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WORKING PAPER DECEMBER 2022
**SETTLEMENTS FOR IN-DONOR
REFUGEE COSTS IN SWEDEN: WHAT DO
WE KNOW?**

Jan Pettersson, Henrik Malm Lindberg, Mats Hårsmar

Settlements for migration costs in Sweden: what do we know?

Jan Pettersson, Henrik Malm Lindberg, Mats Hårsmar

Working Paper, December 2022
to the
Expert Group for Aid Studies (EBA)

The EBA Working Paper Series constitutes shorter overviews, surveys, mappings and analyses that have been undertaken to bring about discussion and advance knowledge of a particular topic. Working Papers are not subject to any formal approval process by the Expert Group. Just as in the EBA reports, authors are solely responsible for the content, conclusions and recommendations.

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Foreword from EBA and Delmi

Russia's war of aggression against Ukraine in the late winter of 2022 led to people fleeing Ukraine seeking refuge in Sweden. Some costs for this refugee reception are recognised as aid. As forecasts showed a large number of refugees coming to Sweden, a considerable share of the total aid was reserved for this purpose.

Since the 1990s, Sweden has reported costs for asylum reception in the home country as aid. As Sweden budgets for total aid to amount to a specific volume (previously in the form of a target of one per cent of GNI, now a fixed sum), increased (decreased) costs for asylum reception mean reductions (increases) in other aid activities. A direct consequence of this system of so-called deductions is therefore an uncertainty about the size of other aid components in a given year.

With the ambition of providing a description the system of deductions from the aid budget for migration costs, the secretariats of the Expert Group for Aid Studies (EBA) and the Migration Studies Delegation (Delmi) have jointly produced this report. The report was written by Henrik Malm Lindberg at Delmi and Mats Hårsmar and Jan Pettersson at EBA.

It is our hope that the report will contribute to a more general knowledge of the function of the deductions and their fluctuations over time. The report provides only a sketchy overview of the consequences that the deductions have for other aid, but we hope it can give rise to further studies of such effects, even after an abolished volume target for Sweden's aid.

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Stockholm in December 2022,

Jan Pettersson, Managing Director, EBA

Mats Hårsmar, Deputy Managing Director, EBA

Henrik Malm Lindberg, Acting Managing Director, Delmi.

Summary

The member countries of the OECD's Development Assistance Committee (DAC) have jointly agreed rules on what costs can be recognised as international aid (called Official Development Assistance, ODA). Since 1969, the government has used this definition of aid in both budgeting and accounting.

Since the 1990s, Sweden, along with virtually all OECD-DAC member countries, has recognised costs for asylum reception in the home country (“in-donor refugee costs”) as aid. Despite attempts at harmonisation, there are differences between member countries in the application of the common rules.

The current Swedish application of the reporting directives was presented in the budget bill for 2019. The stated ambition was to create better planning conditions for aid and to ensure transparency in the system. In brief, the aid finances asylum seekers from low- and middle-income countries who are registered in the Migration Agency's reception system for a maximum of 12 months. These costs are charged to expenditure areas 8 and 14 of the national budget.

As Sweden has had a target of one per cent of GNI going to aid, the effect has normally been a corresponding reduction, a deduction, from expenditure area (EA) 7, international aid. A direct consequence of the system of deductions is therefore an uncertainty about the size of EA 7 in a given year.

Since the 1990s, the size of the deductions has varied between a minimum of 1.8 per cent (2021) and a maximum of 22 per cent (2015). The deductions in 2022, largely due to Russia's war in Ukraine, amount to 10.5 per cent. The Budget Bill for 2023 allocates funds for refugee costs in Sweden corresponding to 7.4 per cent of the total budgeted for aid purposes. The share is estimated to be less than 3 per cent for the years 2024 and 2025.

Based on annual outturn data, this report shows that the overall adjustments in the largest appropriation in EA 7, appropriation 1:1 “aid activities”, have not been in the form of reductions but rather an absence of increases (an effect of increase funds due to the one per cent target).

However, the financial year includes amending budgets. Changes in the size of settlements have meant that appropriations in the aid budget have been adjusted at least once per financial year since 2011. The fluctuations observed between years therefore do not capture all adjustments in the

appropriations within an expenditure area.

It is a well-established research finding that unforeseen fluctuations (volatility) in aid flows have negative effects. Uncertainty about future funding and sudden slowdowns affect the ability to plan and aid risks becoming more short-term. In addition, such changes create efficiency losses through (sometimes repeated) renegotiation of contracts in the current year and possibly shorter contracts.

Discussions with aid actors indicate that the introduction of the so-called limits (a disbursement ceiling) in 2022 entailed a number of renegotiations of agreements that created a significant workload for both the Swedish International Development Cooperation Agency (Sida) and its partner organisations. Regardless of whether some funds could be disbursed after a government decision, this must be understood as a clear negative effect on the activities conducted.

In the budget bill for 2023, the Government has proposed a discontinued target of Sweden's aid to amount to one per cent of GNI. At the same time, it is proposed that deductions for migration costs in Sweden should amount to a maximum of eight per cent of total aid. The question of the effects of migration costs on other aid is therefore still relevant, even if the direct impact, particularly in the case of sharply fluctuating numbers of asylum seekers to Sweden, can be expected to be lower.

1 Introduction

Between 1968 and 2022, Sweden had the ambition that international aid (ODA) should amount to one per cent of the gross national income (GNI).¹ The total Swedish aid, the so-called *aid frame*, does not only consist of the state *aid budget* (expenditure area (EA) 7 International Aid) that is decided each year. The aid frame also finances activities belonging to other policy areas which, according to the DAC regulations, are also to be defined as aid.

These other policy areas include Sweden's share of the EU's aid budget (which is calculated as the EU's aid share of the EU budget, where the corresponding share of Sweden's annual membership fee is counted as aid and included in EA 27), administrative costs in the foreign missions for the part that relates to aid issues (EA 1) and certain costs for the reception of refugees in Sweden (EA 8 and 14).

The ambition is that all these costs, together with the aid budget, should amount to the volume target, or aid frame. Costs outside the aid budget are therefore called "deductions" (based on the logic that the aid budget, EA 7, without other activities would cover the entire volume target).

This report deals only with the deductions for the costs of receiving refugees in Sweden.² Migration policy is determined outside aid policy without direct regard to aid policy objectives. The fact that the size and content of the aid budget is influenced by another policy area has led to an often-vociferous debate about the legitimacy of the system and the transparency and reasonableness of the size of the deductions made. In connection with Russia's war of aggression against Ukraine and the emerging refugee situation, the government's estimated deductions for migration costs increased dramatically, with significant (at least potential) reductions in EA 7. This makes the question of the consequences of the deductions relevant to study.

This report aims to answer three main questions: (i) What does the OECD-DAC framework look like and what changes have been made to the framework and the Swedish government's interpretation and application of it over time? (ii) How large have the deductions been historically? The main focus here is on offsets around 2015 in comparison with 2022. (iii) What impact on other aid can be traced on the basis of these data?

¹ In the text, the terms 'official development assistance' (ODA) and 'aid' are used synonymously.

² Sometimes the text uses "migration costs", "refugee costs" or similar expressions. This refers here only to the costs that are recognised as in-donor refugee costs in Sweden and not to other migration-related interventions in Swedish aid.

The report is descriptive. No analysis is made of effects beyond the quantitative outcomes reported in the data presented. As we have only studied outcomes, we also have no opportunity to capture other effects, such as the renegotiation rounds that within-year budget amendments give rise to.

After the election in September 2022, the new three-party government has announced that Sweden will abandon the one per cent target. The Budget Bill for 2023 instead proposes a frozen level of SEK 56 billion per year for the years 2023-2025. This new, nominal, volume target will continue to include all costs that are internationally reported as aid (ODA). The budget bill proposes a limit for the share of migration costs of eight per cent of the total budgeted aid. It will therefore continue to be relevant to have an overall account of international aid in all expenditure areas.

2 OECD reporting rules and their application

The member countries of the OECD's Development Assistance Committee (DAC) have jointly agreed rules on which costs can be recognised as international aid (ODA). Since 1969, the government has used this definition of aid in both budgeting and accounting.

In 1988, the regulations opened up the possibility of recognising certain costs in donor countries for the reception of asylum seekers as aid. The current regulations were issued on 31 October 2017. The reasons given by the OECD-DAC are based on the logic that refugee protection is a legal obligation that states undertake and that assistance to those in need of protection can therefore be considered a form of humanitarian aid (OECD-DAC 2017). Over time, several changes have been made to the regulatory framework. At the same time, both the interpretation of the framework and the costs of reception have changed.

2.1 OECD-DAC rules ³

According to the regulations, a refugee is a person who is outside his or her country of origin due to a well-founded fear of persecution based on race, religion, nationality, social group or political opinion. People fleeing civil war or serious civil unrest can also be considered refugees. Costs for refugees from ODA-eligible countries can be counted as ODA during the refugee's first 12 months in the OECD country. Relevant costs include travel to the host country and subsistence (food, housing and some basic education). However, costs related to forced return or integration into the host country cannot be included.

Before clarifications were made in 2017, the issue had been discussed for many years. A historical account starts around 1980, when the issue was first raised. Initially, there was great hesitation, as it is difficult to justify this type of cost on the basis of development effects in recipient countries. The reason given was instead humanitarian.

³ Mainly based on OECD (2005) *Aid to Refugees in Donor Countries: Chronology and References*, DCD/DAC/STAT (2005)13; Hynes, W. and S. Scott (2013): *The Evolution of Official Development Assistance: Achievements, Criticism and a Way Forward*, IIS Discussion Paper 437/October, Trinity College, Dublin, Ireland; OECD (2017). *Clarifications to the Statistical Reporting Directives on In-Donor Refugee Costs*, DCD/DAC (2017)35/Final; OECD (2018) *Official Development Assistance: What is ODA?*, DCD, Paris.

From 1980, OECD countries could include refugee costs under the category of "emergency assistance". In general, this referred to costs for refugees incurred in donor countries, but some member countries wanted to add costs for refugees "in transition" in donor countries. Reference was made to the fact that the UNHCR already had some expenditure on refugees in OECD countries. In the following years, various proposals were presented on how costs in the "first country of asylum" could be included in aid. No decisions were taken, but reporting of refugee costs began as a sub-category of "emergency aid". However, the country in which the costs were incurred was not specified.

In 1988, the OECD-DAC established reporting directives whereby costs for the temporary stay of refugees in OECD countries as "first country of asylum" could be counted as aid. The one-year rule was introduced, as was the possibility of including costs of return and transport to the country of asylum. Based on 1992 flows, separate reporting of asylum costs in donor countries began in 1993.

In 1994, the DAC Secretariat (the so-called Development Co-operation Directorate, DCD), with the support of most member countries, proposed that the cost of the first year's reception of refugees should not be counted as aid. However, opposition from some countries meant that the rules were retained. Canada, Germany, Japan and the Netherlands declared that they could not phase out these costs from their aid reporting. A survey of donor countries' practices in this area was carried out in 1999- 2000. It showed that there were major differences in how different countries applied the directives, and proposals for stricter application were presented. Switzerland pushed the issue and wanted to completely exclude refugee costs from aid. Their proposal was supported by several countries. France, Canada, Finland and Spain resisted. Sweden did not take a position. A working group was set up which resulted in unchanged regulations. Discussions continued in the following years, but no consensus was reached. Ambiguities have remained until the clarifications made in 2017.

The 2017 directives clarify previous directives in five areas:

- i. **The rationale** for counting refugee reception costs in OECD countries as aid is that the protection of refugees is a legal obligation under the 1951 Geneva Convention. Support for refugees is therefore to be seen as a form of humanitarian aid, and a way of sharing costs with developing countries, which harbour the largest number of refugees.
- ii. **Who is a refugee** is governed by international legal definitions. It

includes asylum seekers and persons with recognised refugee status (e.g. quota refugees). However, people whose asylum applications have been rejected are not covered.

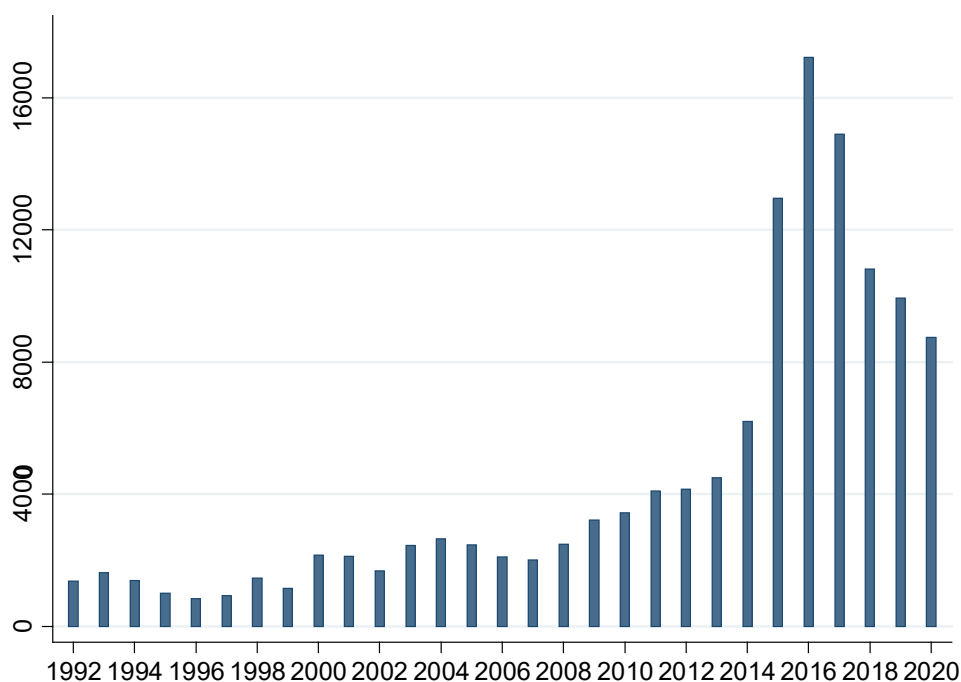
- iii. Only costs incurred during the refugee's **first 12 months** in the host country are taken into account. After that, the person is no longer considered "temporary" in the country.
- iv. **Eligible costs** include temporary accommodation (food, shelter, schooling for children, some language training, health care, some assistance with the asylum application), costs of voluntary return, travel costs to the host country, costs of rescue operations at sea. However, costs for asylum processing, construction, police or other security measures, integration or costs for return after rejection cannot be included.
- v. **Methods** for calculating costs should be transparent, specific and their application should be conservative.

Figure 1 shows how much OECD countries have collectively reported as costs for refugee reception in their own country since 1992 (2021 is not reported at the time of writing, November 2022). In 2018 and 2019, a total of USD 20.1 billion was reported for this purpose.

An OECD study shows that 32 OECD countries together provided assistance to refugees and host communities in 2018 and 2019 (i.e. non-donor costs) totalling USD 24.2 billion.⁴ Thus, costs in OECD countries accounted for around 45 per cent (20.1/44.3) of total assistance to refugee situations in those years. In comparison, 11.3% (3.3 million people) of the world's refugees were in OECD countries in 2020, while 86.6% were in aid recipient countries.

⁴ Hesemann, J., H. Desai and Y. Rockenfeller (2021): Financing for Refugee Situations 2018-19, OECD, Paris.

Figure 1: Refugee costs in OECD countries recognised as aid (constant million US dollars)



Source: OECD-DAC, dataset "Table 1", "DAC Countries, Total" series 1820 "In-donor refugee costs".

2.2 Sweden's application of the rules

Since 1991/92, the starting point for Swedish management has been that costs for asylum seekers from low- and middle-income countries during their first year in the country are deducted from the aid frame. Calculations of the size of the costs have been made by the Ministry of Justice on the basis of information from the Migration Board.

During the first year of application, the motives and the basis for calculation were sparsely reported in the Government's budget bills (BP). In BP 1994/95 it was stated that "this relates to deductions for certain asylum costs" (Government Bill 1993/94:100, Annex 4, page 80) and in BP 1995/96 it is written "Furthermore, it is proposed in the following that offsets for costs for refugee reception in Sweden of SEK 300 million per year are made" (Government Bill 1994/95:100, Annex 4, page 73). In BP 1997 (UO7) the text is somewhat longer.

"The deductions from the aid frame for costs for asylum

seekers from developing countries is reduced by SEK 200 million in 1997, compared with the previous budget year. The deduction for 1997 thus amounts to SEK 765 million. For the years 1998 and 1999, the size of the deduction will be calculated on data available at the time of budgeting."

However, the 2002-2004 reductions are commented on as "increased influx of asylum seekers from developing countries".

A somewhat more detailed description of the rules for what was included in the deductions and their calculation was given for the first time in the 2011 budget bill (the annex for expenditure area 7, international aid). There it was mentioned that the deductions from the aid frame were made for costs for asylum seekers during their first year, and it was exemplified by "premises for reception and accommodation, daily allowance for applicants, reimbursements to county councils (mainly health care) and municipalities (mainly school costs) and organised employment." In addition, costs for the reception of quota refugees and their travel to Sweden were also deducted from the frame.

Further clarifications of the Swedish application of the reporting rules were made in BP 2012. This reported an estimate of the number of asylum seekers to Sweden for the coming year and a calculation of what proportion of these were assumed to come from developing countries according to the OECD-DAC classification. The average length of stay in the Migration Agency's reception centre was then calculated. Only costs for the first year's stay in Sweden are classified as aid. The total number of days for asylum seekers from eligible countries was then multiplied by the cost per person and day in the reception system.

Based on conversations with informants the authors of the report have had, it appears that the model for calculating the costs has been further developed in line with changes in the operations. From 2008, the Migration Agency's work with return has been strengthened and included, for example, reintegration efforts in the home country, reestablishment support and departures for voluntary return. With the implementation of the NIPU reform (new instance and process organisation in immigration and citizenship cases) in 2006 and the introduction of a new migration court as a second instance after an appeal, the time until a decision in the Migration Court was counted as assistance. This is because it is only after an appeal that it is decided whether the asylum seeker is in need of protection or not. Table 1 provides an overview of the basic features of the model around 2015.

Table 1: Basic features of the model for settlements around 2015

Which people are covered?	Asylum seekers from low- and middle-income countries, whether they have been granted asylum or not. Quota refugees placed in municipalities.
How long?	Maximum 365 days, but only until the rejection decision for rejected asylum seekers.
What kind of costs?	Food and accommodation, transport, medical treatment, basic education and language training. Identification and transport for quota refugees. voluntary return programmes
Calculation in the budget process for the calculation of ODA	Four-variable model based on actual costs in the previous year (cost per asylum seeker per day, proportion of applicants from low and middle income countries); estimates for the current year (number of new asylum seekers and average length of stay in the reception system). Calculation of the average cost for a quota refugee during the first year in Sweden.

Source: Ministry of Foreign Affairs (USTYR) Working Paper 2013-10-30.

The calculation model for calculating the size of the offsets was sensitive to both the forecast of the number of asylum seekers from aid-receiving countries and the estimated total cost for asylum seekers (standardised daily cost) in reception presented by the Migration Agency. An example of this can be taken from the years 2016-17.⁵ At the beginning of 2016 (Q1), the number of asylum seekers during the year was assumed to be about 103,000 (the main forecast) and the total estimated cost was SEK 17 billion. The last published forecast for 2016 (Q4) was for 29 000 asylum seekers and an estimated cost of just under SEK 4 billion, i.e. a downward revision of more than SEK 13 billion (Migration Agency's activity and expenditure forecasts 2016).

In addition, there is also considerable volatility in the standardised daily cost - which should reflect what an average asylum seeker costs the Migration Agency per day - which has an impact on the forecast. This is illustrated in the forecasts made by the Migration Agency for 2017. In the forecast made in Q3 2016, the daily cost was estimated at SEK 736 per day and asylum seeker and the next forecast (Q4) the daily cost was estimated at SEK 473.

The following year (2017), the first published forecast from the Migration

⁵ During these years, the Migration Agency presented various forecasts as a basis for the DAC calculation in the form of an appendix in the quarterly "Activity and expenditure forecast". This forecast in turn contained three calculation alternatives, one of which took precedence as a "planning assumption".

Agency, Q1 2017, had estimated the standardised daily cost at SEK 451 per day, but in the revised and confirmed version at SEK 839. The total estimated cost for asylum reception changed correspondingly. The revision that was made (Q1 2017), for example, changed the total estimated sum for reception from 3.8 to 7.1 billion, i.e. almost doubled.

The cost projected would reflect the average expected cost per asylum seeker per day. This, in turn, depended on a number of factors, such as how many asylum seekers were unaccompanied minors, the cost of an average asylum accommodation, how many had their own accommodation, etc. In the case of the doubling of the standardised daily cost, however, it was a matter of the authority switching between two different calculation models (The Migration Board's activity and expenditure forecasts 2016-2017, Landin 2017).

2.2.1 Changing the model for deductions

In the Government's response to the Swedish National Audit Office's report 2016:17 (skr. 2016/17:64), a major review of the model for deductions was announced. This announcement was repeated in the budget bill for 2018. In addition, it was stated that the model would be adjusted in accordance with the OECD-DAC's revisions, decided in October 2017. The new model is applied from 2019 but was first presented in the budget bill for 2020. The stated aims were partly to create better planning conditions for aid and thus greater long-term perspective, partly to ensure transparency in the system. In brief, the model is based on the following components:

- The estimated number of asylum seekers from low- and middle-income countries in the Migration Agency's reception system for a maximum of twelve months. The new model excludes, for example, so-called Dublin cases, people who have applied for asylum on several occasions and have been in the Migration Agency's reception system for a total of more than twelve months, as well as those with legally binding rejection decisions.
- This forecasted number is divided by the total number of people expected to be in the reception system.
- This ratio is then multiplied by the costs in expenditure area 8 Migration, appropriations 1:1 Migration Agency (reception costs) and 1:2 Compensation and housing costs.
- Similar shares are produced for the appropriations for, for example,

legal assistants, etc. in judicial review in immigration cases and appropriation 1:6 Public counselling in immigration cases. Expenditure area 14 Labour market and working life includes costs for establishment compensation for new arrivals participating in the Swedish Public Employment Service's establishment programme.

While the previous model was based on the number of new asylum seekers (from countries that met the criteria for assistance) the new system (Table 2) is based on the number of people enrolled in the reception system (which is assumed to vary less). Another difference is that costs to municipalities for the reception of quota refugees are excluded in the new model.

Table 2: Basic features of the model for settlements, as of 2019

Which people are covered?	Asylum seekers from low- and middle-income countries who are in the reception system.
Who is excluded?	Asylum seekers who have <i>first arrived in</i> another safe EU country, returnees who have been in the reception system for <i>more than 12 months</i> , people who <i>appeal rejection decision to the Migration Court of Appeal</i> .
How long?	Maximum 365 days, but only <i>until the</i> final rejection decision for rejected applicants.
What kind of costs?	For <i>asylum seekers</i> : food and accommodation, education for minors, medical treatment, introduction allowance. For <i>quota refugees</i> : introduction allowance, plus some costs for legal representatives and interpreters in the process.
ODA-calculation for the budget	The proportion of eligible persons in the reception system multiplied by the costs in expenditure area 8 Migration, appropriations 1:1 Migration Agency reception costs and 1:2 Compensation and housing costs. A quota for appropriations within 1:5 Legal assistants, etc. for judicial review in immigration cases and appropriation 1:6 Public counselling in immigration cases.

Source: Sweden In donor refugee costs (2019) and Budget Bill 2019/20, expenditure area 7.

While the new model (Table 2) was expected to create greater predictability and transparency, there are still a number of uncertainties due to, for example, the capacity of the reception system, as well as the case management of the authority and the Migration Court. Depending on the waiting time, the number of people who fulfil the criteria may increase or decrease, which changes the settlement costs.

2.3 Application of the rules by other OECD countries

The DAC Standing Working Party on Statistics (WP-STAT) has been working since 2017 to support member countries in implementing the revised framework. Its report (OECD-DAC, 2022a) concludes that much of the harmonisation work has been successful. The 20 member countries that reported how they apply the rules have also had their methodology validated by the Secretariat.⁶ However, the working group points to the need for further improvements in the reporting of costs that do not fall within the definition, such as costs after rejection, costs incurred after the 12-month period, costs for the return of refugees who have been denied asylum (only costs for voluntary return before rejection can be counted as assistance), integration costs in addition to residence costs, and certain administrative costs. The OECD website presents countries' application of the rules.⁷ However, minutes from DAC meetings show significant differences in the approach to the regulations among member countries (OECD-DAC, 2022b, Item 3).

The report (OECD-DAC, 2022a, Appendix 5) also shows that the majority of costs within the code "in-donor refugee costs" (930/1820) are reported in the subcategory "Type of expenditures unspecified" (93010). It is therefore difficult to discern differences in the type of expenditure reported in the joint statistics.

Regardless of the harmonisation work, it is therefore important to remember that comparisons between countries do not say anything about individual countries' costs for the same commitments, but only the costs that the countries themselves choose to report within the framework set by the reporting directives.

⁶ Australia, Luxembourg (and the European Union) do not report refugee costs in the home country as aid and not all countries publicise their costing methodology.

⁷ <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/refugee-costs-oda.htm>

3 Sweden's settlements for refugee costs over time

Sweden has deducted migration costs since 1991/92.⁸ Deductions for other purposes have, however, been made since the early 1980s, when it was decided that expenditure financed from other parts of the state budget but which could be related to aid should be included in the aid framework (Arbetspapper UD USTYR 2013-10-30).

When Swedish aid is linked to costs for refugee reception with subsequent deductions, the consequence is uncertainty about how much funding can be utilised for other aid activities in a given year. This is due to the Swedish objective that the aid framework should amount to one per cent of GNI, where increased deductions therefore normally reduce the aid budget (EA7). This uncertainty can in turn have effects on the aid disbursed and its ability to be effectively used in partner countries. This risk has been highlighted by the Swedish National Audit Office (2016:17) and by Swedish civil society organisations.

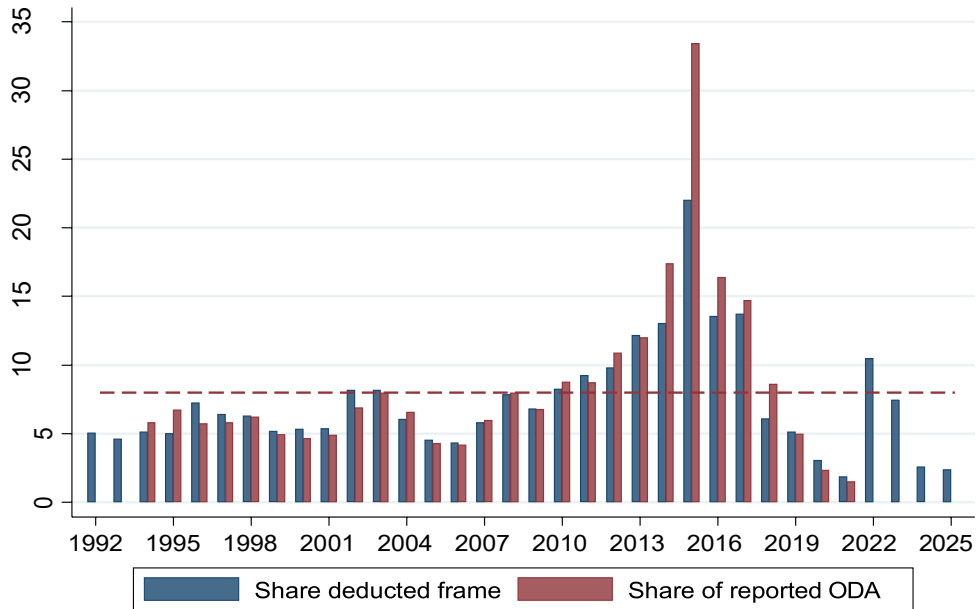
There has also been a political debate in which some parties have argued that Sweden interprets the DAC rules too broadly and thus includes more costs than other donors. It has also been criticised that the system is used as a kind of accordion where governments, when considered fiscally necessary, increase deductions. Over time, there is some evidence that the fiscal situation has prompted governments to adjust the size of settlements. An early example can be taken from the early 1990s when the system of deductions had just been introduced. The newly appointed centre-right government announced in the government declaration that: "The asylum costs currently covered by aid funds will be gradually phased out." The following year, in the midst of an acute fiscal crisis, an agreement, the so-called crisis settlement, was reached between the four-party government and the Social Democrats which resulted in the government not removing the deductions for the costs of asylum reception from the aid budget, as previously announced (Committee on Foreign Affairs report 15 1992/93).

⁸ A marginal deduction was made in 1980/81 referring to "Sweden's costs for transferring refugees from developing countries to Sweden are deducted from the aid framework. These expenses, which are estimated at about SEK 5 million in the 1980/81 financial year, are currently charged to the Labour Ministry's main budget. SEK 5 million, are currently charged to the main title of the Ministry of Labour". Proposition 1979/80:100.

3.1 The size of settlements for refugee costs in Sweden

Reported outcomes for deductions for refugee costs in Sweden since 1992 (reporting in DAC from 1994 onwards) are shown in Figure 2. The blue bar shows the offsets as a share of the aid frame, while the red bar shows the migration costs' share of total reported aid to the OECD-DAC. The dotted line indicates the eight per cent ceiling proposed in the 2023 Budget Bill.

Figure 2: Migration costs deducted the aid frame and total migration costs in total ODA 1992-2025 (shares).



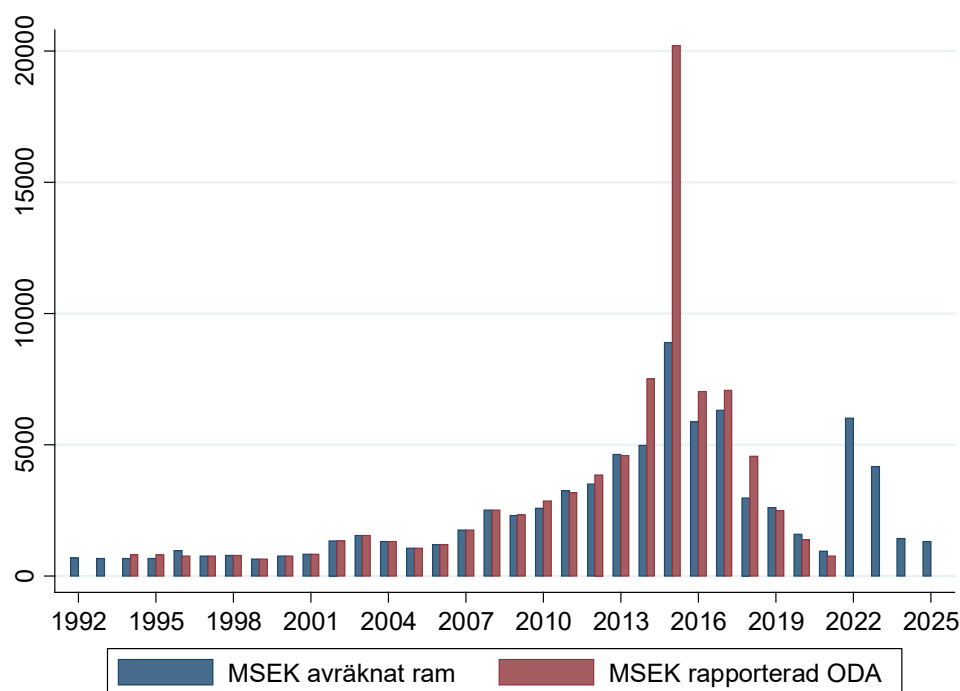
Source: Calculations from outcomes (up to and including 2022), proposals (2023) and forecasts (2024-2025) in the latest possible budget bill (Share of cleared aid framework) and OECD-DAC, dataset "Table 1" (Share of reported ODA).

Until 2009, deductions from the aid frame (blue bar) ranged from a low of 4.3 per cent (2006) to a high of 8.1 per cent (2002). They then increased to a peak of 22 per cent in 2015, before falling back to 1.8 per cent in 2021, the lowest share since the introduction of the offset system. Deductions in 2022, largely due to Russia's war in Ukraine, amount to 10.5 per cent. The budget bill for 2023 allocates funds for refugee costs in Sweden corresponding to 7.4 per cent of the total budgeted for aid purposes. The share is estimated to be less than 3 per cent for the years 2024 and 2025.

The share of in-donor refugee costs out of total aid as reported to OECD-DAC (red bar) differs for a number of accounting reasons, but mainly because not all in-donor refugee costs reported as aid are deducted from

the aid frame. The biggest difference is seen in 2015 when 22 per cent (8.9 billion) of the aid frame (which was budgeted at 0.96 per cent of GNI that year) was deducted for migration costs. A further 11 billion in migration costs were reported to the OECD that year (a total of 20.2 billion), giving a total reported ODA of 1.4 per cent of GNI, of which migration costs accounted for 33 per cent. Figure 3 shows the offsets in millions of Swedish kronor (current prices).

Figure 3: Migration costs deducted the aid frame and total migration costs in total ODA 1992-2025 (SEK million).



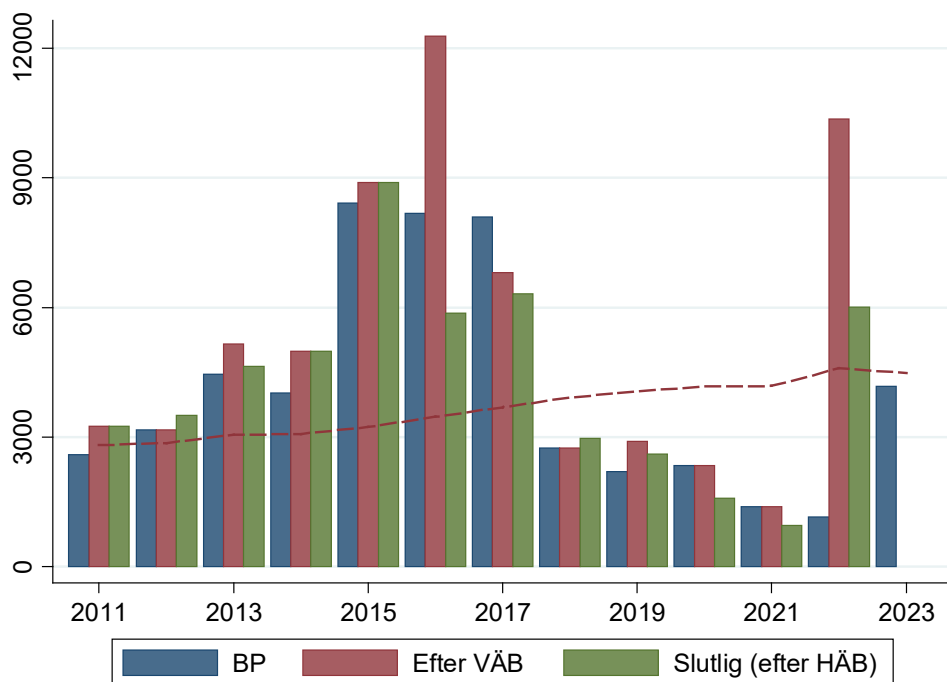
Source: Calculations from outcomes (up to and including 2022), proposals (2023) and forecasts (2024-2025) in the latest possible budget bill (MSEK net of aid framework) and OECD-DAC, dataset "Table 1" (MSEK reported ODA). Current prices.

3.2 Within-year adjustments

Figures 1, 2 and 3 use outcome data (or estimated outcomes) for each full year, i.e. finally reported migration costs. However, the budget year contains a number of budget adjustments up to the final outcome. An initial budget for aid (EA 7), including the aid frame and deductions, is presented in the budget bill before the start of the year. In the normal case (when there are no "extra amending budgets"), budget adjustments, with any changes to the deductions, are made in two bills. The spring amending budget (VÄB) is submitted in April and adopted in June. The autumn amending budget (HÄB) is normally submitted in September and adopted in November. The fluctuations observed between years thus do not capture all adjustments in the appropriations for an expenditure area.

Figure 4 shows the total migration-related costs that have been deducted from the aid frame according to each bill since 2011. The dotted line in Figure 4 indicates the ceiling proposed in the 2023 Budget Bill of eight per cent of the aid frame in millions of kronor.

Figure 4: Deductions, within years, 2011-2023 (SEK million)



Source: Budget Bill, spring and autumn amending budgets (different years). Note that "After VÄB" for 2022 includes funds withheld by the government (9.2 billion) that were not formally included in the VÄB. The dashed line indicates the volume of the ceiling of eight per cent of the aid framework proposed in the Budget Bill for 2023.

As shown in the figure, expenditure area 7 has been adjusted at least once per current year throughout the period. The largest adjustments before 2022 took place in 2016 when the Government in the budget bill made deductions of almost SEK 8.2 billion. Due to a forecast increase in the number of refugees to Sweden, the offsets were increased by SEK 4.1 billion in VÄB to a total of SEK 12.3 billion. After a drastic reduction in the number of asylum seekers to Sweden, the HÄB returned SEK 6.4 billion to the aid budget, resulting in migration-related settlements of just under SEK 5.9 billion as an outcome for the year.

In VÄB 2022, the Government announced a settlement of SEK 9.2 billion in addition to the SEK 1.2 billion announced in the budget bill for 2022. The difference from previous amending budgets, however, is that this time the Government did not transfer funds from expenditure area 7 but instead withheld disbursements of funds under the expenditure area (called "limits"). In its amended letter of appropriation (2022-04-13), Sida received government decisions as conditions for disbursements

amounting to SEK 6.9 billion. The rest, SEK 2.3 billion, was intended to constitute limitations on disbursements within multilateral core support.

In the appropriation letter to Sida, the restrictions were applied relatively evenly to different appropriation items, with between 12 and 48 per cent of the originally announced amount, with the vast majority of appropriation items being restricted by almost 40 per cent. In the multilateral area, the restrictions were mainly placed on climate and environment funds, and on vaccine and health funds.

These limits were reduced in new letters of appropriation on 7 June 2022 (within four appropriation items (ap): ap 5 Civil society, ap 13 Human rights and democracy, ap 26 Sustainable peace and ap 34 Sustainable development) by a total of SEK 1.3 billion and in August by around SEK 2.9 billion. During the year, Sida's letter of appropriation has been amended a total of twelve times (the last noted amendment was on 1 September). In the autumn amendment budget, transfers were finally made that give an outcome on settlements for refugee costs totalling SEK 6 billion in 2022.

3.3 What drives the fluctuations in individual years?

To answer this question, one can turn to the basis for the Migration Agency's forecasts. The calculation is based on a forecast of the number of people enrolled in the reception system, the proportion of these who come from countries eligible for aid and the types of costs that should be counted as aid according to the OECD-DAC criteria. The Migration Agency's forecasts of the number of asylum seekers are one of the most important variables. Since 2015, these have been made for the current year once a quarter. The accuracy of the forecasts varies greatly over time (Riksrevisionen 2016).

The quarterly variation in the forecasts for two of the parameters forecast by the Migration Agency in 2015-2019, the number of estimated asylum seekers and the costs of reception, clearly shows that the years 2015 and 2016 were exceptional, but in opposite directions. In 2015, the reception forecast and costs more than doubled between quarters three and four. In 2016, there was a gradual sharp downward revision of the forecast by the authority. The number of projected asylum seekers went from around 103 000 to 29 000 between the first and last quarters and the costs of the reception system were reduced from just over 17 billion to just under 4 billion.

The Migration Agency's forecast of 7 February 2022 quickly became outdated due to Russia's war of aggression against Ukraine. On 11 March, the Migration Agency presented three scenarios for the number of protection seekers from Ukraine, where the main scenario meant that 76,000 Ukrainians would seek refuge in Sweden up to and including June 2022. In April, the Migration Agency changed its forecast to 80,000 for the full year 2022. In the last forecast of the year, on 23 November, the main assumption is 52,000 people seeking protection.

In the Swedish Migration Agency's so-called planning assumption, the agency's basis for the aid settlement, the total number of people who fulfil the criteria for the aid settlement increased from about 5,000 in the February forecast (before the Russian attack began) to almost 53,000 in the April forecast. The growing group consists of Ukrainians and third-country nationals who have been staying in Ukraine and who, under the Mass Refugee Directive, immediately receive a temporary residence permit in Sweden.

Instead of aid costs of just under 700 million in the first quarter forecast, these costs totalled 6.4 billion in the second quarter. The 28 July forecast reduced the number of people in the reception system to 38 400 (fully due to a change in the forecast for protection seekers from Ukraine) and a projected cost of 5.6 billion. The Migration Agency's last forecast for the year, on 23 November, estimates the total at 33,600 people and €4.6 billion for the full year 2022.

3.4 Fluctuations in other OECD countries

A brief enquiry to some of EBA's counterparts in a selection of OECD countries indicates that Sweden is not alone in that changes in migration costs affect the aid budget in general. As Table 3 shows, this is not something that follows from the OECD-DAC regulations but is up to each country to decide for itself. One impression, which is hardly surprising, is that countries that actively budget to achieve a volume target experience greater impact than countries that report costs additionally.

Table 3: Budgetary effects of some OECD countries

	Do refugee costs affect the rest of the aid budget?	Are adjustments made to the aid budget in the current year in response to changing refugee costs?
Denmark	Yes, the volume target of 0.7 per cent means that these costs affect the space in other areas.	Yes, a forecast is made at the beginning of the year. Has historically proved to be higher than the outcome, which has meant that funds have gradually been added to other areas during the year. A three-year adjustment mechanism enables costs to be distributed over several years.
Finland	No	No
United Kingdom	Yes, to meet the volume target.	Yes, expected larger inflows mean paused payments
Ireland	No, as these costs are managed by other ministries.	No, mainly due to increasing appropriations over time.
Iceland	Indeed, underestimating these costs in particular has meant that Iceland has not reached its aid volume target.	No, annual results are included in reported aid.
The Netherlands	Yes, refugee costs are included in the same budget and annual fluctuations in these costs affect other items.	Yes. A spring and autumn forecast of the number of refugees leads to adjustments in other aid.
Germany	No, not automatically.	No

Note: The questions asked were "Does the counting of in-donor costs affect "the rest of" the ODA-budget in that increased costs more or less automatically lead to reductions in other areas?" and "Do you make within-year adjustments of the aid budget due to changes in in-donor costs?"

3.5 Migration costs in Sweden and other OECD countries

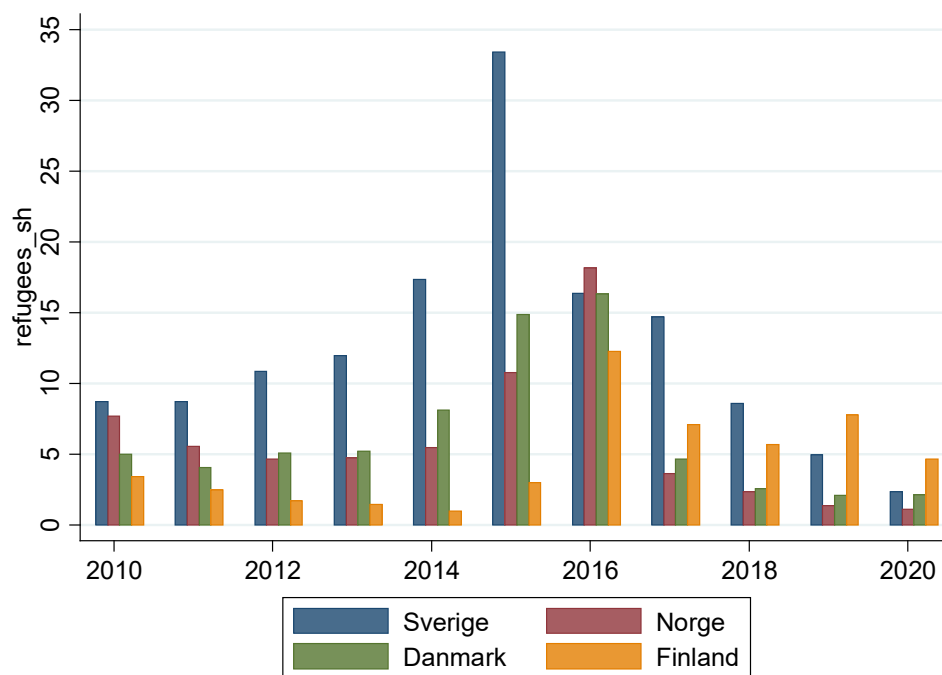
It is sometimes said that Sweden uses the opportunity to report migration costs to a greater extent than other countries in the OECD. In a comparison with some 20 countries, Sweden was second only to Switzerland in the share of ODA in 2006-2010 ([OECD DAC 2016](#)). Table 4 shows the average share for the years 2010-2020 for the OECD countries that report data for all these years. Sweden also ranks high in these years (4th place out of 21 countries).

Table 4: In-donor refugee costs as a share of total aid, average 2010-2020 (per cent)

Country	Proportion	Country	Proportion
Greece	17,6	DAC Countries, Total	5,5
Italy	15,9	Czech Republic	5,3
Switzerland	13,7	Finland	4,6
Sweden	12,6	France	4,5
Netherlands	10,8	United States	3,8
Austria	10,7	Spain	3,7
Germany	8,9	New Zealand	3,5
Belgium	8,2	Ireland	2,1
Canada	7,7	United Kingdom	1,8
Denmark	6,4	Portugal	0,9
Norway	6,0	Japan	0,0

Note: Percentage of in-donor refugee costs reported to the OECD, out of total reported aid, average for the years 2010-2020. Only countries reporting data for all eleven years are included in the comparison. Source: "DAC 1" dataset, series Aidtype 1820, refugee costs, and 1010, total ODA.

Figure 5: In-donor refugee costs out of total aid 2010-2020 (shares)



Note: Total in-donor refugee costs reported to the OECD, as a percentage of total reported aid. Source: "DAC 1" dataset, series Aidtype 1820, refugee costs, and 1010, total ODA.

A comparison with three neighbouring Nordic countries for the years 2010-2020 (Figure 5) shows that, with the exception of the most recent years, Sweden reports significantly higher costs for asylum seekers in the home country as a share of its total aid.

Differences between countries obviously depend on the number of asylum seekers to each country, but also on differences in reception costs and the extent to which countries choose to report these. Table 5 shows Denmark, Finland, Norway and Sweden's respective share of asylum reception of the total number received in these four countries (top panel). The table shows that Sweden has received between 64 and 73 per cent of the total number of asylum seekers since 2010.

Table 5: Share of asylum seekers and costs recognised as aid

	2010	2012	2014	2015	2016	2017	2018	2020
Andel asylsökande (1)								
Danmark	10 %	10 %	13 %	8 %	14 %	8 %	11 %	7 %
Finland	6 %	5 %	3 %	13 %	13 %	13 %	14%	14%
Norge	20 %	15 %	10 %	13 %	8 %	9 %	8%	6%
Sverige	64 %	70 %	73 %	66 %	65 %	69 %	67%	73 %
Andel rapporterade asylkostnader (2)								
Danmark	18 %	17 %	17 %	13 %	20 %	11 %	9 %	18 %
Finland	6 %	3 %	1 %	1 %	7 %	7 %	8 %	19 %
Norge	31 %	19 %	14 %	13 %	35 %	12 %	12 %	15 %
Sverige	46 %	61 %	68 %	73 %	38 %	71 %	71 %	48 %
Kvot kostnad/antal (2/1)								
Danmark	1,74	1,79	1,29	1,53	1,46	1,25	0,84	2,76
Finland	0,94	0,58	0,33	0,10	0,51	0,54	0,56	1,32
Norge	1,54	1,20	1,36	1,00	4,41	1,26	1,42	2,45
Sverige	0,72	0,88	0,93	1,11	0,58	1,02	1,07	0,65

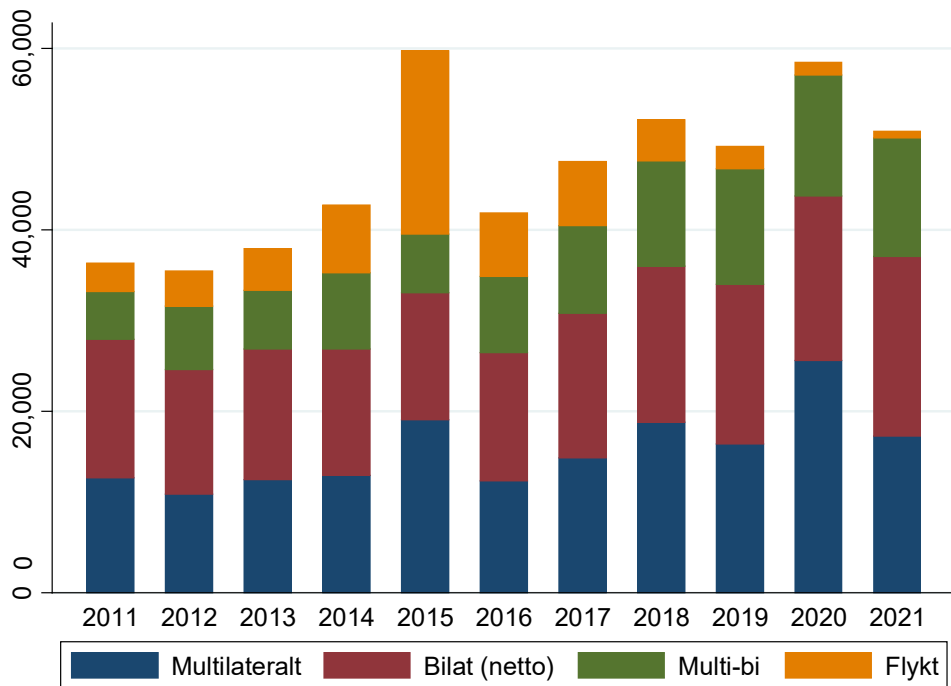
Note: Number of asylum seekers to each country as a share of the countries' total number (upper panel). Reported aid for asylum seekers as a share of the countries' total reporting (middle panel). Ratio between share of aid and share of asylum seekers (lower panel). Sources: Eurostat, "Asylum applicants by type of applicant, citizenship, age and sex - annual aggregated data (rounded)", MIGR_ASYAPPCTZA and OECD-DAC dataset "Table 1", series Aidtype 1820.

The table also shows each country's reported aid for this reception, also as a share of the four countries (middle panel). Sweden has reported between 38 and 73 per cent of the countries' total reported costs for asylum seekers. The bottom part of the table shows the ratio between the share of costs and the share of asylum reception. A ratio greater than 1 means that the reported share of costs is higher than the share of asylum seekers. A more detailed study is needed to claim that countries with ratios greater than 1 are "overcompensating" compared to their Nordic neighbours. However, the results in the table do not support the claim that Sweden's reported costs are disproportionately large in relation to the number of asylum seekers. Nevertheless, crowding-out effects are likely to be more problematic the higher the proportion of aid that is offset, especially if such offsets are made at short notice.

4 Aid net of deductions

Migration costs are reported as "bilateral, unspecified", so an increase in costs means, all else being equal, an increase in the volume and share of bilateral aid. Figure 6 shows Sweden's total aid reported to DAC (current million SEK) for 2011-2021. Bilateral aid includes earmarked aid from Sida that is channelled through multilateral organisations, known as multi-bi aid, and migration costs in the donor country. Bilateral aid thus consists of the top three categories. Multilateral aid consists of core support (prepared by the Ministry for Foreign Affairs and decided by the Government).

Figure 6: Sweden's total aid, 2011-2020, (SEK million, current prices)



Source: "DAC 1" dataset.

The figure clearly shows the increase in total aid in 2015, driven by migration costs, which also meant that reported aid amounted to 1.4 per cent of GNI that year. Somewhat unexpectedly, it can be noted that multilateral aid also increased in 2015, meaning that the share of total bilateral aid in total aid in 2015 was almost unchanged compared to the previous and following years.

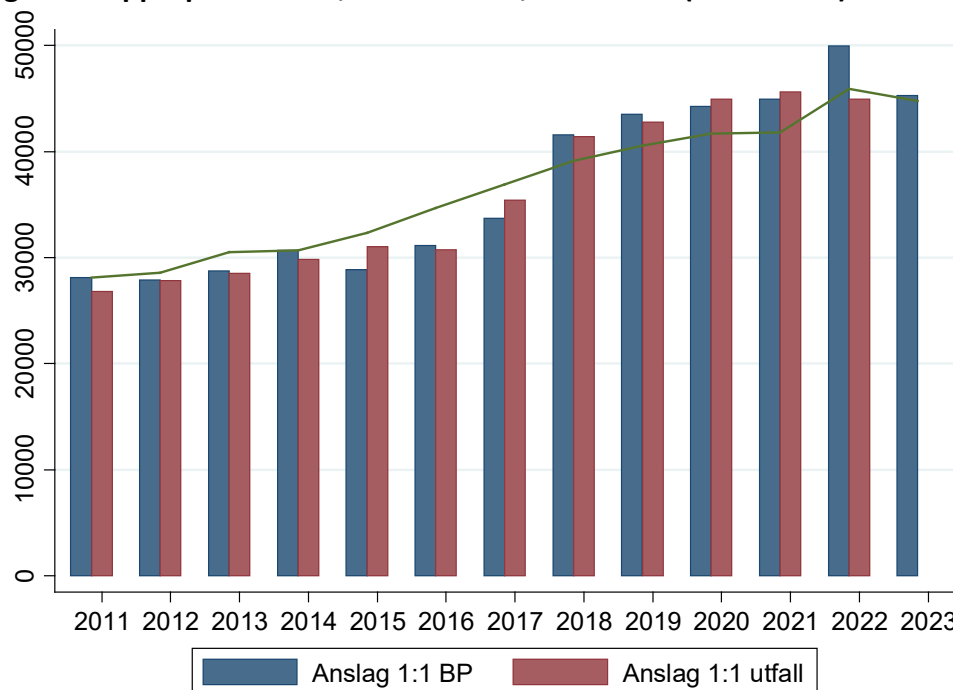
The figure shows the increase in multilateral contributions by 7 billion in 2015 (from 13 billion in 2014 to 19 billion in 2015, falling to just over 12 billion in 2016). It also shows that bilateral aid, excluding refugee costs and multi-bi (i.e. only the red bar), was largely unchanged in 2012-2016. The increased deductions for refugee costs in the years around 2015 were thus not financed by reductions but rather, as an effect of the one per cent target, by an absence of increases.

The above uses data reported to the DAC. This data does not report specific strategies or appropriations. However, the corresponding picture is at least as clear if we look at the “core” appropriation of Sweden’s aid, appropriation 1:1 Aid activities.⁹

⁹ Expenditure area 7 contains six appropriations: 1:1 Aid activities, 1:2 Sida's administrative appropriations, 1:3 Nordic Africa Institute, 1:4 Folke Bernadotte Academy, 1:5 Swedish National Audit Office's international development cooperation, 1:6 EBA.

Figure 7 shows the size of appropriation 1:1 in each year's budget proposal and annual outcome.

Figure 7: Appropriation 1:1, aid activities, 2011-2023 (SEK million)



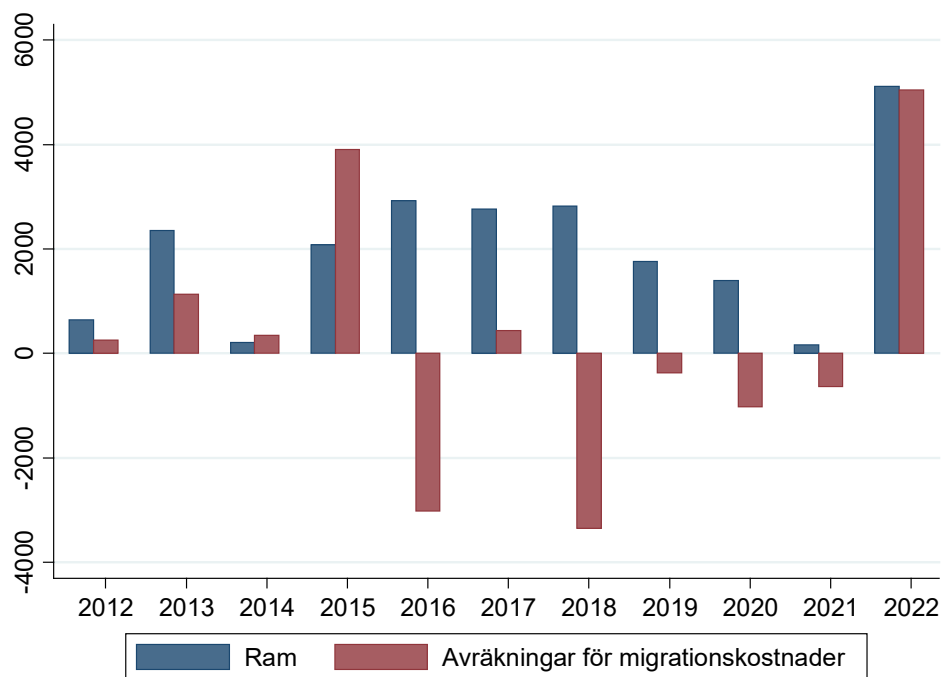
Source: Budget bills (various years). The green line is an index line for how appropriation 1:1 would have developed if it had changed in the same way as the aid frame since 2011.

The figure also includes a line showing how appropriation 1:1 would have developed if it had had the same percentage change as the aid frame since 2011.

The lack of increase in 2015-2017 is clear, as is the fact that from 2018 onwards, appropriation 1:1 has constituted a larger share of the aid framework than in previous years in the 2010s. However, this was changed by the larger deductions in 2022 and in the budget bill for 2023.

An alternative way of studying whether changes in deductions are covered by the volume increase that normally follows from increasing GNI is to compare the development of the aid frame and the deductions year by year. As shown in Figure 8, at least since 2012, increases in aid-reported costs for asylum seekers to Sweden (red bar) have been no higher than the increase in the total volume (blue bar) for all years except 2014 and 2015.

Figure 8: Annual differences in the aid framework and deductions for migration costs, 2012-2022 (SEK million).



Note: Difference from previous year of the aid frame and finally reported in-donor refugee costs.

Source: Budget bills (different years).

5 Concluding remarks

This overview shows that Sweden's deductions for migration costs in the home country since 1992 have varied considerably from year to year. Especially in the context of the Syrian crisis and large-scale reception of refugees (2015) and Russia's warfare in Ukraine (2022), these offsets have been significant.

It was mentioned in the introduction that no analysis is made of effects beyond what can be traced in available quantitative data. However, it is a well-established research result that unforeseen fluctuations (volatility) in aid flows have negative effects (e.g. Östlund 2018, Chauvet and Guillaumont 2009). Variations in settlements lead to uncertainty about the size of the other components of aid in a given year. There is a risk that such unpredictability in funding will have a negative impact on operations, and that the impact is greater the shorter the lead time, not least in the case of adjustments during budget years. If the variations also lead to, sometimes repeated, renegotiation of contracts, this is associated with additional efficiency costs.¹⁰

In conversations with informants, it was noted that the introduction of the limits in 2022 meant a number of adjustments to planned activities or renegotiations of agreements, which created a significant workload for both Sida and its partner organisations. Regardless of whether it has been possible to disburse some funds after a government decision, it is reasonable to assume that operations have been negatively affected.

In the aggregate, however, the reductions have so far tended to be accommodated within the increase in aid that the volume target leads to. In terms of volumes, the effects have therefore consisted more of absence of increases and thus cancellations of planned activities rather than of ongoing activities.

¹⁰ OECD-DAC data includes the dates of the expected start and end dates of the contracted intervention. The average contract length, measured in months between these two dates, varies between 20 and 29 months for the years 2010-2020. We see no evidence that the duration of contracts is getting shorter in the years around 2015. However, it should be noted that these contract lengths use outcome data. It is therefore not possible here to capture whether an intervention was renegotiated during the year to finally end up with an "average" contract length. As we cannot see from document studies to what extent contract renegotiations took place in 2015 and 2016, we cannot make any comparisons with the increased deductions for 2022.

The rules for how Sweden's deductions are to be made and the model on which they are based have become clearer in recent years, not least since the DAC's review of the reporting directives in 2017. The transparency of the system should therefore have improved.

In the Budget Bill for 2023, the Government has proposed an abolished one per cent target. One possible consequence of this could be that the system of offsets would cease completely. Without a volume target for aid, the migration costs reported as aid can be allowed to land in their annual outcome and, together with other aid, lead to a total reported aid that is what it is.

However, the Budget Bill proposes a total budget for Sweden's ODA inclusive of in-donor refugee costs, and that the share of those costs in should not exceed eight per cent. The question of the effects of in-donor refugee costs on other aid will therefore continue to be relevant, even if the direct impact, particularly when the number of migrants varies considerably, can be expected to be lower than before.

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