

October 2017

Questions and answers regarding:

Official Development Assistance and Refugee Costs – Switzerland Compared to Other Countries

The most important in brief

Every year the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) publishes a comparison¹ of spending by its member countries on official development assistance.² The ODA/GNI ratio is calculated on the basis of gross national income (GNI). Switzerland achieved a ratio of 0.54% in 2016. Total ODA spending was CHF 3.5 billion. This is about 5% of the national budget.

The Swiss share is higher than the DAC average of 0.32%. Measured in terms of economic performance, this places Switzerland in eighth position among donor countries. In volume terms, Switzerland ranks 12th among the 30 OECD-DAC countries. Switzerland's ODA ratio has been trending upward since 2003, but as of 2004, Switzerland's in-donor refugee costs have been making up a substantial portion of this ratio, which is really intended to measure expenditure on official development assistance. Since 2004 Switzerland has been spending an average of 14% of its ODA funds on refugee costs, and 16% since 2008. While the share of refugee costs in DAC member countries' ODA has been rising, contributions to the poorest countries have been declining since 2014.

1. What is the ODA/GNI ratio?

ODA is the internationally recognized measure of official development aid.

It measures the amount of public funds spent by donor countries for development and makes the amounts comparable. In 1970, the economically developed countries pledged, in the UN framework, to allocate 0.7% of their GNI for the development of poor countries. Thus, the ODA ratio is also a measure of the extent to which OECD countries fulfil their responsibility toward the world's poor and poorest – or fail to do so. In 2016, only six countries delivered on the pledge they made almost 50

¹ To enhance readability, this study only considers DAC member countries that have either an ODA ratio or GNI above the DAC average.

² On 11 April 2017 the OECD-DAC published the provisional 2016 figures. They are available at: <http://www.oecd.org/development/stats/development-aid-rises-again-in-2016-but-flows-to-poorest-countries-dip.htm>

years ago (Norway, Luxembourg, Sweden, Denmark, Germany and the United Kingdom).

The definition of ODA encompasses expenditure intended to promote the economic and social development of recipient countries or funds allocated to multilateral organizations. DAC member countries jointly determine which expenditure counts as ODA; they can therefore include or rule out certain types of expenditure.

2. What is the OECD-DAC?

The Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) is the principal forum of the major traditional providers of development co-operation. The DAC membership comprises 29 OECD countries (including Switzerland) as well as the EU. Emerging countries are not represented.

The DAC discusses issues regarding the effectiveness of development aid, it lays down criteria and coordinates the work. The Development Assistance Committee determines what expenditures donor countries may count as Official Development Assistance (ODA) and maintains the relevant statistics.

3. Does Switzerland have an ODA budget?

No, Switzerland has no separate ODA budget.

ODA compares the official development assistance provided by DAC member countries according to the OECD-DAC definition. In Switzerland it includes spending by various federal offices. In addition to the framework credits for international cooperation (humanitarian aid, bilateral and multilateral development cooperation by the Swiss Agency for Development and Cooperation (SDC), the economic and trade policy measures of the State Secretariat for the Economy (SECO), the measures to promote peace and human security undertaken by the Human Security Division (HSD)), refugee costs are also a major factor – budgeted by the State Secretariat for Migration (SEM). SDC and HSD are located in the Federal Department of Foreign Affairs (FDFA), SECO in the Federal Department of Economic Affairs, Education and Research (EAER), while SEM is attached to the Federal Department of Justice and Police (FDJP).³

An ODA ratio can serve the Parliament and Administration as a budget planning target. In 2008, for example, the Parliament decided to increase ODA to 0.5% of GNI by 2015. In the current dispatch on International Cooperation for the years 2017-2020, the ODA target is 0.48%. Actual ODA spending, however, can only be determined retrospectively when all ODA-related expenditure has been made and GNI has been determined. The provisional ODA ratio for the prior year is always announced during the annual DAC Senior-Level Meeting in April. The definitive figures are published in October.

³ SDC publishes the statistical data on Swiss APD: see <https://www.eda.admin.ch/deza/en/home/activities-projects/figures-statistics/statistische-tabellen.html>

4. Why does Switzerland count refugee costs as ODA?

Like all OECD member countries, Switzerland is allowed to report refugee costs as ODA.

Since 1992 the DAC has permitted its member countries to count refugee-related costs as ODA for the first year after arrival. DAC member countries, as donors of development funds, set the guidelines on the costs that can be reckoned as ODA themselves.

Since the end of the 1990s Switzerland has been charging some refugee costs to its ODA. The initial amounts were small, but have been rising steadily since 2004. The calculation method was adjusted at that time so that Switzerland could achieve an ODA/GNI ratio of 0.4% without coming up with additional development funds.⁴ Between 2004 and 2013, Switzerland consistently had the highest share of refugee costs in its ODA compared to other countries.

5. Are there countries that do not include refugee costs in ODA?

Yes, there are also OECD-DAC members that do not include refugee costs in their ODA.

Luxembourg, Australia and South Korea do not include refugee costs, Luxembourg being one of the few countries whose ODA spending exceeds 0.7% of its GNI. While many countries, including Switzerland, count as ODA the refugee costs incurred for the 12 months following an application for asylum, the United Kingdom, Belgium and France have decided to count only the costs incurred from the time of the submission of the asylum application until a decision is reached on the application. In other words, in these countries the full duration of 12 months is not always used up. In the United Kingdom, for example, the asylum decision is often taken within six months of the filing of the application and therefore only the costs incurred for the asylum seeker for these six months rather than the possible 12 months are counted as ODA.

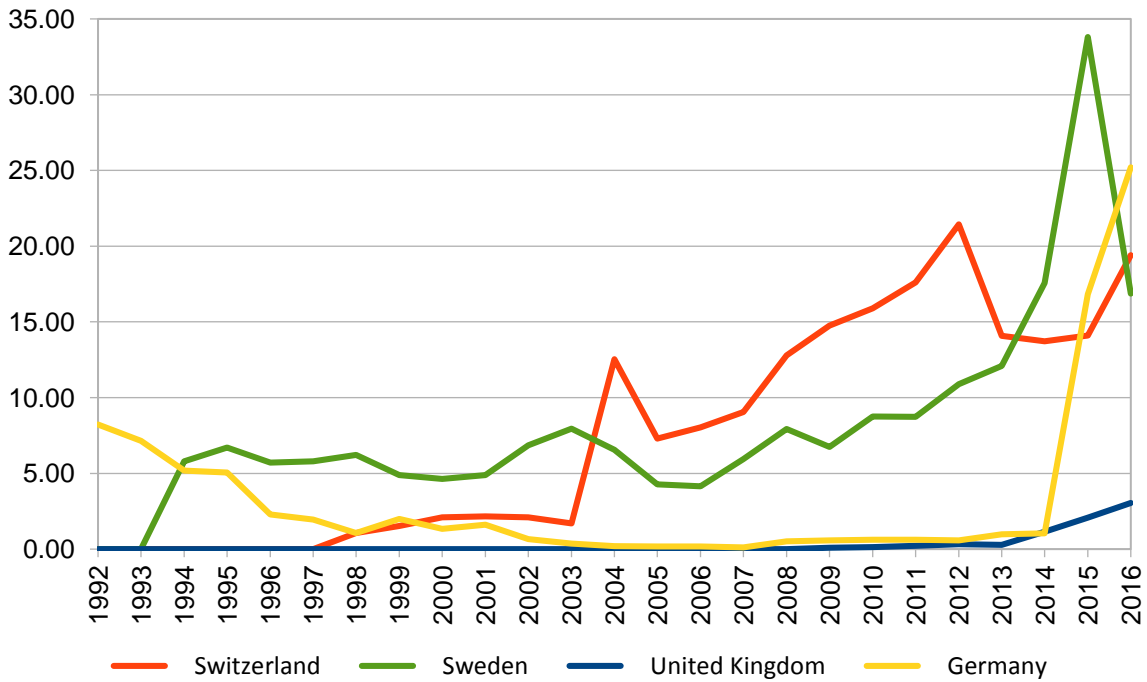
6. How much in refugee costs do Switzerland and other countries count as ODA?

In Switzerland, every fifth franc that was declared as development funding in 2016 went toward refugee costs.

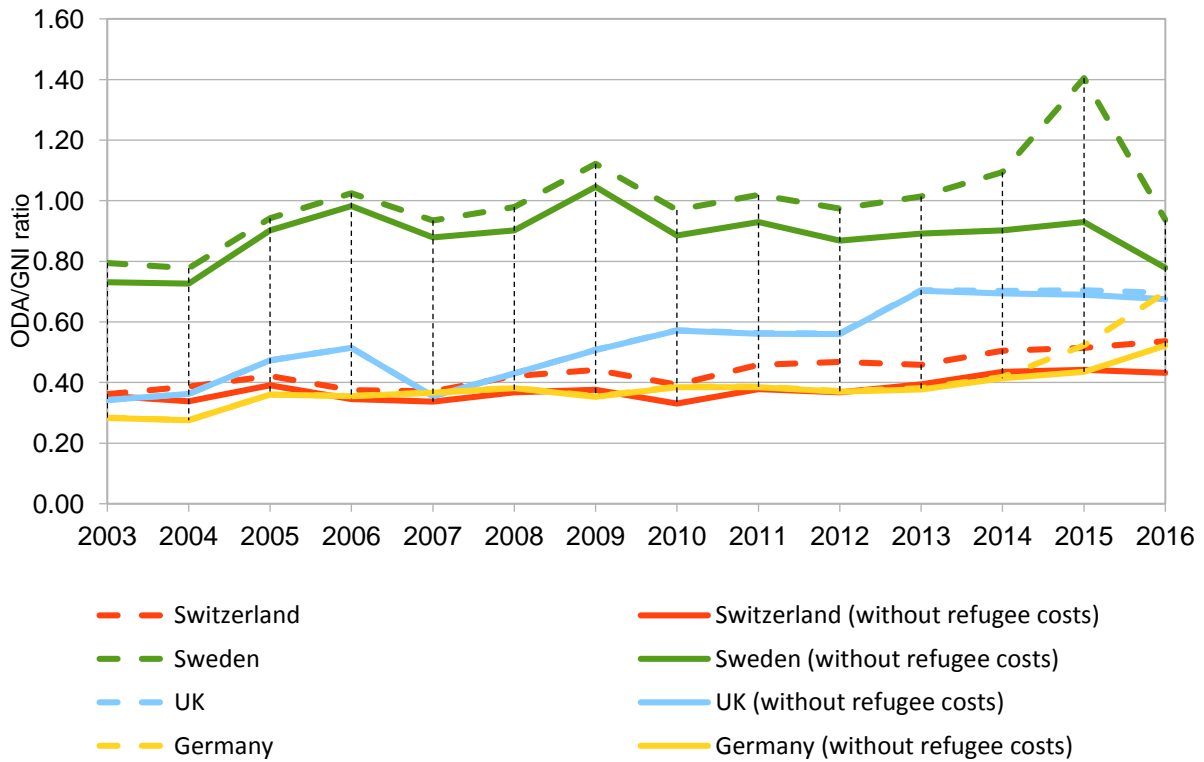
The exact amount was 19.4% of reported ODA spending. Only four countries (Austria 37.7%, Italy 34.3%, Germany 25.2% and Greece 22.3%) reported an even higher share of refugee costs for 2016. In Greece and Italy, ODA amounts of 0.14% and 0.26%, respectively, lie below the DAC average, though the number of refugees is far above the EU average. Austria and Germany, unlike Switzerland, have increased their development budgets despite higher refugee costs, with Germany's ODA reaching a ratio of 0.7% of GNI for the first time in 2016. Other countries with high shares of refugee costs like Norway, Denmark and Sweden report ODA ratios, whether with or without refugee costs, that are substantially higher than those of Switzerland.

⁴ Peter Niggli, *Der Streit um die Entwicklungshilfe: Mehr tun – aber das Richtige!* (Zurich: Rotpunktverlag, 2008), p. 57.

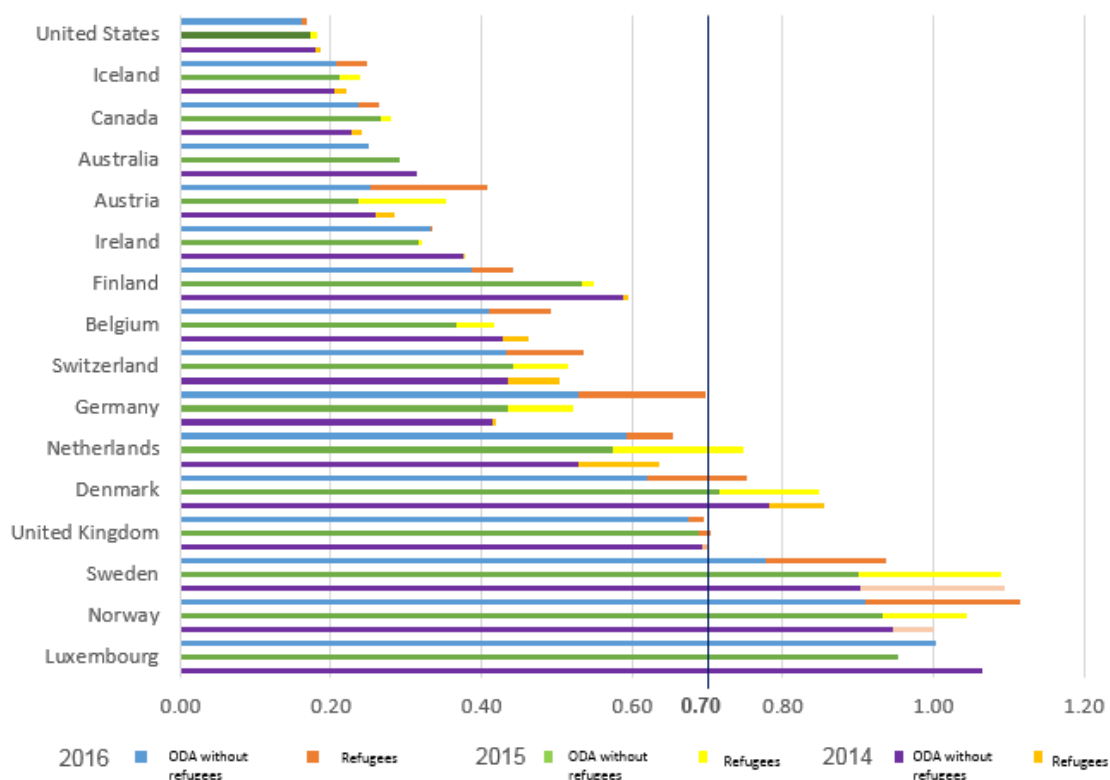
Refugee costs included in ODA as % of ODA



ODA with and without refugee costs since 2003



ODA Ratios, share of refugee costs, separately



7. Why does Alliance Sud criticize the counting of refugee costs as ODA?

This criticism revolves around two points. First, counting refugee costs as ODA falsifies the statistics, as costs not related to development are being included when they do nothing to enhance social or economic progress in developing countries. Expenditures to house and care for asylum seekers are important contributions, and through them Switzerland fulfils its duty to protect those in need. But these costs have nothing to do with development.

Second, the diverging methods of calculating refugee costs make it difficult to compare ODA ratios. The differences are striking when we compare the average cost per refugee reported as ODA: the Netherlands for example, calculated an average of US\$32,000 per refugee in 2014, the United Kingdom US\$3,300 and Japan a mere US\$337. With US\$22,600, Switzerland too reported an above-average figure in this regard.⁵ The Federal Council acknowledges that Switzerland uses the leeway given by the guidelines, while other States are more restrictive when accounting refugee costs as ODA.⁶

⁵ [ODA reporting of in-donor country refugee costs](#), (OECD DAC Secretariat, 2016)

⁶ Statement of the Federal Council to [Interpellation 16.3028 \(Ingold\)](#): Dépenses en matière d'asile. Imputation démesurée à la coopération au développement?

Up until the adjustment of its reporting method in 2004, Switzerland had itself been a vocal critic of the inclusion of expenses that have nothing to do with development.⁷

The trend towards inflated measurements that go beyond genuine development financing is being criticized not only by Non-Governmental Organizations (NGOs) like Alliance Sud, but also by the OECD Development Cooperation Directorate.

8. How do refugee costs impact the ODA ranking?

The inclusion of refugee costs does not impact the ranking. With or without the inclusion of refugee costs, Switzerland is the eighth largest OECD-DAC donor.

Yet only three countries still achieve an ODA ratio of 0.7% when refugee costs are stripped out (Luxembourg, Norway and Sweden). Even as the richest country – by per capita GNI – Switzerland ranks only eighth. Germany, the United Kingdom, Finland and the Netherlands, with markedly lower GNI, spend substantially more on ODA than Switzerland. Other leading countries like Norway, Sweden, Denmark or Luxembourg also spend substantial amounts on official development aid in line with their high GNI. As above-average wealthy countries, the USA and Australia spend less than the DAC average on ODA.

Per capita GNI			ODA without refugee costs			ODA ratio			
BNE pro Kopf			APD - ohne Asylkosten			APD - QUOTE			
		2016			2016	2015		2016	2015
1	Switzerland	79'170.70	1	Luxembourg	1.00	0.95	Norway	1.11	1.05
2	Norway	74'243.10	2	Norway	0.91	0.93	Luxembourg	1.00	0.95
3	Luxembourg	65'873.02	3	Sweden	0.78	0.94	Sweden	0.94	1.09
4	Iceland	59'198.44	4	United Kingc	0.68	0.69	Denmark	0.75	0.85
5	USA	57'455.51	5	Denmark	0.63	0.72	Germany	0.70	0.52
6	Denmark	54'789.51	6	Netherlands	0.60	0.58	United Kingc	0.70	0.70
7	Sweden	51'991.85	7	Germany	0.53	0.44	Netherlands	0.65	0.75
8	Ireland	50'731.19	8	Switzerland	0.43	0.44	Switzerland	0.54	0.51
9	Australia	50'357.85	9	Belgium	0.41	0.37	Belgium	0.49	0.42
10	Austria	44'702.13	10	Finland	0.39	0.53	Finland	0.44	0.55
11	Netherlands	44'596.11	11	Ireland	0.33	0.32	Austria	0.41	0.35
12	Finland	43'358.08	12	DAC total	0.30	0.28	Ireland	0.33	0.32
13	Germany	42'701.42	13	Austria	0.25	0.24	DAC total	0.32	0.30
14	Canada	41'493.10	14	Australia	0.25	0.29	Canada	0.26	0.28
15	Belgium	41'412.37	15	Canada	0.24	0.27	Australia	0.25	0.29
16	Japan	40'187.01	16	Iceland	0.21	0.21	Iceland	0.25	0.24
17	UK	39'913.28	17	Japan	0.20	0.20	Japan	0.20	0.20
	DAC	38'512.62	18	United State	0.17	0.16	United State	0.18	0.17

⁷ DAC, 'Aid to Refugees in Donor Countries: Chronology and References' (OECD DAC, 2005).

9. How do rising refugee costs impact development spending?

Switzerland is including ever more refugee costs in its ODA ratio, thereby increasing it. At the same time, however, real development expenditure is falling.

Switzerland thus at least partly offsets its rising refugee costs with reduced development spending. Norway too embellishes the real decline in its development spending. In Finland and Denmark, ODA would contract even more markedly without refugee costs, whereas in the case of Sweden, it is mainly lower refugee-related costs that account for the fall in ODA. The trends in Denmark and Finland however are not strictly related to higher refugee costs – both countries have centre-right governments that have slashed the development cooperation budget.

In 2016, Germany, Austria and Belgium approved additional development funds, despite higher refugee costs. While Dutch ODA decreased, that country spent more on real development cooperation. The contraction in Dutch ODA thus stemmed from the reduced amount of refugee costs imputed to it, and without them, genuine development spending even rose by comparison with the prior year. This notwithstanding, Dutch ODA fell below the 0.7% mark.

Luxembourg, the United Kingdom and Ireland increased their development budgets.

In many countries – including the Nordic ones – development cooperation budgets are being cut. Yet the ODA/GNI ratio in Sweden, Norway and Denmark remains above 0.7%. This indicates an appreciably greater willingness on the part of these countries, through their ODA, to honour the promise to allocate 0.7% of GNI to development cooperation. Norway's ODA (without refugee costs) is still twice as high as that of Switzerland. Sweden lies very close behind.

10. Where is the flaw in the current ODA measurement method?

The trend toward the inclusion of additional costs not related to development is hampering the genuine comparability of ODA ratios among DAC member countries.

What differs from country to country is not just the decision as to whether or not to include refugee costs, but to a great extent also the methods used to calculate these costs. This prompted the OECD-DAC in 2016 to launch a process to clarify methodologies among its member countries, so that these costs can be rendered more comparable, consistent and transparent. At best this means that their inclusion may be restricted or even completely ruled out. While the Development Co-operation Directorate (DCD-DAC) takes the view that refugee management is undoubtedly an important task incumbent on member countries, it is nonetheless critical of the reporting of refugee costs as development spending. It underlines that this should be no reason for member countries to neglect their commitment to long-term development cooperation. The clarification process will reveal

whether DAC members share the view of their Directorate.⁸

In 2014, DAC member countries stated their readiness to improve the system of measuring ODA. Moreover, additional spending, especially private spending, is to be placed in a new measurement category (provisionally called «Total Official Support for Sustainable Development, TOSSD») so that international endeavours and aggregate financial flows to developing countries can be made visible. Refugee costs and other funds of little relevance to development could go into this category, so that they would at least be removed from the ODA ratio. Without new measurement categories, there is the risk that ODA will continue to be inflated with irrelevant costs.

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⁸ Modernisation of the DAC Statistical System - OECD, accessed 24 April 2017, <http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/modernisation-dac-statistical-system.htm>.