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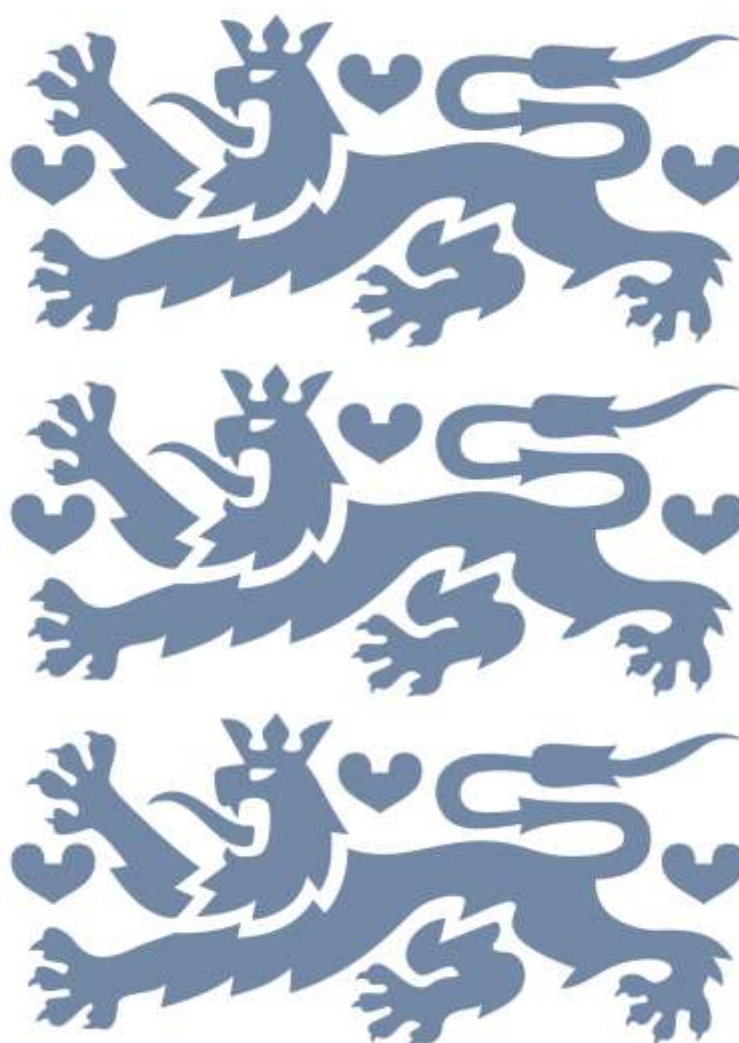


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1. INTRODUCTION

Herewith is presented the Annual Report of the Ministry of Foreign Affairs of Denmark (MFA) for 2012.

The MFA is an integrated organisation comprising one single department without subordinate agencies or institutions and with more than 100 Diplomatic Missions and Trade Commissions as well as around 400 Honorary Consulates abroad. However, in respect to appropriations in 2012, the self-governing Danish Centre for International Studies and Human Rights (DCISM) belongs under the MFA, although it publishes its own separate annual report. DCISM's appropriations-related attachment to the MFA expires at the end of 2012 in connection with the closure of the centre and the establishment of the Danish Institute for International Studies (DIIS) and the Danish Institute for Human Rights (IMR) as self-governing institutions. In connection with their establishment as self-governing institutions, DIIS and IMR will be attached to the MFA in 2013 from an appropriations perspective.

In accordance with the practice of previous years, the MFA's Annual Report reports on all MFA tasks and functions that are an integral part of the MFA's activities, including the departmental functions and responsibilities. This provides all those with a professional or personal interest in the MFA's activities a coherent and cross-cutting financial picture of the MFA's most important results in 2012 and documents the governance that has laid the foundation for their achievement.

The Annual Report has been prepared on the basis of the guidelines for writing annual reports published by the Agency for the Modernisation of Public Administration (*Moderniseringsstyrelsen*). It is divided into four parts: a report, performance reporting, financial reporting and an annex section. Further information about the MFA's activities can be found on the MFA's website at www.um.dk.

The performance reporting solely comprises the strategic goals of the past year upon which the MFA's performance management has been based. Information with particular regard to Danish development assistance can be found in Danida's annual reports and other reports (www.um.dk/da/danida/det-goer-vi/).

Questions concerning the MFA Annual Report can be addressed to the MFA's Finance Department at OKO@um.dk.

2. REPORT

2.1 Presentation of the Ministry of Foreign Affairs of Denmark

2.1.1 Primary functions

The MFA's primary responsibility is to implement the Danish Government's foreign and security policy, EU policy, export and investment promotion policy, and development policy. This entails that the MFA:

- Ensures a flexible and global network for the entire Government through coordination of Denmark's official relations with foreign countries, including a number of international organisations, such as the EU, the UN and NATO, as well as the Nordic cooperation.
- Administers Danish development assistance.
- Assists the Danish business community in their export activities, internationalisation and other commercial activities abroad where there is a clear Danish commercial interest for Denmark, and attracts foreign investments to Denmark.
- Handles and coordinates Denmark's international economic relations with other countries, including within the trade policy sphere.
- Assists Danes who find themselves in difficult situations abroad.
- Contributes to providing sound information to the outside world about Denmark, Danish culture and Denmark's special competencies (public diplomacy).

In terms of appropriations, the MFA's primary functions fall into four general main areas: General foreign policy, Administration of development assistance, Export and investment promotion and Consular services.

2.1.2 Organisation

The MFA comprises the Ministry in Copenhagen and Embassies, Consulates-General and Trade Commissions, etc. abroad as well as Missions at the most important international organisations. Added to this is a large number of Honorary Consulates. In 2012, the entire organisation had approx. 2,500 employees, of whom approx. 850 were located in Copenhagen and approx. 1,650 were located at the Missions. Of the 1,650 employees based abroad, approx. 1,250 were locally employed staff.

The MFA is an integrated organisation, which means that the staff all work together in one and the same organisation, regardless of where they are located. This means a single-stringed approach is adopted in regard to the safeguarding and promotion of Denmark's international interests, whether it be in the realm of foreign and security

policy, EU policy, development policy, trade policy, support given to promoting the internationalisation of Danish companies, assistance to Danes in distress abroad or public diplomacy. The organisational structure makes it possible to deliver solid responses to international and global challenges across operational areas, without organisational or administrative obstacles.

The global network of Missions is the hallmark of the MFA and provides the basis for enabling the MFA to safeguard and promote Denmark's international interests. With in-depth knowledge of local conditions and the right networks, the Missions contribute to ensuring the quality and validity of the flow of information that serves as the basis for shaping Danish foreign policy and a number of other policy aspects in Denmark. The number, size and location of the Danish Missions are reviewed and prioritised on an ongoing basis according to Denmark's foreign policy interests and goals.

At the end of 2012, Denmark had 113 Missions posted in other countries (Embassies, Multilateral Missions, Trade Commissions, Innovation Centres and Mission Offices) as well as 424 Honorary Missions.

The Ministry in Copenhagen is organised according to a central structure with seven centres. Each centre has either a functional, geographical or customer-oriented focus. The purpose of this structure is to ensure a clear and up-to-date division of tasks. In addition, the centre structure aims at enhancing the integrated approach to task performance, which is the MFA's comparative advantage and prerequisite for being able to tackle present and future challenges effectively.

More information about the MFA's organisational set-up can be found on the MFA website at www.um.dk.

The MFA Annual Report 2012 is submitted for the following three main accounts on the Finance and Appropriation Act:

- Section 06.11.01 – The Danish Foreign Service
- Section 06.11.02 – The Government's Joint Expenditure Related to the Danish EU Presidency
- Section 06.11.05 – Revenue from Consular Services

2.2 The operational results in 2012

According to the guidelines for writing annual reports issued by the Agency for the Modernisation of Public Administration (*Moderniseringsstyrelsen*), “all goals and performance requirements that have been agreed or determined by another party than the organisation” must be reported on. The external determination of goals takes place for the MFA primarily through ministerial and Government decisions, foreign policy and development policy reports, parliamentary decisions, and decisions adopted within international fora. In 2012, these goals were operationalised internally through the formulation of the MFA’s strategic goals, which are based on the Government Platform presented in October 2011. The goals are designed to ensure the delivery of concrete results, products and services of benefit to the Government, public authorities, citizens and enterprises in Denmark as well as Danish interests in general. The goals for 2012 are specified in one-year performance contracts entered into between the MFA’s Senior Management and all Heads of Unit at home and abroad. Chapter 3 of the Annual Report reports on the aggregate level of attainment regarding all strategic goals for 2012.

2.3 The financial results in 2012

The MFA’s operating profit/loss for 2012 shows a surplus of DKK 63.3 million, excluding the appropriation for the Danish EU Presidency and after an adjusted provision concerning reserved appropriations.

The MFA’s payroll expenditure in 2012 totalled DKK 645.9 million. This is to be compared with the payroll ceiling of DKK 682.2 million stipulated in the Finance and Appropriation Act 2012. In relation to 2011, a fall in payroll expenditure of DKK 34.5 million, partly resulting from the implementation of the MFA’s efficiency enhancement programme, can be observed. The difference between the payroll expenditure and the payroll ceiling means that DKK 36.3 million can be carried forward to the MFA’s payroll saving.

The Danish EU Presidency, which took place in the first half of 2012, was a central task for the entire MFA in 2012. The Government’s joint expenditure in connection with holding the EU Presidency was partly financed by an Appropriation Note of DKK 88.1 million towards expenditure in 2011, of which DKK 63.6 million was carried forward for use in 2012. This was supplemented by DKK 159.0 million in 2012, which was earmarked in Section 06.11.02 in the Finance and Appropriation Act for the same purpose. The total expenditure incurred in connection with holding the EU Presidency under Section 06.11.02 amounted to DKK 100.7 million in 2012.

Table 1. The MFA's main and key financial figures (DKK million)

Profit/Loss Account – Main Figures	2010	2011	2012 incl. EU	2012 excl. EU
Ordinary and other operating revenue, total	-2,049.5	-2,068.2	-2,409.8	-2,187.4
Appropriations booked as revenue	-1,862.2	-1,880.4	-2,208.6	-1,986.2
External revenue	-187.3	-187.8	-201.2	-201.2
<i>Other operating revenue is booked under other operating entries</i>				
Ordinary operating costs, total	2,064.9	1,987.6	2,200.5	2,099.8
Salaries and wages plus other personnel costs*	696.3	692.6	656.6	656.6
Depreciation	101.8	118.8	312.7	312.7
Other costs	1,266.8	1,176.2	1,231.2	1,130.5
Result of ordinary operations, total	15.5	-80.6	-209.3	-87.6
Result before financial items, total	-53.5	-148.0	-297.4	-175.7
Year-end profit/loss**	50.2	-44.9	-185.0	-63.3
Balance	2010	2011	2012 incl. EU	
Fixed assets	2,151.4	2,136.7	1,871.0	
Current assets	609.3	1,101.9	672.0	
Equity	-107.6	-134.6	-316.9	
Provisions	-50.5	-90.1	-87.8	
Long-term liabilities	-2,112.7	-2,109.1	-1,899.3	
Short-term liabilities	-490.0	-904.7	-239.0	
Borrowing limit	2,503.6	2,503.6	2,528.6	
Borrowing limit (FF4) – balance 31.12.	2,107.8	2,105.6	1,897.3	
Financial key figures (obligatory)	2010	2011	2012 incl. EU	
Rate of utilisation of borrowing limit	85.9%	84.1%	72.7%	
Negative fluctuation	2.3	3.1		
Profit margin	-2.4%	2.2%	7.7%	
Appropriation proportion	90.9%	90.9%	91.7%	
Personnel information	2010	2011	2012 incl. EU	
Full-time equivalents	1,439.0	1,380.0	1,242.0	
Full-time equivalent cost (DKK thousand)	484.0	502.0	520.0	
Payroll cost percentage	34.0%	32.9%	26.8%	
Payroll ceiling	668.8	689.6	682.2	
Payroll expenditure in relation to payroll ceiling	687.0	680.4	645.9	

Note: A positive (+) figure = expenditure/deficit, and a negative (-) figure = revenue/surplus.

*) This figure also contains salary related to commercial activities, grants to individuals as well as deductions from project salaries and therefore exceeds the actual payroll, cf. section 4.6, table 11.

**) In addition, DKK 2.2 million was appropriated in 2011 in connection with the appropriation settlement.

2.4 Functions and resources

This section reports on the MFA's functions and the allocated resources for performing them. The first part presents the resource consumption for each of the MFA's functions, calculated according to the specification of functions stipulated in the Finance and Appropriation Act. The second part reports on the functions to which a reserved appropriation was earmarked when the financial accounts were completed.

2.4.1 Functions and resources – a schematic overview

The table below shows the entire MFA's resource consumption for each and every MFA function. The division of functions has been carried out with a point of departure in table 6 of the Finance and Appropriation Act, "Specification of expenditure on functions". The table covers the MFA's entire operations, incl. commercial activities.

Table 2. Outline of the MFA's economy under Section 06.11.01, Section 06.11.02 and Section 06.11.05 (DKK million)

	Appropriations booked as revenue	Other revenue	Expenditure	Proportion of year profit
General foreign policy*	-792.9	-14.4	806.3	-1.0
Administration of development assistance	-761.5		744.3	-17.2
Export and revenue promotion, etc.	-267.8	-86.3	346.6	-7.5
Consular services	-219.0		212.8	-6.2
MFA Language Centre	0.0	-11.7	14.1	2.4
The Government's joint expenditure related to the Danish EU Presidency	-222.4		100.7	-121.7
Fee-financed activities, consular services	55.0	-88.8	0.0	-33.7
Total	-2,208.6	-201.2	2,224.8	-185.0

Note: A positive (+) figure = expenditure/deficit, and a negative (-) figure = revenue/surplus.

*) "General foreign policy" includes the MFA Competence Centre (UMKC).

2.4.2 Explanation of reserved appropriations

In connection with the completion of the financial accounts for 2012, the MFA has reserved a number of ap-

propriations for specific purposes in the coming year. These are specified in detail in table 3 below.

Table 3. Reserved appropriations for specific purposes under Section 06.11.01 – The Danish Foreign Service, Section 06.11.02 – The Government's Joint Expenditure Related to the Danish EU Presidency (DKK million)
Reserved appropriations – Section 06.11.01

Function	Reserved year	Reserved appropriation/Opening Balance	Appropriation	Year expenditure	Reserved appropriation/Closing Balance 2012/Opening Balance 2013	Expected Expiry
Growth market strategies	-	-	9.0	3.6	5.4	2013
Enhanced promotion of Denmark	2011	9.0	19.6	20.9	7.7	2013
Security measures at MFA Missions	2011	5.2	85.5	90.7	0.0	
Total		14.2	114.1	115.2	13.1	

Reserved appropriations - Section 06.11.02

Function	Reserved Year	Reserved Appropriation/Opening Balance	Appropriation	Year Expenditure	Reserved Appropriation* /Closing Balance 2012/Opening Balance 2013	Expected Expiry
The Government's joint expenditure related to the Danish EU Presidency 2012	2011	63.6	159.0	100.7	0.2	2013
Total		63.6	159.0	100.7	0.2	

*) DKK 121.7 million in appropriate earned surplus as a result of the end of the Danish EU Presidency.

Remarks on the specific reserved appropriations:

- In 2011, the Danish Government decided to formulate operational strategies for promoting extensive Danish trade with the BRIC countries (Brazil, Russia, India and China) and other fast-growing economies. For this purpose, DKK 25 million was earmarked annually in 2012 and 2013 to implementing the strategies, with an annual amount of DKK 9 million on Section 06.11.01 and DKK 16 million on Section 06.41.03. In 2012, DKK 3.6 million was spent on Section 06.11.01 and at the end of 2012 DKK 5.4 million was provisioned as a reserved appropriation.
- In connection with the agreement between the Government in office at the time and the Social Democratic Party, the Danish People's Party and the Social Liberal Party concerning the Action Plan for the Global Marketing of Denmark, the MFA was allocated funds in the period 2007-2010 for strengthening public diplomacy and promoting export and investment. See Appropriation Note 126 of 24 May 2007 and Finance and Appropriation Act 2008 for a more detailed statement of the objectives and the appropriations for the individual years. It was agreed between the Government in office at the time and the Social Democratic Party, the Danish People's Party and the Social Liberal Party to continue the Action Plan for the Global Marketing of Denmark in the years 2011 and 2012. Out of a total appropriation of DKK 19.6 million in 2012 and a reserved appropriation of DKK 9.0 million from 2012, DKK 20.9 million was spent in 2012. As a result, a reserved appropriation of DKK 7.7 million has been provisioned for completing the activities in 2013.
- In extension of previously earmarked appropriations, the MFA was to be allocated DKK 85.5 million annually from 2011 onwards towards implementing security measures at Danish Missions. Of the DKK 85.5 million in 2012 and a reserved appropriation of DKK 5.2 million provisioned in 2011, a total of DKK 90.7 million was spent in 2012.
- For the purposes of covering cross-ministerial expenditure incurred in connection with preparing and holding the Danish EU Presidency in the first half of 2012, the MFA was allocated DKK 88.1 million by means of an Appropriation Note 6 of 24 November 2011, of which DKK 63.6 million was provisioned as a reserved appropriation. Of the appropriation of DKK 159.0 million, DKK 100.7 million was spent. In total, an earned surplus of DKK 121.7 million was appropriated, and DKK 0.2 million was provisioned as a reserved appropriation for the purpose of covering the final payments, which fall due in 2013.

2.5 Cost-based main accounts

The table below presents the cost-based main accounts of the MFA.

Table 4. The MFA's administered cost-based main accounts (DKK million)

Main account	Type of appropriation	Revenue/Expenditure	Appropriation	Accounts 2012
06.11.03 Foreign Service buildings	Capital appropriations	Revenue	0.0	0.0
		Expenditure	0.0	0.0
06.11.06 Interest revenues from diverse receivables	Revenue appropriation	Revenue	-28.0	-22.7
		Expenditure	0.0	0.0
06.11.15 Non-statutory grants	Reserved appropriation	Expenditure	38.7	33.8
06.11.19 The Bilateral Neighbourhood Programme	Reserved appropriation	Expenditure	0.0	-20.2
06.11.21 Repayments from the Investment Fund for Central Europe (IØ) and the Investment Fund for Developing Countries (IFU)	Revenue appropriation	Revenue	-300.0	-350.0
06.21.01 The Nordic Council of Ministers	Statutory	Expenditure	141.2	146.7
06.22.01 Peacekeeping operations	Statutory	Expenditure	293.1	183.3
06.22.03 Other organisations	Statutory	Expenditure	247.9	235.3
06.22.05 The European Investment Bank	Revenue appropriation	Revenue	-4.9	0.0
		Expenditure	4.8	0.3
06.31.79 Reserves	Reserved appropriation	Expenditure	38.7	-280.0
06.32.01 Developing countries in Africa	Reserved appropriation	Expenditure	2,770.6	2,683.5
06.32.02 Developing countries in	Reserved appropriation	Expenditure	1,479.2	1,480.7

Asia and Latin America				
06.32.04 Personnel assistance	Reserved appropriation	Expenditure	228.8	300.7
06.32.05 Danida Business Programmes	Reserved appropriation	Expenditure	460.6	535.5
06.32.06 Mixed credits	Reserved appropriation	Expenditure	0.0	-3.7
06.32.07 Loan assistance	Reserved appropriation	Revenue	-53.5	-74.6
		Expenditure	-35.0	5.3
06.32.08 Other assistance	Reserved appropriation	Expenditure	655.4	512.3
06.32.11 The Neighbourhood Programme	Reserved appropriation	Expenditure	200.0	196.0
06.33.01 Assistance through private organisations	Reserved appropriation	Expenditure	988.5	997.2
06.34.01 Environment and climate assistance in developing countries, etc.	Reserved appropriation	Expenditure	721.0	719.4
06.35.01 Research and information in Denmark, etc.	Reserved appropriation	Expenditure	237.2	228.8
06.35.02 International development research	Reserved appropriation	Expenditure	75.0	75.0
06.36.01 UN Development Programme (UNDP)	Reserved appropriation	Expenditure	449.0	449.0
06.36.02 The UN Children's Fund (UNICEF)	Reserved appropriation	Expenditure	202.6	197.6
06.36.03 HIV/AIDS, Population and Health Programmes	Reserved appropriation	Expenditure	710.0	683.0
06.36.04 UN Agricultural Development Programmes	Reserved appropriation	Expenditure	85.0	84.3
06.36.05 Global Environmental Programmes	Reserved appropriation	Expenditure	0.0	-12.6
06.36.06 Other UN development programmes and various multilateral contributions	Reserved appropriation	Expenditure	208.7	204.2
06.37.01 The World Bank Group	Reserved appropriation	Expenditure	790.5	790.4
		Revenue	-1.2	-1.1
06.37.02 Regional development banks	Reserved appropriation	Expenditure	11.3	25.0
06.37.03 Development funds, etc.	Reserved appropriation	Expenditure	332.8	333.5
06.37.04 Assistance through the European Union (EU)	Reserved appropriation	Revenue	-2.1	-2.2
		Expenditure	428.9	431.5
06.38.01 Regional and construction assistance	Reserved appropriation	Expenditure	0.0	-9.3
06.38.02 Stability and security-oriented efforts	Reserved appropriation	Expenditure	0.0	-2.5
06.38.03 Various multilateral contributions	Reserved appropriation	Expenditure	0.0	1.8
06.39.01 Humanitarian organisations	Reserved appropriation	Expenditure	600.0	600.0
06.39.02 Humanitarian contributions to acute and protracted crises	Reserved appropriation	Expenditure	873.4	875.8
06.41.02 Trade Commissioners	Reserved appropriation	Revenue	-26.2	-37.1
		Expenditure	72.6	83.5
06.41.03 Special export promotion grants	Reserved appropriation	Expenditure	58.8	59.3

2.6 Expectations to the coming year

2.6.1. The budget framework and its importance for the coming year

Based on the Danish Government's objective to ensure more efficient administration and as a result of reduced appropriations for the Danish Foreign Service, the MFA is engaged in a targeted effort to prioritise and streamline case procedures and workflows. It is anticipated that the payroll costs from 2011 to 2013 will be reduced by around 10 per cent. The implementation of the efficiency

measures has proceeded as planned and in 2012 contributed to facilitating the MFA's positive year-end result. This development is expected to continue in 2013, in which an equally positive, albeit slightly lower, year-end profit is budgeted.

2.6.2. Main priorities

The MFA has drawn up a general, multiannual priority paper, "Policy Tracks for the Ministry of Foreign Affairs of Denmark", which will be continually adjusted and,

among other things, will provide the framework for the MFA's performance management in the future. The MFA's activities in 2013 thus take point of departure in the priority paper and are based on nine political priorities, each of which is linked to two to four centrally formulated operational goals, corresponding to a total of 28 goals for 2013.

The priority paper continues the implementation of the priorities contained in the Government Platform from October 2011 with the aim of ensuring an active and responsible foreign policy. At the same time, focus on the long-term priorities will be enhanced in the wake of a successful Danish EU Presidency in 2012 and in light of the far-reaching global changes that the world has been undergoing in recent years. In relation to the MFA's administration and service delivery, a number of political tracks and strategies have been laid down. Most recently, new strategies have been drawn up for, among other things, export, development assistance, the BRIC countries (Brazil, Russia, India and China), the Arctic Region and Afghanistan, disarmament policy and priority countries. In the future, the MFA will engage in targeted efforts to implement these underlying strategies, with focus on promoting Denmark's international political priorities.

The changed framework conditions resulting from the Finance and Appropriation Act passed in June 2012 entail a need for sharper awareness regarding the prioritisation of resources both in the individual units and across the organisation. Expenditure control will thus naturally be in focus in the MFA also in 2013.

In 2013, the MFA will focus on contributing to the creation of **growth and employment in Denmark and Europe**. The international economic crisis has influenced both the European and Danish economy, and the MFA will therefore work in a targeted way in the EU to promote concrete results that create direct growth and employment, partly through a reform of the EU's financial frameworks, through policy reforms and through free trade and investment agreements. At the same time, Danish exports and investments are to be strengthened through export promotion and public diplomacy and through targeted marketing of Danish strongholds with in, for example, water and environment, climate and energy, sustainable foods, health and welfare, as well as creative industries and the experience economy. In 2013, the MFA will also seek to strengthen exports and investments through the efforts to implement the growth market strategies targeted at the BRIC countries (Brazil, Russia, India and China) and through increased cooperation with the new growth markets. At the same time, activities will be launched in Danida priority countries aimed at generating synergies between development assistance and export and investment promotion activities. The intention is to enhance trade on a commercial basis that also fosters development, and at the same time create the new growth market opportunities for the Dan-

ish business community with a view to promoting employment.

The world faces a global challenge to secure sustainable development in relation to climate change and the environment. Strong efforts are required to secure the **transition to a green economy and green growth** in order to promote a more sustainable development with focus on reduction of emissions and more efficient consumption of resources. This is a key element in the Government's new Strategy for Danish Development Cooperation, which the MFA will use in 2013 as a platform for cooperation with the priority countries and international partners regarding efforts that strengthen sustainable natural resource management, reduce the impact of climate change and improve people's access to water, land/food and energy. At the national level, the MFA will involve the Danish business community in these efforts through partnerships and investments, and in this way promote the transition to a green economy in developing countries. At the same time, projects are to be launched that promote and sell Danish systems solutions within green technology to other countries. The intention is to strengthen Denmark's development as a green showcase country for the new environmentally sound technologies that can drive the transition process forward.

These years, **the Arctic** is experiencing drastic changes as a consequence of global climate change. The increased attention on the opportunities, but also challenges, following from this development means that the MFA will further enhance its focus on the Arctic Region and the Arctic Council in the future. This will manifest itself, among other things, through the implementation of the MFA's part of the action plan for the Kingdom of Denmark Strategy for the Arctic – in close cooperation with Greenland and the Faroe Islands. Similarly, the cooperation in the foreign and security policy field within the Kingdom of Denmark will be strengthened, and the MFA will also maintain a thorough involvement in the future direction of the EU's Arctic policy.

A number of threats such as international terrorism and the consequences of poverty and climate change necessitate strong international engagement. In 2013, there will be focus on a **balanced security policy**; a security policy that protects and defends Denmark and Danish interests, and at the same time comprises a targeted effort to tackle the causes of conflict, threats and terrorism before they arise. The efforts in fragile and conflict-affected states will be a key pivotal point in the implementation of the Government's New Security Policy. The MFA will work to integrate the efforts, so as to ensure that the entire spectrum of instruments, from development assistance to peacekeeping operations, is utilised. At the same time, the Danish UN engagement within peacekeeping operations will be enhanced in 2013, and the national contributions to the EU's common defence policy within civilian missions will be subject to a greater degree of prioritisation

in order to ensure better reflection of geographical focus areas. Lastly, in 2013 the Danish Foreign Service will strengthen the efforts to promote international disarmament, non-proliferation and arms control. These efforts will take a point of departure in the Government's policy within this area, through initiatives in three priority areas that focus on improved regulation of the arms trade, conventional arms control and the process around the establishment of a zone free of weapons of mass destruction in the Middle East.

Everybody has the right to a dignified life in freedom and safety. In 2013, with the establishment of the new rights-based development strategy, a solid foundation was provided for enhanced efforts to create a more just world. In 2013, the MFA will work to maintain and strengthen Danish leadership in the international efforts to promote human rights, democracy and good governance. This will be achieved, specifically, through Danish pilot initiatives that can be continued by major donors, such as the EU or the World Bank, as well as through policy input, in which Danish cooperation with new regional political actors is incorporated. At the same time, work will be done to ensure Danish influence in the efforts to establish a post-2015 development agenda that integrates the follow-up on RIO+20. Similarly, action will be taken to maintain and strengthen Denmark's unique profile around the development of the international rule of law and to comply with governing international rules concerning, among other things, human rights. This also applies to the internationalisation of the rights-based approach to Danish development cooperation, through which human rights will constitute the underlying value behind all phases of development assistance.

Denmark seeks to promote democracy and welfare throughout the world, but we have a special interest in and a co-responsibility for developing the **neighbourhood** in our geographical surroundings, which like the EU has been affected by the economic crisis. In 2013, the Danish Foreign Service will engage itself in the development in the Nordic-Baltic region, Eastern Europe and the Balkans, with particular focus on supporting the progress in Serbia and Kosovo's continued integration through the EU enlargement process. In addition, Danish foreign policy in 2013 will support the political democratisation process and economic development in EU neighbouring countries to the south, with particular focus on the development in Moldova and Egypt. Similarly, the MFA will contribute to strengthening the EU's relations with its southern neighbouring countries, with particular focus on implementing the EU's "more for more" principle in Tunisia.

Today, the EU is Denmark's most important platform for international influence. Denmark is dependent on the development in Europe and can exert influence on European development also through its EU membership. It is therefore important to ensure an active Denmark in

Europe, and an active Denmark must build on a foundation of active European debate with the Danes. Following a successful Danish EU Presidency, the efforts to **strengthen the debate on Europe in Denmark** are to be stepped up. The MFA will continue to promote wide and accessible public debate in companies and educational institutions with the aim of enhancing the opportunity for citizens directly to become actively involved in EU issues. The debate must focus on both strengths and weaknesses as well as Denmark's role in Europe. At the same time, focus must be enhanced on the efforts to promote EU debate in the media and among opinion formers, at the political level as well as among experts, so as to ensure that the public debate takes place on an objective and informed basis.

In 2013, the MFA must continue to strengthen efforts in the area of consular services and to perform tasks in relation to the individual Danish citizen. Foreign policy is essentially about people, and therefore **the MFA must focus on servicing all those with an interest in Denmark.** In 2013, the cooperation with the business community and civil society is to be further developed. In order to promote the political objectives of strengthening the competitiveness of enterprises and the tourist industry and supporting the efforts to attract and retain both foreign investments and the presence of international organisations in Denmark, the MFA will place particular focus on enhancing Denmark's accessibility as a tourist and business destination. In particular, action is to be taken to expand the number of locations for submitting visa applications for entry into Denmark. The intention is also to conduct a survey through Missions and their networks that sheds light on the perception of Denmark's accessibility as a tourist and business destination.

3. PERFORMANCE REPORTING

3.1. Goals and performance

The MFA's performance management encompasses both the MFA's outward functions, such as the delivery of services to the general public and to companies, and the MFA's departmental functions that involve servicing Ministers, the Government and the Folketing (Danish Parliament). This method of reporting promotes balanced governance across the MFA's main areas of activity.

Eight strategic goals have been laid down for the MFA's overall sphere of activity in 2012:

1. An active Denmark in a strong Europe
2. Increased focus on Danish exports
3. Poverty and global inequality
4. Democracy and human rights
5. International peace and security
6. Climate change and energy policy
7. The Nordic Countries and the Arctic Region
8. Consular services and central cross-cutting functions

3.2. Goals and performance – a schematic overview

The table below provides a summary in schematic form of the overall level of goal attainment for the eight strategic goals.

Table 5. Goal Attainment and Performance 2012

Strategic goals	Number of units at home and abroad with individual performance objectives that contribute to attaining the strategic goal	Goal attainment for the individual performance objectives broken down as follows:			Overall level of goal attainment and performance
		A=goal attained	B=goal partially attained	C=goal not attained	
		A	B	C	
1. An active Denmark in a strong Europe	59	104	4	0	A
2. Increased focus on Danish exports	86	103	16	9	A
3. Poverty and global inequality	33	40	12	5	B
4. Democracy and human rights	48	51	4	2	A
5. International peace and security	56	67	8	1	A
6. Climate change and energy policy	39	36	6	0	A
7. The Nordic Countries and the Arctic Region	13	16	1	0	A
8. Consular services and central cross-cutting functions	66	70	9	4	A

The level of goal attainment is measured on the basis of full-year reporting of the particular Missions' and units, in relation to which the relevant units in the home service have conducted an overall assessment and qualification. Where the performance objective has been achieved, an 'A' is given; a 'B' is given for a performance objective that has been partially achieved; while a 'C' is given for a performance objective that has not been achieved. On the basis

These goals constituted the strategic framework for the activities of the entire Danish Foreign Service in 2012.

The strategic goals in 2012 are realised by the units – i.e. Missions, Centres and Departments – in a limited number of self-formulated tasks and performance objectives as well as success criteria that constitute the units' contribution to the MFA's overall fulfilment of the Government Platform. After dialogue with the MFA's Senior Management, the individual performance objectives are incorporated in a performance contract for each specific unit.

The MFA's overall performance reporting is carried out for each of the eight strategic goals. As a basis for this, the goal attainment results for the year for all units are collected, and a consolidated score for each strategic goal is calculated. The quantitative element of the performance reporting is described in detail below, after which a qualitative elaboration and assessment of the results that serve as the basis for determining the overall level of goal attainment is provided in section 3.3.

of the units' individual performance assessment results, an overall level of goal attainment has been calculated for each strategic goal according to the following model: An 'A' is awarded for a strategic goal when > 80% of the units' individual performance objectives have been classified as 'A'. A 'B' is awarded when > 80% of the performance objectives have been classified as 'A' or 'B'. A 'C' is awarded when ≤ 80% of the performance objectives have been

classified as 'A' or 'B'. The number of Missions and units that have contributed towards achieving the performance objectives under the strategic goals varies because, as mentioned earlier, individual performance contracts have been formulated for each Mission and unit.

As the table shows, seven out of eight strategic goals were fully attained in 2012 when the individual results are consolidated. One strategic goal was partially attained. The MFA's goal attainment for 2012 is therefore deemed in general to be satisfactory.

3.3. Performance reporting: in-depth analyses and assessments

The following section elaborates on and comments on the level of goal attainment for each of the MFA's eight strategic goals. For each goal, a summary is provided initially of the overall level of goal attainment, cf. table 5, and an indication is given of the number of units (Missions in the service abroad and Centres in the home service) that have contributed to the goal attainment.

STRATEGIC GOAL 1:

An active Denmark in a strong Europe

The overall level of goal attainment and performance for Strategic Goal 1 is classified as 'A'. This classification is based on the contribution of 59 units.

The greatest single task of the MFA in 2012 was the implementation and holding of the **Danish EU Presidency** for the Council of the European Union during the first half of 2012. The MFA coordinated the preparations of the Presidency. In terms of content, the coordination incorporated, among other things, the Presidency programme and the priorities for the EU Presidency, in which the efforts were primarily focused on the EU's present challenges – particularly the creation of growth and employment. The efforts resulted in, among other things, agreement on the **Compact for Growth and Jobs** at the European Council in June 2012. The Permanent Representation of Denmark to the EU naturally played a vital role in the execution of the Presidency. Denmark undertook the Presidency in close cooperation with EU institutions, including not least the European Parliament.

The MFA was also responsible for the logistics of meetings in Denmark during the Presidency as well as the horizontal communication of the Presidency. The MFA succeeded in conducting an active and professional EU Presidency for an unprecedented low cost, whilst the feedback received from both domestic and foreign EU colleagues has been very positive. Several upcoming EU Presidency host countries have expressed a wish to hear about our experience and identified best practices in order to enable them to hold an equally successful Presidency.

During the Presidency, solid progress was made in the negotiations on the **Multiannual Financial Framework (MFF)** and on the future of the Cohesion Policy. In 2013, Denmark was subsequently able to achieve the Government's main priorities in the budget negotiations, including a Danish rebate of DKK 1 billion per year and an overall smaller and more modern budget. Together with the Ministry of Finance and the Prime Minister's Office, the MFA coordinated the Danish position in the MFF negotiations. The MFA also assisted the Danish Ministry of Climate, Energy and Building in difficult negotiations in connection with concluding an agreement on a new **Energy Efficiency Directive**. The directive means that the EU will come

very close to achieving its energy efficiency target of 20 per cent in the EU by 2020.

Denmark has participated actively in the discussions on **Europe's economic governance and development**. This was most recently evident in the negotiations in autumn 2012 regarding a proposal to set up a Committee of European Bank Supervisors (CEBS) as a first step towards creating a banking union. The active efforts of the MFA among others led to clear Danish fingerprints on the proposal, with focus on ensuring balanced conditions for non-euro-area countries that choose to participate in the common oversight mechanism.

After the Presidency, the Minister for European Affairs embarked on a tour of Denmark with the main objective of promoting a national debate on EU policy as part of the Government's prioritisation of the question of Denmark's role in the EU.

In 2012, Denmark worked actively to promote continued progress in the **EU's enlargement process**. The EU's enlargement continues to be a significant driving force for democratic and economic reforms as well as for stability on the Western Balkans. During the Danish EU Presidency, decision was taken to award Serbia status as a candidate country and initiate accession negotiations with Montenegro. In addition, a feasibility study for a Stabilisation and Association Agreement between the EU and Kosovo was launched. Significant progress has subsequently been made in the political dialogue between Belgrade and Pristina, facilitated by the High Representative of the Union for Foreign Affairs and Security Policy, Catherine Ashton.

During the Danish EU Presidency, the so-called **'Positive Agenda' with Turkey** was launched. In 2012, the initiative contributed to progress in several areas in the dialogue between the EU and Turkey, including political reform, visa liberalisation and integration as well as in relation to foreign policy. Lastly, solid progress was made in 2012 in the accession negotiations with **Iceland**, and the majority of negotiation chapters have now been opened.

During the Danish Presidency, the EU opened negotiations regarding **free trade agreements with a number of Eastern neighbours**: Moldova, Georgia and Armenia. A roadmap was launched for the Eastern Partnership's activities in the period up to the summit in November 2013. In relation to the negotiated association and free trade agreement with the Ukraine, there was consensus among EU Member States that the agreement could not be signed until the Ukraine had made tangible progress in three specific areas. A new strategy for the **Neighbourhood Programme 2013-2017** was adopted in 2012 in order to support the development of democratic societies characterised by respect for human rights, accountable public authorities, vibrant civil societies, well-functioning markets and conflict resolution mechanisms in the countries to the east and southeast. During the Danish Presidency, Council Conclu-

sions were adopted regarding the **EU Strategy for the Baltic Sea Region (EUSBSR)**. The Council conclusions launched efforts to, among other things, update the action plan under the EUSBSR with the aim of making the future implementation more effective and targeted. The updating process was launched during summer 2012 and completed early in 2013. Denmark participated actively in the process with the involvement of relevant Danish authorities, including through consultations in the Contact Committee. The Council conclusions also called for both the EUSBSR and the EU Strategy for the Danube Region (EUSDR) to be reviewed before the end of June 2013. The Commission has initiated work on this review. In June 2012, the Danish Presidency co-organised the EUSBSR Annual Forum, which was held in Copenhagen. Satisfaction could be detected among the Member States and the Danish authorities with Denmark's role in the Baltic Sea Region cooperation, including in the EUSBSR, which had gradually become more active during 2012.

In connection with the EU Presidency, Denmark contributed in a number of areas to supporting the work of the newly established **Common External Action Service (EEAS)**. Danish Ministers participated on behalf of the EU High Representative for Foreign Affairs and Security Policy in third-country meetings and meetings in the European Parliament, whilst Danish representatives discharged the tasks and responsibilities of the local EU Presidency in third countries where there were no EU delegations established. Similarly, Danish Missions at multilateral organisations contributed to supporting the discharge of tasks and responsibilities of the local EU Missions. As part of the EU Presidency, a system was established for the cooperation with the Common External Action Service which to a wide extent will be taken over by subsequent Presidencies.

STRATEGIC GOAL 2:

Increased focus on Danish exports

The overall level of goal attainment and performance for Strategic Goal 2 is classified as 'A' (full goal attainment). This classification is based on the contribution of 86 units.

In 2012, multifaceted efforts were made in relation to export promotion, innovation and internationalisation, attraction of foreign investments as well as in the broad foreign policy work, both bilaterally and regionally.

In May 2012, an overarching **Growth Market Strategy** was launched containing specific objectives for the period up to 2016. In addition, specific country strategies and action plans were published for Brazil, India, China and Russia. Corresponding strategies were published subsequently for South Africa, South Korea and Vietnam in autumn 2012. The overall objectives comprise, for example, an increase in goods exports to the growth markets by more than 50 per cent in the period 2011-2016 and doubling the amount of investment in Denmark from growth markets during the same period, as there is also a certain

individualisation of the goals (e.g. in relation to Brazil, Russia and Vietnam). The strategies are to be implemented on an ongoing basis through a wide range of export and investment promotion activities, including political efforts and more frequent visits by Ministers across the Government. The initiatives take account of the special nature of the growth markets and are to be rolled out in collaboration with line Ministries and the business community.

The Trade Council delivers customised consulting support to companies on political, economic and commercial matters in the export markets. The Trade Council's innovation services also specifically aim at enabling the growth layer of small innovative companies to penetrate the global market. Enhanced efforts were made in relation to **small and medium-sized enterprises** in 2012, which saw the Trade Council continue to develop the Vitus programmes and also implement new rounds of both the Vitus programme and the Vitus Growth programme. These are export programmes for Danish enterprises which can and wish to expand internationally and are looking to tap the growth opportunities available in distant markets. For example, the programmes contain sparring and consulting support from export counsellors in connection with development of strategy and sales activities.

In total, the Trade Council **provided consulting support** to approx. 5,700 enterprises in 2012 designed to facilitate export and internationalisation. A total of 101 joint export promotion drives were conducted with 1,208 participating enterprises, 57 per cent of which were small and medium-sized enterprises. In addition, closer collaboration was established with Danish Regions within export and investment promotion, in which, for example, nine investment promotion project leaders and three export promotion officers are based in the Danish Regions but who at the same time are fully integrated in the Trade Council in the MFA. The cooperation with Danish Regions contributes to providing an overview of, and coherence to, the Danish business promotion services offered as well as direct access locally to international markets. In 2012, 93 per cent of the enterprises that made use of Trade Council services were satisfied or very satisfied with the service(s) delivered.

In 2012, the Government's efforts to attract **foreign investments** through Invest in Denmark contributed to creating or retaining 1,193 jobs in Denmark. These jobs were distributed between 57 successful investment projects primarily within Invest in Denmark's focus areas: Cleantech (44% of jobs), information and communication technology (ICT) (32%) and Life Sciences (12%).

In 2012, the investment promotion activities were made more coherent. This was achieved on the basis of a) recommendations from a broad-based working group on framework conditions for foreign enterprises, b) enhanced efforts to welcome and retain investors, c) a general improvement in investment promotion activities, and d) stronger cooperation between Invest in Denmark and

Copenhagen Capacity regarding measures to attract foreign investments to the Capital Region and Region Zealand. 2012 also saw Invest in Denmark increase focus on selected growth markets through strengthening the existing efforts in China and deciding to set up operations in Seoul in 2013.

In the export markets, efforts to assist Danish enterprises in practising **responsible supplier management** were stepped up in 2012, particularly through workshops held by the Embassies in the Asiatic growth markets. In May 2012, Copenhagen hosted a successful EU Presidency conference on the UN's new Guiding Principles on Human Rights and Business, which tighten the international requirements placed on companies to practise due diligence so as to prevent human rights infringements.

In 2012, an **assertive trade policy** was pursued and a successful EU Presidency in this area was implemented, which saw important steps taken in the direction of opening free trade negotiations with the USA and Japan and negotiations completed regarding two legislative acts, which respectively clarify the rules governing national investment agreements and ensure the poorest countries low customs tariffs in relation to the EU General Scheme of Preferences (GSP). Lastly, agreement was reached during the Danish EU Presidency to scale up EU efforts to promote green trade liberalisation, and Council conclusions were adopted on trade and development.

STRATEGIC GOAL 3:

Poverty and global inequality

The overall level of goal attainment and performance for Strategic Goal 3 is classified as 'B' (partial goal attainment). This classification is based on the contribution of 33 units.

In 2012, the development policy efforts primarily focused on drawing up the new Strategy for Denmark's Development Cooperation and the new Danish Act on International Development Cooperation.

The new **Strategy for Denmark's Development Cooperation** 'The Right to a Better Life', in which the rights-based approach to development is the guiding principle for the Danish efforts, was unanimously adopted by the Folketing (Danish Parliament) in May 2012. In June 2012, a new **Danish Act on International Development Cooperation** was passed, entering into force on 1 January 2013. In the Act, a new objects clause for Denmark's development cooperation has been incorporated that makes poverty reduction and promoting human rights the focal point for Denmark's development cooperation. In the follow-up on the new strategy, a number of internal instruments have been devised that set out the direction for how the human rights-based approach is to be broadly manifested in Danish development cooperation.

In connection with the adoption of the Finance and Appropriation Act for 2012, Danish development assistance was divided into two separate budget frameworks – the **Poverty-Oriented Framework and the Global Framework**, respectively – and published under the title, 'Priorities of the Danish Government for Danish Development Cooperation 2012'. This division into two frameworks is also stipulated in the Finance and Appropriation Act for 2013. **In 2012, development assistance was increased** by DKK 234 million and this amount will increase by a further DKK 366 million in 2013. As a result, official development assistance (ODA) as a percentage of GNI comprises 0.83% in both 2012 and 2013 (calculated in financial commitments). If the freeze imposed by the former Government had been maintained at the 2010-level in the period 2011-2013, the ODA percentage would have dropped to 0.80% in 2012 and 0.78% in 2013.

In 2012, increased focus was placed on **good governance and anti-corruption** both among aid recipients and among donors and partners. Accountability and transparency are one of the fundamental principles in the human rights-based approach and as an element in the implementation of the strategy, 'The Right to a Better Life', lie at the heart of Danish development cooperation. Spearheaded by the Minister for Development Policy, Denmark had a strong profile in connection with the 4th High-Level Meeting on Development Aid Effectiveness in Busan in Korea at the end of 2011. In 2012, an action plan was subsequently drawn up for implementing the results of the meeting in Danish development cooperation, the vast majority of which have since been launched or implemented. Furthermore, the principles governing development aid effectiveness have been incorporated into the Strategy for Denmark's Development Cooperation, 'The Right to a Better Life', and thus set the framework for how Denmark's development cooperation is to be implemented.

Similarly, ownership and mutual accountability are core elements in the Strategy for Denmark's Development Cooperation, 'The Right to a Better Life'. Development cooperation must align with development aid effectiveness principles regarding ownership, harmonisation, adaptation, results and mutual ownership. Among other things, the enhanced use of budget support is to help promote this alignment. With the rights-based approach, the responsibility of national authorities to, among other things, respect, protect and deliver on human rights lies at the heart of Danish development cooperation.

The new Strategy for Denmark's Development Cooperation assigns increased priority to the work on strengthening the ability of developing countries to mobilise taxes for the purposes of **financing development** and for the work on securing revenue derived from the exploitation of natural resources. In 2012, within the foreign policy sphere, Denmark therefore, through programmes in several priority countries, provided support for building the capacity of developing countries' tax collection systems, and since

2011 has supported the efforts to promote transparency in the extractive industries sector through the Extractive Industries Transparency Initiative (EITI), with annual contributions of DKK 1.5 million. The EITI initiative comprises a global standard for transparency in the extractive industries sector, and the organisation seeks to increase transparency in the sector's payment of taxes and duties, particularly in developing countries. Through the World Bank, Denmark provided support to developing countries in 2012 in the form of technical know-how and financial assistance in their efforts to live up to the EITI initiative's requirements (DKK 2.7 million in 2011-2013).

STRATEGIC GOAL 4:

Democracy and human rights

The overall level of goal attainment and performance for Strategic Goal 4 is classified as 'A' (full goal attainment). This classification is based on the contribution of 48 units.

Retaining the normative framework on **human rights** is a clear priority in Danish foreign policy and is rooted in respect for human rights within national borders.

On 18 June 2012, a new Act on the Establishment of the **Danish Institute for Human Rights** – Denmark's National Human Rights Institution (NHRI) – entered into force. As stipulated in the Government Platform, the Institute has been re-established as a self-governing institution and its role in Danish democracy has been strengthened and clarified.

With the aim of further promoting Denmark's compliance with its international obligations, a **Human Rights Committee** was set up in 2012 tasked with presenting recommendations on three areas: 1) whether Denmark should incorporate more instruments into Danish law, 2) whether Denmark should ratify Optional Protocol No. 12 to the European Convention on Human Rights and a general ban on discrimination, and 3) whether Denmark should endorse individual access to remedy at additional UN committees, including in relation to the UN Convention on the Rights of Disabled People. The MFA has worked actively to set up a fast-working committee – which is to complete its work before the end of September 2013 – and to provide the committee with broad terms of reference.

With respect to strengthening Denmark's international efforts to promote respect for human rights, a new **Human Rights Ambassador** was appointed in 2012. The objective is, among other things, to promote dialogue with countries that Denmark has not previously viewed as its partners within the human rights field, but which are now in the process of finding a place on the international stage. This creates an opportunity for forging new alliances to promote the human rights agenda that Denmark has pursued for decades.

With a point of departure in the Government Platform, in which the Government states its objective to strengthen

the efforts in the UN to operationalise the **Responsibility to Protect (R2P)** principle, Denmark together with Australia, Costa Rica and Ghana spearheaded the international efforts in 2012 to promote the R2P agenda. Denmark co-hosted with Ghana several informal Ministers' meetings that focused on the operationalisation of the R2P concept.

Rule of law is a cross-cutting subject area that influences central parts of the UN agenda. The strong Danish profile in the human rights field was continued in 2012, during which Denmark together with Mexico spearheaded the High-Level Meeting on Rule of Law under the UN General Assembly (24 September 2012). The meeting, which for the first time since 2005 gathered the world's top leaders for a full-day debate on the importance of the rule of law on a global level, led to a political declaration that supports the UN Secretary-General Ban Ki-moon's agenda of an integrated approach to promoting rule of law. With the declaration, the UN Member States recognised and confirmed that rule of law is of fundamental importance for the international cooperation between States, and that strengthening rule of law at the national and international levels is a precondition for international peace and security, human rights and development. Similarly, the declaration stated that rule of law is to be discussed in connection with the post-2015 international development agenda.

Gender equality and women's rights were also high on the agenda in 2012 for the MFA's activities in international organisations such as the UN, the World Bank and the EU. Denmark made an important effort to maintain global targets and standards for gender equality and women's rights. Also, within sexual and reproductive health rights, the MFA contributed to maintaining focus on a value-based international agenda and continued large-scale support to international organisations and civil society organisations. In partner countries, focus was particularly on strengthening gender equality through a wide range of locally adapted programmes.

In the political dialogue with partner countries, emphasis was placed in 2012 on speaking out **against discrimination** on grounds of sexual orientation and gender identity, whilst the long-term efforts to promote well-functioning legislation and legal systems had priority in many partner countries.

STRATEGIC GOAL 5:

International peace and security

The overall level of goal attainment and performance for Strategic Goal 5 is classified as 'A' (full goal attainment). This classification is based on the contribution of 56 units.

Denmark contributed to securing a successful outcome to the **NATO summit** in Chicago in May. The summit marked a milestone for NATO's missile defence capability and dealt with the Alliance's defence and deterrence pro-

file, in which reference is made to the negative security assurances given by the USA, France and the UK.

In 2012, Denmark continued its efforts to enhance **coordination of EU external initiatives**. In connection with the EU Presidency, Denmark hosted a conference on this issue. Similarly, Denmark contributed actively to the sanctions work, including the imposition of tighter sanctions on Iran and Syria. Denmark made a significant contribution to civilian EU conflict prevention and crisis management operations and occupied the post of Head of Mission for the EU aviation security mission in South Sudan.

A strategy was drawn up for the **Danish contribution to UN peacekeeping operations**. Nordic dialogue was initiated regarding joint contributions to UN peacekeeping operations.

In connection with the Government's Strategy for the **Danish Counter-Piracy Effort 2011–2014**, Denmark played an important role in 2012 in the international Contact Group on Piracy off the Coast of Somalia (CPGCS) and continued to deploy naval vessels and reconnaissance craft within the framework of NATO's naval operation. The report on the strategy in 2012 was compiled and included in the annual security policy report submitted to the Folketing.

In 2012, Denmark also undertook the EU Presidency in the **field of counter-terrorism**. An EU counter-terrorism strategy on Pakistan was approved, an action plan was drawn up for the implementation of the EU Strategy for the Horn of Africa, and increased focus was placed on human rights and counter-terrorism in connection with the formulation of practical EU guidelines.

In addition, Denmark participated actively in the **Global Counter-Terrorism Forum (GCTF)**. This led to the establishment of an international centre in Abu Dhabi for countering violent extremism. The Minister for Foreign Affairs participated in the Foreign Ministers' meeting in the GCTF in December. At this meeting, Danish initiatives designed to support the GCTF's work were announced. In the **Sahel Working Group (SWG)**, Denmark together with Burkina Faso leads a regional process on greater inclusion of local communities in the work on preventing and fighting extremism. Denmark has launched two new UN projects with the aim of ensuring full respect for human rights in connection with counter-terrorism activities.

The **inter-ministerial Whole-of-Government structure**, with participation from the Prime Minister's Office, the Ministry of Foreign Affairs, the Ministry of Defence and the Ministry of Justice, delivered good results in 2012. The Whole-of-Government approach to Danish initiatives was further enhanced. Through the **Peace and Stabilisation Fund (FSF)**, multiannual regional programmes were launched in East Africa/Horn of Africa and in the Afghanistan/Pakistan region, respectively. In addition, the FSF

supported rapid and flexible contributions to stabilisation efforts in Niger, Libya and Syria. The FSF's unique composition facilitated necessary, risk-based interventions, such as support to the African Union's peacemaking mission in Somalia, AMISOM. The FSF also supported innovative stabilisation partnerships and pilot projects, such as a new public/private anti-piracy trust fund in partnership with the Danish Shipowners' Association. In several cases, the interventions have acted as a catalyst for other Danish or international interventions, including peace-promoting dialogue processes between India and Pakistan and between India, Pakistan and Afghanistan; the international anti-piracy cooperation; as well as an East African Standby Force contribution to AMISOM. Lastly, the FSF has supported a number of other international initiatives, such as UN peacekeeping operations, the promotion and protection of human rights in counter-terrorism efforts, as well as the application of International Atomic Energy Agency (IAEA) safeguards to installations in North Africa and the Middle East. At the same time, the stabilisation efforts have focused on strengthening EU and UN interventions in fragile states and crisis situations. A number of the interventions are implemented in close Nordic cooperation.

With the restructuring of the **Peace and Stabilisation Response (FSB)** in 2011, the deployment of Danish civilian capacities became more focused, for example in regard to EU common security and defence policy (CSDP) missions on the Horn of Africa, in the Sahel region, in Afghanistan and in South Sudan.

The Minister for Development Cooperation became co-chairman of the **International Dialogue on Peacebuilding and Statebuilding** in spring 2012. Focus was targeted at, among other things, the cooperation in Afghanistan and South Sudan.

At the beginning of the year, negotiations were initiated on the plan for Denmark's overall engagement in **Afghanistan** in 2013-2014. The plan was adopted by a broad majority in the Folketing (Danish Parliament) in January 2013. Denmark launched the Danish 3C initiative, "Coalition of Committed Contributors" and played a key role in the efforts to secure long-term international financing of the Afghan National Security Forces (ANSF) during the NATO summit in Chicago. The efforts succeeded in securing financial commitments of over USD 1 billion. Denmark pledged to make Afghanistan the largest recipient of Danish development assistance at the subsequent Tokyo Conference on Afghanistan.

In recognition that long-term stabilisation in Afghanistan requires a regional approach, the Government launched a regional programme on peace and stability in the **Afghanistan-Pakistan** region. The programme supplements the Danish efforts in these countries.

Through the **Danish-Arab Partnership Programme**, Denmark supports reform and democratic development in

a number of countries in the Middle East and North Africa. Denmark has played an active role in ensuring a **stable and democratic Libya** using virtually every instrument at its disposal.

In relation to **Syria**, Denmark has consistently worked to promote a peaceful solution and to ensure that the Security Council discharges its responsibility in relation to the conflict. Denmark contributed ten observers to the UN observation force in Syria in spring. At the same time, Denmark has supported the Syrian opposition's efforts to constitute a political alternative to the Assad regime.

The Government's policy on **disarmament, non-proliferation and arms control** produced concrete results, which involved: 1) working for the adoption of a universal and legally binding international arms trade treaty (ATT); 2) promoting an initiative to establish a voluntary code of conduct for the transport of arms; 3) working for the universal adoption of cluster munitions and landmine conventions. 4) bringing forward the destruction of the Danish stocks of cluster ammunition; 5) clearing the minefield situated on the Skallingen Peninsula on Denmark's west coast; 6) securing the adoption of a Danish proposal in the Australian Group for increased inspections of spray drying installations, a contribution for countering biological weapons of mass destruction; 7) putting an expert team at the disposal of the UN Secretary-General's Mechanism on Investigation of Alleged Use of Chemical and Biological Weapons (UNSGM); and 8) participating in the 2nd Nuclear Security Summit in Seoul. Denmark donated DKK 8 million to the IAEA Nuclear Security Fund.

STRATEGIC GOAL 6:

Climate change and energy policy

The overall level of goal attainment and performance for Strategic Goal 6 is classified as 'A' (full goal attainment). This classification is based on the contribution of 39 units.

As holder of the EU Presidency, Denmark actively supported the UN Conference on Sustainable Development (**Rio+20**), which was held in Rio de Janeiro on 20-22 June 2012. The conference addressed two fundamentally crucial prerequisites for effectively tackling the global challenges: the need for 1) economic development that did not undermine the opportunities of future generations to realise their needs, and 2) a green economy and a reform of the institutional frameworks for sustainable development and natural resource management on an international level.

In recent years, the link between poverty and environmental, energy and climate initiatives has been further clarified. This was also a focus for Rio+20, where agreement was reached to launch a process for developing **sustainable development goals (SDGs)**. The Rio Declaration on Environment and Development emphasises the importance that the SDGs reflect the three dimensions of sustainable development (social, economic and environ-

mental issues) in a balanced way and as an integral part of the post-2015 process. Decision was taken to set up an expert committee to formulate proposals for a sustainable development financing strategy and an intergovernmental working group to draw up proposals for SDGs that are to constitute an integral part of the post-2015 development agenda.

In the institutional sphere, a process was launched in 2012 with the aim of establishing a "High-Level Political Forum for Sustainable Development", which is to replace the UN Commission on Sustainable Development (CSD). Rio+20 also led to a strengthening of the present UN Environment Programme (UNEP), including the decision to upgrade the UNEP and establish universal membership. This means that the UNEP's environmental activities in the future will not be an issue for a few countries, but a matter for all countries. In addition, agreement was reached on the need to strengthen the UNEP's financial base, which would give more clout to UN assistance to developing countries in the environmental field. The Rio+20 text also contains decisions on a number of areas – water, oceans and energy – which could subsequently be further elaborated. In addition, Denmark regarded the text as very strong on gender equality and the rights of indigenous peoples. In relation to partnerships with the private sector and the private sector's role in the declaration's implementation, the text is also clear and positive.

Denmark has, among other things, followed up on the Rio+20 conference by earmarking specific funds. In 2012, funds were earmarked for supporting the UN Secretary-General's Sustainable Energy for All (SE4ALL) initiative as well as the World Bank's work on valuating natural resources (WAVES – Wealth Accounting and Valuation of Ecosystem Services).

The SE4All initiative sets out three objectives that are all to be achieved by 2030 and which seek to combine the development and climate agenda: 1) ensure universal access to modern energy services; 2) double the global rate of improvement in energy efficiency; and 3) double the share of renewable energy in the global mix. The SE4ALL initiative has created a significant political momentum in relation to the energy field, in particular regarding the objective of ensuring universal access to sustainable energy.

The funds from the **Danish Climate Envelope** in 2012 have supported the developing countries' climate change adaptation efforts in the most vulnerable countries as well as efforts of developing countries to reduce greenhouse gas emissions through a transition from fossil-based to sustainable, renewable energy forms, forest preservation and technology transfer. Support has been provided for a number of multilateral, regional and bilateral initiatives. For example, the multilateral efforts comprise support for an adaptation programme under the development banks' Climate Investment Funds (CIF). Regionally, the organisation, Agyrmet, receives support for improving meteorological

forecasts in West Africa. Bilaterally, programmes in Kenya are supported, with focus on extending renewable energy and energy saving technologies to small enterprises and households in rural areas, as well as supporting the resilience and natural resource management of local communities in the face of environmental changes brought about by climate change. Furthermore, in Indonesia, support is given towards implementation of the government's two climate change action plans for GHG emissions reduction and climate change adaptation, respectively. In 2012, support was provided for two specific sector interventions in Vietnam and South Africa within energy efficiency and renewable energy integration.

In accordance with the Government Platform and partly funded by the Climate Envelope, a Danish **Climate Investment Fund (KIF)** was established, which is administered by the Investment Fund for Developing Countries (IFU). Through investments and advisory support, the KIF's task is to widen the use of Danish technology in the climate field and promote Danish climate investments in developing countries. The KIF is to build on the lessons learned from other similar funds and initiatives and cooperate with these funds and other relevant actors.

In incorporating the Danish business community in development cooperation through **Danida Business**, there was a focus in 2012 on the transfer of sustainable solutions, responsible business operations and a more strategic utilisation of Danish strongholds.

In 2012, the MFA enhanced the work on Denmark's green profile through holding the second meeting in the **Global Green Growth Forum (3GF)**, which was attended by approx. 200 international high-level representatives of governments, the private sector and international organisations. 3GF seeks to translate climate and environmental challenges into growth and employment through a particular focus on establishing public-private partnerships. The forum contributed to forging new strategic relations with fast-growing economies, including new forms of bilateral and trilateral partnerships.

STRATEGIC GOAL 7:

The Nordic Countries and the Arctic Region

The overall level of goal attainment and performance for Strategic Goal 7 is classified as 'A' (full goal attainment). This classification is based on the contribution of 13 units.

In 2012, work was carried out to consolidate and streamline the **Nordic Council of Ministers' activities**, including a 10 per cent reduction of the Council's budget from 2014 to 2016. With this in mind, the Nordic countries in October 2012 agreed on a cut of 5 per cent in 2014 and a further cut of 5 per cent in 2015-2016. The reduction of the Nordic budget for 2014 will primarily affect the activities of the Ministers for Nordic Cooperation and to a certain extent activities in the cultural field. In spring 2013, the

Ministers for Nordic Cooperation are to implement the budget in their own budget frameworks: the secretariat, the joint activities, the neighbour policy area and the prioritisation budget. Against this background, the Swedish chairmanship of the Nordic Council of Ministers took the initiative to open a discussion on the vision of the Nordic Council of Ministers' future activities, including whether to launch measures to enhance Nordic cooperation. In 2012, work was carried out to follow-up on the recommendations presented in the Stoltenberg Report, including, for example, concerning the recommendations regarding increased Nordic Embassy cooperation. The opportunities for establishing joint Nordic Embassy buildings have been examined and there are now more than 25 joint diplomatic missions – most recently an Embassy building in Burma shared with Norway and the Swedish development aid agency, SIDA.

In 2012, the **Kingdom of Denmark and developments in the North Atlantic** became an increasingly prominent part of the MFA's focus and task delivery. During 2012, there was good interaction with the Greenland Home Rule Government and the Faroese Home Rule Government in connection with the safeguarding and promotion of the foreign interests of the two parts of the Kingdom, including, for example, during the Danish EU Presidency concerning Greenland's relationship to the EU and the Overseas Countries and Territories (OCT) arrangement. In 2012, the cooperation with Greenland was characterised by particular challenges in two areas. Firstly, international interest in Greenland's raw materials rose significantly during the year. This strengthened the need for coordination between the Government and the Naalakkersuisut (Greenland Home Rule Government), including Greenland's inclusion of Denmark on issues that potentially have defence and security policy implications. In 2012, therefore, negotiations were initiated on an agreement to set out the parameters for cooperation and mutual exchange of information in the foreign policy sphere. The negotiations on the agreement are expected to be completed in 2013. Secondly, there were difficult negotiations during 2012 between Greenland and Denmark concerning the determination of whale fishing quotas within the International Whaling Commission (IWC). These negotiations have not been concluded.

As specified in the **Kingdom of Denmark's Strategy for the Arctic 2011-2020**, the MFA is responsible for coordinating the achievement of the goals set out in the strategy. The primary goal for 2012 was to implement the priorities set out in the strategy, including increasing the coordination and exchange of information between the three parts of the Kingdom. To this end, a steering group was set up comprising representatives from relevant Government Ministries from all three parts of the Kingdom, tasked with ensuring ongoing follow-up on the specific goals in the strategy. An executive group was also set up composed of representatives from the MFA, the Naalakkersuisut, the Faroese Home Rule Government and the Prime Minister's

Office. The objective of this committee is to ensure a strategic prioritisation of the different focus areas and goals in the Arctic Strategy. In 2012, the MFA also appointed an Arctic Ambassador, who is responsible for, among other things, coordinating the work in relation to the Kingdom of Denmark Arctic Strategy as well as the Kingdom's work in the Arctic Council.

In 2012, the strategy was operationalised in an action plan with an indication of which public authorities are responsible for ensuring achievement of the specific goals. The implementation of the specific goals in the strategy is still in the initial phase.

STRATEGIC GOAL 8:

Consular services and central cross-cutting functions

The overall level of goal attainment and performance for Strategic Goal 8 is classified as 'A' (full goal attainment). This classification is based on the contribution of 66 units.

The MFA was heavily involved in organising and conducting **communication activities** in 2012. The EU Presidency placed increased demands on the communication efforts and presented opportunities for exploiting the increased focus on Denmark. An EU Presidency website was created, and both during and after the Presidency a number of press visits to Denmark were organised. In total, the MFA was involved in organising approx. 170 press visits to Denmark.

One of the marketing flagships was Monocle, a special supplement published on Denmark. At the same time, the Danish Missions complemented the culture and **public diplomacy** efforts with a number of activities. Several themes came under focus, including the Green Denmark. Overall, the activities and initiatives contributed to spreading awareness of Denmark and Danish strongholds as well as strengthening networks, all of which benefited Danish exports and the level of foreign investment in Denmark. In the activities, emphasis was placed on cross-ministerial collaboration and the involvement of important Danish actors.

In 2012, the MFA provided assistance to more than 4,000 **Danes who found themselves in distress abroad**. In collaboration with the Embassies and the 24/7 Global Operations Centre, the MFA handled, among other things, difficult consular cases concerning child abductions as well as cases relating to imprisonment, forced marriage and piracy. The Danish Missions received approx. 107,000 visa applications and approx. 27,000 applications for residence and work permits. Added to this are the many cases dealt with by the large network of Danish Honorary Consulates and the MFA's Legalisation Department.

In the first half of 2012, the MFA began implementing biometry in the issuance of passports and residence permits at approx. 100 Missions. A new and more intensive training concept for handling visa administration was introduced

with regular training provided to staff at Missions. As follow-up on the Government Platform, the MFA worked actively in an inter-ministerial visa working group that was tasked with ensuring up-to-date Danish visa rules that can contribute to strengthening the competitiveness of enterprises and the tourist industry and to supporting the efforts to attract and retain both foreign investments and the presence of international organisations in Denmark.

The MFA implemented a new **HR Strategy** in 2012 with particular focus on ensuring motivation and job satisfaction in the wake of two large-scale rounds of dismissals. In 2012, targeted efforts were made to adapt the tasks and the ambition level to the lower level of resources, to improve internal communication and to strengthen the performance of management tasks. In addition, work was initiated on a project aimed at clarifying career progression opportunities for staff through the development of clear, formalised and flexible career paths. In the **competence development field**, focus in 2012 was placed on reorganising the MFA's approach to competence development in a way that more effectively supported the MFA's organisational development, which has partly led to an increased number of local staff. The goal was thus to make the approach to competence development more flexible, targeted and cost-effective.

The intention is to continue the above **HR development projects** in 2013, during which a review and revision of the MFA's salary policy will also be conducted with the aim of ensuring that it supports the wishes for clear and attractive career paths, better development opportunities and flexibility.

The MFA has drawn up an **efficiency enhancement plan for 2012 and 2013** that is designed to ensure an ongoing adjustment of the MFA's activity level to the falling appropriations in 2012 and in the years ahead. The efficiency enhancement plan contains a number of initiatives, including reprioritisations in the Missions abroad, and an adjustment of the MFA's tasks and staff team in 2012 as a result of the changed economic *framework conditions* for the MFA and central government in general after the financial crisis.

In 2012, the MFA implemented a **new budget management model**, which requires, for example, the presentation of monthly reports to the Senior Management on budget and accounting follow-up. The implementation is to be seen in the context of the Ministry of Finance's project on "Good financial management" and the related circular. In 2012, the MFA's budget management worked according to plan, and the crucial target of a black bottom line was achieved.

In 2012, the MFA planned the transition to **new finance systems and standardised case procedures and work-flows** within bookkeeping and financial management at the beginning of 2013, the so-called "Clover Project". The project has entailed the implementation of a new financial

governance model that is to provide the framework for more efficient and transparent financial management throughout the MFA organisation using a new and more modern IT platform.

From 2012, the MFA has established an IT Board with the aim of ensuring **efficient management of IT and digitalisation** throughout the MFA. This means that all new IT projects must be presented for approval, whilst regular status reports are to be submitted on the activities in progress. The IT Board is composed of the Senior Management, the Head of IT (chairman) and the Head of Finance. The IT Board is to ensure 1) coherence between business and IT, 2) overview and efficient management of the digitalisation projects, and 3) that IT and digitalisation deliver service improvements, enhanced quality and financial benefits.

In 2012, it was decided that the **MFA's performance management model** is gradually to be replaced by a new concept called strategic priority and resource management (SPR). The formulation of the MFA's operational goals will continue to take a point of departure in an overall priority plan drawn up on the basis of the Government Platform. What is essentially new is that the units in the MFA are no longer able to formulate their own performance objectives in the performance contracts, which in previous years has led to the formulation of over 1,000 performance objectives in the organisation. In the SPR process for 2013, a total of 28 central goals have been formulated. The intention is to ensure that the MFA's performance management in the future focuses even more on the general political goals of the MFA. The process of reforming the MFA's performance management will continue in the coming years.

4. ACCOUNTS

The scope of accounting concerning the revenue and cost accounts comprises Section 06.11.01 The Danish Foreign Service, Section 06.11.02 – The Government’s Joint Expenditure Related to the Danish EU Presidency, and Section 06.11.05 – Revenue from Consular Services.

4.1 Applied accounting procedures

- The MFA adheres to the general government accounting rules for cost-based accounts and cost-based appropriations, with the following comments: In conformity with the agreement with the Ministry of Finance, all transferable or partially transferable properties are valued on the basis of a market valuation carried out in 2005, whereas non-transferable properties are valued on the basis of the acquisition price. No revaluations are made regularly in relation to market developments in relation to the transferable and partially transferable properties. The value of all properties is divided according to three categories: land, buildings and installations. The value of installations is fixed at 10 per cent of the value of the building.
- Assets that fall under the grants/subsidies sphere are not included in the cost-based accounts.
- As a rule, IT equipment is depreciated in accordance with the guidelines laid down by the Danish Agency for the Modernisation of Public Administration (*Moderniseringsstyrelsen*) (3 years’ depreciation). Until the end of 2012, the lifespan of large IT equipment (e.g. servers) in the service abroad is fixed at five years, but this practice will end as of 2013 in connection with the implementation of the Clover systems.
- Until 2011, all capital acquisitions were capitalised in accordance with a *de minimis* figure of DKK 3,000. In 2012, the *de minimis* figure was raised to DKK 50,000 and all bundled capital assets were depreciated via operations. This change in accounting principle led to an operating expenditure of approx. DKK 35 million in 2013.
- In 2005, the MFA entered into agreement with the Ministry of Finance and the Danish Agency for the Modernisation of Public Administration regarding the continued use of joint bank and cash holdings in the service abroad. Financing of the service abroad, calculation of bank balances, etc. as well as the distribution of interest between operations and grants/subsidies is carried out according to a distribution key. This practice will end as of 2013 in connection with the implementation of the Clover systems. Bank and cash hold-

ings will subsequently be divided according to operations and grants/subsidies entries, each with its own cash flow account.

- In 2012, the MFA made adjustments to equity, including opening balance adjustments, as a result of discrepancies between SKS (National Concern System/*Statens Koncernsystem*) and Navision at the 4-digit account level.

4.2. Profit and loss account

The MFA’s profit and loss account for the years 2011-2013 is presented below in table 6.

Table 6. The MFA's profit and loss account 2011 – 2013 (DKK million)

Profit/loss as of 31.12.2012	Accounts 2011	Accounts 2012 incl. EU	Accounts 2012 excl. EU*	Budget 2013
Ordinary operating revenue				
Appropriations booked as revenue				
Appropriations	-1,921.9	-2,144.2	-1,985.2	-1,756.4
Amount spent of previous year's reserved appropriations	-36.2	-77.7	-14.1	-13.1
Amount reserved of current year's appropriations	77.7	13.3	13.1	13.1
Appropriations booked as revenue, total	-1,880.4	-2,208.6	-1,986.2	-1,756.4
Sale of goods and services	-120.8	-112.4	-112.4	-111.2
Fees/charges	-66.9	-88.8	-88.8	-55.0
Ordinary operating revenue, total	-2,068.2	-2,409.8	-2,187.4	-1,922.6
Ordinary operating costs				
Consumption costs				
Rent	260.2	250.9	249.4	250.0
Other consumption costs	3.5	3.8	3.2	3.0
Consumption costs, total	263.7	254.7	252.6	253.0
Personnel costs				
Salaries and wages	690.9	665.2	665.2	609.8
Pension	105.3	101.4	101.4	116.2
Reimbursement of pay	-109.9	-118.2	-118.2	-101.6
Other personnel costs	6.2	8.2	8.2	6.6
Personnel costs, total **	692.6	656.6	656.6	631.0
Depreciation and amortisation	118.8	312.7	312.7	104.0
Other ordinary operating costs	912.5	976.6	878.0	900.5
Ordinary operating costs, total	1,987.6	2,200.5	2,099.8	1,888.5
Result of ordinary operations, total	-80.6	-209.3	-87.6	-34.1
Other operating entries				
Other operating revenue	-93.0	-103.7	-103.7	-80.0
Other operating costs	25.6	15.6	15.6	15.0
Other operating entries, total	-67.5	-88.1	-88.1	-65.0
Result before financial items, total	-148.0	-297.4	-175.7	-99.1
Financial items				
Financial revenue	-1.9	-0.7	-0.7	0.0
Financial costs	104.5	111.0	111.0	99.1
Financial items, total	102.5	110.4	110.4	99.1
Result before extraordinary items, total	-45.5	-187.1	-65.4	0.0
Extraordinary items				
Extraordinary costs	3.0	3.4	3.4	0.0
Extraordinary revenue	-2.4	-1.4	-1.4	0.0
Extraordinary items, total	0.6	2.1	2.1	0.0
Year-end profit/lost, total	-44.9	-185.0	-63.3	0.0

*) In 2012, the MFA incurred costs related to the Danish EU Presidency. This expenditure has been deducted in this column, so that the year-end profit/loss presented is more easily comparable with a normal operating year.

**) The MFA's personnel costs contain salary related to commercial activities, grants to individuals as well as allowances from project salaries and therefore exceeds the actual payroll, cf. section 4.6, table 11.

Note: A positive (+) figure = expenditure/deficit, and a negative (-) figure = revenue/surplus.

Table 7. Distribution of year-end profit (DKK million)

	2012
Appropriated earned surplus	0.0
Transferred to reserve equity	0.0
Transferred to dividends to Treasury	0.0
Transferred to carry-forward surplus	-63.3

Table 8. The MFA's balance sheet 2011 – 2012 (DKK million)

Balance as of 31.12.2012	2011	2012
Assets		
Fixed assets		
Intangible fixed assets		
Completed development projects	34.7	95.3
Acquired concessions, patents, licences, etc.	2.9	2.7
Development projects in progress	90.3	22.5
Intangible fixed assets, total	127.81	120.53
Tangible fixed assets		
Land, space and buildings	1,793.3	1,580.1
Transport equipment	16.1	19.7
Plant and machinery	11.1	9.8
Fixtures and fittings, tools and IT equipment	124.7	74.4
Work in progress at own cost	30.9	33.7
Tangible fixed assets, total	1,976.1	1,717.7
Financial fixed assets		
Government bonds	32.8	32.8
Other financial fixed assets	-0.0	-0.0
Financial fixed assets, total	32.80	32.80
Fixed assets, total *	2,136.7	1,871.0
Current assets		
Accounts receivable	189.3	343.4
Securities	-0.0	-0.0
Cash and cash equivalents		
FF5 Non-interest-bearing account	283.4	150.7
FF7 Financing account	519.3	-421.8
Other cash and cash equivalents	109.9	599.6
Cash and cash equivalents, total	912.58	328.58
Current assets, total	1,101.9	672.0
Assets, total	3,238.6	2,543.0

*) Fixed assets are specified in separate notes 1 and 2 in section 6.1.1.

4.3. The balance sheet

The MFA's balance sheet for 2011-2012 is presented below in table 8. Notes to the balance sheet can be found in section 6.1.1.

Balance as of 31.12.2012	2011	2012
Liabilities		
Equity		
Adjusted equity	-32.8	-32.8
Carry-forward surplus	-101.8	-349.7
Equity, total	-134.6	-316.9
Provisions	-90.1	-87.8
Long-term liabilities		
Mortgage debt and other long-term debt	-3.5	-2.0
FF4 Long-term debt*	-2,105.6	-1,897.3
Long-term liabilities, total	-2,109.11	-1,899.30
Short-term liabilities		
Suppliers of goods and services	-83.6	-66.0
Other short-term debt ***	-600.3	-42.5
Holiday pay due****	-99.8	-107.3
Reserved appropriation	-77.7	-13.3
Prepayments, liabilities	-43.2	-2.2
Short-term liabilities, total	-904.71	-238.99
Debt, total	-3,013.8	-2,138.3
Liabilities, total	-3,238.6	-2,543.0

*) FF4 debt is specified in a separate statement, cf. annex, notes 1 and 2.

**) The reduction in the supplier debt is due to an extraordinary large debt in 2011, which was reduced to a more normal level in 2012.

***) The size of other short-term debt at the end of 2012 is due to the fact that the unsettled account between operations/maintenance and grants/subsidies was not settled until January 2012, cf. large cash holdings.
****) In 2011, provisions were made for DKK 37.8 million from holiday pay due. The amount concerns liabilities payable to locally employed staff in the service abroad.

4.4. Explanation of equity

The MFA's equity is calculated below in table 9. As a result of the decreased expenditure, equity rose from DKK 134.3 million to DKK 316.9 million, primarily due to a decrease of DKK 121.7 million in the expenditure related to the Danish EU Presidency. This expenditure decrease was not carried forward.

Table 9. Explanation of the MFA's equity in 2012 (DKK million)

	2012
Initial capital, year-beginning	-32.8
+ alteration of the amount of initial capital	0.0
Initial capital, year-end	-32.8
Revaluations, year-beginning	0.0
+change in revaluations	0.0
Revaluations	0.0
Reserved equity, year-beginning	0.0
+ changed in reserved equity sum	0.0
Reserved equity, year-end	0.0
Carry-forward surplus, year-beginning	-120.0
+ opening balance adjustments and transfers between scopes of accounting	1.6
+ adjustment of the carry-forward surplus	1.1
+ year-end surplus carried forward	-185.0
- year-end profit/loss appropriated	-121.7
- dividends to the State	0.0
Carry-forward surplus, year-end	-195.2
Equity, year-end (before appropriated)	-316.9

4.5. Follow-up on the separate cash flow scheme during 2012

The MFA's operating appropriations fall under the scope of the separate cash flow scheme. The scheme is tailored to the special organisational conditions at the Missions of the Danish Foreign Service. Until the end of 2012, there was

Table 12. MFA appropriation accounts for Section 06.11.01 – The Danish Foreign Service, Section 06.11.02 – The Government's Joint Expenditure Related to the Danish EU Presidency, and Section 06.11.05 – Revenue from Consular Services (DKK million)

	Accounts 2011	Budget (FL+TB) 2012	Accounts 2012	Difference	Appropriation/Budget 2013
Net cost appropriation	1,835.5	2,144.2	2,023.6	120.6	1,811.4
Net expenditure of reserved appropriation	41.50		64.4	-64.4	
Revenue	-285.2	-291.7	-306.9	15.2	-246.2
Expenditure	2,120.7	2,435.9	2,330.5	105.4	2,002.6
Year-end result	-44.9		-185.0*		

Note: Rounding up procedures have caused discrepancies between the individual figures and the totals.

*The figures in table 12 do not take account of the DKK 121.7 million in decreased expenditure under **Section 06.11.02**, which has not been carried forward in connection with the appropriation settlement.

no physical separation of grant funds and operating funds. In order to ensure that the scheme is administered in relation to the rules governing separate cash flow, the MFA has chosen a scheme where the specific FFx accounts are adjusted at centralised level. This scheme will expire from and including 2013, as payment with and without separate cash flow is to be separated.

Table 10. Utilisation of the borrowing limit (DKK million)

	2012
Balance on FF4 as of 31.12.2012	1,838.2
Borrowing limit on FL12	2,528.6
Rate of utilisation in %	72.7%

4.6. Follow-up on the payroll ceiling

The MFA's payroll expenditure totalled DKK 645.9 million, which meant an expenditure decrease of DKK 36.3 million. The total payroll savings subsequently amounted to DKK 55.5 million by the end of 2012.

Table 11. Follow-up on the payroll ceiling (DKK million)

	2012
Main account	Section 06.11.01
Payroll ceiling FL (Finance and Appropriation Act)	697.4
Payroll ceiling incl. TB (Supplementary Appropriation/Appropriation Notes)	682.2
Payroll expenditure under payroll ceiling*	645.9
Difference (year-end expenditure decrease)	36.3
Accumulated saving, year-end 2011	19.2
Accumulated saving, year-end 2012	55.5

4.7. The appropriation accounts

The appropriation accounts for Section 06.11.01, Section 06.11.02, and 06.11.05 are presented below in table 12. See also section 2.3. on the financial results for 2012.

5. MANAGEMENT REPORT

The Annual Report comprises the main accounts on the Finance and Appropriation Act for which the Ministry of Foreign Affairs of Denmark is responsible, CVR number 43 27 19 11: Section 06.11.01 – The Danish Foreign Service, Section 06.11.02 – The Government's Joint Expenditure Related to the Danish EU Presidency, and Section 06.11.05 – Revenue from Consular Services, including the accounting principle explanations¹, which are to be presented to Rigsrevisionen (National Audit Office of Denmark) in connection with the appropriation audit inspection for 2012.

Ministry of Foreign Affairs of Denmark, 15 April 2013



Claus Grube
*Permanent Secretary of State, Ministry of Foreign
Affairs of Denmark*



Grete Sillasen
Head, Department of Finance

It is herewith stated:

- That the Annual Report is true and accurate, i.e. the report does not contain significant misinformation or omissions, and the presentation of goals and performance reporting in the Annual Report is comprehensive.
- That the expenditure detailed in the presented accounts conforms to the announced appropriations, laws and other rules as well as entered agreements and normal practice.
- That procedures have been established which ensure proper financial management of funds and operations in the Ministry of Foreign Affairs of Denmark.

1) The accounting principle explanations are excl. Section 06.11.13 - DCISM

6. ANNEXES

6.1. Notes to the profit/loss account and the balance sheet

Extraordinary accounting items in 2012 (profit/loss account)

	Revenue (DKK million)	Expenditure (DKK million)
Irrecoverable debts for countries in connection with burning down of Embassy		1.9
Lawyers' fees in connection with a previously sold property in Hamburg		0.7
Balance on balance accounts related to closed accounts		0.2
Other extraordinary expenditure		0.7
Received directors' fees	-0.4	
Extraordinary VAT reimbursement abroad	-0.4	
Other extraordinary revenue	-0.7	
Total	-1.5	3.5

Extraordinary items

Extraordinary revenue in 2012 totalled approx. DKK 1.5 million, whilst extraordinary expenditure was incurred for a total of approx. DKK 3.5 million. Both items are specified in the main groups above.

Loss on receivables (Balance sheet)

The entered loss on receivables for 2012 amounted to approx. DKK 0.6 million net. Of this amount, DKK 0.1 million is entered as loss on other accounts receivable and DKK 0.2 million is entered as revenue concerning depreciation in relation to previous debts. Based on a balance list examination, DKK 0.6 million has been provisioned for expected loss on accounts receivable in 2013.

Inventories (Balance sheet)

The MFA has no inventories for the purpose of resale.

Provisions (Balance sheet)

Within the MFA, provisions are made annually for more than 500 leases in the service abroad. A number of leases change during a calendar year as a result of different accommodation needs under the "new housing policy". As of 31 December 2012, the amount totalled DKK 55.4 million. In 2012, the balance was adjusted with an additional expenditure of approx. DKK 4.3 million.

Mortgage debt (Balance sheet)

Mortgage debt was incurred in regard to the Embassy in Berlin, which falls due in 2014.

New financial data after balance date

In 2011, a discrepancy was observed between the MFA's SKS accounts and the MFA's NS (Navision Stat) accounts. This discrepancy has been corrected in connection with the presentation of accounts for 2012.

6.1.1. Notes to the balance sheet

Note 1. Intangible fixed assets (DKK million)

	Completed development projects	Concessions, patents, licences, etc.	Total
Cost price as of 01.01.2012	141.4	3.3	144.7
Opening balance adjustments and transfers between scopes of accounting	78.9	0.0	78.9
Acquisition	0.0	0.0	0.0
Disposal	0.0		0.0
Cost price as of 31.12.2012	220.3	3.3	223.6
Accumulated depreciation	-125.0	-0.5	-125.5
Accumulated amortisation		-0.1	-0.1
Accumulated depreciation and amortisation 31.12. 2012	-125.0	-0.5	-125.5
Financial value as of 31.12.2012	95.3	2.7	98.1
Annual depreciation	-18.2	-0.1	-18.3
Annual amortisation	0.0	-0.1	-0.1
Annual depreciation and amortisation	-18.2	-0.1	-18.4
Depreciation period/year	5-8	80.0	0.0

Development projects in progress

	DKK million
Opening balance as of 01.01.2012	90.3
Acquisition	21.8
Amortisation	0.0
Transferred to completed development projects	-89.6
Cost price as 31.12.2012	22.5

Note 2. Tangible fixed assets (DKK million)

	Land, space and buildings	Infrastructure	Plant and machinery	Transport equipment	Fixture and fittings, tools and IT equipment	Total
Costs price as of 01.01.2012	2,000.0	0.0	45.1	64.5	497.8	2,607.4
Opening balance adjustments and transfers between scopes of accounting	0.0		0.0	0.0	0.0	0.0
Acquisition	29.5		1.7	11.8	24.6	67.6
Disposal	-38.3		-4.1	-9.0	-4.6	-56.0
Cost price as of 31.12.2012	1,991.2	0.0	42.7	67.2	517.8	2,618.9
Accumulated depreciation	-226.0		-32.9	-47.6	-439.0	-745.4
Accumulated amortisation	-185.1			0.0	-4.4	-189.5
Accumulated depreciation and amortisation	-411.1	0.0	-32.9	-47.6	-443.4	-934.9
Financial value as of 31.12.2012	1,580.1	0.0	9.8	19.7	74.4	1,684.0
Annual depreciation	-26.2	0.0	1.1	0.7	-70.2	-94.6
Annual amortisation	-178.2		0.0	0.0	0.0	-178.2
Annual depreciation and amortisation	-204.4	0.0	1.1	0.7	-70.2	-272.8
Depreciation period/year	50 / 20 / 0	None	0.0	5 / 8	3 / 5 / 10 / 10+	

Work in progress at own cost**DKK million**

Opening balance as of 01.01.2012.	30.9
Acquisition	21.6
Amortisation	-0.1
Transferred to completed tangible fixed assets	-18.7
Cost price as of 31.12.2012	33.7

6.2. Commercial activities

A statement of the commercial activities under the MFA Competence Centre (UMKC) is presented below in table 14.

Table 14. Commercial activities 2009-2012 (DKK million)

	2009	2010	2011	2012
Language training, year-end profit/loss ("-" sign = surplus)	-1.5	-2.2	-2.1	2.4
Language training, accumulated year-end profit/loss ("-" sign = surplus)	-3.1	-5.3	-7.4	-5.0

6.3. Fee-financed activities

A statement of fee-financed activities in the MFA under Section 06.11.05 is presented below in table 15. The legislative framework has been respected and observed.

Table 15. Fee revenue 2009-2012 (DKK million)

	2009	2010	2011	2012
Fee - passports	-7.3	-8.6	-7.7	-16.5
Fees - legalisation	-10.4	-11.1	-11.4	-12.3
Fees – assistance cases	-0.3	-0.3	-0.4	-0.4
Fees – visas and residence/work permits	-41.7	-47.0	-46.2	-57.9
Other fee revenue	-1.7	-1.3	-1.3	-1.7
Total	-61.5	-68.2	-66.9	-88.8

6.4. Presented investments

Table 16. Capital projects in progress (DKK million)

Capital projects in progress	Most recently presented	Commencement of construction	Expected completion	Incurred expenditure, total	Incurred expenditure, current year	Approved total expenditure
Embassy building, Dhaka*						DKK 7.0, cf. Appropriation Note 178, 2005
Embassy and residences, New Delhi**		2014	2016	3.0	0.3	DKK 136.0, cf. Appropriation Note 48, 2008***

*In the declaration from the Nordic Foreign Ministers' Meeting on 31.10.2012, it was decided to work towards a Nordic joint location solution in Dhaka. The capital project is under deliberation.

** Start of engineering design activity (EDA) incl. EU procurement = 2010. Commencement of construction originally announced for 2012, but changed to 2014. Expected completion = 2016

*** The cost in connection with the acquisition of land rights amounts to DKK 136 million, which was defrayed in 2010.