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Extract from Rigsrevisionen's report on
**the use and calculation of
Denmark's development
assistance**

submitted to the Public Accounts Committee



1849
147.281
237
1976
114.6
22.480
908

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1. Introduction and conclusion

1.1. PURPOSE AND CONCLUSION

1. This report concerns the calculation of in-donor refugee costs included in Denmark's development assistance, and the effect the methodology of calculation has on the implementation of development assistance. In October 2016, the Public Accounts Committee asked Rigsrevisionen to examine how Denmark's development assistance is spent and whether it is calculated in accordance with the OECD guidelines. The Public Accounts Committee also asked Rigsrevisionen to examine the rigour and transparency of the methodology applied by the government to calculate in-donor refugee costs. The report is therefore focused on the size of in-donor refugee costs, the specific expenditure included in these costs and on the methodologies used to calculate the costs. The report also examines how the size of in-donor costs may potentially affect the implementation and predictability of other development assistance.

2. Denmark has declared its intention of living up to the UN's target of providing a minimum of 0.7 per cent of gross domestic income (GNI) in development assistance. The OECD's Development Assistance Committee (DAC) has developed statistical reporting directives that define the expenditure that can be recorded as official development assistance (ODA), including the types of in-donor refugee costs that the member countries can report to the DAC. Denmark is a member of the OECD and as such subject to the DAC directives. According to the DAC directives, member countries are permitted to report expenditure for the sustenance of refugees (food, shelter and training) during the first 12 months of their stay, as ODA. Expenditure for voluntary resettlement in a developing country may also be reported as ODA. The DAC directives exclude explicitly the inclusion of expenditure to promote integration of refugees into the economy of the donor country and expenditure for forced repatriation.

3. The purpose of the report is to assess whether the responsible authorities are administering Denmark's development assistance in relation to the inclusion of in-donor refugee costs in a satisfactory manner. The report answers the following questions:

- Are the responsible departments ensuring that in-donor refugees costs reported as ODA are in accordance with the provisions of the DAC directives?
- Has the Ministry of Foreign Affairs ensured an appropriate level of predictability in development assistance in relation to changes in in-donor refugee costs in 2015 and 2016?

DAC DIRECTIVES

The DAC directives provide instructions to OECD member countries on the calculation of official development assistance.

DAC REPORTING

OECD member countries report their annual spending on development assistance to the OECD DAC.

IN-DONOR REFUGEE COSTS

In this report, in-donor refugee costs include only DAC-reported expenditure for asylum seekers and refugees during the first twelve months of their stay in Denmark. The report is not addressing costs incurred during the first twelve months but not reported to the OECD, or costs for refugees beyond the twelve-month period, since neither is included in the ODA calculation.

PRE-ASYLUM PHASE

Period between official application for asylum and decision.

POST-ASYLUM PHASE

In this report, this phase refers to the time period from asylum is granted until 12 months have passed since the time of application.

ASYLUM SEEKERS, REFUGEES AND REJECTED ASYLUM SEEKERS

The term *asylum seekers* refers to persons who have applied for asylum.

The term *refugees* refers to persons who have applied for and been granted asylum in Denmark.

The term *rejected asylum seekers* refers to persons whose application for asylum has been definitively rejected.

DEVELOPMENT ASSISTANCE

The report distinguishes between the target set for Denmark's development assistance in the Finance Act of 0.7 per cent of GNI measured by commitment, and the development assistance target set in Document 40 from 15 December 2016 of 0,71 per cent of GNI measured by commitment. The UN's development assistance target of minimum 0.7 per cent of GNI measured by disbursements is also referred to in the report.

CONCLUSION

It is Rigsrevisionen's assessment that, within the given framework, the responsible departments are administering Denmark's development assistance, in relation to the inclusion of in-donor refugee costs, in a satisfactory manner.

The responsible departments calculate in-donor refugee costs in accordance with Denmark's interpretation of the DAC directives. In conformity with the other Nordic countries, and others, Denmark has adopted a practice according to which the first twelve months of the refugees' stay is counted from the time of their official asylum application or date of arrival. Costs relating to the pre-asylum as well as the post-asylum phase during this twelve-month period are included in the in-donor refugee costs.

Denmark has also reported expenditure for rejected asylum seekers to the DAC. However, in the opinion of Rigsrevisionen, this expenditure is not in accordance with the DAC directives. However, as the DAC directives only set out an overall framework for ODA-eligible expenditure, it is not possible for Rigsrevisionen to assess whether Denmark's decision to include the above-mentioned in-donor refugee costs in ODA, is in accordance with the provisions of the directives. The costs in question include processing of applications by the Danish Immigration Service and the Danish Refugee Appeals Board, and costs for the Danish integration programme. The Danish Ministry of Foreign Affairs approached the OECD in 2016 with a question concerning the eligibility of expenditure for the integration programme, but the OECD refused to comment on the practice of individual member countries and referred to current activities in the OECD to clarify the DAC directives.

The methodology used for calculation of pre-asylum expenditure is both rigorous and transparent, whereas the calculation of post-asylum expenditure has been based on various methodologies in the period 2005 to 2016, and has been neither rigorous nor transparent. It is Rigsrevisionen's assessment that part of the post-asylum expenditure has been reported twice – in 2015 and 2016 – in connection with the transition to a new methodology of calculation in 2016. Rigsrevisionen estimates this expenditure to amount to at least DKK 60 million.

The Ministry of Foreign Affairs has ensured an appropriate level of predictability in development assistance in relation to changes in in-donor refugee costs in 2015 and 2016.

Denmark spent between approximately 0.75 per cent and 0.91 per cent of its GNI on development assistance, measured by disbursements, in the years 2005 to 2016, and thereby met the UN spending target for ODA of minimum 0.7 per cent of GNI throughout the entire period.

In 2016, Denmark's development assistance made up approximately 0.66 per cent of GNI measured by commitments, against a budgeted commitment of 0.7 per cent of GNI. Forecasts made in August 2016 indicated that in-donor refugee costs would be lower than estimated, and following a request submitted to the Finance Committee, the Ministry of Immigration and Integration therefore transferred approximately DKK 940 million to the Ministry of Foreign Affairs. However, the actual in-donor refugee costs ended at a lower level than anticipated, while the GNI forecast was increased, and the EU reported a smaller part of the EU budget to the DAC as ODA than expected. This meant that Denmark should have committed approximately DKK 1 billion more in order to meet its commitment target.

It is Rigsrevisionen's assessment that uncertainty concerning in-donor refugee costs leads to greater uncertainty concerning the development assistance provided by the Ministry of Foreign Affairs, and as a result, development assistance may become less predictable. To this should be added the general uncertainty associated with the GNI forecasts that provide the basis for Denmark's DAC reporting and are prepared in June the following year. Overall, this uncertainty increases the risk that Denmark will not meet the UN's development assistance target of minimum 0.7 per cent of GNI, going forward.

Rigsrevisionen has noted that in-donor refugee costs are not as transparent as the development assistance provided by the Ministry of Foreign Affairs. Considering that in-donor refugee costs accounted for approximately 20 per cent of Denmark's total development assistance in 2016, Rigsrevisionen finds that the responsible departments should ensure more openness regarding in-donor refugee costs and thereby contribute to increasing transparency in Denmark's total spending on development assistance.