

DAC PEER REVIEW OF DANISH DEVELOPMENT CO-OPERATION

Illustrative Issues for Copenhagen (22-26 January 2007)

1. The foundations of Danish development co-operation

- *Overview of the Danish development co-operation system:* What is the vision for the Danish aid programme, i.e., where is it hoped the programme will be in 5 or 10 years? How does Denmark intend to maintain its ODA level at least 0.8% of its GNI in the coming years?
- *Who is leading and why:* With the Ministry of Foreign Affairs being the focal point for development strategy and policy leadership and with the South Group in the Ministry responsible for the overall management of bilateral and multilateral co-operation, what lessons can be shared on the Danish system concentrating bilateral and multilateral development assistance in a single ministry? What is the South Group's distinctive mandate within the Ministry of Foreign Affairs and the Minister for co-operation's position in the Ministry and the Government? How are co-ordination and coherence ensured with other Government Departments engaged in international development? Is there space in the current system for dialogue and debate with civil society and other Danish interest groups on strategy and policy issues? What are the composition and the role of the Council for international development co-operation and the Board for international development co-operation? How is the Danish Parliament involved in setting the Danish co-operation objectives, identifying key partner countries and monitoring the programme? What is the scope for oversight by the Danish Parliament's Foreign Affairs Committee and other Parliamentary committees, for instance with respect to engagement in fragile states and modalities to deliver aid?
- *Legislative basis and future political options:* Further to the 1971 Act on International Development Co-operation setting out the overall objective of Danish development assistance and Partnership 2000 reaffirming the primary objective of poverty reduction, is there a rationale for a new Parliament initiative to take into account the evolving international context and new aid modalities? Is the Parliament supportive of the aid effectiveness principles and would it be favourable to delegated co-operation? What is, at present, the public-private partnership legislative framework? What is the impact of the annual debate on the five-year Government priorities for Danish development assistance in terms of Parliament understanding and support to the development programme? How is Danish policy guided by international commitments, and which ones are most important?
- How does Denmark plan to maintain a strong public support and reinforce public awareness, especially when shifting from project-based activities to sector programme or budget support?

2. The allocation of the Danish ODA

- *Geographic priorities:* What are the current national and regional priorities for Denmark's development cooperation and what is the rationale driving the Danish geographic allocation? What are the criteria to identify the 15 programme countries? Does partner performance influence allocations? How does Denmark see the balance between its long-term support to good performers and the need to also support aid orphans/fragile states to reach the MDGs? How does Denmark see its geographic portfolio evolving in the coming years, including exit strategies? How are Bhutan and Egypt phasing out strategies planned? Do they relate to sectoral approaches? Is delegated co-operation considered?
- *Sector priorities:* What are the current sector priorities for Danish aid and how do they derive from the MDGs and Denmark's comparative advantage? To what extent do sector priorities derive from priorities set by the partner country? Are there sector spending targets? What were the results of

the National Audit Office 2006 Report on the MDGs? How are cross-cutting issues and priority themes¹ mainstreamed throughout the programme and related policies translated into programmes in the field? How does Denmark address the danger of providing general budget support when these cross-cutting dimensions are missing from PRSPs - or even if they figure strongly in the PRSP, without guarantee that this will be translated into budgetary allocations? What lessons and perspectives could Denmark offer from its experience on tackling cross cutting issues under new aid modalities?

- *Multilateral approaches*: What are the criteria for allocating ODA to multilateral institutions? How does Denmark ensure that its multilateral and “multi-bi” allocations are used in a manner that is coherent with its development vision? What are the mechanisms to generate synergies between the bilateral and multilateral channels both at policy and operational level? How does Denmark promote stronger focus on poverty reduction and improved multilateral effectiveness? What were the main findings of the National Audit Office 2006 Report on Denmark’s Multilateral Development Assistance and what will be the impact in terms of adjusting the multilateral programme? What is the Danish policy regarding the EC development cooperation, with respect to policy and strategy and to the funding and implementation side?
- *Non-governmental organisations*: What is Denmark’s view on the role of NGOs in development co-operation? Have initiatives been taken to work towards complementarity between development cooperation programmes supported by the government of Denmark and by NGO’s? To what extent are Danish NGOs and academic community involved in building and implementing the Danish development co-operation system and strategy? To what extent are Danish NGOs reliant on public funds to carry out their development co-operation activities? According to what criteria does Denmark select NGOs to benefit from ODA funds and what process is followed to set the levels of financial support? How are NGOs activities monitored and evaluated?

3. Policy coherence for development

- *A framework for policy coherence*: How does the Danish Government address the need to ensure synchronization of foreign policy and development perspectives? The Globalisation Council prepared a strategy (April 2006) which stated that “it is a key challenge to ensure that the developing countries are not left behind in a globalising world”. What does Denmark plan to do to meet this challenge? What is the outcome expected from the strategy prepared by the Council? With development issues set high on the domestic agenda, what are the mechanisms developed to promote a whole-of-government approach and ensure appropriate coordination across the Government in order to promote policy coherence for development? What is the role of the Globalisation Council in this area? To what extent is the field perspective taken into account when developing the policy coherence agenda and what mechanisms exist to extend policy coherence to the field level?
- What is the role of Government, Parliament and Danish civil society with respect to policy coherence? How does Denmark ensure that domestic issues do not interfere unduly with the parallel objective of beneficiary country “ownership” of Danish aid?
- *Examples of policy coherence*: Could Denmark illustrate with two examples i) how the institutional framework can lead to effective policy coherence; and ii) what remains to be done to improve current mechanisms sustaining policy coherence?
- *Denmark and policy coherence within the European Community*: How does Denmark ensure that its development strategy is coherent with EC policies? Is Denmark active in promoting policy

¹ Gender equality, environment, human rights and democracy, HIV/AIDS, private sector, children and youth, reproductive health, conflict prevention, trade and development, and indigenous people

coherence within the EC? Can Denmark achieve a better policy mix between its development cooperation programme and EC policies, especially on trade and private sector?

4. Organisation and management

- *Organisation of the development co-operation system:* 1) How are responsibilities shared among divisions in the South Group? What is the logic of the organisational structure?
- *Decentralisation:* How is Denmark managing its operational decentralisation? What is the current role of the Embassies and how are responsibilities shared between the field and the Headquarters (regional departments)? How is accountability managed? Is the administrative burden of embassies regularly assessed? If so, have any lessons been learned in this respect? What are the lessons learnt since 2003 and what are the future trends, including with respect to multilateral organisations?
- *Management of strategy:* How is development strategy and programming process organised and co-ordinated – world wide, regionally or at the country level? What is the status of country strategies and how do they relate to locally owned strategies, such as the PRSP? To what extent are joint assistance strategies replacing country strategies? What is the feedback received from the field on the Aid Management Guidelines?
- *Personnel management:* What is the total configuration of staff used to implement Denmark's development cooperation? How does Denmark manage its staff resources to assure aid delivery efficiency? How does it promote development expertise and retain it? Is the current balance of staff between headquarters and the field appropriate to Denmark's present and future needs? In what way does the more programmatic approach influence staffing/skill mix needs and how does Denmark adapt to these new needs? What is the Danish policy regarding the use of qualified local and third country professional staff? What is the relationship, at Embassy level, between political and development staff? To what extent are experiences from different countries shared between staff members working at headquarters and at field level (learning organisation)?
- *Results based management; Performance monitoring and Evaluation:* How does Denmark ensure that bilateral, multilateral and multi-bilateral activities are properly monitored and evaluated? How do performance reviews and other evaluation tools contribute to decision making and institutional learning and accountability and how do they get translated into "knowledge management", in a context of decentralised management structure and independent evaluation function? How does Denmark address the issue of attribution when engaged in sector programme or budget support? What is Denmark doing to promote a system of results management and reporting in the recipient countries, which can be used by all partners?

5. Special issues

- *Aid effectiveness:* How is the aid effectiveness agenda driving Denmark's strategies and modalities to deliver aid? How will Danish 2007-11 aid effectiveness priorities be translated into field operations, and how does Denmark reconcile its policy guidance with encouraging partner country local ownership and relying on a decentralized Danish mission? What were the findings of the 2006 National Audit Office Report on Harmonisation and Alignment and how does Denmark plan to make use of it? What lessons and good practices can be learnt from the Nordic + Joint Action Plan in terms of coordination, complementarity and harmonisation? What is the impact on transaction costs? What incentives are being put in place in the Danish system to encourage behaviour change? What is Denmark's experience with sector programme and budget support? How does Denmark assess and manage in the field the fiduciary risk of direct budget support? When engaged in budget support or basket funding, how does it ensure that aid is concentrated on sectors directly contributing to poverty reduction? What sort of guidance is provided to country programme managers to help them establish the right mix of aid modalities? How does Denmark

incorporate capacity development into country programmes? What is the scope for delegated-cooperation? What will be the impact on aid predictability of the change of Danish budgeting system for development assistance from a disbursement-based to a commitment-based system in 2006? Regarding aid untying, what is the rationale for maintaining tied mixed credits as an exception in Danish development assistance?

- *Private Sector*: What is the role of private sector development in Denmark's aid programme and how does it relate to Danish interest in poverty reduction? Does the B2B programme still contain some tied aid? If so, when looking at the size of the programme, does it really have any impact on business attitudes to aid and to private sector development? How does the B2B programme relate to the previous Danish business sector programme? What developmental role, if any, is explicitly played by Danish companies? Are there public-private partnerships and if so, to what degree are they used? How does Denmark integrate this cross-cutting theme into the other aspects of its portfolio?
- *Fragile States and Conflict Prevention*: To what extent are the *DAC Principles for Good International Engagement in Fragile States* beginning to influence the work of the department? Will allocations to programmes in fragile states increase? To what extent are the *DAC Guidelines on Helping Prevent Violent Conflict* and the more recent guidance on *Security System Reform and Governance* integrated into the work of the agency? What is the strategy/policy on conflict prevention and peace building? Specifically, what is Denmark's experience in integrating conflict prevention and post conflict reconstruction with development cooperation programmes, including building capacity? How does this relate to the delivery of humanitarian action? How are trade offs decided? How does Denmark help to ensure conflict-sensitive approaches or promote awareness of state fragility throughout the sectors of its work? What are the strategic links between relevant desks in the Headquarters and field teams?
- *Humanitarian action*: (i) General issues – How is Denmark implementing the Principles and Practice of the Good Humanitarian Donorship? Is there a plan to review the 2002 Strategic priorities for humanitarian assistance in the light of the Stockholm principles? What measures have been or are being taken to address the relationship between humanitarian action and long term development cooperation? How does Denmark address post conflict transitions in policy and organisational terms? (ii) Civilian organizations - How does Denmark affirm the primary position of civilian organisations in implementing humanitarian action, particularly in areas affected by armed conflict and where peace keeping and/or military intervention is taking place, and how does it relate to the civil-military co-operation? (iii) Allocations - What criteria determine the allocation of humanitarian action and what are the trends regarding its disbursement? Are there any specific developments in the composition of humanitarian aid? What measures have been or are being taken to increase flexibility and longer term funding arrangements for Humanitarian Action. (iv) Management - What is the architecture of the humanitarian aid management system, (organisation and staffing)? How is internal and inter-ministerial co-ordination on humanitarian issues provided? How are responsibilities delegated to field posts? Who are the main implementers of Danish bilateral humanitarian assistance programmes and how are they selected and their activities monitored and evaluated? What is Denmark's experience regarding the coordination of humanitarian assistance at field level? What actions have been taken to support co-ordination arrangements and how is Denmark participating in the development of humanitarian assistance strategies at country and regional levels? How is the involvement of beneficiaries in planning, implementation and evaluation of humanitarian response ensured?