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Peer Review

PEER REVIEW OF THE DEVELOPMENT CO-OPERATION POLICIES AND PROGRAMMES OF DENMARK

A snapshot of Denmark's development co-operation

1 July 2021

This snapshot of Denmark's development co-operation has been prepared as part of the 2021 DAC peer review of Denmark, complementing the [peer review report](#). It presents information on Denmark's policies, processes and systems, using the indicators presented in the analytical framework for peer reviews as a reference [[DCD/DAC\(2020\)69/FINAL](#)]. Additional information, particularly on Denmark's official development assistance (ODA) allocations, is presented in [Denmark's Development Co-operation Profile](#).

The snapshot has been fact-checked by Denmark and was shared with delegates for information in advance of the DAC meeting on the Denmark peer review on 1 July 2021. It is now issued as final and has been unclassified.

This document is only available for download from O.N.E. in PDF format.

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A snapshot of Denmark's development co-operation

Policy

Policy framework

- Denmark's [International Development Cooperation Act](#), amended in 2017 to align with the 2030 Agenda for Sustainable Development, sets poverty reduction, human rights, democracy, sustainable development, peace and stability as **overall objectives** of Denmark's development co-operation. It also defines the **roles** and responsibilities of the main Danish institutional actors.
- Denmark's 2017 strategy for development policy and humanitarian action, [The World 2030](#), elaborates on the vision and sets out four **strategic objectives** covering a five-year time frame: 1) safety, peace and protection; 2) prevention of irregular migration; 3) inclusive, sustainable growth; and 4) freedom, democracy, human rights and equality. The strategy also confirms that Denmark will maintain its long-standing commitment to provide **0.7% of gross national income** as official development assistance (ODA). A new development co-operation and humanitarian strategy will be approved by the Parliament of Denmark in 2021.
- Denmark's **geographical focus** has been shifting from mainly Southern Africa and Asia to the Sahel and Horn of Africa, with a focus on strengthening local resilience to discourage irregular migration. *The World 2030* differentiates between three categories of partner countries based on their income level and stability and identifies **12 priority countries** and territories (Afghanistan, Bangladesh, Burkina Faso, Ethiopia, Kenya, Mali, Myanmar, Niger, Somalia, Uganda, United Republic of Tanzania, and West Bank and Gaza Strip). Six global programmes, among them the [Strategic Sector Cooperation initiative](#) implemented by 13 Danish authorities in 18 countries, are primarily operational in non-priority countries while regional programmes, such as the [Danish Neighbourhood Programme](#) in eastern Europe and the Balkans, may include countries from all three country categories.
- Denmark is committed to a **whole-of-society** approach to development that aims to mobilise the private sector, civil society and Danish authorities. Denmark also places great importance on its **multilateral engagement**, including with the European Union (EU), the United Nations (UN) and multilateral development banks.

Guidance and basis for decision making

- The Danish government presents annual reports to Parliament on the [government's priorities for Danish development co-operation](#) which set out a rolling, four-year **expenditure framework** covering ODA commitments for the following financial year and ODA estimates for the subsequent three years. The reports include both bilateral and multilateral spending on thematic priorities at different levels of engagement (country, regional, global). Together with the overall strategy, the four-year framework and the annual Financial Bill approved by Parliament provide the rationale for

Denmark's decisions to engage in international development co-operation and humanitarian action.

- Denmark adopts a **rights-based approach** to development, championing women's rights in particular. *The World 2030* also adopts the principle of **leaving no one behind** as an overarching goal for Danish development co-operation and humanitarian action.
- Addressing **fragility is a clear priority** for Danish development co-operation. All 12 priority countries and territories are considered as either fragile or extremely fragile on the OECD fragility framework. Denmark has been particularly active in seeking to address forced displacement, including through the implementation of the humanitarian-development-peace nexus.
- **Multi-annual country strategies** with its 12 priority countries are grounded on a [context analysis](#) and partner consultations, including with partner country governments and other in-country partners. Commencing in 2021, all Danish country strategies will apply the Doing Development Differently (DDD) principles.
- The [Aid Management Guidelines](#) operationalise the Danish principles for bilateral and multilateral assistance, providing detailed **guidance and tools** for staff on how to engage partners and manage development programmes and projects. They are published on line and updated regularly. Guidance documents are publicly consulted with stakeholders.

Institutional arrangements

Leadership, responsibility, complementarity and accountability for whole-of-government development co-operation

- The **Minister for Development Co-operation** in the Ministry of Foreign Affairs (MFA) co-ordinates Denmark's participation in international negotiations and administers Denmark's bilateral and multilateral development co-operation, as per the International Development Cooperation Act. The MFA manages virtually all of the **ODA budget**, although there also are joint initiatives such as the Peace and Stabilisation Fund (with the Ministries of Justice and Defence) and the Climate Envelope (with the Ministry of Climate, Energy and Utilities).
- The **brand "Danida"** describes Denmark's development co-operation with other countries, but there is no distinct institution called Danida.
- The [Council for Development Policy](#) advises the Minister for Development Co-operation on the preparation and implementation of Danish development co-operation and discusses strategic policy issues. The Council consists of 11 members appointed by the minister from academia, civil society and other organisations.
- The [Investment Fund for Developing Countries](#) (IFU) is Denmark's development finance institution. It is independently governed by a board of directors and managed by a managing director – all appointed by the Minister for Development Co-operation. The IFU has eight regional offices in Africa, Asia, Europe and Latin America.
- Within the MFA, responsibility for planning, preparation and implementation of bilateral strategic frameworks and select multilateral partnerships is **decentralised to Danish embassies** in partner countries and to missions accredited to multilateral organisations. New adaptive management guidance and an adaptability reserve give embassies (particularly the ambassador and head of development) the authority and flexibility to tailor allocations, programmes, partnerships and management approaches to the type of engagement and local context. At the same time, the appraisal and evaluation of initiatives above DKK 39 million (Danish kroner), or nearly USD 5.9 million, remain the responsibility of the MFA headquarters (HQ). Responsibility for

additional projects and programmes, such as global programmes, also falls under the MFA headquarters.

- While the MFA leads the Danish development co-operation system, issue-based **co-ordination across the government** is increasing. The [Strategic Sector Cooperation initiative](#) is an example of increased co-operation implemented by 11 ministries and two municipalities.
- The [OpenAid](#) website communicates all data, financial flows and development results, unfiltered. It is currently under revision to make more easily accessible financial information and development results.

Human resources, capabilities and skills in the Danish Ministry of Foreign Affairs

Table 1. Breakdown of staff working on development co-operation

Institution	HQ	Field		Total
		From HQ	Locally engaged*	
Ministry of Foreign Affairs	915	459	1 430	2 804
Of which working on development co-operation or in embassies in priority countries	174	73	202	449
International advisors on long-term contracts (typically with partner governments)				45
International advisors on short-term contracts (typically in fragile contexts)				10
Junior professional officers in World Bank or UN country offices				43
Senior staff in UN or World Bank HQ (51%) and country offices (49%)				22
Seconded national experts to the EU				30

Note: *All data are for 2020 unless otherwise stated.

Source: Ministry of Foreign Affairs of Denmark 2021 DAC Peer Review Memorandum – Denmark [DCD/DAC/AR(2021)1/5].

- The total **number of staff** in the MFA has increased by almost 10% since 2016. During 2019-20, the organisational structure of MFA headquarters was adjusted in a push towards a flatter structure and faster decision making. Management has a structured dialogue with staff unions and undertakes an annual workplace survey.
- The MFA has launched a major initiative to strengthen the overview, **use and development of staff** members' professional competencies. This included systematic skills mapping and less frequent rotations. Five professional “beacons”, or thematic chief counsellors, have been introduced to help manage and disseminate knowledge. A new career path initiative has also been introduced along with a formal system to create a pipeline for filling critical positions and planning for succession in management positions.
- The MFA has formulated a comprehensive **security and human resources** policy for postings to security and/or health-related high-risk locations (including locations with severe air pollution), with incentives in place to attract staff to these contexts. This policy, including the list of posts covered, is reviewed once a year.
- The MFA applies a systematic approach to **induction and on-boarding** of staff. The human resource department offers opportunities for skills development through internal courses as well as funding for external training.
- The MFA has taken some steps towards preventing **sexual exploitation and harassment** and is rolling out training guidance and dialogue in these areas.

- Despite Denmark's decentralised business model, the MFA headquarters caps the **number of staff at country level**. However, embassies can hire international advisors on long- and short-term contracts based on their needs.
- Denmark empowers its **locally engaged staff** and involves them in planning processes, programme management and representation. Most internal documents are translated into English and accessible to locally engaged staff. There are few opportunities, however, for career progression for local staff and no opportunities at present for locally engaged staff to work in other embassies or at MFA headquarters.

Stakeholder consultation and participation

- *The World 2030* recognises the role of **different stakeholders** for Danish development co-operation. Denmark regularly engages partner country governments, multilateral organisations, civil society, businesses and research institutions on both strategic and operational levels. It has adopted a [policy for Danish support to civil society](#) (2014) and [guidelines for management of Danish core support to multilateral and international organisations](#) (last updated in 2020).
- Denmark consults with stakeholders through **a range of mechanisms**. All documents submitted to the Council for Development Policy are available on line in advance of its meetings and there is an option for public submissions. All country strategic frameworks are subject to broad consultation.
- Denmark publishes the following material **on line for public access** (and, often, also in English):
 - policies
 - intervention evaluations
 - audit and other external review reports
 - strategic evaluation reports.

Management systems

Table 2. Assessment of Denmark's development co-operation system

	Yes	No	Comment
Clear and transparent processes and procedures are in place to make decisions on:			
• Policies	●		▲ Single, clear policy framework across government, guided by Agenda 2030 and the International Development Cooperation Act
• Programming	●		▲ Aid Management Guidelines provide a clear framework ▲ Country strategies are comprehensive and published online
• Partnerships	●		▲ Annual report on the government's priorities for development co-operation and the annual Finance Bill provide clear direction on how to allocate funding; MFA processes, roles and responsibilities are well documented in its Aid Management Guidelines
Systems are in place to assure the quality of development co-operation, including:			
• Audit	●		▲ Effective internal and external audit function in MFA; robust internal control processes in headquarters and the field
• Mainstreaming cross-cutting issues	●		● With limited specialist skills for technical backstopping, more training and guidance needed on cross-cutting issues, particularly climate, environment and poverty reduction
Systems support the member to implement its policies and commitments in a fair and efficient way:			
• Procurement, contracting, agreement-making	●		▲ Robust, open, untied public procurement systems used primarily for consultancies. A majority of grants are multi-annual and programmatic. Grant-making processes are changing under the DDD approach to encourage adaptive management by both MFA and its partners. ● Grant-making processes and staff capacity constrain opportunities to

			make smaller, catalytic grants or to fund local partners and institutions in keeping with Denmark's commitment to localisation.
Adequate and relevant systems and processes to assess and adapt to risks including:			
<ul style="list-style-type: none"> Strategic, reputational, programming, security 	●		<ul style="list-style-type: none"> ▲ Risks systematically assessed ▲ Risk and country assessments are informed by a broad range of sources, including local and Danish think tanks
<ul style="list-style-type: none"> Corruption 	●		<ul style="list-style-type: none"> ▲ A comprehensive corruption risk management system that assesses corruption risks at country, portfolio and programme level. ▲ Whistleblower policy and system in place.
<ul style="list-style-type: none"> Sexual exploitation, abuse and harassment 	●		<ul style="list-style-type: none"> ▲ Recommendation published and disseminated.
Innovation and adaptation:			
<ul style="list-style-type: none"> The leadership and internal system promote a culture of experimentation and adaptability to changes in the development landscape 	●		<ul style="list-style-type: none"> ▲ The DDD approach introduced in 2019 stems from strong leadership and encourages staff to experiment and adapt. ▲ Publicly available adaptive management guidance applies to MFA, other ministries managing ODA and Denmark's partners.
<ul style="list-style-type: none"> Capabilities exist to introduce, encourage, measure and scale up innovation in development co-operation 		●	<ul style="list-style-type: none"> ● Work underway to look at the interface between digitalisation, governance and rights. Scope to look at locally-driven innovation more deliberately as part of Denmark's commitment to localisation.
Results, evaluation, knowledge management and learning:			
<ul style="list-style-type: none"> Managing for sustainable development results 	●		<ul style="list-style-type: none"> ● Focused more on the programme level, with results information primarily used for accountability and performance of individual programmes. An initiative to strengthen systematic results reporting at all levels initiated in 2020.
<ul style="list-style-type: none"> Evaluation 	●		<ul style="list-style-type: none"> ▲ Good use of evaluations, which span across the entire Danish portfolio and are selected based on learning priorities.
<ul style="list-style-type: none"> Knowledge management and learning 	●		<ul style="list-style-type: none"> ● Relying mainly on informal tools to generate and share internal insights (e.g. staff networking). Opportunities to improve learning across the system. ▲ Support of research organisations and think-tanks, drawing on their insights

Note: The Yes/No columns indicate whether the systems in question meet the indicator described in the peer review analytical framework. Green triangles refer to good practice and where progress has been made since the 2016 peer review of Denmark; orange circles point to areas where more could be done. Denmark's Doing Development Differently (DDD) approach is covered in more detail in the [2021 OECD DAC peer review report](#).

Source: The table was developed by the OECD Secretariat following the OECD DAC peer review of Denmark.

Financing for sustainable development

ODA volume and allocations

- Denmark's latest **ODA statistics and approach to development finance** are compiled and analysed in greater detail in its [OECD Development Co-operation Profile](#). Denmark consistently provides 0.7% of its GNI as ODA and meets the UN target on allocations to least developed countries. Overall, Denmark's bilateral ODA allocations correspond to its priorities.
- Denmark complies with the **DAC recommendations** on terms of conditions of ODA in that it provides only grants. It does not comply with the DAC recommendation on untying ODA: 16.3% of bilateral ODA covered by the recommendation was tied in 2019, an increase from 8.3% in 2018.
- Denmark's DAC and Creditor Reporting System (CRS) **reporting** in 2019 on 2018 flows was rated as fair due to inaccurate data submission (e.g. tying status, duplicate CRS IDs, etc.).

Approach to financing sustainable development

- Denmark provides its strategic partners **predictable, flexible multi-year funding**, with reasonable compliance requirements. It is also eager to take on risk and support innovation.
 - Denmark does not provide budget support to partner country governments, but a sizeable share of its bilateral ODA is allocated as core contributions and to pooled programmes and funds. The 2018 Global Partnership for Effective Development Co-operation monitoring data showed that 92.2% of funding was channelled through national systems and 40.9% was recorded on national budgets.
 - Slightly more than half of Denmark's multilateral contributions in 2019 were core funding, with most of the remainder softly earmarked contributions to pooled funds and specific-purpose programmes and funds.
 - Denmark provides multi-year contributions to civil society organisations (CSOs), engaging in strategic partnerships with bigger CSOs but also supporting smaller, more specialised Danish CSOs working in partnerships with associations in the Global South.
- Since 2012, Denmark has waived the **value added tax (VAT) exemption** in its development co-operation, meaning that VAT is considered an eligible ODA expenditure in partner countries as a means to help them increase their domestic resource mobilisation through tax revenues and bring down the considerable transaction costs associated with VAT refunds for national authorities.
- Denmark has supported the **mobilisation of tax revenues** by developing countries to finance their development needs for many years. In line with the Addis Tax Initiative, Denmark has, among other things, supported partner governments to strengthen the tax systems, and multilateral organisations to back tax reform processes and introduce measures to curb tax evasion (e.g. through support to the OECD and Extractive Industry Transparency Initiative). Related efforts aim to help reduce illicit financial flows.
- In 2016, the MFA introduced two **public-private partnership instruments**: the [Partnering for Green Growth](#) (P4G) and the [Danida Market Development Partnership](#). These have contributed to mobilising business for development and strengthening collaboration between CSOs and the business community including both small and medium-sized enterprises and large businesses. For the 2021-22 funding cycle, P4G partner countries are Bangladesh, Colombia, Ethiopia, Indonesia, Kenya, Mexico, South Africa and Viet Nam.

Incentivising additional development finance

- Denmark recognises that development assistance will continue to be vital but will have to be increasingly catalytic. It has developed **new financial instruments** to mobilise additional private capital. Denmark is considering options for introducing a bilateral sovereign guarantee instrument to support Danish development policy objectives.
- Denmark's development finance institution, the [IFU](#), provides **risk capital at commercial terms** in the form of equity and loans as well as **advisory services** to companies wishing to do business in developing countries and emerging markets. IFU funding has been untied since 2019. As of 2020, the IFU has ended fossil fuel investments.
- The IFU is the fund manager for the **Danish SDG Investment Fund**, launched in 2018 as a public-private partnership with a 60-40 allocation between private and public investors. The total capital commitment to this fund is close to DKK 5 billion (USD 750 million), of which nearly DKK 3 billion was committed by Danish pension funds and private investors. The funds are expected to be fully invested in 2022, and total investments are expected to amount to DKK 30 billion (USD 4.5 billion). The SDG Investment Fund has a broad geographic focus and a

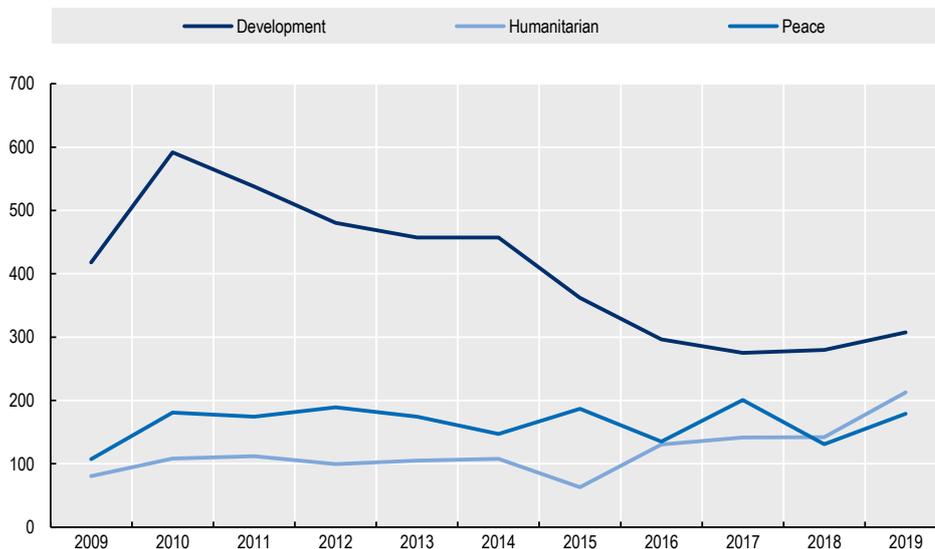
strategic focus on renewable energy and climate, agribusiness and food, the financial sector, water, industry, and infrastructure.

- In recent years, Denmark has **mobilised climate finance** from other sources, including the private sector, mainly through IFU.

Financing across the humanitarian-development-peace nexus

- Denmark's **focus on fragility** is reflected in its ODA allocations, though a smaller proportion is directed towards development activities relative to peace and humanitarian activities than was the case ten years ago.
 - Denmark disbursed 89% of its bilateral country-allocable ODA to fragile contexts in 2019 (USD 699 million), up from 74% in 2016 (USD 562 million). The share of gross bilateral ODA dedicated to fragile contexts has decreased over the last decade, from 44% in 2010 to 30% in 2016, but rebounded to 38% in 2019.
 - Within fragile contexts, the proportion of ODA directed towards development remains relatively steady, at around 44% or USD 307 million in 2019. Between 2009 and 2014, this proportion was higher – an average of 65% (USD 490 million).
 - Between 2009 and 2018, peace funding was greater than humanitarian funding in fragile contexts. This has changed since 2018 with humanitarian funding overtaking peace funding both within fragile contexts and across the total aid portfolio. Humanitarian aid to fragile contexts increased from USD 63 million in 2015 to USD 212.5 million in 2019 (Figure 1).
 - The Shuraako initiative in Somalia is an example of how Denmark is adapting its private sector instruments to fragile contexts, by supporting access to finance for small businesses in partnership with local banks.

Figure 1. Denmark's humanitarian spending has overtaken peace spending

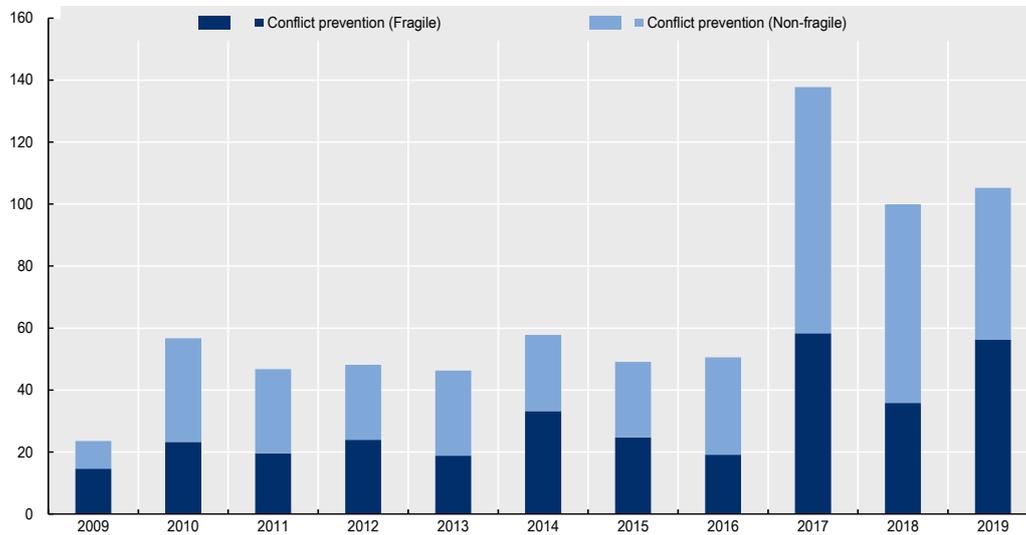


Source: OECD Creditor Reporting System (database), <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>, with analysis based on the *States of Fragility 2020 methodology*.

- However, Denmark has pivoted towards significant increases in funding towards conflict prevention, including through its Peace and Stabilisation Fund. Across all recipients (fragile

and non-fragile), Denmark has nearly doubled its annual disbursements to conflict prevention, from USD 57 million in 2010 to USD 105 million in 2019 (Figure 2).

Figure 2. Denmark has increased its conflict prevention work in both fragile and non-fragile contexts



Source: OECD Creditor Reporting System (database), <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>.