hopes to advance coherence for development by providing incentives for staff through the overall performance management and targets system in 2011. Extending this performance measurement to embassies could also help to integrate it at field level, especially in relation to the monitoring and reporting they could feed back to headquarters. This has remained a challenge since the last peer review, partly because embassies are not given incentives for either promoting policy coherence or monitoring progress or successes.

Denmark is preparing an action plan for ensuring that its own domestic policies do not affect those of developing countries negatively. Part of the action plan will be to develop initiatives to improve the awareness of sector ministries, select focus areas for Denmark and look to international best practices on coherence for development. As it prepares and, later on, implements this action plan, the MFA could consider re-establishing the inter-ministerial working group that was set-up to prepare Denmark's position on coherence for development in *Freedom from Poverty*. That way, the ministry can build on the awareness already raised and create a constituency for policy coherence for development across the administration.

**Table 2. Denmark's progress towards the three building blocks of PCD since 2007**

| Building block  | Situation in 2007  | Progress made by 2010  |
|---|--|--|
| <b>Building Block A:</b><br><i>Political commitment and policy statements</i> | <ul style="list-style-type: none"> <li>Denmark did not have a specific policy for PCD. A number of different documents did, however, show understanding and commitment to PCD more broadly.</li> </ul>   | <ul style="list-style-type: none"> <li>Commitment to PCD is clearly reflected in the new strategy (MFA, 2010b).</li> <li>An action plan for PCD is under development.</li> </ul>   |
| <b>Building Block B:</b><br><i>Policy co-ordination mechanisms</i>            | <ul style="list-style-type: none"> <li>A number of committees overseeing policy coherence exist, mostly within the framework of the EU and World Trade Organization (WTO), in which the MFA takes a lead. It is, however, not clear how systematic these committees are in addressing development issues.</li> </ul> | <ul style="list-style-type: none"> <li>A number of useful inter-ministerial committees now address policy coherence (see text). Some of these could strengthen their focus on policy coherence for development, and some may be informal.</li> </ul> |
| <b>Building Block C:</b><br><i>Monitoring, analysis and reporting</i>         | <ul style="list-style-type: none"> <li>There was no formal monitoring and reporting process put in place in relation to PCD.</li> </ul>  | <ul style="list-style-type: none"> <li>Danida's annual report will include a section dedicated to PCD from 2011. Systematic monitoring could, however, still be improved.</li> </ul>   |

### Committees and co-ordination

A number of Danish committees oversee and influence multilateral and international policies. These include the Danish Parliament's European Committee, the Foreign Affairs Committee, and the Foreign Policy Committee, all of which have to be consulted by government prior to decision making (Mullally and Watts, 2006). The various committees have a long history of being successful in creating parliament-wide consensus around Danish positions on trade, agriculture and development. Additionally, the Foreign Affairs Committee has a strong awareness of current development questions which ensures that the Danish government is generally well-informed and committed to global issues and the MDGs. The Government's Co-ordination Committee located in the Office of the Prime

14. Note submitted to peer review team by Concord, 6 October 2010.

Minister deals with major new policies and initiatives.<sup>15</sup> While the current Minister for Foreign Affairs is not a member of the Co-ordination Committee, she would be well placed now that development cuts across foreign policy, to influence the committee to deal with coherence for development more systematically.

### Pushing for PCD at EU level

Denmark pushes for policy coherence for development through the EU given that many important decisions affecting global development are now taken at EU level, especially since the entry into force of the EU's Treaty of Lisbon. The EU is a strong global advocate for policy coherence for development, with a new whole-of-the-union approach, and is assessing the impact of its efforts to make policies coherent for development against the MDGs (Commission of the European Communities, 2009a). In light of this, *Freedom from Poverty* recognises the interconnections between policy areas dealt with at EU level and states that the EU is the most useful institution through which it wants to ensure that both domestic and foreign policies do not negatively affect developing countries. It states it wants to increase the influence of the EU within the UN, the World Bank, the WTO and in the G-20. Its aim is for multilateral co-operation to “contribute to a well functioning global economy, market access for developing countries and solutions to other global challenges such as global environmental and climate problems” (MFA, 2010b). This commitment has also been recognised by the EU, who sees Denmark as actively engaged in a number of important processes addressing coherence for development (Commission of the European Communities, 2009b).

The MFA generally takes the lead on co-ordinating EU matters in Denmark and is therefore well placed to make use of the planned revision of the Danish EU decision-making procedures so that they can focus more on policy coherence for development and be more systematic about it. Denmark's presidency of the EU in 2012 will also be an opportunity for Denmark to increase attention to coherence in the EU.

### Efforts to achieve policy coherence in specific areas

#### *Immigration and refugees*

Denmark's Regions of Origin Initiative successfully addressed some issues of immigration, asylum and migration in a way that promotes policy coherence (MFA, 2005b and see Chapter 6).<sup>16</sup> The scheme cuts across several policy areas to “secure access to protection and durable solutions for refugees and internally displaced persons as close to their home as possible” (MFA, 2008d).<sup>17</sup> The initiative is managed and implemented by the Danish MFA and co-operates closely with the Ministry of Refugee, Immigration and Integration Affairs (MOI). The two ministries meet four to six times a year to ensure coherence between policies on development, asylum, migration and humanitarian

15. See [www.stm.dk/\\_p\\_8011.html](http://www.stm.dk/_p_8011.html) (in Danish).

16. In the 2009 EU report on policy coherence for development, migration for development was identified as one of five priority issues (Commission of the European Communities, 2009a).

17. <http://www.um.dk/NR/rdonlyres/C3565C92-60CA-4F4D-B087-239876F5920F/0/ROIstrategicFrameworkendeligpartI.pdf>.

emergencies. The initiative also brings together NGOs and international institutions.<sup>18</sup> One of the positive results of the initiative is that Denmark focused on certain countries and regions (Afghanistan and the displacement crises associated with Iraq, Sudan, and Somalia) through joint policy analysis and co-operation. This initiative, which is in line with the UNHCR's Framework for Durable Solutions, also brings coherence to interconnected policy areas, such as Danish legislation on asylum, as well as efforts to secure the livelihoods of returning refugees.

### ***Climate and environment***

The Danish government's Climate Conference Committee (CCC) and the dedicated Climate Fund are helpful mechanisms to ensure co-ordination as well as continued emphasis on climate change issues across the Danish government. The CCC is housed in the Office of the Prime Minister and includes experts from the MFA, the Ministry of Climate and Energy, and the Ministry of Finance. The CCC also decides on projects and programmes to be funded from the Climate Fund prior to submission for approval by the Parliament's appropriation committee. The Climate Fund supports initiatives launched as part of the Government of Denmark's commitment to the Fast Start Finance, and funding is given in accordance with the principles of the Copenhagen Accord. The fund considers opportunities for fast start implementation; the balance between mitigation and adaptation; the needs of the most vulnerable (i.e. small island developing states) and poorest countries, in particular Africa; and the balance between multilateral and bilateral initiatives.<sup>19</sup> As a consequence, climate finance is targeted towards a wide group of developing countries. The MFA liaises with the Ministry of Climate and Energy on major policy questions regarding implementation.

### ***Security and stabilisation***

Due to its increased focus on and presence in countries affected by fragility, Denmark has set up a number of cross-governmental structures to promote peace and stability, including policies in the areas of social development, security, diplomacy and military. To tackle this range of priorities appropriately, Denmark is promoting a whole-of-government approach to fragile states and has created the Danish Stabilisation Fund, the inter-ministerial group and the Afghanistan Task Force (Box 2), which together seek more integrated and effective support to Afghanistan and other fragile states (Schmidt, 2009). Denmark aims, through its achievements and experience in working with civil-military co-ordination in fragile states, to influence other international actors and organisations for better international co-operation and co-ordination (MFA, undated).

The Danish Stabilisation Fund disposes of DKK 150 million a year, for both development assistance and non-ODA funding. The aim of the fund is to enable an "enhanced effort in the overlap between security and development" (MFA, 2010b) and within the whole-of-government framework to create a platform and a funding mechanism through which both national and international civil-military interventions can be discussed and co-ordinated. Having sufficient staff from different policy communities actively involved in the design and decision-making of interventions supported by the

18. UNHCR, The Red Cross, International Organisation of Migration, Danish Refugee Council, Save the Children and others.

19. See [www.faststartfinance.org/contributing\\_country/denmark](http://www.faststartfinance.org/contributing_country/denmark), accessed 21 January 2011.



fund will help to ensure the fund is flexible to respond more holistically to peace and security challenges.

In relation to gender equality and security, Denmark is also taking a whole-of-government approach in its revised national action plan for implementing the 2008 *Security Council Resolution 1325 on Women, Peace and Security*. This plan was formulated jointly between the MFA, MoD, and the Danish national police, in consultation with Danish civil society.

### **Box 2. The Afghanistan Task Force**

The basis for Denmark's inter-ministerial committee, the Afghanistan Task Force, is to create a structure that supports co-operation and cohesion in Denmark's engagement in Afghanistan. Danish troops have been deployed in Afghanistan since 2002 and Danida has also been active there since then. Denmark puts strong emphasis on alignment to the national Afghan context and the efforts by other international players engaged at field level. But the task force also works to ensure intra-country co-ordination of Denmark's civil-military efforts and commitment to peace and stabilisation. The task force is comprised of representatives from the Prime Minister's Office, the Ministry of Foreign Affairs which also hosts the secretariat, the Ministry of Immigration, the Ministry of Defence, the Defence Command, the Defence Intelligence Service, the Ministry of Justice (mostly through the national police commissioner), and the Ministry of Immigration on an ad hoc basis.

The task force meets on a weekly basis. Since its creation in mid-2007, it has become a hub for key players in the Danish administration involved in Afghanistan and has eased communication among the ministries involved. This whole-of-government approach, which tackles wide issues such as military operations, diplomatic peace support, development, and support of good governance, has made the task force an important platform from which the ministries can share their understanding of conflict and thus learn from one another. An example of how this co-operation has brought with it a change in Denmark's *modus operandi* in Afghanistan is the Danish military's increased focus on civil protection, according to ministry and military staff interviewed by the peer review team in Copenhagen.

### **Future considerations**

- Denmark has renewed its commitment to policy coherence for development in *Freedom from Poverty*. In order to promote such coherence across ministries, the MFA is encouraged to finalise, as a matter of priority, its planned action plan and consider re-establishing the inter-ministerial working group on policy coherence for development created when preparing *Freedom from Poverty*.
- Denmark should, as recommended in the last peer review, strengthen institutional co-ordination mechanisms to arbitrate and monitor the coherence of both domestic and EU policies with development.
- Given that Denmark is pushing for policy coherence for development through the EU it should consider how to strengthen the reporting, monitoring and evaluation of its achievements in the EU.
- As recommended in the last peer review, Denmark should consider how headquarters can integrate field level perspectives on coherence for development from its embassies.



## Chapter 3

### ODA volume, channels and allocations

#### Official development assistance in summary

In 2009 Denmark maintained its commendable position as one of the five DAC members which allocate 0.7% or more of gross national income (GNI) as official development assistance (ODA). Its ODA amounted to USD 2.8 billion in 2009, which is equivalent to an ODA/GNI ratio of 0.88% and made Denmark the 12th largest DAC donor by volume (Annex B). Denmark committed around DKK 15.2 billion in ODA in 2010, which corresponded to 0.9% of GNI (MFA, 2010c). However, in line with the objective of the government's 2010 Restoration Plan to reduce the fiscal deficit from 5% of GDP to 3%, there has been a general freeze in public spending for the period 2011-2013 (Economist Intelligence Unit, 2010). Denmark's budget allocations for ODA will therefore be sustained at the 2010 nominal level until 2013.

A long-standing commitment to development is reflected in the fact that Denmark has exceeded the UN target of 0.7% ODA/GNI for more than 30 years (since 1978) (Annex B, Table 1). Being one of the DAC's more generous donors as a percentage of GNI also gives it influence internationally. However, while its ODA/GNI has remained above 0.8% since the last peer review, the freeze could cause Denmark's ratio to fall below 0.8% for the first time since 1983. During the freeze Denmark should make every effort to meet commitments made to partner countries. Phasing out of seven priority countries should also free up resources so that the government's commitment to increase aid for climate change, fragile states and humanitarian assistance can be met. At the same time, Denmark is encouraged to start planning for ground it may lose on ODA.

#### *Climate financing*

Denmark is congratulated for pledging DKK 1.2 billion to climate financing (USD 231 million (exchange rate end 2009) in 2009 for 2010-2012. Of this, DKK 308 million is committed to the Fast Start Finance which will be allocated in three annual allotments in accordance with the principles of the Copenhagen Accord (Section 2.3.2). There is no agreed international baseline for assessing whether pledged funds are "new and additional"; each country makes its own judgement of the additionality of the pledges (OECD, 2010d). Denmark announced that its climate financing would be additional because it did not reduce allocations to previous commitments in other development sectors. Current projections suggest that Denmark's ODA/GNI will continue to be above 0.7% in 2010 and 2011. However, in light of the budget freeze for 2011-2013 it remains unclear whether future allocations on climate financing will be additional. According to the MFA, the increase in the Fast Start

financing in 2011 and 2012 (DKK 100 million and DKK 200 million) will squeeze out other planned activities.

### *Non-ODA flows*

According to DAC figures, the level of other official flows, private grants and flows from Denmark to ODA eligible countries was USD 948 million in 2009, the equivalent of 33.7% of ODA. The largest share – USD 599 million – was private direct investment, followed by USD 226 million in other official multilateral flows. In pursuing its focus on growth and employment, Denmark aims to use ODA to leverage private sector investment in developing countries. Two instruments – the Business to Business Programme and the Mixed Credit Scheme – totalled USD 104.9 million in ODA in 2009 (MFA, 2010a). However, the Mixed Credit Scheme is generally tied to Danish suppliers (MFA, 2010a and Chapter 5). Denmark's for-profit Industrialisation Fund for Developing Countries (IFU) advises on and invests in Danish companies in developing countries. In 2009 IFU invested DKK 642 million, of which DKK 277 million was invested in Africa – the highest investment level in the fund's history (IFU, 2010). IFU has a high priority in Denmark's strategy for growth and employment in the developing countries. In connection with the recent budget cuts, the Danish government has decided to advance the phasing out of the Investment Fund for Central and Eastern Europe (IO) - a separate fund with different strategic purposes - by increasing the capital extraction from the Fund in the years 2011 to 2013. As a result, IO will stop making new investments from January 2011. The government is not considering to re-allocate financial resources from IO to IFU but will urge IFU to mobilise capital from private investors for projects in the developing countries.

### ***Transparent and predictable budgeting***

Denmark is a predictable donor thanks to its four-year commitment-based budgeting and five-year priority plans. The annual budget plan, including the main priorities for Danish assistance, is presented by the Minister for Development Co-operation to the Government Co-ordination Committee, which discusses the development policy priorities and then submits the draft Finance Act to parliament for adoption.<sup>20</sup> Predictability is assured by Denmark's budgeting process at two levels: (i) the draft Finance Act and Danida's annual publication of the aid figures for the coming four years, which present committed and planned contributions to partner countries, multilateral organisations, NGOs and other partners (MFA, 2010j); and (ii) the inclusion of aid flow plans in bilateral agreements with partner countries and the fact that programme documents can provide disbursement plans for the duration of the programme period (three to five years). Denmark could further enhance the transparency of its commitments to partner countries, in the spirit of the Accra Agenda for Action, by making the relevant sections of the aid budget available directly on embassy websites and, ideally, in local languages. Indeed, Denmark plans to do this under the International Aid Transparency Initiative.

20. The annual consultation with embassies discusses country budget allocations, which then feed into the minister's proposal.

## Bilateral aid

In 2009, 68% of Denmark's total ODA was allocated as gross bilateral ODA. This represents a small increase (by two points) in the share since 2007 (Annex B). Denmark's bilateral debt relief, which peaked in 2006 at USD 166 million (6% of gross disbursements) and remained relatively high in 2007 and 2008, has tapered off, representing 1% of total gross disbursements in 2009 (Table B.2, Annex B). Denmark's aid volume in constant 2008 dollars has not decreased because of the decline in debt relief after 2008. Debt relief is expected to remain stable at similar levels according to the 2011 - 2015 rolling budget (MFA, 2010j) provided that no new major international agreements on debt relief materialise.

### *Commitment to focus on fewer partner countries in Africa*

In 2009, 60% of Danish ODA was concentrated on the least developed countries, with a further 21% allocated to other low income countries. Allocations to least developed countries have increased since 2006, reflecting a continued emphasis on poverty reduction and achieving the MDGs and a commitment to sub-Saharan Africa (57% of bilateral ODA was allocated to this region in 2009). Denmark also scores well in terms of country programmable aid,<sup>21</sup> which was 65% in 2008 compared to a 58% average for the DAC. The peer review team is encouraged that Denmark will continue providing aid to the world's poorest and most fragile countries. This is demonstrated by (i) the 2011 budget commitment to provide an extra DKK 200 million to strengthening efforts in African countries; and (ii) Denmark's new list of partner countries (Chapter 1, Table 1).

Denmark has maintained its deep focus on its long-term partner countries. Fourteen partner countries<sup>22</sup> are listed among the top 20 recipients of Danish bilateral ODA, demonstrating its prioritisation of these countries in its resource allocations (Annex B, Table B.4). OECD analysis on concentration attests to this: Denmark had a 94% concentration ratio in partner countries in 2009.<sup>23</sup> However, the overall concentration ratio is lower (47%) because Denmark is a "non-significant" donor in 33 countries (OECD, 2010e). There is room, therefore, for Denmark to concentrate further its overall bilateral aid portfolio by decreasing the number of countries where it is not a significant contributor, and within these prioritise effective division of labour. If Denmark decides not to phase out of a country, it may want to consider instead entering silent partnerships with like-minded donors.

### *Sector allocations*

As noted in Chapter 1, Denmark does not have a strict list of sector priorities although there is general continuity in thematic priorities. DAC statistics on bilateral ODA by sector show that there has been little change in the proportion of resource flows going to specific sectors since the 2007 peer review. The largest share of bilateral ODA (42%) was

21. In 2007, the DAC introduced the new concept of "country programmable aid" (CPA), to provide a better estimate of the volume of resources transferred to developing countries. CPA is the portion of aid that each donor (bilateral or multilateral) can programme for each recipient country (see Benn *et al.*, 2010).
22. Mali, Bhutan and Nicaragua are not among the top 15 main recipients of bilateral ODA.
23. The concentration ratio measures the number of significant aid relations of a donor compared to all of its aid relations. The higher the concentration ratio, the less a donor's portfolio is fragmented.

allocated to social infrastructure and services, while 12% qualified as multi-sector, representing a five point increase in the share since 2003-2007. This increase reflects a trend towards comprehensive programming in which several inter-related objectives are addressed. For example, private sector development and agriculture can be equally addressed in one programme, as seen in Mali (Annex C). Specific sectors which are most supported are: (i) government and civil society (21% of bilateral allocable ODA compared to 14% in 2003-07); (ii) water supply and sanitation (6%); and (iii) education, health, business and other services, agriculture, forestry and fishing (each of which receive 5%). Allocations to transport and storage have declined the most since 2003-2007 (from 8% to 2% of bilateral allocable ODA).

The MFA has started to re-allocate resources in an effort to focus bilateral co-operation and to make it more aligned with the five priorities outlined in *Freedom from Poverty*. For example, Denmark is already phasing out bilateral education in four countries. At the same time, it will double its annual allocation to the Education for All – Fast Track Initiative (FTI) to DKK 270 million. In line with its commitment to the MDGs, total Danish assistance to primary education will remain unchanged.

Denmark is committed to expanding its efforts in private sector development, including implementing the five Africa Commission initiatives.<sup>24</sup> It will allocate DKK 2 billion for private sector development in Africa by 2014. A key challenge facing Denmark is to select the most appropriate funding instruments to meet its objectives in economic growth and employment as well as in fragile and conflict affected states. While sector budget support is Denmark's default aid modality in line with its efforts to use country systems (Chapter 5), it recognises that this modality may not always be the most appropriate for programmes focusing on and engaging with a range of state actors. More clarity is also required on Denmark's strategic approach to achieving its priorities on economic growth and employment and stability and fragility, for example, on its use of bilateral and multilateral channels, how ongoing country programmes should adjust according to these priorities, the synergies that can be found between Denmark's private sector instruments and sector programmes and how Denmark will approach division of labour between donors while continuing to implement its priorities. Embassies will also need to have the capacity to identify synergies between Denmark's own business instruments for sector programmes and relevant players. Denmark is encouraged to seek out co-financing schemes with other donors, as mentioned in *Freedom from Poverty*. Once again, as pointed out in the last peer review, every effort should be made to keep programmes and their components focused to retain efficiency gains in key sectors and ensure that Denmark gives attention to where it can add most value.

#### *Reporting on cross-cutting issues*

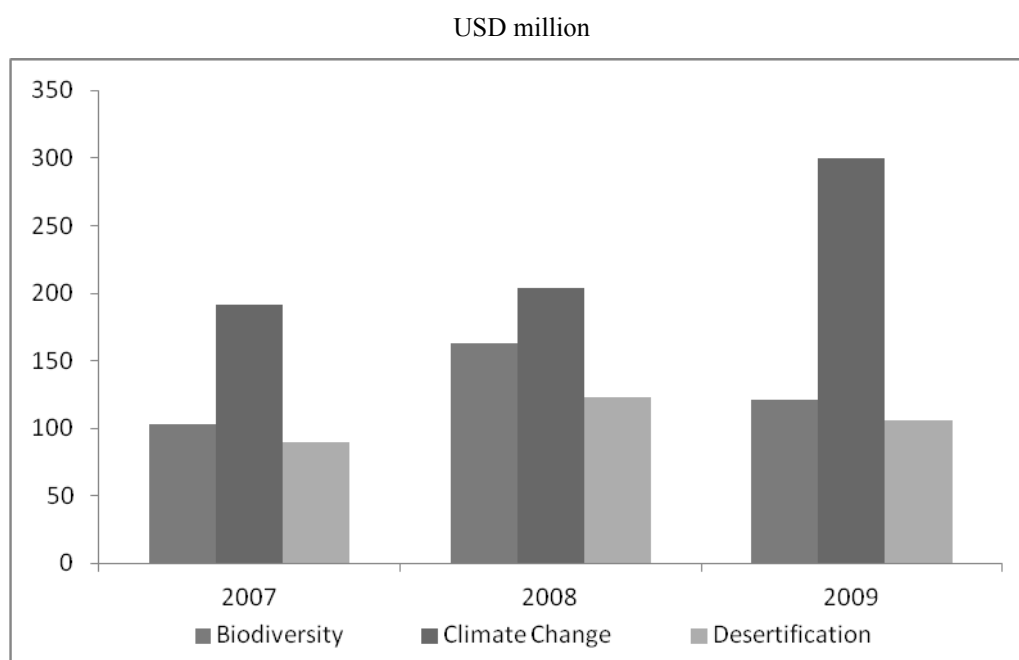
Denmark's reporting on resource flows linked to the gender equality and Rio policy markers for the environment has improved since the 2007 peer review, reflecting greater efforts to track and report flows to these priority cross-cutting issues. According to the gender equality marker, Denmark is a good performer: in 2009, 67% of total sector allocable aid was gender focused compared to 45% in 2007. In Indonesia and Niger, 99% of allocations to Denmark's programmes focused on gender equality. Denmark's

24. The five initiatives are: to create a guarantee fund to secure loans for small and medium-sized enterprises; to provide access to energy at the local level; to create an index to measure Africa's competitiveness; to support young entrepreneurs; to make universities more business-oriented within the field of agriculture; and to improve business and vocational programmes (MFA, 2009a).

commitment to gender equality is also demonstrated by the fact that almost all programme and projects are screened to determine whether they target this aspect (1.9% of flows were not screened in 2009, according to DAC statistics). However, when looking exclusively at the economic and productive sectors, 52% of Denmark's aid focused on gender equality in 2007/08. Given Denmark's stated emphasis on women's economic empowerment as part of the country's MDG3 global leadership, it could increase the focus it gives to gender equality in these sectors.

Denmark's targeting of climate change mitigation has also increased over recent years (Figure 2). Denmark performs well compared to other DAC members: 11.2% of its bilateral ODA targeted climate change mitigation between 2006 and 2008, compared to 6.1% for all DAC members combined.<sup>25</sup> Denmark's aid for biodiversity and desertification also represents a significantly larger share of its bilateral ODA in 2009 (8-9%) than for other DAC members.<sup>26</sup>

**Figure 2. Denmark's reporting against the Rio policy markers, 2007-2009**



Source: [www.oecd.org/dac/stats/rioconventions](http://www.oecd.org/dac/stats/rioconventions)

## Humanitarian aid

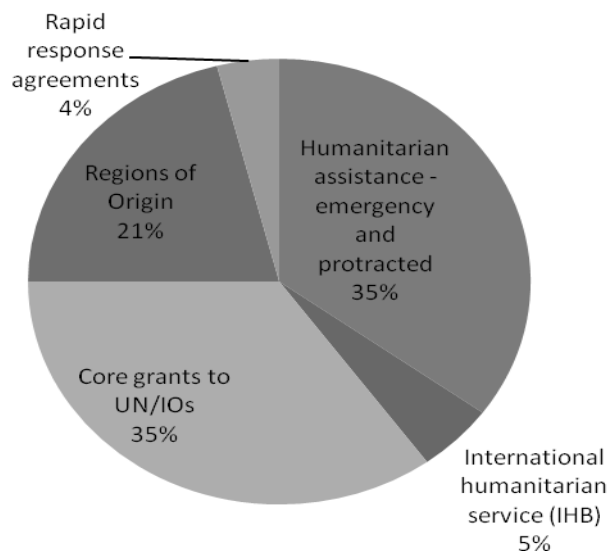
Denmark is also a generous humanitarian donor. Its annual humanitarian budget will, once the new humanitarian strategy is fully implemented in 2011, make up 16% of total ODA (excluding debt relief). This far exceeds the current DAC donor average of 9.2% (Development Initiatives, 2009). A budgetary reserve of DKK 100 million is also

25. Excluding Luxembourg and the United States, which did not report against the Rio markers.

26. See: [www.oecd.org/dac/stats/rioconventions](http://www.oecd.org/dac/stats/rioconventions).

available to fund sudden onset emergencies, should this be required (Chapter 6). Denmark's budget breakdown is shown in Figure 3.

**Figure 3. Denmark's humanitarian budget, 2012-2015**



Source: MFA (2010j), *Priorities of the Danish Government for Danish Development Assistance: Overview of the Development Assistance Budget 2011-2015*, Ministry of Foreign Affairs, Copenhagen.

Note: Figures calculated using 2012 figures as a basis.

### Multilateral assistance

Denmark's multilateral aid totalled USD 941 million in 2009 (32% of total gross ODA; Annex B, Table B.2). Denmark continues to provide strong support to the UN – 10% of total ODA in 2009, which was above the DAC average of 4%. According to DAC statistics, one-fifth of Denmark's aid to UN agencies goes to UNDP, followed by UNICEF (11%), UNHCR (8%) and UNRWA (4%) for humanitarian assistance.<sup>27</sup> These trends are in line with Denmark's list of 10 priority recipients of multilateral aid.<sup>27</sup> Other than UN agencies, the European Union Institutions account for 10% of total ODA disbursements, while the World Bank (4%) received a lower share compared to the total DAC average in 2008 (6%).

The Finance Act provides budget figures for core contributions to Denmark's main multilateral recipients over a five-year horizon. Core funding represents 88% of Denmark's total use of the multilateral system, compared to a DAC average of 61%. The relatively large share of core funding in Denmark's allocations is welcomed by multilateral institutions because it gives them flexibility in deciding how it should be spent.

27. The EU, World Bank, UNDP, UNICEF, WFP, UNFPA, the African Development Bank and the African Development Fund, the Nordic Development Fund, UNHCR and the Global Fund to fight AIDS Tuberculosis and Malaria are listed by Denmark as its ten largest recipients of multilateral development assistance in 2007 (MFA, 2008c).



### *Focusing multilateral assistance and linking allocation with performance*

As recommended in 2007 and as outlined in its multilateral strategy (MFA, 2008c), Denmark has evaluated its multilateral assistance. In response to the findings, it has made progress in focusing on fewer multilateral organisations and providing larger contributions. In 2009 Denmark allocated funds to 87 multilateral organisations, compared to 156 in 2004. Moreover, the number of small contributions – below DKK 5 million – was reduced from 105 in 2004 to 37 in 2009. This is commendable for several reasons: the government can free up resources that would otherwise have been spent monitoring small contributions; and Denmark can have greater influence with a few strategic multilateral partners. Denmark is focusing strategically on the comparative advantage and efficiency of individual organisations in specific areas of assistance. For example, it justifies co-operation with UNICEF because its thematic and cross-cutting priorities are aligned with Danish priorities, such as poverty alleviation, fighting HIV/AIDS, promoting gender equality, and humanitarian aid (MFA/Danida, 2010). Denmark is an active member of MOPAN, chairing its secretariat in 2009. It is hopeful that the new Common Approach<sup>28</sup> will make MOPAN an even more useful tool. Denmark's organisation strategy also lists ensuring stronger UN activities at country level and effective international division of labour as priority performance criteria for UN agencies. The strategy with UNDP, for example, has two output indicators on system-wide coherence.

### **Allocations to non-governmental actors**

In 2009, Denmark allocated 17% of total net ODA (USD 478 million) to and through NGOs<sup>29</sup> – a 69% increase on the previous year. USD 202 million of this allocation was reported to the DAC as core support to NGOs, which at 10.6% of total bilateral ODA is greater than the total DAC average of 3.1%. The relatively large amount of core funding is in line with Denmark's strategy for civil society organisations (CSOs; see MFA/Danida, 2008), which prioritises core aid to Danish and Southern CSOs when pooled funding exists. As stated in the Memorandum, Danish CSOs receive funding based on their visions and strategies and can direct their support to countries and sectors of their own choice even if the ministry encourages a strong focus on Africa (MFA, 2010c; see also Chapter 4).

Denmark has a mix of funding mechanisms for Danish organisations depending on their capacity and operations. However, the bulk of its support is provided through core financing to six large Danish NGOs<sup>30</sup> (totalling USD 112 million in 2009; MFA, 2010a) and programme agreements for other organisations with a clear strategic focus. These mechanisms reduce transaction costs for both the ministry and CSOs. CSOs in developing countries are supported through sector programme support and through direct co-operation using the embassies' local grant authority and joint funding mechanisms such as basket funds (as in Mali). However, Denmark does also support small projects and

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28. The Common Approach is an annual assessment of a select group of multilateral organisations in several developing countries. see [www.mopanonline.org/commonapproach](http://www.mopanonline.org/commonapproach).
29. The term NGO is used in this report only when referring to DAC statistics on aid to and through NGOs because this is the official term used.
30. They are: MS Danish Association for International Co-operation, DanChurchAid, Danish Red Cross, IBIS, Save the Children Denmark, Care.

manages this through a delegated funding arrangement run by the Project Advice Training Centre.

As Denmark expands its support to fragile states, it will work more closely with CSOs. The nature of this co-operation is already outlined in the *Civil Society Strategy* (MFA/Danida, 2008) and referred to in *Freedom from Poverty*. According to the CSO strategy, Denmark will promote flexible and relevant interventions in fragile states and situations. It sees a role for CSOs in delivering basic needs and developing civil society's capacity to act as a critical partner of the state. In light of its positive experience in preparing the CSO strategy jointly with Danish CSOs (Chapter 4), Danida should actively engage with these organisations once again when planning how it will implement its fragile state strategy.

### **Future considerations**

- Denmark is a generous donor committed to concentrating its ODA in the poorest regions of the world. However, Denmark will freeze its aid commitments at the 2010 nominal level over the period 2011 to 2013. This could cause Denmark's ODA/GNI ratio to fall below 0.8%. Should this happen, Denmark is urged to return, as soon as possible, to its stated goal of 0.8% aid to income ratio.
- In its efforts to tackle climate change, Denmark has allocated climate financing, reported as ODA, in line with the Copenhagen Accord. It should now demonstrate publicly how this climate financing is additional to what it already gives as ODA, and should contribute to advancing international efforts to establish an agreed baseline for additionality.
- As Denmark implements its new strategy *Freedom from Poverty*, Denmark is urged to keep its co-operation programmes focused on a limited number of sectors where it can add value and avoid having too many components in each programme. In other areas it should consider delegating to other donors.
- Denmark is urged to sustain its good practice in reporting through the Rio policy and gender equality markers. It should ensure that sufficient resources continue to be allocated to these "former" cross-cutting themes when implementing the new strategy.

## Chapter 4

### Organisation and management

#### Development co-operation is well integrated within the Ministry of Foreign Affairs

Denmark continuously fine tunes the organisation and management of its development co-operation, which, as outlined in Chapter 1, is fully administered by the Ministry of Foreign Affairs. The re-organisation of the MFA in 2009 was an important step in making the ministry fit for purpose. It further integrated foreign, trade and development policy to create an organisational framework that could be flexible in addressing the new challenges and opportunities raised by globalisation. With the approval by parliament of *Freedom from Poverty*, the MFA considers that this process of integration is complete. The peer review team agrees that the MFA's new organisational set-up can help Denmark adapt well to new global development challenges, in co-operation with other ministries. However, some further fine tuning will be necessary as outlined in this chapter. Denmark should be mindful of the risks inherent in integrating development co-operation with foreign and security policy and should continue to safeguard the over-riding goal of poverty reduction and reaching the MDGs (Chapter 1).

The ministry's re-organisation involved disbanding the former North and South pillars to create 11 "centres", overseen by the permanent secretary and four senior managers (Figure 1, Chapter 1). The objective of the centre structure is to make the division of tasks more relevant and to anchor global issues across the centres. The Centre for Development Policy is responsible for overall co-ordination of development policy and humanitarian action (Chapter 6). Seven other centres are also involved in development co-operation activities.<sup>31</sup> The role of the Centre for Global Challenges focuses on new priority global issues which intersect foreign and development policy – for example climate change, the MDGs and the financial crisis – and is responsible for the United Nations, World Bank, IMF and OECD. The Centre for Africa, Asia, Americas and Middle East is responsible for the general handling of bilateral relations, and the Centre for Legal Service deals with democracy and human rights. The remaining centres handle Afghanistan and fragile states, trade, human resource management and public diplomacy. The Centre for Development Policy contains four departments (Figure 4):

- a. The Technical Advisory Services, which provides technical advice;

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31. The seven other centres are: the Centre for Global Security; Centre for Global Challenges; Centre for Africa, Asia, Americas and Middle East; Centre for the Trade Council; Centre for Corporate Services; Centre for Legal Service; and the Centre for Public Diplomacy.

- b. The Department for Quality Assurance of Development Assistance, which is responsible for quality development, the aid management guidelines, framework for results-based aid and performance management;
- c. The Business and Contracts Department;
- d. The Humanitarian Action, Development Policy and Civil Society Department, which is responsible for development policy issues, aid effectiveness, DAC as well as civil society and humanitarian assistance.

**Figure 4. Organisation chart for the Centre for Development Policy**



*Source:* MFA and authors' compilation

The consultative process conducted during the re-organisation strengthened staff understanding of and commitment to the process. However, the creation of the 11 centres has introduced a new layer of management, making decision making and co-ordination more complex. This aspect of the re-organisation therefore requires further fine-tuning. In light of the objective to become more flexible, senior management should clarify decision-making procedures, managers' roles and responsibilities and streamline the number of co-ordination meetings.

Embassies were not affected by the 2009 re-organisation. They continue to be responsible for strategic planning and country programming, financial management and monitoring multilateral co-operation. They also have a local grant authority of up to DKK 5 million which they can allocate without approval from headquarters. It is the embassies that decide which of the MFA centres to involve. Staff tend to know which centre they need to contact at headquarters and do so easily and informally – this was evident during the field visit to Mali. The informal culture at the ministry works well for staff who know the institution but is less practical for locally-recruited staff who have had limited or no contact with headquarters. While local staff participate in seminars in Copenhagen on “getting to know Danida” and the ministry manages development co-operation, informal channels for communication could be improved by having clearer systems for contacting and soliciting help from the various centres.

### ***The Danida Board***

The Danida Board (see Section 1.2) is a key player in programme approval, monitoring and accountability. For example, while the minister holds full political authority for approving grants, the board reviews and makes recommendations to the Minister for endorsement of appropriations greater than DKK 10 million and discusses the annual country assessments by embassies regarding programme performance. The minister usually follows the board’s recommendations when approving programmes. However, board members and MFA management consider that the board could play a more strategic role in Danida. Now that humanitarian aid and disaster risk reduction are being mainstreamed within country strategies, the board could also deal with these issues (Chapter 6). The ministry could receive more strategic input on new directions or initiatives from board members, and capitalise on their development expertise, if they were involved earlier in the design stage.

### ***Lessons from Denmark’s decentralisation***

In 2007, as recommended by the peer review, Denmark commissioned an evaluation of its decentralisation (MFA, 2009f). The evaluation considered the decentralisation process to be effective, with some challenges related to human resource capacity and the need to improve mechanisms for dialogue between embassy staff and headquarters staff.<sup>32</sup> The MFA is now following up on these recommendations. The evaluation also conveyed important lessons and recommendations for other donors on strategies and tools to guide programme management, mechanisms for quality control, and accountability to ensure high quality programming.

Decentralised authority (since 2005) to missions in New York, Rome and Geneva is considered useful for Denmark to improve decision making and gain greater influence in policy dialogue. The primary responsibility of these missions is to manage relations with multilateral organisations with organisational agreements with Denmark. According to Denmark’s multilateral strategy, “decentralisation has strengthened the quality and effectiveness of ongoing dialogue with the organisations, making organisation strategies with several multilaterals more specific and result-oriented” (MFA, 2008c). While recognising the positive benefits, the team did note that such decentralisation of missions might pose efficiency problems if all donors were to do it. There is room for improvement for Denmark, however, in getting its embassies in partner countries to work more closely with multilaterals on priority areas where these organisations have extensive experience (*e.g.* private sector development in the case of the World Bank).

The multilateral department at headquarters focuses on overall policy and strategy development and the promotion of cross-cutting issues such as the MDGs and UN reform. The main challenge for headquarter staff dealing with multilaterals in a decentralised set-up is ensuring coherence between HQ, embassies and missions, and keeping a minimum level of engagement with focus organisations in order to inform policy and allocation decisions. The benefits of decentralisation to the missions are obvious, but fine tuning in terms of HQ-mission co-ordination is still needed.

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32. Danida’s evaluation website is [www.um.dk/en/menu/DevelopmentPolicy/Evaluations](http://www.um.dk/en/menu/DevelopmentPolicy/Evaluations).

## **An elaborate programme and performance management system**

The Aid Management Guidelines are the central tool for managing development co-operation.<sup>33</sup> They are available on a dedicated webpage. The most important document among the various tools is the Programme Management Guidelines (MFA/Danida, 2009). These guidelines target the embassies/representations and other MFA units responsible for Danish bilateral development. They: (i) provide flexible guidance and a framework of reference for Danish representations participating in joint programming processes and for discussing national programmes with partners and donors; (ii) lay out the requirements for seeking internal approval and the administrative procedures of Danish development co-operation; and (iii) provide templates and recommend contents for key documents. This “living” document is regularly updated to reflect major policy changes. For example, the MFA plans 74 revisions to the guidelines to keep programming coherent with *Freedom from Poverty*. The Quality Assurance Department manages the guidelines, monitors their implementation and collaborates with Technical Advisory Services, the Evaluation department and embassies when making amendments.

Staff are kept informed of amendments to the guidelines through electronic updates. Staff in headquarters and embassies are trained in applying the guidelines, which are available in English, Spanish and French so that non-Danish speaking staff in embassies can use them. This is good practice.

A challenge for the MFA is ensuring that aid management tools are easily accessed through the internet and that there is regular “cleaning” of the website, for example to remove expired policies and guidelines. The electronic version of the programme management guidelines is particularly user-friendly because it contains links to relevant templates for easy access. However, with about 180 sub-sites navigation can be difficult. The peer review therefore welcomes efforts to simplify this relatively complex universe, including the Aid Management Guidelines website.

### ***Results-focused performance management***

Denmark has a well-established performance management system which is continually being refined. The objectives of the system are to: (i) enhance the quality of Danish development co-operation through a stronger focus on results; (ii) improve management and continuous learning through better information and reporting; and (iii) strengthen accountability through performance assessments and measurement in the context of an increasingly decentralised management structure. The performance management framework provides a comprehensive structure for reporting and accountability at all levels (Box 3). The performance reviews conducted by the Quality Assurance Department are an integral part of the Danish performance management framework and all embassies administering development co-operation are reviewed within a three-year period. These assessments provide embassies and MFA management with information for future management decisions, ranging from the need to focus on fewer programmes with fewer components, to updating embassy organisational manuals, to reviewing staff salaries and improving staff satisfaction.

The last peer review invited Denmark to improve the integration of its results-based system with its commitment-based budgeting in order to link country-specific performance reviews to allocation of resources (OECD, 2007). Since then, Denmark has

33. See: <http://amg.um.dk/en>.

sought to integrate results-based budgeting and accounting through its annual goals and targets management system (MRS) which is designed to ensure coherence between priorities and resource allocation – including staff resources. The MFA is updating its performance management system to further consolidate Denmark’s results management and reporting. According to the draft framework for managing for development results (October 2010), the ministry aims to integrate strategic planning, risk management, resource allocation, performance monitoring and evaluation.<sup>34</sup> The MFA hopes that the updated system will improve decision making for achieving results and further rationalise reporting requirements.

The MFA reports on results through an annual report (MFA, 2010a); evaluation reports; and a complete project and programme database available on the Internet. There is also an anti-corruption/fraud website which outlines Danida’s anti-corruption policy, and gives an overview of the scale of development funds lost through misuse, including a list of all reported cases. This transparency is positive because it demonstrates to Danes that corruption in development co-operation is being addressed.

### **Box 3. Danida's key performance management tools and databases**

#### Key monitoring reports to headquarters for bilateral assistance

- Review of annual results and targets by the Quality Assurance Department, submitted to MFA management and to parliament.
- Yearly country assessment by embassies, submitted to Danida Board, the Auditor General and MFA management.
- Performance review of embassies and missions by Quality Assurance Department every three years, submitted to MFA management.

#### **Key monitoring reports to headquarters for multilateral assistance**

- Annual report on the mission’s action plan, submitted to MFA management and the Danida Board.
- Performance review of the mission conducted by the Quality Assurance Department and submitted to MFA management.
- Annual results contract submitted to MFA management.
- Performance reporting provided by multilaterals.
- Performance assessment of the multilaterals by Quality Assurance Department and/or MOPAN and submitted to MFA management.

#### **Databases**

- The management information system monitors the annual financial frames, disbursement targets, the activity calendar, the submission of annual country assessments, high level activity indicators for the programmes (VPA) and ongoing performance against financial operating indicators.
- The project database holds information on programmes and projects throughout their lifecycle; it includes progress indicators for each programme, component and project.
- PPO is the public version of the project database. It can be accessed on line and presents objectives, targets, and outputs as well as a risk assessment.
- The embassies have more detailed information linked to the monitoring of programmes and projects.
- The anti-corruption website is available at [www.um.dk/en/menu/developmentpolicy/anticorruption/](http://www.um.dk/en/menu/developmentpolicy/anticorruption/)

*Source: www.amg.um.dk, Danida’s performance management framework.*

34. The peer review team has read the internal draft “*Danish Development Co-operation in a Results Perspective; Framework for Managing for Development Results*”, dated October 2010.

### *A stronger focus on results indicators*

During annual performance reviews, thematic and sector assessments and one-off evaluations, embassies are assessed against a number of development goals and indicators. These are mainly the MDGs, cross-cutting issues and other priorities set out in the annual budget and in project and programme documents. The MFA categorises results into three levels for bilateral co-operation – global, country programme, and programme and project level – and two levels for multilateral co-operation – organisation and country level. In the current set-up, it should be relatively easy to determine results in partner countries as each programme has a Steering Committee and embassies have sound reporting systems. There is also a clear system for reporting results for multilateral programmes. Embassies and missions report on more than 350 selected indicators using one output indicator per programme component. These indicators are used for communication purposes and are not used as such for management of programmes. Data provided in the project database (see Box 3), and evaluations are more relevant for that. When reporting on the indicators, embassies state how satisfied they are with the achievement of the objectives of the activities. Embassy ratings of indicators are aggregated at headquarters and fed into the Danida annual report, which is submitted to parliament. However, the MFA is not fully satisfied with the current indicator-setting process: embassy staff – and various external evaluations – have raised concerns that the selection and use of a single (usually output) indicator does not sufficiently reflect programme performance in terms of development results. In response, the MFA will expand the number of indicators for each component to get a better idea of what outputs comes out of the interventions.

Measuring and documenting results is a challenge for Denmark as it is for other donors. It has been identified as a core priority in *Freedom from Poverty*. At the same time, several of the priorities in *Freedom from Poverty* will contribute to the specific challenge of aggregating individual indicators into outcomes linked to the overall priorities. This can be tricky. MFA has decided not to develop standard global indicators for communication purposes. Nevertheless, the MFA needs to ensure that the objectives and indicators it develops for global/aggregate reporting on the five priorities can fit into ongoing programmes and partners' monitoring systems without adding a new set of indicators and take account of risks. The planned streamlining of the various thematic strategies should, however, give embassies a clearer idea of what is most important for reporting to headquarters. Embassies may, nevertheless, find it difficult to provide concrete examples of achievements on, for example, growth and employment and freedom, democracy and human rights. Denmark is revising its results-based framework and is aware that it needs to be both realistic for monitoring and reporting, and sufficient for meeting the constant need to demonstrate results. To that end, the peer review team welcomes the research programme on measuring and documenting the results of development co-operation which was launched by the ministry in 2010 and encourages it to involve other DAC members in this work.

### *Results and risks management*

The 2007 peer review noted that Denmark's strong focus on accountability for results could lead to a more risk-averse bilateral aid portfolio. Yet one of the comparative advantages of ODA is its role as a catalyst for other investment, innovation and piloting. The MFA is actively responding to this through its strategic decision to confront risks and to identify better tools for analysing, monitoring and managing risk in development co-



operation (see Chapter 1 and Box 1). Denmark must balance the risk of doing nothing with the various risks that it will encounter in trying to achieve results. Therefore, the ministry's efforts to couple risk management with managing for results are welcome. Denmark should also identify how risks can be included or factored into indicator setting and performance reporting. Given that these challenges are not unique to Denmark it should strive to make progress jointly with other donors. Additionally, staff will need clear communication, tools and training on this.

### ***Human resource management: dealing with budget cuts***

There have been a number of positive changes to human resource management following the 2007 peer review. A new human resource department has been created in the Centre for Corporate, Human Resource and Training; a human resource strategy was developed in 2010 to underpin the new organisational structure; and a human resource policy for postings in fragile states is being prepared through pilot projects in four embassies.<sup>35</sup> The human resource strategy has three objectives: targeted career and competence development; motivating leadership and management; and the well-being of all employees. This overall strategy is complemented by policies, tools and measures such as economic incentives and extra holidays in lieu of over-time. More attention is also being given to leadership and building good management. The new *Leadership Profile* puts results at the centre of management; managers must have three core competencies: (i) good people management skills; (ii) professional competence within the MFA's broad field of work, but with the capacity to focus on the big picture; and (iii) ability to think of the MFA's portfolio over the long term. Staff representatives are happy with these new policies and the consultative process for preparing them.

However, like other DAC member development ministries/agencies, Danida must deal with a decreasing administrative budget. As part of the budget agreement for 2011-2013 for the MFA, the ministry will have to reduce its payroll by approx DKK 71 million, the equivalent of approximately 135 positions. This comes on top of budget cuts carried out by the Ministry as part of the Government's economic recovery package in May 2010. Human resource constraints have been a challenge for the MFA at headquarters and in embassies for several years. To a certain extent, the new human resource policy, updated working methods, tools and high quality competency development should ease some of the pressure on staff. At the same time, embassy performance reviews and meetings in headquarters all point to staff being over-worked.<sup>36</sup> An even greater prioritisation of tasks is called for. Denmark could also review its policy of focal points – where each embassy has focal points on issues such as environment, gender, civil society and humanitarian assistance – to identify whether this is the most efficient and effective way of achieving its objective.

The MFA prefers generalist professionals over specialists. Generalists tend to be more adaptable and mobile which it considers important given the pressure on administrative resources. However, according to the MFA, most generalists working at the Centre for Development Policy have several years of experience working with development policy and/or practical development co-operation at the field level and efforts are made to capitalise on this staff experience. For example, if they state a

35. The policy focuses on three areas: security and safety; recognition and development of staff; and terms and conditions.

36. The DAC secretariat consulted several performance reviews conducted in 2009 and 2010.

preference for development individual staff can generally continue to work for Danida and rotate to relevant embassies. However, the MFA must retain a core of specialists at headquarters and in the embassies with the right skills for implementing the priorities outlined in *Freedom from Poverty*. Until recently, there was an ‘organic mobility’ in the ministry’s pools of experts as they moved to new jobs elsewhere. In the context of the economic crisis there is less mobility and the ministry will need to develop a new strategy for recruiting specialists at headquarters and locally.

### *Improving the quality of human resource management at embassies*

About two-thirds of the ministry’s 846 staff working on development are based abroad.<sup>37</sup> Denmark has developed a more professional approach to human resource management abroad, especially for its locally-engaged staff. Since the 2007 recommendation on this issue (OECD, 2007 and Annex A), Denmark has established minimum standards for pay and over-time compensation and is increasing the mobility of local staff between embassies. Annual staff satisfaction surveys, discussions with staff on competence development, budgets for training, and staff performance conversations are being institutionalised within embassies. Moreover, embassies with more than 20 staff are obliged to establish a Joint Consultation Committee (JCC) to bring together local, posted and management staff. Special work areas for the JCC are personnel policy, employment conditions, security and psychological work environment. MFA monitors this through performance reviews. For example, the performance review of operations in Tanzania recommended that the embassy should consider developing a generic competence development plan for local staff which could include core requirements on development co-operation issues and strategic issues faced by the embassy (MFA, 2010i). It also recommended that the embassy seek guidance on best practices in developing a new performance-based salary policy for local staff. Based on these recommendations, the MFA should prepare guidance for all embassies and missions to value, respect and give opportunities to locally-employed staff in order to retain them.

The MFA recognises that the career structure and language issues have still to be resolved for local staff, who cannot be promoted beyond programme manager level. While English is the working language for all embassy staff when it comes to development, French may also have to be further mainstreamed in light of Denmark’s presence in Francophone countries. This was evident in Mali. Denmark could address this by providing locally-employed staff with relevant Danida orientation courses in French in Copenhagen, find incentives to attract MFA staff to francophone African countries, and translate its core documents and training into French.

### ***Skills development: exemplary progress***

Continuous competence development is one of three objectives of MFA’s human resource strategy; Denmark has made exemplary progress in this area. The MFA’s Competence Centre was created during the re-organisation and brings together training activities in development policy, management, administration, and diplomacy. It is merged with the human resource department. Competence work is guided by *The Strategy for Competence Development* and the *Competence Strategy for Local Staff*, both published by the MFA in 2008. A new learning management system – CAMPUS – is

37. In 2010, 215 “professional” staff and 370 general service staff were working abroad on development co-operation.

being developed and offers e-learning opportunities and training to all employees. Several e-learning courses on public financial management, procurement and aid effectiveness, gender, environment, and anti-corruption are particularly useful given the ministry's level of decentralisation. Denmark's commitment to staff training is commended and ensures an overall high level of awareness amongst staff of priority issues. Denmark is also praised for making its courses available online for other donors to use, as well as for its active participation and leadership in the Train4Dev network. It should continue to use this platform for sharing its good practice and developing joint competence development activities, especially at country level.

Denmark must ensure that staff skills match the MFA's priorities. This task has become more difficult now that decentralisation requires more staff with programme experience. At the same time, staff at headquarters, especially those at entry-level, have limited opportunities to develop these skills before being posted. Embassies have limited authority in recruiting the staff posted to them, and are thus unable to select staff with relevant experience. Moreover, more staff are required with skills in policy dialogue and institutional capacity assessment, while embassy managers must have appropriate management skills in organisation, communication and information sharing. The Competence Centre, as well as embassy level competence development plans, is trying to address these weaknesses. All employees selected for development posts at embassies and missions must follow an extensive pre-posting training, which builds on individual job and needs assessment. This training ranges from development issues, administration and management, to personal security and languages. Denmark is encouraged to continue to build on its competence development approach, which is an important tool for sustaining quality.

### **Evaluation: good practice**

As with competency development, Denmark is recognised by the donor community for its commitment to an independent, high quality, transparent approach to evaluation and applying lessons from the 2006 *Evaluation Guidelines* (MFA, 2006a). Denmark's National Audit Office (NAO) concluded in 2010 (Rigsrevisionen, 2010) that the Ministry of Foreign Affairs adheres to the guidelines and the Evaluation Department is able to plan and publish evaluations independently. Denmark also actively disseminates its evaluations nationally and internationally.<sup>38</sup> In line with good practice, approximately 50% of evaluations are conducted jointly with evaluation offices of other development agencies and the partner country is involved in about 80% of evaluations (OECD 2010g).

Denmark's procedures for identifying, managing and following-up on evaluations are well established. The Evaluation Department is an independent, specialised unit in the MFA (Figure 1 in Chapter 1). The Head of the Evaluation Department reports to the Minister for Development Co-operation, through the State Secretary for Development Policy. The final management response on evaluations is approved by the chairman of the programme management committee, the Under-Secretary for Development Policy and the Minister for Development Co-operation. There are two responses, one in English focusing on technical issues for professional/internal purposes, and the messages for the public in Danish approved by the Minister. Follow-up on the responses to all evaluations is monitored by the Quality Assurance Department, as well as the Evaluation Department,

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38. See [www.evaluation.dk](http://www.evaluation.dk).

at regular intervals. The Evaluation Department is also responsible for analysing programme and project completion reports and helps facilitate the efficient use of lessons.

While the Evaluation Department is already engaged in evaluations of conflict prevention and peace building (Southern Sudan and Somalia), it faces methodological challenges for evaluation in fragile and/or highly dynamic situations. This is a new area for most evaluators and is being addressed through joint work on conflict prevention and peacebuilding evaluation at the OECD. Messages emerging for donors include: (i) promote more systematic use of good programme design, monitoring and implementation even in contexts of conflict, fluidity and political sensitivity and instil good learning and evaluation systems from the outset as they move more into these contexts; ii) evaluate at the strategic level, together with other donors and other actors, to understand better the role of development co-operation in the wider peacebuilding and statebuilding process; and (iii) take conflict and context as starting points in evaluations.

### **The civil society strategy**

Denmark's 2008 CSO strategy is already being used as a model by other donors and paves the way for implementing the Accra Agenda for Action commitments to CSOs (MFA/Danida, 2008; and see Chapter 5). This strategy was prepared in close co-operation with Danish CSOs and has their full buy-in. It leads the field on several levels, but mainly because the overall objective for CSO support is to contribute to the development of a strong, independent and diversified civil society in developing countries. A condition for support to Danish CSOs is that their work with civil society in developing countries has a strong capacity development component.

While the MFA does not impose heavy reporting requirements on Danish CSOs, it will require them in future reporting to focus on results that reflect the overall goals of Danish development co-operation. While this is welcome, the ministry should ensure that it clearly communicates its expectations to CSOs and possibly identifies jointly with them the results indicators on which they should report.

Current consultation arrangements with Danish CSOs, including annual consultations with framework organisations and those with delegated funding arrangements to review implementation, and an annual meeting with representative of Danish organisations on the CSO strategy are well regarded by Danish CSOs. However, Danish CSOs feel that the MFA no longer gives priority to policy dialogue and consultation on broader development issues. Furthermore, as noted by an audit for the NAO in 2007, Danida could improve the exchange of experiences and information between embassies and CSOs.<sup>39</sup> The MFA could, therefore, improve its consultation with civil society when developing policies and priorities both in Copenhagen and in embassies.

### **Future considerations**

- The MFA's structure was re-organised to make it better able to address global development challenges. The ministry can further improve the way it works by clarifying managers' roles and responsibilities, and creating efficient mechanisms for co-ordination, knowledge sharing and decision making across the eight MFA centres

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39. This was noted in the audit by the NAO (Rigsrevisionen 2010).

dealing with development and with the embassies, and through this ensure that staff are clear about which tasks they should prioritise.

- Denmark is commended for implementing the 2007 peer review recommendation to engage in fragile situations and to be open to more risk in development co-operation. As it clarifies how it will manage risk, the MFA should develop guidelines and train staff.
- Denmark should continue to address the challenge of demonstrating results, jointly with other donors, especially in relation to aggregating programme-based indicators for reporting on overall achievements.
- The MFA should review its human resource policy, its staffing levels and strategy for recruiting experts, and its training plan for headquarters and embassy staff to ensure they can effectively implement *Freedom from Poverty* and sustain a quality aid programme despite the latest administrative budget cuts.
- The MFA could increase the level and frequency of policy dialogue with civil society actors at headquarters and in embassies through more regular and institutionalised consultations on development policy.



## Chapter 5

### Aid effectiveness

#### Deepening implementation of the Paris Declaration and the Accra Agenda for Action

Denmark has taken an internationally-recognised lead in implementing the Paris Declaration and the *Accra Agenda for Action* (AAA) for aid effectiveness. The country's long history in promoting ownership and alignment to partner country priorities is highlighted in its overall development strategies (MFA, 2000 and MFA, 2010b), as well as in the government's annual priorities for Danish assistance. Denmark continues to push for more effective aid in line with the Paris Declaration and the AAA. Denmark calls for a better division of labour based on results-oriented and focused development in its co-operation with other bilateral donors, as well as in its engagement with multilateral organisations like the EU. The Danish -funded Africa Commission is another testament of Denmark's commitment to aligning to developing countries priorities (Chapter 1). Since the last peer review, Denmark has addressed several recommendations, including the significant decision of making sector budget support its default aid modality. Denmark thus shows strong commitment to the aid effectiveness agenda by putting partner country ownership at the heart of its planning and programming. Denmark ensures its efforts are aligned to partners' priorities and systems, and adding value by targeting a few sectors in each partner country. In the lead up to the high level forum on aid effectiveness in Busan 2011, Denmark is well placed to contribute to international efforts for making aid effective.

#### Denmark is on track to meet its Paris Declaration targets

Denmark's good performance in implementing the Paris Declaration and the Accra Agenda for Action is evident in the 2008 Monitoring Survey, with most Danish targets either on-track or achieved (Table 3, and OECD, 2008b).<sup>40</sup> The survey especially highlights that Denmark's use of parallel systems has been reduced. The Brookings Institute also ranks Denmark highly for providing both high quantity and quality of aid. In its recently-launched initiative on the Quality of Official Development Assistance (QUODA), Denmark's ODA performs well in maximising efficiency, fostering institutions, reducing burdens and promoting transparency and learning.<sup>41</sup> Denmark is

40. In relation to indicator 7 on predictability, this can only be captured if partner countries also report and publish forward spending and budgets.

41. See [www.brookings.edu/global/quoda.aspx](http://www.brookings.edu/global/quoda.aspx).

also commended for its 2009 review of its commitments made in Accra.<sup>42</sup> The review shows that Denmark has taken a number of important steps towards realising its bilateral commitments on aid effectiveness, mainly by revising its guidelines for aid management. The review also points to a few problems, including in using country systems and aligning with partner country information systems. To tackle these, Denmark has called for further collective action with other donors and partner countries, recognising that these objectives can only be achieved through joint collaboration. Denmark should keep pushing for further advancement and implementation of the Paris Declaration and the AAA, especially in institutional frameworks where Denmark cannot act alone and must collaborate to influence other donors and partner countries.

**Table 3. Denmark's performance against the Paris Declaration indicators**

| Indicator   | 2005<br>(17 partner<br>countries) <sup>1</sup> | 2007<br>(17 partner<br>countries<br>0 | 2007<br>(21 partner<br>countries) | 2010 target | Comment                     |
|---|--|---------------------------------------|-----------------------------------|-------------|-----------------------------|
| 3. Aid flows are aligned on national priorities                     | 50%  | 66%                                   | 57%                               | 85%         | On-track                    |
| 4. Strengthen capacity by co-ordinated support                      | 45%  | 75%                                   | 74%                               | 50%         | Target achieved             |
| 5a. Use of country public financial management systems <sup>2</sup> | 29%  | 54%                                   | 55%                               | 53%         | Target achieved             |
| 5b. Use of country procurement systems                              | 44%  | 68%                                   | 69%                               | 63%         | Target achieved             |
| 6. Avoid parallel implementation structures                         | 69   | 44                                    | 46                                | 23          | On-track                    |
| 7. Aid is more predictable  | 46%  | 51%                                   | 47%                               | 75%         | Further progress needed     |
| 8. Aid is untied  | 84%  | 96%                                   | 98%                               |             | Target of progress achieved |
| 9. Use of common arrangements or procedures                         | 60%  | 64%                                   | 60%                               | 66%         | On-track                    |
| 10a. Joint missions   | 34%  | 45%                                   | 44%                               | 40%         | Target achieved             |
| 10b. Joint country analytic work                                    | 80%  | 89%                                   | 85%                               | 66%         | Target achieved             |

1. The *2006 Monitoring Survey* for Denmark is based on data from 17 countries reporting Danish ODA in 2005 (out of a total of 33 countries surveyed) and covering 72% of country programmed aid in 2005. The *2008 Monitoring Survey* for Denmark is based on 2007 data from 21 countries (out of 55 countries surveyed), and covers 77 % of country programmed aid. For ease of comparison, 2007 data are presented in two columns: data for the 17 countries that participated in the first round (left), and data for all 21 partner countries reporting ODA received from Denmark in the enlarged second round of the survey (right).
2. The 2010 targets for indicators 5a and 5b are indicative, and are underpinned by the assumption that further improvements in the quality of partner country public financial management and procurement systems support their increasing use by donors.

Source: OECD (2008b), *2008 Survey on Monitoring the Paris Declaration: Making Aid More Effective by 2010*, OECD, Paris.

42. <http://www.oecd.org/dataoecd/54/11/44681984.pdf>.



## Implementing aid effectiveness commitments

### *Institutionalising aid effectiveness through the Aid Management Guidelines*

Denmark's commitment to deliver aid more effectively is evident in the ways in which the principles of ownership, division of labour, and alignment have been institutionalised at both country level and within the MFA. The Programme Management Guidelines provide all staff at HQ and in the field with instructions on how to plan and implement Danida's programmes (MFA/Danida, 2009 and see Chapter 4). They spell out clearly that all programmes must be developed in accordance with partner countries' own priorities – such as Poverty Reduction Strategy Papers (PRSPs) – and in close dialogue with partner country institutions. Moreover, Denmark is preparing more of its country strategy papers (CSP) jointly with other donors.<sup>43</sup> The guidelines also clearly promote the use of country systems and list criteria that partner countries must meet to be eligible for the general budget support and sector budget support, which is Denmark's stated default aid modality (MFA, 2010c). Embassies are required to justify any decisions not to provide sector budget support. When they do not provide sector budget support they must develop a plan for doing so and help build the capacity of the partner country, in collaboration with other donors, to become eligible. Danida's experience in Mali with providing sector budget support is instructive for its operations elsewhere as well as for other donors (Box 4 and Annex C).

#### **Box 4. Denmark's approach to using country systems: innovative experience of Mali**

One of the factors that Denmark took into consideration when selecting Mali as a partner country was the extent to which it could apply and use its well-established approach, modalities and tools for making aid more effective. At the same time it decided to support sectors (water, agriculture, and private sector) with weak institutional structures, lacking national sector strategies and which needed enhanced support and capacity development. It was evident therefore, that Denmark could not provide sector budget support in these sectors, initially. Instead, it is working with Malian authorities towards meeting its commitment to provide sector budget support and to align with Mali's priorities and financial management systems. For example, the second phase of a joint programme with Sweden in the water sector sets deadlines for providing sector budget support with clear conditions for the Government of Mali. Denmark and Sweden take an interesting "carrot and stick" approach in this programme: the Government of Mali is motivated to strengthen institutions and capacity so that they are eligible for sector budget support by a certain date. If Mali does not achieve these objectives by then, the date will be pushed back. Malian officials were satisfied with the approach, which instils a sense of mutual responsibility.

Developing capacity, both centrally and regionally while using existing structures as much as possible is a key feature of Danida's programmes in Mali. Despite weak Malian knowledge of their public financial management systems, Denmark channels its aid through the Malian treasury, but earmarks it and uses separate bank accounts at the local level where public financial management capacity is weakest. This approach is coupled with training of Malian officials and civil society organisations in how their public financial management system works and recognises the need to use national systems while finding transitional means to operate while local capacity develops. However, with the exception of its joint programme with Sweden in water and sanitation, Denmark is the only donor trying to use country systems in the water, agriculture and private sectors. Denmark's experience in Mali is innovative and valued by Malian authorities. It should now work more closely with the donor community in Mali and internationally, sharing its experiences and lessons in the Working Party on Aid Effectiveness and the EU, and conducting shared in-depth analysis and management of risk to aligning fully to country systems.

43. Denmark participates in joint assistance strategies in, for example, Bangladesh, Kenya, Mali, Tanzania, Zambia, and Uganda.

### ***Decentralisation***

Since 2003, Denmark has undergone a decentralisation process which gives embassies increasing decision-making power to initiate, plan and execute their programmes. This is positive as it allows embassies to make decisions based on local knowledge and in close dialogue with national development institutions and governments in partner countries. Each embassy is responsible for drawing up a national action plan for implementing Denmark's commitments to making aid more effective. Goals on, for example, ownership, using country systems, co-ordination and harmonisation must be included in embassy's annual results contract and reported in the annual country assessment and are monitored by the MFA's Department for Quality Assurance. In this process, potential areas of improvement are identified for embassies and follow up is conducted in the following year's result contract.

In Mali, for example, the Danish action plan for implementing its Paris and Accra commitments in Mali was developed jointly in co-operation with other donors and the embassy plays an active role in different donor co-ordination groups, most notably in The Collective Group of Technical and Financial Partners, and potentially also in the Troika, which Denmark is expected to chair in 2011 (Annex C). This is positive and Denmark is encouraged to share its experiences and lessons with the wider donor community to advance its objective of greater harmonisation and alignment in its focus sectors. Denmark also influences the national joint donor action plan on implementing the aid effectiveness agenda in Mali, which seeks to ensure that donors in Mali are all working towards the same goals, highlight areas in need of improved co-ordination and divide labour effectively (Annex C). While this is positive, this process requires strong local commitment and capacity at embassy level. Denmark needs to ensure that all embassies have the capacity and support required to develop these locally-adapted action plans, and make sure that embassies can draw on support from the policy and quality assurance departments in Copenhagen. This concern is especially important in countries facing complex co-ordination challenges, in fragile states as well as in missions with special responsibility for overseeing multilateral co-operation (New York, Rome, Washington, Geneva, and Nairobi). The 2008 phase one evaluation of Denmark's implementation of the Paris Declaration confirms this recommendation.<sup>44</sup>

### ***Emerging challenges for aid effectiveness***

Denmark has made great progress at headquarters and country level in delivering aid more effectively since the last peer review. Nevertheless, if Denmark outpaces its peers at country level, its harmonisation and alignment efforts may be at risk (Box 4). Whenever possible, Denmark should therefore help other donors catch up by actively sharing its experiences in overcoming challenges and obstacles. The fourth High Level Forum on Aid Effectiveness in Busan in 2011 and Denmark's upcoming presidency of the EU in 2012 provide good opportunities for this. Denmark recognised the importance of collective action on key principles of the Paris Declaration to enhance its international co-operation. It is also important for Denmark's further development and achievement of its aid effectiveness objectives. The peer review team commends Denmark for the priority it places on using the EU as the main global channel through which Denmark can push for joint donor progress as also laid out in *Freedom from Poverty*.

44. [www.diiis.dk/graphics/Subweb/paris\\_evaluation\\_web/files/pdf/original/EvaluationParis\\_Final\\_Denmark.pdf](http://www.diiis.dk/graphics/Subweb/paris_evaluation_web/files/pdf/original/EvaluationParis_Final_Denmark.pdf).

## Capacity development

Denmark has a long history of supporting and developing capacity in its bilateral co-operation. It is working with development partners' existing structures and institutions and thereby strengthening national systems (Box 4). It also places technical advisors in key areas of civil administration in its partner countries. Two policy documents steer Denmark's work on capacity development, the *Guidance Note on Danish Support for Capacity Development* (MFA, 2006b) and the *Operational Guidelines for Technical Assistance in Danish Development Assistance* (MFA, 2009d). These documents state, in line with the Paris Declaration and the AAA, that capacity development should cut across all aspects of Danish co-operation, and emphasise its importance for sustainability and successful development effectiveness.<sup>45</sup> Therefore, most of Denmark's country programmes include strategic support to institutions or technical areas relevant to the sectors in which Denmark directs its support. Denmark is currently reviewing how best to support capacity development in a new strategic framework. In developing this plan, Denmark has taken into consideration an evaluation of its capacity development strategy (MFA/Danida, 2005), which recommended the inclusion of targets, outputs and indicators. The new framework reflects current international discussions on capacity development and highlights five areas of importance: (i) a strategic focus; (ii) realistic expectations; (iii) stronger focus on results; (iv) enhanced joint efforts; and (v) frank analysis of risks and ambitions. The framework will be elaborated in the revised guidance note *Addressing Capacity Development in Danish Development Cooperation* to be published in February 2011.

Efforts to strengthen capacity development are also evident in Denmark's close collaboration with civil society, both in Denmark and abroad. The *Strategy for Support to Civil Society in Developing Countries* (MFA/Danida, 2008) stresses the importance of supporting capacity development to enable civil society to work more effectively at field level. It has also helped anchor international aid effectiveness principles in Danish CSOs, especially in relation to partnerships and dialogue. The strategy states "even though the Paris Declaration is generally designed for use by the official aid organizations, it contains a number of principles from which civil society can draw benefit. This applies particularly to the development of partnerships between Danish organizations and their partners in developing countries" (MFA/Danida, 2008). This approach is particularly useful for other donors who are developing their thinking on aid effectiveness and civil society. In line with Denmark's increased focus on fragile states, current capacity development approaches are also being revisited in the light of how situations affected by fragility require a different set of capacity development methods (see below).

## Delivering aid effectively in fragile states

The new strategy on fragile states makes explicit reference to several of OECD Principles for Good International Engagement in Fragile States and Situations (OECD, 2007b), and especially that Denmark will not act in isolation (MFA, 2010e). As highlighted in the new strategy, this work poses a number of new challenges to Danida, such as accepting higher risks in its co-operation and changing its approach to aid

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45. Denmark's definition of technical assistance expands the transfer of knowledge to include: adaptation, mobilisation and utilisation of services, skills, knowledge and technology; long- and short-term advisers and consultants; training activities at home or abroad to nationals of countries receiving development assistance; study tours; seminars; and institutional co-operation (twinning arrangements).

effectiveness in fragile situations. According to the strategy, Denmark will co-ordinate with other donors, organisations and authorities in partner countries and analyse its comparative advantage and the efficiency of its assistance when identifying co-operating partners. This includes Denmark's co-operation with international organisations such as the EU, UN and CSOs, but also when engaging bilaterally and in combination with other donors. Denmark is thus pushing an agenda of division of labour and more flexible adaptation of the instruments by other partners to the needs of fragile states. Similarly, Denmark has made important headway in terms of the AAA recommendation on improving the speed and flexibility of financing to fragile states. The recent creation of a specialised stabilisation instrument, for example, allows for more holistic approaches that go beyond ODA.

## Predictability

As stated in the Accra Agenda for Action, donors should provide details of their forward spending plans and provide partner countries with this information to enable their long term planning and budgeting. Recognising this, Denmark prepares rolling five-year spending plans for which disbursements are subject to annual approval. These plans describe the overall priorities and focus of Danish development assistance, broken down by partner country and sector. Denmark publishes and shares them both with development partners and the general public. Authorities in Mali considered the five-year plan to be a unique feature of Danish co-operation since it allows the Ministry of Finance – through which most of Danish assistance is channelled – to plan and budget its support. The multilateral organisations that Denmark supports are also included in these five-year plans based on their ability to deliver results that are in line with Danish priorities. Multilaterals also express appreciation of this approach since the Danish contributions are usually predictable and provided as core contributions (see Chapter 3, and MFA, 2008c).

## Untying aid

Tied aid describes official grants or loans made to recipient countries that limit the procurement of goods or services to the donor country. It has been clearly documented that the costs of both goods and services are usually raised when tied to a given provider, and that such aid is often serving donor commercial interests rather than local needs (OECD, 2001). Untying aid is therefore considered a key test of donors' commitment to coherent policies and effective aid delivery. Over the last decade, impressive international progress in untying aid has been achieved through joint donor efforts. Denmark continues to play its part in this process: it has untied all of its food aid since 2005, and its technical assistance since 2008. Denmark's untied aid currently stands at 97% of all its aid; this places Denmark in the top category of OECD donors who have, according to the DAC recommendation of 2001, either fully or almost fully untied their aid (DAC data). However, some Danish aid modalities – the Mixed Credit Scheme and the Business to Business Programme – remain partially tied.<sup>46</sup> Together, these programmes account for 3% of Denmark's total ODA. Denmark considers these business instruments as constructive contributions to creating growth and employment in recipient countries. Denmark is aware of this transgression against the rules and has responded partially to the

46. Although the Mixed Credit Scheme is tied to companies registered in Denmark, it is noted that any goods or services it employs are not.

2007 peer review recommendation by allowing the contractor flexibility in the procurement of goods and services and placing greater focus on projects in the poorest countries in Sub-Saharan Africa. However, according to Denmark, the public support benefits that accrue from these instruments justify their continued existence.

### **Future considerations**

- Denmark has made progress at headquarters and country level in delivering aid more effectively. It should now share its experiences, including challenges, with decentralisation, using country systems and in fostering mutual accountability and help to identify, jointly with the international donor community, how delivering aid in effective ways can contribute to development.
- Given its decentralised approach to aid delivery, adapt its systems for embassy staff to manage aid according to the Paris Declaration and the AAA with particular attention to staff working in fragile states and with multilateral organisations.
- Denmark is encouraged to untie the remainder of its tied aid in order to fully meet its commitments and effort sharing amongst DAC donors.



## Chapter 6

### Humanitarian assistance

Denmark has embarked on an innovative strategic direction in humanitarian assistance. As recommended by the previous peer review, Denmark has built on its experience of working in fragile states to deliver, through a participative process, a new *Strategy for Danish Humanitarian Action 2010-2015* (MFA, 2009e). This document sets out Denmark's overall objectives in the areas of vulnerability, climate change and natural hazards, and protecting conflict-affected populations. The emphasis is on strengthening the impact of Danish humanitarian programming by focusing its portfolio on areas of comparative advantage; deepening Danish involvement in a reduced number of crisis situations, while simultaneously narrowing the number of key partners and funding instruments. Denmark believes that this focused approach, which stems from an evaluation of its humanitarian assistance in 2008, will allow it to deliver better results under the Principles of Good Humanitarian Donorship (GHD).<sup>47</sup>

#### Mainstreaming humanitarian action through a bold new strategy

Two chapters of Denmark's overall development co-operation strategy, *Freedom from Poverty, Freedom to Change* (MFA, 2010b), set the stage for its humanitarian programming. In these chapters – Stability and Fragility; and Environment and Climate – Denmark outlines its intention to protect particularly vulnerable groups and meet their humanitarian needs in crises, armed conflicts and disasters. Women, internally displaced persons (IDPs) and refugees are given particular emphasis. Importantly, risk reduction considerations, including conflict prevention, stabilisation and disaster risk reduction, are also given prominent attention.

The new humanitarian strategy, which covers the period 2010-2015, builds on these intentions. Denmark has chosen to focus the objectives of its strategy on areas of clear comparative advantage, channelling its assistance where it can add the most value (Box 5). It has also recognised the importance of strengthening humanitarian delivery mechanisms in its strategic priorities, through a focus on co-ordination, partnership and results. The strategy was developed in consultation with all Denmark's major UN, Red Cross and NGO partners, and is now widely accepted by partners as an example of good practice.

The humanitarian strategy is supplemented by the pre-existing Regions of Origin Initiative, which promotes protection and durable solutions for IDPs and refugees in protracted crises, in line with UNHCR's Framework for Durable Solutions.

<sup>47</sup> See [www.goodhumanitarianandonorship.org](http://www.goodhumanitarianandonorship.org).

Humanitarian action is also considered to be an integral part of the new fragile states policy, *Peace and Stabilisation* (MFA, 2010e), reflecting Denmark’s strategic decision to promote joined-up and whole-of-government programming in fragile states (see Chapters 1 and 2).

### **Box 5. Overview of Denmark's new humanitarian strategy, 2010-2015**

Denmark, along with its partners, will reach out to the most vulnerable people in crisis situations by:

- Meeting the immediate and early recovery needs of those affected by natural disasters and promoting disaster risk reduction.
- Responding to the needs of people affected by armed conflict, and supporting prevention, resilience and early recovery efforts.

Denmark’s strategic directions for this humanitarian work are:

- (i) Vulnerability: prioritising women’s empowerment, risk reduction, emergency preparedness and early recovery.
- (ii) Climate change and natural hazards: disaster risk reduction and the increasing humanitarian needs resulting from climate change.
- (iii) Protecting conflict-affected populations: civilians in armed conflicts, international humanitarian law, gender-based violence, durable solutions for IDPs.
- (iv) Co-ordinated, principled and informed humanitarian action: central co-ordination role of the UN, full adherence to GHD principles, focusing on a limited number of protracted crises.
- (v) Strengthening partnerships: partnership framework agreements, increased division of labour between humanitarian donors, increased Danish field level capacity.
- (vi) Focus on results, innovation and communications: focus on impact and accountability to beneficiaries, promote innovation and best practices, and regularly communicate results.

*Source: MFA (2009), Strategy for Danish Humanitarian Action 2010-2015: Addressing Vulnerability, Climate Change and Protection Challenges, Ministry of Foreign Affairs, Copenhagen*

One challenge to effective humanitarian delivery remains, however. Partners have raised concerns about the potential for humanitarian principles to be compromised under whole-of-government approaches in fragile states, especially those states where Denmark has a military presence, such as Afghanistan. The previous peer review also recommended that Denmark “remain vigilant about the use of humanitarian action to achieve political or military goals” (OECD, 2007a), and Denmark is aware of the need to monitor this risk area. To help counter this risk, Denmark has explicitly recognised the primacy of the Oslo and Military and Civil Defence Assets (MCDA) guidelines and the humanitarian principles of humanity, neutrality, impartiality and independence as part of its new humanitarian strategy and in its definition of a whole of government approach in the fragile states policy (MFA, 2010e). It should also continue to take care that these core principles are respected in action. So far the news is good: there is no evidence that there have been any breaches of humanitarian principles during the period under review.

### **A courageous and innovative new approach to humanitarian action**

Denmark is making significant steps towards meeting its commitment to the GHD principles. Its new focus on strategic partnerships with an indicative budget for the coming three years for every framework partner, and on narrowing its funding portfolio



to a limited number of priority countries where it can most add value, are real innovations in its current approach to humanitarian programming.

Denmark believes that better results at field level will come from operational flexibility and a more strategic engagement with partners. This has led to a shift in Danida's humanitarian portfolio towards more strategic relationships with a smaller number of partners, and away from *ad hoc* proposals and traditional inputs-driven approaches. Denmark will now be able to deepen its strategic partnerships, including annual consultations, with these key actors, so as to promote lesson learning and improve accountability. Programmatic linkages between humanitarian initiatives and other Danish initiatives in partner countries, especially with its development programming, will also be strengthened.

Funding under these new partnership agreements is annual but, with funding intentions budgeted over three years, and published in the annual *Overview of the Development Assistance Budget* (MFA, 2010j). This longer-term funding approach allows partners the operational flexibility and predictability to develop, deliver and monitor more appropriate programmes that adhere to good practice and also, importantly, include recovery components. Danida's humanitarian funding channels are shown in Box 6 (see also Chapter 3).

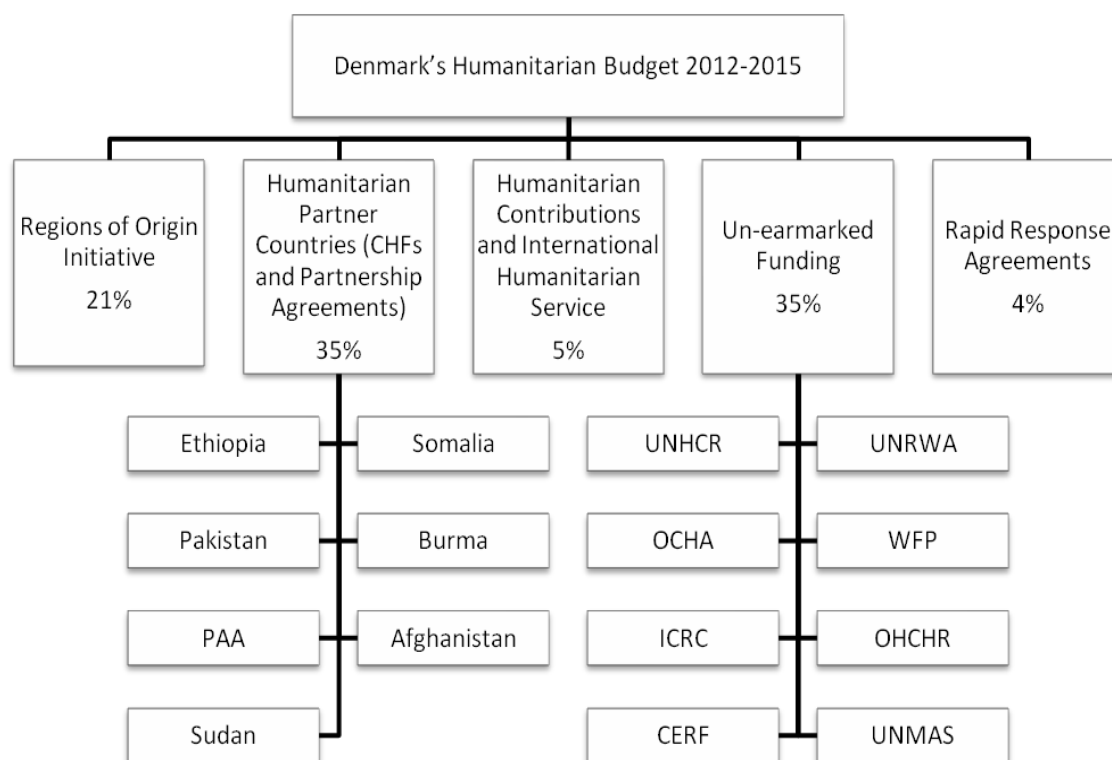
Multi-annual partnership agreements will be earmarked for a limited set of humanitarian partner countries (Box 6) where Denmark believes it can have the most impact, based on criteria that include the level of need and the possibility of linkages with other Danish programmes. Denmark determines the severity of the crisis, and thus the level of funding to be allocated to each emergency, by reviewing UN Consolidated Appeals (CAPs) and Flash Appeals, and through dialogue with partners, often in the Humanitarian Contact Group. There is no particular objective model to determine the severity of crisis and fix the funding allocation, however, and Denmark could perhaps benefit from work currently underway by other donors, such as Sweden and Canada, to strengthen this area of its decision making.

In practice, Denmark has reduced its NGO partner portfolio based on an assessment of organisational capacity, and with the proviso that all partners must have a Framework Partnership Agreement with the European Commission Humanitarian Aid and Civil Protection (ECHO) or be certified by the Humanitarian Accountability Partnership (HAP). Partners have broadly agreed with this process, although they would have liked the assessment criteria to be more transparent. Accredited multilateral and NGO partners will now all enter into a partnership agreement with Danida, including annual and bi-annual consultations, and with a clear focus on results and impact. For example, Denmark now has a joint strategy with Canada and the UK for UNHCR, with a specific focus on durable solutions, an issue that it considers important to monitor in relation to the Regions of Origin Initiative. Several multilateral partners are concerned about the additional reporting that could be required under such agreements, and Denmark should continue to ensure that the indicators requested match the organisation's existing priorities and reporting requirements.

The Ministry of Foreign Affairs is also working to provide a timely, flexible, predictable and unearmarked response to rapid onset crises. In doing so it will respect the role of UN co-ordination, affirm the primary position of civilian delivery and support recovery, thereby meeting the requirements of the GHD principles in disaster response situations. It does this by channelling funding to rapid onset emergencies (usually disasters) through the use of the Central Emergency Response Fund (CERF),

complemented by country-level Emergency Response Funds (ERFs), where these exist. The rapid response component of its partnership agreements allows for the immediate drawdown of funds by partners<sup>48</sup> on the strength of e-mail authorisations. Supplementary funding can also be made available from a budgetary reserve. This approach allows the ministry to disburse funds extremely rapidly for immediate needs following a disaster. It also buys it space to analyse and reflect on its longer-term strategy for those crises in an evolving humanitarian and recovery context. Equally importantly, this approach allows the ministry to avoid sudden peaks in its administrative workload, and to avoid making risky funding decisions based on the limited information available during the initial disaster response phase.

**Box 6. Denmark's funding channels 2012 - 2015**



Source : MFA (2010j), *Priorities of the Danish Government for Danish Development Assistance: Overview of the Development Assistance Budget 2011-2015*, Ministry of Foreign Affairs, Copenhagen

Note: PAA (Palestinian Administered Areas), UNHCR (United Nations High Commissioner for Refugees), OCHA (Office for the Coordination of Humanitarian Affairs), ICRC (International Committee of the Red Cross), CERF (Central Emergency Response Fund), UNRWA (United Nations Relief and Works Agency), WFP (World Food Programme),

48. Denmark currently has rapid response agreements with Save the Children, the Danish Red Cross, *Médecins Sans Frontières* Denmark, Dan Church Aid, Danish Missionary Development Council and the Danish Refugee Council.

OHCHR (Office of the United Nations High Commissioner for Human Rights), UNMAS (United Nations Mine Action Service).

## **Better integration but more training required**

Denmark has taken steps to adapt its internal organisational structure and systems to implement its new approach. These steps follow the recommendations of the *2008 Danish GHD Review Report* (Development Initiatives, 2008) and the body of reports produced by the Tsunami Evaluation Commission, which highlighted the need for strategic changes to be backed up by organisational changes if humanitarian assistance is to be delivered more effectively.

Denmark's organisational changes have involved mainstreaming humanitarian programming across Danida's work. The most visible change is the integration of the small humanitarian team (5 staff) under a new group – Humanitarian Action, Development Policy and Civil Society – bringing these staff together with development programme staff (Figure 4, Chapter 4). It is difficult to determine how this group relates to the overall structure and to senior management, as the organisation chart is quite complicated, but staff do report that the new structure has allowed for a closer working relationship with development personnel and greater cross-programme linkages in the partner countries.

Programme support to the humanitarian partner countries – Ethiopia, Somalia (based in Kenya) and Afghanistan (Box 6 and Table 1) – has also been strengthened through the deployment of dedicated humanitarian advisors in the field, although humanitarian issues in the Occupied Palestinian Territory are covered by the Danish embassy. Humanitarian advisors in the field report directly to their ambassador, but also have good informal links to the humanitarian team and the Regions of Origin staff in Copenhagen. The MFA has been able to recruit humanitarian specialists for these advisory posts, as their employment is on a contract basis and thus exempt from usual civil service rules. Their expertise has meant that they can engage at a high level with all stakeholders, and this is seen as a major strength by partners. They are also able to relay field level issues to staff dealing with the multilateral organisations, although a more formalised system to ensure that humanitarian field issues are collected could be useful. Pakistan and Burma, the other partner countries with humanitarian components, do not yet have dedicated field level humanitarian advisors, and Denmark is encouraged to fill these gaps.

Mainstreaming of humanitarian programming is not yet quite complete, however. Decision-making processes for funding still follow a separate, streamlined path. At present, humanitarian funding decisions are signed directly by the minister, except for Regions of Origin funding and funding decisions over DKK 35 million (about USD 6.5 million), which must be presented to the Finance Committee. This streamlined decision-making path should continue for decisions related to rapid onset emergencies. Other decisions, however, including funding for assisting those affected by protracted crises in the priority countries and the core funding of multilaterals, could follow a similar path to that used for development programmes. This would ensure that all the relevant checks and balances are in place, such as lessons learning at the programme committee stage, while ensuring timely disbursement of funds. Mainstreaming of decision making would also increase ownership and understanding of humanitarian programming across Danida. Denmark is encouraged to continue mainstreaming humanitarian assistance into its programming cycles and into its financial and decision-making systems.

Denmark is usually a very timely donor. Its contributions to Emergency Response Funds (ERFs) at the start of emergencies, such as the Pakistan floods and Haiti earthquake in 2010, are often cited as good examples of its timeliness. However, partners who receive two funding disbursements a year – in the spring and autumn – note that the autumn contribution often arrives very late. This can cause treasury problems, as such programmes must continue despite the lack of funds. Denmark is encouraged to look for ways to disburse the autumn contributions more quickly.

Training for a wider group of staff on humanitarian issues, principles, architecture and response would also help make humanitarian assistance a natural part of all Danida programming in at-risk countries. At present the training programme does not include a humanitarian module, even though many staff will be deployed to countries at risk of crisis and/or disasters. The five person humanitarian team in Copenhagen does not have sufficient capacity to respond to all new crises. Denmark should therefore implement a compulsory humanitarian training module for all staff deployed to at-risk countries. In preparing this module Denmark could make use of other donors' training programmes, such as ATHA in Sweden.<sup>49</sup>

### **Seeking a creative approach to monitoring and learning**

Denmark's innovative new approach to partnerships has shifted the humanitarian workload away from grant management towards a more strategic approach, including the promotion of best practice. For example, Denmark has recently hosted a useful workshop on early recovery issues, which involved international experts. The Humanitarian Contact Group, a group of Danish NGOs chaired by the MFA, is also a useful forum for discussing strategic issues. It was a main contributor to the development of the new Danish humanitarian strategy, and is also a good forum for information sharing and early warning on crises.

The new humanitarian strategy includes a focus on collecting more systematic and better information on progress and impact at field level. Like most donors, Denmark currently limits its monitoring to an examination of reports produced by partner organisations, supplemented by occasional project visits. It has also supported partner self-evaluations. On a more holistic level, humanitarian programming has also been considered under some overall programme evaluations, such as the recent cross-programme evaluation in Somalia. This type of evaluation has proved very useful, as it permits an analytical view of the linkages with development programming.

However, Denmark does not currently have a systematic method for monitoring the results and impact of its humanitarian programmes at field level. In recognition of this challenge, Denmark is now piloting a new system to support better monitoring of humanitarian results and impact, and to improve lessons learning. The system is based around a number of "indicator themes" (Nordic Consulting Group, 2010), which are in turn based on the strategic directions outlined in Denmark's new humanitarian strategy (Box 5). It uses data already collected by Denmark's partners, and thus should not increase their administrative burden and should hopefully lead to greater compliance. Two NGO partners are currently piloting the system, which, if proven successful, will also be rolled out for multilateral partners. The monitoring information will also be supplemented by existing external assessments of Danida's humanitarian programme,

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49. Advanced Training Program on Humanitarian Action, partially funded by Sida. See [www.atha.se](http://www.atha.se).

such as the annual profiles published by Development Initiatives and DARA. This innovative new system and the overall focus on measuring humanitarian results and impact are to be commended.

However, Denmark does not yet collect humanitarian indicators in the standard development reports required from its own embassies, and it is encouraged to rectify this omission, as part of the wider mainstreaming effort.

### **The need to integrate disaster risk reduction across all Denmark’s programming**

Under the new humanitarian strategy, cross-cutting issues such as vulnerability and protection have become main strategic objectives. One of these new strategic directions is climate change and natural hazards, which involves mainstreaming disaster risk reduction (DRR) across all Danida’s programming. The minister has tasked the humanitarian team to support this important work.

The first step in this DRR mainstreaming initiative is now underway. Denmark has engaged a consultant to guide the MFA in implementing DRR activities, using both multilateral and bilateral support mechanisms. The consultant will also develop a training plan for MFA staff and partners on DRR.

Denmark’s recognition of the importance of DRR is to be commended and encouraged. It should, however, take care that DRR is not seen internally, especially by senior management and embassies, as a purely humanitarian issue. DRR is instead both a protection strategy for Denmark’s development investments, and a key mechanism for avoiding costly emergency responses. Denmark will need to ensure buy-in for DRR at all levels, especially the most senior, and across all programming. Assigning overall responsibility for DRR to a member of senior management could help facilitate this buy-in. It will also be important that the mainstreaming strategy for DRR is ready for integration into the next generation of country strategies. Existing tools (such as those available within the ISDR system) could be used to speed up this process.

### **Future considerations**

- Continue the rollout and mainstreaming of the new approach into established systems and practices both at Copenhagen and embassy level, including the rapid deployment of humanitarian specialists to all partner countries with humanitarian components.
- Implement safeguards to ensure that humanitarian principles, and the primacy of civilian delivery, continue to be respected on the ground. This is especially important in crises with a Danish military presence, and/or in fragile states where the whole-of-government approaches outlined in *Peace and Stabilisation* (MFA, 2010e) will be implemented.
- Ensure that adequate priority continues to be given to mainstreaming disaster risk reduction across all of Danida’s development and humanitarian programming. This should include assigning overall responsibility for DRR to a member of the senior management team and ensuring that programmatic guidance on DRR is ready for integration into the next generation of country strategies.

- Continue to monitor progress and results achieved in humanitarian action, and to share the lessons from Denmark's new strategic approach to partnerships, rapid response and developing monitoring systems with other interested donors.

## Annex A

### Progress since the 2007 DAC Peer Review recommendations

| Key Issues  | Recommendations 2007  | Achievements since 2007   |
|---|---|---|
| <b>Overall framework and new orientations</b>     | <ul style="list-style-type: none"> <li>Denmark is invited to maintain the focus of its development strategy on a small number of themes and to reinforce its mechanisms in place for following-up on cross-cutting issues and priority themes. This should be done in light of the debate on the division of labour among donors.</li> </ul>  | <ul style="list-style-type: none"> <li>Recommendation implemented.</li> <li>There has been continuity in Denmark's priority themes as laid out in the annual government priorities and <i>Freedom from Poverty</i>. Monitoring of priority areas through country assessments has been lightened and will be further streamlined by implementing the new strategy where former cross-cutting issues are now strategic priorities in their own right. Country programming takes division of labour into account.</li> </ul> |
|   | <ul style="list-style-type: none"> <li>Denmark is encouraged to continue to share with other donors its experience in mainstreaming cross-cutting issues and its approach to capacity development, and to disseminate its good practices.</li> </ul>  | <ul style="list-style-type: none"> <li>Recommendation partially implemented.</li> <li>Denmark's mainstreaming tools, methodologies and learning courses are accessible to all donors and available in English on the Danida website. Denmark could enhance efforts to disseminate its good experiences in international networks and in partner countries.</li> </ul>   |
|   | <ul style="list-style-type: none"> <li>Denmark should consider complementing the short-term need to achieve and demonstrate results in order to reinforce public and political support with the need to be innovative and in line with the aid effectiveness agenda, which requires a longer-term perspective. To this end, it should use its communication strategy actively.</li> </ul> | <ul style="list-style-type: none"> <li>Recommendation implemented.</li> <li>Denmark has put greater focus on fragile states. It is leading international efforts promoting national debate about managing risk in development co-operation and has been communicating the results and challenges of result measurement in Danida annual reports and notably in the pamphlet <i>From Goals to Results</i> (MFA, 2008a). The new communication strategy also focuses on these issues.</li> </ul>                            |
|   | <ul style="list-style-type: none"> <li>The MFA should continue its efforts to raise public understanding of, and support for, approaches to aid that are in line with the aid effectiveness agenda</li> </ul>   | <ul style="list-style-type: none"> <li>Recommendation implemented.</li> <li>Denmark has increased resources for communication and undertaken several large public campaigns on specific topics such as the MDGs and climate change. It communicates new approaches to aid in the Danida annual report and on its website.</li> </ul>  |
| <b>Promoting policy coherence for development</b> | <ul style="list-style-type: none"> <li>Denmark is encouraged to build on its existing inter-governmental co-ordination committees to promote policy coherence in areas that go beyond the foreign affairs mandate.</li> </ul>   | <ul style="list-style-type: none"> <li>Recommendation not implemented.</li> <li>This issue remains a challenge. Further action is planned to integrate policy coherence for development in Denmark's EU decision-making processes.</li> </ul>   |
|   | <ul style="list-style-type: none"> <li>Denmark could make better use of the analytical capacity in its system, including the Danish Institute for International Studies, to</li> </ul>  | <ul style="list-style-type: none"> <li>Recommendation implemented.</li> <li>Denmark has commissioned research and</li> </ul>  |

| Key Issues                               | Recommendations 2007   | Achievements since 2007  |
|--|--|--|
|  | inform high level discussions of development-related areas.  | invited DIIS and other partners to a number of relevant policy discussions/debates.  |
|  | <ul style="list-style-type: none"> <li>Denmark could consider how to strengthen its collaboration with other member states in promoting policy coherence within the EU and the OECD. In addition, making better use of its embassies in partner countries on these issues would also bring a field-based, recipient perspective on policy coherence issues into the Danish development policy debate.</li> </ul>         | <ul style="list-style-type: none"> <li>Recommendation partially implemented.</li> <li>Denmark is recognised by the EU and the OECD in pushing for further policy coherence for development. Integrating embassies to provide field-based perspectives remains a challenge.</li> </ul>  |
| <b>Aid volume and distribution</b>       | <ul style="list-style-type: none"> <li>The Development Assistance Committee commends Denmark's decision to maintain ODA at a minimum of 0.8% of GNI, and encourages it to continue this policy.</li> </ul>   | <ul style="list-style-type: none"> <li>Recommendation implemented.</li> <li>Denmark's ODA/GNI has remained above 0.8% since the last peer review but may fall in 2013 as Danish ODA is maintained at the 2010 nominal level for the period 2011-2013.</li> </ul>   |
|  | <ul style="list-style-type: none"> <li>Denmark is encouraged to develop a coherent strategic framework for engagement in fragile states.</li> </ul>  | <ul style="list-style-type: none"> <li>Recommendation implemented.</li> </ul>  |
| <b>Aid management and implementation</b> | <ul style="list-style-type: none"> <li>Denmark is invited to evaluate the MFA decentralisation exercise. In addition to the direct benefit Denmark will draw from this, it will provide useful input to the DAC aid management experience and allow DAC members as well as new donors to improve on current practices.</li> </ul>  | <ul style="list-style-type: none"> <li>Recommendation implemented.</li> <li>The evaluation has been published in English so that DAC members can draw lessons from it.</li> </ul>  |
|  | <ul style="list-style-type: none"> <li>Denmark needs to consider how to maintain the right level of human resources with the right skills and gender balance. Given the increased role of locally-recruited staff in its decentralised programme, it should consider further career development for these employees.</li> </ul>  | <ul style="list-style-type: none"> <li>Recommendation implemented.</li> <li>Denmark's new human resource policy addresses these issues and gender balance has improved at the MFA. Gender balance in the MFA has improved: in 2010, 45.5% of Centre Heads are female. While the ratio of male to female in senior management is 3:1. The creation of a dedicated human resource centre in the MFA is welcomed by staff. Continued pressure to cut administrative costs has put pressure on human resources and the human resource management strategy will need to adapt to this situation.</li> </ul> |
|  | <ul style="list-style-type: none"> <li>Denmark is encouraged to build on Danida's strong capacity in knowledge management and evaluation methodology to further develop and disseminate learning inside and outside the organisation for the benefit of other DAC members.</li> </ul>  | <ul style="list-style-type: none"> <li>Recommendation implemented.</li> <li>Denmark actively disseminates its knowledge management and evaluation methodology through e-learning, its website, train4dev and international evaluation meeting.</li> </ul>  |
|  | <ul style="list-style-type: none"> <li>In the light of the aid effectiveness agenda, Denmark is invited to pursue the trend towards a reinforced country strategy process that supports joint assistance strategies and that is conducive to mutual accountability. Denmark should consider how to create incentives for aid effectiveness in terms of organisation, staff commitment and budget allocations.</li> </ul> | <ul style="list-style-type: none"> <li>Recommendation implemented.</li> <li>Denmark participates in several joint assistance strategies and on joint action plans for implementing the aid effectiveness principles. It addresses aid effectiveness both at headquarter and field level through annual goals and targets and regular performance reviews of embassies.</li> </ul>  |
|  | <ul style="list-style-type: none"> <li>Denmark is invited to consider other mechanisms or instruments for getting both development and public support benefits</li> </ul>  | <ul style="list-style-type: none"> <li>Recommendation not implemented.</li> <li>While the tied instruments place greater focus on sub-Saharan Africa and have more flexibility</li> </ul>  |



| Key Issues              | Recommendations 2007   | Achievements since 2007  |
|-------------------------|--|--|
|                         | currently achieved through its tied Mixed Credits scheme. This would allow Denmark to reconsider its exception to aid untying in light of the Paris Declaration on aid effectiveness and the improved overall performance of DAC Members' with respect to effort sharing.  | for second level untying, Denmark should, as recommended in the last peer review, untie the remainder of its tied aid.   |
| <b>Humanitarian aid</b> | <ul style="list-style-type: none"> <li>Building on its experience of working in fragile states and of linking relief to rehabilitation and development, Denmark should consider updating its 2002 humanitarian policy statement in light of progress with the GHD initiative. In doing so, it should continue to engage in a consultative discussion with key partners on future directions for the programme. This would allow it to build on its comparative advantage of flexibility in the way it delivers aid. This policy framework and the strategy for engagement in fragile states should be closely linked.</li> </ul> | <ul style="list-style-type: none"> <li>Recommendation implemented.</li> </ul>  |
|                         | <ul style="list-style-type: none"> <li>Denmark, like other donors, needs to continue to remain vigilant about the co-option of humanitarian action to achieve political or military goals. MFA needs to retain its lead position on humanitarian assistance in order to ensure its neutrality and independence, particularly through ensuring practical adherence to the MCDA and Oslo guidelines.</li> </ul>  | <ul style="list-style-type: none"> <li>Recommendation implemented.</li> <li>Denmark addressed this issue in the 2008 humanitarian strategy and is aware of the need to monitor this risk.</li> </ul> |



## 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> |              |              |              |              |              |              |
|--------------------------------------|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                      | 1995-99                  | 2000-2004    | 2005         | 2006         | 2007         | 2008         | 2009         |
| <b>Total official flows</b>          | <b>1 731</b>             | <b>1 756</b> | <b>2 101</b> | <b>2 159</b> | <b>2 471</b> | <b>2 719</b> | <b>3 042</b> |
| Official development assistance      | 1 694                    | 1 745        | 2 109        | 2 236        | 2 562        | 2 803        | 2 810        |
| Bilateral                            | 1 000                    | 1 066        | 1 357        | 1 464        | 1 651        | 1 828        | 1 905        |
| Multilateral                         | 693                      | 679          | 751          | 772          | 912          | 975          | 904          |
| Other official flows                 | 37                       | 10           | - 8          | - 77         | - 91         | - 84         | 233          |
| Bilateral                            | 23                       | 10           | - 8          | - 77         | - 116        | - 78         | 6            |
| Multilateral                         | 14                       | -            | -            | -            | 25           | - 7          | 226          |
| <b>Net Private Grants</b>            | <b>34</b>                | <b>21</b>    | <b>81</b>    | <b>73</b>    | <b>94</b>    | <b>129</b>   | <b>116</b>   |
| <b>Private flows at market terms</b> | <b>130</b>               | <b>408</b>   | <b>33</b>    | <b>454</b>   | <b>2 242</b> | <b>2 303</b> | <b>599</b>   |
| Bilateral: <i>of which</i>           | 130                      | 408          | 33           | 454          | 2 242        | 2 303        | 599          |
| Direct investment                    | 126                      | 408          | 33           | 454          | 2 242        | 2 303        | 599          |
| Export credits                       | 4                        | -            | -            | -            | -            | -            | -            |
| Multilateral                         | -                        | -            | -            | -            | -            | -            | -            |
| <b>Total flows</b>                   | <b>1 895</b>             | <b>2 185</b> | <b>2 215</b> | <b>2 686</b> | <b>4 807</b> | <b>5 150</b> | <b>3 757</b> |
| <i>for reference:</i>                |                          |              |              |              |              |              |              |
| ODA (at constant 2008 USD million)   | 2 676                    | 2 866        | 2 645        | 2 726        | 2 805        | 2 803        | 2 923        |
| ODA (as a % of GNI)                  | 1.00                     | 0.93         | 0.81         | 0.80         | 0.81         | 0.82         | 0.88         |
| Total flows (as a % of GNI) (a)      | 1.12                     | 1.17         | 0.85         | 0.96         | 1.51         | 1.50         | 1.18         |
| ODA to and channelled through NGOs   |                          |              |              |              |              |              |              |
| - In USD million                     | 149                      | 128          | 117          | 166          | 208          | 295          | 478          |
| - In percentage of total net ODA     | 9                        | 7            | 6            | 7            | 8            | 11           | 17           |
| - DAC countries' median              | 4                        | 9            | 7            | 6            | 6            | 7            | ..           |

a. To countries eligible for ODA.

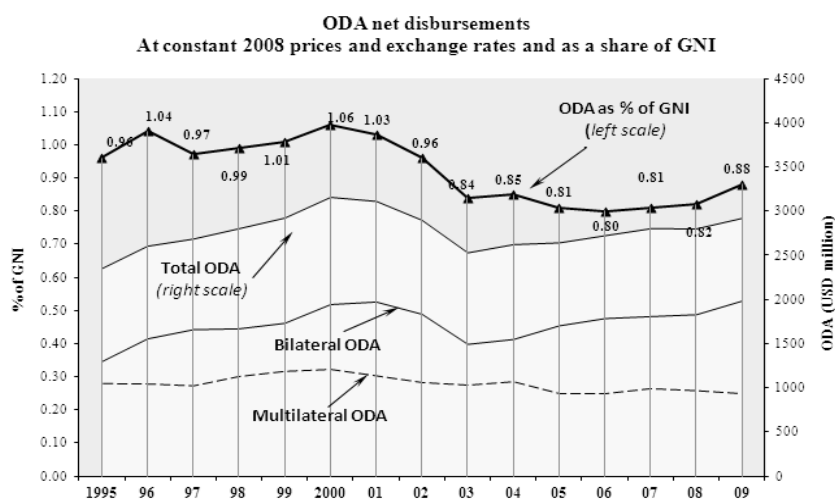


Table B.2. ODA by main categories

| Denmark                          | Constant 2008 USD million |              |              |              |              | Disbursements                         |            |            |            |            | Total DAC<br>2008% |
|----------------------------------|---------------------------|--------------|--------------|--------------|--------------|---------------------------------------|------------|------------|------------|------------|--------------------|
|                                  |                           |              |              |              |              | Per cent share of gross disbursements |            |            |            |            |                    |
|                                  | 2005                      | 2006         | 2007         | 2008         | 2009         | 2005                                  | 2006       | 2007       | 2008       | 2009       |                    |
| <b>Gross Bilateral ODA</b>       | <b>1 784</b>              | <b>1 880</b> | <b>1 920</b> | <b>1 892</b> | <b>2 019</b> | <b>65</b>                             | <b>67</b>  | <b>66</b>  | <b>66</b>  | <b>68</b>  | <b>74</b>          |
| <i>Grants</i>                    | <i>1 774</i>              | <i>1 858</i> | <i>1 885</i> | <i>1 853</i> | <i>1 991</i> | <i>65</i>                             | <i>66</i>  | <i>65</i>  | <i>65</i>  | <i>67</i>  | <i>65</i>          |
| Project and programme aid        | 1 002                     | 954          | 1 054        | 983          | 1 137        | 37                                    | 34         | 36         | 34         | 38         | 24                 |
| Technical co-operation           | 144                       | 134          | 102          | 129          | 118          | 5                                     | 5          | 3          | 4          | 4          | 13                 |
| Developmental food aid           | 1                         | 1            | 0            | 1            | 17           | 0                                     | 0          | 0          | 0          | 1          | 1                  |
| Humanitarian aid                 | 195                       | 184          | 153          | 169          | 136          | 7                                     | 7          | 5          | 6          | 5          | 6                  |
| Action relating to debt          | 63                        | 177          | 135          | 126          | 37           | 2                                     | 6          | 5          | 4          | 1          | 8                  |
| Administrative costs             | 146                       | 135          | 139          | 138          | 168          | 5                                     | 5          | 5          | 5          | 6          | 4                  |
| Other grants                     | 224                       | 273          | 302          | 307          | 378          | 8                                     | 10         | 10         | 11         | 13         | 8                  |
| <i>Non-grant bilateral ODA</i>   | <i>10</i>                 | <i>22</i>    | <i>35</i>    | <i>38</i>    | <i>29</i>    | <i>0</i>                              | <i>1</i>   | <i>1</i>   | <i>1</i>   | <i>1</i>   | <i>9</i>           |
| New development lending          | -                         | -            | -            | -            | -            | -                                     | -          | -          | -          | -          | 8                  |
| Debt rescheduling                | -                         | -            | -            | -            | -            | -                                     | -          | -          | -          | -          | 0                  |
| Acquisition of equity and other  | 10                        | 22           | 35           | 38           | 29           | 0                                     | 1          | 1          | 1          | 1          | 1                  |
| <b>Gross Multilateral ODA</b>    | <b>943</b>                | <b>941</b>   | <b>998</b>   | <b>975</b>   | <b>941</b>   | <b>35</b>                             | <b>33</b>  | <b>34</b>  | <b>34</b>  | <b>32</b>  | <b>26</b>          |
| UN agencies                      | 385                       | 379          | 380          | 346          | 294          | 14                                    | 13         | 13         | 12         | 10         | 4                  |
| EU institutions                  | 245                       | 266          | 260          | 271          | 282          | 9                                     | 9          | 9          | 9          | 10         | 10                 |
| World Bank group                 | 121                       | 110          | 150          | 183          | 131          | 4                                     | 4          | 5          | 6          | 4          | 6                  |
| Regional development banks (a)   | 64                        | 59           | 77           | 58           | 63           | 2                                     | 2          | 3          | 2          | 2          | 2                  |
| Other multilateral               | 127                       | 127          | 130          | 117          | 172          | 5                                     | 5          | 4          | 4          | 6          | 3                  |
| <b>Total gross ODA</b>           | <b>2 727</b>              | <b>2 821</b> | <b>2 919</b> | <b>2 867</b> | <b>2 960</b> | <b>100</b>                            | <b>100</b> | <b>100</b> | <b>100</b> | <b>100</b> | <b>100</b>         |
| Repayments and debt cancellation | - 82                      | - 96         | - 113        | - 63         | - 37         |                                       |            |            |            |            |                    |
| <b>Total net ODA</b>             | <b>2 645</b>              | <b>2 726</b> | <b>2 805</b> | <b>2 803</b> | <b>2 923</b> |                                       |            |            |            |            |                    |
| <i>For reference:</i>            |                           |              |              |              |              |                                       |            |            |            |            |                    |
| Associated financing (b)         | 57                        | 61           | 70           | 67           | 68           |                                       |            |            |            |            |                    |
| Net debt relief                  | 38                        | 138          | 135          | 96           | 37           |                                       |            |            |            |            |                    |
| Imputed student cost             | -                         | -            | -            | -            | -            |                                       |            |            |            |            |                    |
| Refugees in donor countries      | 87                        | 51           | 49           | 49           | 91           |                                       |            |            |            |            |                    |

a. Excluding EBRD.

b. ODA grants and loans in associated financing packages.

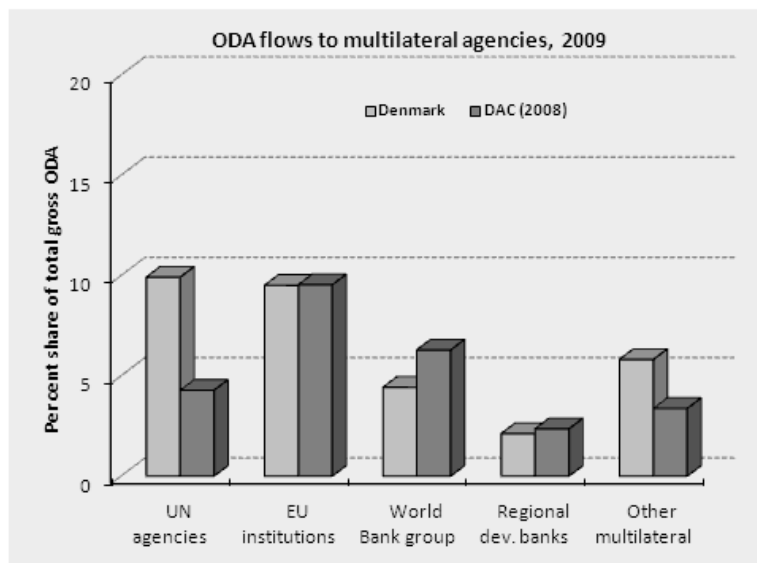
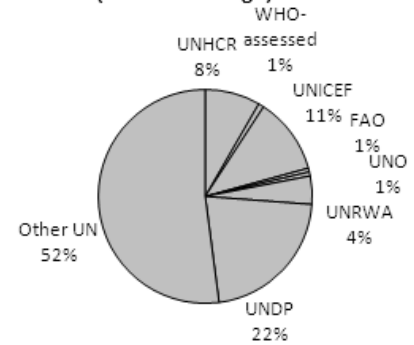
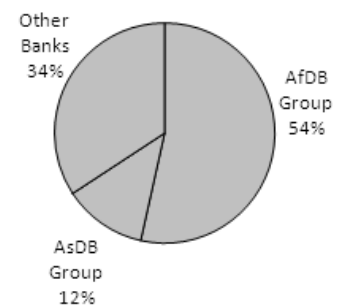
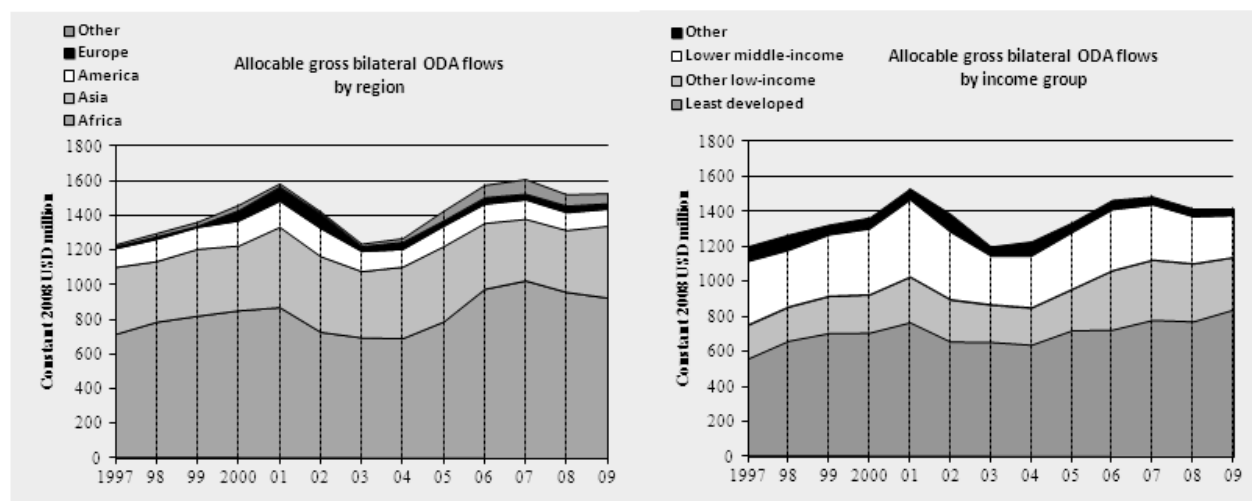
Contributions to UN Agencies  
(2008-09 Average)Contributions to Regional Development  
Banks (2008-09 Average)

Table B.3. Bilateral ODA allocable by region<sup>1</sup> and income group

| Denmark                                    | Gross disbursements       |              |              |              |              |                |            |            |            |            |                    |
|--|---------------------------|--------------|--------------|--------------|--------------|----------------|------------|------------|------------|------------|--------------------|
|  | Constant 2008 USD million |              |              |              |              | Per cent share |            |            |            |            | Total DAC<br>2008% |
|  | 2005                      | 2006         | 2007         | 2008         | 2009         | 2005           | 2006       | 2007       | 2008       | 2009       |                    |
| <b>Africa</b>                              | 792                       | 979          | 1 027        | 961          | 929          | 55             | 62         | 64         | 63         | 61         | <b>37</b>          |
| Sub-Saharan Africa                         | 739                       | 913          | 913          | 884          | 872          | 52             | 58         | 57         | 58         | 57         | <b>32</b>          |
| North Africa                               | 27                        | 38           | 72           | 50           | 19           | 2              | 2          | 4          | 3          | 1          | <b>4</b>           |
| <b>Asia</b>                                | 435                       | 382          | 358          | 359          | 416          | 30             | 24         | 22         | 24         | 27         | <b>30</b>          |
| South and Central Asia                     | 222                       | 215          | 194          | 216          | 274          | 16             | 14         | 12         | 14         | 18         | <b>16</b>          |
| Far East                                   | 201                       | 160          | 154          | 137          | 137          | 14             | 10         | 10         | 9          | 9          | <b>13</b>          |
| <b>America</b>                             | 119                       | 112          | 113          | 104          | 99           | 8              | 7          | 7          | 7          | 6          | <b>10</b>          |
| North and Central America                  | 82                        | 76           | 72           | 67           | 55           | 6              | 5          | 4          | 4          | 4          | <b>4</b>           |
| South America                              | 37                        | 36           | 41           | 37           | 41           | 3              | 2          | 3          | 2          | 3          | <b>4</b>           |
| <b>Middle East</b>                         | 56                        | 71           | 83           | 65           | 57           | 4              | 4          | 5          | 4          | 4          | <b>17</b>          |
| <b>Oceania</b>                             | -                         | 0            | 0            | -            | -            | -              | 0          | 0          | -          | -          | <b>2</b>           |
| <b>Europe</b>                              | 28                        | 32           | 27           | 34           | 26           | 2              | 2          | 2          | 2          | 2          | <b>4</b>           |
| <b>Total bilateral allocable by region</b> | <b>1 429</b>              | <b>1 575</b> | <b>1 608</b> | <b>1 522</b> | <b>1 527</b> | <b>100</b>     | <b>100</b> | <b>100</b> | <b>100</b> | <b>100</b> | <b>100</b>         |
| <b>Least developed</b>                     | 725                       | 729          | 785          | 776          | 844          | 54             | 50         | 53         | 55         | 60         | <b>34</b>          |
| <b>Other low-income</b>                    | 235                       | 339          | 343          | 330          | 299          | 18             | 23         | 23         | 23         | 21         | <b>10</b>          |
| <b>Lower middle-income</b>                 | 326                       | 351          | 318          | 271          | 240          | 24             | 24         | 21         | 19         | 17         | <b>46</b>          |
| <b>Upper middle-income</b>                 | 52                        | 51           | 43           | 41           | 34           | 4              | 3          | 3          | 3          | 2          | <b>10</b>          |
| <b>More advanced developing countries</b>  | -                         | -            | -            | -            | -            | -              | -          | -          | -          | -          | <b>-</b>           |
| <b>Total bilateral allocable by income</b> | <b>1 338</b>              | <b>1 469</b> | <b>1 488</b> | <b>1 419</b> | <b>1 418</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>                     | 1 784                     | 1 880        | 1 920        | 1 892        | 2 019        | 100            | 100        | 100        | 100        | 100        | <b>100</b>         |
| <i>of which: Unallocated by region</i>     | 355                       | 305          | 313          | 370          | 492          | 20             | 16         | 16         | 20         | 24         | <b>19</b>          |
| <i>of which: Unallocated by income</i>     | 446                       | 411          | 432          | 473          | 601          | 25             | 22         | 22         | 25         | 30         | <b>27</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                      | 1998-2002 average |              |            |            | Memo:<br>DAC<br>countries'<br>median | 2003-07 average |              |            |            | Memo:<br>DAC<br>countries'<br>median | 2008-09 average |              |            |            | Memo:<br>DAC<br>countries'<br>median (2008) |
|------------------------------|-------------------|--------------|------------|------------|--------------------------------------|-----------------|--------------|------------|------------|--------------------------------------|-----------------|--------------|------------|------------|---|
|                              | Current           | Constant     | Per cent   | share      |                                      | Current         | Constant     | Per cent   | share      |                                      | Current         | Constant     | Per cent   | share      |   |
|                              | USD million       | 2008 USD mln |            |            |                                      | USD million     | 2008 USD mln |            |            |                                      | USD million     | 2008 USD mln |            |            |   |
| Tanzania                     | 71                | 127          | 7          |            | Tanzania                             | 91              | 115          | 6          |            | Tanzania                             | 113             | 115          | 6          |            |   |
| Uganda                       | 59                | 104          | 5          |            | Uganda                               | 74              | 92           | 5          |            | Mozambique                           | 96              | 98           | 5          |            |   |
| Mozambique                   | 49                | 88           | 5          |            | Viet Nam                             | 74              | 93           | 5          |            | Uganda                               | 88              | 90           | 5          |            |   |
| Viet Nam                     | 46                | 83           | 4          |            | Mozambique                           | 73              | 91           | 5          |            | Ghana                                | 87              | 89           | 5          |            |   |
| Ghana                        | 41                | 72           | 4          |            | Ghana                                | 62              | 78           | 4          |            | Viet Nam                             | 75              | 76           | 4          |            |   |
| <b>Top 5 recipients</b>      | <b>266</b>        | <b>473</b>   | <b>25</b>  | <b>25</b>  | <b>Top 5 recipients</b>              | <b>374</b>      | <b>468</b>   | <b>26</b>  | <b>34</b>  | <b>Top 5 recipients</b>              | <b>459</b>      | <b>469</b>   | <b>24</b>  | <b>29</b>  |   |
| Bangladesh                   | 40                | 71           | 4          |            | Bangladesh                           | 46              | 58           | 3          |            | Afghanistan                          | 68              | 70           | 4          |            |   |
| Egypt                        | 31                | 56           | 3          |            | Zambia                               | 44              | 55           | 3          |            | Kenya                                | 62              | 63           | 3          |            |   |
| India                        | 30                | 52           | 3          |            | Nicaragua                            | 39              | 48           | 3          |            | Nigeria                              | 56              | 57           | 3          |            |   |
| Burkina Faso                 | 28                | 50           | 3          |            | Burkina Faso                         | 37              | 46           | 3          |            | Benin                                | 50              | 51           | 3          |            |   |
| Nicaragua                    | 27                | 47           | 2          |            | Nepal                                | 37              | 46           | 3          |            | Bangladesh                           | 47              | 48           | 2          |            |   |
| <b>Top 10 recipients</b>     | <b>422</b>        | <b>750</b>   | <b>40</b>  | <b>40</b>  | <b>Top 10 recipients</b>             | <b>577</b>      | <b>722</b>   | <b>40</b>  | <b>47</b>  | <b>Top 10 recipients</b>             | <b>743</b>      | <b>758</b>   | <b>39</b>  | <b>43</b>  |   |
| Nepal                        | 25                | 44           | 2          |            | Nigeria                              | 37              | 42           | 3          |            | Nepal                                | 45              | 46           | 2          |            |   |
| Zambia                       | 24                | 43           | 2          |            | Egypt                                | 35              | 44           | 2          |            | Zambia                               | 41              | 42           | 2          |            |   |
| Bolivia                      | 24                | 42           | 2          |            | Kenya                                | 34              | 42           | 2          |            | Burkina Faso                         | 40              | 41           | 2          |            |   |
| Malawi                       | 21                | 37           | 2          |            | Benin                                | 33              | 41           | 2          |            | Sudan                                | 37              | 37           | 2          |            |   |
| South Africa                 | 20                | 35           | 2          |            | Bolivia                              | 29              | 36           | 2          |            | Bolivia                              | 35              | 36           | 2          |            |   |
| <b>Top 15 recipients</b>     | <b>535</b>        | <b>952</b>   | <b>50</b>  | <b>51</b>  | <b>Top 15 recipients</b>             | <b>746</b>      | <b>928</b>   | <b>52</b>  | <b>54</b>  | <b>Top 15 recipients</b>             | <b>941</b>      | <b>960</b>   | <b>49</b>  | <b>53</b>  |   |
| Zimbabwe                     | 20                | 35           | 2          |            | Afghanistan                          | 25              | 31           | 2          |            | Nicaragua                            | 32              | 33           | 2          |            |   |
| Benin                        | 18                | 32           | 2          |            | South Africa                         | 22              | 27           | 2          |            | Egypt                                | 32              | 32           | 2          |            |   |
| States Ex-Yugoslavia         | 16                | 30           | 2          |            | Sudan                                | 21              | 25           | 1          |            | Sri Lanka                            | 30              | 30           | 2          |            |   |
| Thailand                     | 15                | 25           | 1          |            | Iraq                                 | 19              | 23           | 1          |            | Iraq                                 | 26              | 26           | 1          |            |   |
| Malaysia                     | 14                | 25           | 1          |            | Sri Lanka                            | 18              | 22           | 1          |            | Liberia                              | 26              | 26           | 1          |            |   |
| <b>Top 20 recipients</b>     | <b>618</b>        | <b>1 099</b> | <b>58</b>  | <b>58</b>  | <b>Top 20 recipients</b>             | <b>851</b>      | <b>1 056</b> | <b>59</b>  | <b>59</b>  | <b>Top 20 recipients</b>             | <b>1 087</b>    | <b>1 108</b> | <b>57</b>  | <b>60</b>  |   |
| <b>Total (96 recipients)</b> | <b>774</b>        | <b>1 377</b> | <b>73</b>  |            | <b>Total (102 recipients)</b>        | <b>1 083</b>    | <b>1 345</b> | <b>76</b>  |            | <b>Total (100 recipients)</b>        | <b>1 391</b>    | <b>1 418</b> | <b>73</b>  |            |   |
| Unallocated                  | 293               | 522          | 27         | 19         | Unallocated                          | 348             | 438          | 24         | 23         | Unallocated                          | 526             | 537          | 27         | 27         |   |
| <b>Total bilateral gross</b> | <b>1 067</b>      | <b>1 899</b> | <b>100</b> | <b>100</b> | <b>Total bilateral gross</b>         | <b>1 431</b>    | <b>1 783</b> | <b>100</b> | <b>100</b> | <b>Total bilateral gross</b>         | <b>1 916</b>    | <b>1 955</b> | <b>100</b> | <b>100</b> |   |

**Table B.5. Bilateral ODA by major purposes**  
at 2008 constant prices and exchange rates

| Denmark                                       | Commitments - Two-year averages |            |                     |            |                     |            |                               |
|---|---------------------------------|------------|---------------------|------------|---------------------|------------|-------------------------------|
|   | 1998-2002 average               |            | 2003-07 average     |            | 2008-09 average     |            | 2008<br>Total DAC<br>per cent |
|   | 2008 USD<br>million             | Per cent   | 2008 USD<br>million | Per cent   | 2008 USD<br>million | Per cent   |                               |
| <b>Social infrastructure &amp; services</b>   | <b>444</b>                      | <b>34</b>  | <b>662</b>          | <b>39</b>  | <b>701</b>          | <b>42</b>  | <b>39</b>                     |
| Education                                     | 73                              | 6          | 88                  | 5          | 82                  | 5          | 8                             |
| of which: basic education                     | 29                              | 2          | 31                  | 2          | 29                  | 2          | 2                             |
| Health  | 77                              | 6          | 125                 | 7          | 87                  | 5          | 4                             |
| of which: basic health                        | 39                              | 3          | 69                  | 4          | 73                  | 4          | 3                             |
| Population & reproductive health              | 9                               | 1          | 30                  | 2          | 41                  | 2          | 7                             |
| Water supply & sanitation                     | 106                             | 8          | 147                 | 9          | 95                  | 6          | 5                             |
| Government & civil society                    | 135                             | 10         | 231                 | 14         | 348                 | 21         | 12                            |
| of which: Conflict, peace & security          | -                               | -          | 11                  | 1          | 52                  | 3          | 3                             |
| Other social infrastructure & services        | 44                              | 3          | 41                  | 2          | 48                  | 3          | 4                             |
| <b>Economic infrastructure &amp; services</b> | <b>225</b>                      | <b>17</b>  | <b>256</b>          | <b>15</b>  | <b>167</b>          | <b>10</b>  | <b>17</b>                     |
| Transport & storage                           | 144                             | 11         | 137                 | 8          | 35                  | 2          | 8                             |
| Communications                                | 4                               | 0          | 13                  | 1          | 10                  | 1          | 0                             |
| Energy  | 69                              | 5          | 56                  | 3          | 27                  | 2          | 5                             |
| Banking & financial services                  | 4                               | 0          | 0                   | 0          | 3                   | 0          | 2                             |
| Business & other services                     | 5                               | 0          | 50                  | 3          | 93                  | 5          | 1                             |
| <b>Production sectors</b>                     | <b>160</b>                      | <b>12</b>  | <b>198</b>          | <b>12</b>  | <b>140</b>          | <b>8</b>   | <b>7</b>                      |
| Agriculture, forestry & fishing               | 131                             | 10         | 132                 | 8          | 87                  | 5          | 4                             |
| Industry, mining & construction               | 26                              | 2          | 64                  | 4          | 47                  | 3          | 2                             |
| Trade & tourism                               | 4                               | 0          | 1                   | 0          | 6                   | 0          | 1                             |
| <b>Multisector</b>                            | <b>98</b>                       | <b>7</b>   | <b>126</b>          | <b>7</b>   | <b>196</b>          | <b>12</b>  | <b>6</b>                      |
| <b>Commodity and programme aid</b>            | <b>23</b>                       | <b>2</b>   | <b>80</b>           | <b>5</b>   | <b>37</b>           | <b>2</b>   | <b>5</b>                      |
| Action relating to debt                       | 54                              | 4          | 97                  | 6          | 8                   | 0          | 10                            |
| Humanitarian aid                              | 1                               | 0          | 68                  | 4          | 142                 | 8          | 8                             |
| Administrative costs of donors                | 149                             | 11         | 91                  | 5          | 145                 | 9          | 5                             |
| Aid to NGOs (core support)                    | 11                              | 1          | 88                  | 5          | 76                  | 5          | 1                             |
| Refugees in donor countries                   | 155                             | 12         | 15                  | 1          | 70                  | 4          | 2                             |
| <b>Total bilateral allocable</b>              | <b>1 319</b>                    | <b>100</b> | <b>1 681</b>        | <b>100</b> | <b>1 682</b>        | <b>100</b> | <b>100</b>                    |
| <i>For reference:</i>                         |                                 |            |                     |            |                     |            |                               |
| Total bilateral                               | 1 490                           | 58         | 1 729               | 64         | 1 795               | 66         | 70                            |
| of which: Unallocated                         | 171                             | 7          | 48                  | 2          | 112                 | 4          | 1                             |
| Total multilateral                            | 1 097                           | 42         | 986                 | 36         | 926                 | 34         | 30                            |
| <b>Total ODA</b>                              | <b>2 588</b>                    | <b>100</b> | <b>2 715</b>        | <b>100</b> | <b>2 721</b>        | <b>100</b> | <b>100</b>                    |

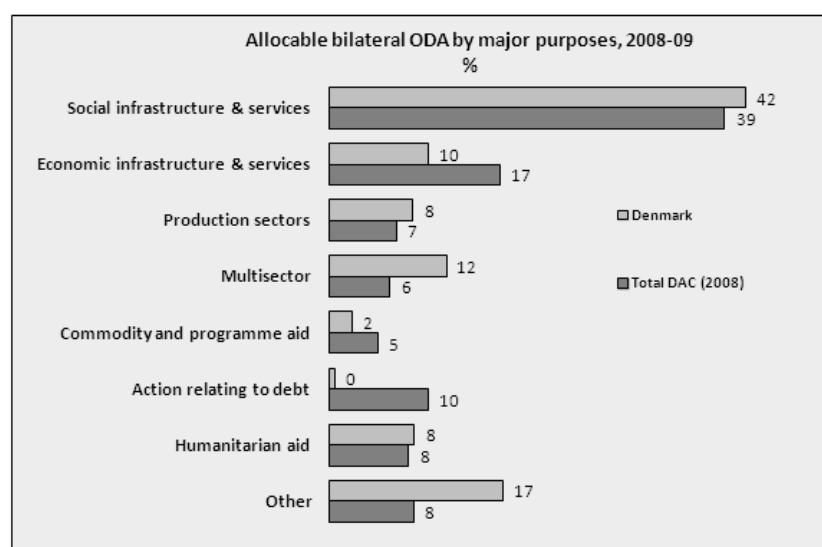


Table B.6. Comparative aid performance

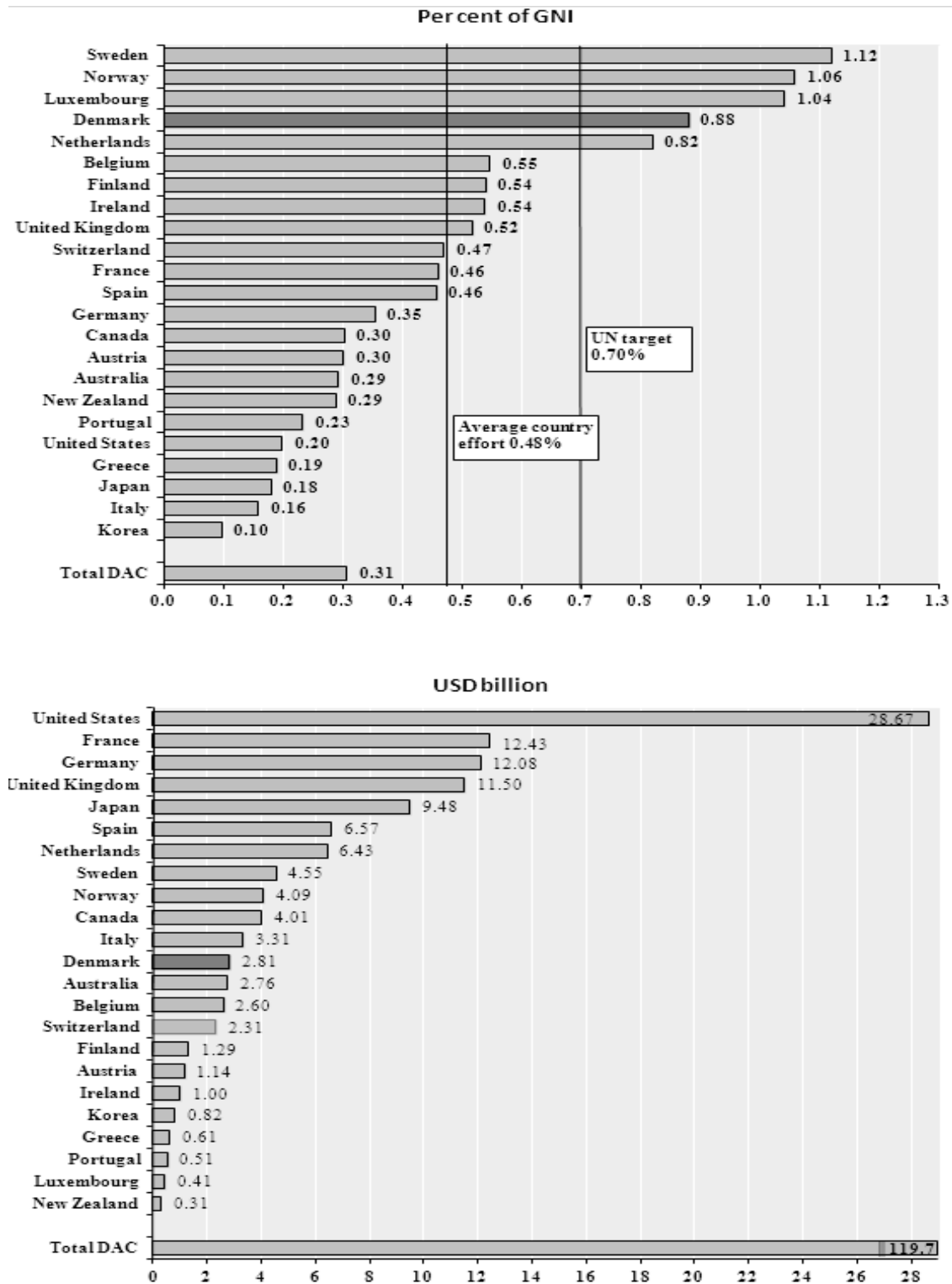
|                              | Official development assistance |             |   | Grant element<br>of ODA<br>(commitments)<br>2008<br>% (a) | Share of<br>multilateral aid |                 |                 |                 | <i>Net disbursements</i><br>ODA to LDCs<br>Bilateral and through<br>multilateral agencies<br>2008 |             |
|------------------------------|---------------------------------|-------------|---|---|------------------------------|-----------------|-----------------|-----------------|---|-------------|
|                              | 2008                            |             | 2002-03 to 07-08<br>Average annual<br>% change in<br>real terms |   | 2008                         |                 | 2008            |                 | % of ODA  | % of GNI    |
|                              | USD million                     | % of GNI    |   |   | % of ODA<br>(b)              | % of GNI<br>(c) | % of ODA<br>(b) | % of GNI<br>(c) |   |             |
| Australia                    | 2 954                           | 0.32        | 8.2   | 100.0   | 10.2                         |                 | 0.03            |                 | 25.9  | 0.08        |
| Austria                      | 1 714                           | 0.43        | 18.1  | 100.0   | 28.0                         | 10.9            | 0.12            | 0.05            | 16.3  | 0.07        |
| Belgium                      | 2 386                           | 0.48        | -0.1  | 99.7  | 42.3                         | 19.3            | 0.20            | 0.09            | 39.0  | 0.19        |
| Canada                       | 4 795                           | 0.33        | 6.3   | 100.0   | 29.8                         |                 | 0.10            |                 | 38.8  | 0.13        |
| Denmark                      | 2 803                           | 0.82        | 0.6   | 100.0   | 34.8                         | 25.13           | 0.28            | 0.21            | 39.1  | 0.32        |
| Finland                      | 1 166                           | 0.44        | 7.7   | 100.0   | 40.5                         | 22.4            | 0.18            | 0.10            | 34.3  | 0.15        |
| France                       | 10 908                          | 0.39        | 1.7   | 90.0  | 40.8                         | 17.6            | 0.16            | 0.07            | 28.0  | 0.11        |
| Germany                      | 13 981                          | 0.38        | 8.7   | 92.1  | 35.2                         | 15.1            | 0.13            | 0.06            | 25.9  | 0.10        |
| Greece                       | 703                             | 0.21        | 3.6   | 100.0   | 55.6                         | 21.6            | 0.12            | 0.05            | 20.5  | 0.04        |
| Ireland                      | 1 328                           | 0.59        | 13.4  | 100.0   | 29.9                         | 18.3            | 0.18            | 0.11            | 50.8  | 0.30        |
| Italy                        | 4 861                           | 0.22        | 3.7   | 99.0  | 62.2                         | 26.9            | 0.14            | 0.06            | 32.7  | 0.07        |
| Japan                        | 9 579                           | 0.19        | -1.8  | 85.3  | 28.8                         |                 | 0.05            |                 | 26.1  | 0.05        |
| Korea                        | 802                             | 0.09        | 12.4  | 85.7  | 32.8                         |                 | 0.03            |                 | 29.3  | 0.03        |
| Luxembourg                   | 415                             | 0.97        | 6.8   | 100.0   | 32.9                         | 24.3            | 0.32            | 0.24            | 39.1  | 0.38        |
| Netherlands                  | 6 993                           | 0.80        | 4.0   | 100.0   | 25.6                         | 16.6            | 0.21            | 0.13            | 29.0  | 0.23        |
| New Zealand                  | 348                             | 0.30        | 8.1   | 100.0   | 20.2                         |                 | 0.06            |                 | 29.1  | 0.09        |
| Norway                       | 3 963                           | 0.88        | 3.3   | 100.0   | 23.4                         |                 | 0.21            |                 | 37.8  | 0.33        |
| Portugal                     | 620                             | 0.27        | 1.6   | 99.2  | 39.8                         | 13.8            | 0.11            | 0.04            | 36.2  | 0.10        |
| Spain                        | 6 867                           | 0.45        | 14.7  | 94.3  | 30.1                         | 15.0            | 0.13            | 0.07            | 21.9  | 0.10        |
| Sweden                       | 4 732                           | 0.98        | 7.5   | 100.0   | 33.6                         | 25.8            | 0.33            | 0.25            | 32.5  | 0.32        |
| Switzerland                  | 2 038                           | 0.44        | 4.4   | 100.0   | 23.9                         |                 | 0.11            |                 | 24.5  | 0.11        |
| United Kingdom               | 11 500                          | 0.43        | 6.8   | 100.0   | 36.3                         | 18.6            | 0.16            | 0.08            | 36.5  | 0.16        |
| United States                | 26 842                          | 0.19        | 7.3   | 100.0   | 11.1                         |                 | 0.02            |                 | 30.8  | 0.06        |
| <b>Total DAC</b>             | <b>122 296</b>                  | <b>0.30</b> | <b>5.5</b>  | <b>96.0</b>   | <b>28.9</b>                  |                 | <b>0.09</b>     |                 | <b>30.4</b>   | <b>0.09</b> |
| Memo: Average country effort |                                 | 0.48        |   |   |                              |                 |                 |                 |   |             |

*Notes:*

- a. Excluding debt reorganisation.
- b. Including EU institutions.
- c. Excluding EU institutions.
- .. Data not available.



Figure B.1. Net ODA from DAC countries in 2009 (preliminary data)





## Annex C

### Field visit to Mali

The peer review team, comprising four examiners from Luxembourg and New Zealand and two members of the DAC Secretariat, visited Mali in October 2010. The team met with staff from the Danish Embassy and officials from the Government of Mali – including the Ministry of Economy and Finance; the ministries of environment and sanitation, agriculture and employment and vocational training; the Chair of the Aid Harmonisation Secretariat; and Mali’s representative on the Working Party on Aid Effectiveness. Meetings were also held with the Chair and members of Parliament’s Finance Committee, an official from the Sikasso region, other bilateral and multilateral donors and representatives from Malian and Danish civil society organisations.

#### Country context

Mali is a land-locked country in the middle of the Sahel region in West Africa. It is the world’s 24th largest country and has a growing population, estimated at 13.3 million in 2010 (UNDP, 2010a). Over half of the territory lies in the desert zone of the Sahara, while the inner Niger delta – a large area of lakes and flood plains – lies just south of the Sahara desert. Agriculture, forestry and fishing occupy the greater part of the population and account for 35% of Mali’s GDP (World Bank, 2010). Cotton and gold are Mali’s largest exports.

Mali’s first democratically-elected president took power in 1992. Since then, Mali has enjoyed relative political stability and peaceful transfers of power. Mali continues to implement its decentralisation and deconcentration policy, which commenced in 1999, in an effort to bring government closer to the population. However, capacity constraints at the regional and local levels persist and pose challenges for progress with decentralisation. The government is working on consolidating peace and security in the north of the country where there have been rebellions and sporadic fighting since the 1990s by nomadic Tuareg tribes over land and cultural and linguistic rights.<sup>50</sup> Nevertheless, it is likely that the political scene will heat up with power struggles in the run-up to elections in 2011, when President Toumani is going to step down after serving his second term (African Economic Outlook, 2011). Moreover, the kidnapping of a number of foreigners, apparently at the hands of al-Qaeda, has raised fears that the country is being used as a sanctuary by the militants.

Mali is one of the world’s poorest countries: it ranked 160 on the list of 169 states in the 2010 United Nation’s Human Development Index. According to the *Human Development Report*, over 50% of the population live on less than USD 1.25 per day and

50. See [http://news.bbc.co.uk/2/hi/africa/country\\_profiles/1021454.stm](http://news.bbc.co.uk/2/hi/africa/country_profiles/1021454.stm), accessed 25 January 2011.

just one quarter of the adult population is literate (UNDP, 2010b). Prospects are dim for achieving most of the MDGs by 2015. While goals for clean water, HIV/AIDS, extreme poverty eradication and primary school enrolment may be achieved, nutrition and infant and maternal mortality goals have little chance of being reached (African Economic Outlook, 2011). Still, if progress made so far is speeded up and per capita annual growth stays above 4%, extreme poverty could be eradicated and the monetary poverty rate brought down to about 30% by 2015 (*ibid.*).

Mali's second generation poverty reduction strategy paper was adopted by the Council of Ministers in 2006 and will end in 2011. The overall objective is to accelerate growth to more than 7% over the period 2007-2011 and to improve the well being of Malians. Thirteen priority areas of action are selected under three strategic orientations: (i) infrastructure and productive sectors; (ii) consolidation of structural reforms; and (iii) strengthening the social sectors (GoM, 2006). In 2008, ODA contributed to 11.4% of Mali's GNI (USD 964 million), a decrease from 14.9% in 2006. Of the 34 bilateral and multilateral donors in Mali, the top three in terms of volume are France, the European Commission and IDA – each providing between USD 132 million and USD 175 million in 2007-2008. Over one-third of ODA was allocated to the production sector and to economic infrastructure and services in 2007-2008 (DAC statistics).

### Aid co-ordination in Mali

Responsibility for managing and co-ordinating aid in Mali is delegated to three different areas of government. The Ministry of Foreign Affairs and International Co-operation is responsible for bilateral co-operation and officially endorsing contracts and agreements; the Ministry of Planning manages the Special Investment Budget; and the Ministry of Economy and Finance oversees strategic developments, budget support, and the development and M&E of the PRSP. In the recent past, development efforts in Mali were criticised for being dispersed and donor driven. Malian responsibility for co-ordinating efforts was perceived as muddled and lacking capacity (Bergamaschi, 2008).<sup>51</sup> A number of institutional mechanisms were created to address some of these issues, including the Secretariat for Aid Harmonisation (*S cretariat de l'Harmonisation de l'Aide*) housed at the Ministry of Economy and Finance in 2008; and the Office for Development and International Co-operation in the Office of the President, established in 2009 with funding from the Jimmy Carter Foundation.

The Secretariat for Aid Harmonisation allows donors and financial partners working in Mali, to meet, along with Mali officials, and to ensure that their efforts are co-ordinated and respect the principles of the Paris Declaration and the Accra Agenda for Action. The primary role of the secretariat is to promote ownership and leadership for alignment with national systems and procedures, as well as to harmonise aid in order to reduce transaction costs for the Government of Mali. The secretariat houses the three main aid co-ordinating groups in Mali:

- **The Collective Group of Technical and Financial Partners.** This is comprised of heads of missions and ambassadors and includes almost all bilateral partners and all the multilateral donors and UN agencies present in Mali. An annual meeting sets out the strategic direction for all the other thematic donor groups (including 10 sectoral groups),

51. Also noted during discussions with donors in Mali.

and monthly meetings ensure relevant information sharing and co-ordination at the highest level.

- **The Troika.** This is comprised only of donors and is led by an elected chair. The appointment of members of the Troika and its chair take place on an annual voluntary basis and must be accepted by the Collective Group of Technical and Financial Partners. The most important part of chairing the Troika is the willingness to engage in close political dialogue with the Malian government, and the overall objective of the group is to ensure joint donor pursuit of the Millennium Development Goals and support for the Malian Poverty Reduction and Growth Strategy (CSCR). Canada, UNDP and the African Development Bank are the current Troika members. It is envisioned that Denmark will join the Troika in 2011.
- **Technical Advisory Groups.** Thirteen technical groups are established to pursue harmonisation and alignment as set out in the Paris Declaration and Accra Agenda for Action by providing technical support to the Collective Group of Technical and Financial Partners. This consists of both Malian officials and donor representatives.

Mali has also been chosen as a focus country for the Working Party on Aid Effectiveness. It is using health as a tracer sector against which progress on aid effectiveness can be measured. Mali is actively pursuing the implementation of the Paris Declaration by trying to unblock remaining obstacles in alignment and use of country systems, together with its development partners. This, along with the establishment of the institutional mechanisms described above, exemplifies a willingness in Mali to enhance its own structures and systems. Nevertheless, the PRSP process in particular has been criticised as being heavily influenced by international donors (Bergamaschi, 2008). However, in the move towards greater alignment, a growing number of donors (nine) are now providing general budget support to Mali. Along with several donors also providing sectoral budget support, most notably in education and health, this could be seen as a testament to greater trust amongst donors in the Malian government's ability to manage its own development.

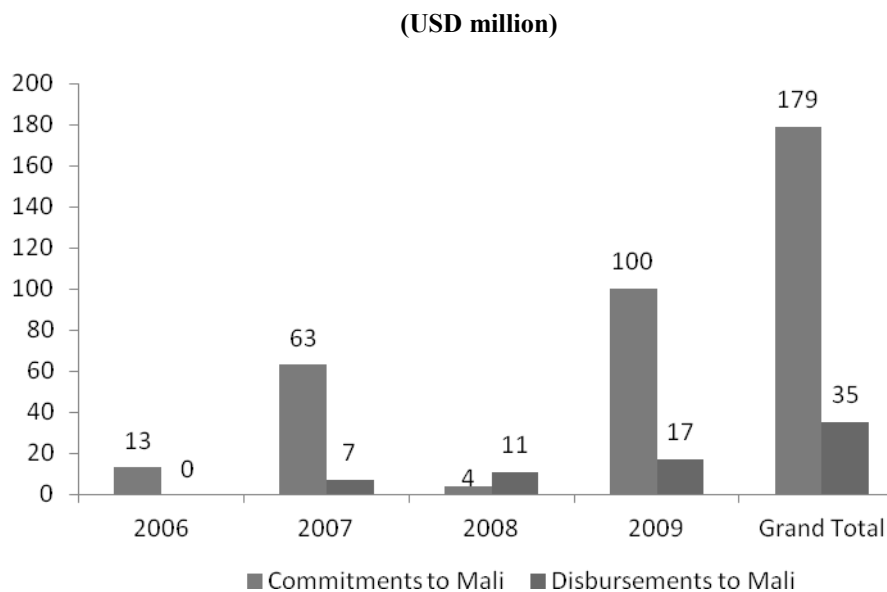
## Key features of Denmark's development co-operation in Mali

### *A new bilateral programme with a long-term focus*

In line with its renewed commitment to strengthen its development co-operation and poverty reduction focus in Africa, in 2005 Denmark decided to select a new partner country in Africa. Mali was selected over Niger and Ethiopia on the basis of two key criteria: poverty indicators and the extent to which democracy is strengthening. Other factors that Denmark took into account were its experience in two other francophone African countries – Burkina Faso and Benin – with similar governance structures and development challenges. Also important was the extent to which Denmark could apply and use its well-established approach, modalities and tools for aid effectiveness. Following this analysis, and after initial contacts between the Government of Denmark and the Government of Mali in January 2006, consultations were held between the two governments, Malian civil society and the donor community to identify to which national priorities Denmark would align to, and where it could add value and avoid duplication. Denmark committed to an indicative budget envelope of approximately DKK 800 million (approximately USD 150 million) over the period 2006-2011.

Denmark is committed to a long-term, predictable partnership with Mali: it presents indicative aid disbursements to Mali up to 2019. Denmark is not among the top 10 donors in Mali, sharing 19th place with Switzerland in 2007/8. However, it is set to become a medium-to-large bilateral development partner, and could become one of the top 10 donors, if it achieves its planned USD 46.8 million annually by 2014 (MFA, 2010a).<sup>52</sup> Given the “start-up” nature of Denmark’s multi-annual programmes and its commitment-based budgeting (Chapters 3 and 4), DAC statistics show a significant, but understandable, gap between Danish annual disbursements and commitments to Mali (Figure C.1). Nevertheless, there is a clear positive increase in disbursements every year.

**Figure C.1. Danish ODA to Mali: commitments and disbursements, 2006-2009**



Source: DAC Creditor Reporting System.

### ***Multi-dimensional and multi-layered sector and thematic programmes***

Denmark’s aid programme is guided by the *Mali/Denmark Development Co-operation Strategic Note for 2006-2011* (MFA, 2006c). The priorities outlined in this note are aligned to *Mali’s Second Generation Poverty Reduction Strategy Paper 2006–2011*, particularly in relation to rural poverty, employment, gender equality, and sustainable development. Denmark considered five issues when choosing its sectors (Table C.1). They were: (i) limiting the number to a maximum of three sectors; (ii) the already significant allocation to health and education by the Malian government and donors because of the centrality given to these sectors in the PRSP I; (iii) the new direction and priorities of the PRSP II; (iv) significant opportunities for synergies between the three selected sectors; and (v) the need for a strong environmental profile. It also intended to allocate just over two-thirds of the budget envelope to the three focus sectors.

52. For example, Germany was one of the top 10 donors in Mali in 2007/8, giving USD 40 million.

**Table C.1. Indicative share of Danish aid to Mali by sector**

| <b>Sector</b>   | <b>Per cent share of budget envelope</b> |
|---|--|
| Supply of water, sanitation and water resource management                 | 25% - 35%                                |
| Agriculture   | 20% - 25%                                |
| Private sector and employment promotion                                   | 20% - 25%                                |
| Cross-cutting themes (gender equality, decentralisation, good governance) | 10%                                      |
| Budget support  | 10%                                      |
| Other   | 5%                                       |

Source: MFA (2006c), *Mali/Denmark Development Co-operation Strategic Note for 2006-2011*, MFA, Copenhagen.

A strength of Denmark's sector programmes is their limited number of components. The water and sanitation programme is a good example: it had two components during Phase 1 (2006-2009): (i) supporting the development and implementation of a national policy on water and sanitation; and (ii) at the decentralised level, to improve access to water and sanitation in two regions through support to regional water structures. The second phase (2010-2014), is a joint programme with Sweden and sets deadlines for providing sector budget support with clear conditions for the Government of Mali. Denmark and Sweden take an interesting "carrot and stick" approach in this programme: the Government of Mali is motivated to strengthen institutions and capacity so that they are eligible for sector budget support by a certain date. If Mali does not achieve these objectives by then, the date will be pushed back. Malian officials were satisfied with the approach, which instils a sense of mutual responsibility.

Gender equality and environmental mainstreaming are central to Denmark's programmes in Mali, in which screening tools and rolling plans from headquarters are applied. Women are targeted as specific beneficiaries of all programmes. The promotion of equal rights and the participation of women in politics are priorities that cut across all Danish support to Mali. Denmark's commitment to capacity development is also evident in the way it supports Malian civil society organisations, most notably through its participation along with four other donors in a new (2010) joint donor basket fund for Malian CSOs. This approach to funding also helps to cut the administrative costs of financing several CSO projects.

### ***Implementation and aid effectiveness***

#### *The challenges of ambitious programmes*

Despite being a relatively new donor in Mali, Denmark has already established itself as a champion in implementing the aid effectiveness agenda. It is working progressively towards meeting its commitment to provide sector budget support as the default modality and to align with Mali's priorities and financial management systems. Denmark is furthering its commitment to aid effectiveness by developing capacity, both centrally and regionally, by working with civil servants in government, promoting the use of existing structures, and by placing advisors strategically in key areas of government relevant to Denmark's focus sectors. The decentralisation of the Danish aid system allows programme managers in the embassy to take important decisions, both political and budgetary. This helps retain clear communication channels and flexibility in decision-making processes and allows for close local co-operation among Denmark, the Malian government and other donors.

Denmark's engagement in Mali is characterised by alignment to Mali's own priorities and needs and there is national ownership of Danish-supported programmes. This was demonstrated by Denmark's decision to support sectors identified by the Malian Government as needing intense support and capacity development due to their weak institutional structure. While the relative disarray of these sectors affected the design of the sector programmes and the ability to achieve alignment, harmonisation and capacity development objectives, Denmark rose to the challenge. The result is that Denmark is now seen as a strong proponent of effective aid in these sectors. As there were no national sector strategies for agriculture or private sector development, nor any sector-wide approaches in any of the three sectors supported by Denmark, the Danish programmes are helping Mali to develop these strategies. The programmes are also addressing and managing: (i) the weak government and donor co-ordination in agriculture and the private sector; (ii) dispersed institutional responsibilities and a wide range of public and private actors who have a stake in the sectors; and (iii) weak capacity to master the public financial management system in the line ministries, at regional and local level, as well as in parliament and civil society. Denmark channels its aid through the Malian treasury, but earmarks it and uses separate bank accounts at the local level. This is in order to use country systems as much as possible, while safeguarding aid money from mismanagement. In addition, Denmark has trained Malian officials and civil society organisations in how their own public financial management (PFM) system works. This type of capacity building, which involved training and then "learning by doing", is recognised as one of the [many] strengths of Danish co-operation in Mali. It also highlights the importance of flexibility and local adaptation in donor engagements.

Denmark's advances in implementing the aid effectiveness agenda in Mali are also reflected in the strong role played by the ambassador and embassy staff in different donor co-ordination groups. This is most notable in The Collective Group of Technical and Financial Partners, but potentially also in the Troika, which Denmark is expected to chair in 2011. This is very positive and Denmark is encouraged to share with the donor community its experiences and lessons learnt through these fora in order to further promote harmonisation and alignment in its focus sectors. Leading and helping other donors towards this objective is crucial, especially as the peer review team observed that Denmark could be reaching its limits in working according to the Paris Declaration and Accra Agenda for Action in its focus sectors. This is because, with the exception of its joint programme with Sweden in water and sanitation, it is the only donor trying to use country systems (except for sector budget support in health and education). Since most development goals that Denmark pursues in Mali depend on joint action between the government and the donor community, harmonising with other donors whilst identifying, understanding and helping to address Malian limitations will be vital.

## **Organisation and management of Denmark's co-operation in Mali**

### *The embassy: programming and financial authority*

Denmark has decentralised its aid management extensively in Mali. The Danish Embassy is responsible for both programme and financial management, while accountability and planning mechanisms ensure that the embassy implements the Danish Ministry of Foreign Affairs' (MFA) policy guidance and that it feeds back into Danish policy making. For example, the embassy will participate in preparing an action plan for the new strategic priority on private sector development and employment, thus bringing



field-level experience to headquarters. The MFA's technical advisory services (TAS) also support the embassy at specific stages of the programme management cycle. Requests for support from TAS are planned and agreed with the embassy annually. Moreover, embassy staff consider that TAS are now more receptive to *ad hoc* requests from embassies that were not foreseen at the time of the annual agreement. This point was raised during the decentralisation evaluation. Other departments at headquarters, such as the contracts department and corporate services, have been fine-tuning their support mechanisms and service mentality towards embassies.

The re-organisation of the Danish MFA has not had a negative impact on operations in Mali. Embassy staff have regular, direct lines of communication with three of the new centres: (i) the Centre for Africa, Asia, Americas and Middle East: communications involve overall policy issues, quarterly video conferences with embassies in West Africa, and logistics related to missions to Africa and by the centre head; (ii) the Centre for Development Policy: on programming; and (iii) the Centre for Corporate Services. Electronic distribution lists are widely used by staff to stay informed of policy discussions and to receive updates of the Aid Management Guidelines, for example. However, a prevailing challenge, linked to Danish organisational culture, is the use of informal relations and networks in daily business. While there is value in informality, more formal and systematic ways of working with the various centres are also needed. This is especially important for new staff.

### ***Internal organisation and human resource constraints***

The embassy has a flat organisational structure (Figure C.2), with a direct line from the small teams working on the focus sectors, themes and administration to the ambassador and first counsellor. Typically, two experts work in each sector team. At the time of the peer review visit, the embassy had just created a management team following recommendations of the review of the embassy undertaken by the Ministry's Centre for Corporate Services one week before our mission. Having a management team will be useful because it should enable the ambassador to delegate some management tasks, thus freeing up time to further engage in policy dialogue in Mali and spreading responsibility for sustaining the momentum of the programme. This will be especially important in light of the ambassador's planned rotation in 2012.

The MFA's system of focal points for cross-cutting issues plays a role at the country level. In Mali, the role of the gender and environment focal points is to monitor implementation of the cross-cutting objectives. The compulsory e-learning tool for gender is considered useful, though limited in Mali because it is only available in English. However, acting as a focal point is only one of several tasks for these staff, so the extent to which they can monitor their focal area is limited. Denmark therefore may need to review the purpose and role of these focal points.

Denmark has only a short history of engagement in francophone African countries and MFA staff are less knowledgeable of this region than of east and southern Africa. There are relatively few staff with strong French skills. MFA will need to find the right incentives to attract staff to posts in the embassy.

Like other donors, the Danish Embassy recruits staff locally. Recruiting national experts is beneficial for the donor for several reasons: (i) it brings deep knowledge of the national context and local contacts; (ii) it provides continuity and institutional memory; and (iii) it reduces administrative burdens. At the same time, locally recruited staff who

have not necessarily worked at the MFA in Copenhagen and who are not integrated into the MFA's diplomatic career path, require a tailor-made human resource policy and management. The MFA is currently working on this (Chapter 4). Issues that need to be addressed in the Danish Embassy in Mali stem in part from the relatively limited experience of Malians with implementing the Paris Declaration on Aid Effectiveness. Solutions include finding ways to recruit and retain local staff with the right skills for implementing priorities in the Danish development strategy *Freedom from Poverty*; providing locally-employed staff with relevant Danida courses in French in Copenhagen and with appropriate induction at the embassy; and valuing, respecting and giving opportunities that will help retain these locally employed staff over the long term.

## Description of key terms

*The following brief descriptions of the main development co-operation terms used in this publication are provided for general background information.*<sup>53</sup>

**ASSOCIATED FINANCING:** The combination of official development assistance, whether grants or loans, with other official or private funds to form finance packages.

**AVERAGE COUNTRY EFFORT:** The unweighted average ODA/GNI ratio of DAC members, *i.e.* the average of the ratios themselves, not the ratio of total ODA to total GNI (cf. ODA/GNI ratio).

**DAC (DEVELOPMENT ASSISTANCE COMMITTEE):** The committee of the OECD which deals with development co-operation matters. A description of its aims and a list of its members are given at the front of the Development Co-operation Report.

**DAC LIST OF ODA RECIPIENTS:** For statistical purposes, the DAC uses a list of ODA recipients which it revises every three years. From 1 January 2007, the list is presented in the following categories (the word "countries" includes territories):

**LDCs:** Least Developed Countries. Group established by the United Nations. To be classified as an LDC, countries must fall below thresholds established for income, economic diversification and social development. The DAC List is updated immediately to reflect any change in the LDC group.

**Other LICs:** Other Low-Income Countries. Includes all non-LDC countries with per capita GNI USD 825 or less in 2004 (World Bank Atlas basis).

**LMICs:** Lower Middle-Income Countries, *i.e.* with GNI per capita (Atlas basis) between USD 826 and USD 3 255 in 2004. LDCs which are also LMICs are only shown as LDCs – not as LMICs.

**UMICs:** Upper Middle-Income Countries, *i.e.* with GNI per capita (Atlas basis) between USD 3 256 and USD 10 065 in 2004.

**DEBT REORGANISATION (also RESTRUCTURING):** Any action officially agreed between creditor and debtor that alters the terms previously established for repayment. This may include forgiveness, or rescheduling or refinancing.

**Direct INVESTMENT:** Investment made to acquire or add to a lasting interest in an enterprise in a country on the DAC List of ODA Recipients. In practice it is recorded as the change in the net worth of a subsidiary in a recipient country to the parent company, as shown in the books of the latter.

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53. For a full description of these terms, see the *Development Co-operation Report 2009*, Volume 10, No. 1.

**DISBURSEMENT:** The release of funds to, or the purchase of goods or services for a recipient; by extension, the amount thus spent. Disbursements may be recorded **gross** (the total amount disbursed over a given accounting period) or **net** (the gross amount less any repayments of loan principal or recoveries of grants received during the same period).

**EXPORT CREDITS:** Loans for the purpose of trade and which are not represented by a negotiable instrument. They may be extended by the official or the private sector. If extended by the private sector, they may be supported by official guarantees.

**GRANTS:** Transfers made in cash, goods or services for which no repayment is required.

**GRANT ELEMENT:** Reflects the financial terms of a commitment: interest rate, maturity and grace period (interval to the first repayment of capital). It measures the concessionality of a loan, expressed as the percentage by which the present value of the expected stream of repayments falls short of the repayments that would have been generated at a given reference rate of interest. The reference rate is 10% in DAC statistics. This rate was selected as a proxy for the marginal efficiency of domestic investment, *i.e.* as an indication of the opportunity cost to the donor of making the funds available. Thus, the grant element is nil for a loan carrying an interest rate of 10%; it is 100% for a grant; and it lies between these two limits for a loan at less than 10% interest.

**LOANS:** Transfers for which repayment is required. Data on net loan flows include deductions for repayments of principal (but not payment of interest) on earlier loans.

**OFFICIAL DEVELOPMENT ASSISTANCE (ODA):** Grants or loans to countries and territories on the DAC List of ODA Recipients and multilateral agencies that are undertaken by the official sector; with the promotion of economic development and welfare as the main objective; at concessional financial terms (if a loan, having a grant element of at least 25%).

**ODA/GNI RATIO:** To compare members' ODA efforts, it is useful to show them as a share of gross national income (GNI). "Total DAC" ODA/GNI is the sum of members' ODA divided by the sum of the GNI, *i.e.* the weighted ODA/GNI ratio of DAC members (*cf.* Average country effort).

**OTHER OFFICIAL FLOWS (OOF):** Transactions by the official sector with countries on the DAC List of ODA Recipients which do not meet the conditions for eligibility as official development assistance, either because they are not primarily aimed at development, or because they have a grant element of less than 25%.

**TECHNICAL CO-OPERATION:** Includes both a) grants to nationals of aid recipient countries receiving education or training at home or abroad, and b) payments to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries.

**TIED AID:** Official grants or loans where procurement of the goods or services involved is limited to the donor country or to a group of countries which does not include substantially all aid recipient countries.

**VOLUME (real terms):** The flow data are expressed in United States dollars (USD). To give a truer idea of the volume of flows over time, some data are presented in constant prices and exchange rates, with a reference year specified. This means that adjustment has been made to cover both inflation in the donor's currency between the year in question and the reference year, and changes in the exchange rate between that currency and the United States dollar over the same period.



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# OECD Development Assistance Committee Peer Review DENMARK

The OECD Development Assistance Committee conducts periodic reviews of the individual development co-operation efforts of DAC members. The policies and efforts of each of the 23 members are critically examined approximately once every four years, hence five or six programmes are examined annually.

The Peer Review of Denmark, led by the Netherlands and Greece, took place on 8 June 2007. The report comprises the review's Main Findings and Recommendations and the full Secretariat report.

Denmark, one of the world's most generous donors, devoted USD 2.11 billion to official development assistance (ODA) in 2005, accounting for 0.81% of its gross national income (GNI). The OECD commends Denmark's decision to maintain ODA at a minimum of 0.8% of GNI, and encourages it to continue this policy.

The OECD's Development Assistance Committee's Review of Denmark's aid noted its decentralised, and improved, development co-operation system, which facilitates effective aid delivery. The Review suggests that Denmark share its approaches to gender equity and environmental sustainability within the aid programme, and policy guidance for the development of capacity in partner countries. It also provides several recommendations to assist Denmark's continuing efforts in meeting the commitments of the Paris Declaration on aid effectiveness.