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**DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE**

Peer Review

Mid-term Review of Denmark 2024

The mid-term review of Denmark was conducted in 2024 following the 2021 peer review.

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Director

DEVELOPMENT CO-OPERATION DIRECTORATE

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To: DAC Delegates and Observers

Denmark's Mid-term Review, 7-8 October 2024, Copenhagen

On 7-8 October 2024, I conducted Denmark's mid-term review together with Anita King and Anjeza Llulla of the Development Co-operation Directorate. My thanks to State Secretary for Development Policy Lotte Machon, Director for Africa, Development Policy and Financing Ketil Karlsen and officials at the Ministry of Foreign Affairs (MFA) for their engagement. I also thank members of the Parliamentary Foreign Affairs Committee and Danish civil society and think tanks for taking time to meet, as well as staff in Denmark's Embassy in Nairobi, members of the Council for Development Policy and leadership of the Danish Investment Fund for Developing Countries (IFU) for exchanging virtually as part of the review. I appreciated the excellent co-operation of Lars Olaf Søvn Dahl Petersen and Idil Abdiaziz Nor for the smooth organisation of a rich visit.

The mid-term review focused on Denmark's progress against the eight recommendations of the [2021 OECD-DAC Peer Review](#) and the key developments that have occurred since. In 2021 Denmark adopted a new international development strategy "[The World We Share](#)" and is in the process of developing a new strategy for 2025. From 2022, the development co-operation and global climate policy portfolios were combined under a single minister, contributing to a stronger emphasis on climate action in Danish development co-operation. Leadership of the development portfolio changed in late August 2024 when the current Minister for Foreign Affairs took over the development co-operation portfolio and global climate policy moved to the climate ministry. We discussed the potential impacts the loss of a separate development minister can have on how development policy issues are elevated in foreign policy and cross government discussions, and Denmark's visibility in international fora.

Continued commitment to 0.7% ODA/GNI demonstrates Denmark's leadership among its peers, with the new strategy from 2025 a chance to drive further focus on development impact for partner countries.

Denmark's steadfast commitment to providing 0.7% of GNI as official development assistance (ODA) is a significant signal to other DAC members and partner countries alike on the importance it attributes to global objectives. Following a decline in ODA to 0.67% of GNI in 2022, Denmark's ODA increased to USD 3.1 billion in 2023, equivalent to 0.73% of GNI. In-donor refugee costs [remained significant](#) in 2023 having increased to 17% of gross bilateral ODA in 2022 (USD 357 million). We discussed that other members have found the decision to cap these costs as a share of the ODA budget helpful to protect longer term programming and planning. An engaged parliament plays an important role in Danish development policy and I was pleased to learn there is continued support across the political parties for 0.7% ODA/GNI. At the same time, there is need for a refreshed narrative for development co-operation with public support for international assistance potentially waning in light of domestic pressures. In responding to the expectations of politicians and the public, I encouraged the MFA to reinforce the message that development objectives that focus foremost on poverty reduction and building the enablers for development in partner countries is aligned to Denmark's values as well as Europe's long-term strategic interests.

A new foreign policy strategy "[Africa's century](#)" signed by the foreign minister and former development minister in August 2024 sets out Denmark's evolving engagement in the region, where the [largest share](#) of Danish ODA continues to be allocated. The strategy emphasises a stronger focus on foreign and security policy in Denmark's partnerships with the continent and greater attention on trade and people-to-people engagement as part of a new vision for building more equal partnerships. The reduction of irregular migration and prevention of refugee flows continue to [feature](#) as key priorities, with funding of at least DKK 1.1 billion (approximately USD 145 million) allocated for three new multi-year migration programmes in the strategy, to be funded out of the ODA budget. As part of the Africa strategy Denmark will also open new embassies in Rwanda, Senegal and Tunisia, while closing

embassies in Burkina Faso and Mali. While it is too soon to see the implications of these decisions on the focus and nature of Denmark's development co-operation programme in these regions, I noted that such changes in diplomatic presence can have long term implications. Protecting space to engage bilaterally and on sensitive issues that Denmark deems important will also be a key consideration as it seeks to put its vision of building more equal partnerships into practice. The new development strategy from 2025 is an opportunity to elaborate on these trade-offs and considerations further.

As Denmark revises its approach to working in fragile and politically constrained contexts, it should share its learning with the DAC.

Working in fragile contexts was a priority of the 2021 development strategy "[The World We Share](#)" and in Brussels Denmark has used its focus and experience to lead valuable reflections on working in politically constrained and complex environments. Denmark has also brought these insights to the International Network on Conflict and Fragility (INCAF), which has been appreciated by other DAC members. With its growing focus on migration, displacement, and other forms of 'people on the move', Denmark is well-placed to contribute to current OECD work to ensure development and the preservation of ODA remains a core part of these approaches. Denmark's new Africa Strategy also sets out plans to work more through regional organisations as countries in the Sahel, including Burkina Faso and Mali, are covered from Copenhagen. In adapting its approach to staying engaged in politically constrained contexts, I encourage Denmark to continue sharing its experience with other DAC members. I also encouraged Denmark to make the most of its strong track record of working to advance the development objectives of LDCs in Africa as it takes on positions of leadership at a critical moment for international co-operation, including in the context of Denmark's EU Presidency in 2025 and during its 2025-26 seat on the UN Security Council.

Denmark's engagement in Ukraine – since 2022 its largest bilateral programme – has also generated significant learning. Staff shared that working in a context where conflict is ongoing has demanded more flexible and agile approaches by the MFA, while a stronger emphasis on country ownership through ongoing and close dialogue with authorities at national and subnational levels have also taken up considerable resources. This has relevant lessons for how Denmark and other DAC members can deliver on their commitments to strengthening local ownership elsewhere. We also discussed the challenge of limited absorption capacity of the local governments as well as the critical need for good donor co-ordination at both national and sub-national levels, in what is likely to be a crowded context of reconstruction.

The ongoing reform of IFU is an opportunity to maximise the contribution of Danish instruments in support of poverty reduction and inclusive growth.

The major reform of IFU launched in September 2023 has focused on strengthening IFU's contributions to Danish development policy and reflects an important evolution in the Danish development co-operation system. Key changes include greater steering of IFU by the MFA and a significant increase in the capital under IFU's management, essentially doubling its size by 2030 to an expected total of [EUR 4.7 billion](#). As part of the reform, IFU has also introduced a set of [targets](#) that at least 50% of investments should be in Africa, that 30% should be in poor and fragile states, and that 50% are made in projects where climate and green impact are the main objective. To ensure focus on development impact, the Development Policy Council continues to approve new appropriations and now also discusses IFU's 7-year forward planning on an annual basis. To deliver on IFU's new targets relating to investments in Africa and in fragile states will also require IFU to be empowered to take on more risk, which will require long term and stable support from the government. In the past, IFU has also set a positive example among DAC DFIs in terms of its ability and success in mobilising Danish pension funds. IFU's SDG Fund II mobilised DKK 1.6 billion from four Danish pension funds as of November 2024. The total fund target is DKK 5 billion. As this is typically an area where other members have struggled, I encourage Denmark to share this experience with DCD and other members.

IFU has also played an important role in Denmark's climate action since the 2021 peer review alongside the government's high level political engagement on climate finance and climate issues. Denmark's contributions to the Least Developed Countries Fund and the Loss and Damage Fund, a commitment to allocate 60% of Danish international climate finance to adaptation and a concerted effort to link work on climate and development have also put Denmark in good stead to meet commitments in the 2021 OECD DAC Declaration on aligning development co-operation with the Paris Agreement. Denmark should consider sharing with the DAC this experience in setting and delivering on targets for adaptation funding in LDCs, which remains a difficult challenge for many.

Following the rich discussions in Copenhagen, I was happy to see that Denmark has made progress against almost all of the recommendations from 2021, with good progress on three recommendations in particular. I am looking forward to seeing how the MFA's planned work to further embed adaptive management approaches, mobilise whole-of-government Danish expertise including through growing use of the Strategic Sector Co-operation modality and recent investments in MFA's staff numbers and development knowledge will bear fruit in advance of Denmark's next full peer review.

Yours sincerely,



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Annex: Table on progress against the 2021 peer review's recommendations

Keywords	Recommendation	Progress
Policy, fragmentation, poverty and inequalities	<p>1. To provide a strong framework for decision making, Denmark's next development co-operation and humanitarian assistance strategy should:</p> <ul style="list-style-type: none"> • reinforce the important contribution of development co-operation policy and partnerships to Denmark's longer-term interests, while safeguarding the integrity of its ODA • include criteria that will allow Denmark to focus its resources on a limited number of policy priorities and reinforce the linkages between these priorities • clarify the extent to which Denmark's development co-operation and humanitarian assistance is expected to contribute to reducing poverty and addressing inequalities. 	<p><i>Some Progress.</i> The World We Share (2021-25) provides a solid narrative for Danish development co-operation focused on democracy and human rights, fighting poverty and climate change. Delivery of the strategy's priorities has been supported by a 2022 approach note which clarifies how development and humanitarian assistance are expected to contribute to reducing poverty and inequalities. While fragmentation of the budget will require further attention, the MFA is seeking to move towards fewer, larger projects. Migration continues to be high on the political agenda and is among the priorities in the 2024-27 four-year spending framework, as well as in the MFA's new Africa Strategy (2024). How directions set in new foreign policy documents, including a greater focus on trade priorities and a stepped-up focus on migration related work, will shape the new development policy strategy from 2025 remain to be seen.</p>
Human resources and knowledge	<p>2. In order to formulate and implement Denmark's policy objectives in a complex and interlinked policy context, its Ministry of Foreign Affairs should continue to restore staff numbers and build the skills and knowledge it needs.</p>	<p><i>Good Progress.</i> A general increase in staff within the MFA since 2021 is also reflected in the number of MFA staff working on development. In 2024, 750 staff work on development of which 57% are in headquarters and 43% in embassies. This accompanies a government decision to increase the MFA's running costs by 12% by 2027 as set out in the Finance Act for 2024. To strengthen the skills and knowledge of new staff, Denmark established an MFA Academy building on the existing competency development team. Over the past 2.5 years the MFA has conducted a course for new staff in headquarters on programming and management of development assistance. This is in addition to continued training on development issues for all relevant staff, including local staff. The next peer review is an opportunity to assess the impact these efforts on the skills and ability of staff in headquarters and abroad to fulfil their functions.</p>
Climate finance, transparency	<p>3. To protect its credibility on climate action, Denmark should ensure that its system for reporting international climate finance is transparent.</p>	<p><i>Some Progress.</i> From 2021 and reflecting political commitments, a cross-ministry Greening Project has sought to embed climate considerations across the MFA's work, building capacities and establishing quality assurance mechanisms. A dedicated greening task force aims at improving the transparency and accuracy of Danish climate finance reporting through support to staff in applying the Rio Markers to all project approval documents. However, ensuring its operation has been challenging. The MFA is also drawing on external consultants to review the quality of climate finance reporting and an annual report on Denmark's green development finance has been published online by the MFA since 2021. Denmark provides its "fair share" of the 100 billion commitments and IFU has made efforts to fully implement the revised</p>

		reporting methods for Private Sector Instruments. Denmark has also set new financial targets for 2024-27, committing to allocate 35% of ODA to “green initiatives”, 30% to climate efforts and of this amount, approximately 60% for adaptation efforts. Tracking these targets will require further investments. On reporting overall, Denmark’s reporting to the Creditor Reporting System could also be improved , with some coherence issues based on 2023 reporting and room to improve the quality of the initial data submission.
Climate action	<p>4. Building on Denmark’s strong political support for climate action, its Ministry of Foreign Affairs should provide strategic guidance to:</p> <ul style="list-style-type: none"> • allow embassies and partners to effectively advance and monitor climate action through development and humanitarian policies and programmes • identify and exploit synergies between Denmark’s bilateral and global climate interventions 	<i>Good Progress.</i> Denmark is integrating climate into its development work with a 2022 how-to note and an increase in specialised staff in some embassies such as Nigeria strengthening capacity to advance and monitor climate investments. The Department for Green Diplomacy and Climate in the MFA remains a key reference point for staff and partners. Reflecting efforts, Denmark reported improved results monitoring with reporting against 95% of results indicators in 2023 for climate projects. Establishment of a Climate Ambassador has also helped identify synergies across bilateral and global efforts and ensure that diplomacy is linked with development issues.
Humanitarian, development and peace nexus	<p>5. Denmark should expand its nexus implementation by:</p> <ul style="list-style-type: none"> • better articulating and integrating the peace component of the nexus at global and country level including its interventions through, among others, the Peace and Stabilisation Fund • closing gaps, particularly at country level, in joint analysis, co-ordination and joint financing strategies across the UN, development banks, the EU and other bilaterals, including through support to the UN Resident Coordinator system • investing in evaluating its nexus implementation work and sharing lessons across the Danish system, with DAC and multilateral organisations 	<i>Good Progress.</i> Recognising the continued challenge of integrating the peace component of the HDP nexus, Denmark produced a new how to note identifying opportunities to strengthen nexus approaches. Following a 2022 evaluation , CSO Strategic Partnership agreements for 2022-25 emphasise the nexus and include the option of a single grant covering humanitarian, development and peace work. There remains room to enhance co-ordination between the Ministries of Defence, Foreign Affairs and Justice, to improve complementarity between peace work and bilateral development programmes, and to set more realistic objectives for Denmark’s peace work as highlighted in a 2022 evaluation of the Danish Peace and Stabilisation Fund (PSF). A new Strategic Framework for the PSF (2023-27) is expected to address some of these challenges. A broader thematic evaluation on the nexus is yet to be conducted. Denmark continues to co-ordinate with the UN for instance by engaging in the Grand Bargain Localisation Workstream, support for joint analysis, co-ordination and financing at country level including through funding for Resident Co-ordinators and renewed support for the UNHCR-World Bank Joint Data Centre.
Adaptive management	<p>6. As a supporter of adaptive management, Denmark’s MFA should continue to combine predictable funding and adaptive programming with a strong planning and partnership role for staff</p>	<i>Some Progress.</i> Denmark continues to apply its Doing Development Differently approach to strategic planning. In March 2024, the MFA updated the 2022 ODA management guidelines with the goal of reducing reporting burden and streamlining administrative processes. A streamlined “top-up” function has been added for larger

	working in partner countries and processes to support organisational learning.	grants. Adaptive management is integrated in relevant training modules for new staff at headquarters and locally employed staff. The perceptions of staff in partner countries regarding their control over programming, planning and partnership and incentives to take risks especially related to locally led approaches, which was the spirit of the 2021 recommendation, could be looked at during the next review.
Poverty and inequalities	7. To ensure that Denmark is delivering on its policy commitment to reducing poverty and addressing inequalities, once this is articulated, its Ministry of Foreign Affairs should ensure that guidance for staff sets out clear requirements that apply to all relevant government entities and should closely monitor the extent to which its policies, partnerships and programmes contribute to reducing poverty and inequality.	<i>Some Progress.</i> The August 2022 approach note on fighting poverty and inequalities illustrates Denmark's efforts to hardwire poverty and inequalities reduction objectives into its strategies, policy frameworks and approaches. However, there have been no recent evaluations focused on poverty or inequalities other than gender, despite the MFA identifying this as a potential theme in evaluation programmes of 2021, 2022, 2023 (not in 2024). An ongoing evaluation of Denmark's Tanzania country programme (started in 2023) includes a consideration of the impact of Danish development co-operation on poverty and inequality reduction. A planned assessment of the 2022 approach note's implementation by the Development Policy Council will also be valuable to understand how poverty and inequality objectives translate into practice, and whether gaps in policy implementation and within monitoring and evaluation work persist despite the well-rounded approach note.
Policy coherence for development, Migration	8. To protect its reputation as a strong human rights advocate and principled development actor, Denmark should take action to ensure consistency between its development co-operation objectives and its domestic policies related to refugees, asylum and irregular migration.	<i>Some progress.</i> Denmark partially accepted this recommendation in the 2022 management response to the peer review. With regard to migration policies, there remains room for improvement to ensure that Denmark's policies, in particular for asylum seekers, refugees and irregular migration, are consistent with sustainable development objectives. Reducing irregular migration and targeting its core causes are key priorities for Denmark's development co-operation, illustrated by the recent approval of three new migration-related development programmes with a total value of DKK 1.1 billion (approximately USD 145 million). Denmark is encouraged to ensure that evidence on the impacts and efficacy of using ODA to address migration concerns guides development programming on these issues. With regard to policy coherence more generally, starting with the 2021/2022 legislative programme, all government bills must be screened for potential consequences for the SDGs and the 169 targets in the Danish context. Based on this screening, legislative proposals that require impact assessment are then selected for further review. This SDG screening process is focused on impacts in Denmark's context and does not consider transboundary impacts on developing countries. Regular cross-government meetings

		at permanent undersecretary and minister level provide scope for the MFA to bring foreign and development policy concerns to cross-government discussions. Introducing a consideration of transboundary impacts into Denmark's regulatory impact assessment process, as some other Members have done, would help to strengthen Denmark's approach to policy coherence.
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