



The use of the development aid budget for refugees in Norway

BACKGROUND

In common with most other OECD/DAC¹ members, Norway reports in-country expenses for refugees as official development assistance (ODA). These expenses amounted to around 10 percent of the total Norwegian aid budget in 2015. In the Government's budget proposal for 2016 the expenses were estimated to be 21 per cent of the total development aid budget². The actual amount was less, due to fewer than expected refugee arrivals.

The Evaluation Department in Norad is mandated to evaluate all components of Norwegian ODA. The choice of areas to be evaluated shall be based on the nature of the issue at hand, how important it is considered to be, and the level of risk. The funding of expenses for refugees in Norway fulfils all these selection criteria. Before deciding whether and how to conduct an evaluation, the Evaluation Department commissioned KPMG to carry out a background study³. The purpose of the study was to identify the official explanation for why these funds are counted as official development assistance, and to

identify any specific guidelines for what to include in the cost covered by the development assistance budget.

In this brief background note, we present the most important findings from the background study.

BRIEF DESCRIPTION OF OFFICIAL DEVELOPMENT AID TO REFUGEES

As can be seen from the graph below, 2015 is not the first time that development assistance to refugees has been high. Over the last twenty years, there have been five peak periods when between six and ten per cent of the aid budget was spent on refugees. Most of these peaks appear to be related to migration flows and refugee crises⁴. In other words, ODA to refugees is variable and peaks are not unique.

While the MFA refunds the agreed expenses from the aid budget, the assistance to refugees is administered by three different ministries: the Ministry of Justice and Public Security, the Ministry of Education and Research, and the Ministry of Children and Equality. Of total expenses in 2015, the Ministry of Justice and Public Security was responsible for 75 per cent of total costs, the Ministry of Children and Equality for about 24 per cent and the Ministry of Education and Research for about two per cent⁵.

1 Organisation for Economic Co-operation and Development / Developing Assistance Committee (OECD/DAC)

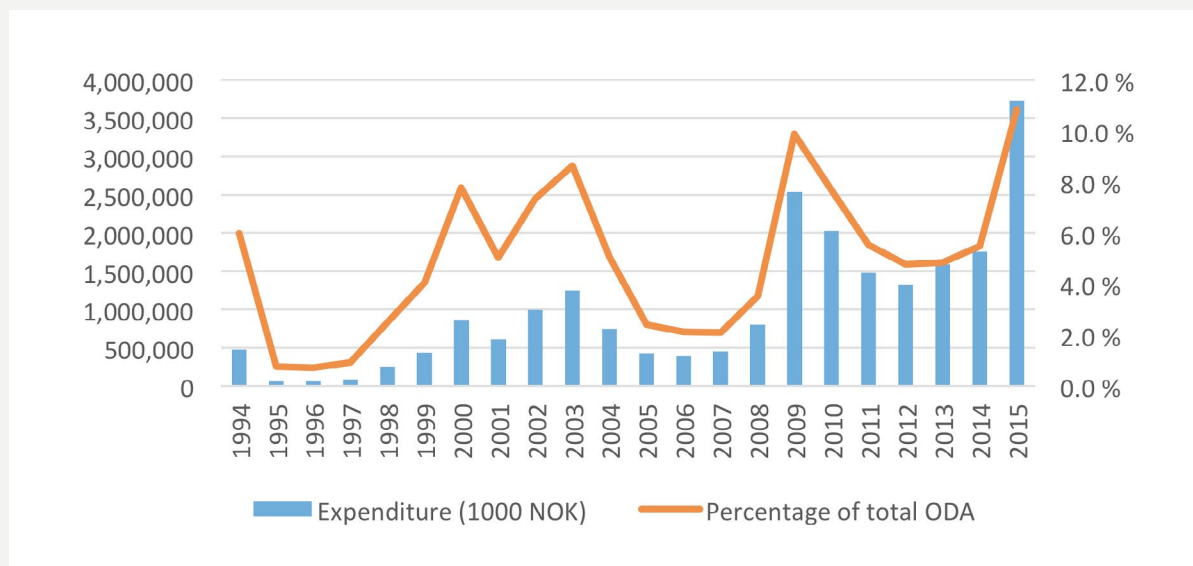
2 This percentage was calculated by Norad based on the budget proposal to the Storting. See <https://www.norad.no/aktuelt/nyheter/2015/verdt-a-vite-om-flyktningtiltak-i-norge/>

3 The unpublished internal background study was written by Geir Sundet, KPMG, and the Ministry of Justice, the Directorate of Immigration and the Ministry of Foreign Affairs were all offered the opportunity to comment on a draft before this was finalized. The work was conducted in September–December and was based on archived material in the Ministry of Justice, Norad, and the Ministry of Foreign Affairs. In addition, the consultant also searched for public documents on the same topic.

4 See Figure 4 on Statistics Norway's webpage: <https://www.ssb.no/innvandring-og-innvandrerer/nokkeltall> showing refugee and migration flows to Norway. Accessed on 5 January 2017.

5 The Evaluation Department has based the calculation on ODA-reporting to Norad in 2016. Sources: (JD, 2016, KD, 2016, BLD, 2016).

930 - REFUGEES IN DONOR COUNTRIES



Graph created by Geir Sundet (2016), using cited data.

Directorates subordinate to these ministries are also involved. The Directorate of Immigration, for example, managed a grant for reception centres of NOK 2.6 billion in 2015 (JD, 2016). To put this in perspective, this was more than the total transfer of funds to the World Bank Group the same year⁶.

While several ministries are responsible for administration, KPMG concludes that the *'responsibility for budgeting, including how costs are calculated, rests in the final instance with the MFA.'* This implies that the MFA is also responsible for ensuring that the funds are spent in accordance with the main purpose of official development assistance and Norwegian development policy.

PURPOSE OF ODA TO REFUGEES IN NORWAY

The stated overall purpose of Norwegian development policy is to *'promote economic development, democratization, implementation of human rights, good governance and measures that can lift people out of poverty for good. Priority is given to education, humanitarian assistance, health and vaccination, private sector development, climate change adaptation and mitigation,*

*and human rights.'*⁷ In addition, several cross-cutting issues with respect to gender and human rights, climate change and anti-corruption apply to Norwegian official development assistance.

In the background study, KPMG found no distinct formulation of purpose for development assistance to refugees, aside from adhering to the OECD/DAC Reporting Directives. One may therefore assume that the purpose of in-country refugee costs is the same as with other funds from the aid budget. OECD states that ODA is⁸ *'provided by official agencies, including state and local governments, or by their executive agencies; and (...) is administered with the promotion of the economic development and welfare of developing countries as its main objective (...).'* This suggests that the purpose of ODA to refugees in Norway is also to promote the development of developing countries.

Clearly, this does not imply that Norway does not assist refugees for humanitarian reasons, which is obviously a major reasoning for receiving refugees in Norway, only that the use of ODA for this purpose is to benefit inhabi-

⁶ According to 'Bistand i tall' found at norad.no, the World Bank received almost NOK 2.5 billion in 2015. Website: <https://www.norad.no/om-bistand/norsk-bistand-i-tall/?tab=partner> accessed on 6 January 2017.

⁷ Can be accessed at: <https://www.regjeringen.no/en/topics/foreign-affairs/development-cooperation/id1159/>

⁸ Concessional loans can also be included. See definition on <http://www.oecd.org/dac/stats/officialdevelopmentassistance/definition-andcoverage.htm>

tants of low-income countries. For evaluation purposes this should then imply that any measures of the effectiveness of this support as ODA should measure the extent to which all types of ODA funding promote development in low-income countries in a cost-efficient manner.

THE OECD/DAC DIRECTIVES FOR REPORTING IN-DONOR REFUGEE COSTS

The inclusion of in-donor country refugee costs in the OECD/DAC directive in 1988 was controversial and highly political according to a historical overview by Hynes and Scott (2013). The discussion appears to have started in the early 1980s after the major refugee crises in the 1970s, from countries such as Vietnam, Cambodia and Laos. The inclusion of costs for assistance to refugees situated in developing countries was uncontroversial. However, the debate continued for some years as to whether costs for assisting refugees in donor countries could also be included. Even though refugee costs were included in the reporting directives almost 20 years ago, Hynes and Scott writes (2013:8) that *'there is still controversy about developmental motivation'* of the inclusion of these costs.

According to the KPMG background note, the reporting directives have largely remained unchanged. Costs of assisting refugees are accepted for up to one year. KPMG describes the following key principles:

- > *'A refugee who is from an ODA recipient country is ODA-eligible for one year*
- > *Expenditure for sustenance while the refugee is in transit is permitted, but not expenditure for integrating the refugee in the host country*
- > *Costs incurred as a result of resettling refugees in developing countries are permitted'*

In addition, resettlement to a developed countries as well as deportation and forcible measure are excluded. The types of temporary sustenance that can be covered are *'food, shelter and training'*. The logic appears to be that promoting the welfare and skills of refugees may benefit developing countries when they return. For the latest version of the reporting directives see (OECD, 2016:31)⁹. In the most recent version, donor countries are no longer

asked to report these expenses¹⁰; rather it is stated that in-donor refugee costs *'can be counted'*. This is in line with current practice as not all donors report in-donor refugee costs as ODA.

THE NORWEGIAN INTERPRETATION OF OECD/DAC DIRECTIVES

Norway has interpreted 'refugee' as meaning all asylum seekers arriving on Norwegian soil. In addition, quota refugees are included. The 12-month period covered by the ODA budget starts when the refugee arrives, and does not expire before the 12-month period has passed, even if the application has been rejected. Costs related to voluntary return represent the exception to the 12-month rule. In these instances, costs are counted as ODA even when asylum seekers have been in Norway for a longer period of time. This seems to be in line with the purpose of benefiting inhabitants in low-income countries.

KPMG found that the types of costs included by Norway are: *'sustenance, medical treatment, basic education, language training, transport and resettlement, transportation costs for voluntary return and various administrative costs of the Ministries, directorates and local authorities dealing with refugees.'* With respect to determining whether welfare costs are eligible, the following are considered. First it is decided whether a particular type of expense goes towards sustenance (food, shelter and training), or whether the grant is mainly for integration purposes, in which case it should not be counted as ODA. Sustenance appears to be interpreted literally, i.e. as the means to ensure the welfare of refugees. Second, an estimation is made with respect to origin and length of stay according to the formula below (from the KPMG study).

FORMULA FOR DETERMINING ODA-SHARE

ODA-expense= Total cost **X** fraction of refugees covered who are still in their first year **X** fraction of refugees covered who are from ODA countries.

This formula is used when total refugee costs involves refugees from non-eligible ODA countries and where some may have been in the country for more than a year.

With some exceptions, this implies that the total cost fluctuates with the number of refugees.

⁹ The last version of the OECD/DAC Reporting Directives can be accessed at: [https://www.oecd.org/dac/stats/documentupload/DCDDAC\(2016\)3FINAL.pdf](https://www.oecd.org/dac/stats/documentupload/DCDDAC(2016)3FINAL.pdf)

¹⁰ The change is from 'record' to 'can be counted'

To assist budgeting, a group tasked with calculating refugee costs (not only ODA) was established in 2008 (Beregningsgruppa). The Ministry of Justice and Public Security is responsible for the group that includes members from all ministries and directorates involved. The Directorate of Immigration acts as secretariat. The group meets quarterly and provides an updated estimate of the number of refugees. As can be seen from estimations from 2015, this is not an exact science. According to the revised budget (Prop. 1 S Tillegg nr. 1, 2015 :6), the group estimated that 30 000–50 000 asylum seekers would arrive in 2016. By November 2016, 3051 asylum seekers had arrived¹¹, less than one-tenth of the estimate.

While the underlying principles have not changed, the types of costs included have. KPMG concludes in its background study that the Norwegian interpretation is incremental and has changed over time.

The KPMG background study also makes it clear that transparent and publicly available information about the use of, and rationale for the ODA budget to cover in-country costs for refugees is limited.

INCREASED ODA TO REFUGEES IN NORWAY MAY REDUCE TRADITIONAL ODA

A major difference between ODA spent on refugees in Norway and more traditional ODA is that Norway *has* to bear the costs *and* that these sums are to some extent outside Norwegian control. Norway is obliged under Norwegian and international law to consider all valid¹² applications for asylum. If costs are deemed to be ODA-eligible, they are redeemed through the MFA's budget. When Norway offers traditional development assistance, this tends to be within a predetermined cost framework and the most unpredictable aspect is likely to be whether the partner has a capacity to absorb these funds. In addition, many contracts may contain a clause stipulating that continued funding depends on the Storting making these funds available. This implies that if the one per cent target of GNI is fixed, large fluctuations in ODA to refugees may create unpredictability for traditional development assistance. This is also reflected in the Ministry of Justice and Public Security's budget proposal (Prop. 1 S (2015–2016):p166) which states

11 Retrieved 20 December 2016. <https://www.udi.no/statistikk-og-analyse/statistikk/asylsoknader-etter-statsborgerskap-og-maned-2016/>

12 Not all asylum applications will be considered in Norway, for example due to the Dublin Regulation.

that an increase in the number of asylum seekers may reduce the ability to address humanitarian needs in the refugees' countries of origin, i.e. more traditional aid.

HETEROGENEOUS INTERPRETATION OF DAC DIRECTIVES AMONG DAC MEMBERS

The DAC reporting directives on in-donor refugee costs are open to interpretation and are interpreted differently among DAC members. A survey of DAC countries and two non-members, published by the DAC secretariat in 2016 found that:

- > In 21 countries the 12-month period starts before a decision regarding the application is made, while in 4 countries the period starts after a decision is made
- > 3 countries only include costs for asylum seekers granted asylum
- > 12 countries include quota refugees in the ODA budgets (Norway is one)
- > In Switzerland, after a decision is made, only rejected applicants are included

The OECD/DAC has established a temporary working group on refugees and migration where Norway is participating¹³. The work will be in two main areas: 1) Better programming to deliver comprehensive solutions to refugee crises and 2) Clarifying the Reporting Directives and improving the consistency and transparency of in-donor refugee costs. The working group is expected to complete its work before the end of 2017.

CONSEQUENCES FOR EVALUATION

While in-country refugee costs fulfil the requirements for being evaluated according to the Evaluation Department's mandate, the following aspects are taken into consideration.

Firstly, given that these funds qualified as ODA, one assumption that might be tested and evaluated is that the main purpose is to contribute to the development of low-income countries. This applies to all in-country refugee costs, including costs of reception centres. If the overall purpose of this assistance is the development of low-income countries, then an evaluation that examines the development effects more closely may be warranted. That said, the Directorate of Immigration and the Ministry

13 See <http://www.oecd.org/dac/refugees-migration-working-group.htm>

The Evaluation Department, located in Norad, initiates evaluations of activities financed over the Norwegian aid budget. The Department is governed under a specific mandate and reports directly to the Ministry of Foreign Affairs. The evaluations are carried out by independent evaluators, and all evaluation reports are made public.

February 2017 **Norad**
ISBN: 978-82-7548-845-7 Norwegian Agency for Development Cooperation
Cover photo: The Norwegian Directorate of Immigration. (Hå asylum reception centre) www.norad.no
post-eval@norad.no

of Justice and Public Security have commissioned and published several evaluations on the effects of the return of asylum seekers whose applications are rejected¹⁴. Secondly, given that in-country refugee costs could affect the rest of the ODA budget, an evaluation may examine the effects of this in greater detail.

However, given that an OECD/DAC temporary working group has been established to clarify the reporting directives and improve the consistency and transparency among OECD/DAC members, this may clarify some of the questions and concerns. A possible evaluation initiated by the Evaluation Department will therefore be considered after the OECD/DAC working group has concluded its work towards the end of 2017.

REFERENCES

BLD 2016. Rapportering av statistikkdata for norsk bistand i 2015 - tilbakemelding fra BLD *In: DET KONGELIGE BARNE- LIKESTILLINGS- OG INKLUDERINGSDEPARTEMENTET* (ed.). Oslo.

HYNES, W. & SCOTT, S. 2013. The Evolution of Official Development Assistance, Achievements, Criticisms and a Way Forward *OECD Development Co-operation Working Papers* OECD Publishing

JD 2016. Rapportering av statistikkdata for norsk bistand i 2015. *In: DET KONGELIGE JUSTIS-OG BEREDSKAPSDEPARTEMENTET* (ed.). Oslo

KD 2016. Rapportering av statistikkdata for norsk bistand i 2015 - ODA-godkjente utgifter *In: DET KONGELIGE KUNNSKAPSDEPARTEMENTET* (ed.). Oslo

NORAD 2016 The Norwegian interpretation and practice of the OECD DAC regulations for in-donor country refugee expenses. Oslo Unpublished background note written by KPMG.

OECD 2016. Converged statistical reporting directives for the creditor reporting system (CRS) and the annual DAC questionnaire, Chapters 1-6

PROP. 1 S (2015–2016) 2015. Proposisjon til Stortinget (forslag til stortingsvedtak). *In: JUSTIS OG BEREDSKAPS- DEPARTEMENTET* (ed.). Oslo

PROP. 1 S TILLEGG NR. 1 2015 FOR BUDSJETTÅRET 2016 - Endring av Prop. 1 S (2015–2016) Statsbudsjettet 2016 og Prop. 1 LS (2015–2016) Skatter, avgifter og toll 2016 (økt antall asylkomster). *In: FINANSDEPARTEMENTET, D. K.* (ed.). Oslo

¹⁴ See for example: <https://www.udi.no/en/statistics-and-analysis/research-and-development-reports/> Other ministries and directorates involved have also published work that may be of relevance.