

## **Strategy for Denmark's**

### **Cooperation with the OECD Development Assistance Committee (DAC) and the Development Co-operation Directorate (DCD)**

**2023 - 2026**

## **List of abbreviations**

COP: Conference of the Parties

CoP-PF4SD: Community of Practice on Private Finance for Sustainable Development

DAC: Development Assistance Committee

DCD: Development Co-operation Directorate

DEV: Development Centre

ENV: Environment Directorate

ENVIRONET: Network on Environment and Development Co-operation

ERC: External Relations Committee

EVALNET: Network on Development Evaluation

GENDERNET: Network on Gender Equality

GNI: Gross National Income

GOVNET: Network on Governance  
GPEDC: Global Partnership for Effective Development Cooperation

GPG: Global Public Goods

HDP: Humanitarian-Development-Peace

HLM: High Level Meeting

IATI: International Aid Transparency Initiative

IDE: In-Depth Evaluation

IOR: intermediate output results

INCAF: International Network on Conflict and Fragility

MOPAN: Multilateral Organisation Performance Assessment Network

MVI: Multidimensional Vulnerability Index

ODA: Official Development Assistance

OECD: Organisation of Economic Cooperation and Development

OR: Output Results

PWB: Programme of Work and Budget

SDG: Sustainable Development Goals

SEAH: Sexual Exploitation Abuse and Harassment

SRHR: Sexual and Reproductive Health and Rights

SWAG: Sahel and West Africa Club

TAD: Trade and Agriculture

TOSSD: Total Official Support for Sustainable Development

WP-STAT: Working Party on Development Finance Statistics

## **1. Objective**

This Strategy for the cooperation between Denmark and the Organisation of Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) and the Development Co-operation Directorate (DCD) forms the basis for Denmark's voluntary contributions to this part of the organisation. It is the central platform for Denmark's dialogue and partnership with DAC and DCD. It sets up Danish priorities for the DAC performance within the overall framework established by DAC's own Programme of Work.

The purpose of Denmark's engagement in and support to DAC, is - together with the leading development actors/donors - to continuously strengthen and further develop policies for, measurement of and learning from official development assistance (ODA) and development cooperation efforts. Furthermore, the purpose is to strengthen the quality and results of development cooperation in order to increase development impact as well as contributing to increased resource mobilisation for the 2030 Agenda.

The span of this strategy – from the beginning of 2023 to the end of 2026 (four years) – represents a particular period for Denmark, as this is the first time in DAC's more than 60 years history that DAC has a Danish Chair.

## **2. The Organisation**

### **2.1. Mandate and Mission**

To Denmark, DAC has a key agenda-setting role internationally in the field of development. The Committee analyses and helps shape the global development architecture with the objective to maximise development results and impact.

The DAC mandate was revised and updated in 2022 and now covers the period 2023-2027. The overarching objective of DAC is to promote development co-operation and other relevant policies to contribute to implementation of the 2030 Agenda for Sustainable Development. This includes promoting inclusive and sustainable economic development, the advancement of equalities within and among countries, poverty eradication, improvement of living standards in developing countries, and striving towards a future in which no country will depend on development assistance.

For more than sixty years, DAC has gathered the world's main donors of ODA. There are currently 31 members<sup>1</sup>. In 2021, ODA by the (then 30) DAC members amounted to USD 185.9 billion. DAC is defining and monitoring global standards in key areas of development. DAC aims to be the preferred platform for all providers to monitor, measure, share lessons and set policies to improve the quality, results and impact of development co-operation and stimulate mobilisation of resources for implementing the 2030 Agenda.

DAC contributes to OECD's overarching goal: To shape policies that foster prosperity, equality, opportunity and well-being for all. DAC's work supports the United Nations and its agencies in

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<sup>1</sup> Australia, Austria, Belgium, Canada, Czech Republic, Denmark, EU, Finland, France, Germany, Great Britain, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Lithuania, Luxembourg, The Netherlands, New Zealand, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland and USA.

implementing the Sustainable Development Goals (SDG) and other international commitments such as the Paris Agreement, the Addis Ababa Action Agenda and the Rio Conventions.

## 2.2. Organisation and Management

DAC is the central committee in OECD's development architecture. It holds monthly meetings attended by Paris-based delegates of the 31 members and by officials from member capitals<sup>1</sup>. In addition, DAC holds High Level Meetings (HLM - generally every 2-3 years) at the level of development ministers. In between High Level Meetings, DAC convenes Senior Level Meetings (attended by heads of aid agencies) to review the Committee's work on current policy issues. The HLMs are supplemented by an annual meeting called Tidewater, where the Heads of Agency meet for a more informal policy dialogue on development challenges and priorities. DAC works consensus-based.

DAC has a special status in the OECD with a full-time chairperson elected by committee members. As of 1 March 2023 the DAC Chair is Ambassador Carsten Staur from Denmark. This is the first time Denmark holds this position during more than 60 years of membership. DAC's work is supported by the DCD. DCD's director as of January 1 2023 is María del Pilar Garrido Gonzalo from Costa Rica, and she reports to the Secretary-General of the OECD. The activities of the DCD are set out in biennial work programmes (Programme of Work and Budget - PWB) which DAC continuously monitors. The Chairman organises the work of the Committee in cooperation with the DCD and the members of the Committee.

DAC has a number of subsidiary bodies (working party and networks), which bring together national sectoral experts from the member countries. These bodies are tasked with preparing and providing professional input to DAC's work as well as independently discussing and following agendas in their respective areas. The mandates of all the bodies have been renewed together with the overall DAC mandate by the end of 2022. The bodies are:

- Working Party on Development Finance **Statistics** (WP-STAT)
- Network on Development **Evaluation** (EVALNET)
- Network on **Gender Equality** (GENDERNET)
- Network on **Environment** and Development Co-operation (ENVIRONET)
- Network on **Governance** (GOVNET)
- International Network on **Conflict and Fragility** (INCAF)

In addition, a number of informal groups are organised on an ongoing basis to deal with particular issues such as coordination with the implementation of the DAC Climate Recommendation across the DAC entities. DAC is striving to "standardise" this work and to ensure that all their mandates are limited in time.

DAC cooperates with other relevant bodies of the OECD on cross-cutting issues and in particular on policy coherence for sustainable development, including with the Environment Directorate (ENV) and Trade and Agriculture (TAD). The OECD has established a 'development cluster', which include the Development Centre (DEV) and the Sahel and West Africa Club (SWAG). DEV was established in 1961 as a forum for knowledge sharing and exchange of experience between countries inside and outside the OECD. DEV's membership currently consists of 26 OECD countries (not including US, UK and Germany, among others) and 29 non-OECD countries (primarily middle-income countries). SWAG is an independent, international

platform hosted at the OECD, which promotes regional policies to improve the economic and social well-being of people in the Sahel and West Africa.

In the External Relations Committee (ERC), OECD also has a wide range of initiatives aimed at cooperation with non-member countries. Brazil, China, India, Indonesia and South Africa have privileged status as 'Key Partners'. In addition, there are regional programmes with, among others Southeast Asia and Latin America.

DAC also engages with non-DAC OECD Members in areas of mutual interest. This includes other providers of development co-operation (like China, Brazil, Arab countries), international organisations, private sector organisations, foundations, and civil society representatives in line with principles of development co-operation effectiveness, to ensure transparency and the relevance and inclusiveness of DAC's work.

DAC is involved in the following three partnerships that go beyond the OECD/DAC set up: Global Partnership for Effective Development Cooperation (GPEDC – 2012), Total Official Support for Sustainable Development (TOSSD – 2017) and the Multilateral Organisation Performance Assessment Network (MOPAN – 2002).

### **3. Key Strategic Challenges and Opportunities**

#### **3.1. DAC's Strength, Relevance and Comparative Advantage**

DAC is considered the custodian of ODA and thereby performs a key role vis-à-vis the UN target set in 1970 for countries to spend at least 0.70% of GNI (Gross National Income) on ODA. The DAC represents the largest, most influential and impactful group of donor countries with longstanding engagement and experience in development cooperation, based on common values. DAC has the ability to influence the international development agenda. Through its subsidiary bodies, DAC has deep knowledge on specific areas that can support the members' ongoing advancement and improvement of their development cooperation.

DAC has a leading role in defining and monitoring global standards in key areas of development and often acts as a convening platform internationally for different development issues. DAC also aims to be the preferred platform for other donors to monitor, measure, share lessons and set policies to improve the quality of their cooperation efforts.

#### **3.2. Adapting to Changing Framework Conditions, New Actors, and Better Collaboration with Partners**

As the Custodian of ODA, it has been positive for DAC to see that ODA has increased year by year in recent years – and even proved resilient during the financial crisis and COVID. However, the increase in ODA will probably not continue, as many countries face budgetary pressures, including from increasing defence spending. At the same time, development demands and needs are increasing faster than the growth in ODA not least due to the multiple global crises, climate challenges and the unprovoked and illegal war of aggression in Ukraine. This challenges DAC members' ability to prioritise and further ensure the catalytic and transformative role of ODA in their development cooperation. COVID, Climate, and Conflicts have taken focus away and possibly disrupted other more traditional development efforts, especially in the global South.

As ODA's role in support of the SDGs is getting more limited, DAC will also have to focus on how to utilise ODA to mobilise more investments to developing countries through the private sector (e.g. by ODA leveraging private finance for the SDGs and catalysing private sector driven solutions towards systems transformation). However, solid evidence of these partnerships as real and sustained drivers of systemic transformation remains elusive.

Evidence suggests that one of the main reasons for this, especially when trying to reach the poorest of the poor, is that the business case of sustainability is often not proven (or perceived by the private sector). So far, this has resulted in limited market uptake of catalytic and transformative sustainability solutions, especially in poor and fragile contexts. Thus, the impact of engaging the private sector in realising the SDGs remains limited in scale, the partnerships often not being able to sustain themselves beyond ODA subsidies. Also, it will be important to focus on how to mobilise more national revenue for development, not least through national taxation systems.

In general, the discussion of the integrity of ODA is also an issue that is becoming more thorny, as development policy and funding is getting more and more joined up with other policy areas at national level, e.g. in relation to foreign policy and private sector instruments. At the same time, ongoing discussions in the UN on the development of a Multidimensional Vulnerability Index (MVI) and international debate on Global Public Goods (GPG), are issues that can potentially challenge the integrity of ODA.

Geopolitically, there are also challenges confronting the development agenda, including from non-DAC donors who do not necessarily share same approaches, means and values in their development cooperation.

When it comes to the financing of DAC's work, and the funding of DCD's activities including support to other networks and working parties, the new PWB for 2024-2023 is facing challenges, as is also the case for the wider OECD. The organisation is experiencing an overall budget pressure due to a more restrictive budget approaches by members, a relatively generous staff salary adjustment mechanism, rising costs, esp. on energy, and ongoing new asks and demands from members. As other parts of the OECD, DAC is financed by approx. 30% from the part-1-budget (assessed contribution) and 70% from voluntary contributions of which a large amount are earmarked. From 2023 several donors, including Sweden, Norway, UK and US have indicated that they foresee cuts in their Voluntary Contributions to DAC/DCD.

### **3.3. Evaluation**

DAC is generally viewed as a well-functioning institution. The latest In-Depth Evaluation (IDE) of DAC was compiled in 2016. The results of the IDE reflected that the committee had improved its efficiency, which was ranked high. At the same time, the relevance of the committee's mandate and objectives had slipped a little back since 2007, but nevertheless still remained and ranked high. Regarding effectiveness, measuring the extent to which the committee's products have had an impact in alignment with members' policy needs and concerns ranked medium to high, which reflected a fall back from a previous high-ranking level.

The IDE highlighted the committee's products as credible, rigorous and informative in nature, but criticised that the products do not necessarily find their way to the appropriate audience and furthermore that they can be difficult to operationalise and transform into practice. The

IDE further recommended that the committee finds a way to better exploit the potential of the GPEDC as well as improved their horizontal work with other OECD bodies to ensure further progress in focusing mandates and work programs on priority policy needs and concerns. Furthermore, the IDE recommended that the committee, due to its size and complexity and thus the related resources needed, renew its effort to optimise its meeting infrastructure, substructure and related processes, which would contribute to maintaining a high level of efficiency in the coming period.

The next IDE of the committee is planned to commence in 2023 and is expected to last 18-24 months.

The ongoing efforts to improve the impact and efficiency of DAC will continue to focus on the prioritisation of the work around DAC's core functions. This will include narrowing down the number of intermediate output results of the DCD (see also below); the before-mentioned "standardisation" of informal groups (time limited mandates) as well as a more selective use of the different DAC-meeting formats (especially at HLM/Senior Level Meetings). To increase financial stability and predictability, Denmark will also support the development of a funding strategy for Voluntary Contributions.

#### **4. Priority Areas and Results to be Achieved**

##### **4.1. DAC's output results and intermediate output results**

Danish involvement will be based on Denmark's strategy for development cooperation 'The World We Share'. Denmark will work to ensure that the implementation of DAC's mandate takes place in a way that ensures the Committee's continued relevance and impact. By ensuring further and wider impact of the work of an international organisation like the OECD DAC, Denmark contributes to a stronger international order.

DAC's work programme for 2023-24 has the following five Output Results (OR), which Denmark fully supports, as they are considered well aligned to Denmark's strategy:

- **OR1** - Mobilising and aligning finance for the 2030 Agenda
- **OR2** - Making development co-operation more effective, impactful, and inclusive, including through better partnerships and innovation
- **OR3** - Preventing and addressing fragility and crises
- **OR4** - Tackling poverty and inequalities, achieving gender equality, and enabling inclusive governance in order to leave no one behind
- **OR5** - Promoting sustainable management and use of natural capital

Denmark will continue to engage in the ongoing prioritisation of DAC's work keeping a strong focus within DAC's core areas/functions and on those areas where the OECD overall is considered to have added value in the development arena. This is the case when the OECD, through its products and platforms, is able to inform and strengthen development policy and practice.

During the discussions in DAC on the PWB for 2023-24 Denmark, among other countries, strongly supported narrowing down the number of intermediate output results (IOR) from 34 to 18 in the new budget. Within the 18 IORs (see Annex 2), the three highest priorities



according to a member survey were allocated approx. 75 % of the Part-1-budget (assessed contributions) to safeguard work streams within these areas.

## **4.2 DAC and Denmark's Strategic Policy Priorities**

In addition to the overall focus on core areas and ensuring added value, Denmark will engage selectively in activities and fora that are linked to the thematic priorities of the Danish Development Strategy outlined below. Danish priorities will, where possible, be linked to DAC's own IORs, as formulated in DAC's PWB for 2023-24.

### **4.2.1. ODA integrity**

Transparency is key to the general trust in and support for development cooperation. Accurate definitions and measures of development are important means to create transparency and comparability.

DAC's role as custodian for the integrity of ODA is unique and represents a significant contribution in the area for international development. ODA is the only internationally recognised financial source for development cooperation, and is under pressure to adapt to new agendas.

Denmark is committed to:

- Maintain the integrity of ODA so that ODA statistics, concepts and calculations are credible, hereunder maintain ODA's overall purpose on economic and social development in developing countries, particular poor, fragile countries. Protect the relevance and cohesion between policy markers, purpose codes and other categories of definitions to promote consistent and correct reporting of data to the OECD. Furthermore, to work for the establishment of a common standard for such definitions with organisations such as IATI (International Aid Transparency Initiative) to further promote consistent reporting and transparency.
- Actively engage in consultations, coordination and related processes regarding new challenges such as MVI and GPGs.

### **4.2.2. Climate and fair green transformation**

Denmark attaches great importance to the assistance by the OECD DAC to the Member States with the aim of aligning their development cooperation with the goals set out in the Paris Agreement and thus implementing the DAC declaration on climate, environment and biodiversity, which was adopted ahead of COP26 in Glasgow in November 2021. The declaration covers a wide range of areas and is further transformed into an action plan. The implementation of the declaration and action plan represents the largest budget item expenditure (approx. 20 per cent) of DAC's work programme for 2023-24. It will be implemented across all priority work areas with ENVIRONET as an anchor. This is a very significant prioritisation of climate and green transition compared to the work programme for 2021-2022.

Denmark will work for the ambitious implementation of the DAC declaration's priorities, and has specifically prioritised to contribute to the elaboration of a "common approach to net zero energy transition", referred to under iv) below. Furthermore, Denmark will be particularly

engaged in the work to realise the following sub-goals ("deliverables i-vii from the declaration"):

- i) Monitoring and reporting of progress on DAC Climate Declaration commitments; including horizontal coordination support across climate- and environment-related deliverables.
- ii) Support mainstreaming through a peer learning exercise based on OECD guidance on strengthening climate resilience, and joint products with other DAC bodies.
- iii) Support for resilience and adaptation policies, including one report on access to adaptation finance and a guidance module for resilience and adaptation capabilities in SIDS contexts.
- iv) Support for net-zero transitions, including analysis, evidence and practice to inform and support a DAC common approach.
- v) Support for effectiveness approaches (in collaboration with the Development Effectiveness team), including analysis, key lessons, and best practices for effectiveness in climate and environmental action.
- vi) Support for mobilisation actions, including guidance on blended finance for adaptation and biodiversity (jointly with PF4SD), and knowledge exchange on greening financial systems including support for effective carbon pricing in development contexts.
- vii) Support for Biodiversity, including peer exchange and dialogue, research and evidence on aligning development finance with nature and the post-2020 Global Biodiversity Framework.

#### **4.2.3. Gender equality**

Women's rights and gender equality, including Sexual and Reproductive Health and Rights (SRHR), have for many years been high on the Danish policy agenda and thus also reflected in the Danish development cooperation strategy. These priorities are also central to Denmark's engagement in OECDs development activities. In this regard Denmark will prioritise the following areas:

- Engage actively in the GENDERNET forum to strengthen peer learning on how best to promote gender equality and SRHR in development cooperation as well as contribute to the work of the DAC Reference Group on Ending SEAH (Sexual Exploitation Abuse and Harassment).
- Engage in discussions on the nexus between gender equality and climate change through the GENDERNET/ENVIRONET forum and explore areas of common interests with the OECD DAC members with the aim of strengthening policies and programmes.
- Focus on the particular vulnerabilities women and girls face in fragile settings through participation in INCAF.

#### **4.2.4. LDC's and fragility**

There is great emphasis on fragile and conflict-affected countries in the Danish development cooperation strategy. This includes creating hope and opportunities for people by promoting economic and social protection and development in fragile countries, regions and regions of origin impacted by conflict and disaster. Denmark will engage in OECD INCAF with the following priorities:

- Include prevention in all activities to address the fundamental causes of fragility. Improve access to data and analysis on fragile contexts and the financial resources to and in fragile and crisis contexts.
- Prevention of serious violations of human rights, Do No Harm/conflict sensitivity and the humanitarian principles are critical aspects in situations of fragility. Common donor positioning of principled humanitarian assistance and a HDP-nexus approach that also safeguard humanitarian space/access should be pursued.
- Operationalise DAC recommendation on the HDP-nexus to improve aid effectiveness and results in fragile and crisis contexts.

#### **4.2.5. Development Finance**

Denmark will be actively engaged in the Community of Practice on Private Finance for Sustainable Development (CoP-PF4SD), where Denmark already acts as co-chair (together with Italy and Norway). Development of new and effective financing instruments for mobilising private capital, not least for climate investments, as well as further development of standards for blended finance and impact will be an important priority of Denmark in this context. A voluntary contribution to the DCD Secretariat of CoP-PF4SD will be considered.

Denmark will continue to follow the development of the TOSSD methodology and report to DAC in accordance with the agreed standard.

#### **4.3. Monitoring**

Monitoring will be done through DAC's established processes and reporting in accordance with standard OECD processes and procedures.

### **5. Budget**

The Danish financial contributions to the OECD's development activities in 2021-22 and the expected contributions in 2023-2024 are shown in Annex 1.

DAC's budget for 2023-2024 is expected to amount to EUR 40.4 million, of which EUR 12.3 million or about 30 % will be financed by the member contributions to the OECD/Part-1-budget. Voluntary contributions from the members of the DAC are thus a prerequisite for the implementation of the OECD DAC work programme and budget – as it is for the rest of OECD.

For a number of years, Denmark's voluntary contributions to DAC's PWB have remained stable at DKK 5 million annually. The contributions have alternated between being allocated directly in the Finance Act and being provided in connection with framework adjustments. From FFL23 onwards, DKK 10 million will be committed every two years (2023 and 2025, respectively), so that the full commitment can be made at the beginning of the first year of a work programme, and payment can take place in two annual instalments of DKK 5 million each.

The contributions have been made as a combination of unearmarked and softly earmarked contributions. For the work programme for 2021-2022, Denmark has thus provided an unearmarked contribution of DKK 5 million and a contribution of DKK 5 million, which was softly earmarked for 1) COVID-19 recovery work, incl. joint evaluation of the response to the pandemic, 2) the result area climate and environment and 3) peer reviews.

Based on the narrowing down of IORs for 2023-24 and overall high satisfaction with the results achieved, Denmark will provide unearmarked annual contributions of 5 million DKK throughout 2023-2026.

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## Annex 1: Danish financial contributions to the OECD's development activities in 2021-22 and the expected contributions in 2023-24 (amounts in DKK)

	OECD-DAC		OECD Development Centre	
	2021-2022	2023-2024	2021-2022	2023-2024
Membership fee			1.5 mio. (FL21)	1.7 mio. (FFL23)
Voluntary contribution	2x5 mio. (FFL21)	2x5 mio. (FFL23)		
Total	10 mio.	10 mio.	1.5 mio.	1.7 mio.

## Annex 2: The 18 IORs and the agreed budget including distribution of Part-1 Budget

### Scenario 2bis (total 40.4 MEUR) for the 2023-24 DAC PWB

The actual distribution between un-earmarked and earmarked VCs will be influenced by the timing and associated conditions of Members' VCs during PWB implementation

