

# DENMARK

## 1) QUANTITY OF AID

### 1.1. Current/Recent Quantity Performance:

Net ODA US\$m	2,800
% of GNI	0.82%

Source: OECD/DAC, preliminary 2008 data

Since 2001, Danish ODA has increased in absolute terms (up from US\$1634m) but declined relative to GNI (down from 1.03%). Unlike many other DAC donors, only a very small proportion (about 5%) of Denmark's ODA in recent years has been delivered in the form debt relief.

### 1.2. Future Quantity Intent

In 2002 Denmark abandoned its policy to provide 1% of GNI in ODA GNI (DAC, 2003, p19). Denmark's ODA is currently equivalent to around 0.8% of GNI, but the Government has announced that it will not allow ODA to fall below this point (Reality of Aid, 2006, p262). The DAC estimates that this will equate to Danish ODA of US\$2,623 million in 2010 (DAC, 2009).

## 2) KEY AGENCIES/MECHANISMS

### 2.1 Agencies and Structures

#### *Ministry of Foreign Affairs*

Colloquially called 'Danida', the acronym for Danish Development Cooperation Assistance, Danish development cooperation is managed by the Minister of Development Cooperation within the Ministry of Foreign Affairs. Danida manages nearly all Danish ODA and is in charge of most strategic and operational decision-making (DAC, 2003, p47). This includes managing all bilateral and multilateral assistance.

The administration of Danish development assistance to programme countries was decentralised in 2003. Missions now share the responsibility of programming, project appraisal, procurement, and payments with headquarters as well as spearhead monitoring of all projects and multilateral disbursements (See EC, 2006 or DANIDA, 2006a, DAC, 2007c).

### 2.2 Key Policies and Documents

#### *Priorities of the Danish Government (Five-Year Plans)*

Every year Danida presents a five-year budget and plan to the Folketing (Danish Parliament).

The theme for the latest five year-plan is “A World for All” (DANIDA 2007a), which emphasises the importance of Denmark continuing its emphasis on support to Africa and further expanding its work to strengthen women’s rights and opportunities. It also highlights new challenges affecting our globalising world that it will respond to, that of climate change, energy and the environment; migration and development; and stability and democracy.

Previous plans have focussed on good governance; women; HIV AIDS (DANIDA 2006b) globalization, emphasizing above all partnership to achieve the MDGs; economic growth; and the improvement of aid effectiveness and coherence (DANIDA, 2005a).

*Act on International Development Cooperation (Act no. 541 of 10 July 1998)*

This Act provides the framework for development cooperation in Denmark. Several key functions of Danida are established, such as:

- Danida is required to present a yearly budget to the Folketing (Danish Parliament) which details expenditure for a five-year period.
- Danida is given responsibility for bilateral and multilateral aid.

(for a translation of the law, see [www.um.dk/NR/ronlyres/2C33CB87-5DA1-47B2-A2D7-7F51D7C711DA/0/EngelskversionafLovomUdvbistand1998.doc](http://www.um.dk/NR/ronlyres/2C33CB87-5DA1-47B2-A2D7-7F51D7C711DA/0/EngelskversionafLovomUdvbistand1998.doc))

*New Danish Africa Policy 2005-2009 (DANIDA, 2004)*

In this policy document, the Danish Government pledges to allocate roughly two-thirds of bilateral ODA to Africa and prioritize multilaterals working in the region.

*Denmark’s Development Policy Strategy 2005 (DANIDA, 2005b)*

Outlines the strategy of Danida in 2005, and largely reaffirms the continuing importance of Partnership 2000 (DANIDA, 2000), an earlier publication outlining why, where, and how Denmark is involved in development.

### 3) RECIPIENT COUNTRIES AND ALLOCATION CRITERIA

#### 3.1. Recipient Countries

Top recipient countries	% of total ODA gross disbursements	% of bilateral ODA gross disbursements	US\$m
Tanzania*	4.0%	6.2%	90
Uganda*	3.2%	4.9%	73
Viet Nam*	3.2%	4.9%	72
Mozambique*	3.0%	4.6%	68
Ghana*	2.7%	4.2%	61
Zambia*	2.2%	3.4%	49
Bangladesh*	2.1%	3.2%	48
Nigeria	1.9%	2.9%	44
Burkina Faso*	1.9%	2.9%	42
Nicaragua*	1.8%	2.8%	40

Source: OECD/DAC 2005-2006 Data.

\*Partner Countries

The top ten recipients listed above received 40% of total bilateral ODA in 2005-06.

Distribution among different groups of recipients (% country allocated / region specified gross ODA disbursements):

Least Developed Countries	51.8%
Other Low Income Countries	26.9%
Sub-Saharan Africa	56.0%

Source: OECD/DAC 2005-2006 Data

### 3.2. Allocation Criteria

#### 3.2.1. *Pre-selection criteria*

The Danish Parliament laid down a set of criteria in 1989 for selecting countries eligible for Danish ODA:

- Recipient need and the quality of its development planning;
- The supply of other donor aid and the country's ability to absorb it;
- The country's potential to promote sustainable development;
- The country's potential to promote human rights;
- The country's potential to promote gender equality;
- Previous Danida experience;
- If all other criteria are fulfilled, a final criterion is the possibility for promotion of Danish business and employment.

#### 3.2.2. *Allocation criteria:*

The above criteria also guide allocations of Danish aid.

Since 2000, Denmark has undergone a period of concentrating aid, even in its priority continent Africa, dropping Eritrea, Malawi, and Zimbabwe as partners in 2002 (Reality of Aid, 2006, p264 and DAC, 2003, p27), and more recently Egypt. Its nineteen current partner countries include: Afghanistan, Bangladesh, Benin, Bhutan, Bolivia, Burkina Faso, Ghana, India, Kenya, Mozambique, Nepal, Niger, Nicaragua, South Africa, Tanzania, Thailand, Uganda, Vietnam, and Zambia. Of these countries, (according to the World Bank) 13 are Low Income countries, 5 are Lower Middle Income Countries, 1 is an Upper Middle Income country (South Africa) and 11 are in sub-Saharan Africa.

## 4) AID POLICIES

### 4.1. Concessionalality

Denmark disburses almost all of its aid in the form of grants. The only exception to this is the mixed credit instrument which is an interest free or low interest loan with 10-15 years maturity aimed at financing supplies of equipment and related services for development projects in relatively creditworthy developing countries (see DANIDA, 2006d for more details). Mixed credits represent 3% of the Danish aid programme (DAC, 2007c).

### 4.2. Types of Assistance

Breakdown of different types of ODA (commitments unless otherwise stated):

	\$USm	% of gross bilateral ODA
Stand-alone technical cooperation (disbursements)	110	7.5%
General budget support	139	9.5%

	\$USm	% of gross bilateral ODA
Sectoral projects and programmes (including some technical cooperation)	783	53.5%
Debt relief	146	10.0%
Developmental food aid	1	0%
Humanitarian assistance	151	10.3%
Other commodity assistance	-	-

Source: OECD/DAC, 2006 Data

Note: The breakdown into different types of assistance shown in the table is taken from different OECD/DAC data sources. As such, the final column does not add to 100%.

Since 1994, Danida has reoriented aid away from traditional, free-standing project assistance towards Sector Programme Support (SPS), which combines a variety of modalities including sector budget support, basket funding of projects or programmes in a sector with other donors, technical assistance and stand-alone projects. As of the 2007 DAC Peer Review, it was estimated that 60% of bilateral Danish ODA was allocated via sector programmes. Over time SPS have evolved and today tend to be integrated and strategically linked to national strategies. And, while the characteristics of an SPS programme will depend upon the country and the sector, they may involve disbursing funds through targeted or general budget support mechanisms and are usually fully coordinated with other partners in the field (DAC, 2003, p29).

This is borne out with the high percentage of programme support according to Paris indicator 9. Best practice can be found in Nicaragua (96%), Uganda (96%) and Cambodia (92%). In the HIPC-CBP survey, Benin, Burkina and Mozambique get more than 50% in programme support. DAC (2007) finds that in 2005 more than 60% of Danish bilateral assistance was provided as programme support.

The decision to grant budget support will be based on an assessment of ten criteria, grouped under 4 main headings: (i) Governance, (ii) Poverty Reduction Policies, (iii) Public Finance Management, and (iv). Generally, budget support is provided in partnership with other donors and whenever a country has reform programmes aimed at enhancing the performance of its financial management system (DANIDA 2007b).

Danida does not generally utilize long-term technical assistance. Paris indicator 4 indicates that for the countries getting substantial (more than US\$ 4m) TA support from Denmark, that is best coordinated with local priorities in Bangladesh, Cambodia and Nicaragua (all 100%).

In the case of Tanzania, Danida recently had 40 Danish and third country technical assistants, but these experts were primarily located in government offices in capacity building functions and were ultimately expected to work themselves out of a job (DAC, 2003, p58).

### 4.3. Channels of Assistance

In 2006 Denmark allocated around 35% of its ODA via multilateral organisations, of which 28% went to the EC, 40% to UN agencies and 12% to the World Bank. In 2006 NGOs received roughly 6.5% of total Danish ODA (DAC 2007a).

As a member of the EU, Denmark signed up to commitments in Paris in 2005 to channel 50% of government-to-government assistance through country systems. The

HIPC-CBP survey shows almost all aid being delivered on-budget in Bolivia (top score), with Mozambique and Burkina Faso's scores just behind.

#### 4.4. Sectors and Projects

Sector	% of bilateral ODA (commitments)
Social and Administrative Infrastructure	32.4%
Of which: Education	1.2%
Health	7.8%
Population	2.2%
Water supply and sanitation	10.8%
Government and civil society	9.0%
Economic Infrastructure	10.0%
Of which: Transport and communications	4.5%
Energy	2.6%
Production	7.6%
Of which: Agriculture	5.3%
Industry, mining, construction	2.2%
Trade and tourism	-
Multi-sector	5.2%
Programme assistance	10.4%
Action relating to debt	19.0%
Humanitarian aid	9.4%
Administrative expenses	0.3%
Unspecified	5.7%

Source: OECD/DAC 2006 Data

As a member of the Nordic+ group of like-minded donors, Danida will aim at focusing its active involvement with partner governments in a maximum of three sectors. Active engagement in sectors is envisaged to be for at least 5-7 years, or a minimum of 2 PRS cycles (NORDIC+, 2005).

According to the HIPC-CBP survey, alignment with PRSP sector processes is high in Mozambique, Burkina and Sierra Leone and very high (=top score) in the Gambia.

#### 4.5. Flexibility

Denmark is in no way flexible in the coverage of shocks or the financing of budget or BOP deficits, largely due to its reluctance to provide large amounts of general budget support. This is borne out by the HIPC-CBP surveys, with nevertheless some flexibility in Mozambique, Uganda and Bolivia (just below the top score).

#### 4.6. Predictability

Within Danida's yearly budget to Parliament, spending is indicated for the next five-years. In this way, beneficiaries of Danish Development Cooperation have indicative (but not firm) financing commitments for five-year periods. Danish aid is considered most predictable in Niger (79% of aid scheduled actually show in the partner government's records), Tanzania (68%) and Ghana (67%) according to Paris indicator 7. For the HIPC-CBP survey, 5 out of 8 countries score the maximum for the multi-year commitment indicator and for the indicator measuring pledges being honoured.

#### 4.7. Conditionality

Denmark's Partnership 2000 strategy explicitly encourages cooperation, mutual understanding and agreements, as well as inter-country dialogue as alternatives to the concept of conditionality (DANIDA, 2000). However, a degree of conditionality remains, as, if no common ground can be found on key dialogue issues such as human rights or democracy, Denmark may choose not to enter in an agreement on aid (Reality of Aid, 2001). According to the HIPC-CBP survey, conditionality is in general heavily enforced, whilst disbursement delays linked to conditionality breaches can be quite substantial – with the exceptions being Ethiopia and Uganda (which give top scores on both indicators).

#### 4.8. Policy Dialogue

Part of Danida's package of budget support, when offered, involves dialogue on policy including agreements on reform, allocation of resources, and mechanisms for improving the overall effectiveness of spending (DANIDA 2007b). However, given the concentration on sector support, very often the focus of this dialogue is on sector-specific issues. The high degree of policy dialogue is reflected in the HIPC-CBP indicator on policy dialogue, with lots of maximum scores. As for the links with the BWIs, HIPCs indicate all disbursements are linked to BWI programmes, as there is a formal conditionality link between IMF programs being on-track and budget support disbursements.

### 5) AID PROCEDURES

#### 5.1 Conditions Precedent

Information on Danish conditions precedent is still being assembled

Denmark self-reports as rarely using Parallel Management Units (EC, 2006, p59). It is usually a central component of Sector Programme Support (SPS) to build capacity; and thus, Danida strives to avoid using separate organizational structures for implementation of projects (DAC, 2003, p30). However, the sector support programmes may often include important elements of capacity-building technical assistance. Paris Indicator 6 still reports a substantial number of PIUs in operation, with 10 out of 21 country offices indicating no PIUs in their respective countries. (DAC 2007c) indicates that “*one particular challenge will be to achieve progress on the target to reduce the number of PIUs*”.

DANIDA does not in general demand counterpart funds (HIPC-CBP finds one exception to this rule). Best practice regarding the HIPC-CBP indicator related to the number & type of conditions precedent can be found in Gambia, Ghana and Zambia. The indicator capturing ‘delays in conditions precedent’ shows best practice (i.e. least delays) in Guyana and Zambia (top scores).

#### 5.2 Disbursement Methods

Information on Danish disbursement methods is still being assembled.

According to the HIPC-CBP disbursement methods indicator, best practice can be found in Zambia. Denmark scores quite high on the disbursement delays this causes (i.e. not many delays are caused), with top scores for Ghana, Guyana and Sierra Leone.

### 5.3 Disbursement Procedures

Information on Danish disbursement procedures is still being assembled

According to the HIPC-CBP survey, the number of disbursement procedures the Danish cooperation demands is lowest in Gambia and Zambia (just below top score). According to the 'Paris' indicator 5b, best scores are to be found in Afghanistan, Nepal (where all of Denmark's aid is channelled through their Public Financial Management systems) and Bolivia (97%).

### 5.4 Procurement Procedures

According to the DAC, in 2006, 4.7% of Danish Aid was tied (DAC 2007b). In 2003, Denmark untied bilateral aid by opening up to firms from EU countries and by increasingly allowing recipients to decide for themselves where to procure supplies. In 2005 Denmark accepted the EU regulations to untie all ODA, and as of November 2006 it has untied all its aid with the exception of its Mixed Credit Programme (DAC, 2007c). Food aid will be untied from 2008 onwards (DAC 2007c).

In terms of procurement procedures, Denmark chooses on a case-by-case basis from among 6 main options. In order of preference, these are:

- Option A - Using partners' own regulations and procedures
- Option B - Using partners' own regulations/procedures, with additional measures
- Option C - Using partners' own regulations, with procedures based on a 3rd party
- Option D - Using a prescribed third party procedure
- Option E - Using a procurement agent (or similar) contracted by the partner
- Option F - Procurement *undertaken by the donor (or an agent on its behalf)*

The method used is based on assessing the developing country's procurement capacity.

Out of 21 countries surveyed for 'Paris' (indicator 5b), 13 have more than 50% of the aid they get from Denmark using the country's procurement systems. Top performers are Cambodia, Nepal and Nicaragua all scoring 100%. According to the HIPC-CBP survey, Denmark ties its aid least in Sierra Leone and Guyana, whilst disbursement delays related to procurement issues are shortest in Gambia, Sierra Leone and Zambia (which all get the top score).

### 5.5 Coordination

As a member of the EU, Denmark committed in 2005 in Paris to reduce the number of uncoordinated missions by 50%. As part of the Nordic+ group of donors, Denmark has agreed on many harmonisation documents such as guidelines on delegated cooperation, and on division of labour (Nordic+, 2005, 2006). The DAC however indicates that Denmark "*only occasionally delegates programme management to another donor*" (DAC 2007c).

As for joint missions and joint analytical work (Paris indicators 10a and 10b), performance varies widely between countries. Most missions are held jointly in Kenya (93%), Benin (64%) and Tanzania (62%). Best practice for joint analytical work can be found in Bangladesh, Nicaragua and Uganda (all 100%). According to the HIPC-CBP survey, Ghana, Sierra Leone and Zambia see the most joint missions/analytical work (just below top score).

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